BUSINESS ENVIRONMENT

Economic Overview

The last decade witnessed increasing integration in the global marketplace, facilitated by rapid advancements in technology, increasing sophistication in financial systems, and the signing of several trade agreements. A marked increase in cross-border capital flows and the emergence of communications technologies including the Internet, have ensured that no country can remain entirely isolated from the rest of the globe, and a systemic deficiency in one economy can result in widespread capital flight from the region as a whole. The turbulence of the previous years has clearly underlined the need for strong prudential and supervisory norms aimed at creating a stable, more competitive and more transparent financial system.

The last twelve months witnessed stable economic growth in most parts of the globe with Japan being a notable exception. While equity markets on the whole enjoyed healthy growth, inflation rates remained satisfactorily low in most economies. The United States and European Economic Union continued to record steady growth, while most East Asian economies managed to reverse the trend of industrial recession of the previous years and several economies were able to clock GDP growth rates well in excess of 5%. These positive supply-side shifts can be attributed to some extent, to the harnessing of information technology, which has allowed the world economy to produce more output at a lower price. With increasing momentum in this trend, the world economy should continue moving towards a higher growth path coupled with greater structural disinflation.

On the domestic front, the cyclical downturn of the last two years finally subsided with a marked improvement in several key sectors of the economy, including Manufacturing, Construction and Infrastructure. The broad-based nature of this upturn was reflected in the strong showing of the basic, intermediate and consumer goods sectors. The rate of inflation declined to an all-time low, at par with several of the stronger emerging economies. The equity markets soared to new levels, but also revealed an increasing susceptibility to fluctuations in capital markets worldwide—a reflection of the strengthening of the forces of globalization. The balance of payments position improved further with a healthy increase in foreign exchange reserves fuelled by improved export performance. However, volatility in agricultural production continued, with erratic rainfall in certain states ensuring that total output would not match the record levels attained in the previous year.

Infrastructure, including power, roads, telecommunications and ports, continues to cause concern as an impediment to the inherent growth potential of the economy. While the public sector monopolies of the past are gradually receding in the face of a sustained onslaught from the private sector, we still have some way to go before complete economic and allocative efficiency is attained. The economy is in need of a modern regulatory system that will ensure provision of infrastructure facilities within a stable, predictable and commercially viable framework. The key here is to regulate the 'natural monopoly' elements and promote competition to the greatest extent possible, by elimination of all artificial barriers across different types of services.

The information technology sector, and in particular the software segment, continued to register strong growth and ensured India's continued pre-eminence in knowledge-based industries. The remarkable performance of this sector was based largely on the availability of a large pool of skilled human talent and the relative absence of Government controls. Going forward, it is imperative that existing bottlenecks to the rapid progress of this sector be removed through development of an adequate telecommunications infrastructure, an environment conducive to venture capital funding and an enabling regulatory framework for electronic commerce. Further, if the success of the information technology sector is to be replicated in other knowledge-based industries like biotechnology, there is a need to ensure availability of skilled manpower and the absence of pricing, administrative and other controls.

As India increasingly integrates with the global economy, its comparative advantage lies clearly in its abundance of skilled labour. India has demonstrated strengths in services especially, but not exclusively, those related to information technology. The Government needs to complement these strengths through measures aimed at strengthening human capital and at boosting export competitiveness, which will ensure sustainable economic growth in the 7-8% range.

Financial Sector Overview

The Indian financial services sector is witnessing unprecedented changes, fuelled by economic deregulation and technological and financial innovation. The emergence of the Internet as an alternative service delivery platform has profound implications for the way that business is conducted. The availability of online real-time information implies considerably lower switching costs for customers and places a premium on customer retention. Also, traditional entry barriers are rendered redundant to a large extent. As a result, traditional entities increasingly have to focus on technology adoption as a means of retaining competitive advantage.

The Internet has changed the competitive dynamics of the financial services business in the United States with nearly all traditional-service providers setting up parallel online delivery channels. Competition has been heightened by the emergence of certain Internet-only banks and online brokerage service providers. However, the Internet has not yet had the same kind of impact in India, owing to the absence of an enabling regulatory framework and a lack of adequate infrastructure, resulting in low levels of Internet penetration particularly in rural areas. With the growing number of cyber-cafes and the development of technologies like set-top boxes and wireless application protocol, Internet access is set to increase exponentially. As a result, the virtual medium is, in the not so distant future, inevitably going to revolutionize the financial services business in India

The process of deregulation in the Indian financial sector was carried a step forward with the passing of the Insurance Regulatory and Development Authority (IRDA) Bill by Parliament in December 1999. This move effectively opened the insurance sector to private providers and has far-reaching implications for long-term savings. The Government also took the politically sensitive but economically necessary decision of lowering the interest rates on Provident Fund schemes. With the Reserve Bank of India (RBI) taking the cue and lowering the interest rate on savings deposits, the stage is now set for a rationalization of interest rates across the maturity spectrum, which should trigger investment activity and growth.

The twin forces of deregulation and technology have increased the degree of competition in the Indian financial sector to unprecedented levels. In this milieu, size becomes a decisive consideration on account of the scale economies and benefits offered by adoption of the new technologies. As a result, there is an urgent need for consolidation and the rehabilitation of economically inefficient players in the system. The RBI has made a beginning at addressing the issue of consolidation in the recent credit policy by granting permission to Development Financial Institutions to effect the transformation into Universal Banks. The process now needs to be taken to its logical conclusion by rationalizing the net regulatory burden applicable to the Indian Banking system. This will naturally result in consolidation and increased efficiencies, and lay a strong foundation for a globally competitive Indian financial sector.

Following a decade of reform, the Indian financial sector is gradually moving towards attainment of global standards, through the proactive role played by the RBI and other regulatory bodies. The RBI has adopted the Core Principles for Effective Banking Supervision suggested by the Basle committee and is working out further improvements to prudential norms, particularly in the areas relating to asset classification and provisioning standards. It has also brought disclosure standards almost at par with global best practices by requiring data on important performance indicators including provisions and non-performing loans to be added as notes to accounts. In a free-interest-rate regime, asset-liability management (ALM) is of paramount importance, and the RBI has instituted an ALM reporting system beginning this financial year. Further, the RBI has also moved towards more stringent capital adequacy norms and adopted the CAMELS (capital adequacy, asset quality, management, earnings, liquidity and systems and control) system for evaluating the soundness of banks. All these measures are aimed at ensuring the stability and health of the Indian financial system, which is imperative in a global financial environment marked by increasing capital mobility.

BUSINESS OPERATIONS

During the year under review, ICICI continued its focus on achieving a diversified asset base to mitigate the inherent risks of operating on a single-product portfolio. Our ability to devise customized solutions and innovative uses of technology helped us develop relationships with several leading public sector entities and multinational clients and further improve our corporate banking portfolio. During the year, we also commenced operations in several new business areas including food and agriculture financing, and set up a dedicated e-commerce division to capitalize on the opportunities offered by the new economy. In addition we expanded the breadth of our retail franchise and have emerged today as one of the leading players in the retail finance market.

Corporate Banking

As a diversified financial services provider, ICICI provides the complete spectrum of wholesale banking products and services including project finance, corporate finance, hybrid financing structures, syndication services, treasury-based financial solutions, cash flow based financing products, lease financing, equity financing, risk management tools, as well as advisory services. The recent changes in the operating environment fostered by the remarkable advancements in technology have thrown up a new set of opportunities and challenges, and ICICI has analyzed the evolving competitive landscape to develop for itself a unique positioning strategy.

Business Strategy

As India integrates with the global economy, the financial sector is facing increasing disintermediation and growing competition from both domestic and global players. Consequently, there has been a marked shift from a product-focus to a customer-focus and financial services companies have to realign their strategies in tune with the evolving competitive environment. As customers migrate towards those entities that provide the most cost-efficient, high-quality service, ICICI has capitalized on the opportunity to increase its market presence and ensure a greater share of the customer's "wallet". The ICICI Group with its strong corporate franchise, in-depth knowledge of Indian industry and arguably the best pool of human talent in the Indian financial sector is uniquely positioned to take advantage of this opportunity.

The Information Age has placed a premium on innovation as a means of customer acquisition and retention. ICICI has set up a dedicated electronic commerce group to harness the opportunities offered by the Internet revolution, and one of the primary functions of this group is to Web-enable existing products and services. Thus, we launched a pioneering Web-based supply chain management solution, which has helped us develop new relationships with several leading corporates. However, our thrust on innovation has not been confined to the Internet alone, and during the period under review we also offered other innovative financial solutions including intangible asset financing, channel financing, investment monetization and structured equity guarantees, and value added services like syndication, fund arrangement and advisory services.

Rapid changes in technology and the competitive landscape have fundamentally altered the market dynamics in several industries and necessitated newer initiatives and innovative policy prescriptions. Given ICICI's specialized skills, we have been invited by the Government of India to participate in many important committees aimed at enhancing industrial development through policy measures. Most of these committees were formed with participation at the ministerial level and similar high level representation from ICICI including the MD & CEO and other top management functionaries. The successful adoption of several of the recommendations made by these committees, and the consequent improvements in several sectors, bear out ICICI's role in fostering the economic development of the nation.

Our focus during the year has been on using our client-centric relationship groups to offer the full range of our products and services to our clients with an emphasis on cross-selling and maximization of value to our corporate clients. We continued to restrict our exposure in corporate finance products primarily to highly rated customers, to ensure minimal credit risk. In the project finance segment, we have continued to focus on structured project finance in the infrastructure and oil, gas and petrochemicals sectors. We believe our strategy of business diversification will help us achieve more stable revenues and lower the risk to shareholder returns.

Operational Review

ICICI's disbursements grew 34% to Rs. 258.36 billion in financial year 1999-2000 from Rs. 192.25 billion in the previous year. In the same period, approvals increased 37% to Rs. 444.79 billion from Rs. 323.71 billion in the previous year, indicating a strong pipeline of projects and robust growth in the coming year. The diversification trend is reflected in the purpose-wise approvals and disbursals made by ICICI during 1999-2000.

(Rs. billion)

Purpose	**Approvals**				**Disbursals**			
	1998-99	% to total	1999-00	% to total	1998-99	% to total	1999-00	% to total
Infrastructure	92.22	29	94.48	21	28.85	15	36.11	14
Oil, Gas and Petrochemicals	62.48	19	93.76	21	43.00	22	55.66	22
Other projects in Manufacturing	61.20	19	63.62	15	47.78	25	37.35	14
Corporate Finance[1]	103.61	32	183.62	41	68.42	36	122.16	47
Retail Finance	4.20	1	9.31	2	4.20	2	7.08	3
Total	323.71	100	444.79	100	192.25	100	258.36	100

Note:

1) Excludes corporate lending to infrastructure, oil, gas, and petrochemicals sector.

The total approvals and disbursals by all-India Financial Institutions were Rs. 1,037.49 billion and Rs.671.68 billion respectively. Of these, ICICI's shares were 42.9% and 38.5% respectively, clearly establishing ICICI's leadership position in this business.

ICICI's activities in the corporate banking segment can be broadly classified into corporate finance activities and project finance activities.

Corporate Finance

ICICI has emerged as a key player in the medium-term finance market, and during 1999-2000, we were able to consolidate our position and expand our client base by leveraging our customized structuring skills. We launched a number of innovative financial products during the year. We also introduced hybrid currency loans and floating rate loans to facilitate superior foreign exchange and interest rate management among our corporate clientele. As various sectors of the Indian economy underwent a process of consolidation, we were able to play a facilitating role by funding mergers and acquisitions.

Structured Solutions

Combining our experience and in-depth understanding of client needs, we introduced several value-added products aimed at meeting specific client requirements. We structured a financial product for business houses with large investment holdings, whereby these investments were monetized. Our structuring skills were also manifested in certain key deals where we undertook intangible asset financing in the form of 'brand financing', and floating rate leases.

During the year, ICICI made extensive efforts at developing a deeper debt market by creating awareness about securitization and developing an investor base for it. The process of securitization was applied to several new asset classes including air tickets and advertising revenues apart from credit card receivables, export receivables, Department of Telecommunication receivables and lease rentals. We achieved the maiden sell-down of securitization assets in Indian markets through the trust route, thereby paving the way for secondary market trading in such assets. During the year, we submitted a technical paper to the RBI on securitization regulations and the establishment of a special purpose vehicle for securitization issuances. Subsequently, we were invited by the RBI to work with the in-house working group on securitization.

Our increasing customer-orientation and product-customization, was reflected in our growing 'share of wallet' in several public sector enterprises. Over the last year, we were able to extend assistance to several of these companies, and in many cases, become their financier of choice. Thus, we were able to augment our loan portfolio with high quality assets. In other cases, our expertise helped us secure prestigious advisory mandates.

In an effort to expand the scope of its corporate finance business, ICICI looked beyond the traditional corporate segment and targeted contractors, dealers and builders. Engineering, procurement and construction (EPC) financing was introduced for companies engaged in contract-based businesses, wherein, the finance provided was made contract specific rather than client specific, in order to enhance creditworthiness. Channel financing, which was introduced during 1998-99, was significantly broadened to reach the dealer networks of several large corporates. Builder financing transactions were also undertaken during the year to reach out to the largely untapped real estate segment.

In tune with its objective of asset diversification, ICICI commenced funding the high-growth food and agriculture sector of the economy. We introduced a structured grower credit scheme for input and processing companies in the rural sector whereby our exposure would rest with an established entity but the end user would typically be a farmer. We also pioneered warehouse receipt based financing for cotton and plan to extend this to other commodities as well. We are seeking to establish ourselves as a provider of micro-credit without establishing a brick-and-mortar infrastructure, through the use of technology as a delivery enabler. These initiatives, apart from widening our client base, also provided an avenue for credit-enhanced priority sector lending for ICICI Bank.

