

**ICICI SECURITIES, INC.****2ND ANNUAL REPORT AND ACCOUNTS 2001-2002****Directors**

Sripat Pandey, *President*  
Meher Baburaj  
Devesh Kumar  
Nitin Jain

**Auditors**

N.M. Rajji & Co.  
Chartered Accountants

**Registered Office**

1013 Centre Road  
City of Wilmington  
County of New Castle  
Delaware 19805

## directors' report

**to the members**

Your Directors have pleasure in presenting the Second audited Statement of Accounts of ICICI Securities, Inc. (the Company), for the year ended March 31, 2002.

**FORMATION OF THE COMPANY AND OPERATIONS**

The Company was formed to provide brokerage, research and investment banking services to investors in the United States of America (U.S.) who wish to invest in Indian financial market.

**BUSINESS ENVIRONMENT**

The Company started its operations during the year 2001-2002. Slowdown in the U.S. economy continued, which was further affected by the September 11 terrorist attack on the World Trade Centre. These two factors together had a negative impact on the business environment. The Information and Technology (IT) sector in particular has been worst hit, affecting the Indian IT companies badly.

**OVERALL PERFORMANCE**

With start of its U.S. operations, the Company has become the only Indian Investment Bank to provide a complete range of investment banking services to its Indian and U.S. clients. The Company generated revenue of Rs.7.85 million for the year.

**PRIMARY MARKET**

The number of listings in the U.S. by Indian companies came down significantly during the year. Despite this, the Company advised Mahanagar Telephone Nigam Limited, on conversion of its Global Depository Receipt (GDR) to American Depository Receipt (ADR), and on its ADR listing.

**INVESTMENT BANKING**

The Company represented some of its Indian clients in the acquisition of strategic stakes in U.S. companies. However, deal closure is taking more than normal time due to the adverse business environment.

**EQUITIES**

The Company started its equity broking business for institutional clients and has been able to get business from some clients.

**THE YEAR AHEAD**

The outlook for the US economy is improving and we expect the investment banking activity to increase in the financial year 2002-2003. The Company is well placed to exploit opportunities created by the improving economic conditions.

**DIRECTORS**

Meher Baburaj resigned as the President of the Company with effect from December 3, 2001 and Amit Tandon resigned as a Director of the Company with effect from September 28, 2001. The Board places on record its appreciation of the valuable contribution made by them during their tenure as President and Director respectively. Meher Baburaj, however, continues to be a Director of the Company.

Sripat Pandey was appointed as the President in place of Meher Baburaj with effect from December 3, 2001. Nitin Jain was appointed as a Director with effect from December 3, 2001.

**AUDITORS**

The Auditors, M/s. N.M. Rajji & Co., Chartered Accountants, Mumbai, appointed pursuant to the provisions of the Companies Act, 1956, will retire at the ensuing Annual General Meeting. The Board at its meeting held on April 22, 2002, has proposed their re-appointment as Auditors of the Company for the financial year 2002-2003. You are requested to consider their re-appointment.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors confirm:

1. that in preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations 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 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.

For and on behalf of the Board

SRIPAT PANDEY  
*President*

Mumbai, April 22, 2002



# auditors' report



to the members of ICICI Securities, INC.

We have audited the attached Balance Sheet of ICICI SECURITIES, INC. as at March 31, 2002 and the annexed Profit and Loss Account for the year ended on that date. 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 (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the said Order to the extent applicable to the Company.
- (2) 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 purpose of our audit;
  - (b) 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 the books;

- (c) the Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account of the Company;
- (d) in our opinion, the Balance Sheet and 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 and are in agreement with the books of account;
- (e) On the basis of written representations received from the Directors, we report that none of the Directors is disqualified as on March 31, 2002, from being appointed as a Director u/s 274(1)(g) of the Companies Act, 1956.
- (f) in our opinion, to the best of our information and according to the explanations given to us, the said accounts read 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:
  - (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 loss for the year ended on that date.

For N. M. RAJI & CO.  
*Chartered Accountants*

J. M. GANDHI  
*Partner*

Mumbai, April 22, 2002

## annexure

### to the Auditors' Report

1. In our opinion, clauses of Manufacturing and Other Companies (Auditor's Report) Order, 1988, numbering (i), (ii), (iii), (iv), (v), (vi), (vii), (viii), (ix), (xi), (xii), (xiii), (xiv), (xvi), (xvii), (xviii) and (xx) are not applicable for the current year.
2. The Company has an adequate internal control procedure commensurate with the size of the Company and the nature of its business in respect of purchase and sale of assets and services.
3. During the year there is no internal audit system for the Company. In the opinion of the management, considering the size of operations and the structure of the Company, internal audit system is not required.
4. During the course of our examination of the books of account and according to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
5. In respect of services activities:
  - (a) the system of allocating man-hours utilized to the relative jobs, is not yet formalised;
  - (b) there is a reasonable system of authorisation at proper levels and adequate system of internal control commensurate with the size of the Company and nature of its business.

