CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31ST 1999 AND 1998

PREPARED IN ACCORDANCE WITH

UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP)

contents

independent accountants' review report

The Board of Directors, ICICI Limited

We have reviewed the accompanying balance sheets of ICICI Limited as of 31 March 1999 and 31 March 1998, and the related statements of income, stockholders' equity and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information in these financial statements is the representation of the management of ICICI Limited.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The United States dollar amounts are presented in the accompanying financial statements solely for the covenience of the readers and are arithmetically correct on the basis disclosed in footnote 1.1.3.

KPMG Peat Marwick

26 April 1999

Mumbai, India

consolidated balance sheet

as at March 31,	1999	1998
		USD Thousand
Assets		
Cash and cash equivalents	**1,464,129**	*862,008*
Trading account assets	**846,712**	*276,290*
Securities		
- Available for sale	**363,446**	*350,577*
- Held to maturity	**24**	*24*
Loans, net	**11,239,618**	*8,893,778*
Acceptances	**206,764**	*195,946*
Property and equipment	**187,367**	*152,180*
Other assets	**1,090,055**	*815,956*
Total	**15,398,115**	*11,546,759*
Liabilities		
Interest bearing deposits	**1,329,672**	*624,063*
Non-interest bearing deposits	**98,681**	*66,368*
Total deposits	**1,428,353**	*690,431*
Trading account liabilities	**33,420**	*83,102*
Acceptances	**206,764**	*195,946*
Long term debt	**11,176,856**	*8,753,830*
Other liabilities	**1,182,371**	*698,162*
Taxes and dividends payable	**234,881**	*233,985*
Minority interest	**18,218**	*34,127*
Total liabilities	**14,280,863**	*10,689,583*
Redeemable preferred stock	**256,823**	*79,330*
Stockholders' equity		
Common stock	**113,151**	*112,680*
Additional paid in capital	**348,150**	*345,180*
Retained earnings	**537,851**	*431,393*
Other comprehensive income	**(138,723)**	*(111,407)*
Total stockholders' equity	**860,429**	*777,846*
Total	**15,398,115**	*11,546,759*

The accounting policies and explanatory notes attached form an integral part of the consolidated financial statements.
See accompanying accountants' review report.

consolidated statement of income

for the year ended March 31,	1999	*1998*
		USD Thousand
Interest revenue		
Loans, including fees	**1,504,124**	*1,206,481*
Securities, including dividend	**21,706**	*17,323*
Trading account assets, including dividend	**89,913**	*36,460*
Other	**107,707**	*56,823*
Total interest revenue	**1,723,450**	*1,317,087*
Interest expense		
Long term debt	**1,262,809**	*955,338*
Deposits	**86,778**	*35,541*
Trading account liabilities	**13,033**	*7,424*
Other	**30,144**	*21,730*
Total interest expense	**1,392,764**	*1,020,033*
Net interest revenue	**330,686**	*297,054*
Provision for credit losses	**134,339**	*108,202*
Net interest revenue after provision for credit losses	**196,347**	*188,852*
Non-interest revenue		
Fees, commission and brokerage	**84,398**	*50,813*
Trading account revenue	**11,548**	*15,861*
Securities transactions	**11,124**	*9,026*
Equity dilution in a subsidiary	**—**	*21,683*
Foreign exchange transactions	**8,037**	*4,030*
Profit on sale of property and equipment	**—**	*12,538*
Other	**4,313**	*19,728*
Net revenue	**315,767**	*322,531*
Non-interest expense		
Salaries	**18,760**	*16,073*
Employee benefits	**3,465**	*3,441*
Total employee expense	**22,225**	*19,514*
Premise and equipment expense	**21,848**	*9,993*
Amortization of goodwill	**15,414**	*—*
Other expense	**40,984**	*33,797*
Minority interest	**4,007**	*3,182*
Total non-interest expense	**104,478**	*66,486*
Income before taxes	**211,289**	*256,045*
Income tax expense	**35,776**	*37,662*
Net income	**175,513**	*218,383*
Income applicable to common stock	**175,513**	*218,383*
Earnings per share (USD)		
Basic	**0.37**	*0.46*
Diluted	**0.32**	*0.39*

The accounting policies and explanatory notes attached form an integral part of the consolidated financial statements.
See accompanying accountants' review report.

consolidated statement of changes in stockholders' equity

USD Thousand

for the years ended March 31, 1999 and March 31, 1998

	Common stock	Additional paid in capital	Retained earnings	Other comprehensive income	Total stockholders' equity
Balance as at March 31, 1997	**112,067**	**341,951**	**282,065**	**(104,714)**	**631,369**
Common stock issued	613	3,229	—	—	3,842
Net income	—	—	218,383	—	218,383
Cash dividend declared at the rate of USD 0.13 per share	—	—	(69,055)	—	(69,055)
Unrealized losses on securities, net	—	—	—	(6,693)	(6,693)
Balance as at March 31, 1998	**112,680**	**345,180**	**431,393**	**(111,407)**	**777,846**
Common stock issued	471	2,970	—	—	3,441
Net income	—	—	175,513	—	175,513
Cash dividend declared at the rate of USD 0.13 per share	—	—	(69,055)	—	(69,055)
Unrealized losses on securities, net	—	—	—	(27,316)	(27,316)
Balance as at March 31, 1999	**113,151**	**348,150**	**537,851**	**(138,723)**	**860,429**

The accounting policies and explanatory notes attached form an integral part of the consolidated financial statements.
See accompanying accountants' review report.

consolidated statement of cash flows

		USD Thousand
for the year ended March 31,	**1999**	*1998*
Cash flows from operating activities		
Net income	**175,513**	*218,383*
Adjustments to reconcile net income to net cash provided by operating activities		
Non-cash items		
Provision for credit losses	**134,339**	*108,202*
Depreciation and amortization	**15,389**	*1,013*
Deferral of discount and expenses on loan fund	**19,326**	*14,801*
Provision for deferred tax	**9,262**	*7,400*
Revaluation loss on foreign currency loans	**1,273**	*6,316*
Investments written down	**24,346**	*20,551*
Change in equity of affiliates	**778**	*212*
Minority interest	**4,007**	*3,182*
Net loss/(gain) on sale of property and equipment	**118**	*(12,538)*
Net gain on sale of securities available for sale	**(39,500)**	*(51,261)*
Changes in assets and liabilities		
Other assets	**(248,692)**	*(66,910)*
Other liabilities	**461,890**	*92,694*
Tax payable	**(44,073)**	*14,872*
Trading account assets	**(570,422)**	*(166,745)*
Trading account liabilities	**(49,682)**	*(16,003)*
Net cash from operating activities	**(106,128)**	*174,169*
Cash flows from investing activities		
Securities – Available for sale		
Purchases	**(73,981)**	*(64,153)*
Proceeds from sales	**97,431**	*103,465*
Securities – Held to maturity		
Maturities	**—**	*448*
Net increase in loans	**(2,480,178)**	*(2,135,541)*
Capital expenditure on property and equipment	**(84,963)**	*(62,833)*
Proceeds from sale of property and equipment	**2,710**	*25,713*
Net cash from investing activities	**(2,538,981)**	*(2,132,901)*
Cash flows from financing activities		
Net increase in deposits	**737,921**	*437,309*
Net proceeds from issuance of long term debt/ (repayment)	**2,423,026**	*1,818,313*
Net proceeds from issuance of redeemable preferred stock/(redemption)	**177,492**	*61,654*
Proceeds from issuance of common stock	**471**	*613*
Increase in additional paid in capital	**2,970**	*3,229*
Changes in minority interest	**(19,915)**	*11,642*
Payment of dividend	**(74,735)**	*(52,982)*
Net cash from financing activities	**3,247,230**	*2,279,778*
Net increase/(decrease) in cash and cash equivalents	**602,121**	*321,046*
Cash and cash equivalents at beginning of the year	**862,008**	*540,962*
Cash and cash equivalents at end of the year	**1,464,129**	*862,008*

