ICICI Venture

# ICICI VENTURE FUNDS MANAGEMENT COMPANY LIMITED

## 14TH ANNUAL REPORT AND ACCOUNTS 2001-2002

**Directors**
K.V. Kamath *Chairman*
Balu Doraiswamy
Dr. K. Anji Reddy
Gopal Srinivasan
Kalpana Morparia
Lalita D. Gupte
Rajeev Chandrasekhar
R. Rajamani
S. Mukherji
Renuka Ramnath *Managing Director & CEO*

**Auditors**
S.B. Billimoria & Co.
Chartered Accountants
Bangalore

**Registered Office**
4th Floor, Raheja Plaza
17, Commissariat Road
Bangalore 560 025

**Regional Office**
ICICI Towers
8th Floor, South Tower
Bandra-Kurla Complex
Mumbai - 400 051

# directors' report

## to the members

Your Directors have pleasure in presenting the Fourteenth Annual Report on the business and operations of your Company together with the Statement of Accounts for the year ended March 31, 2002.

**FINANCIAL REVIEW** (Rs. in Million)

| | 2001-02 | 2000-01 |
|---|---|---|
| Profit before taxation | **89.52** | *184.73* |
| Provision for Income Tax | **30.00** | *80.20* |
| Provision for Deferred Tax | **3.77** | — |
| Profit after taxation | **55.75** | *104.53* |
| Balance of Profit and Loss Account brought forward from the previous year | **47.41** | *134.73* |
| Disposable Profits | **103.16** | *239.26* |
| **Appropriations :** | | |
| Statutory Reserve | **11.15** | *20.91* |
| General Reserve | **5.57** | *10.45* |
| Proposed Dividend | **61.25** | — |
| Interim Dividend | **—** | *131.25* |
| Tax on Dividend | **—** | *29.24* |
| Balance Carried forward to next year | **25.19** | *47.41* |
| | **103.16** | *239.26* |

**ANALYSIS OF FINANCIAL PERFORMANCE**

**(a) Revenue analysis:**

There are essentially three revenue streams for an Asset Management Company ("AMC") - Management Fees, Carried Interest and Income from Treasury Operations.

The Management Fees is directly linked to the Assets Under Management ("AUM") and builds up only when there is increase in the AUM. As investments are sold (i.e. AUM sees a decline), the Management Fees also sees a decline as it gets paid only on the capital outstanding. For the current year, the AUM of ICICI Venture increased only towards the end of the year. However, investments were successfully sold during the year resulting in an overall impact of decreasing the Fee income to Rs. 177.26 million from Rs. 245.49 million.

Carried Interest is paid to the AMC only when the Capital Committed and the Preferred Rate of Return are returned to the investors after actual divestment has been done. Successful divestment results from planning and timely execution of sales supported by a buoyant equity market and bullish business environment. During the year, ICICI Venture was instrumental in executing some successful exits that resulted in return of cash to investors across its Funds. However, considering that a large portion of the current portfolio is invested in young companies, the exits are expected after a couple of years.

ICICI Venture adopted a conservative strategy of deploying its treasury funds only in safe and liquid investments, and stayed away from securities trading during the year. This strategy clearly helped ensure moderate returns on treasury funds in an otherwise volatile market.

**(b) Expense analysis:**

During the year under review, the expenses, excluding depreciation stood at Rs. 100.16 million compared to Rs. 163.68 million for the previous year. It is noteworthy that expenses were kept under control and were distinctly lower in the current year than in the previous year. As there was no major capital expenditure during the year, the depreciation charges were stable at Rs. 13.43 million as against Rs. 13.63 million during the previous year.

The profit before tax for the year under review was Rs. 89.52 million as against Rs. 184.73 million. After providing for tax including deferred tax for the current year as required by Accounting Standard 22, the Company's profit after tax is Rs. 55.75 million. Earnings Per Share as computed under Accounting Standard 20, is Rs. 18.20 per share.

Profit available for disposal, after taking into account the profit of Rs. 47.41 million brought forward from the previous year is Rs. 103.16 million.

Transfers to Statutory Reserve and General Reserve were Rs. 11.15 million and Rs. 5.57 million respectively.

For the year under review, Rs. 16 million was utilized for repayment of an interest free loan from ICICI Limited. In addition to the existing loan, the Company obtained a short term interest free loan of Rs. 206.67 million from ICICI Limited. This was utilised for acquiring foreign securities amounting to Rs. 206.67 million.

**(c) Dividend:**

Your Directors are pleased to recommend a dividend of 200% (Pro-rata) amounting to Rs. 61.25 million.

**(d) Merger with ICICI Econet Limited:**

Consequent to the merger of ICICI Econet Limited, a wholly owned subsidiary of ICICI Limited with the Company on October 1, 2001, the Company issued 125,000 shares of Rs. 10/- each to the shareholders of ICICI Econet Limited which are in pari passu to the existing equity shares of the Company except that the dividend on these shares for the current year alone shall be prorated.

In addition to the transfers to the reserves, the merger with ICICI Econet Limited created a one time free reserve of Rs. 47.94 million.

**BUSINESS OF ICICI VENTURE**

ICICI Venture specializes in making equity investments spanning a company's business lifecycle, from Venture Capital (VC) to Private Equity (PE) with an ultimate aim of generating superior financial returns for its investors. It is the equity investment arm of ICICI Bank.

The VC business of ICICI Venture has from its onset made funds available for financing of new or expanding privately held business ventures and has hence contributed significantly to the growing enterprise in the country. What distinguishes this business from other forms of financing is that in addition to finance, the Venture Capital firm (i.e. ICICI Venture) also provides business skills and plays a more "hands-on" role in the investee company. The investment is typically long-term, carries a certain amount of risk and comprises largely of a portfolio of unlisted, young companies. It has been historically seen that companies funded by VCs perform better due to more motivated management who are conscious of shareholder value.

The other activity of providing capital to enterprises for planning or funding expansions, diversifications, management buy-outs, buy-ins, etc. is termed as Private Equity (PE).

The return expectations between VC and PE are different. Whereas the appeal of VC investments is emphasized by super-normal returns through skilled investment in young companies, private equity investment is seen to generate a premium return compared to investment in public markets as a compensation for increased risk and illiquidity.

Your Company has been India's oldest and amongst the more successful firms in India, in both VC and PE investing. Over the last 13 years, ICICI Venture launched and managed 11 Funds. Each Fund had a distinct investment theme that ensured that we use expertise and focus in our investment decisions and strategy. As a result, we have had the opportunity to build a highly envied portfolio comprising of companies in software, pharmaceutical and retail sectors. Some of the best-known and man aged companies of today in India had the ICICI Venture advantage when they started. Today, the industry acknowledges our leadership position in retail and biotechnology - ICICI Venture having invested in market leaders in both the sectors. Our investors acknowledge this too. We continue to perform well with our Funds, but could have clearly done better on averages had the internet and technology meltdown not happened in the year 2000. Your Company has a portfolio, modest in size fortunately, invested in Internet and IT, that has been written down in the best interests of the investors. In adversity always lies an opportunity. The downturn helped us completely refocus and reshape ourselves to ensure maximum value extraction from the whole portfolio.

