

ICICI INVESTMENT MANAGEMENT COMPANY LIMITED

2ND ANNUAL REPORT AND ACCOUNTS 2001-2002

Directors

Kalpna Morparia, *Chairperson*
A. J. Advani
Veena Mankar
Chandrashekhar Lal

Auditors

S.B. Billimoria & Co.
Chartered Accountants

Registered Office

ICICI Bank Towers
Bandra-Kurla Complex
Mumbai - 400 051

directors' report

to the members

Your Directors have pleasure in presenting the Second Annual Report of the Company with the audited Statement of Accounts for the year ended March 31, 2002.

FINANCIAL RESULTS

The summary of the financial results for the year under review is as follows:

	(Rupees)	
	2001-2002	2000-2001
Gross Income	1,12,52,307	1,09,43,872
Profit Before Tax	21,48,154	1,06,74,746
Provision for Tax	7,50,000	44,50,000
Profit After Tax	13,98,154	62,24,746
Transfer to Reserves	13,98,154	62,24,746

Your Directors do not recommend payment of dividend for the year ended March 31, 2002.

OPERATIONAL REVIEW

Your Company is the Asset Management Company of ICICI Securities Fund, a Mutual Fund registered with SEBI. In March 2002, ICICI Securities Fund launched its first scheme viz., Indian Corporate Collateralized Debt Obligation Fund. The scheme, in the nature of a Collateralized Debt Obligation, was the first of its kind in Indian debt capital market. However, the scheme was withdrawn after considering the impact of the proposed changes to the nature of taxation applicable to the mutual fund industry in the Finance Bill 2002.

Consequent upon the amalgamation of ICICI Limited (ICICI), the holding company of the Company, with ICICI Bank Limited (ICICI Bank) becoming effective May 3, 2002, the Company has become a 100% subsidiary of ICICI Bank.

AUDIT COMMITTEE

The Board at its Ninth Meeting held on March 29, 2001 had constituted an Audit Committee of Directors pursuant to the provisions of Section 292A of the Companies Act, 1956 comprising of A.J. Advani, Jayesh Gandhi and Veena Mankar. In view of the resignation of Jayesh Gandhi from the Board, the Audit Committee was reconstituted by appointing Chandrashekhar Lal as a member of the Audit Committee in place of Jayesh Gandhi.

PUBLIC DEPOSITS

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

DIRECTORS

Jayesh Gandhi, who was appointed as an additional Director of the Company effective March 12, 2000 resigned from the Board effective the conclusion of Board Meeting held on May 2, 2001. The Board accepted with regret the resignation of Jayesh Gandhi and placed on record its appreciation of the valuable services rendered by him during his tenure.

The Board has appointed Chandrashekhar Lal as an additional Director of the Company effective October 18, 2001. Chandrashekhar Lal would hold the office upto the date of the forthcoming Annual General Meeting as provided in the Articles of Association of the Company, but is eligible for appointment.

In terms of the provisions of the Articles of Association of the Company, Veena Mankar would retire at the forthcoming Annual General Meeting.

AUDITORS

The Auditors, M/s. S.B. Billimoria & Co., Chartered Accountants, Mumbai, who were appointed by the Members at their Extra-Ordinary General Meeting held on October 22, 2001 as Statutory Auditors of the Company to fill up the casual vacancy caused by resignation of M/s. V. P. Thacker & Co., would retire at the ensuing Annual General Meeting. The Board at its Meeting held on May 2, 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 EARNING AND EXPENDITURE

There was no income in foreign currency during the period under review and expenditure in foreign currency was equivalent to Rs. 87,79,250. The expenditure was incurred towards the payment of advisory fee to International Finance Corporation, Washington for the advisory services provided by them in structuring the Indian Corporate Collateralized Debt Obligation Fund.

PERSONNEL AND OTHER MATTERS

Since your Company does not have any employees, provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable.

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 not given.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. the Directors had selected such accounting policies and applied them consistently and made judgments 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. 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. the Directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

Your Company is grateful to the Securities and Exchange Board of India, Reserve Bank of India, International Finance Corporation, Washington and ICRA for their support and advice during the period under review.