Supplementary schedule of non-cash investing and financing activities

ICICI purchased the entire capital stock of Anagram Finance Limited for USD 3,936 thousand with effect from April 1, 1998. In conjunction with the acquisition, liabilities were assumed as given below :

	USD Thousand
Fair value of assets acquired	*226,986*
Fair value of liabilities assumed	*(245,063)*
Excess of fair value of liabilities over fair value of assets	*18,077*
Common stock issued as consideration	*3,936*
Goodwill	*22,013*

The goodwill is being amortized over the average life of the long term interest bearing assets acquired.

The accounting policies and explanatory notes attached form an integral part of the consolidated financial statements.
See accompanying accountants' review report.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Presentation

1.1.1 ICICI Limited incorporated in Mumbai, India is a financial institution that along with its subsidiaries, provides a variety of banking and financial services including project and infrastructure financing, corporate finance, commercial banking, lease financing, venture capital financing and investment banking. The consolidated financial statements include the accounts of ICICI Limited and its majority owned subsidiaries, after the elimination of all material inter-company transactions. Twenty to fifty per cent owned affiliates are accounted for under the equity method and the pro rata share of their income/loss is included in other revenue, except when ICICI is unable to exercise significant influence over the operating and financial policies of the investee. Income from investment in companies, which are not accounted under the equity method, is recognized when dividends are declared.

1.1.2 The accounting and reporting policies of ICICI used in the preparation of these consolidated financial statements reflect industry practices and conform to generally accepted accounting principles of The United States of America. The preparation of financial statements require that the management makes estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statement and the reported income and expense for the reporting period. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. The actual results could differ from these estimates.

1.1.3 The accompanying consolidated financial statements have been prepared in Indian Rupees, the functional currency of ICICI. Solely for the convenience of the reader, the accompanying consolidated financial statements have been reported in US Dollars by translation of the Indian Rupee at the exchange rate on March 31, 1999 (1 US Dollar: Rs. 42.43).

1.2 Revenue Recognition

1.2.1 Interest income is accounted on an accrual basis except in respect of impaired loans, where interest income is recognized on the cash basis.

1.2.2 Income from leasing/hire-purchase operations is accrued in a manner to provide a fixed rate of return on outstanding investments. Discount on bills discounted/rediscounted is recognized on a level yield basis over the tenure of the bills.

1.2.3 Fees for non-fund based activities such as issue management, loan syndication and financial advisory services, are accrued based on the stage of completion of the underlying transactions.

1.2.4 Income from brokerage activities is recognized as income on the trade date of the transaction.

1.3 Cash and Cash Equivalents

1.3.1 ICICI considers all highly liquid investments, which are readily convertible into cash and have contractual maturities of three months or less from the date of purchase, to be cash equivalents. The carrying value of cash equivalents approximates fair value.

1.4 Securities and Trading Account Activities

1.4.1 ICICI has adopted the Statement of Financial Accounting Standards ('SFAS') No. 115, "Accounting for Certain Investments in Debt and Equity Securities". Under SFAS No. 115, debt securities that are expected to be held to maturity are carried at cost, adjusted for amortization of premiums and accretion of discounts. Marketable equity securities and debt securities available for sale are carried at fair value, with unrealized gains and losses reported as a separate component of stockholders' equity, net of applicable income taxes. Realized gains and losses on sale of securities are included in earnings on a weighted average cost basis.

1.4.2 Any permanent diminution in the value of securities that are expected to be held to maturity or that are available for sale is charged to the income statement. Equity securities, which are traded on a securities exchange within six months of the balance sheet date are considered as publicly traded. The last quoted price of such securities is taken as their fair value. Unquoted equity securities are valued at cost, less provision for permanent diminution. Permanent diminution is identified based on management evaluation.

See accompanying accountants' review report.

1.4.3 Trading account assets include securities held for the purpose of sale in the short term. These securities are valued at fair value, with the unrealized gain/loss being taken to trading account revenue. Trading account activities also include foreign exchange products. Foreign exchange trading positions are valued at prevailing market rates and the resulting gains/losses are included in foreign exchange revenue.

1.5 Loans

1.5.1 Loans are reported at the principal amount outstanding, inclusive of interest accrued and due per the contractual terms. Loan origination fees (net of loan origination costs) are deferred and recognized as an adjustment to yield over the life of the loan. Interest is accrued on the unpaid principal balance and is included in interest income.

1.5.2 Loans are identified as impaired and placed on a non-accrual basis, when it is determined that payment of interest or principal is doubtful of collection or interest or principal is past due beyond specific periods. Any interest accrued (and not received) on impaired loans is reversed and charged against current earnings, and interest is thereafter included in earnings only to the extent actually received in cash. Impaired loans are returned to an accrual status when all contractual principal and interest amounts are reasonably assured of repayment and there is a sustained period of repayment performance in accordance with the contractual terms.

1.5.3 Impaired loans are reported after considering the impact of impairment. The impairment is measured by comparing the carrying amount of the loan with the present value of the expected future cash flows/fair value of the collateral, discounted at the effective rate of the loan.

1.5.4 Loans include aggregate rentals on lease financing transactions and residual values, net of related unearned income. Lease financing transactions substantially represent direct financing leases. Unearned income is amortized under a method which substantially results in an approximate level rate of return when related to the unrecovered lease investment.

1.5.5 Loans also include the aggregate value of purchased securitized receivables, net of unearned income, which is amortized under a method which substantially results in an approximate level rate of return when related to the outstanding investment.

1.5.6 Loans further include credit substitutes, such as privately placed debt instruments, which are not readily marketable.

1.6 Aggregate Allowance for Possible Credit Losses

1.6.1 The aggregate allowance for possible credit losses is increased by amounts charged to the provisions for credit losses and decreased by charge offs, net of recoveries. The provision for credit losses is based on ICICI's past credit loss experience and other factors which, in management's judgement, deserve current recognition in estimating possible credit losses.

1.6.2 In evaluating its possible losses, the management has estimated recovery of impaired loans at various stages of recovery and discounted these using the effective interest rate of the loans. It is possible that actual recovery may differ from those estimated and consequently actual loss could differ from the estimate.

1.7 Property and Equipment

1.7.1 Property and equipment are stated at cost, less accumulated depreciation. The cost of additions, capital improvements and interest during the construction period are capitalized, while maintenance and repairs are charged to expenses when incurred.