Overall, our corporate finance activities focused on providing innovative solutions to our existing clientele while at the same time reaching out to entirely new client segments, where we perceived suitable opportunities for growth. The success of this strategy was reflected in 47% of ICICI's disbursals in 1999-2000 emanating from this product category compared to 36% in 1998-99 and 28% in 1997-98.

Project Finance

ICICI had in the past been operating as a traditional project finance institution. We had subsequently set up specialized industry groups in the areas of infrastructure and oil, gas and petrochemicals sectors, with a view to capitalizing on the opportunities offered by the liberalization of the Indian economy. Over the years, we have developed considerable expertise in structuring complex project finance transactions and effectively allocating the associated risks. Our presence has been viewed by most sponsors as critical to the success of their projects, on account of our proficiency in developing enforceable contract models, syndicating requisite funds and working out complex issues related to Government regulations. Our strengths in project finance are based on our vast experience, and we have endeavoured to incorporate tighter security structures, including escrow accounts to capture cash flows.

Infrastructure Financing

ICICI has been acknowledged as the leading player in infrastructure financing in the country, on account of its proactive role in developing innovative financing structures for this sector. This, coupled with precise documentation, has resulted in better control of projects, improved risk profile and higher risk-adjusted returns.

Our major achievements during the year include successful financial closure of power projects aggregating a capacity of about 1,700 MW (in an environment that witnessed little progress in sector reforms), devising a structured equity guarantee for the telecom sector, and advising a Government agency in developing an expressway project. Our approvals in the infrastructure segment during the year stood at Rs. 94.48 billion and formed 21% of our aggregate approvals. We were appointed lead arranger and project advisor in the vast majority of our mandates.

Given the strategic importance of the sector and ICICI's role as a leading player in the infrastructure financing arena, we are being increasingly called upon to provide policy level advice. As a logical extension of its contribution in drafting the New Telecom Policy 1999, ICICI was nominated as a member of two sub-groups formed by the Government of India in December 1999, which were chaired by ICICI's Managing Director & CEO. The sub-groups were constituted to recommend measures for expeditious implementation of the New Telecom Policy 1999 and to redraft the Indian Telegraph Act, 1885 in view of the rapid convergence of telecom, media and Information Technology. ICICI also completed an assignment for the Ministry of Power on restructuring the power sector at both the central and state levels, and for Indian Railways on setting up an all-India broad-band fibre optic network.

Oil, Gas, Petrochemicals and other related areas

ICICI has developed considerable in-house expertise in project financing in the areas of oil exploration and production, refineries, pipelines, liquefied natural gas, petrochemicals and fertilizers. Our dominance in the exploration and production segment of this sector was manifested in the fact that we were able to secure all the mandates on offer. The thrust remained on structured financing through securitization of future receivables both for new and existing projects in the petrochemicals and refining sectors as well as through oil and gas monetization. With the ongoing deregulation in this sector, we have earmarked the development of infrastructure for petroleum product distribution and marketing as one of our key growth areas. We are strongly positioned to become a market leader in this area by virtue of having been appointed advisor and sole debt-arranger to the independent company set up for the implementation of all future petroleum product pipeline projects in India. Our mandate involved the determination of the tariff as well as drafting of the contractual documents required for financial closure.

ICICI continued to play a key role in policy formulation in this sector. The Government of India constituted a task force—India-Hydrocarbon Vision 2025—to chart out a long-term strategy for developing the Indian hydrocarbon sector. The Managing Director & CEO of ICICI was the convenor of the sub-group constituted as a part of the task force to report on the development of refining, marketing, transportation and infrastructure requirements based on demand and supply projections. We carried out several other advisory mandates in this sector including analyzing the financial viability, as well as working out a preliminary financing plan, for the proposed refinery projects of several leading PSU oil companies. We also undertook the equity valuation and capital structuring of several refinery projects as a part of our efforts to aid the restructuring effort in this sector.

Manufacturing Sector

ICICI had in the past extended the bulk of its financing to projects in the manufacturing sector. This had rendered our asset portfolio fairly vulnerable to industrial recession, and as a result we had undertaken a conscious portfolio diversification strategy, enabling us to maintain our track record of steady profitability even amidst a depressed industrial environment. During the year under review, the manufacturing sector in India recovered from the cyclical downturn of the last two years and managed to register steady growth in several segments including machinery and equipment, paper, basic chemicals, coal, steel and cement. The strong recovery in these areas has positive implications for our asset portfolio since a significant portion of our outstanding assets lie in this category.

In keeping with its focus on improving asset quality, ICICI provided assistance only to globally-scaled intrinsically viable projects with strong sponsor support. Approvals in the manufacturing sector were restricted to about 15% of approvals compared to 19% in the previous year. The projects were scrutinized to ensure application of global best practices in respect of project structuring and subsequent monitoring. ICICI also played a role in facilitating the positive trend of consolidation of capacities in sectors like cement, paper, textiles and manmade fibres. Our long-term strategy of reducing the susceptibility of our asset portfolio to cyclical downturns in industry was reflected in a decline in total outstanding loans to this sector.

Investments

The period under review witnessed buoyant capital market conditions for most of the year fuelled by record FII inflows of nearly Rs. 100.00 billion. The BSE Sensex—the benchmark indicator for the Indian equity market—posted record highs during the period, breaking through first the 5,000 barrier and then the 6,000 mark before witnessing a sharp downward correction in March 2000. In spite of this downward correction, the Sensex closed the year at levels almost 35% higher than the previous year. The upturn in the capital markets resulted in an increase in disbursements towards acquisition of equity and preference shares to Rs. 7.17 billion in 1999-2000 compared to Rs. 1.10 billion in the previous year.

ICICI continued with its strategy of active portfolio management for its long-term equity investments and used the favourable capital market conditions to exit from several long-term investments at substantial gains. At March 31, 2000, ICICI's investment portfolio comprising investments in equity, preference shares and units showed an unrealized gain of Rs. 24.37 billion compared to an unrealized loss of Rs. 5.01 billion at March 31, 1999 and an unrealized loss of Rs.1.60 billion at March 31, 1998.

Advisory Services

ICICI's Advisory Services Group provides fee-based, value-added services to clients to complement our mainline financing business. We maintained our position as a leading advisor in the energy sector and won a prestigious mandate from the World Bank, in the face of strong international competition, for the financial restructuring of the Uttar Pradesh State Electricity Board. We were granted a mandate along with two leading international consultants as advisors to the Gujarat Infrastructure Development Board to develop an Integrated Public Transit System for the city of Ahmedabad. We were also appointed advisors to the Ministry of Railways on the Pipavav-Surendranagar rail link project. ICICI was awarded several other mandates during the year and is a preferred partner for a number of internationally reputed consultants for execution of assignments.

Custodial Services

ICICI is registered as a full-fledged depository participant of National Securities Depository Limited and provides regular electronic depository facilities to investors in both the corporate and retail segments. During the year 1999-2000, we consolidated our pre-eminent market position by securing 85 new wholesale clients in the face of increasing competition and also a significant portion of repeat business on the strength of our consistently high service standards. As a result, there was a significant increase in the volume of transactions and assets under our custody. On the retail side, ICICI was able to rapidly build a large base of over 100,000 customers by offering service at competitive rates.

Personal Financial Services

Retail products form an integral part of our portfolio diversification strategy, and over the last few years ICICI has established its presence in the retail liabilities market through regular offerings of “ICICI Bonds”. We presently have a retail bond investor base of more than 3 million customers. On the retail assets side, the year under review witnessed a transition in our market position from a relatively small player active in a few locations, to a dominant player with a nationwide presence. Our Personal Financial Services (PFS) division expanded its product range during the year to provide the complete spectrum of retail asset products to individuals including automobile finance, home finance, consumer durables finance, and personal loans. ICICI Bank, our banking subsidiary, launched credit card services during the year.

Business Strategy

The Indian retail finance market is characterized by the presence of several large national players with dominance in one or two product categories. Competition is heightened by the presence of several smaller regional players. In such an environment, the key success factors are product differentiation through innovation and customer focus. Also, a strong brand name is imperative to ensure rapid acceptance of products and services in an increasingly crowded market place.

Following the launch of the new ICICI logo in the previous year, we undertook a comprehensive brand-building campaign aimed at making ICICI the premier financial services brand in India. We commissioned the services of one of India’s leading film-makers to create an advertisement film for television based on the theme of ICICI "adding a little magic to your life". In addition, we continued our hugely successful and widely appreciated national investor education campaign, and the "safe hands" cricket awards, which reinforced the theme of safety and trust in the minds of the retail investor. These initiatives were complemented by consistent advertising in print and television. As a result of these efforts, our brand recall was significantly enhanced and according to a brand track study by an independent market research agency, ICICI enjoyed the highest top-of-the-mind advertising recall among brands in the Indian financial services sector.

ICICI has aimed to become the premier provider of personal financial services in India, by combining emerging technology with innovative product offerings to enhance the value proposition for the customer. We are using a combination of physical and electronic delivery channels to maximize customer choice and convenience, and our efficient delivery system and superior product design have helped us differentiate our products in the market place. Thus, we strengthened our network of direct marketing agents, who now number 35 and sell both asset and liability products.

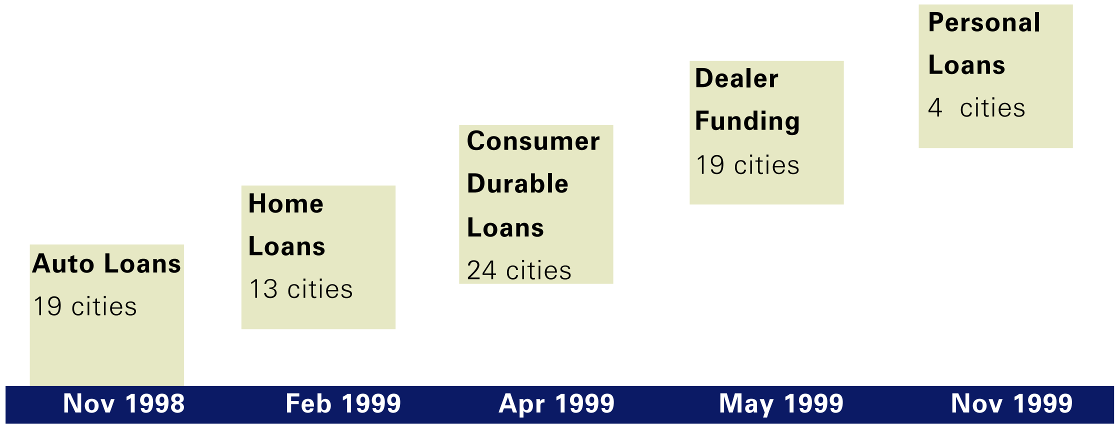
We are currently working on integrating our technology back-end to provide all our products across all the delivery channels including the Internet, thus providing a paradigm shift in service delivery. The result would be a consistent, reliable and seamless experience for customers across our national network.

During the year under review, ICICI introduced a series of innovations in the retail asset segment. We rationalized interest rates in the housing loan segment ensuring that customers were able to avail of finance at the lowest possible rates. In addition, we were the first to introduce housing loans of 30 year maturity, resulting in the broadening and deepening of our target market. Our innovation extended to product delivery, where we used non-conventional distribution methods including the Internet and doorstep service for small ticket loans. Finally, we used the trail commission basis, rather than the usual upfront commission, to reward our direct marketing agents and ensure superior service delivery through the life of the loan.

Operational Overview

Personal Finance Asset Products

The year under review was marked by consolidation for ICICI with the retail asset customer base increasing from less than 1,000 at the beginning of the year to over 48,000. This resulted from significant market-share gains in home loans, auto loans and consumer durables loans. In addition, our product offering was expanded with the launch of personal loans, dealer financing and commercial vehicle loans. As a result, we now offer one of the most comprehensive product portfolios, enabling us to meet customer requirements at different stages in their life cycle.



Home loans were made available at 13 geographically diverse locations. The rapid acquisition of customers and resultant market share gains was the result of our competitive interest rates coupled with measures like doorstep delivery for added convenience. We were also able to leverage relationships with our corporate customers to provide home loans to their employees. Consequently, we became one of the leading housing loan providers on an incremental basis, with leadership in key cities like Chennai and Bangalore. We set up a dedicated housing finance subsidiary during the year to enable us to raise low cost funds from the National Housing Bank and other sources.

In the automobile finance segment, we extended our coverage to 19 cities—one of the widest networks in the country. Our corporate relationships and service orientation enabled us to gain preferred financier status with several leading automobile manufacturers. Innovative product propositions to meet varied requirements of customers resulted in significant market share gains and a rank amongst the top four players at the national level on the basis of incremental business.

Consumer durable loans were made available at 24 locations in the country. During the year various innovative schemes were tailored with white good manufacturers, including zero per cent loan schemes on select products.

Four call centres were opened by ICICI PFS, our retail finance subsidiary, during the year to cater to the information requirements of customers across the ICICI Group. These state-of-the-art call centres have integrated all the retail product systems of the ICICI Group using middle-ware, which has enabled our customers to get information about all their accounts. The first call centre was opened in Mumbai, and subsequently the facility was extended to Pune, New Delhi and Chennai. Call volumes have steadily increased to about an average of 20,000 calls per day at present, and we expect the call centres to become a mainstream channel for servicing our customers as well as cross-selling the products of the ICICI Group.

