



4TH ANNUAL REPORT AND ACCOUNTS 1998-99

Directors

Chairman Devdatt Shah
 K.V. Kamath
 Lalita D. Gupte (Smt.)
 Subhash Dhavale
 V. Srinivasan
 S.C. Bhatia

Auditors

M/s. N.M. Rajji & Company
Chartered Accountants

Registered Office

41/44, Minoo Desai Marg
Colaba
Mumbai 400 005

directors' report



To the Members

Your Directors have pleasure in presenting the Fourth Annual Report of the Company alongwith the Audited Statement of Accounts for the year ended March 31, 1999.

Financial Results

	(Rupees in million)	
	Year ended	
	March 31, 1999	March 31, 1998
Gross Income	36.44	42.93
Profit before Tax	9.08	0.17
Provision for taxation	1.90	0.09
Profit after tax carried to Balance Sheet	7.18	0.08

Performance

During the year, the secondary market did not witness any significant pick-up in inflows from foreign and domestic investors, mainly on account of political instability and the continued economic slowdown. Despite the sluggish trend witnessed in the secondary market, Your Company reported a satisfactory performance, especially when viewed in the context of declining commission rates. As competition intensified, commission rates steadily declined and, on an average, were 30% below the previous year's level.

Your Company is committed to its long-term goal of establishing itself as a leading participant in the broking business and believes that the present market conditions provide an opportunity to improve its position in the market. Your Company is pleased to announce that it will commence operations on The Mumbai Stock Exchange (BSE) too this year, having acquired membership on the BSE with effect from March 8, 1999.

Your Company is optimistic that efforts made during the year would lead to an improved performance during the current financial year. Your Company believes that it will be in a position to provide a more comprehensive range of services to its clients, leveraging its research and enhanced execution capabilities and looks forward to increasing its list of domestic and overseas clients during the year.

Dividend

Your Directors are happy to recommend for approval of the members a dividend at the rate of five percent on 4,500,700 Equity Shares of Rs. 10 each.

Particulars regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo.

Your Company does not own any manufacturing facilities and consequently the disclosure of information on conservation of energy, technology absorption etc., required to be disclosed in terms of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Director(s) Rule, 1998, not being applicable, is not given.

Personnel

Employees on deputation from ICICI Securities and Finance Company Limited looked after the operations of the Company during the year and, as such, your Company did not have any employees during the year.

Directors

Mr. K. A. Chaukar and Mr. D. K. Pal ceased to be Directors of the Company during the year. The Board places on record its appreciation of their valuable contribution to your Company and its business activities during their tenure on the Board.

Mr. Devdatt Shah, Mr. Subhash Dhavale, Mr. V. Srinivasan and Mr. S. C. Bhatia were appointed additional Directors of the Company with effect from January 1, 1999, November 19, 1998, November 19, 1998 and November 19, 1998 respectively. As Additional Directors they hold office only up to the date of the forthcoming Annual General Meeting of the Company as per the provisions of Section 260 of the Companies Act, 1956 and being eligible, offer themselves for re-appointment.

Y2K Compliance

The project has been allocated top priority and is being managed by an in-house project team, drawing upon the expertise of external consultants. IBSL has adopted a well focused and structured approach in implementing the project. The project has an organizationwide focus and the employees have been fully informed of the challenges that lie ahead. IBSL systems will be compliant well before the millennium cross over.

Auditors

The Auditors M/s. N. M. Raiji & Company retire at the ensuing Annual General Meeting and are eligible for re-appointment. Members are requested to consider their re-appointment at a remuneration to be decided by the Board of Directors.

Acknowledgements

Your Directors wish to place on record their appreciation of the support and cooperation received from the parent organisations, viz. ICICI Limited, ICICI Securities and Finance Company Limited, the Securities and Exchange Board of India, the National Stock Exchange, The Stock Exchange, Mumbai, Over the Counter Exchange of India, bankers of the Company and, last but not least, the clients of the Company.