1.7.2 Depreciation is provided over the estimated useful lives of the assets.

1.7.3 The cost and accumulated depreciation for property and equipment sold, retired or otherwise disposed off are relieved from the accounts, and the resulting gains/losses are reflected in the income statement.

1.7.4 Property under construction is disclosed as construction in progress.

1.8 Interest Capitalization

1.8.1 The interest costs incurred for funding an asset during its construction period are capitalized based on the average outstanding investment in the asset and the average cost of funds. The capitalized interest cost is included in the cost of the relevant asset and is depreciated over the asset's estimated useful life.

See accompanying accountants' review report.

1.9 Income Taxes

1.9.1 Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period of change. Deferred tax assets are recognized subject to management's judgement that realization is more likely than not.

1.10 Employee Benefits

1.10.1 Employee benefits expense consists of gratuity, provident fund and superannuation benefits. These employee benefits are structured through funds, that are administered by independent trustees. The contribution of ICICI to these funds is either fixed (i.e. defined contribution) or determined through periodic actuarial valuation. This contribution is charged to revenue. Leave encashment is charged to revenue based on year-end actuarial valuation. These benefit schemes are not material to the operations or financial position of ICICI.

1.11 Foreign Currency Transactions

1.11.1 Revenue and expenses in foreign currency are accounted at the exchange rate on the date of the transaction. Foreign currency balances at year-end are translated at the year-end exchange rates and the revaluation gains/ losses are adjusted through the income statement.

1.11.2 Foreign exchange contracts are revalued at year-end based on forward exchange rates for remaining maturity and the revaluation gain/loss is adjusted through the income statement. Foreign exchange contracts, which qualify as hedges of foreign currency exposures are revalued at the year-end spot rates with any forward premium or discount recognized over the life of the contract.

1.12 Debt Issuance Costs

1.12.1 Debt issuance costs are amortized over the average tenure of the debt.

1.13 Earnings Per Share ('EPS')

1.13.1 ICICI has adopted SFAS No. 128, which establishes new standards for computing and presenting EPS, effective March 31, 1998. Under SFAS No. 128, basic earnings per share excludes dilution and is computed by dividing income applicable to common stock (net income after deducting dividend on preferred stock) by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if convertible securities were converted to common stock. The dilutive impact is computed on the assumption that all convertible instruments are converted to common stock at the beginning of the year, at a price which is most advantageous to the holder of the instrument.

See accompanying accountants' review report.

2. FINANCIAL INSTRUMENTS

2.1.1 ICICI provides a wide variety of financial instruments as products to its customers, and it also uses these instruments in connection with its own activities. Following are explanatory notes regarding financial assets and liabilities, off balance sheet financial instruments, concentration of credit risk, and the estimated fair value of financial instruments.

2.1.2 Collateral requirements are made on a case-by-case evaluation of each customer and product, and may include cash, securities, receivables, real estate, plant and machinery and other assets.

2.2 Financial Assets and Liabilities

Cash and cash equivalents

2.2.1 Cash and cash equivalents at March 31, 1999 includes a balance of USD 103,700 thousand (1998: USD 70,752 thousand) maintained with the Reserve Bank of India under statutory requirements to maintain average reserve balances. This balance is subject to withdrawal/usage restrictions.

2.2.2 Cash and cash equivalents at March 31, 1999 also includes, interest bearing deposits with banks aggregating USD 1,001,815 thousand (1998: USD 575,630 thousand).

2.2.3 ICICI has certain borrowings, which have been raised under specific lines of credit from multilateral agencies at concessional rates of interest. These borrowings have restriction on lending/usage, and can be disbursed only for specified purposes. Pending disbursement, the funds are parked with banks. Cash and cash equivalents at March 31, 1999 includes USD 27,080 thousand (1998: USD 25,029 thousand) of such undisbursed funds.

Trading account assets

2.2.4 An analysis of the trading account assets is set out below: **USD Thousand**

As at	**March 31, 1999**	*March 31, 1998*
Securities of Indian Government	**707,637**	*252,981*
Corporate debt securities	**128,918**	*17,653*
Equity securities	**141**	*966*
Revaluation gains on derivative and foreign exchange contracts	**10,016**	*1,815*
Others	**—**	*2,875*
Total	**846,712**	*276,290*

Trading account revenue

2.2.5 An analysis of trading account revenue is set out below:

USD Thousand

For the year ended	**March 31, 1999**	*March 31, 1998*
Gain/(loss) on sale of trading securities	**13,858**	*24,134*
Revaluation gain/(loss) on trading securities	**(2,310)**	*(8,273)*
	11,548	*15,861*

See accompanying accountants' review report.

Securities

2.2.6 The portfolio of securities is set out below:

USD Thousand

As at	March 31, 1999 Amortized Cost	March 31, 1999 Gross unrealized gain	March 31, 1999 Gross unrealized loss	March 31, 1999 Fair Value	*March 31, 1998 Amortized Cost*	*March 31, 1998 Gross unrealized gain*	*March 31, 1998 Gross unrealized loss*	*March 31, 1998 Fair Value*
Available for sale								
Corporate debt securities	**90,761**	**283**	**—**	**91,044**	37,639	801	(943)	37,497
Debt securities of Indian Government	**—**	**—**	**—**	**—**	212	—	—	212
Other debt securities	**—**	**—**	**—**	**—**	—	—	—	—
Total debt securities	**90,761**	**283**	**—**	**91,044**	37,851	801	(943)	37,709
Equity securities (Note 1)	**458,874**	**27,763**	**(214,235)**	**272,402**	457,129	46,076	(190,337)	312,868
Total available for sale	**549,635**	**28,046**	**(214,235)**	**363,446**	494,980	46,877	(191,280)	350,577
Held to maturity								
Corporate debt securities	**—**	**—**	**—**	**—**	—	—	—	—
Debt securities of Indian Government	**—**	**—**	**—**	**—**	—	—	—	—
Other debt securities	**24**	**—**	**—**	**24**	24	—	—	24
Total held to maturity	**24**	**—**	**—**	**24**	24	—	—	24
Total securities	**549,659**	**28,046**	**(214,235)**	**363,470**	495,004	46,877	(191,280)	350,601

Note 1: Includes non-marketable equity securities that are carried at cost, less any provision for permanent diminution. The fair value of these securities cannot be ascertained. At March 31, 1999 the carrying amount of these securities was USD 118, 171 thousand (1998: USD 128,329 thousand), which is reported in both the amortized cost and fair value columns.

Income from available for sale securities

2.2.7 An analysis of interest/dividend on securities available for sale and net gains from sale of such securities is set out below:

USD Thousand

For the year ended	March 31, 1999	*March 31, 1998*
Interest	**5,775**	*4,290*
Dividends	**15,931**	*13,033*
Total interest, including dividend	**21,706**	*17,323*
Net realized securities gain/(loss)	**11,124**	*30,709*
Total	**32,830**	*48,032*
Proceeds from sale of securities available for sale	**97,431**	*103,465*

2.2.8 The net realized securities gain of USD 30,709 thousand for the year ended March 31, 1998 includes an amount of USD 21,683 thousand being income by way of dilution of equity in ICICI Banking Corporation Limited, a subsidiary.