Your Company would also like to express its gratitude for the unstinted support and guidance received from ICICI Bank and also from other group companies.

For and on behalf of the Board

Place: Mumbai
Date: May 3, 2002

KALPANA MORPARIA
Chairperson

auditors' report

ICICI Investment Management to the members of ICICI Investment Management Company Limited

1. We have audited the attached Balance Sheet of ICICI Investment Management Company Limited as at March 31, 2002 and the Profit and Loss Account of the Company 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.
2. 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 the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to in paragraph 1 above :
 - (a) 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;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
- (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 :
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2002; and
 - ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.
5. On the basis of the written representations from the Directors, taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2002 from being appointed as a Director under Section 274(1)(g) of the Companies Act, 1956.

For S. B. BILLIMORIA & CO.
Chartered Accountants

SANJIV N. SHAH
Partner

Mumbai, May 2, 2002

annexure to the auditors' report

(Referred to in paragraph 1 of our Report of even date)

1. The Company has neither taken nor granted secured or unsecured loans from or to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. The Company has certified that there are no companies under the same management as defined in Section 370 (1B) of the Companies Act, 1956.
2. The Company has an internal audit system, which is commensurate with the size of the Company and nature of its business.
3. There are no employees on the payroll of the Company and, therefore, provisions relating to Employees' Provident Fund and Employees' State Insurance Scheme are not applicable to the Company.
4. There were no undisputed amounts payable in respect of income tax, wealth tax, sales tax and customs duty which were outstanding as on March 31, 2002 for a period of more than six months from the date they became payable.
5. According to the information and explanations given to us, no personal expenses have been charged to the Profit and Loss Account.
6. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
7. In respect of investments made by the Company in shares, securities, etc. proper records have been maintained of the transactions and contracts and timely entries have been made therein; the shares, securities and other investments are held in the name of the Company, except to the extent of exemption granted under Section 49 of the Companies Act, 1956.

For S. B. BILLIMORIA & CO.
Chartered Accountants

SANJIV N. SHAH
Partner

Mumbai, May 2, 2002

balance sheet

profit and loss account

as at March 31, 2002				for the year ended March 31, 2002			
	Schedule	Rupees	March 31, 2001		Schedule	Rupees	March 31, 2001
SOURCES OF FUNDS				INCOME			
Shareholders' Funds				Interest Income			
Share Capital	1	100,007,000	100,007,000	Dividend Income	7	11,179,123	10,943,872
Reserves and Surplus	2	7,622,900	6,224,746			73,184	—
		<u>107,629,900</u>	<u>106,231,746</u>	EXPENDITURE			
APPLICATION OF FUNDS				Professional Fees			
Investments	3	98,973,384	97,200,000	Auditors' Remuneration (Refer note 2)		52,987	6,300
Current Assets	4	18,529,458	12,463,932	Other Expenses	8	15,400	6,310
Less: Current Liabilities and Provisions	5	10,642,490	4,458,250	Miscellaneous Expenditure Written Off		256,516	256,516
Net Current Assets		7,886,968	8,005,682	Profit Before Tax		2,148,154	10,674,746
Miscellaneous Expenditure	6	769,548	1,026,064	Provision for Taxation		750,000	4,450,000
(to the extent not written off or adjusted)		<u>107,629,900</u>	<u>106,231,746</u>	Profit After Tax carried to Balance Sheet		1,398,154	6,224,746
Accounting Policies and Notes to Accounts	9			Accounting Policies and Notes to Accounts	9		

As per our Report of even date attached

For S. B. BILLIMORIA & CO.
Chartered Accountants

SANJIV N. SHAH
Partner

KRUNAL THAKKAR
Company Secretary

Mumbai, May 2, 2002

For and on behalf of the Board

KALPANA MORPARIA
Chairperson

A.J. ADVANI
Director

VEENA MANKAR
Director

CHANDRASHEKHAR LAL
Director

schedules

ICICI Investment Management forming part of the Accounts

(Rupees) March 31, 2001

(Rupees) March 31, 2001

SCHEDULE - 1

SHARE CAPITAL

Authorised		
25,000,000 Equity Shares of Rs. 10 each	<u>250,000,000</u>	<u>250,000,000</u>
Issued, Subscribed and Paid up		
10,000,700 Equity Shares of Rs. 10 each fully paid up	<u>100,007,000</u>	<u>100,007,000</u>
	<u>100,007,000</u>	<u>100,007,000</u>

All the above Equity Shares are held by ICICI Limited (the Holding Company) and its nominees.