On behalf of the Board

DEV DATT SHAH
Chairman

Mumbai, April 21, 1999

auditors' report

To the Members of ICICI Brokerage Services Limited

We have audited the attached Balance Sheet of ICICI BROKERAGE SERVICES LIMITED as at March 31, 1999 and the annexed Profit and Loss Account for the year ended on that date and report that :

- (1) As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.
- (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, for preparation of accounts of the Company for the year ended March 31, 1999 the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956 have been complied with.
- (e) in our opinion and 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, 1999; and
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

For N. M. RAIJI & CO.
Chartered Accountants

J. M. GANDHI
Partner

Mumbai April 21, 1999.

annexure

To the Auditors' Report

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. Fixed Assets, have been physically verified by the management, as per the phased verification programme over the period of three years. No discrepancies were noticed in respect of the assets verification in the current year.
2. None of the fixed assets have been revalued during the year.
3. The securities held as stock-in-trade and in custody of the Company have been physically verified by the management at reasonable intervals. For securities kept with the custodian, statements of securities with them have been obtained on a regular basis.
4. The procedures of physical verification of securities followed by the management are reasonable and adequate in relation to the size of the Company.
5. No material discrepancies have been noticed on physical verification of stock as compared to book stock.
6. In our opinion, the valuation of stock-in-trade is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. Except for short term loans from the holding company, the Company has not taken any loans from the parties listed in the register maintained under Section 301 of the Companies Act, 1956. The rate of interest and other terms and conditions of such loans from the holding company are prima facie, not prejudicial to the interest of the Company. The Company has not taken any loans, secured or unsecured, from companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956.
8. The Company has neither granted loan to the parties listed in the register maintained under Section 301 of the Companies Act, 1956 nor to the companies under the same management defined under Section 370 (1B) of the Companies Act, 1956.
9. The Company has not accepted any deposits from the public and the provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder are not applicable to the Company.
10. 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 of assets and purchase and sale of securities.
11. In our opinion, and according to the information and explanations given to us, services provided and purchase and sale of securities in pursuance of contracts or arrangements listed in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices which are reasonable, having regard to the prevailing market prices for such services/securities.
12. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
13. The Employees' Provident Fund Act and Employees' State Insurance Act are not applicable to the Company since there are no employees directly employed by the Company.
14. As per the records of the Company and according to the information and explanation given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding as at 31st March, 1998 for the period of more than six months from the date they became payable.
15. 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.
16. The Company is not an industrial company and hence the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 will not be applicable.
17. In respect of services activities, there is a reasonable system of authorization at proper levels and the system of internal control is commensurate with the size of the Company and nature of its business.
18. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
19. Proper records have been maintained for the transactions relating to trading in shares, securities, debentures and other investments and entries therein have been made generally on a timely basis. Presently, securities are held by the Company as "Stock-in-trade" and are generally sent for transfer in the name of the Company unless they are held with the intention of selling prior to transfer. Except for securities under objection, securities are held in the name of the Company, subsequent to the transfer.

For N. M. RAIJI & CO.
Chartered Accountants

J. M. GANDHI
Partner

Mumbai, April 21, 1999.

balance sheet profit and loss account



as at March 31, 1999

year ended March 31, 1999

	Schedule	(Rupees in million)	March 31, 1998		Schedule	(Rupees in million)	March 31, 1998
SOURCES OF FUNDS				INCOME FROM OPERATIONS			
Shareholders' Funds				Brokerage Income			
Share Capital	A	45.01	45.01		G	21.41	33.75
Reserves & Surplus		5.36	0.66	Other Income		2.23	1.44
				Profit/(Loss) On Securities	H	12.81	7.74
			50.37				36.45
							42.93
Loan Funds				<i>Less : Financial Charges and Operating Expenses</i>			
Unsecured Loans from Holding Company			55.70		I	9.22	14.83
							27.23
			106.07				28.10
APPLICATION OF FUNDS				EXPENDITURE			
Fixed Assets				Payments to and provisions for Employees			
Gross Block	B	13.05	3.04		J	3.09	6.69
<i>Less : Depreciation</i>		1.54	1.08	Establishment and other Expenses	K	14.60	20.73
Net Block		11.51	1.96	Depreciation		0.46	0.51
							18.15
			11.51				27.93
Investments				Profit Before Taxation			
			—			9.08	0.17
Current Assets, Loans and Advances				<i>Less : Provision for Taxation</i>			
Current Assets -				Profit after Taxation			
Securities held as Stock in Trade		1.21	0.72	Brought forward from previous years		7.18	0.08
Sundry Debtors	C	158.11	55.47	Amount available for appropriations		7.84	0.66
Cash & Bank Balances	D	1.54	3.89				
				Proposed Dividend		2.25	—
			21.97	Tax on Dividend		0.23	—
			182.83	Balance carried to Balance Sheet		5.36	0.66
<i>Less : Current Liabilities & Provisions :</i>							
Current Liabilities	F	83.08	39.79				
Provisions		5.46	1.09				
			94.29				
Net Current Assets							
Miscellaneous Expenditure :							
(To the extent not written off or adjusted)							
Preliminary Expenses		0.27	0.53				
Deferred Revenue Expenditure		—	0.40				
			106.07				
			175.67				
Notes forming part of the Accounts and Accounting Policies							
	L						
	M						