Having built a solid track record in investing as well as managing large funds, we are now poised for quantum growth in our business. Requirements from investors necessitated that we structure ourselves optimally to serve the best interests of Funds being managed. Accordingly, we have consolidated our learning and experience in VC and PE and restructured the organization to focus on these products independently through distinct teams.

**THE YEAR IN RETROSPECT**

During the year, ICICI Venture has successfully laid the foundation to emerge as one of the most successful private equity players in India. Through a series of strategic measures, the Company has been modeled on the lines of international private equity players and is on a sound platform to gain a dominant presence in VC and PE business in the current year.

Every aspect of the organisation including its structure, people and processes was critically looked at and benchmarked with global best practices. The Company also retained McKinsey & Company Inc. to advice on global best practices and strategy.

The Company focussed on realising value in each of its portfolio companies in a manner that maximised gains or minimised losses. This was achieved through consolidation within the portfolio, proactive exits, additional funding support, etc. The Company also internally reorganized itself to create two separate teams - one to manage past funds and the other to build sector expertise and identify attractive investment opportunities in private equity. Special emphasis was put on managing investor expectations in terms of timely reporting, transparency, audit, etc.

These efforts have been applauded both by domestic and international investors.

Reckoned as a pioneer for Venture Capital in India, the opportunity and timing today is right for ICICI Venture to affirm its presence in PE as well. During the year, the Company initiated fund raising for a Rs. 7.5 bn India Advantage Fund. The Fund's investment philosophy is to pursue transactions with established companies that are leaders (or potential leaders) in their respective markets where there is a clear proposition for value creation. The Fund will provide expansion capital, acquisition finance and funding for buy-out of restructured assets / spin-offs. The Fund also intends to selectively pursue opportunities arising out of Privatization initiative of the Government.

The Fund is expected to achieve its first closing by September 2002.

**PORTFOLIO STRATEGY**

**(a) Portfolio snapshot**

During the year, ICICI Venture was Manager / Advisor to the following Funds:

(Rs. in million)

| Legacy year | Funds | Capital Commitments |
|---|---|---|
| 1990 | Vecaus II | 1000 |
| 1994 | Vecaus I (R) | 1500 |
| 1997 | ICICI Software Fund | 273 |
| 1997 | TCW/ICICI Offshore Funds | 2463 |
| 1997 | ICICI Private Equity Fund | 31 |
| 1999 | ICICI Structured Products Fund | 1000 |
| 2000 | ICICI Equity Fund | 6500 |
| 2000 | ICICI Information Technology Fund | 4155 |
| 2000 | ICICI Technology Incubator Fund | 220 |
| 2000 | ICICI Econet Internet and Technology Fund | 1000 |
| | TOTAL | 18142 |

**(b) Portfolio strategy and organisation**

In order to ensure maximum benefit to the portfolio, a separate team was dedicated to manage all the investments of the past portfolio. The team's core skills in structuring, negotiation and investment management were well aligned with the intended focus. The team is building a high degree of knowledge and network in specific industries and is focussing specifically on value addition in the portfolio companies.

The above approach has clearly set a sound platform for all portfolio companies being managed by ICICI Venture. We are confident that this strategy will reap rich benefits in the coming years - by delivering superior returns to investors in various Funds.

**(c) Summary Fund Performance**

Despite constraining market factors, ICICI Venture delivered outstanding performance, both in terms of returning monies to its investors as well as managing and developing portfolio companies.

A relentless focus on divestments ensured that we could successfully exit from over 27 companies realising an aggregate of Rs. 483 mn in cash flows. This is impressive performance, when viewed in the context of the prevailing market environment.

During the year, several portfolio companies also witnessed successful operations and reported higher earnings. This was possible because of the constant thrust of value creation by ICICI Venture encompassing all areas of a company's operations, including cost reduction, internal rationalisation, strengthening of management teams, synergistic acquisitions and capital management.

**(d) Consolidation Strategy**

During the year, ICICI Venture also embarked on an initiative to consolidate certain Funds, in order to enhance organisational efficiency and enables effective tracking and monitoring of the portfolio.

**OUTLOOK**

A successful VC and PE practice is one that ensures continuity (and a lower degree of volatility) of annual cash flows to the Asset Management Company (AMC). A large part of our revenue is derived from the Carried Interest, which is a function of the returns generated by funds, number and nature of Funds being managed and the profitable exits during the year. The timing of Carried Interest of any Fund is determined by the nature of the Fund (i.e. VC or PE) and the timing of investments. For example, a Venture Capital Fund has an exit timetable that is far different from a PE Fund. Further, the volatility and cyclicality of the market will have the tendency to produce a year of plenty followed with perhaps a year(s) of scarcity, in terms of returns on a Fund.

Your Company's strategy to create a dominant presence across VC and PE will result in delivering a superior stream of cash flows to its shareholders.

Keeping in mind its past performance and its strengths, ICICI Venture has now identified niche areas for investment to capitalise on current market opportunities. The launch of the India Advantage Fund, targeted towards expansion, restructuring and buy out financing as well as privatization is set to establish ICICI Venture as a pre-eminent private equity player in the marketplace. Simultaneously, ICICI Venture is working aggressively towards building a viable and robust plan for its VC business.

While it is currently focussing on VC and PE, it is making sustained efforts to identify new market opportunities and new means of providing finance for companies. Given that ICICI Venture is the singular equity arm of ICICI, it will be able to capitalise on the strengths of the ICICI Bank Group to establish a leadership presence across all stages of investment.

Further, its continued focus on value enhancement and extraction from its existing portfolio will yield superior results in the coming years.

ICICI Venture remains committed to being the preferred private equity partner to businesses in India, fulfilling equity needs at all stages of a company lifecycle.

**PUBLIC DEPOSITS**

During the year under review, the Company has not accepted any deposit under Section 58-A of the Companies Act, 1956.

**DIRECTORS**

Balu Doraisamy has been appointed as Director of the Company with effect from July 21, 2001 in the casual vacancy created by the resignation of S. H. Bhojani. Balu Doraisamy shall hold office up to the date that S.H. Bhojani would have held, had he not vacated the office.

Kalpana Morparia has been appointed as Additional Director of the Company with effect from April 23, 2002. Kalpana Morparia holds office up to the forthcoming Annual General Meeting of the Company as per the provisions of Section 260 of the Companies Act, 1956 and is eligible for appointment.