The expansion in our retail asset portfolio was achieved without any compromise on asset quality. Sophisticated loan-processing systems were successfully implemented for all product categories, and were supplemented with stringent provisioning norms. Overall, we anticipate significant growth in our retail asset portfolio in the coming years fuelled by group synergy, our existing retail bond customer base and our technology-driven distribution network

Personal Finance Savings Products

In keeping with our identity of a one-stop financial services provider, ICICI offers complete savings and investment options to the retail segment. We believe that it is imperative to retain a continuous presence in the market. Accordingly, we launched a bonds-on-tap scheme during the year to ensure the presence of a secondary market for the retail investor for year-round purchase and sale of bonds. Our large and diverse investor base has also provided us with significant cross-selling opportunities for our retail asset products.

During the financial year 1999-2000, in addition to the domestic public issue of equity, seven retail bond issues were made, mobilizing an amount of Rs 25.75 billion from over one million investors. This large amount was raised in an environment marked by an upsurge in equity capital markets and declining interest in debt instruments owing to tax concessions given to mutual funds. A new product—The Gilt Rate Plus Bond—was introduced, which gave the investor an early redemption option and returns linked to the yields on Government of India securities. To ensure a high level of liquidity, ICICI offered an 'encash' option on select bonds, which could be redeemed at ICICI Centres and ICICI Bank branches. In addition, we offered a market-making facility and an "Anytime Facility" for the purchase and sale of select bonds.

In a bid to develop an efficient distribution network, ICICI opened a geographically diverse network of ICICI Centres, which are thinly manned outlets offering the entire range of financial products and services to the retail customer. The product range includes not only ICICI Bonds and fixed deposits, but also mutual fund units and initial public offers of equity. At present, we have established 75 such centres, with plans to expand the network over the next two years. These centres are fully computerized and equipped with online connectivity to give us a significant distribution edge over our competitors.

Group Synergy in Business Operations

ICICI has aimed to offer its clients a complete spectrum of products and services and to structure tailor-made financial solutions for meeting specific client needs. To achieve these objectives, it was of vital importance that the different skills and capabilities within the ICICI Group were combined and delivered seamlessly to the client. The first step in this direction was the brand building exercise, which enabled the customer to perceive ICICI as a total financial services provider. Subsequently, the formation of the Major Clients Group and Growth Clients Group created an effective interface with corporate customers, enabling all ICICI Group companies to generate enhanced business with these customers. Thus ICICI Bank was able to capitalize on group synergy to gain significant new business particularly in its cash management services and "Power Pay" products. Similarly, ICICI Securities, our investment banking subsidiary, was also able to secure the lead arranger mandate for several debt issues originated by ICICI clients. The ICICI Group succeeded in deepening its relationships with several clients through its ability to provide a bundled product offering.

The process of group synergy has been carried forward to product delivery resulting in significant scale economies through shared delivery channels. The physical bank branches are used to distribute ICICI bonds while the ICICI Centres are used to distribute some of the retail asset products of the group. The call centre operated by ICICI PFS extends its services to other group entities for a fee based on the volume of calls processed. Given the single-window functionality of this channel, significant opportunities for cross-selling are automatically generated. Finally, the Internet Banking channel is used to market the entire range of products of the ICICI Group, and present the customer with a one-stop solution to all his retail finance needs.

Other key elements of the group synergy are the presence of a group-wide technology platform, and group-wide access to a fund of exceptional human talent. Significant synergy was created in utilizing technology across ICICI Group during the year through the pooling of group resources into ICICI Infotech. Substantial progress has also been made in ensuring that common technology platforms are used across the group companies. This has ensured easier and more cost-effective integration of the various applications in respect of different products and processes across the ICICI Group. In addition, the shared technology platforms have facilitated lower standalone capital investments for each of the group entities, and resulted in greater operational efficiencies. The vast repository of human capital in the ICICI Group has given each of the group entities access to a breadth and level of expertise that is unmatched in the Indian financial sector. This has enabled each of the group companies to more effectively discern customer needs and deliver timely, customized solutions.

The synergy achieved within the ICICI Group has been the key to the achievement of remarkable growth volumes in various business groups in the present competitive environment. Moreover, it has created a whole new set of opportunities for the ICICI Group; both wholesale and retail, across the life cycle of the customer. Thus, ICICI's larger retail investor base provided an ideal target segment for cross-selling our retail asset products. However, in all our efforts at ICICI Group synergy, a clear separation of the different legal entities within the ICICI Group and independence of business decisions have been scrupulously maintained.

EQUITY OFFERING IN 1999-2000

Over the last few years, ICICI has succeeded in increasing its asset base and profitability at a steady pace. With a view to sustaining this strong growth rate and providing an adequate capital cushion, ICICI decided to raise fresh equity amounting to US$ 500 million during the year. We opted for a three-part capital raising strategy, targeting the existing Indian institutional shareholders, other Indian shareholders and overseas investors.

The first stage was a preferential allotment of shares to our principal shareholders amounting to Rs. 5.00 billion. This was followed by a domestic public offering of Rs. 3.03 billion in depressed capital market conditions. The success of this public offering signalled the end of the depression in the capital markets, and paved the way for the subsequent upsurge in the primary markets. The last stage was an overseas offering of American Depositary Shares (ADS) amounting to US$ 315 million including the greenshoe option. ICICI chose to list these shares on the New York Stock Exchange (NYSE) in line with its strategic vision of being a leading Indian financial services company operating on global benchmarks. As a prelude to the overseas listing, ICICI completed a full-scope audit of its accounts under US GAAP and joined a select group of non-US banks that have registered with the Securities and Exchange Commission, USA.

The road to the NYSE commenced with the launch of our international roadshows in Singapore on the 14th of September. Subsequently, three teams of senior management spanned the entire globe in only a week and we received orders totalling over US$ 1.6 billion (about Rs. 70.00 billion) against an issue size of only US$ 275 million (about Rs. 12.00 billion) representing a subscription of almost 6 times. The issue witnessed strong demand from across the world with US-based investors providing the largest proportion. These orders were allocated with a great deal of care to ensure that the highest quality investors were provided the maximum number of shares. Following the successful completion of the overseas offering, ICICI became the first Indian company and second Asian bank to get listed on the NYSE.

RESOURCES AND TREASURY OPERATIONS

ICICI is a large borrower in India and consequently requires an extremely active treasury department to mobilize the resources required to meet its extensive funding requirements. The Treasury Division at ICICI mobilizes resources both from domestic and international markets, manages cash surpluses, sets interest rates and hedges ICICI's exposure to market risks.

We have reduced our dependence on a concentrated resource base by targeting a variety of funding sources including provident funds, port trusts, pension funds, PSUs, corporates, banks, and multilateral institutions. We view the retail customer as an important source of funding and have made extensive efforts to enhance our retail resource raising capabilities. Accordingly we have continued to make public offerings of bonds throughout the year at regular intervals, to ensure a continuous market presence.

Rupee Borrowings

During the year 1999-2000, ICICI mobilized total rupee resources of Rs 158.72 billion comprising Rs 132.97 billion from wholesale resources and Rs 25.75 billion from retail resources. The strategy of investor diversification and increased mobilization was implemented through aggressive targeting of a wider range of investor categories including autonomous bodies, development authorities, educational institutions, and religious and charitable trusts. With increasing sophistication in client funding requirements, ICICI has introduced several innovative treasury products including floating rate notes linked to market-related benchmarks like the Mumbai Inter-Bank Offer Rate (MIBOR) and 91-day treasury bills.

Foreign Currency Resources

In a year marked by lack of corporate appetite for foreign currency loans, ICICI was able to meet its foreign currency requirements by drawing down available lines of credit, and not resorting to fresh borrowings.

Treasury Operations

Competitive forces and technology advancements have compelled companies to adopt the latest technology and develop innovative products in order to raise efficency and service levels. During the year, ICICI undertook several initiatives to strengthen its competitive position in treasury operations, and we believe that these measures will help us in achieving the objective of optimizing our risk profile and profitability over the long-term.

The first step was the establishment of a new dealing room equipped with state-of-the-art hardware and software from leading global technology suppliers. The dealing equipment and the market dissemination systems were obtained from leading international vendors. Equipped with 120 dealing positions, the dealing room is the largest facility of its kind in India and has enabled ICICI to actively participate in trading in all domestic and international markets round-the-clock. Thus, ICICI has become an increasingly active player in Government securities, corporate debt, forex market, rupee & forex swaps and equity markets. Such active participation has helped us to hedge balance sheet positions, improve liquidity management and capitalize on market opportunities.

Since a major portion of ICICI's balance sheet consists of amortizing rupee assets and fixed-rate bullet liabilities, it is exposed to rupee-interest-rate risk on account of maturity mismatches. Our initiatives in the area of Asset Liability Management (ALM) and funds pricing have greatly helped in lowering these risks. We have established systems to measure and monitor our asset liability mismatches. The strategies being adopted for asset liability management include aggressive borrowings of the desired maturity profile from the market, issuance of floating rate papers, interest rate swaps and diversification of the funding base to generate funds from across the maturity spectrum.

With a view to achieve process improvements, several functions of the treasury back-office were automated during the year. This has enabled ICICI to increase volumes of the treasury operations while substantially reducing the operational risks. The introduction of a new Funds Transfer Management system has facilitated the availability of online information on a real-time basis, resulting in improved liquidity planning and cost savings through lower holding costs. Controls were further strengthened through the issue of treasury manuals, which ensured a greater degree of standardization and process improvements. The introduction of a centralized Web-based liability management system has facilitated straight-through processing from dealer to back-office with the elimination of all paperwork.

In keeping with its objective of meeting client requirements, ICICI introduced hybrid currency loans during the year to enable superior forex risk management among its clients. ICICI also increased awareness among regulators and customers for long-term Rupee-Dollar swaps by adapting this derivative product to Indian markets through proprietary hedging and pricing methodologies. In the process ICICI virtually created the market for Rupee –Dollar currency swaps and thereby provided corporates with another tool to manage their market-related risks. We plan to take this initiative further by building our swap book, thus deepening the market.

Credit Rating

ICICI relies on external sources in the domestic and international markets to meet its requirement of funds. ICICI's debt ratings at March 31, 2000 were as follows:

Agency	Rating
Moody's Investors Service (Moody's)	Ba2
Standard & Poor's (S & P)	BB
Credit Analysis & Research Ltd. (CARE)	CARE AAA
Investment Information and Credit Rating Agency (ICRA)	LAAA

The domestic ratings are all in the highest possible investment grade categories. The credit rating from Moody's is at sovereign risk levels. The rating from Standard & Poor's is also at par with the sovereign rating except that S&P revised the outlook on the sovereign rating to positive in March 2000, while ICICI's rating continues to carry a stable outlook. The stable outlook on the S&P rating of ICICI reflects S&P's concerns on the Indian financial sector as a whole and is not specific to ICICI.

INFORMATION TECHNOLOGY

Information Technology (IT) is a key driver in creating value in the knowledge economy, and ICICI has been proactive in the adoption of technology to ensure enhanced customer choice and convenience. During the year, a group-wide SAP implementation of the general ledger was carried out, and a corporate data warehouse was initiated, resulting in the availability of consolidated information across functions and significantly enhanced ability to carry out analyses. ICICI had taken adequate measures to combat the Y2K bug by meticulously testing all systems for compliance and detailing contingency plans in the event of an emergency. These measures ensured a smooth transition into the new millennium.

In order to achieve enhanced synergies in technology resources, the IT departments across all the group companies were consolidated into ICICI Infotech Services Limited. This amalgamation was a key step in attaining the critical mass requisite to becoming a technology-driven company, and provided a strong technology backbone for the entire ICICI Group. The resultant technology infrastructure has provided the group with significant cost and scale benefits. The consolidation also involved aligning human resource practices with those of the

IT industry rather than with those of traditional financial services providers, in order to attract and retain the best talent. Consequently, the ICICI Group acquired an in-house technology service provider with a depth of human talent that would be difficult to find in any individual financial services provider. Thus, the ICICI Group enjoys a distinct competitive edge in respect of technology support.

Technology has played a vital role in the new retail business by facilitating the creation of a low-cost distribution network and enhanced customer reach, resulting in increased efficiencies in service. During the year, the focus was on integrating diverse product back-ends including the banking system, the bond system, the home loans systems, and the credit card system with multiple delivery channels including branches, ATMs, ICICI Centres, call centres and mobile phones by using suitable middle-ware. This implementation was successfully carried out at the newly developed call centre, and is to be extended to all delivery channels in phases. This will result in unparalleled customer convenience, as any product can then be accessed through any delivery channel.

In keeping with the organizational emphasis on speed of response, the ICICI Group successfully completed the implementation of a credit cards system in a remarkably short duration of about 12 months. This system is one of the most advanced credit card systems in the world and offers increased flexibility. ICICI Bank used the system to introduce a credit card with several innovative value-added features including pre-set spending limits for each member of the family. The credit cards are also the first in India to be Internet-enabled, wherein account statements and application details can be accessed online.

Internet and e-Commerce Initiatives of the ICICI Group

The ICICI Group has been universally acknowledged to be at the forefront of the Internet revolution in India, on account of its early adoption of the latest Web-based technologies. Apart from being the pioneer of Internet Banking in India as far back as 1997, the ICICI Group was also the first to launch an online utility bill payment system and a Web-based supply chain management system during the year. ICICI believes that the Internet has created significant opportunities for financial services providers to lower costs, enhance accessibility and improve overall customer service, convenience and satisfaction. The key elements of our strategy to capitalize on these opportunities are:

- Web-enabling existing products and services to create value;
- using the Internet to offer new, innovative solutions to customers;
- building portals across businesses to meet a wider range of customer needs; and
- investing in Internet-related start-up businesses and companies.