For N. M. RAJI & CO.  
*Chartered Accountants*

J. M. GANDHI  
*Partner*

Mumbai, April 22, 2002



# balance sheet

# profit and loss account

as at March 31, 2002				for the year ended March 31, 2002			
	Schedule	(Rs. in '000s)	March 31, 2001		Schedule	(Rs. in '000s)	March 31, 2001
<b>SOURCES OF FUNDS</b>				<b>Income from Operations</b>			
<b>Shareholders' Funds</b>				(a) Income from Services H <b>6,994.02</b> —			
A. Share Capital	A	<b>48,309.55</b>	<i>48,309.55</i>	(b) Interest Income I <b>854.18</b> <i>1,233.66</i>			
B. Reserves and Surplus	B	<b>(15,788.55)</b>	<i>(3,379.02)</i>	<b>7,848.20</b> <i>1,233.66</i>			
		<b>32,521.00</b>	<i>44,930.53</i>	<i>Less: Operating Expenditure</i>			
<b>APPLICATION OF FUNDS</b>				Financial Charges and Operating Expenses J <b>29.51</b> <i>4.57</i>			
<b>Current Assets, Loans and Advances</b>				<b>7,818.69</b> <i>1,229.09</i>			
<b>Expenditure</b>				<i>Less: Administrative Expenditure</i>			
A. Current Assets -				- Establishment and Other Expenses K <b>22,011.05</b> <i>5,170.22</i>			
(a) Interest Accrued	C	—	<i>77.20</i>	<b>Profit before Taxation</b> <b>(14,192.36)</b> <i>(3,941.13)</i>			
(b) Sundry Debtors	D	<b>315.20</b>	—	<i>Less: Provision for Taxation</i> — —			
(c) Cash and Bank Balances	E	<b>7,784.54</b>	<i>5,230.00</i>	<b>Profit After Taxation</b> <b>(14,192.36)</b> <i>(3,941.13)</i>			
B. Loans and Advances	F	<b>26,325.51</b>	<i>39,623.33</i>	Brought forward from previous years <b>(3,941.13)</b> —			
		<b>34,425.25</b>	<i>44,930.53</i>	Amount available for appropriations <b>(18,133.49)</b> <i>(3,941.13)</i>			
<i>Less: Current Liabilities and Provisions :</i>	G	<b>1,904.25</b>	—	Balance carried to Balance Sheet <b>(18,133.49)</b> <i>(3,941.13)</i>			
<b>NET CURRENT ASSETS</b>		<b>32,521.00</b>	<i>44,930.53</i>	<b>Notes forming part of the Accounts and Accounting Policies</b> L			
		<b>32,521.00</b>	<i>44,930.53</i>				
<b>Notes forming part of the Accounts and Accounting Policies</b>							

Per our Report attached  
For N.M. RAIJI & CO.  
Chartered Accountants

J. M. GANDHI  
Partner

Mumbai, April 22, 2002

For and on behalf of the Board

SRIPAT PANDEY  
President

DEVESH KUMAR  
Director

Per our Report attached  
For N.M. RAIJI & CO.  
Chartered Accountants

J. M. GANDHI  
Partner

Mumbai, April 22, 2002

For and on behalf of the Board

SRIPAT PANDEY  
President

DEVESH KUMAR  
Director

## schedules

	(Rs. in '000s)	March 31, 2001
<b>SCHEDULE "A" – SHARE CAPITAL :</b>		
<b>Authorized:</b> 10,000,000 Equity Shares of USD 1 each		
<b>Issued, Subscribed and Paid Up:</b> Common stock, USD1 par value; 1,050,000 shares authorised	<b>48,309.55</b>	<i>48,309.55</i>
<b>SCHEDULE "B" – RESERVES AND SURPLUS:</b>		
Profit and Loss Account	<b>(18,133.49)</b>	<i>(3,941.13)</i>
Translation Reserve	<b>2,344.94</b>	<i>562.11</i>
<b>Total</b>	<b>(15,788.55)</b>	<i>(3,379.02)</i>
<b>SCHEDULE "C" – INTEREST ACCRUED:</b>		
On Loans and Advances	—	<i>77.20</i>
	—	<i>77.20</i>