R. Rajamani has been appointed as Additional Director of the Company with effect from April 23, 2002. R Rajamani holds office up to the forthcoming Annual General Meeting of the Company as per the provisions of Section 260 of the Companies Act, 1956 and is eligible for appointment.

In terms of the Articles of Association of the Company, Gopal Srinivasan, K. V. Kamath and Lalita D Gupte, Directors of the Company would retire at the forthcoming Annual General Meeting of the Company and, being eligible, offer themselves for reappointment.

It is proposed that Renuka Ramnath, Managing Director & CEO, be reappointed for a period of five years with effect from April 1, 2002. It is also proposed that she be paid remuneration from the Company subject to your approval and the approval of the Central Government on the terms approved by the Board of Directors.

**CORPORATE GOVERNANCE**

Your Company adopts and follows the best principles of Corporate Governance. Corporate Governance is not just restricted to ensuring compliance with regulatory requirements but also meeting the highest standards of transparency, accountability and integrity in respect of all its transactions. Your Company has in place clear processes and well-defined roles and responsibilities for people at various levels. This, along with robust internal information systems, ensures appropriate information flow to facilitate monitoring. Adherence to processes is ensured through internal audits.

Your Company has also constituted an Audit Committee though not mandatory under the provisions of the Companies Act, 1956. The Audit Committee comprised of Gopal Srinivasan, S. Mukherji and Renuka Ramnath and will discharge the functions under Section 292A of the Companies Act, 1956.

**AUDITORS**

M/s. S. B. Billimoria & Company, Chartered Accountants, Bangalore, retire at the ensuing Annual General Meeting. The Board at its meeting held on April 23, 2002 has proposed their appointment as Auditors to audit the accounts of the Company for the financial year ending March 31, 2003. You are requested to consider their appointment.

**FOREIGN EXCHANGE EARNINGS AND EXPENDITURE**

The Foreign Exchange Earnings during the year under review amounted to Rs. 39.02 million. Expenditure in foreign currency amounted to Rs. 1.25 million.

**PERSONNEL AND OTHER MATTERS**

Information required to be disclosed in accordance with Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, forming part of the Directors' Report for the year ended March 31, 2002 is enclosed as an Annexure to this Report.

Since your Company does not own any manufacturing facility, the disclosure of information on other matters required to be disclosed in terms of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not applicable and hence have not been given.

**EMPLOYEE STOCK OPTION SCHEME (ESOS)**

The Shareholders of the Company approved the Employee Stock Option Scheme (ESOS) on October 13, 2000. The Directors at the Board Meeting dated January 23, 2002, recommended the withdrawal of the ESOS. Subsequently, at the Extraordinary General Meeting, on February 25, 2002, the said scheme was withdrawn. The Board felt that an appropriate scheme of incentivization to reward employees has to be developed that will reflect the value created in portfolio companies and the value built in the AMC for the shareholders.

**DIRECTORS RESPONSIBILITY STATEMENT**

The Directors confirm:

1. that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
3. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and;
4. that the Directors had prepared the annual accounts on a going concern basis.

**ACKNOWLEDGEMENTS**

Your Directors wish to place on record their appreciation for the dedication, and hard work put in by the employees of the company. Relationship with the shareholders, government, regulatory authorities and clients remained excellent

Your Directors are grateful for the support extended by them and look forward to receiving their continued support and commitment.

Your Directors also wish to thank the investors in the Funds managed and advised for their continued support to the Company.

For and on behalf of the Board of Directors

*Mumbai* K.V. KAMATH
*April 23, 2002* *Chairman*

# auditors' report

## to the members of ICICI Venture Funds Management Company Limited

We have audited the attached Balance Sheet of ICICI VENTURE FUNDS MANAGEMENT COMPANY LIMITED as at March 31, 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts, and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order,
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
   - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   - (ii) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
   - (iii) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
   - (iv) in our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956;
   - (v) on the basis of the written representations received from the directors, as on March 31, 2002 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
   - (vi) in our opinion and to the best of our information and according to the explanations given to us, the said Accounts read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
     - (a) in the Balance Sheet, of the state of affairs of the Company as at March 31, 2002; and
     - (b) in case of the Profit and Loss Account, of the profit for the year ended March 31, 2002.

For S.B. BILLIMORIA & CO.
*Chartered Accountants*

UDAYAN SEN
*Partner*

*Bangalore, April 24, 2002*

# annexure to auditors' report

## referred to in paragraph (1) of our report of even date

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The Company has a programme of physically verifying all fixed assets, other than leased assets, in a year, which, according to us, is reasonable. The said fixed assets have accordingly been verified by the management. No material discrepancies have been noticed on such physical verification.

   In respect of the leased assets, the Company has generally adopted a procedure of calling for confirmation letters from the respective lessees regarding the existence and condition of the assets. Where no confirmation has been received from any lessee for two consecutive years, the procedure provides for physical verification of the respective assets to be carried out by the management in the following year. The above procedure is considered reasonable, taking into account the constraints in arranging for physical verification of the assets located at the premises of the various lessees.
2. The fixed assets of the Company have not been revalued during the year.
3. In our opinion and as per the information and explanations given to us, the terms and conditions on which the Company has taken loans from companies, firms, or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interests of the Company. We are informed that there are no Companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956.
4. The Company has not granted any loans, secured or unsecured to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there are no Companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956.
5. In respect of loans given by the Company, and considered good, parties have generally repaid the principal amounts as stipulated and have also generally been regular in the payment of interest.

   In cases where instalments of principal and/or interest are not received, it is the practice of the Company to review the operations of the borrower and on the basis of such review, to take such steps as are considered appropriate in the circumstances, having regard to the overall objectives of the Company. In our opinion, the steps taken by the Company are reasonable having regard to the nature of business of the Company.
6. In our opinion and according to the information and explanations given to us, there are reasonable internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of the plant and machinery, equipment and other assets.
7. There were no purchase of goods and materials or sale of goods, materials and services in excess of Rs.50,000 in value for each type from firms, companies or other parties entered in the Registers maintained under Section 301 of the Companies Act, 1956.
8. The Company has not accepted any deposits from the public.
9. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
10. According to the records of the Company, Provident Fund dues have been generally regularly deposited with the appropriate authorities during the year. According to the information and explanations given to us, the Employees State Insurance Act, 1948 is not applicable to the Company.
11. According to information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding as at March 31, 2002, for a period of more than six months from the date they became payable.
12. According to the information and explanations received by us and the records of the Company examined by us, no personal expenses have been charged to the revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
13. The Company has maintained proper records of the investments made in shares, securities, etc. The investments are held in the name of the Company.