ICICI believes that the increasing number of Internet users in India, the demographic characteristics of these users and the relative flexibility and convenience offered by the Internet provides a unique opportunity to create value for both ICICI and its customers. By Web-enabling our products, we have ensured multi-location, multi-user, low-cost access to the ICICI Group's services on a 24-hour basis. In addition, we have achieved rapid customer acquisition, increased customer retention, improved customer service and significant cost savings. The virtual medium also provides us an opportunity to cross-sell the ICICI Group's products and services to all customers.

The ICICI Group launched a business-to-business e-commerce solution, called ''i-payments'', whereby its corporate customers and their suppliers and dealers are linked in a closed-loop user group. Under this service, all payments from corporate customers to their suppliers and payments from the dealers to corporate customers are made online. This service provides a high degree of convenience, as no physical instruments are required, and all transactions are carried out online. The product offers customization to meet specific individual requirements, and has permitted the group to build new relationships with several of India's leading corporates.

As a logical extension of this product, ICICI is working with a Compaq-led consortium to set up a payment gateway to facilitate secured online business-to-consumer (B2C) and business-to-business (B2B) e-commerce transactions. The payment gateway is to be owned by a subsidiary of ICICI and is being implemented by Compaq India, QSI Payment Technologies, Australia and Financial Software & Systems Private Limited. Once complete, the gateway is expected to facilitate online transactions among a significantly larger user group.

In a bid to combine service offerings across different group entities, ICICI launched its online trading service through a wholly-owned subsidiary, ICICI Web Trade Limited in January 2000. This service enables secondary market investors to execute and settle trades online, resulting in a paperless and completely transparent experience for the customer. The facility involves online integration of the customer's depository share account, bank account and securities brokerage account opened with the ICICI Group companies. The Web-broking service is expected to be a key driver to customer acquisition and a significant source of fee-based income in the future.

We are currently working on Web-enabling our investor base of over 3 million bondholders, to ensure that the convenience of real-time, any-time access extends to our entire customer base.

ICICI believes that the Internet is going to become a mainstream distribution channel in the near future, and has begun working on establishing a dominant presence in virtual space by building portals catering to a wide variety of product and lifestyle requirements. As a first step, ICICI recently launched its housing portal—Indiahomeseek.com—which provides customers with a one-stop solution to all their financial and information needs related to housing. Customers are empowered with the ability to search for available properties across the country and also explained the procedural requirements involved in making a purchase. Customers are also given information about home loans and the option to apply online for a loan from ICICI. We plan to launch similar portals in the near future to expand our visibility and fuel our growing retail business. Looking forward, we also took equity exposures in select e-commerce companies on the basis of strategic considerations.

FINANCIAL REVIEW

Financials as per Indian GAAP

ICICI's profit after tax increased 20.5% to Rs. 12.06 billion in financial year 1999-2000 from Rs. 10.01 billion in financial year 1998-99. ICICI's profit before provisions & write-offs and tax (including gross write-off on investments) increased 28.2% to Rs. 20.18 billion in financial year 1999-2000 from Rs. 15.74 billion in financial year 1998-99.

Operating Results Data

Rs. billion	Financial Year 1998-99	**Financial Year 1999-2000**	Growth %
Fund-based income			
Income from loans and debentures	57.00	**62.07**	8.9
Income from leasing	7.14	**7.99**	11.9
Income from securities	3.99	**5.71**	43.1
Gross capital gains	1.59	**5.22**	227.6
Dividend income	0.61	**2.10**	244.2
Total fund-based income	70.33	**83.09**	18.1
Interest and related expense			
Interest expense	(50.79)	**(57.85)**	13.9
Interest tax	(1.05)	**(1.12)**	6.7
Lease depreciation[1]	(3.58)	**(3.67)**	2.4
Other borrowing expenses	(0.96)	**(1.09)**	13.1
Total interest and related expense	(56.38)	**(63.73)**	13.0
Net fund-based income	13.95	**19.36**	38.8
Fees and commissions	3.11	**3.24**	4.1
Net income from operations	17.06	**22.60**	32.4
Operating expenses	(2.24)	**(2.97)**	32.6
Profit from operations	14.82	**19.63**	32.4
Other income[2]	0.92	**0.55**	(40.1)
Profit before provisions and tax	15.74	**20.18**	28.2
Less: Provisions and write-offs	(4.78)	**(6.90)**	44.2
- on loans & debentures	(3.63)	**(4.62)**	27.0
- on investments	(1.15)	**(2.28)**	98.8
Profit before tax	10.96	**13.28**	21.2
Provision for tax	(0.95)	**(1.22)**	28.4
Profit after tax	10.01	**12.06**	20.5

Notes:

1) Includes Rs. 0.03 billion of technical service charges/management fees on assets given on lease in financial year 1998-99.

2) Includes Rs. 0.45 billion profit in financial year 1998-99 on account of repurchase of foreign currency bonds at discount.

Interest Income and Interest Expense

Rs. billion	Financial Year 1998-99			**Financial Year 1999-2000**		
	Average Balance	Interest	Average Rate	**Average Balance**	**Interest**	**Interest Rate**
Assets						
Rupee loans & debentures[1]	304.63	48.41	15.89%	**367.67**	**54.78**	**14.90%**
Foreign currency loans[1]	93.26	8.59	9.21%	**88.71**	**7.29**	**8.21%**
Liabilities						
Rupee borrowings[2]	327.64	44.71	13.65%	**392.66**	**52.52**	**13.38%**
Foreign currency borrowings[2]	102.62	6.08	5.93%	**95.93**	**5.33**	**5.55%**

Notes:

1) Rupee loans and foreign currency loans are gross of provisions.

2) Interest expense on borrowings does not include interest tax.

Income from loans and debentures increased 8.9% to Rs. 62.07 billion in financial year 1999-2000 from Rs. 57.00 billion in financial year 1998-99. This increase was on account of a 13.2% increase in income from rupee loans and debentures offset, in part, by a 15.2% decrease in income from foreign currency loans.

The 13.2% increase in income from rupee loans and debentures was primarily due to a 20.7% increase in average balance of rupee loans and debentures offset, in part, by a decline of 99 basis points in yield on rupee loans and debentures. The 15.2% decrease in income from foreign currency loans was due to a 4.9% decrease in average balance of foreign currency loans together with a decline of 100 basis points in yield on foreign currency loans. The yield on both interest-earning rupee loans and foreign currency loans decreased during financial year 1999-2000 principally due to ICICI's continued focus on lower-risk short-term and medium-term corporate finance loans to highly-rated clients resulting in lower credit spread, a decrease in the cost of rupee borrowings and foreign currency borrowings and an increase in non-performing loans which do not accrue interest.

Interest expense increased 13.9% to Rs. 57.85 billion in financial year 1999-2000 from Rs. 50.79 billion in financial year 1998-99 due to a 17.5% increase in interest expense on rupee borrowings offset, in part, by a 12.4% decrease in interest expense on foreign currency borrowings. The 17.5% increase in interest on rupee borrowings was primarily due to a 19.8% increase in average balance of rupee borrowings offset, in part, by a 27 basis points decline in average cost of rupee borrowings as interest rates prevalent during financial 1999-2000 were lower compared to those in financial year 1998-99. The 12.4% decrease in interest on foreign currency borrowings was due to a 6.5% decrease in average balance of foreign currency borrowings together with a 38 basis points decline in average cost of foreign currency borrowings mainly due to a decrease in the cost of certain multilateral and bilateral borrowings and the benefit of swapping foreign currency liabilities.

Spread Analysis

Rs. billion		Financial Year 1998-99	**Financial Year 1999-2000**
Average interest-earning assets[1]		390.58	**446.49**
Interest income[2]		57.00	**62.07**
Average interest-bearing liabilities		430.26	**488.59**
Total interest expense[3]		51.84	**58.97**
Ratio of average interest-earning assets to average interest-bearing liabilities	%	90.8	**91.4**
Interest expense apportioned to interest-earning assets[4]		47.06	**53.89**
Net interest income[5]		9.94	**8.18**
Net interest margin[6]	%	2.54	**1.83**
Gross yield[7]	%	14.59	**13.90**
Average cost of borrowings[8]	%	12.05	**12.07**
Yield spread[9]	%	2.54	**1.83**

Notes:

1) Average interest-earning assets include loans, debentures, hire purchase portfolio (net of provisions and write-offs).

2) Interest income consists of income from the interest-earning assets as defined above. Interest income is presented without deducting interest tax.

3) Total interest expense includes interest tax.

4) Interest expense apportioned to interest-earning assets is calculated by multiplying total interest expense by the ratio of average interest-earning assets to average interest-bearing liabilities.

5) Net interest income consists of interest income for the period minus interest expense apportioned to interest-earning assets for the period.

6) Net interest margin equals net interest income divided by average interest-earning assets. This method of computation conforms to the method used to compute the yield spread given in this table.

(7) Gross yield equals interest income divided by average interest-earning assets.

(8) Average cost of loan funds is the total interest expense (including interest tax) divided by average interest-bearing liabilities.

(9) Yield spread represents the difference between gross yields and average cost of loan funds.

Yield spread declined 71 basis points to 1.83% in financial year 1999-2000 from 2.54% in financial year 1998-99 due to a 69 basis points decline in gross yield on average interest-earning assets together with a marginal increase of 2 basis points in average cost of borrowings.

Average cost of total borrowings increased marginally by 2 basis points in financial year 1999-2000 despite the decline in average cost of rupee borrowings and foreign currency borrowings. This was due to the higher proportion of average rupee borrowings outstanding, which carry a higher average cost compared to foreign currency borrowings in total average borrowings outstanding during financial year 1999-2000. This proportion of average rupee borrowings in total average borrowings increased to 80.4% in financial year 1999-2000 from 76.1% in financial year 1998-99. The reasons for decline in gross yield have been discussed earlier.

Income from Leasing

Net income from leasing (income from leasing less lease depreciation) increased 21.4% to Rs. 4.32 billion in financial year 1999-2000 from Rs. 3.56 billion in financial year 1998-99 primarily due to a 25.0% increase in average leased assets during this period.

Capital Gains

Gross capital gains increased 227.6% to Rs. 5.22 billion in financial year 1999-2000 from Rs. 1.59 billion in financial year 1998-99, driven by the buoyant capital market conditions in financial year 1999-2000 compared to the depressed capital markets in financial year 1998-99. ICICI was able to book significant capital gains on its private equity portfolio because the market price of several stocks, including those of certain companies whose project implementation was completed, increased substantially during the year. Further, ICICI capitalized on the market opportunity to book capital gains by investing in select initial public offerings of companies and mutual fund units. Gross write-off in respect of investments increased 98.8% to Rs. 2.28 billion in financial year 1999-2000 from Rs. 1.15 billion in financial year 1998-99.

Dividend

Income from dividends increased 244.2% to Rs. 2.10 billion in financial year 1999-2000 from Rs. 0.61 billion in financial year 1998-99. Dividend income from subsidiaries increased 572.7% to Rs. 0.96 billion in financial year 1999-2000 from Rs. 0.14 billion in financial year 1998-99 because ICICI's subsidiaries registered significantly higher profits in financial year 1999-2000 and paid out higher dividends. In addition, dividend income from investments in mutual fund units increased significantly in financial year 1999-2000.

Commissions and Fees

Income from commissions and fees increased 4.1% to Rs. 3.24 billion in financial year 1999-2000 from Rs. 3.11 billion in financial year 1998-99. The growth in income from commissions and fees slowed down in financial year 1999-2000 due to lower project appraisal and loan processing fees owing to a decrease in the number of infrastructure and other projects which achieved financial closure during the year. Commissions on guarantees declined marginally by 5% to Rs. 0.79 billion in financial year 1999-2000 from Rs. 0.84 billion in financial year 1998-99.

Income from Securities

Income from securities increased 43.1% to Rs. 5.71 billion in financial year 1999-2000 from Rs. 3.99 billion in financial year 1998-99. The interest income increased 49.6% to Rs. 4.15 billion in financial year 1999-2000 from Rs. 2.78 billion in financial year 1998-99 primarily due to the higher average cash balances of rupee and foreign currency funds and investment of short-term funds into higher-yielding investments in financial year 1999-2000. ICICI capitalized on the short-term market opportunities created by decrease in interest rates and buoyancy in equity capital markets, to book profit of Rs. 1.27 billion on sale of short-term investments in financial year 1999-2000 compared to Rs. 24.5 million in financial year 1998-99.

Operating Expense

Rs. billion	Financial Year 1998-99	**Financial Year 1999-2000**	Growth %
Employee expense	0.63	**0.71**	11.8
Establishment expense			
Rent, rates & taxes	0.19	**0.23**	21.8
Communication	0.15	**0.21**	37.6
Computer	0.08	**0.16**	92.4
Maintenance and upkeep	0.09	**0.12**	25.3
Electricity & power consumption	0.05	**0.08**	55.7
Advertisement	0.04	**0.12**	243.9
Registrar & transfer agency fees	0.11	**0.23**	106.2
Legal & professional fees	0.12	**0.19**	55.4
Travelling and conveyance	0.12	**0.16**	33.7
Training	0.02	**0.03**	42.2
Others	0.36	**0.42**	19.4
Total establishment expense	1.33	**1.95**	46.3
Depreciation on own assets	0.28	**0.31**	13.9
Total operating expense	2.24	**2.97**	32.6

Operating expense increased 32.6% to Rs. 2.97 billion in financial year 1999-2000 from Rs. 2.24 billion in financial year 1998-99 primarily due to a 46.3% increase in establishment expense and a 11.8% increase in employee expense. The increase in establishment expense stems mainly from ICICI's higher expenses on account of building long-term, sustainable competitive advantages in respect of technology investments, brand building and customer servicing. ICICI's computer and communication expenses increased 56.7% to Rs. 0.37 billion in financial year 1999-200 and advertisement expenses increased 243.9% to Rs. 0.12 billion in financial year 1999-2000.

