

44TH
ANNUAL REPORT
AND ACCOUNTS
1998-99
ICICI LIMITED





The Corporate Identity of a Company can truly be said to be a symbol of the values the Company stands for. The ICICI Corporate Identity has recently taken a new direction, assuming a new significance.

The new logo depicts a dynamic individual with drive and conviction and personifies the human capital of this Company, which is indispensable to our further progress. The individual in the logo also symbolises the strong retail identity of our Group, whether it be in the form of reaching out to a shareholder or individual customers. The 'i' in the logo also stands for *numero uno*, a position that we have always strived to achieve. It also lends itself to representing the ICICI name.

The new corporate colours reflect ICICI's core values: orange embodying dynamism, blue standing for trust and depth, grey representing warmth, maroon symbolising stability and finally white, epitomising the highest form of ethics.

We at ICICI, are committed to embodying the spirit of the new ICICI Corporate Identity.

contents

Message from the Chairman	2
Board of Directors	4
Board Committees	5
Letter from the Managing Director	6
ICICI Group: a Virtual Universal Bank	10
Performance Highlights	12
Five Years at a Glance	13
Senior Management	14
Directors' Report	15
Management's Discussion and Analysis	26
Approvals, Disbursals & Outstandings	74
Shareholders' Information	76
Financials	F1
Auditors' Report	F2
Annexure to the Auditors' Report	F3
Balance Sheet, Revenue Account and Schedules	F4
Annexure to Schedule IV	F17
Balance Sheet Abstract and Company's General Business Profile	F25
Cash Flow Statement	F26
Statement Pursuant to Section 212 of the Companies Act, 1956	F27
Consolidated Financial Statements as per US GAAP	F28
Fifth Annual Report of ICICI Banking Corporation Limited	F53
Sixth Annual Report of ICICI Securities and Finance Company Limited	F63
Fourth Annual Report of ICICI Brokerage Services Limited	F77
Second Annual Report of ICICI Personal Financial Services Limited	F86
Fifth Annual Report of ICICI Capital Services Limited	F95
Sixth Annual Report of ICICI Infotech Services Limited	F107
Eleventh Annual Report of ICICI Venture Funds Management Company Limited	F116
Third Annual Report of ICICI International Limited	F128
Third Annual Report of ICICI KINFRA Limited	F132
Fourth Annual Report of ICICI West Bengal Infrastructure Development Corporation Limited ...	F139
Fourth Annual Report of ICICI Properties Limited	F146
Fourth Annual Report of ICICI Realty Limited	F151
Fourth Annual Report of ICICI Real Estate Company Limited	F156
Enclosures	
Notice	
Attendance Card and Form of Proxy	
Particulars of Employees under Section 217 (2A) of the Companies Act, 1956	
A quick reference guide for Investors	

message from the chairman



N. Vaghul
Chairman

The year 1998-99 was one of the most turbulent years that the global financial markets have witnessed in a long time. Asian currencies and asset markets plummeted to record lows leading to a collapse in the financial systems. Thereby several developed economies slowed down further, reducing global demand. These external shocks coupled with

slackening domestic demand impacted the Indian economy. The effect was particularly severe on a corporate India yet to complete the process of restructuring and consolidation which began a few years ago.

However, I believe that we have seen the worst and that the country shall emerge stronger as it learns its lessons from this period of crisis. The Asian crisis highlighted the need for a well capitalized and strongly supervised banking sector. The recovery cycle in the Asian economies has already set in and this is bound to have a positive impact on India.

Following the recommendations of the Committee on Banking Sector Reforms, India is moving in the direction of building a resilient banking sector. Strengthening of prudential norms and installation of Asset Liability Management systems are significant measures introduced by the regulators, aimed at building a robust financial system. The Reserve Bank of India is playing a dynamic role in the transformation of the financial sector as is evident from its proactive setting up of the Khan Working Group to redefine the role of financial institutions and banks. The Reserve Bank of India has also initiated a nationwide debate on the recommendations of the Group, which revolves around the issue of universal banking and the development of an enabling regulatory framework. The dialogue between the regulator, the banks and the institutions has provided the country with an opportunity to view the relevant issues in a holistic manner.

Universal banking will enable the participants in the financial system to effectively respond to and seize the opportunities arising from the changes being witnessed in the global marketplace—globalization, convergence and consolidation. As these changes make their presence felt in the Indian context, we should be well equipped to make the transition towards a truly efficient system. The debate on the Indian financial sector therefore needs to be extended to its logical conclusion and the unfinished agenda of reforms needs to be addressed with urgency.