For S.B. BILLIMORIA & CO.
*Chartered Accountants*

UDAYAN SEN
*Partner*

*Bangalore, April 24, 2002*

# balance sheet profit and loss account

ICICI Venture

## Balance Sheet as at March 31, 2002

| | Schedule | | (Rs. in '000s) | March 31, 2001 |
|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | |
| **Shareholders' Funds** | | | | |
| Share Capital | I | 31,250.00 | | *30,000.00* |
| Reserves and Surplus | II | 254,462.68 | | *230,650.00* |
| | | | 285,712.68 | *260,650.00* |
| **Loan Funds** | III | | | |
| Unsecured Loans | | | 229,668.15 | *39,000.00* |
| **Deferred Tax Liability** | | | 21,741.05 | — |
| **Total** | | | 537,121.88 | *299,650.00* |
| **APPLICATION OF FUNDS** | | | | |
| **Fixed Assets** | IV | | | |
| Gross Block | | 166,167.53 | | *169,730.00* |
| *Less:* Depreciation and lease adjustment | | 48,194.40 | | *45,630.00* |
| Net Block | | | 117,973.13 | *124,100.00* |
| **Investments** | V | | 474,324.55 | *95,030.00* |
| **Current Assets, Loans and Advances** | VI | 86,649.26 | | *120,210.00* |
| *Less:* **Current Liabilities and Provisions** | VII | 141,825.06 | | *39,690.00* |
| **Net Current Assets** | | | (55,175.80) | *80,520.00* |
| **Total** | | | 537,121.88 | *299,650.00* |
| **Notes forming part of Accounts** | XIII | | | |
| **Accounting Policies** | XIV | | | |

## Profit and Loss Account for the year ended March 31, 2002

| | Schedule | (Rs. in '000s) | March 31 2001 |
|---|---|---|---|
| **INCOME** | | | |
| Income from Operations | VIII | 188,411.74 | *344,240.00* |
| Profit on Sale of Investments (net) | | 12,416.15 | — |
| Provisions Written back (net) | | 1,433.05 | *14,750.00* |
| Other Income | IX | 822.54 | *3,050.00* |
| | | 203,083.48 | *362,040.00* |
| **EXPENDITURE** | | | |
| Cost of Sales of Securities held as Stock-in-trade (See Note 8) | | — | *49,250.00* |
| Staff Expenses (See Note 9) | X | 45,533.99 | *31,030.00* |
| Establishment Expenses | XI | 18,768.98 | *10,270.00* |
| Other Expenses | XII | 35,855.63 | *63,130.00* |
| Provision for Contingencies | | — | *10,000.00* |
| Depreciation | | 13,427.77 | *13,630.00* |
| | | 113,586.37 | *177,310.00* |
| **Profit before Taxation** | | 89,497.11 | *184,730.00* |
| *Less:* Provision for Current Tax (See Note 15) | | 30,000.00 | *80,200.00* |
| *Less:* Provision for Deferred Tax (See Note 15) | | 3,767.21 | — |
| **Profit after Taxation** | | 55,729.90 | *104,530.00* |
| *Add:* Balance brought forward from previous year | | 47,410.00 | *134,730.00* |
| **DISPOSABLE PROFIT** | | 103,139.90 | *239,260.00* |
| **APPROPRIATIONS** | | | |
| Statutory Reserve (See Note 11) | | 11,146.00 | *20,910.00* |
| General Reserve | | 5,573.00 | *10,450.00* |
| Proposed Dividend | | 61,250.00 | — |
| Interim Dividend | | — | *131,250.00* |
| Tax on Interim Dividend | | — | *29,240.00* |
| Balance carried to Balance Sheet | | 25,170.90 | *47,410.00* |
| | | 103,139.90 | *239,260.00* |
| **Notes forming part of Accounts** | XIII | | |
| **Accounting Policies** | XIV | | |

As per our Report attached

For S.B. BILLIMORIA & CO.
*Chartered Accountants*

UDAYAN SEN
*Partner*

*Bangalore, April 24, 2002*

For ICICI VENTURE FUNDS MANAGEMENT COMPANY LIMITED

K.V. KAMATH
*Chairman*

LALITA D. GUPTE
*Director*

RENUKA RAMNATH
*Managing Director & CEO*

BEENA M. CHOTAI
*Financial Controller*

RAJESH B. GHONASGI
*CFO & Company Secretary*

*Mumbai, April 23, 2002*

## forming part of the Accounts

| | (Rs. in '000s) | *March 31, 2001* |
|---|---|---|
| **SCHEDULE I** | | |
| **SHARE CAPITAL [See Note 14 and 17 (a) ]** | | |
| **Authorised** | | |
| 20,000,000 Equity Shares of Rs. 10 each | **200,000.00** | *200,000.00* |
| **Issued, Subscribed and Paid-up** | | |
| 3,125,000 Equity Shares of Rs.10 each<br>(Previous year 3,000,000 Equity Shares of Rs. 10 each) | **31,250.00** | *30,000.00* |
| | **31,250.00** | *30,000.00* |

Out of 3,125,000 Equity Shares issued by the Company, 3,124,880 Equity Shares (Previous Year 2,999,880) are held by ICICI Limited (the holding company)
(of the above, 125,000 shares have been issued as fully-paid, pursuant to a contract without payment being received in cash)

| | Additions/ (deletions) during the year | Balance at March 31, 2002 | *Balance at March 31, 2001* |
|---|---|---|---|
| **SCHEDULE II** | | | |
| **RESERVES AND SURPLUS** | | | |
| Statutory Reserve | **11,146.00** | **133,026.00** | *121,880.00* |
| General Reserve (See Note 15) | **104,322.96**<br>**(117,361.19)** | **48,321.77** | *61,360.00* |
| Amalgamation Reserve {See Note 17 (c)} | **47,944.01** | **47.944.01** | — |
| Surplus in Profit and Loss Account | **25,170.90**<br>**(47,410.00)** | **25,170.90** | *47,410.00* |
| | **23,812.68** | **254,462.68** | *230,650.00* |
| | *(55,956.82)* | *230,633.28* | *286,590.10* |

| | | |
|---|---|---|
| **SCHEDULE III** | | |
| **LOAN FUNDS** | | |
| Interest-free loan from ICICI Limited<br>(Repayable within one year Rs. 16,000,000) *(Previous Year - Rs. 16,000,000)* | **23,000.00** | *39,000.00* |
| Short-term Loan (interest-free) from ICICI Limited<br>(Repayable within one year - Rs. 206,668,146) (Previous Year - Nil) | **206,668.15** | — |
| | **229,668.15** | *39,000.00* |