Provisions and Write-offs

Total provisions & write-offs, including gross write-down of investments, increased 44.2% to Rs. 6.90 billion in financial year 1999-2000 from Rs. 4.78 billion in financial year 1998-99. Provisions and write-offs on loans and debentures increased 27.0% to Rs. 4.62 billion in financial year 1999-2000 from Rs. 3.64 billion in financial year 1998-99. The increase in provisions reflected growth in doubtful assets due to ageing of the sub-standard asset portfolio and a further ageing of assets that had previously become doubtful. During the year, ICICI also made an incremental provision of Rs. 0.10 billion against standard assets through the Profit and Loss account to maintain a 0.25% general provision against standard assets as required by the Reserve Bank of India.

Financial Condition

Rs. billion	March 31, 1999	**March 31, 2000**	Growth %
Assets			
Net loans and debentures	422.11	**482.99**	14.4
– Rupee loans	285.18	**328.96**	15.4
– Foreign currency loans	88.56	**89.90**	1.5
– Less: Provisions for loans	(8.55)	**(10.72)**	25.4
– Debentures (net of provisions)	56.92	**74.85**	31.5
Other investments	25.98	**30.75**	18.4
Current assets	96.85	**91.71**	(5.3)
Leased assets	31.07	**36.09**	16.1
Other fixed assets	6.27	**8.90**	41.9
Miscellaneous expenditure	3.19	**3.46**	8.2
Total	585.47	**653.90**	11.7

Liabilities			
Borrowings	476.59	**508.81**	6.8
- Rupee borrowings	376.38	**415.31**	10.3
- Foreign currency borrowings	100.21	**93.50**	(6.7)
Current liabilities	43.70	**51.78**	18.5
Total liabilities	520.29	**560.59**	7.7
Preference capital	13.83	**13.08**	(5.4)
Equity Capital and Reserves			
Equity capital	4.80	**7.83**	63.1
Reserves and surplus	46.55	**72.40**	55.5
Total equity capital and reserves	51.35	**80.23**	56.2

During financial year 1999-2000, ICICI's total assets increased 11.7% to Rs. 653.90 billion (US$ 14,980 million) at March 31, 2000. Rupee loans and debentures increased 14.4% aided primarily by a rapid growth in corporate finance disbursements. Although the economic scenario in India improved during the year, ICICI continued its careful approach towards appraising and monitoring its business growth and maintained its focus on top-rated clients only. There was only a marginal increase in foreign currency loans of 1.5%, as demand for foreign currency funds from the corporates remained depressed. Other investments, mainly equity and preference shares, registered a growth of 18.4%. Current assets decreased 5.3% due to a lower level of cash and bank balances and deposits at the year-end. Total borrowings increased 6.8% to Rs. 508.81 billion, as rupee borrowings increased 10.3% to Rs. 415.31 billion and foreign currency borrowings declined 6.7% to Rs. 93.50 billion at March 31, 2000.

During the year ended 1999-2000, ICICI successfully completed an equity offering comprising Rs. 5.00 billion preferential allotment to principal domestic shareholders, Rs. 3.03 billion domestic public issue and Rs. 13.78 billion international offering of American Depositary Shares. Further, in July 1999 certain outstanding convertible debentures were converted into 34.5 million equity shares. As a result, ICICI's equity shares outstanding increased to 785 million at March 31, 2000 from 480 million at March 31, 1999.

ICICI's total capital adequacy ratio increased significantly to 17.2% at March 31, 2000 from 12.5% at March 31, 1999. Tier-I capital adequacy ratio increased to 11.5% at March 31, 2000 from 8.3% at March 31, 1999. In accordance with the Reserve Bank of India guidelines, the Tier-1 capital includes Rs. 2.48 billion out of the face value of Rs. 3.50 billion of 20 year non-cumulative preference shares issued to ITC Limited as a part of the scheme for merger of ITC Classic Finance Limited with ICICI. The following table sets forth, for the periods indicated, details on ICICI's capital adequacy as per Indian GAAP.

	March 31, 1999		**March 31, 2000**	
	Amount (Rs. bn)	% of Risk-weighted assets	**Amount (Rs. bn)**	**% of Risk-weighted assets**
Tier I capital	47.00	8.3	**74.70**	**11.5**
Tier II capital	24.02	4.2	**37.35**	**5.7**
Total capital	71.02	12.5	**112.05**	**17.2**
Risk-weighted assets	569.88	100.0	**650.82**	**100.0**

The following table sets forth, for the periods indicated, certain profitability ratios.

Select Profitability Ratios

		Financial Year 1998-99	**Financial Year1999-2000**
Earnings per Share	(Rs.)	18.2	**17.0**
Return on Net Worth	(%)	20.3	**16.8**
Return on Assets	(%)	2.1	**2.1**
Book Value	(Rs.)	100.3	**98.0**

ICICI maintained its return on assets at 2.1% in financial year 1999-2000. ICICI's earnings per share for financial year 1999-2000 was Rs. 17.0. The 6.5% drop in earnings per share in financial year 1999-2000 has to be viewed in the context of a 64.0% increase in equity shares outstanding to 785 million at March 31, 2000 from 480 million at March 31, 1999. The return on net worth decreased to 16.8% in financial year 1999-2000 from 20.3% in financial year 1998-99 as fresh capital issued raised during the year was available only for a part of the year and hence could not be leveraged. ICICI's leverage (ratio of total assets to shareholders' equity) decreased to 8.5x at March 31, 2000 from 12.2x at March 31, 1999.

Financial Statements as per US GAAP

Net income (before extraordinary items and cumulative effect of change in an accounting principle) increased 25.7% to Rs. 9.08 billion (US$ 208 million) in financial year 1999-2000 from Rs. 7.23 billion (US$ 166 million) in financial year 1998-99. Net income for financial year 1999-2000 includes a non-recurring expense of approximately Rs. 0.30 billion (US$ 7 million) on account of the Voluntary Retirement Scheme.

Net income in financial year 1999-2000 includes an amount of Rs. 0.25 billion (US$ 6 million) as a result of the cumulative effect of change in accounting policy principle with respect to depreciation on ICICI's assets. Net income in financial year 1998-99 includes an extraordinary gain of Rs. 0.29 billion (US$ 7 million), net of tax, from the extinguishment of debt as ICICI repurchased some of its outstanding foreign currency bonds. Including these extraordinary items and the cumulative effect of change in accounting principle, net income increased 24.1% to Rs. 9.33 billion (US$ 214 million) in financial year 1999-2000 from Rs. 7.52 billion (US$ 172 million) in financial year 1998-99.

Total consolidated assets increased 19.5% to Rs. 780.68 billion (US$ 17,885 million) at March 31, 2000 from Rs. 653.35 billion (US$ 14,968 million) at March 31, 1999. Stockholders' equity increased 94.2% to Rs. 70.91 billion (US$ 1,624 million) at March 31, 2000 from Rs. 36.51 billion (US$ 836 million) at March 31, 1999.

Select Income Statement Data

The following table sets forth, for the periods indicated, select income statement data as per the consolidated US GAAP financial statements.

	Financial Year 1998-99 (Rs. bn)	**Financial Year 1999-2000 (Rs. bn)**	**Financial Year 1999-2000 (US$ mn)**
Interest revenue	71.09	**80.82**	**1,852**
Interest expense	(57.98)	**(67.39)**	**(1,544)**
Net interest revenue	13.11	**13.43**	**308**
Provisions for credit losses	(6.07)	**(6.36)**	**(146)**
Net interest revenue after provisions for credit losses	7.04	**7.07**	**162**
Non-interest revenue	5.38	**9.69**	**222**
Net revenue	12.42	**16.76**	**384**
Non-interest expense	(3.80)	**(5.30)**	**(121)**
Income before share of equity in earnings of affiliates and minority interest	8.62	**11.46**	**262**
Equity in earnings of affiliate	(0.03)	**0.02**	**-**
Minority interest	(0.17)	**(0.36)**	**(8)**
Income before taxes	8.42	**11.12**	**255**
Income tax expense	(1.19)	**(2.04)**	**(47)**
Net income before extraordinary items and effect of change in accounting principle	7.23	**9.08**	**208**
Extraordinary gains, net of tax	0.29	**-**	**-**
Cumulative effect of change in an accounting principle, net of tax	-	**0.25**	**6**
Net income	7.52	**9.33**	**214**

Select Balance Sheet Data

The following table sets forth, for the periods indicated, selected balance sheet data as per the consolidated US GAAP financial statements.

	Mar 31, 1999 (Rs. bn)	**Mar 31, 2000 (Rs. bn)**	**Mar 31, 2000 (US$ mn)**
Selected balance sheet data:			
Total assets	653.35	**780.68**	**17,885**
Loans, net	476.35	**562.42**	**12,885**
Securities[1]	15.29	**19.14**	**439**
Non-performing loans, net	29.96	**35.04**	**803**
Total liabilities[2]	616.06	**705.48**	**16,162**
Long-term debt	438.44	**439.16**	**10,061**
Deposits	60.61	**96.68**	**2,215**
Stockholders' equity	36.51	**70.91**	**1,624**

Note :

1) Including investment in affiliate

2) Including redeemable preferred stock

Key Financial and Operating Ratios

The following table sets forth, for the periods indicated, the key financial and operating ratios based on consolidated US GAAP financial statements.

	Financial Year 1998-99	**Financial Year 1999-2000**
Per common share data:		
Net income – basic	Rs. 15.7	**Rs. 14.5**
Net income before extraordinary items and effect of change in an accounting principle – basic	Rs. 15.1	**Rs. 14.1**
Book value	Rs. 76.1	**Rs. 90.3**
Common shares outstanding at end of period (in millions)	480	**785**
Weighted average common shares outstanding during the period – basic (in millions)	480	**646**

	Financial Year 1998-99	**Financial Year 1999-2000**
Profitability:		
Net income before extraordinary items and effect of change in an accounting principle, as a percentage of:		
Average total assets	1.3	**1.3**
Average stockholders' equity	20.1	**16.4**
Cost-to-average-assets ratio	0.6	**0.7**
Asset quality:		
Gross non-performing loans as a percentage of gross loans	11.6	**11.6**
Net non-performing loans as a percentage of net loans	6.3	**6.2**
Allowance for credit losses as a percentage of gross non-performing loans	48.8	**49.3**
Allowance for credit losses as a percentage of gross total loans	5.6	**5.7**
Capital:		
Total capital adequacy ratio	9.4	**15.8**
- Tier-1 capital adequacy ratio	6.2	**10.5**
- Tier-2 capital adequacy ratio	3.2	**5.3**

Key Differences between Indian GAAP and US GAAP

There are significant differences between Indian GAAP and US GAAP in the areas of consolidation of subsidiaries, accounting for affiliates, allowances for credit losses, accounting for loan origination fees, valuation of investments, business combinations, deferred income taxes and redeemable preference shares. The key differences between the two accounting practices as applicable to ICICI are outlined in the table overleaf.

Subject	Indian GAAP	US GAAP
Consolidation	The practice of consolidation is not followed.	When a company controls more than 50.0% of the voting securities of another company, the investee company is known as a subsidiary and is generally considered to be a part of the controlling company (parent). In these circumstances, the financial statements of the investee are generally required to be consolidated with the financial statements of its parent in which all material transactions between them are eliminated.
Equity method	Equity accounting is not recognized as an acceptable method of accounting.	When a company controls 20.0% to 50.0% of the investee's voting securities or has a subsidiary that is not consolidated, the investment is generally stated at the underlying net asset value, with the equity in the investee's earnings or loss included in the investor's income statement for the current period (equity accounting).
Business combination	The conditions for applying the purchase method are different and business combinations are generally accounted for according to the pooling of interest method.	Business combinations are accounted for either under the purchase method or the pooling method.
Allowance for credit losses	Allowance for credit losses is based on defaults expected both on principal and interest. The allowance does not consider present value of future inflows.	Loans are identified as non-performing and placed on non-accrual basis, where management estimates that payment of interest or principal is doubtful of collection. Non-performing

		loans are reported after considering the impact of impairment. The impairment is measured by comparing the carrying amount of the loan to the present value of expected future cash-flows or the fair value of the collateral (discounted at the loans' effective rate).
Loan origination fees/costs	Loan origination fees and costs are taken to the income statement in the year accrued/incurred.	Loan origination fees (net of loan origination costs) are deferred and recognized as an adjustment to yield over the life of the loan.
Redeemable preference shares	Redeemable preference shares are a component of shareholders' equity, and preference dividend is reported as an appropriation of income.	Redeemable preference shares do not form a part of the shareholders' equity and dividends on such shares are charged to the income statement.
Investment in debt and equity securities	Securities are classified as current or permanent. Current securities are valued at the lower of cost or market value with any unrealized loss charged to the income statement. Unrealized gains are not recorded. Permanent investments are valued at cost, adjusted for permanent diminution.	Securities are classified as trading, held to maturity or available for sale based on the acquisition date. While trading and available-for-sale securities are valued at fair value, held to maturity securities are valued at cost, adjusted for amortization of premiums and accretion of discount. The unrealized gains and losses on trading securities are taken to the income statement, while those on available-for-sale securities are reported as a separate component of stockholders' equity, net of applicable taxes.
Income taxes	The amount of tax that is currently payable is recorded.	Income taxes are provided against current period income as reflected in the financial statements, even a though all or some of such

		income will not be reported for tax purposes in the current period and taxes will not be payable currently. This means that, even though a certain amount of the current period accounting income is currently not taxable, income tax must be provided in the financial statements against both income on which taxes are currently payable and income on which the tax liability is deferred, regardless of the length of that deferral, subject to valuation allowances for deferred tax assets.
Share issue expenses	Share issue expenses are generally deferred and amortized over a period of three to five years. They may also be written off against share premium account.	Direct costs to sell shares are treated as a reduction of the issue proceeds; indirect costs are expensed as incurred.
Debt issue costs	Debt issue expenses may be written off against share premium account or accounted for as deferred revenue expenses and amortized.	Debt issue costs are deferred and amortized over the life of the debt using the 'interest method'.