Per our Report attached

For N.M. RAJI & CO.
Chartered Accountants

J.M. GANDHI
Partner

Mumbai, April 21, 1999

For and on behalf of the Board

K.V. KAMATH
Director

DEV DATT SHAH
Chairman

schedules

forming part of the Accounts

(Rupees in million)

March 31, 1998

A. SHARE CAPITAL :

Authorised :			
25,000,000 Equity Shares of Rs. 10/- each		250.00	<u>250.00</u>
Issued :			
4,500,700 Equity Shares of Rs. 10/- each		45.01	<u>45.01</u>
Subscribed & Paid-up :			
4,500,700 Equity Shares of Rs. 10/- each		45.01	<u>45.01</u>

The entire share capital of the Company is held by ICICI Securities and Finance Company Limited (the holding company) and its nominees

B. FIXED ASSETS :

	Gross Block (At Cost)				Accumulated Depreciation				Net Block	
	April 1, 1998	Additions	Sale/Adj	March 31, 1999	April 1, 1998	Additions	Sale/Adj	March 31, 1999	March 31, 1999	March 31, 1998
Membership Rights of Stock Exchange	—	10.00	—	10.00	—	0.07	—	0.07	9.93	—
Computers	0.91	—	—	0.91	0.55	0.15	—	0.70	0.22	0.37
Office Equipment	1.10	0.01	—	1.01	0.27	0.12	—	0.39	0.73	0.83
Improvements to Leased Property	1.03	—	—	1.03	0.26	0.13	—	0.38	0.64	0.77
Sub-Total	3.04	10.01	—	13.05	1.08	0.46	—	1.54	11.51	1.96
Previous Year	3.04	—	—	3.04	0.57	0.51	—	1.08	1.96	

C. SUNDRY DEBTORS (UNSECURED) :

Outstanding for a period exceeding six months

Considered good	—	—
Considered doubtful	1.06	0.65
Other receivables		
Considered good	158.11	55.47
	<u>159.17</u>	<u>56.12</u>
Less : Provision for doubtful debts/ doubtful debts written off	1.06	0.65
Total	<u>158.11</u>	<u>55.47</u>

D. CASH & BANK BALANCES :

In Current Accounts With Scheduled Banks	1.54	3.89
Total	<u>1.54</u>	<u>3.89</u>

schedules



forming part of the Accounts

Continued

(Rupees in million)

March 31, 1998

E. LOANS & ADVANCES :

(Unsecured and considered good)

Advances :

(Recoverable in cash or in kind or for value to be received)

Advance income & other tax	3.52	1.51
Deposit with stock exchanges	71.06	16.08
Other advances and deposits	1.39	6.00
Application money	—	130.00
Total	<u>21.97</u>	<u>153.58</u>

F. CURRENT LIABILITIES & PROVISIONS :

(A) Current Liabilities :

Interest Accrued But Not Due	0.12	0.24
Trade Creditors	71.20	37.92
Other Sundry Creditors	11.67	1.57
Other Liabilities	0.09	0.08
Total (A)	<u>83.08</u>	<u>39.80</u>

(B) Provisions :

Income and Dividend Tax	3.21	1.09
Proposed Dividend	2.25	—
Total (B)	<u>5.46</u>	<u>1.09</u>

G. OTHER INCOME :

Interest on Securities	2.20	1.09
Dividends	0.03	0.03
Other Income	—	0.32
Total	<u>2.23</u>	<u>1.44</u>

H. PROFIT/(LOSS) ON SECURITIES :

On Securities held as Stock In Trade		
Sales	2.00	1,080.43
Less : Purchases	1.98	1,065.52
	0.01	14.91
Add/(Less) : Increase /(Decrease)	0.50	(10.26)
In Closing Stock	12.81	4.65
On Sale of Investments	—	3.09
Total	<u>12.81</u>	<u>7.74</u>