**SCHEDULE IV**

**FIXED ASSETS** (Rs. in '000s)

| | Gross Block | | | | | Depreciation | | | | | Lease** Adj. Account up to March 31, 2002 | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *As at March 31, 2001* | Addi-tions | Trans-fers | Deduc-tions | As at March 31, 2002 | *As at March 31, 2001* | For the Year | Trans-fers | Depre-ciation with-drawn | As at March 31, 2002 | | As at March 31, 2002 | *As at March 31, 2001* |
| **ASSETS ON LEASE** | | | | | | | | | | | | | |
| Vehicles | *1,200.00* | — | — | — | **1,200.00** | *1,190.36* | **3.86** | — | — | **1,194.22** | — | **5.78** | *9.64* |
| Plant and Machinery | *101,304.75* | — | — | **11,266.91** | **90,037.84** | *12,212.87* | **5,289.17** | — | **3,214.00** | **14,288.04** | **6,561.29** | **69,188.51** | *74,304.93* |
| **Sub-Total - A** | *102,504.75* | — | — | **11,266.91** | **91,237.84** | *13,403.23* | **5,293.03** | — | **3,214.00** | **15,482.26** | **6,561.29** | **69,194.29** | *74,314.57* |
| *As at March 31, 2001* | | | | | *102,504.75* | | | | | *13,403.23* | *14,786.95* | *74,314.57* | |
| **OTHER ASSETS** | | | | | | | | | | | | | |
| Building * | *21,622.98* | **1,158.91** | — | — | **22,781.89** | *5,275.85* | **860.86** | — | — | **6,136.71** | — | **16,645.18** | *16,347.12* |
| Equipment | *17,911.79* | **1,896.14** | **579.27** | **495.05** | **19,892.15** | *3,880.58* | **2,155.94** | **77.83** | **266.61** | **5,847.74** | — | **14,044.41** | *14,031.21* |
| Computers | *9,689.63* | **1,666.29** | **2,979.27** | **64.00** | **14,271.19** | *5,778.71* | **2,387.13** | **1,071.50** | **61.11** | **9,176.23** | — | **5,094.96** | *3,910.92* |
| Furniture and Fixtures | *12,242.98* | **4,132.85** | **298.22** | **50.85** | **16,623.20** | *1,954.67* | **2,444.30** | **42.63** | **2.84** | **4,438.76** | — | **12,184.44** | *10,288.30* |
| Vehicles | *1,935.25* | — | — | **573.98** | **1,361.27** | *544.26* | **286.52** | — | **279.37** | **551.41** | — | **809.86** | *1,391.00* |
| **Sub-Total - B** | *63,402.63* | **8,854.19** | **3,856.76** | **1,183.88** | **74,929.70** | *17,434.07* | **8,134.75** | **1,191.96** | **609.93** | **26,150.85** | — | **48,778.85** | *45,968.55* |
| **Capital Advances - C** | *3,823.84* | **3,378.68** | — | **7,202.52** | — | — | — | — | — | — | — | | *3,823.84* |
| *As at March 31, 2001* | | | | | *63,402.63* | | | | | *17,434.07* | | *45,968.55* | |
| **Grand Total - (A)+(B)+(C)** | *169,731.22* | **12,232.87** | **3,856.76** | **19,653.31** | **166,167.54** | *30,837.30* | **13,427.78** | **1,191.96** | **3.823.93** | **41,633.11** | **6,561.29** | **117,973.14** | *124,106.96* |
| *As at March 31, 2001* | | | | | *169,731.22* | | | | | *30,837.30* | *14,786.95* | *124,106.96* | |

* Building acquired on long lease.
** Lease adjustment account is net of amounts withdrawn during the year and last year consequent to termination of leases.
*** Transfers represent the assets transferred from ICICI ECONET Limited, consequent to amalgamation with the Company.

| | (Rs. in '000s) | March 31, 2001 |
|---|---|---|
| **SCHEDULE V** | | |
| **INVESTMENTS (at cost)** | **474,641.07** | *96,577.00* |
| Less : Provision for diminution in value of investments | **316.52** | *1,553.29* |
| Total | **474,324.55** | *95,023.71* |

**NOTES TO SCHEDULE V**

| Particulars | | **As at March 31, 2002** | | | *As at March 31, 2001* | | |
|---|---|---|---|---|---|---|---|
| | | **Number** | **Face Value Rs. (per unit)** | **Cost** | *Number* | *Face Value Rs. (per unit)* | *Cost* |
| **NON TRADE INVESTMENTS** | | | | | | | |
| **INVESTMENTS** | | | | | | | |
| **I.** | **Long-term** | | | | | | |
| 1. | Industrial Development Bank of India 11.5% IDBI Bonds 2010 (Fifty-fifth Series) | **—** | **—** | **9.00** | — | — | *9.00* |
| 2. | Geometric Software Solutions India Limited Equity Shares of Rs. 10 each fully paid [(Shares purchased/acquired during the Year - Nil) *(Previous Year - Nil)*] [(Shares sold during the Year - 1,100) *(Previous Year - Nil)*] | **—** | **—** | **—** | *1,100* | *10* | *330.00* |
| 3. | Creative Eye Limited Equity Shares of Rs. 5 each fully paid [(Shares purchased/acquired during the Year - Nil) *(Previous Year - 100,000)*] [(Shares sold during the Year - Nil) *(Previous Year - Nil)*] | **200,000** | **5** | **5,500.00** | *100,000* | *10* | *5,500.00* |
| 4. | Baazee.com, Inc. Series B. Pref. Stock of USD 0.001 each fully paid [(Shares purchased/acquired during the Year - 255,102) *(Previous Year - Nil)*] [(Shares sold during the Year - Nil) *(Previous Year - Nil)*] | **255,102** | **—** | **12,200.00** | — | — | — |
| 5. | Baazee.com, Inc. Series C. Pref. Stock of USD 0.001 each fully paid [(Shares purchased/acquired during the Year - 392,928) *(Previous Year - Nil)*] [(Shares sold during the Year - Nil) *(Previous Year - Nil)*] | **392,928** | **—** | **97,600.15** | — | — | — |
| 6. | Powershare Inc. Series A. Pref. Stock of USD 0.01 each fully paid [(Shares purchased/acquired during the Year - 125,000) *(Previous Year - Nil)*] [(Shares sold during the Year - Nil) *(Previous Year - Nil)*] | **125,000** | **—** | **24,400.00** | — | — | — |
| 7. | Wafer Solutions Inc. Series B. Pref. Stock of USD 0.001 each fully paid [(Shares purchased/acquired during the Year - 2,970,000) *(Previous Year - Nil)*] [(Shares sold during the Year - Nil) *(Previous Year - Nil)*] | **2,970,000** | **—** | **72,468.00** | — | — | — |
| | **Total - (I)** | | | **212,177.15** | | | *5,839.00* |
| **II.** | **Current Investments (Quoted)** | | | | | | |
| 1. | Television Eighteen India Limited Equity Shares of Rs.10 each fully paid [(Shares purchased/acquired during the Year - Nil) *(Previous Year - Nil)*] [(Shares sold during the Year - Nil) *(Previous Year - 800)*] | **4,100** | **10** | **738.00** | *4,100* | *10* | *738.00* |
| | **Total - (II)** | | | **738.00** | | | *738.00* |
| **III.** | **Current Investments (Unquoted)** | | | | | | |
| 1. | Units of Prudential ICICI Liquid Plan | **13,654,233** | **10** | **189,725.92** | *6,966,861* | *10* | *90,000.00* |
| 2. | Units of Prudential ICICI Short-term Plan | **2,000,000** | **10** | **20,000.00** | — | — | — |
| 3. | Units of Templeton Floating Rate Income Fund | **2,000,000** | **10** | **20,000.00** | — | — | — |
| 4. | Units of J. M. High Liquidity Fund - Growth Plan | **2,103,630** | **10** | **32,000.00** | — | — | — |
| | **Total - (III)** | | | **261,725.92** | | | *90,000.00* |
| | **Grand Total - (I)+(II)+(III)** | | | **474,641.07** | | | *96,577.00* |
| | **SUMMARY** | | | **Current Year Rs.** | | | *Previous Year Rs.* |
| | **Aggregate Value of Investments :** | | | | | | |
| | **Quoted** | | | **5,921.48** | | | *5,014.73* |
| | **Unquoted** | | | **468,403.07** | | | *90,009.00* |