Reconciliation of Profits as per Indian GAAP and as per US GAAP

The following table sets forth, for the periods indicated, the reconciliation of profit after tax as per Indian GAAP with net income as per US GAAP.

Rs. billion	Financial Year 1998-99	**Financial Year 1999-2000**
Profit after tax as per Indian GAAP	10.01	**12.06**
Adjustments as per US GAAP		
- Provisions for credit losses (provisions)	(1.86)	**(2.03)**
- Preference dividend payout	(0.70)	**(1.09)**
- Amortization of loan origination fees	(0.18)	**0.07**
- Business combinations in respect of mergers	(0.07)	**(0.09)**

- Investment diminution	(0.18)	**(0.91)**
- Charge for Voluntary Retirement Scheme	-	**(0.25)**
- Unrealized gains/(losses) on trading portfolio	0.13	**0.17**
- Net income of consolidated subsidiaries	0.63	**1.11**
- Others	(0.26)	**0.04**
- Extraordinary item	(0.29)	**-**
Total adjustments as per US GAAP	(2.78)	**(2.98)**
Net income as per US GAAP[1]	7.23	**9.08**

Note :

1) Excluding extraordinary items and effect of change in accounting principle.

Reconciliation of Shareholders' Equity as per Indian GAAP and as per US GAAP

The following table sets forth, for the periods indicated, the reconciliation of shareholders' equity as per Indian GAAP and as per US GAAP.

Rs. billion	March 31, 1999	**March 31, 2000**
Shareholders' equity capital & reserves as per Indian GAAP	51.35	**80.23**
Add: Preference Capital	13.83	**13.08**
Shareholders' funds as per Indian GAAP	65.18	**93.31**
Adjustments as per US GAAP		
- Reclassification of redeemable preference capital	(13.83)	**(13.08)**
- Allowance for credit losses (provisions)	(8.64)	**(10.67)**
- Amortization of loan origination fees	(1.63)	**(1.57)**
- Business combinations in respect of mergers	2.03	**1.86**
- Charge for Voluntary Retirement Scheme	-	**(0.25)**
- Deferred tax adjustments	(1.48)	**(1.35)**
- Deferred revenue expenditure	(0.23)	**(0.27)**
- Unrealized gains/(losses) on trading portfolio	0.16	**0.33**
- Retained earnings of consolidated subsidiaries	1.19	**2.14**
- Unrealized gains/(losses) on securities available for sale	(6.17)	**(4.39)**
- Gain on dilution of interest in a subsidiary company	-	**4.11**
- Inter-company elimination	(0.15)	**(0.15)**
- Proposed equity dividend	-	**0.77**
- Others	0.08	**0.12**
Total adjustments as per US GAAP	(28.67)	**(22.40)**
Stockholders' equity as per US GAAP	36.51	**70.91**

ASSET QUALITY AND COMPOSITION

Analysis of ICICI loan portfolio

ICICI continues to be a leader in project finance in India, including in the growth areas of infrastructure and oil, gas and petrochemicals sectors. Consistent with ICICI's strategy of diversification, our outstanding in the manufacturing sector, which is typically more dependent on world economic cycles in various commodities, has decreased to 40.8% of ICICI's total loan portfolio at March 31, 2000 from 73.1% at March 31, 1997. Correspondingly, structured project finance loans to the infrastructure and oil, gas and petrochemicals sectors, as well as short-term financing and structured solutions for highly rated Indian corporate clients, have increased. The following table sets forth, for the periods indicated, ICICI's gross loan portfolio by sector.

%	March 31, 1997	March 31, 1998	March 31, 1999	**March 31, 2000**
Manufacturing sector finance	73.1	58.3	49.2	**40.8**
Oil, gas and petrochemicals finance	9.5	11.1	16.1	**15.1**
Infrastructure finance	8.6	14.8	15.8	**17.2**
Corporate lending[1]	8.8	15.8	18.8	**26.1**
Retail lending	-	-	0.1	**0.8**
Total	100.0	100.0	100.0	**100.0**
Total portfolio (Rs. billion)	297.83	376.97	471.49	**545.66**

Note:

1) Excludes corporate lending to infrastructure, oil, gas and petrochemicals sectors.

ICICI follows a policy of portfolio diversification and evaluates its total financing exposure in a particular industry in the light of its forecasts of growth and profitability for that industry. ICICI limits its exposure to any particular industry to 15.0% of its total loan portfolio. At March 31, 2000, the largest outstanding to a single industry, iron and steel, was 10.7% of ICICI's total loan portfolio. At March 31, 2000, the other industry sectors that constituted a significant portion of the portfolio were power (9.7%), crude petroleum and refining (9.5%) and chemical and chemical products (7.6%).

At March 31, 2000, ICICI's 20 largest individual companies in aggregate accounted for approximately 27.1% of its total loan portfolio. None of these companies were non-performing at March 31, 2000. The largest borrower at March 31, 2000 accounted for approximately 3.2% of ICICI's total loan portfolio and 22.1% of ICICI's capital funds. The largest promoter group at March 31, 2000 accounted for approximately 5.8% of ICICI's total loan portfolio and 39.9% of ICICI's capital funds. The largest borrower and the largest promoter groups are in the oil, petroleum and petrochemicals sector. There are no defaults and compromise write-offs in respect of the financial assistance given to them and the loans do not form a part of ICICI's non-performing assets.

ICICI's Non-Performing Loans ("NPLs")

Over the past few years, the rapid reduction in trade barriers and integration with global markets, along with the downtrend in global commodity markets, has caused difficulty in the Indian economy to those commercial enterprises with cost inefficiencies, high debt burden, poor technology and fragmented capacities. As a result, while the Indian economy has continued to grow, although at a slower rate than in past periods, certain corporate and commercial enterprises have had to restructure their operations to deal with the financial stress they have encountered. In certain cases, while continuing to generate revenue and net profits, some of ICICI's borrowers have made significant changes in their operations, selling unproductive assets, merging with other market participants, reducing costs and refocusing their business objectives. This has resulted in the need to restructure and renegotiate credit and related facilities with financial institutions including, in some cases, ICICI. This restructuring process across industry sectors has resulted in a decline in asset quality across the Indian financial system over the past few years.

However, during financial year 1999-2000, the global commodity markets showed a clear up-trend and the Indian economy also improved. Against this backdrop, ICICI continued to follow an aggressive policy towards tackling non-performing loans including focused recovery efforts and a proactive approach to problem cases. As a result, ICICI's non-performing loans increased at a significantly slower rate in financial year 1999-2000 compared to past years. ICICI's net non-performing loans as a percentage of total loan assets decreased to 7.6% at March 31, 2000 from 8.1% at March 31, 1999.

ICICI's gross non-performing loans increased 9.6% to Rs. 60.18 billion at March 31, 2000 from Rs. 54.89 billion at March 31, 1999. This increase was significantly lower than the 30.3% increase in financial year 1998-99 and the 49.3% increase in financial year 1997-98. ICICI's net non-performing loans increased 6.1% to Rs. 39.59 billion at March 31, 2000 from Rs. 37.33 billion at March 31, 1999. This increase was significantly lower than the 32.8% increase in financial year 1998-99 and the 43.9% increase in financial year 1997-98.

ICICI made substantial provisions and write-offs (including gross write-down of investments) of Rs. 6.90 billion during financial year 1999-2000, representing an increase of 44.2% from Rs. 4.78 billion in financial year 1998-99. Provisions and write-offs against loans increased 27.0% to Rs. 4.62 billion in financial year 1999-2000 and gross write-down of investments increased 99.8% to Rs. 2.28 billion in financial year 1999-2000. ICICI also holds a provision of 0.25%, amounting to Rs. 1.20 billion, against standard assets in accordance with the Reserve Bank of India requirements effective from financial year 1999-2000.

The following table sets forth, for the periods indicated, certain information on ICICI's non-performing loans.

	March 31, 1996	March 31, 1997	March 31, 1998	March 31, 1999	**March 31, 2000**
Number of non-performing cases	786	909	1,211	1,343	**1,359**
Gross principal outstanding of non-performing loans (Rs. bn)	19.09	28.21	42.12	54.89	**60.18**
Provisions and write-offs	7.10	8.67	14.01	17.56	**20.59**
Net principal outstanding of non-performing loans[1] (Rs. bn)	11.99	19.54	28.11	37.33	**39.59**
Total loan assets (Rs. bn)	178.03	285.93	370.01	463.18	**521.27**[2]
% of net non-performing loans to total loan assets	6.7	6.8	7.6	8.1	**7.6**
% of net non-performing loans (net of collateral) to total loan assets[3]	0.04	0.11	0.08	0.03	**0.03**

Notes:

1) Represents gross principal of non-performing loans less cumulative provisions and write-offs.

2) Total loan assets include Rupee loans, foreign currency loans, lease, exposure, bills, hire-purchase and debentures net of cumulative provisions and write-offs.

3) The value assigned to collateral is either the depreciated value reflected in the borrower's books or that determined by independent valuers to be realizable.

Classification of Assets

The following table sets forth, for the periods indicated, total loan assets of ICICI broken down by the Reserve Bank of India asset classification guidelines and expressed both as absolute amounts and as percentage of total loan assets.

	March 31, 1999		**March 31, 2000**	
	Amount (Rs. bn)	% of total	**Amount (Rs. bn)**	**% of total**
Loss[1]	-	-	**-**	**-**
Doubtful	14.49	3.1	**21.66**	**4.2**
Sub-standard	22.84	5.0	**17.93**	**3.4**
Standard	425.85	91.9	**481.68**	**92.4**
Total loan assets	463.18	100.0	**521.27**	**100.0**

Note:

1) All loss assets have been written off or provided for.

Classification of Gross Non-Performing Loans by Industry

The following table sets forth, for the periods indicated, classification of gross non-performing loans by industry sector.

	March 31, 1998		March 31, 1999		**March 31, 2000**	
	Amount (Rs. bn)	% of total	Amount (Rs. bn)	% of total	**Amount (Rs. bn)**	**% of total**
Basic Chemicals	1.93	4.6	3.71	6.8	**4.33**	**7.2**
Drugs	0.51	1.2	2.45	4.5	**2.39**	**4.0**
Petrochemicals	0.79	1.9	0.70	1.3	**0.88**	**1.5**
Plastics	1.23	2.9	3.71	6.7	**1.57**	**2.6**
Other Chemicals	0.05	0.1	0.01	0.0	**0.05**	**0.1**
Man-made Fibres	6.44	15.3	6.60	12.0	**6.96**	**11.6**
Fertilizer and Pesticides	0.55	1.3	0.55	1.0	**0.47**	**0.8**
Sugar	0.70	1.7	0.50	0.9	**1.49**	**2.5**
Food Products	2.94	7.0	3.11	5.7	**3.32**	**5.5**
Textiles	4.23	10.0	5.04	9.2	**6.84**	**11.4**
Rubber and Rubber Products	0.49	1.2	0.61	1.1	**0.63**	**1.0**
Paper and Paper Products	0.96	2.3	1.26	2.3	**3.30**	**5.5**
Cement	2.07	4.9	2.01	3.7	**1.67**	**2.8**
Iron and Steel	4.33	10.3	5.70	10.4	**6.01**	**10.0**
Non-ferrous Metals	0.63	1.5	0.76	1.4	**0.85**	**1.4**
Metal Products	0.88	2.1	2.96	5.4	**3.45**	**5.7**
Machinery	1.32	3.1	1.50	2.7	**1.45**	**2.4**
Electrical Equipment	1.12	2.7	1.45	2.6	**1.83**	**3.0**
Electronics	3.21	7.6	3.67	6.7	**3.26**	**5.4**
Transport Equipment	0.86	2.0	0.87	1.6	**0.87**	**1.4**
Services	1.74	4.1	1.76	3.2	**2.07**	**3.4**
Other Industries[1]	5.14	12.2	5.96	10.8	**6.49**	**10.8**
Total	42.12	100.0	54.89	100.0	**60.18**	**100.0**

Note:

1) Other industries include mainly leather products, glass and clay products, printing and construction material.

Ageing Analysis of Gross Non-performing Loans

The following table sets forth, for the periods indicated, ageing analysis of ICICI's gross non-performing loans.

Overdue for	March 31, 1998		March 31, 1999		**March 31, 2000**	
	Amount (Rs. bn)	% of total	Amount (Rs. bn)	% of total	**Amount (Rs. bn)**	**% of total**
Up to 1 year	13.20	31.3	13.90	25.3	**10.38**	**17.2**
1 year to 3 years	14.29	33.9	23.06	42.0	**23.81**	**39.6**
3 years to 5 years	5.04	12.0	7.42	13.5	**13.70**	**22.8**
Over 5 years	9.59	22.8	10.51	19.2	**12.29**	**20.4**
Total gross loans	42.12	100.0	54.89	100.0	**60.18**	**100.0**

At March 31, 2000, the net outstanding amount of the 20 largest non-performing cases where ICICI has decided to recall loans and enforce its security interest against the borrowers was Rs. 8.04 billion with no individual borrower accounting for more than Rs. 1.66 billion. At March 31, 2000, the net outstanding amount of the 20 largest non-performing cases, other than where ICICI had decided to recall loans, aggregated Rs. 10.71 billion, with no individual borrower accounting for more than Rs. 1.63 billion.