I. FINANCIAL CHARGES & OPERATING EXPENSES :

Procurement Expenses / Incentives	0.05	2.82
Interest on Fixed Loans	3.62	8.91
Bank Charges	0.01	0.11
Custodial & Depository Charges	0.10	0.03
Brokerage	3.65	1.00
Doubtful Debts Written Off /Provided	1.06	0.65
Less : Opening Provision	0.66	0.40
NSE Transaction Charges	0.67	0.96
Others	0.70	0.35
Total	<u>9.22</u>	<u>14.83</u>

schedules

forming part of the Accounts

Continued

(Rupees in million)

March 31, 1998

J. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES :

Salaries, Wages and Bonus	2.86	6.06
Contribution to Provident and		
Other Funds	0.13	0.19
Staff Welfare Expenses	0.10	0.44
Total	<u>3.09</u>	<u>6.69</u>

Note: Refer Note 4 to Schedule M - Notes Forming Part of the Accounts & Accounting Policies

K. ESTABLISHMENT AND OTHER EXPENSES :

Rent & Amenities	6.24	12.49
Insurance	0.12	0.35
Rates & Taxes	0.02	—
Travelling & Conveyance	0.72	1.19
Stationery & Supplies	0.11	0.45
Communication Expenses	0.69	1.50
Software Expenses	0.75	0.74
Electricity Charges	0.06	0.01
Preliminary Expenses Written Off	0.27	0.27
Deferred Revenue Expenses Written Off	—	0.20
Office Expenses, Repairs & Maintenance	0.42	0.92
Subscription & Periodicals	0.80	1.66
Professional Fees	3.63	0.70
Audit Fees	0.20	0.20
Miscellaneous Expenses	0.57	0.05
Total	<u>14.60</u>	<u>20.73</u>

ANNEXURE OF SECURITIES HELD AS STOCK IN TRADE

(At cost or market value whichever is lower)

Face Value

QUOTED - EQUITY SHARES

Bharat Petroleum Corp Ltd	1000(Nil)	0.02	—
BSES Ltd	37500(Nil)	0.54	—
Fag Precision	Nil(1000)	—	0.01
Federal Bank Ltd.	93000(93000)	0.33	0.68
HCL Hewlett Packard Ltd	500(Nil)	0.03	—
Indo Gulf	Nil(1000)	—	0.01
Larsen & Toubro Ltd	9500(Nil)	0.21	—
Oil & Natural Gas Corp	1000(Nil)	0.01	—
Reliance Industries	2000(1000)	0.03	0.02
Rolta India Ltd	1000(Nil)	0.02	—
State Bank of India	1000(Nil)	0.02	—
Total		<u>1.21</u>	<u>0.72</u>

schedules



forming part of the Accounts

Continued

L. NOTES FORMING PART OF THE ACCOUNTS :

1. Contingent Liabilities

Contingent liabilities comprise bank guarantees amounting to Rs. 37.5 million provided to National Stock Exchange.

2. Retirement Benefits

All the employees of the Company are on deputation from the holding Company and consequently there is no liability towards any retirement benefits.

3. Payments to and Provisions for Employees

Payments to and provisions for employees consists of expenses reimbursed to ICICI Securities and Finance Company Limited (I-sec) on employees deputed to the company.

4. Improvement to Leasehold Property

Expenditure incurred on plumbing, flooring and other civil works at leased premises prior to its occupation by the Company have been capitalised as "Improvement to Leasehold Property".

5. Software Expenses

Cost of purchase of application software products were hitherto treated as deferred revenue expenditure and was written off over a period of three years. From the current year, the company has decided to charge off the expenditure on purchase and also the balance of deferred revenue expenditure at the beginning of the year has been charged off. On account of these changes, charge for the year is higher by Rs. 0.20 million, with the consequent reduction in profit for the year.

6. Auditor's Remuneration

(Rupees in million)

	1998-99	1997-98
(A) Audit Fees	0.10	0.10
(B) Tax Audit & Certification Fees	0.09	0.09
(C) Out-of-Pocket Expenses	0.01	0.01
	<u>0.20</u>	<u>0.20</u>

7. Deferred Revenue Expenditure as at the balance sheet date consists of balance amounts of :

(Rupees in million)

	March 99	March 98
Software Expenses	—	0.40
	<u>—</u>	<u>0.40</u>

8. Quantitative Details of Securities held as Stock-in-Trade

(a) Details of Opening and Closing stock

(Rupees in million)