SCHEDULE - 2

RESERVES AND SURPLUS

Profit and Loss Account		
Opening Balance	<u>6,224,746</u>	—
Addition during the year	<u>1,398,154</u>	<u>6,224,746</u>
Closing balance	<u>7,622,900</u>	<u>6,224,746</u>

SCHEDULE - 3

INVESTMENTS

(i) 900 10.85% ICICI bonds of Rs. 1,00,000 each	<u>90,000,000</u>	<u>90,000,000</u>
(ii) Nil (31.3.01 : 72) 10.65% ICICI bonds of Rs. 1,00,000 each	—	<u>7,200,000</u>
(iii) 20 Equity shares of Rs. 10 each fully paid up of ICICI Venture Funds Management Company Limited	<u>200</u>	—
(iv) 759,205.44 Units of Prudential ICICI Mutual Fund Liquid Plan-Dividend Option	<u>8,973,184</u>	—
	<u>98,973,384</u>	<u>97,200,000</u>
Quoted	<u>8,973,184</u>	—
Unquoted	<u>90,000,200</u>	<u>97,200,000</u>
Market value of quoted investments	<u>8,975,706</u>	NA

SCHEDULE - 4

CURRENT ASSETS

(A) Interest accrued but not due on Investments	<u>702,759</u>	<u>762,798</u>
(B) Balances with Scheduled Bank:		
(i) In Current Account	<u>1,220,861</u>	<u>46,389</u>
(ii) In Fixed Deposits	<u>7,480,160</u>	<u>6,812,675</u>
(C) Other Current Assets :		
(a) Interest accrued on Fixed Deposits	<u>468,876</u>	<u>710,344</u>
(b) Advance Taxes paid	<u>3,295,000</u>	<u>1,860,000</u>
(c) Tax Deducted at Source	<u>4,713,396</u>	<u>2,264,641</u>
(d) Recoverable from ICICI Limited	<u>648,406</u>	<u>7,085</u>
	<u>18,529,458</u>	<u>12,463,932</u>

SCHEDULE - 5

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities		
Sundry Creditors	<u>5,176,822</u>	<u>8,250</u>
Other Liabilities	<u>265,668</u>	—
Provisions		
Provision for Income Tax	<u>5,200,000</u>	<u>4,450,000</u>
	<u>10,642,490</u>	<u>4,458,250</u>

SCHEDULE - 6

MISCELLANEOUS EXPENDITURE

to the extent not written off or adjusted		
Preliminary Expenses	<u>1,026,064</u>	<u>1,282,580</u>
Less : Written off during the period	<u>256,516</u>	<u>256,516</u>
	<u>769,548</u>	<u>1,026,064</u>

SCHEDULE - 7

INTEREST INCOME

(a) Interest on Fixed Deposits with Bank (Gross : TDS Rs. 120,164; Previous year Rs. 160,538)	<u>687,796</u>	<u>710,344</u>
(b) Interest on Bonds (Gross : TDS Rs. 2,140,231; Previous year Rs. 2,087,640)	<u>10,491,327</u>	<u>10,233,528</u>
	<u>11,179,123</u>	<u>10,943,872</u>

SCHEDULE - 8

OTHER EXPENSES

(a) Charges for making common seal	—	<u>1,530</u>
(b) Directors' sitting fees	<u>9,000</u>	<u>4,000</u>
(c) Charges for printing Share Certificates	—	<u>780</u>
(d) ROC filing fee	<u>3,000</u>	—
(e) Profession Tax	<u>3,400</u>	—
	<u>15,400</u>	<u>6,310</u>

SCHEDULE - 9

ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

- Method of Accounting**
The Accounts are prepared in accordance with accounting principles generally accepted in India. The Company follows the accrual method of accounting.
- Preliminary Expenses**
Preliminary Expenses towards the incorporation of the Company are treated as Miscellaneous Expenditure and are written off to the Profit and Loss Account over a period of 5 years.
- Revenue Recognition**
Interest income and other dues are accounted on accrual basis. Dividend is recognised when declared.
- Investments**
Investments are carried at cost less diminution other than temporary.