See accompanying accountants' review report.

Maturity profile of debt securities

2.2.9 Analysis of each category of available for sale and held to maturity debt securities, by original contractual maturity is set out below:

USD Thousand

	Available for sale		Held to maturity	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Corporate debt securities				
Less than 1 year	6,151	6,269	—	—
1 to 5 years	51,897	51,308	—	—
5 to 10 years	32,713	33,467	—	—
Greater than 10 years	—	—	—	—
Total	90,761	91,044	—	—
Debt securities of Indian Government				
Less than 1 year	—	—	—	—
1 to 5 years	—	—	—	—
5 to 10 years	—	—	—	—
Greater than 10 years	—	—	—	—
Total	—	—	—	—
Other debt securities				
Less than 1 year	—	—	—	—
1 to 5 years	—	—	—	—
5 to 10 years	—	—	24	24
Greater than 10 years	—	—	—	—
Total	—	—	24	24

Loans (gross)

2.2.10 An analysis of loans by category is set out below:

USD Thousand

As at	**March 31, 1999**	*March 31, 1998*
Commercial		
Project finance	**10,012,868**	*8,240,042*
Working capital finance	**534,928**	*252,416*
Leasing	**1,218,572**	*722,390*
Others	**132,689**	*217,653*
Gross loans	**11,899,057**	*9,432,501*
Aggregate allowance for credit losses	**(659,439)**	*(538,723)*
Net loans	**11,239,618**	*8,893,778*

Loans are primarily secured by land, buildings, plant and machinery and other tangible assets.

See accompanying accountants' review report.

Net investment in leases

2.2.11 Contractual maturities of ICICI's net investment in leases at March 31, 1999 and March 31, 1998 and its components, which are included in loans and advances, are set out below:

USD Thousand

As at	**March 31, 1999**	*March 31, 1998*
Gross finance receivable for the year ending March 31,		
1999	**—**	*289,370*
2000	**466,815**	*190,455*
2001	**280,203**	*171,294*
2002	**264,907**	*131,652*
2003 and beyond	**907,307**	*386,708*
	1,919,232	*1,169,479*
Less: Unearned income	**(624,864)**	*(378,105)*
Security deposits	**(75,796)**	*(68,984)*
Investment in leases	**1,218,572**	*722,390*
Less: Aggregate allowance for credit losses	**(38,416)**	*(22,767)*
Net investment in leases	**1,180,156**	*699,623*

Maturity profile of loans

2.2.12 An analysis of each category of loan other than net investment in leases, by maturity is set out below:

USD Thousand

As at	**March 31, 1999**	*March 31, 1998*
Commercial		
Less than 1 year	**3,072,048**	*3,405,939*
1 to 5 years	**5,531,157**	*4,135,046*
Greater than 5 years	**2,077,280**	*1,169,126*
Total	**10,680,485**	*8,710,111*

Interest and fees on loans

2.2.13 An analysis of interest and fees on loans (net of unearned income) is set out below:

USD Thousand

For the year ended	**March 31, 1999**	*March 31, 1998*
Commercial		
Project finance	**1,308,249**	*1,069,668*
Working capital finance	**62,243**	*33,302*
Leasing	**133,632**	*103,511*
Total interest and fees on loans	**1,504,124**	*1,206,481*

See accompanying accountants' review report.

Impaired loans

2.2.14 An analysis of impaired loans is set out below:

USD Thousand

As at	**March 31, 1999**	*March 31, 1998*
Project finance	**1,293,967**	*940,585*
Leasing	**55,622**	*43,719*
Others	**31,698**	*32,194*
Total impaired loans	**1,381,287**	*1,016,498*
Impaired loans with valuation allowances	**1,381,287**	*1,016,498*
Total valuation allowances	**659,439**	*538,723*
Average impaired loans	**1,198,892**	*844,568*

Changes in the allowance for credit losses

2.2.15 An analysis of the changes in allowances for credit losses is set out below:

USD Thousand

For the year ended	**March 31, 1999**	*March 31, 1998*
Aggregate allowance for credit losses at beginning of the year	**538,723**	*437,803*
Additions		
Provision for credit losses	**134,339**	*108,202*
Deductions		
Credit recoveries	**(13,623)**	*(7,282)*
Aggregate allowance for credit losses at end of the year	**659,439**	*538,723*

Troubled debt restructuring

2.2.16 Loans at March 31, 1999, include loans aggregating USD 220,669 thousand (1998: USD 166,627 thousand), which are currently under a scheme of debt restructuring and which have been identified as impaired loans. The gross recorded investment in these loans is USD 310,511 thousand (1998: USD 222,201 thousand) against which an allowance for credit losses aggregating USD 89,842 thousand (1998: USD 55,574 thousand) has been established.

2.2.17 There are no commitments to lend incremental funds to any borrower who is a party to debt restructuring.

Concentration of credit risk

2.2.18 Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to ICICI's total credit exposure. ICICI's portfolio of financial instruments is broadly diversified along industry, product and geographic lines within the country.

See accompanying accountants' review report.

2.2.19 An analysis of concentration of loan exposure by industry is set out below:

USD Thousand

As at	March 31, 1999 Amount	%	*March 31, 1998 Amount*	*%*
Metal and metal products	**1,466,132**	**12**	*1,134,669*	*12*
Machinery and capital goods	**1,190,808**	**10**	*1,057,459*	*11*
Textiles	**1,126,821**	**9**	*1,079,142*	*11*
Petroleum	**1,048,598**	**9**	*551,591*	*6*
Chemicals and chemical products	**1,022,932**	**9**	*864,200*	*9*
Services	**954,419**	**8**	*682,512*	*7*
Power	**946,359**	**8**	*804,690*	*9*
Road/Port/Mining/Railways	**606,010**	**5**	*330,474*	*4*
Fertilizers and pesticides	**435,847**	**4**	*406,434*	*4*
Cement	**402,145**	**3**	*426,114*	*5*
Food and other food products	**333,820**	**3**	*372,189*	*4*
Shipping	**311,784**	**3**	*237,002*	*3*
Paper and paper products	**298,256**	**2**	*284,398*	*3*
Electronics	**265,755**	**2**	*235,706*	*2*
Telecommunication	**232,548**	**2**	*196,253*	*2*
Other industries	**1,256,823**	**11**	*769,668*	*8*
Total	**11,899,057**	**100**	*9,432,501*	*100*

Unearned income on loans

2.2.20 An analysis of unearned income is set out below:

USD Thousand

For the year ended	March 31, 1999	*March 31, 1998*
Unearned income on lease transactions	**624,864**	*378,105*
Unamortized loan origination fees	**38,463**	*34,292*
Unamortized discount on acquired loans	**11,855**	*16,663*

Deposits

2.2.21 Deposits include demand deposits, which are non-interest bearing and savings/time deposits, which are interest bearing. An analysis of deposits is set out below:

USD Thousand

As at	March 31, 1999	*March 31, 1998*
Interest bearing (domestic)		
Savings account	**53,523**	*24,440*
Time deposits	**1,276,149**	*599,623*
	1,329,672	*624,063*
Non-interest bearing (domestic)		
Demand deposits	**98,681**	*66,368*
Total	**1,428,353**	*690,431*

2.2.22 The time deposits have a residual maturity of less than 5 years.

See accompanying accountants' review report.