CATEGORY	OPENING STOCK		CLOSING STOCK	
	Face Value	Value	Face Value	Value
EQUITY	0.096 (0.10)	0.716 (0.97)	0.147 (0.10)	1.214 (0.72)
OTHERS	(Nil) (10.00)	(Nil) (10.00)	(Nil) (Nil)	(Nil) (Nil)
	<u>0.096</u>	<u>0.716</u>	<u>0.147</u>	<u>1.214</u>

(b) Details of Purchases and Sales during the year

	PURCHASES		SALES	
	Face Value	Value	Face Value	Value
EQUITY	63.355 (57.06)	1,850.824 (1,058.66)	63.304 (57.07)	1,863.842 (1,062.65)
OTHERS	240.93 (0.06)	131.886 (6.86)	240.93 (10.06)	131.175 (17.78)
	<u>304.285</u>	<u>1982.71</u>	<u>304.234</u>	<u>1995.017</u>

Note : Figures in parenthesis pertain to previous years.

9. Previous year's figures have been regrouped and reclassified wherever considered necessary.

M. SIGNIFICANT ACCOUNTING POLICIES :

(i) Method of Accounting

The accounts are prepared in accordance with accounting principles generally accepted in India. The Company follows accrual method of accounting.

(ii) Revenue Recognition

Income from Brokerage activities is recognised as income on the trade date of the transaction. Related expenditure incurred for procuring business are accounted for as procurement expenses.

(iii) Investments and Stock-in-Trade

(a) The securities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and shown as current assets. Other securities acquired with the intention of long-term holding are considered as 'Investment'.

(b) In respect of securities held as stock-in-trade, brokerage and stamp duty are written-off as revenue expenditure. The cost of investment includes brokerage and stamp duty payable.

(c) The securities held as stock-in-trade under current assets are valued at cost or market/realisable value, whichever is lower.

(d) Investments are shown in the Balance Sheet at cost.

In case of quoted investments, provision for diminution in value of investments is made, if such diminution is of a permanent nature in the opinion of management.

(iv) Depreciation/Amortisation

Depreciation on value of improvements to leasehold property is provided on straight line method at the rate determined, considering the period of lease or at the rate prescribed in Schedule XIV of the Companies Act, 1956, whichever is higher.

Depreciation on fixed assets is provided on written down value method at the rates prescribed in Schedule XIV of the Companies Act, 1956.

Membership Rights of Stock Exchange is treated as an asset and the value paid to acquire such rights is amortised over a period of 10 years.

(v) Miscellaneous Expenditure

(a) Preliminary expenses incurred for the formation of the Company are being amortised over a period of five years.

(vi) Sundry Debtors and Creditors

Amounts receivable from and payable to clients for broking transactions are recognised on trade date basis and disclosed separately as sundry debtors and creditors.

(vii) Provision for Taxation

Provision for income tax is made on the assessable income at applicable tax rates.

For N.M. RAIJI & CO.
Chartered Accountants

J.M. GANDHI
Partner

K.V. KAMATH
Director

DEV DATT SHAH
Chairman

Mumbai, April 21, 1999

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

1. Registration Details

Registration No. 8 6 2 4 1
 Balance Sheet Date 3 1 0 3 9 9
Date Month Year

State Code 1 1

2. Capital raised during the Period

(Amount in Rupees million)

Public Issue

N I L

Bonus Issue

N I L

Rights Issue

N I L

Private Placement

N I L

3. Position of Mobilisation and Deployment of Funds

(Amount in Rupees million)

Total Liabilities and Shareholder Funds

1 0 6 . 0 7

Total Assets

1 0 6 . 0 7

Sources of Funds

Paid-up Capital

4 5 . 0 1

Reserves & Surplus

5 . 3 6

Secured Loans

N I L

Unsecured Loans

5 5 . 7 0

Application of Funds

Fixed Assets

1 1 . 5 2

Investments

N I L

Net Current Assets

9 4 . 2 9

Miscellaneous Expenditure

0 . 2 7

4. Performance of the Company

Turnover

3 6 . 4 4

Total Expenditure

2 7 . 3 6

Profit before Tax

9 . 0 8

Profit after Tax

7 . 1 8

Earning per Share in Rupees

1 . 5 9

Dividend Rate %

5 % P R O P O S E D

5. Generic Names of three Principal Services of the Company

(As per Monetary Terms)

Brokerage commission from primary market operations

Brokerage commission from secondary market operations

For and on behalf of the Board

K.V. KAMATH
Director

DEV DATT SHAH
Chairman

Mumbai, April 21, 1999