# schedules

	(Rs. in '000s)	March 31, 2001	
<b>SCHEDULE "D" – SUNDRY DEBTORS (Unsecured):</b>			
Receivables outstanding for a period not less than six months (considered good)	315.20	—	
<b>Total</b>	<b>315.20</b>	<b>—</b>	
<b>SCHEDULE "E" – CASH AND BANK BALANCES:</b>			
In Current Accounts with Banks	7,784.54	5,230.00	
<b>Total</b>	<b>7,784.54</b>	<b>5,230.00</b>	
<b>SCHEDULE "F" – LOANS AND ADVANCES: (Unsecured and considered good unless otherwise stated)</b>			
<b>(A) Loans:</b>			
Commercial Paper	17,080.00	37,296.00	
<b>Total (A)</b>	<b>17,080.00</b>	<b>37,296.00</b>	
<b>(B) Advances:</b>			
(Recoverable in cash or in kind or for value to be received)			
Other Advances and Deposits	9,245.51	2,327.33	
<b>Total (B)</b>	<b>9,245.51</b>	<b>2,327.33</b>	
<b>Total (A)+(B)</b>	<b>26,325.51</b>	<b>39,623.33</b>	
<b>SCHEDULE "G" – CURRENT LIABILITIES:</b>			
Sundry Creditors for Expenses	1,904.25	—	
<b>Total</b>	<b>1,904.25</b>	<b>—</b>	
<b>SCHEDULE "H" – INCOME FROM SERVICES:</b>			
Financial Advisory Services	6,994.02	—	
<b>Total</b>	<b>6,994.02</b>	<b>—</b>	
<b>SCHEDULE "I" – INTEREST INCOME:</b>			
Interest on Other Loans and Advances	854.18	1,233.66	
<b>Total</b>	<b>854.18</b>	<b>1,233.66</b>	
<b>SCHEDULE "J" – FINANCIAL CHARGES AND OPERATING EXPENSES:</b>			
Bank Charges	29.51	4.57	
<b>Total</b>	<b>29.51</b>	<b>4.57</b>	
<b>SCHEDULE "K" – ESTABLISHMENT AND OTHER EXPENSES:</b>			
Rates and Taxes	101.95	360.26	
Communication Expenses	—	11.46	
Professional Fees	1,837.50	—	
Auditors' Remuneration	25.00	—	
Miscellaneous Expenses	20,046.60	4,798.50	
<b>Total</b>	<b>22,011.05</b>	<b>5,170.22</b>	
<b>SCHEDULE "L – NOTES FORMING PART OF THE ACCOUNTS AND ACCOUNTING POLICIES:</b>			
<b>1. Significant Accounting Policies:</b>			
<b>(i) Method of Accounting</b>			
The accounts are prepared in accordance with accounting principles generally accepted in India. The Company follows accrual method of accounting.			
<b>(ii) Revenue Recognition</b>			
In case of non-fund based activities such as issue management, loan syndication, financial advisory services etc., the revenue is recognised based on the stage of completion of assignments and the bills raised for the recovery of fees.			
<b>(iii) Conversion to Indian Rupees</b>			
For the purpose of the accounts during the year all income and expense items are converted at the average rate of exchange applicable for the year. All assets and liabilities are translated at the closing rate as on the Balance Sheet date. The exchange difference arising out of the year-end translation is being debited or credited to Translation Reserve.			
The Equity Share Capital is carried forward at the rate of exchange prevailing on the transaction date. The resulting exchange difference on account of translation at the year-end are transferred to Translation Reserve Account and the said account is being treated as "Reserves and Surplus".			
<b>(iv) Deferred Tax</b>			
The tax effects of significant temporary differences are reflected through a Deferred Tax Asset /Liability, which has been reflected in the Balance Sheet and the corresponding effect of the same is given in the Profit and Loss Account.			
<b>2.</b> The Company is a wholly owned subsidiary of ICICI Securities Holdings Inc. The accounts have been prepared and audited to attach with the accounts of ICICI Securities and Finance Company Limited, the Holding Company, to comply with the provisions of the Indian Companies Act, 1956.			
<b>3. Deferred Tax</b>			
Deferred Tax asset resulting from accumulated losses have not been accounted because of uncertainty of availability of sufficient future taxable income.			
<b>4.</b> For the purpose of conversion of the local currency (USD) into Indian Currency (Indian Rupees) the exchange rate applied is as per para (iii) of the accounting policies.			
<b>5. Related Party Disclosures</b>			
The following are the details of transactions with related parties:			
			(Rs. in '000s)
<b>Name of the Related Party</b>	<b>Type of Transactions</b>	<b>Amount</b>	
ICICI Securities and Finance Company Limited – The Holding Company	Professional Fees	1,837.50	
ICICI Securities Holdings Inc. – The Holding Company	Establishment Expenses	20,046.60	
ICICI Brokerage Services Limited – Subsidiary of ICICI Securities and Finance Company Limited	Brokerage Expenses	308.28	
<b>6.</b> For the purpose of comparison, figures for the previous year have been given, which have been regrouped/reclassified wherever necessary.			
<b>Signatures to Schedules A to L</b>			
Per our Report attached For N.M. RAIJI & CO. Chartered Accountants	J. M. GANDHI Partner	For and on behalf of the Board	SRIPAT PANDEY President
Mumbai, April 22, 2002		DEVESH KUMAR Director	