Trading account liabilities

2.2.23 An analysis of trading account liabilities is set out below:

USD Thousand

As at	March 31, 1999	March 31, 1998
Securities sold under repurchase agreements	—	31,629
Borrowings at call	33,420	51,473
Total	33,420	83,102

Long term debt

2.2.24 An analysis of long term debt by maturity is set out below:

USD Thousand

Particulars	Various fixed-rate obligations	Various floating-rate obligations	Total	%
Residual maturity				
Less than one year	2,298,845	101,084	2,399,929	21
1 year to 5 years	5,094,673	1,140,798	6,235,471	56
5 years to 10 years	1,663,375	198,444	1,861,819	17
Greater than 10 years	628,918	50,719	679,637	6
Total	9,685,811	1,491,045	11,176,856	100

2.2.25 Long term debt represents debt with original maturity of greater than one year. The segregation between fixed rate and floating rate obligations is based on the contractual terms. Long term debt is primarily denominated in Indian Rupees and US Dollars. A significant portion of the debt bears a fixed rate of interest. Interest rates on floating rate debt are generally linked to the London Interbank Offer Rate ('LIBOR') or similar money market rates. An analysis of interest rates on long term debt is set out below:

(%)

As at	March 31, 1999	March 31, 1998
Range		
Foreign currency debt	5.25 to 8.00	5.25 to 8.00
Rupee debt	6.50 to 16.00	6.50 to 16.00
Weighted average		
Foreign currency debt	5.93	6.00
Rupee debt	13.61	13.40

2.2.26 Long term debt at March 31, 1999 includes interest free borrowings from the Government of India aggregating USD 21,836 thousand (1998: USD 21,836 thousand). This long term debt is recorded at its fair value and interest is being imputed for each reporting period.

2.2.27 Long term debt at March 31, 1999 also includes convertible instruments aggregating USD 311,831 thousand (1998: USD 291,468 thousand), which are convertible to common stock on future dates as per the contractual agreement with the holders of the instruments.

2.2.28 All long term debt is unsecured, except for debts aggregating USD 1,114,777 thousand (1998: USD 1,188,947 thousand) guaranteed by the Government of India.

Redeemable preferred stock

2.2.29 In line with the existing regulatory requirements in India, preferred stock issued by ICICI need to be compulsorily redeemed within specified time period. Accordingly, all series of preferred stock issued by ICICI are redeemable

See accompanying accountants' review report.

in accordance with the terms of the issue. Authorized preferred stock was 1,000 million shares at March 31, 1999 (1,000 million shares at March 31, 1998). At March 31, 1999 and 1998, 999 million and 285 million shares respectively of redeemable preferred stock were issued and outstanding, amounting to USD 235,423 thousand and USD 67,193 thousand respectively. Further, redeemable preferred stock at March 31, 1999 includes an amount of USD 7,966 thousand representing application money pending allotment. Redeemable preferred stock at March 31, 1999 had a weighted average residual maturity of 3.5 years. These instruments bear dividend ranging from 9.25% to 11%.

2.2.30 Additionally, ICICI has issued preferred stock of the face value of USD 82,489 thousand under the scheme of business combination with ITC Classic Finance Limited ('ITCCFL'). This preferred stock bears a dividend yield of 0.001% and is redeemable at par after 20 years. This preferred stock was initially recorded at its fair value of USD 10,983 thousand. Subsequently, interest is being imputed for each reporting period. The carrying amount of this redeemable preferred stock at March 31, 1999 is USD 13,434 thousand (1998: USD 12,137 thousand).

2.3 Off-Balance Sheet Financial Instruments

Foreign exchange and derivative contracts

2.3.1 ICICI enters into foreign exchange forwards, options, swaps and other derivative products, which enable customers to transfer, modify or reduce their foreign exchange and interest rate risks. In addition, ICICI uses foreign exchange contracts and other instruments as a part of its own balance sheet and risk management. These instruments are used to manage foreign exchange and interest rate risk relating to specific groups of on-balance sheet assets and liabilities. The derivative activities of ICICI are currently not significant.

2.3.2 Forward exchange contracts are commitments to buy or sell at a future date, a currency at a contracted price. Swap contracts are commitments to settle in cash at a future date or dates, based on differentials between specified financial indices, as applied to a notional principal amount. Option contracts give the purchaser, for a fee, the right, but not the obligation, to buy or sell within a limited time a financial instrument or currency at a contracted price that may also be settled in cash, based on differentials between specified indices.

2.3.3 The market and credit risks associated with these products, as well as the operating risks, are similar to those relating to other types of financial instruments. Market risk is the exposure created by potential fluctuations in interest rates, foreign exchange rates and other values, and is a function of the type of product, the volume of transactions, the tenor and terms of the agreement, and the underlying volatility. Credit risk is the exposure to loss in the event of non-performance by the other party to the transaction. The recognition in earnings of unrealized gains on these transactions is subject to management's assessment of collectibility.

2.3.4 The following table presents the aggregate notional principal amounts of ICICI's outstanding foreign exchange and derivative contracts at March 31, 1999 and 1998, alongwith the related balance sheet credit exposure.

USD Thousand

Particulars	**Notional principal amounts**		**Balance sheet credit exposure (Note 1)**	
As at	**March 31, 1999**	*March 31, 1998*	**March 31, 1999**	*March 31, 1998*
Interest rate products				
Swap agreements	**677,139**	*569,621*	**—**	—
	677,139	*569,621*	**—**	—
Foreign exchange products				
Forward contracts	**952,321**	*792,105*	**10,016**	*1,815*
Swap agreements	**412,303**	*215,673*	**—**	—
	1,364,624	*1,007,778*	**10,016**	*1,815*

Note 1: Balance sheet credit exposure denotes the mark to market impact of the derivative and foreign exchange products on the reporting date.

See accompanying accountants' review report.

Loan commitments

2.3.5 ICICI has outstanding undrawn commitments to provide loans/financing to industrial concerns. These loan commitments aggregated USD 1,887,155 thousand at March 31, 1999 (1998: USD 1,258,732 thousand). The interest rate on these commitments is dependent on the lending rates on the date of the loan disbursement. Further, the commitments have fixed expiration dates and are contingent upon the borrowers' ability to maintain specific credit standards.

2.3.6 Loan commitment fees (alongwith loan origination fees) are deferred and amortized over the average maturity period of the loan.

Guarantees and letters of credit

2.3.7 As a part of its industrial financing activities, ICICI has issued guarantees and letters of credit to enhance the credit standing of its customers. These generally represent irrevocable assurances that ICICI will make payments in the event that the customer fails to fulfill its financial or performance obligations. Financial guarantees are obligations to pay a third party beneficiary where a customer fails to make payment towards a specified financial obligation. Performance guarantees are obligations to pay a third party beneficiary where a customer fails to perform a non-financial contractual obligation such as to ensure contract performance. The guarantees are generally for a period not exceeding 10 years.