Strategy for tackling Non-performing Loans

During the year under review, ICICI continually focused on proactive management of problem loans. The entire effort in this direction constitutes a proactive approach towards identification aimed at early stage solutions to incipient problems. ICICI has followed a two-pronged approach towards non-performing loans depending on whether these are viable or unviable companies. In respect of viable companies, which have economically-sized plants, strong sponsors and modern technology, ICICI has focused on restructuring to minimize losses, enhancing security mechanisms and pledging of additional collateral or injection of additional sponsor equity. In respect of unviable companies, which are essentially uneconomical projects, ICICI adopts an aggressive approach aimed at out-of-court settlements, enforcing collateral and driving consolidation. During the year, ICICI filed as many as 130 recovery suits against a total of 168 suits filed in all the preceding years. The accent is on time value of recovery and a pragmatic approach towards settlements.

While ICICI has institutionalized the focus on recovery and settlements, its efforts in tackling non-performing loans have been spearheaded by the Special Asset Management Group, which was created to focus exclusively on large non-performing loans and problem loans.

Over the last two years, ICICI has been successful in recovering almost 100% of principal on a cash basis and over 70% on a present value basis whenever it has negotiated a settlement. During financial year 1998-99, ICICI had settled aggregate dues of Rs. 3.80 billion. This performance has been improved in financial year 1999-2000 with settlement of dues aggregating Rs. 5.15 billion. The strong collateral against ICICI's loan assets has been the critical factor towards the success of recovery efforts. In respect of existing non-performing loans of Rs. 39.59 billion, ICICI has a collateral of Rs. 39.45 billion and ICICI's present non-performing loan portfolio needs to be viewed in this perspective to obtain a more accurate picture.

ICICI has attempted to minimize the incidence of non-performing loans by emphasis on incremental asset quality through appropriate structuring mechanisms in project finance, focus on highly-rated customers for corporate lending, de-emphasis on commodity-based lending and by moving towards retail assets.

Reserve Bank of India Guidelines on Non-performing Loans as Implemented by ICICI

The Reserve Bank of India first issued guidelines in 1994 on income recognition, asset classification, provisioning and valuation of investments applicable to financial institutions. These guidelines were subsequently revised by Reserve Bank of India through circulars issued from time to time. The principal features of the revised RBI guidelines, as implemented by ICICI with respect to its loans, debentures, lease assets, hire purchases and bills, are set forth below.

Non-performing Loans

An asset in respect of which any amount of interest has remained past due for more than two quarters or any amount of principal has remained past due for more than four quarters is defined as non-performing. Past due is defined as any amount that is outstanding for one month beyond the due date. Interest in respect of non-performing loans is not recognized or credited to the income account unless collected.

Asset Classification

Standard assets	Assets that do not disclose any problems or that do not carry any risk other than normal business risk are classified as standard assets.
Sub-standard assets	Assets (i) that are non-performing for a period not exceeding two years or (ii) that have been renegotiated or rescheduled after the project to which they relate has commenced production are classified as sub-standard assets.

Doubtful assets	Assets (i) that are non-performing for more than two years or (ii) where there are potential threats to recoveries on account of erosion in the value of security and other factors such as fraud are classified as doubtful assets.
Loss assets	Assets (i) the losses on which are crystallized or (ii) that are considered uncollectible are classified as loss assets.

Payments on renegotiated or rescheduled loans should have no past due amounts for one year after renegotiation or rescheduling, as the case may be, in order for the loan to be upgraded.

Provisioning and Write-offs

Standard assets	A 0.25% general provision.
Sub-standard assets	A 10% provision.
Doubtful assets	A 100% write-off is made for the unsecured portion of the doubtful asset and charged against income. The value assigned to the collateral securing a loan is that reflected on the borrower's books or that determined by third party appraisers to be realizable. In cases where there is a secured portion of the asset, provision of 20% to 50% is made depending upon the period for which the asset remains doutful. Provisions on such secured assets are made as follows: upto 1 year - 20%, 1 to 3 years - 30% and more than 3 years - 50%
Loss assets	The entire asset is written off / provided for.

ICICI's policy for write-offs and provisions in respect of non-performing loans is in accordance with the Reserve Bank of India guidelines stated above. The write-off is charged against income and such a loan is carried on the balance sheet net of the amount written off. Amounts subsequently recovered in excess of the written-down value of the loan are credited against write-offs in such subsequent period. In addition, any accrued interest payments recognized as income but not collected are written off once an asset has been classified as non-performing loan.

A write-off does not affect ICICI's rights against the borrower. Specific provisions against the assets are taken through the revenue account, and are shown separately in the balance sheet. ICICI's experience has been that ultimate recovery generally exceeds the remaining amount of written down loans.

RISK MANAGEMENT

Risk is an inherent part of ICICI's business and effective risk management is critical to the achievement of financial soundness and profitability. The Risk Management Group at ICICI benchmarks itself to international best practices to optimize capital utilization and maximize shareholder value. The policies and processes on risk management at ICICI are designed after careful consideration of the guidelines issued by the Bank for International Settlements (BIS) and the Reserve Bank of India. During the year, ICICI made considerable progress in designing well-defined policies and procedures to identify, assess and monitor the principal risks—credit risk, market risk and operational risk. In addition, a dedicated Risk Analytics Unit develops quantitative techniques and models for risk measurement.

Credit Risk Management

Credit risk is the risk that a borrower is unable to meet his financial obligations, and is the most significant risk faced by ICICI. The Credit Risk Management Department (CRMD) evaluates risk at the transaction level as well as in the context of the overall asset portfolio. During the period under review, the CRMD achieved considerable progress in the areas of risk assessment, risk mitigation, risk analytics and risk based pricing. The department evaluates the performance of borrowers on an ongoing basis by using an established credit rating methodology. Dedicated industry analysts continuously monitor all major sectors and provide inputs on the credit approval and portfolio planning process. A sophisticated Credit Risk Information System has recently been implemented to provide online information on credit-quality-related aspects. The department also has a dedicated team focused on risk-mitigation through appropriate structuring and credit enhancements, and during the year their expertise was applied in several large deals.

During the year, a new mid-office was created within the Corporate Banking business units, with the objective of improving workflow/processes and ensuring better monitoring of the loan portfolio. In addition, by reorienting credit processes, changing the delegation of powers and creating suitable control points in the credit delivery process, we were able to improve customer response time and enhance the effectiveness of the asset monitoring process.

ICICI believes that sound methodologies and an extensive database are the cornerstones for effective risk management. Accordingly, a detailed study on default patterns of loans and prediction of defaults in the Indian context was carried out, and on the basis of the results of these studies, risk based pricing of a wide range of financial products was revalidated. We have recently launched an initiative to establish methodologies regarding portfolio analytics, and active guidance and support is being sought in this regard from internationally acclaimed academicians and consultants. We have also sought to establish long-term relationships with international experts in other areas as well, to fulfil the objective of attaining global standards in processes and delivery systems.

Market Risk Management

The Market Risk Management Department (MRMD) is responsible for managing the various types of market risks that ICICI as a financial intermediary is exposed to. Market risk originates primarily due to asset-liability mismatches, foreign exchange positions and trading positions. The MRMD has been designated as the Resources, Treasury and Asset-Liability Committee's Support Group for Asset-Liability Management. The MRMD also formulates pertinent market risk methodologies and policies. With the increasing use of derivatives, methodologies are being evolved for the definition, measurement and monitoring of actual exposure in the case of derivative transactions.

The formation of an independent Treasury Mid-Office, reporting to the Head of the Market Risk Management Department, resulted in significant advances in the management and control of operational risk inherent in Treasury operations. The MRMD also approves all new products introduced by Treasury through an interactive approval process, whereby the product-originating department and the MRMD discuss areas of concern. Appropriate suggestions are incorporated to ensure that all risks inherent to the product are adequately controlled.

Audit

In order to ensure comprehensive coverage of all risks and efficient deployment of audit resources, a thorough risk assessment of ICICI's activities was carried out during the year, and this served as the basis for the Risk Based Audit Plan for 2000-01. The assessment involved identification of the major risk factors in all the business activities and support functions at ICICI, and based on these factors every activity was classified as having a High, Medium or Low risk profile. This ranking served as the basis for finalizing the scope and frequency of the audit in various business areas, with the major risk areas to be covered in greater depth during audit reviews.

ICICI's recent initiatives in technology intensive areas like e-commerce and Web-trading have necessitated specialized information system audits. To efficiently carry out this function, the information system audit team is being strengthened by the induction of skilled professionals and by imparting specialized training to the team members.

HUMAN CAPITAL DEVELOPMENT

Globalization of markets and the increasing sophistication among customers in the knowledge age is forcing companies to push the barriers of productivity ever upward. With competition in all spheres of industry reaching unprecedented levels, companies are having to continually reinvent themselves in a bid to gain competitive advantage. Competing successfully in this changing environment calls for enormous flexibility, but equally critical is the vision to identify the opportunities emergent in this change. As a result, leadership in the new millennium calls for the ability to challenge conventional wisdom and to create value through innovation.

ICICI firmly believes that its competitive edge is derived from its people who have been consistently achieving high standards in performance. Our human capital consists of a diverse pool of knowledge—a mix of youth and imagination tempered with seasoned experience—the fountainhead of the innovative solutions that have placed us in the vanguard. Recruitment is treated as a critical management activity with considerable investments of time and energy by the senior management starting with the MD & CEO. ICICI has over the years built a reputation as a learning organization and this has enabled us to retain our position as one of the most "preferred employers" at the country's leading management institutes. Despite increasing competition from global players in search of superior talent, ICICI continues to attract the finest graduates from the premier Indian business schools. As many as 73 business school graduates were recruited during the placement season 1999-2000, as also were over 70 professionals laterally to aid ICICI in its new business initiatives. During the year, ICICI also successfully completed a Voluntary Retirement Scheme, which was availed of by 223 staff members. As on March 31, 2000, ICICI has a staff strength of 1,009 including 570 professional staff.

ICICI has always believed that to bring out the best in its people, it is imperative to empower them with decision-making authority, a non-hierarchical operating structure and free flow of communication and ideas. Compensation structures are based on clear performance criteria and are designed to drive commitment to results and to enhance productivity. Career paths are based solely on performance and ability, and cross-functional movements are encouraged as they enable employees to develop a holistic view of the company. This collaborative work environment, based on 'people-power', has encouraged our employees to develop skills beyond the scope of their job definition and facilitated the development of a work ethos that is unique to ICICI.

With a rapidly changing business environment comes a need to constantly upgrade existing skill sets and meet new challenges. ICICI has striven to meet this changing skill requirement by investing heavily both in terms of time and money in training its employees. ICICI's Training

Institute at Pune regularly offers a wide variety of courses that are aimed at developing functional as well as managerial skills, and conducted by a cross-section of faculty drawn from industry, academia and ICICI itself. Substantial investments have been made in the Training Institute to ensure state-of-the-art infrastructure and support facilities. During the year, the training per employee was over 70 hours on average, which is significantly higher than global benchmarks.

ICICI's commitment to employee development has resulted in sustained gains for the group. During the year, our profit per employee increased from Rs 7.9 million to Rs 11.9 million and assets per employee increased from Rs 462.8 million to Rs 648.1 million. These productivity parameters are the best in the Indian financial sector, and measure up favourably against all global benchmarks.

RESPONSIBILITIES AS A CORPORATE CITIZEN

As a corporate citizen of India, ICICI has endeavoured to improve the lives of its fellow citizens and strengthen its bonds with society. During the past year, a significant amount of capital and human resources was invested in the focus areas of education and healthcare. ICICI has a strong commitment to social development and will continue to provide support and catalyze the progress of the relatively underprivileged sections.

Primary education is the foundation stone for the development of India's communities. Accordingly, ICICI supports "Pratham" in its education initiatives towards building social capital for a new India. Pratham was set up by UNICEF and the Municipal Corporation of Greater Mumbai in 1994 to build a societal mission to ensure that every child in the three-to- ten-year age group is in school by 2000. ICICI has played the role of sponsor and catalyst in providing proactive leadership to this program. Today "Pratham" reaches out to more than 100,000 children in slum communities across Mumbai. During the year, ICICI continued to support Pratham in its efforts at universal primary education for children through Balwadis, Bridge Courses and Bal Sakhi programs. As part of its goal, Pratham has also set up computer-assisted learning centres to impart skills in languages, basic mathematics and science.

ICICI also consolidated its relationship with the Bhartiya Vidya Bhavan by providing additional assistance to its Mahatma Gandhi Institute of Computer Education, which has emerged as an institution well known for providing free computer education to underprivileged youth. ICICI's support would enable the institution to expand its activities on a national scale and establish 50 centres for training 50,000 persons annually. This activity will help in spreading computer literacy among the underprivileged and in providing employment opportunities for them.

In view of the need for quality healthcare at affordable rates to people from weaker sections of society, ICICI has supported the Asia Heart Foundation in establishing a comprehensive cardiac care and treatment centre at the Rabindranath Tagore International Institute of Cardiac Sciences, Calcutta. This unit is expected to emerge as a state-of-the-art centre for the treatment of congenital heart diseases, as well as a training facility for surgeons and medical personnel in the field. ICICI has also provided active support to healthcare initiatives undertaken by several voluntary organizations to serve the underprivileged. These include Dr. Shroff's Charitable Eye Hospital in Delhi and Smt. Nimunabai Tirpude Hospital and Research Center in Nagpur.