1) Investments have been classified as Long-term and Current Investments in accordance with Accounting Standard 13 issued by the Institute of Chartered Accountants of India.
2) Purchases of units of Mutual Funds held as Investments - 93,579,150 units amounting to (net of brokerage refunds) Rs. 1,283.66 million *(Previous Year - 114,078,844 units amounting to Rs. 1,547,290)*
3) Sales of units of Mutual Funds held as Investments - 80,788,146 units amounting to Rs. 1,124.400 *(Previous Year - 125,935,187 units amounting to Rs. 1,656,620)*
4) Market value of quoted Investments Rs. 5,940 *(Previous Year - Rs. 2,410).*

**forming part of the Accounts** *Continued*

## SCHEDULE VI

### CURRENT ASSETS, LOANS AND ADVANCES

| | | (Rs. in '000s) | *March 31, 2001* |
|---|---|---|---|
| **Current Assets** | | | |
| Accrued Interest | | **1.46** | *4,400.00* |
| Sundry Debtors (unsecured) | | | |
| (i) Debts (considered good - outstanding for less than six months) | **12,762.62** | | *13,020.00* |
| (ii) Debts (considered good - outstanding for more than six months) | **13,815.81** | | *8.000.00* |
| (iii) Debts (considered doubtful) | **542.35** | | *540.00* |
| *Less:* Provision for doubtful debts | **(542.35)** | | *(540.00)* |
| | | **26,578.43** | *25.420.00* |
| Cash | | **16.34** | *10.00* |
| Balance with Scheduled Banks - Balance in Current Accounts | | **18,860.93** | *39,260.00* |
| | | **45,457.16** | *64,690.00* |
| **Loans and Advances** | | | |
| - Loans to Staff | | **4,424.39** | *5,890.00* |
| - Other Loans | | **23,304.55** | *43,300.00* |
| Advance tax and tax deducted at source (Net of provisions) | | **5,358.76** | *1,220.00* |
| Advances recoverable in cash or in kind or for value to be received | **8,235.25** | | *5,230.00* |
| *Less:* Provision for doubtful advances | **(130.85)** | **8,104.40** | *(120.00)* |
| | | **41,192.10** | *55,520.00* |
| *Of the above Advances | | | |
| (a) Fully Secured | | **27,672.83** | *49,000.00* |
| (b) Unsecured, Considered Good | | **13,519.27** | *6,520.00* |
| (c) Considered Doubtful | **130.85** | | *120.00* |
| *Less:* Provision for doubtful advances | **(130.85)** | **—** | *(120.00)* |
| | | **41,192.10** | *55,520.00* |
| | | **86,649.26** | *120,210.00* |

## SCHEDULE VII

### CURRENT LIABILITIES AND PROVISIONS

| | | (Rs. in '000s) | *March 31, 2001* |
|---|---|---|---|
| **Current Liabilities** | | | |
| Sundry Creditors | | | |
| Dues to creditors other than small-scale industrial undertakings | | **43,820.23** | *28,640.00* |
| Income and Lease Rentals received in advance | | **80.07** | *30.00* |
| Other Liabilities | | **26,674.76** | *1,020.00* |
| | | **70,575.06** | *29,690.00* |
| **Provisions** | | | |
| Proposed dividend | | **61,250.00** | — |
| Provision for contingencies | | **10,000.00** | *10,000.00* |
| | | **71,250.00** | *10,000.00* |
| | | **141,825.06** | *39,690.00* |

## SCHEDULE VIII

### INCOME FROM OPERATIONS

| | | (Rs. in '000s) | *March 31, 2001* |
|---|---|---|---|
| **Fee Income** [Tax at source Rs. 7,079,439] (*Previous Year - Rs. 10,696,782*) | | **177,261.48** | *245,490.00* |
| Sales of Securities held as Stock-in-trade | | **—** | *40,160.00* |
| Interest on Loans [Tax at source Rs. Nil] (*Previous Year - Rs. 253,007*) | | **1,828.10** | *6,100.00* |
| Bad debts recovered | | **500.00** | — |
| Income from Incubation Facility [Tax at source Rs. 107,840] (*Previous Year - 114,400*) | | **480.00** | *600.00* |
| Lease rentals and related income | **10,166.30** | | *30,200.00* |
| *Less:* Lease Equalization Account | **(2,530.05)** | | *(14,640.00)* |
| | | **7,636.25** | *15,560.00* |
| Dividend (See Note 7) | | **105.26** | *35,130.00* |
| Income from Deposits and Securities [Tax at source Rs. 75,467] (*Previous Year - Rs. 127,752*) | | **600.65** | *1,200.00* |
| | | **188,411.74** | *344,240.00* |

## SCHEDULE IX

### OTHER INCOME

| | (Rs. in '000s) | *March 31, 2001* |
|---|---|---|
| Interest on Miscellaneous Advances | **365.78** | *260.00* |
| Interest on Income Tax Refund | **—** | *1,900.00* |
| Miscellaneous Income (net) | **456.76** | *890.00* |
| | **822.54** | *3,050.00* |

## SCHEDULE X

### STAFF EXPENSES

| | (Rs. in '000s) | *March 31, 2001* |
|---|---|---|
| Salaries, Wages and Bonus | **41,296.44** | *25,490.00* |
| Contribution to Provident and Other Funds | **3,488.82** | *4,230.00* |
| Staff Welfare Expenses | **748.73** | *1,310.00* |
| | **45,533.99** | *31,030.00* |