In respect of corporate performance the determinants of success—strategic, managerial and environmental—are complex and interrelated. ICICI has succeeded in developing and executing strategies that are closely aligned to the environmental needs. ICICI's relationship bankers are in constant touch with the market and, gaining a quick understanding of customer needs, are able to proactively design optimal financing solutions. In several instances, ICICI has led the market and redefined the boundaries of business. New products, new services, new organization structures and new business models—ICICI has been at the forefront of change in the financial sector and has gained a significant first-mover advantage. ICICI has succeeded in generating demand for new products by creating awareness about the fit between latent customer needs and the delivery capabilities of new products.

Innovation and the application of new technology to financial challenges have been the hallmarks of our success. ICICI's ability to innovate stems from its strong base of highly motivated professionals. Their potential has been successfully tapped by a visionary CEO who, in the capacity of coach, catalyst and manager has inspired the organization to perform beyond expectations.

ICICI has also pioneered the concept of good corporate governance in the Indian financial system by strengthening the role of the Board to ensure active and independent monitoring. Even internationally, relatively few boards have been able to effect separation of the roles of Board Chairman and CEO to the extent done by ICICI. The primary focus at ICICI has always been maximization of shareholder value. This paradigm continues to be the driving force that enables ICICI to remain focused on adding value to all the investors who have reposed their faith in ICICI.

board of directors

N. Vaghul Chairman

Ashok Ganguly

B.K. Jhavar

Rakesh Khurana

G. Krishnamurthy

Ajit Kumar

Lakshmi N. Mittal

N.R. Narayana Murthy

D. Sengupta

R. Seshasayee

Marti G. Subrahmanyam

C.M. Vasudev

K.V. Kamath Managing Director & CEO

Lalita D. Gupte Joint Managing Director &
Chief Operating Officer

S.H. Bhojani Deputy Managing Director

board committees

Audit Committee

R. Seshasayee, Chairman

Ashok Ganguly

B.K. Jhavar

Board Governance Committee

N.R. Narayana Murthy, Chairman

Ashok Ganguly

G. Krishnamurthy

D. Sengupta

K.V. Kamath

Investment Committee

Marti G. Subrahmanyam, Chairman

G. Krishnamurthy

K.V. Kamath

Lalita D. Gupte

S.H. Bhojani

Credit Committee

Ashok Ganguly, Chairman

Rakesh Khurana

D. Sengupta

K.V. Kamath

Lalita D. Gupte

Management Committee

K.V. Kamath, Chairman

Lalita D. Gupte

S.H. Bhojani

Resources & Treasury Committee

K.V. Kamath, Chairman

Lalita D. Gupte

S.H. Bhojani

Share Transfer Committee

Lalita D. Gupte, Chairperson

Rakesh Khurana

G. Krishnamurthy

S.H. Bhojani

Systems & Technology Committee

Rakesh Khurana, Chairman

N.R. Narayana Murthy

K.V. Kamath

dear shareholders



K.V. Kamath
Managing Director & CEO

Over the last few years, the financial sector in India has witnessed dramatic changes ushered in by deregulation and the unleashing of competitive forces, both domestic and international. This, together with major industrial restructuring, has posed significant challenges to the Indian financial institutions and

banks. Despite the increased volatility in and complexity of the environment, ICICI posted strong results for the financial year ended March 31, 1999, with growth in profit after tax of 7% from Rs. 9.36 billion (excluding non-recurring gain of Rs.1.45 billion) in financial year 1997-98 to Rs. 10.01 billion in financial year 1998-99. For financial year 1998-99, provisions for sub-standard assets were charged to the Profit and Loss account as against appropriation from the Special Reserve as was the case in financial year 1997-98. If the accounting policy had remained unaltered, the profit after tax for financial year 1998-99 would have been Rs.11.32 billion, an increase of 21% over financial year 1997-98. The total asset base increased by 27% to Rs. 585.47 billion as at March 31, 1999. During financial year 1998-99, ICICI achieved a return on assets of 2.1%, a return on net worth of 20.3%, and earnings per share of Rs. 18.2 (diluted for the domestic convertible). ICICI proposes to pay its shareholders a dividend of Rs. 5.50 for every equity share of Rs. 10.

I would like to take this opportunity to discuss with you the strategic initiatives taken by ICICI to achieve quality business growth, to maintain asset quality, to enhance transparency and to build Group synergy. All of these have contributed significantly to the creation of value for ICICI's stakeholders.