2.3.8 The credit risk associated with these products, as well as the operating risks, are similar to those relating to other types of financial instruments. Fees are recognized ratably over the term of the facility.

2.3.9 Details of facilities outstanding at March 31, 1999 and 1998 are set out below:

USD Thousand

As at	**March 31, 1999**	*March 31, 1998*
Financial guarantees	**929,885**	*857,719*
Performance guarantees	**213,505**	*229,131*
Total	**1,143,390**	*1,086,850*

2.3.10 ICICI has further provided guarantees aggregating USD 91,421 thousand (1998: USD 50,672 thousand) to secure borrowings by one of its subsidiaries.

2.4 Estimated Fair Value of Financial Instruments

2.4.1 ICICI's financial instruments include financial assets and liabilities recorded on the balance sheet, as well as off-balance sheet instruments such as foreign exchange and derivative contracts. An analysis of the fair value of these financial instruments at March 31, 1999 is set out below:

USD Thousand

Particulars	**Carrying value**	**Estimated fair value**	**Estimated fair value in excess of /(less than) carrying value**
Financial assets	14,120,693	14,097,832	(22,861)
Financial liabilities	13,102,216	13,038,936	(63,280)
End user derivative products			21,871

2.4.2 Fair values vary from period to period based on changes in a wide range of factors, including interest rates, credit quality, and market perception of value and as existing assets and liabilities run off and new items are generated.

See accompanying accountants' review report.

2.4.3 An analysis of the fair values by category of assets and liabilities is set out below. The analysis excludes the values of non-financial assets and liabilities:

USD Thousand

Particulars	**Carrying value**	**Estimated fair value**	**Estimated fair value in excess of /(less than) carrying value**
Financial assets			
Securities	363,470	363,470	—
Trading assets	846,712	846,712	—
Loans (Note 1)	11,239,618	11,216,757	(22,861)
Other financial assets (Note 2)	1,670,893	1,670,893	—
Total	**14,120,693**	**14,097,832**	**(22,861)**
Financial liabilities			
Interest bearing deposits	1,329,672	1,357,294	27,622
Non-interest bearing deposits	98,681	98,681	—
Trading account liabilities	33,420	33,420	—
Long term debt	11,176,856	11,085,765	(91,091)
Redeemable preferred stock	256,823	257,012	189
Other financial liabilities (Note 3)	206,764	206,764	—
Total	**13,102,216**	**13,038,936**	**(63,280)**
Derivatives (Note 4)			
Interest rate swaps			17,440
Currency swaps			4,431
Total			**21,871**

Note 1: The carrying value of loans is net of the allowance for credit losses.

Note 2: Includes cash, due from banks, deposits at interest with banks, short term highly liquid securities, and customers acceptance liability for which the carrying value is a reasonable estimate of fair value.

Note 3: Represents acceptances outstanding, for which the carrying value is a reasonable estimate of the fair value.

Note 4: Represents the gain on fair valuation of the end user derivative products.

2.4.4 The above data represents the management's best estimates based on a range of methodologies and assumptions. Quoted market prices are used for most securities. For performing loans, contractual cash flows are discounted at current market origination rates for loans with similar terms and risk characteristics. For impaired loans, the impairment is considered while arriving at the fair value. For liabilities, market borrowing rates of interest are used to discount contractual cash flows.

2.4.5 The estimated fair value of loans, interest bearing deposits, long term debt and redeemable preferred stock reflect changes in market rates since the loans were given, deposits were taken or debt/preferred stock were issued.

3. PROPERTY AND EQUIPMENT

3.1.1 Property and equipment are stated at cost less accumulated depreciation and amortization. Generally, depreciation and amortization are computed over the estimated useful life of the asset.

See accompanying accountants' review report.

3.1.2 An analysis of property and equipment by asset category is set out below:

USD Thousand

As at	**March 31, 1999**	*March 31, 1998*
Land	**29,366**	*11,242*
Building	**137,426**	*85,647*
Equipment and furniture	**36,295**	*29,814*
Construction-in-progress	**12,515**	*48,244*
Other	**4,902**	*660*
Gross value of property and equipment	**220,504**	*175,607*
Less: Accumulated depreciation	**(33,137)**	*(23,427)*
Net value of property and equipment	**187,367**	*152,180*

3.1.3 The depreciation charge for 1999 is USD 11,548 thousand (1998: USD 8,485 thousand). Interest capitalized for 1999 is USD 5,444 thousand (1998: USD 6,411 thousand).

4. OTHER LIABILITIES

4.1.1 Other liabilities at March 31, 1999 include USD 425,972 thousand (1998: USD 260,288 thousand) of interest accrued but not due on borrowed funds.

4.1.2 Other liabilities at March 31, 1999, also include USD 41,763 thousand (1998: USD 47,726 thousand) of unamortized negative goodwill arising on the business combination with SCICI Limited with effect from April 1, 1996. The negative goodwill is being amortized over a period of ten years.

5. BUSINESS COMBINATION WITH ANAGRAM FINANCE LIMITED

5.1.1 Effective April 1, 1998, the business of Anagram Finance Limited ('AFL') has been combined with the business of ICICI. AFL was a financial intermediary providing financial services such as leasing, automobile financing and bill discounting.

5.1.2 Under the terms of the combination, all assets and liabilities of AFL have been transferred to ICICI. The combination has been accounted for by the purchase method. Accordingly, the consolidated income statement for the current year includes the results of operations of AFL for the year ended March 31, 1999.

5.1.3 The combination has been affected through issue of 1.67 million common shares of ICICI to the shareholders of AFL, in the ratio of 1:15 (one common share of ICICI for fifteen shares of AFL). The amounts assigned to these shares issued as consideration is USD 3,936 thousand, being the value derived from the market price of these shares on the date of announcement of the scheme of business combination. As at the date of the business combination, the fair value of the liabilities of AFL exceeded the fair value of assets by USD 18,077 thousand. Accordingly, the business combination resulted in a goodwill of USD 22,013 thousand. The goodwill is being amortized at a constant rate over the average life of the long term interest bearing assets acquired.

5.1.4 The amortization for the current period is USD 15,414 thousand, resulting in an unamortized balance of USD 6,599 thousand at March 31, 1999.

5.1.5 If the business combination was effected at the beginning of the immediately preceding period (April 1, 1997), the results of the operations of ICICI for the year ended March 31, 1998 would have varied from those reported, as set out below:

USD Thousand

For the year ended		**March 31, 1999**	*March 31, 1998*
Total revenue		**1,842,870**	*1,489,206*
Net income		**175,513**	*176,102*
Earnings per share	– basic (USD)	**0.366**	*0.368*
	– diluted (USD)	**0.315**	*0.317*

See accompanying accountants' review report.

6. INVESTMENT IN EQUITY METHOD INVESTEES

6.1.1 At March 31, 1999, ICICI owned 45% of the equity of Prudential ICICI Asset Management Company Limited ('Pru-ICICI'). This investment has been accounted for by the equity method. The carrying value exceeded the net asset value of the investment at March 31, 1999 by USD 778 thousand. This difference represents the share of ICICI in the net loss of Pru-ICICI for the year ended March 31, 1999, and has been adjusted in other revenue.