## SCHEDULE XI

### ESTABLISHMENT EXPENSES

| | (Rs. in '000s) | *March 31, 2001* |
|---|---|---|
| Insurance | **69.27** | *140.00* |
| Postage | **142.85** | *180.00* |
| Electricity Charges | **2,191.76** | *2,160.00* |
| Rates and Taxes | **290.95** | *280.00* |
| Repairs and Maintenance – Building | **2,631.43** | *4,080.00* |
| – Others | **715.81** | *270.00* |
| Telex, Telephone and Telegram Charges | **3,884.89** | *1,800.00* |
| Rent - Office (net) | **8,842.02** | *1,360.00* |
| | **18,768.98** | *10,270.00* |

## SCHEDULE XII

### OTHER EXPENSES

| | (Rs. in '000s) | *March 31, 2001* |
|---|---|---|
| Advertisement Business Promotion | **960.90** | *600.00* |
| Bank Charges | **51.79** | *40.00* |
| Books and Periodicals | **113.07** | *90.00* |
| E.D.P. Expenses | **1,834.01** | *1,530.00* |
| Travel, Conveyance and Motor Car Expenses | **8,619.00** | *2,390.00* |
| Advisory Fees | **143.71** | *24,600.00* |
| Legal and Professional Charges (See Note 1) | **13,964.44** | *6,360.00* |
| Printing and Stationery | **565.70** | *590.00* |
| Memberships and Subscriptions | **817.51** | *790.00* |
| Loss on Sale of assets (net) | **57.78** | *4,100.00* |
| Loss on Sale of investments (net) | **—** | *14,340.00* |
| Interest on Income-Tax | **200.00** | *500.00* |
| Bad debts written off (net) | **—** | *1,710.00* |
| Miscellaneous expenses (See Note 16) | **8,527.72** | *5,490.00* |
| | **35,855.63** | *63,130.00* |

## SCHEDULE XIII

### NOTES FORMING PART OF THE ACCOUNTS

1. **Legal and Professional Charges include amounts paid/payable to the Auditors for:**

(Rs. in '000s)

| | **2001-2002** | *2000-2001* |
|---|---|---|
| Audit Fees | **70.00** | *50.00* |
| Taxation Matters | **10.00** | *10.00* |
| Other Matters | **660.00** | *310.00* |
| Out-of-pocket Expenses | **—** | *30.00* |
| | **740.00** | *400.00* |

2. **Earnings in Foreign Exchange**

| | | |
|---|---|---|
| Fees | **39,020.00** | *44,910.00* |
| Interest on EEFC Deposit | **—** | *170.00* |
| | **39,020.00** | *45,080.00* |

3. **Expenditure in Foreign Currency**

| | | |
|---|---|---|
| Capital | **—** | *1,430.00* |
| Travel | **480.00** | *120.00* |
| Others | **770.00** | *30.00* |
| | **1,250.00** | *1,580.00* |

4. Estimated amount of Contracts remaining to be executed on capital account not provided for (net of advances, if any) – Nil *(Previous Year - Rs. 2,410).*

5. Income Tax demands (net of tax provision already created) for which appeals are being preferred Rs. 3,570. *(Previous Year – Rs. 3,570).*

6. Loans to staff include – Nil (Previous Year Rs. 70.00) from an Officer of the Company. Maximum amount due during the year Rs. 70.00 *(Previous Year – Rs.90.00).*

7. Dividend Income comprises the following:

(Rs. in '000s)

| | **2001-2002** | *2000-2001* |
|---|---|---|
| Dividend from Non-Trade Investments | | |
| – Current Investments | — | *27,310.00* |
| – Dividend from units held as Stock-in-trade | — | *7,820.00* |
| Total | — | *35,130.00* |

8. Cost of sales of securities held as stock-in-trade is net of brokerage refunds.

9. Staff Expenses include :
   a) Provision towards unutilised leave salary Rs. 1,560.00 *(Previous Year – Rs. 990.00).*
   b) Rent paid in respect of Company leased accommodation facility provided to eligible employees Rs. 850.00 *(Previous Year - Rs. 890.00).*

10. The Company has complied with the Prudential norms prescribed by the Reserve Bank of India in respect of Income Recognition, Provision for Bad and Doubtful Debts and other Non Performing Assets.

11. In accordance with Section 45-IC of the Reserve Bank of India (Amendment) Act, 1997, twenty percent of the profit after taxation in the current year has been transferred to a Statutory Reserve.

12. a) Purchases of units of Mutual Funds held as stock-in-trade – Nil units amounting to (net of brokerage refunds) Rs. Nil *(Previous Year - Rs. 49,250.00).*
   b) Sales of Units of Mutual Funds held as stock-in-trade – Nil amounting to Rs. Nil *(Previous Year – Rs. 40,160.00).*
   c) Opening and closing stock of securities held as Stock-in-trade - Nil *(Previous Year – Nil).*

13. The Shareholders of the Company in their Extra Ordinary General Meeting held on February 25, 2002 have withdrawn the Employee Stock Option Scheme (ESOS). Consequently, 69,400 share options stand withdrawn.

14. The Company has complied with Accounting Standard 22, Accounting for Taxes on Income. Accordingly, Provision for Tax includes provision for deferred tax arising out of timing differences. Accumulated Deferred Tax Liability amounting to Rs.17,970.00 as at March 31, 2001 has been appropriated from General Reserve.

15. Miscellaneous expenses include Rs.5,520.00 (Previous Year – Rs. 4,670.00), being the Company's share of various common overhead expenses incurred by ICICI Limited, the holding company.

16. In accordance with the scheme of amalgamation approved by the High Court of Bombay and the High Court of Karnataka, the entire undertaking of ICICI Econet Limited (Econet) together with all its assets and liabilities stand transferred to and vested in the Company with effect from October 1, 2001.

   Pursuant to the scheme of amalgamation,
   a) The Company has allotted 125,000 equity shares of Rs. 10 each as fully paid to the shareholders of Econet in the ratio of one share in the Company for every 80 shares held by them in Econet.
   b) The amount of Rs.98,750.00 representing the difference between the share capital recorded in the books of Econet and the amount of shares issued by the Company, has been credited to General Reserve Account while the accumulated losses of Econet amounting to Rs.51,388.93 has been debited to the General Reserve Account.
   c) The surplus of Rs.47,944.01 representing the excess value of net assets taken over by the Company over the share capital issued has been credited to a free reserve called Amalgamation Reserve.
   d) The Company has changed the method of charging depreciation on the fixed assets taken over by Econet to fall in line with the written down value method followed by the Company. Consequent to the change, an amount of Rs.637.35 representing depreciation for the period September 25, 2000 to September 30, 2001 has been charged to the General Reserve Account.

   The Pooling of Interest method specified in the Accounting Standard 14 issued by the Institute of Chartered Accountants of India, has been adopted for the purpose of accounting the amalgamation. Econet was an Asset Management Company carrying on the business of providing Venture Capital assistance.

17. The figures for the previous year have been re-grouped wherever necessary so as to make them comparable with those of the current year.