NOTES TO ACCOUNTS

- The Company was incorporated on March 9, 2000. The accounts for the previous year were prepared for the period March 9, 2000 to March 31, 2001 and, therefore, not comparable.
- Auditors' remuneration

	March 31,	<i>March 31,</i>
	2002	<i>2001</i>
(i) Statutory audit fees	<u>21,000</u>	<u>5,250</u>
(ii) Tax audit fees	<u>31,500</u>	—
(iii) Certification fees	—	<u>1,050</u>
(iv) Expenses reimbursed	<u>487</u>	—
	<u>52,987</u>	<u>6,300</u>
- There is no deferred tax liability in case of the Company.
- Expenditure in Foreign Currency

	March 31,	<i>March 31,</i>
	2002	<i>2001</i>
Professional Fees	<u>8,779,250</u>	—
	<u>8,779,250</u>	—
- Previous period figures have been regrouped wherever necessary.

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

1. Registration Details

Registration No.

0	1	2	4	7	7	3
---	---	---	---	---	---	---

 State Code

1	1
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 Balance Sheet Date

3	1
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0	3
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2	0	0	2
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 Date Month Year

2. Capital raised during the year

(Amount in Rupees)

Public Issue

							N	I	L
--	--	--	--	--	--	--	---	---	---

Rights Issue

							N	I	L
--	--	--	--	--	--	--	---	---	---

Bonus Issue

							N	I	L
--	--	--	--	--	--	--	---	---	---

Private Placement (Subscribers to Memorandum)

1	0	0	0	0	7	0	0	0
---	---	---	---	---	---	---	---	---

3. Position of Mobilisation and Deployment of Funds

(Amount in Rupees)

Total Liabilities

1	1	8	2	7	2	3	9	0
---	---	---	---	---	---	---	---	---

Sources of Funds

Paid-up Capital

1	0	0	0	0	7	0	0	0
---	---	---	---	---	---	---	---	---

Secured Loans

							N	I	L
--	--	--	--	--	--	--	---	---	---

Application of Funds

Net Fixed Assets

							N	I	L
--	--	--	--	--	--	--	---	---	---

Net Current Assets and Advances

		7	8	8	6	9	6	8
--	--	---	---	---	---	---	---	---

Total Assets

1	1	8	2	7	2	3	9	0
---	---	---	---	---	---	---	---	---

Reserves and Surplus

		7	6	2	2	9	0	0
--	--	---	---	---	---	---	---	---

Unsecured Loans

							N	I	L
--	--	--	--	--	--	--	---	---	---

Loans and Investments

	9	8	9	7	3	3	8	4
--	---	---	---	---	---	---	---	---

Miscellaneous Expenditure

		7	6	9	5	4	8
--	--	---	---	---	---	---	---

4. Performance of the Company

(Amount in Rupees)

Turnover (Gross Income)

	1	1	2	5	2	3	0	7
--	---	---	---	---	---	---	---	---

Profit before Tax

		2	1	4	8	1	5	4
--	--	---	---	---	---	---	---	---

Earnings per Share in Rupees

				0	.	1	4
--	--	--	--	---	---	---	---

Total Expenditure

		9	1	0	4	1	5	3
--	--	---	---	---	---	---	---	---

Profit after Tax

		1	3	9	8	1	5	4
--	--	---	---	---	---	---	---	---

Dividend Rate %

							N	I	L
--	--	--	--	--	--	--	---	---	---

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

Investment Management Company

Item Code

							N	.	A
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For and on behalf of the Board

KALPANA MORPARIA
Chairperson

VEENA MANKAR
Director

KRUNAL THAKKAR
Company Secretary

A.J. ADVANI
Director

CHANDRASHEKHAR LAL
Director

Mumbai, May 2, 2002