7. COMMON STOCK

7.1.1 At March 31, 1999 and 1998, the authorized common stock was 600 million shares with a par value of USD 141,409 thousand. At March 31, 1999 and 1998, the issued common stock was 480 million shares and 478 million shares with paid-up values of USD 113,151 thousand and USD 112,680 thousand respectively.

7.1.2 ICICI has also issued convertible debt instruments, which are convertible to common stock as per the terms of the issue given below:

12.5% convertible debentures

7.1.3 The debentures are convertible into equity shares by July 18, 1999, either at par or at a premium not exceeding USD 0.12 per equity share, to be decided by the Board of Directors of ICICI. If the debentures are converted at par, 51.8 million equity shares will be issued on conversion. However, if the debentures are converted at the maximum premium of USD 0.12, 34.5 million shares will be issued.

2.5% US dollar convertible bonds

7.1.4 The US dollar convertible bonds are convertible to equity shares at the option of the bondholder before March 3, 2000. The conversion will be at a fixed price of Rs. 220 per share. If the bonds are converted based on the above term, 28.4 million shares will be issued to the bondholders. If the bonds are not converted by the bondholders, ICICI will redeem the bonds on April 3, 2000 at par.

3.5% US dollar convertible bonds

7.1.5 The US dollar convertible bonds are convertible to equity shares at the option of the bondholder on or before April 1, 1999. The conversion will be at a fixed price of Rs. 193 per share. If the bonds are converted based on the above term, 16.34 million shares will be issued to the bondholders. If the bonds are not converted by the bondholders, the bondholders have the right to seek redemption at a predetermined price on April 1, 1999. Alternatively, ICICI can seek redemption at par from April 1, 1999 to April 1, 2004.

8. RESTRICTED RETAINED EARNINGS

8.1.1 Retained earnings at March 31, 1999 include profits aggregating USD 39,948 thousand (1998: USD 31,487 thousand) which are not distributable as dividends under Indian company and banking law. These relate to profits on redemption of preferred stock and requirements regarding earmarking a part of profits under banking laws.

8.1.2 Indian statutes mandate that dividends be declared out of distributable profits only after the transfer of upto 10% of net income, computed in accordance with current regulations, to a general reserve. Additionally, the remittance of dividends outside India is governed by Indian statutes on foreign exchange transactions.

9. INCOME TAXES

9.1 Components of Deferred Tax Balances

9.1.1 The tax effects of significant temporary differences are reflected through a deferred tax asset/liability, which is included in the balance sheet of ICICI.

See accompanying accountants' review report.

9.1.2 An analysis of the temporary differences is set out below:

USD Thousand

As at	**March 31, 1999**	*March 31, 1998*
Deferred tax assets		
Provision for loan losses	**81,805**	*67,004*
Unearned income	**13,457**	*11,996*
Capital loss carry forwards	**1,532**	*1,603*
Unrealized losses on securities available for sale	**35,517**	*28,541*
Others	**2,311**	*425*
Total deferred tax asset	**134,622**	*109,569*
Valuation allowance	**—**	*—*
Net deferred tax asset	**134,622**	*109,569*
Deferred tax liabilities		
Property and equipment	**(133,137)**	*(108,650)*
Investments	**(1,273)**	*(330)*
Total deferred tax liability	**(134,410)**	*(108,980)*
Net deferred tax asset	**212**	*589*
Current	**6,128**	*7,471*
Non-current	**(5,916)**	*(6,882)*

9.1.3 Management is of the opinion that the realization of the recognized net deferred tax asset of USD 212 thousand (1998: USD 589 thousand) is more likely than not, based on expectations as to future taxable income.

9.2 Reconciliation of Tax Rates

9.2.1 The following is the reconciliation of estimated income taxes at Indian statutory income tax rates to estimated income taxes as reported:

USD Thousand

For the year ended	**March 31, 1999**	*March 31, 1998*
Income tax expense at the statutory tax rate	**75,348**	*90,738*
Increases/(reductions) in taxes on account of:		
Accelerated/specific tax deductions	**(27,905)**	*(39,053)*
Income exempt from income taxes	**(16,639)**	*(8,885)*
Income charged at rates other than statutory tax rate	**(47)**	*(9,427)*
Changes in the statutory tax rate	**—**	*(4,195)*
Expenses disallowed for tax purposes	**9,545**	*1,343*
Tax provision in excess of computed income taxes	**(1,037)**	*—*
Goodwill on business combinations not deductible	**4,454**	*(4,407)*
Refund of income tax	**(6,411)**	*—*
Others	**(1,532)**	*11,548*
Income tax expense reported	**35,776**	*37,662*

See accompanying accountants' review report.

9.3 Components of Income Tax Expense

9.3.1 The components of income tax expense are set out below:

USD Thousand

For the year ended	March 31, 1999	*March 31, 1998*
Current	**26,514**	*30,262*
Deferred	**9,262**	*7,400*
Total income tax expense	**35,776**	*37,662*

10. EARNINGS PER SHARE

10.1.1 An analysis of the earnings per share is set out below:

USD Thousand

For the year ended	March 31, 1999		*March 31, 1998*	
	Basic	**Fully diluted**	*Basic*	*Fully diluted*
Earnings				
Net income applicable to common stock, (before dilutive impact)	**175,513**	**175,513**	*218,383*	*218,383*
Interest on convertible debt instruments	**—**	**6,128**	*—*	*6,128*
Income applicable to common stock, adjusted for full dilution	**—**	**181,641**	*—*	*224,511*
Effect of accounting changes/extraordinary items	**—**	**—**	*—*	*—*
Total	**175,513**	**181,641**	*218,383*	*224,511*
Shares				
Weighted-average common shares outstanding	**480**	**480**	*478*	*478*
Dilutive effect of convertible debt instruments	**—**	**96**	*—*	*96*
Total	**480**	**576**	*478*	*574*
Earnings per share (USD)				
Income before effect of accounting changes/ extraordinary items	**0.37**	**0.32**	*0.46*	*0.39*
Accounting changes/extraordinary items	**—**	**—**	*—*	*—*
Net income	**0.37**	**0.32**	*0.46*	*0.39*

10.1.2 For the purpose of calculating basic earnings per share, the net income is reduced by dividend on preferred stock. Similarly, for the purpose of calculating diluted earning per share, the 'net income after dividend on preferred stock' is adjusted for interest (after tax) on convertible instruments.

10.1.3 For the purpose of determining impact of dilution, it is assumed that convertible instruments are converted to common stock at the beginning of the year, at prices which are most advantageous to the holders of the instruments. All series of convertible instruments are dilutive.

11. SEGMENTAL DISCLOSURES AND RELATED INFORMATION

Segmental disclosures

11.1.1 ICICI has adopted SFAS No. 131 on 'Disclosures about Segments of an Enterprise and related information', effective, April 1, 1997.

11.1.2 The varied banking and finance activities of ICICI are carried out by a number of legal entities. Thus, while the parent company focuses primarily on medium/long term industrial financing, other activities such as commercial banking, investment banking, retail distribution, broking and venture capital activities are conducted by fully/ majority owned subsidiaries. Each of the subsidiaries focuses on a specific activity.