**SCHEDULE XIV**

**OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

The following paragraphs describe the nature of operations, the basis of presentation and the main policies adopted by the Company.

1. **Nature of Operations**

   The Company is a public financial institution and provides venture capital assistance to a wide spectrum of industrial sectors. The assistance is extended through the Venture Funds and the Private Equity Funds managed/advised by the Company. The accounts of these Funds are maintained separately and do not form part of the Company's financial statements.

2. **Basis of Presentation**

   ICICI Venture Funds Management Company Limited maintains the Books of Account in accordance with Section 209 of the Companies Act, 1956. The accounting and reporting policies of the Company are in conformity with the provisions of the Companies Act, 1956 and the Accounting Standards issued by the Institute of Chartered Accountants of India. The Company's assets and liabilities are principally recorded on the historical cost basis and the accrual method of accounting is followed, except where otherwise noted. The principal accounting policies followed are consistent with those followed in the previous year.

3. **Income Recognition**

   i. As Fund Manager, the Company is entitled to an annual management fee and a performance fee, which is contingent on the payouts to the Fund investors. In respect of the Private Equity Funds advised by the Company, the Company is entitled to an advisory fee. The annual management fee, performance fee and the advisory fee are recognised as revenue when they contractually accrue except where the management believes that the collectability is in doubt.

   ii. Dividend income from investment in units of Mutual Fund is recognised on cash basis. Dividend from shares of corporate bodies is accrued when such dividend has been declared by the corporate body in its Annual General Meeting and the Company's right to receive the dividend payment is established.

   iii. Income on securities classified as stock-in-trade is recognised on trade date.

   iv. Interest is recognised, except where collectability is in doubt, on time proportionate basis taking into account the amount outstanding and the interest rates implicit in the transaction. Revenue recognition on loans placed in non-accrual status is resumed and suspended income recognised when the investment becomes contractually current and incomes are actually realised.

   v. No credit is taken for interest and other dues in respect of (a) decreed debts, (b) where suits have been filed, (c) where loans have been recalled and (d) where accounts are considered bad or doubtful.

4. **Foreign Exchange Transactions**

   Transactions in foreign currency, to the extent not covered by forward contracts, are recorded at the exchange rate prevailing on the date of the transaction. Exchange differences arising on foreign currency transactions are recognised as income or expense in the period in which they arise.

   Monetary items (other than those relating to fixed assets) are restated at the rates prevailing at the year end. The difference between the year end rate and the exchange rate at the date of the transaction is recognised as income or expense in the profit and loss account.

5. **Investments**

   Long-term Investments are carried at cost. Provision for diminution, if any, in the value of long-term investments is made to recognise a decline which is not temporary. The said diminution is determined for each investment individually. Current Investments are stated at lower of cost or fair value.

6. **Stock-in-trade**

   Units and Securities held for trading purposes are classified as Stock-in-trade. Stock-in-trade is stated at lower of cost or market value.

7. **Leasing Business**

   Lease income is recognised on accrual basis, except where collectability is in doubt. In respect of assets leased, the Company has followed the recommendations contained in the guidance note on Accounting for Leases issued by the Institute of Chartered Accountants of India. The corresponding assets are depreciated at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

8. **Fixed Assets and Depreciation**

   Fixed Assets are stated at cost less accumulated depreciation. Additions, major renewals and improvements are capitalised, while maintenance and repairs are expensed. Upon disposition, the net book value of assets is relieved and resultant gains and losses are reflected in the Profit and Loss Statement. The basis of depreciation is as follows:

   a) In respect of leased assets (other than vehicles leased to third parties), depreciation is provided on straight-line method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

   b) In respect of all other assets, depreciation is provided on written-down value method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

9. **Employee Benefits**

   The Company has a superannuation fund and a gratuity fund maintained and administered by Life Insurance Corporation of India to which transfers are made annually based on advises received from the Life Insurance Corporation of India. Additionally, the Company also makes monthly contributions to the Employees Provident Fund Scheme managed by a trust constituted for the purpose and to the Family Pension Scheme administered by the Central Government. Contributions to retirement benefit schemes are booked under staff expenses. Provision for unutilised leave benefits has been made on the basis of management estimates.

Signatures to Schedules 'I' to 'XIV' which form an integral part of the Accounts.

As per our Report attached
For S.B. BILLIMORIA & CO.
*Chartered Accountants*

UDAYAN SEN
*Partner*

*Bangalore, April 24, 2002*

For and on behalf of the Board

K.V. KAMATH
*Chairman*

LALITA D. GUPTE
*Director*

RENUKA RAMNATH
*Managing Director & CEO*

BEENA M. CHOTAI
*Financial Controller*

RAJESH B. GHONASGI
*CFO & Company Secretary*

*Mumbai, April 23, 2002*

## Statement pursuant to Part IV of Schedule VI to the Companies Act, 1956
## Balance Sheet Abstract and Company's General Business Profile

**1. Registration Details**

Registration No. 08/10099 State Code 08

Balance Sheet Date 31 (Date) 03 (Month) 2002 (Year)

**2. Capital Raised during the Year**

(Amount in Rupees Thousands)

| | |
|---|---|
| Public Issue: NIL | Bonus Issue: NIL |
| Rights Issue: NIL | Private Placement: NIL |
| Pursuant to Scheme of Amalgamation: 1250000 | |

**3. Position of Mobilisation and Deployment of Funds**

(Amount in Rupees Thousands)

| | |
|---|---|
| Total Liabilities: 537121.88 | Total Assets: 537121.88 |

**Sources of Funds**

| | |
|---|---|
| Paid-up Capital: 31250.00 | Reserves and Surplus: 254462.68 |
| Secured Loans: NIL | Unsecured Loans: 229668.15 |
| Deferred Tax Liability: 21741.05 | |

**Application of Funds**

| | |
|---|---|
| Net Fixed Assets: 117973.13 | Investments: 474324.55 |
| Net Current Assets: (55175.80) | Miscellaneous Expenditure: NIL (to the extent not written-off or adjusted) |
| Accumulated Losses: NIL | |

**4. Performance of Company**

(Amount in Rupees Thousands)

| | |
|---|---|
| Turnover / Income: 203083.48 | Total Expenditure: 113586.37 |
| Profit/Loss before Tax: 89497.11 | Profit/Loss after Tax: 55729.90 |
| Earning per Share in Rupees: 18.20 | Dividend Rate %: 200.00 |

**5. Generic Names of Principal Products/Services of the Company**

(as per monetary terms)

Item Code No. : Not Applicable
Product Description : Financial Services

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As per our Report attached

For S.B. BILLIMORIA & CO.
*Chartered Accountants*

UDAYAN SEN
*Partner*

*Bangalore, April 24, 2002*

For and on behalf of the Board

K.V. KAMATH
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