During the year, ICICI continued to provide assistance to several organizations providing education to the underprivileged. The Don Bosco Self-Employment Research Institute imparts skill-based and vocational training to children from the economically weaker sections of society at Calcutta and, with ICICI's assistance, it has recently been able to upgrade its training facilities. The Helen Keller Institute provides educational activities for deaf, blind and other physically challenged children in Mumbai and, with ICICI's participation, was recently able to set up a comprehensive vocational training facility at Belapur. ICICI also assisted the Ekalvya Foundation, which is active in organising basic teacher training programmes and developing educational aids for the rural population in Madhya Pradesh, Bihar, Uttar Pradesh and Gujarat.

During the year, CRY (Child Relief and You—a social welfare organization with a special focus on children) played an important social role in undertaking relief projects in the cyclone-ravaged areas of Orissa. With a view to rebuild the lives of the people impacted by this natural disaster, ICICI supported CRY's efforts aimed at providing basic education to the children in these areas. The relief project is being implemented in two phases—creating suitable infrastructure at first and subsequently organizing primary education for the affected children at the constructed centres.

approvals, disbursals and outstandings

industry-wise

Industry	1999-2000				Cumulative upto March 31, 2000				As on March 31, 2000	
	Approvals (Rs. billion)	% to total	Disbursals (Rs. billion)	% to total	Approvals (Rs. billion)	% to total	Disbursals (Rs. billion)	% to total	Outstanding* (Rs. billion)	% to total
Power	64.65	15	21.90	9	223.78	12	75.95	7	52.52	10
Telecom	23.55	5	6.29	3	79.02	4	19.00	2	15.98	3
Road/Port/Railways	0.68	—	0.92	—	30.10	2	19.03	2	16.51	3
Mining	5.60	1	7.00	3	24.86	1	20.15	2	8.64	2
Other Infrastructure Projects	—	—	—	—	3.15	—	—	—	—	—
Crude Petroleum & Petroleum Refining	51.08	12	40.88	16	169.70	9	107.98	9	51.26	9
Chemicals & Chemical Products	35.22	8	18.49	7	175.99	9	110.30	10	41.34	8
Manmade Fibres	1.06	—	1.78	1	43.17	2	29.84	3	11.51	2
Fertilisers & Pesticides	27.11	6	12.25	5	82.64	4	43.62	4	21.17	4
Sugar	5.21	1	3.11	1	24.43	1	16.92	1	9.32	2
Other Food Products	2.35	1	1.78	1	20.90	1	16.14	1	7.12	1
Textiles	16.63	4	9.40	4	117.55	6	87.86	8	39.16	7
Paper & Paper Products	2.34	1	2.72	1	27.30	1	20.72	2	15.70	3
Rubber & Rubber Products	2.40	1	1.87	1	20.95	1	9.79	1	4.07	1
Cement	10.30	2	8.56	3	53.55	3	43.92	4	16.89	3
Metal and Metal Products										
— Iron & Steel	16.84	4	15.16	6	128.16	7	88.16	7	57.78	11
— Non-Ferrous	9.62	2	1.49	1	27.28	2	9.72	1	4.68	1
— Metal Products	1.39	-	1.73	1	23.76	1	18.54	2	8.08	1
Machinery	8.32	2	5.55	2	64.90	3	47.74	4	18.63	3
Electrical Equipment	12.29	3	10.56	4	73.04	4	49.40	4	14.01	3
Electronics	9.98	2	8.05	3	48.19	3	33.78	3	12.03	2
Transport Equipment	16.54	4	11.65	5	80.03	4	53.08	5	21.13	4
Services	98.29	23	49.19	19	238.55	13	132.46	12	60.28	11
Shipping	4.69	1	2.52	1	45.88	3	27.63	2	12.43	2
Other Industries	9.34	2	8.43	3	74.18	4	48.97	4	20.88	4
Total**	**435.48**	**100**	**251.28**	**100**	**1,901.06**	**100**	**1,130.70**	**100**	**541.12**	**100**

* Figures are principal amounts.
** Excluding Personal Finance.

approvals, disbursals and outstandings

state-wise

State	1999-2000				Cumulative upto March 31, 2000				As on March 31, 2000	
	Approvals (Rs. billion)	% to total	Disbursals (Rs. billion)	% to total	Approvals (Rs. billion)	% to total	Disbursals (Rs. billion)	% to total	Outstanding* (Rs. billion)	% to total
Andhra Pradesh	34.07	8	12.76	5	125.12	7	68.76	6	37.48	7
Bihar	6.08	1	5.12	2	25.54	1	21.12	2	7.71	1
Delhi	57.39	13	38.72	15	109.87	6	64.47	6	35.62	7
Gujarat	56.78	13	36.80	15	324.36	17	196.50	17	94.44	17
Haryana	9.60	2	7.35	3	40.43	2	26.32	2	13.12	2
Karnataka	26.89	6	21.79	9	119.65	6	78.84	7	43.62	8
Kerala	1.62	—	1.73	1	15.67	1	9.52	1	3.63	1
Madhya Pradesh	6.31	2	2.85	1	71.08	4	36.86	3	14.22	3
Maharashtra	117.55	27	64.19	25	548.90	29	335.75	30	132.91	25
Orissa	22.75	5	4.85	2	44.16	2	14.45	1	10.66	2
Punjab	4.36	1	2.65	1	23.34	1	12.85	1	5.09	1
Rajasthan	4.19	1	2.79	1	48.56	3	33.69	3	12.57	2
Tamil Nadu	38.02	9	19.22	8	185.86	10	96.45	9	44.67	8
Uttar Pradesh	21.13	5	9.68	4	85.73	4	54.08	5	37.58	7
West Bengal	19.23	5	17.34	7	89.48	5	58.43	5	33.13	6
Other States & Union Territories	9.51	2	3.44	1	43.31	2	22.61	2	14.67	3
Total**	**435.48**	**100**	**251.28**	**100**	**1,901.06**	**100**	**1,130.70**	**100**	**541.12**	**100**

* Figures are principal amounts.
** Excluding Personal Finance.

shareholders' information

SHARE OWNERSHIP

As on March 31, 2000, ICICI had over half a million shareholders holding a total of 785 million shares.

Shareholding pattern of the company as at March 31, 2000

Shareholder Category	% holding
Deutsche Bank (As Depository for ADS holders)	32.65
Insurance companies	22.31
FIIs and NRIs	15.62
Individuals	10.72
Bodies Corporate	7.87
Unit Trust of India	6.86
Banks and Financial Institutions	3.25
Mutual Funds	0.37
Shares in Transit	0.35
Total	**100.00**

Shareholders with more than one per cent holding

Shareholders	% holding
Deutsche Bank (As Depository for ADS holders)	32.65
Life Insurance Corporation of India	11.13
Unit Trust of India	6.86
Bajaj Auto Limited	5.46
New India Assurance Company Limited	4.42
General Insurance Corporation of India Limited	2.66
National Insurance Company Limited	2.13
Government of Singapore Investment Corporation	1.89
Templeton Investment Counsel Inc.	1.64
Prudential Portfolio Managers Limited	1.54
State Bank of India	1.23
Rowe Price New Asia Fund	1.13
Oriental Insurance Company Limited	1.02

Distribution of shareholding

Number of shares	Number of shareholders	% of shareholders	Total number of shares	% holding
1 to 500	580,861	97.11	61,634,199	7.85
501 to 1000	11,000	1.84	8,055,573	1.03
1001 to 2000	3,544	0.59	5,035,938	0.64
2001 to 3000	1,084	0.18	2,685,924	0.34
3001 to 4000	398	0.07	1,378,787	0.18
4001 to 5000	277	0.05	1,265,359	0.16
5001 to 10000	483	0.08	3,481,187	0.44
10001 & above	527	0.09	699,022,638	89.01
	598,174	100.00	782,559,605	99.65
Shares in Transit			2,751,943	0.35
Total	**598,174**	**100.00**	**785,311,548**	**100.00**

SHARE PRICE PERFORMANCE

The market value of the ICICI share on the National Stock Exchange was Rs 134.95 on March 31, 2000.

ICICI's shares are listed on the National Stock Exchange and also on the stock exchanges of Bangalore, Calcutta, Chennai, Mangalore, Mumbai, New Delhi and Vadodara. ICICI's GDRs were listed on the London Stock Exchange till middle of November, 1999. Pursuant to ICICI's American Depositary Shares issued in September 1999 being listed on the New York Stock Exchange under the symbol IC.d, ICICI's GDRs were delisted on the London Stock Exchange and listed on the New York Stock Exchange under the symbol IC.

ICICI's NSE price movements during 1999-2000

Month	High (Rs.)	Low (Rs.)	Number of Shares traded on NSE
April 1999	48.65	40.50	9,082,684
May 1999	78.85	46.15	24,680,529
June 1999	81.15	62.90	27,852,078
July 1999	97.85	73.75	17,872,883
August 1999	88.20	70.90	9,091,850
September 1999	100.15	75.10	12,817,004
October 1999	92.90	74.20	9,070,850
November 1999	86.45	73.50	6,605,317
December 1999	124.40	78.25	17,696,583
January 2000	147.80	95.00	21,612,341
February 2000	184.80	104.00	28,445,432
March 2000	203.00	126.00	23,122,940

ICICI's GDR price movement on London Stock Exhcange during 1999-2000

Month	High ($)	Low ($)
April 1999	6.38	5.58
May 1999	11.18	6.53
June 1999	10.95	8.80
July 1999	12.82	10.38
August 1999	11.00	8.75
September 1999	12.63	9.13
October 1999	13.13	11.00

ICICI ADS (Converted GDRs) (NYSE: IC) price movement during 1999-2000

Month	High ($)	Low ($)
November 1999	12.8750	10.6250
December 1999	18.0000	11.2500
January 2000	23.2500	14.8750
February 2000	45.0000	17.3750
March 2000	39.1250	21.0625

ICICI ADS (NYSE: IC.d) price movement during 1999-2000

Month	High ($)	Low ($)
September 1999	12.1250	10.7500
October 1999	13.0000	10.8125
November 1999	11.8750	10.7500
December 1999	18.5000	11.0000
January 2000	21.3125	14.2500
February 2000	42.5000	16.2500
March 2000	37.7500	22.3125

OTHER INFORMATION

Dematerialization of ICICI shares

ICICI's equity shares are compulsorily traded in dematerialized form as per SEBI guidelines. As on March 31, 2000 as much as 59.32% of ICICI's equity (excluding ADS capital of 32.65%) comprising 465,833,565 shares had been dematerialized. This is among the largest quantity of shares to be dematerialized, of companies of a comparable size.

Investor Services

ICICI Infotech Services Limited (the erstwhile ICICI Investors' Services Limited) provides value-added services to ICICI's investors through state-of-art technology and systems. During 1999-2000, the company undertook a number of customer service and technology initiatives that have resulted in speedier and more reliable service to our valued investors. All investor correspondence is responded to within 1.5 days by using a document imaging system and workflow system wherein all correspondence is scanned and enters the system in the electronic mode. In addition, the demat software was made more user-friendly during the year to facilitate faster response to customers' telephonic queries.

Share Transfer System

Share transfers are registered and returned within a period of, typically, 7 days from the date of receipt, if the documents are correct and valid in all respects. The number of shares transferred during the last three years were as follows:

	1997-98	1998-99	**1999-2000**
Number of transfer deeds	760,183	316,239	**131,881**
Number of shares	49,841,420	15,875,339	**8,269,164**

As at March 31, 2000, there were 2,684 unprocessed transfers pending.

Transfer of shares in Depository System

During the year, 80,552,222 shares were transferred into electronic mode involving 1,508,654 certificates.

Correspondence Pending (as at March 31, 2000)

A total of 744 letters (including complaints) were pending, as at March 31, 2000, most of which concern routine subjects such as change of address, dividend-related matters, sub-division of ICICI's share certificates, etc.

Establishing Contact for Investor Service

ICICI Infotech offers the following facilities for the convenience of the investors:

- Telephone call centres: Investors may contact ICICI Infotech at 91-22-300 6701-20 for all queries and complaints. The queries are handled by trained staff.
- 24 hours message log-in facility: Investors may register their queries and complaints even during non-working hours at 91-22-300 6717.
- Dedicated e-mail facility (investor@icici.com)

Investor services related queries may be addressed to:

Mr. T.V. Rangaswami
ICICI Infotech Services Limited
Maratha Mandir Annexe
Dr. A. R. Nair Road
Mumbai Central, Mumbai - 400 008
Telephone # 91-22-3006701-20
Fax # 91-22-3006727
e-mail: investor@icici.com

Investor Relations

ICICI has always believed that all stakeholders should have access to complete information regarding the Company's position so as to be able to accurately assess its future potential. Subsequent to the overseas equity offering, the ICICI family witnessed the addition of a host of overseas investors. Hence, ICICI further strengthened its Website to provide comprehensive information on its strategy, business segments, operational performance, share price movements and latest press releases. In addition, in accordance with SEC guidelines, all information which could have a material bearing on ICICI's share price is released through leading global wire agencies. ICICI's dedicated Investor Relations department plays a pro-active role in disseminating information to both investors and analysts through different channels.

Queries relating to the operational & financial performance of ICICI may be addressed to:

Mr. A.P. Singh
ICICI Limited
Bandra-Kurla Complex
Mumbai - 400 051
Telephone # 91-22-6536262
Fax # 91-22-6531226
e-mail: singhap@icici.com

Other Information

Dates of Book Closure: June 19, 2000 to June 30, 2000 (both days inclusive)
Date, Time and Venue of Annual General Meeting:
Friday, June 30, 2000 at 3.30 p,m.
Sri Shanmukhanda Fine Arts & Sangeetha Sabha,
Plot No. 292, Comrade Harbanslal Marg, Sion (East), Mumbai 400 022

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