See accompanying accountants' review report.

11.1.3 Accordingly, management has identified each of these legal entities as operating segments. Based on business volumes, revenues, profits and asset size, management considers industrial financing, commercial banking and investment banking as reportable segments.

11.1.4 The industrial financing segment provides medium term/long term project and infrastructure financing, securitization/factoring and lease financing to companies. The commercial banking segment provides working capital finance and foreign exchange services to clients. Further, it provides deposit and loan products to retail (individual) customers. The investment banking segment provides corporate advisory products such as mergers and acquisition advice, loan syndication advice and issue management services. Further, it trades in the debt markets.

11.1.5 The profit and loss of reportable segments is set out below:

USD Thousand

	Industrial financing		Commercial banking		Investment banking	
For the year ended March 31	**1999**	*1998*	**1999**	*1998*	**1999**	*1998*
Revenues from external customers						
Interest revenue	**1,552,156**	*1,229,366*	**129,814**	*61,772*	**33,208**	*23,969*
Other revenue	**87,438**	*103,465*	**19,892**	*14,966*	**7,942**	*12,091*
Revenues from other operating segments						
Interest revenue	**9,663**	*5,256*	**-**	*-*	**2,899**	*848*
Other revenue	**3,394**	*4,949*	**259**	*566*	**613**	*636*
Total revenue	**1,652,651**	*1,343,036*	**149,965**	*77,304*	**44,662**	*37,544*
Interest expense	**1,266,415**	*962,173*	**100,165**	*41,409*	**26,066**	*16,451*
Depreciation	**6,505**	*4,266*	**4,124**	*3,417*	**566**	*566*
Other expense	**191,751**	*135,305*	**26,680**	*18,738*	**11,077**	*14,941*
Income before taxes	**187,980**	*241,292*	**18,996**	*13,740*	**6,953**	*5,586*
Income tax expense	**(27,315)**	*(31,747)*	**(4,737)**	*(4,030)*	**(2,286)**	*(1,414)*
Net income	**160,665**	*209,545*	**14,259**	*9,710*	**4,667**	*4,172*

11.1.6 An analysis of assets of reportable segments is set out below:

USD Thousand

	Industrial financing		Commercial banking		Investment banking	
As at March 31	**1999**	*1998*	**1999**	*1998*	**1999**	*1998*
Investments in equity method investees	**5,751**	*6,528*	**—**	*—*	**—**	*—*
Property and equipment	**145,793**	*117,983*	**38,393**	*28,070*	**3,582**	*3,771*

11.1.7 Transactions between reporting segments are at arms-length and are accounted similar to transactions with external parties.

11.1.8 A reconciliation between the segment revenues/assets and consolidated totals of ICICI is set out below:

USD Thousand

	Total revenue		Income before taxes		Net income		Assets	
For the year ended March 31	**1999**	*1998*	**1999**	*1998*	**1999**	*1998*	**1999**	*1998*
Industrial financing	**1,652,651**	*1,343,036*	**187,980**	*241,292*	**160,665**	*209,545*	**13,471,035**	*10,553,641*
Commercial banking	**149,965**	*77,304*	**18,996**	*13,740*	**14,259**	*9,710*	**1,750,955**	*829,885*
Investment banking	**44,662**	*37,544*	**6,953**	*5,586*	**4,667**	*4,172*	**356,092**	*209,734*
Other operating segments	**17,628**	*8,838*	**4,855**	*2,262*	**3,417**	*1,791*	**80,179**	*77,916*
Inter segment elimination	**(22,036)**	*(15,956)*	**(7,495)**	*(6,835)*	**(7,495)**	*(6,835)*	**(260,146)**	*(124,417)*
Total	**1,842,870**	*1,450,766*	**211,289**	*256,045*	**175,513**	*218,383*	**15,398,115**	*11,546,759*

See accompanying accountants' review report.

Geographic distribution

11.1.9 The business operations of ICICI are largely concentrated in India. Activities outside India are restricted to resource mobilization in the international markets. Accordingly, the entire revenue, assets and net income are attributed to Indian operations.

Major customers

11.1.10 ICICI provides banking and financial services to a wide base of customers. There is no customer which contributes more than 10% of total revenues.

12. COMMITMENTS AND CONTINGENT LIABILITIES

12.1.1 ICICI is obligated under a number of capital contracts. Estimated amounts of contracts remaining to be executed on capital account, aggregated USD 6,953 thousand at March 31, 1999 (1998: USD 15,319 thousand).

12.1.2 ICICI holds certain securities, which are partly paid up. The uncalled amounts on such securities aggregated USD 3,700 thousand at March 31, 1999 (1998: USD 3,959 thousand).

12.1.3 Various tax related legal proceedings are pending against ICICI. Potential liabilities, if any, have been adequately provided for, and management does not estimate any incremental liability in respect of litigations.

13. FUTURE IMPACT OF NEW ACCOUNTING STANDARDS

13.1.1 The Financial Accounting Standards Board ('FASB') recently issued SFAS No. 133 on 'Accounting for derivative instruments and hedging activities'. SFAS No. 133 establishes standards for accounting and reporting for derivative instruments and hedging activities. As the derivative activities of ICICI are not significant, the future impact of SFAS No. 133 on the financial statements of ICICI is unlikely to be material. SFAS No. 133 is effective for fiscal periods beginning after June 15, 1999.

14. CAPITAL ADEQUACY REQUIREMENTS

14.1.1 Under Indian regulatory requirements, ICICI Limited (the parent) and ICICI Banking Corporation Limited (a consolidated subsidiary) are required to maintain a minimum capital adequacy ratio of 8%. The capital adequacy ratio needs to be calculated in line with the guidelines issued by Reserve Bank of India. At March 31, 1999, the capital adequacy ratio of ICICI Limited and ICICI Banking Corporation Limited based on the above guidelines, was 12.5% and 11% respectively, with a tier-I capital ratio of 8.3% and 7.3%.

15. YEAR 2000

15.1.1 Organizations may experience operational difficulties at the beginning of Year 2000 as a result of computer programs being written using two digits rather than four to define the applicable year. ICICI has established a project team to address the Year 2000 issue. ICICI's plan for the Year 2000 include replacing/updating existing systems (which are not Year 2000 compliant), assessing the Year 2000 preparedness of clients and counterparties and formulating a contingency plan to ensure business continuity in the event of unforeseen circumstances.

15.1.2 To date, ICICI has not encountered any material Year 2000 issues concerning its respective computer programs. All costs associated with carrying out ICICI's plan for the Year 2000 problem are being expensed as incurred. The costs associated with preparation for the Year 2000 are not expected to have a material adverse effect on the business, financial condition and results of operations of ICICI.

For and on behalf of the Board

N. VAGHUL
Chairman

K.V. KAMATH
Managing Director & CEO

LALITA D. GUPTE
Joint Managing Director & COO

V. SRINIVASAN
General Manager & Company Secretary

SHALINI S. SHAH
General Manager

S.H. BHOJANI
Deputy Managing Director

Mumbai, April 26, 1999