Business Growth: ICICI's performance in a difficult year marked by turmoil in key industrial sectors is a result of its increased client focus and ability to structure financial solutions that meet client specific needs. During the past year, ICICI set up client focused groups to offer an integrated package of financial services to ensure that top Indian corporates perceive the ICICI Group as a solution provider for every financial need. The setting up of dedicated teams for specific client segments has enabled ICICI to design appropriate funding structures for them and act as partners in their growth initiatives.

Asset Quality: The year 1998-99 was a difficult year for the Indian corporate sector due to various environmental constraints. ICICI has proactively taken measures to address the various consequent concerns and ensure high asset quality. Diversification of its asset base through growth in low risk categories has been an intrinsic part of this strategy. ICICI's focus on credit enhancement by the use of structured products has also contributed to improvement in the quality of its portfolio. ICICI has placed great emphasis on recovery and settlements in respect of bad assets and this focus has been institutionalized across the organization, resulting in a higher value of recovery. In addition, to provide sharper focus on specific, more difficult cases, a Special Asset Management Group has been constituted. ICICI is working in close association with other financial institutions and commercial banks to reach early settlements and has achieved quick success in this respect.

Transparency: ICICI believes that its stakeholders are entitled to complete information regarding its activities and ICICI has made continuous efforts to set higher and higher standards for accurate, timely and relevant disclosures. Accordingly ICICI has reviewed its accounts as per the United States Generally Accepted Accounting Principles (US GAAP), being the first financial organization in India to do so. ICICI believes that adoption of global benchmarks like US GAAP in financial reporting and enhanced transparency regarding its asset portfolio will enable all stakeholders to make an informed assessment of ICICI's financial health and competitive position.

Group Synergy: The first step towards enhanced Group synergy was the creation of a common corporate identity for the ICICI Group. This has enabled the customer to visualize ICICI as a total financial services provider. The new logo and representation of the name have been used at the centre of all advertising and promotion across every Group company.

This has effectively positioned ICICI as a virtual universal bank offering a wide range of products and services. This initiative was taken further with the formation of focused client teams with members drawn from different Group companies with an emphasis on cross selling all ICICI Group products. The resulting growth volumes achieved in various business groups has been remarkable, given the environmental constraints during the year. This initiative has also thrown up a whole new set of opportunities for the ICICI Group, for both wholesale and retail businesses.

I feel it would be pertinent at this juncture for me to explain some of the reasons due to which, during a significant part of the year under review, ICICI's share price reflected neither the company's fundamental strength nor its robust performance. During the year, there was a heightened sense of concern amongst foreign investors regarding emerging markets as a whole and the banking sector in particular. The resultant drop in ICICI's stock price was compounded by the lack of buying support from local institutions. Also, an overly bearish view of the economy resulting from the significant restructuring activity in the manufacturing sector in India combined with confusion over the role of long term financial institutions aggravated the situation. Although ICICI has made significant progress in redefining and implementing its enlarged scope of business operations, several regulatory issues persist and these had been heavily discounted by investors. However, I must mention that despite all of the above, the share price of ICICI has substantially outperformed those of its peer financial institutions who also have been subject to similar constraints. It is ICICI's belief that asset and resource diversification, healthy growth and high quality of human capital have helped ICICI create this differentiation vis-à-vis other financial organizations.

Going forward, ICICI would continue to consolidate its three capital resources— financial, technology and human. ICICI's effort will continue to be to combine its industry knowledge with its specialized structuring skills to offer financial solutions that enable ICICI's clients to derive maximum advantage from market opportunities.

Today, Personal Financial services presents an attractive business opportunity. ICICI has recently launched car loans, house loans and loans for consumer durables. ICICI believes that it can gain competitive advantage in this business by leveraging its market understanding, product structuring expertise, edge in technology and strong brand name. ICICI's strategy will be closely aligned with that of Group companies to offer a comprehensive range of financial products and services under the ICICI Group umbrella, thus moving a step closer to its vision of Universal Banking.

I would like to take this opportunity to thank ICICI's investors and clients for their belief in ICICI's ability to perform and for their valued contribution to ICICI's growth. I would also like to convey my appreciation to all our employees for their unstinted effort in making this performance possible.



K.V. Kamath
Managing Director & CEO

CORPORATE FINANCIAL SERVICES

ICICI

- Infrastructure Finance
- Structured Finance
- Project Finance
- Treasury Services
- Custodial Services



Structured Finance



Infrastructure Finance



Working Capital Finance

ICICI Bank

- Corporate Banking Services
- Working Capital Finance
- Cash Management Services



Project Finance

ICICI Securities

- Investment banking
- Primary Dealership
- Mergers & Acquisitions
- Equity and Debt capital markets
- Private Equity
- Project Finance Advisory Services



Equity Research



Advisory Services

ICICI Brokerage

- Equity Broking
- Equity Research

ICICI Venture

- Offshore and Domestic Private Equity
- Structured Products
- Advisory Services

ICICI Kinfra

- Infrastructure Project Development in Kerala

ICICI Winfra

- Infrastructure Project Development in West Bengal

ICICI International

- Offshore Investment
- Offshore Fund Management

a virtual universal bank



Bonds

RETAIL FINANCIAL SERVICES



Banking Services



Demat Services

ICICI

- Bonds
- Loans
- Fixed deposits
- Demat services



Home Loans



Car Loans

ICICI Bank

- Retail banking services
- Internet banking services



Mutual Funds

ICICI Capital

- Distribution and servicing of retail liability products

ICICI Infotech

- Shareholder servicing
- Bondholder servicing
- Transaction processing
- Software solutions
- IT related services

Prudential - ICICI

- Asset Management
- Equity oriented Mutual Fund Schemes
- Debt oriented Mutual Fund Schemes
- Balanced Funds

ICICI Personal Financial Services

- Distribution and servicing of retail loan products

performance highlights

Operational Highlights

Approvals for the year
Rs. 342.20 billion

Disbursements for the year
Rs. 192.25 billion

Financial Highlights

Profit after tax at
Rs. 10.01 billion

Dividend at 55%

Total assets at
Rs. 585.47 billion

Capital adequacy ratio
at 12.5%

Return on Assets
at 2.1%

Return on Net Worth
at 20.3%



"We have effectively combined our in-depth understanding of client requirements and harnessed new technologies and thought processes to be a consistent winner in this environment. We will continue to challenge conventional wisdom in our efforts to create value through innovation and lead the Indian financial sector into the new millennium."

Lalita D. Gupte
Joint Managing Director
& Chief Operating Officer

"To compete successfully in this changing environment requires enormous flexibility, but equally imperative is the vision to recognize opportunities inherent in this change. To meet these challenges, ICICI has relied extensively on its human capital, which comprises some of the best talent in the industry."

S. H. Bhojani
Deputy Managing Director



five years at a glance

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	
	Rs. bn	Rs. bn	Rs. bn	Rs. bn	Rs. bn	US\$ mn
FOR THE YEAR						
Total Income	23.64	29.01	44.71	57.36	73.23	1,725.9
Profit before tax and adjustments	4.55	5.08	8.56	10.23	10.96	258.3
Provision for tax	0.64	0.72	1.04	0.82	0.95	22.4
Adjustment for changes in accounting policy related to the merger	—	—	—	(0.05)	—	—
Profit after tax	3.91	4.36	7.52	9.36	10.01	235.9
Non-recurring gain	—	—	—	1.45	—	—
Profit after tax including Non-recurring gain	3.91	4.36	7.52	10.81	10.01	235.9
Approvals	145.28	145.95	140.84	247.17	342.20	8,065.0
Disbursements	68.79	71.20	111.81	158.07	192.25	4,531.0
AT YEAR-END						
Assets						
Total assets	194.63	233.24	362.92	459.20	585.47	13,798.4
Net loans and debentures	143.61	167.85	261.16	338.02	420.10	9,901.0
Equity and other investments	14.69	19.18	23.27	24.37	25.98	612.3
Leased assets	7.30	11.89	23.95	26.76	31.08	732.4
Liabilities						
Shareholders' funds	21.10	24.36	44.51	53.05	65.18	1,536.1
Borrowings	160.87	193.90	294.20	374.49	476.59	11,232.3
Selected ratios						
(Net of non-recurring gain)						
Return on net worth (%)	22.0	19.6	20.5	21.0	20.3	
Return on assets (%)	2.3	2.2	2.3	2.4	2.1	
Earnings per share (diluted for domestic convertible) (Rs.)	13.9	13.0	15.9	18.2	18.2	
Dividend per share (Rs.)	3.5	3.7	4.5	5.5	5.5	
Book value per share (Rs.)	69.5	76.4	85.9	91.3	100.3	
Capital adequacy (%)	10.9	10.0	13.2	13.0	12.5	

senior management

Senior General Managers

S. Kerkar

Kalpana Morparia

S. Mukherji

Shikha Sharma

M.J. Subbaiah

General Managers

A. Joshi

R. Kannan

S.Khasnobis

Chanda Kochhar

A.T. Kusre

N.M. Mor

A. Mukerji

S.P. Nagarkatte

S.C. Nanda

Ramni Nirula

Shalini S. Shah

V.Thirupathi

Rita Vasan

R. Venkataraghavan

V. Srinivasan

Company Secretary
