

directors' report

Your Directors have pleasure in presenting the Forty-fifth Annual Report of ICICI Limited (the Company) with the audited Statement of Accounts for the year ended March 31, 2000.

APPROPRIATIONS

The Revenue Account shows a profit before taxation of Rs. 13.28 billion after write-offs and provisions of Rs. 6.90 billion towards bad and doubtful debts (including gross write-off of Rs. 2.28 billion on investments) and taking into account all expenses including depreciation of Rs. 3.67 billion on assets leased out and depreciation of Rs. 0.31 billion on other assets. The net profit for the year is Rs. 12.06 billion.

Taking into account the balance of Rs. 0.68 billion being brought forward from the previous year, Rs. 0.41 billion as adjustment for change in accounting policies and Rs. 0.04 billion as adjustment of taxation for earlier years, the disposable profit is Rs. 13.18 billion. Your Directors have recommended a final dividend of Re. 1.00 per share which, with the interim dividend of Rs. 4.50 per share declared at the Board Meeting held on March 17, 2000, amounts to a dividend rate of 55% (Rs. 5.50 per share of Rs. 10) for the year ended March 31, 2000. Your Directors have appropriated the disposable profit as follows:

Rs. billion	1999-00	1998-99
Special Reserve - in terms of Section 36(1)(viii) of the Income-tax Act, 1961		
written back on completion of assessments	(3.10)	—
Investment Allowance Reserve written back	(0.02)	—
To Capital Reserve, making in all Rs. 8.26 billion	2.93	0.44
To Capital Redemption Reserve, making in all Rs. 1.86 billion	0.75	0.16
To Special Reserve created and maintained in terms of Section 36(1)(viii) of the Income-tax Act, 1961, making in all Rs. 9.20 billion	3.20	3.40
To Deferred Tax Credit Reserve, making in all Rs. 6.39 billion	1.20	0.80
To General Reserve, making in all Rs. 14.50 billion	2.25	2.25

Dividend for the year ended March 31 (including corporate dividend tax)	1999-00	1998-99
— On preference shares	1.09	0.70
— On equity shares interim at the rate of 45%	3.18	—
— On equity shares (final proposed)	0.78	2.93
Leaving balance to be carried forward to next year	0.92	0.68

OPERATIONAL REVIEW

ICICI's asset base continued to grow as a result of the innovative structured solutions designed by our cross-functional teams. ICICI's disbursements grew 34% from Rs. 192.25 billion in financial year 1998-99 to Rs. 258.36 billion in financial year 1999-2000. In the same period, approvals increased 37% from Rs. 323.71 billion in financial year 1998-99 to Rs. 444.79 billion in financial year 1999-2000, indicating a strong pipeline of projects and robust growth in the coming year.

SUBSIDIARY COMPANIES

ICICI's subsidiaries are ICICI Bank Limited (ICICI Bank), ICICI Securities and Finance Company Limited (ICICI Securities), ICICI Brokerage Services Limited (ICICI Brokerage), ICICI Personal Financial Services Limited (ICICI PFS), ICICI Capital Services Limited (ICICI Capital), ICICI Infotech Services Limited (ICICI Infotech), ICICI Venture Funds Management Company Limited (ICICI Venture), ICICI International Limited (ICICI International), ICICI Kinfra Limited (ICICI Kinfra), ICICI West Bengal Infrastructure Development Corporation Limited (ICICI Winfra), ICICI Properties Limited (ICICI Properties), ICICI Realty Limited (ICICI Realty), ICICI Real Estate Company Limited (ICICI Estate), ICICI Home Finance Company Limited (ICICI Home), ICICI Trusteeship Services Limited (ICICI Trusteeship), ICICI Knowledge Park, ICICI Web Trade Limited (ICICI Web) and ICICI Investment Management Company Limited. The audited statements of account of ICICI's subsidiaries, together with the Report of the Directors and Auditors for the year ended March 31, 2000, as required under Section 212 of the Companies Act, 1956, are attached.

DIRECTORS

C.M. Vasudev ceased to be Government Director with effect from July 22, 1999. Your Board has placed on record its appreciation of the services rendered by him during his tenure as Director. Devi Dayal, Special Secretary (Banking), Ministry of Finance, has been nominated by the Government as Director on the Board, effective July 22, 1999, in place of C.M. Vasudev.

In terms of the provisions of the Articles of Association, N. Vaghul, N.R. Narayana Murthy, Marti G. Subrahmanyam and Lakshmi N. Mittal would retire at the forthcoming Annual General Meeting, and, all being eligible, offer themselves for re-appointment.

YEAR 2000 (Y2K) STATUS

ICICI did not face any disruptions on account of the Y2K bug, and completed a smooth transition into the new millennium.

AUDITORS

The Auditors, M/s. N.M. Raiji & Co. and M/s. S.B. Billimoria & Co., Chartered Accountants, Mumbai, will retire at the ensuing Annual General Meeting. The Board at its Meeting held on April 28, 2000 has proposed their appointment as joint Auditors to audit the accounts of ICICI for the financial year ending March 31, 2001. You are requested to consider their appointment.

FOREIGN EXCHANGE EARNINGS AND EXPENDITURE

During 1999-2000, expenditure in foreign currencies amounted to Rs. 5.30 billion on account of interest, financial and other charges. During the same period, the Company earned Rs. 1.39 billion in foreign currencies.

PERSONNEL

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report.

CORPORATE GOVERNANCE

ICICI has laid the foundation for proper corporate governance as a means of effective control and enhancement of stakeholder value in line with international best practices. The Board is positioned as the centre of corporate governance and functions independently from Executive Management.

The Board has fifteen Directors, of which three are wholetime Directors. The Chairman of the Board is a non-executive Director. The Board has constituted eight committees, viz. the Audit Committee, the Board Governance Committee, the Credit Committee, the Investment Committee, the Resources, Treasury and Asset Liability Management Committee, the Share Transfer Committee, the Systems and Technology Committee and the Management Committee. Five of these Board Committees are chaired by independent professional

Directors, and consist of mainly non-wholetime Directors. The names of the Directors constituting these Committees are given on page 6. The Board of Directors and its Committees meet frequently. Policy formulation, setting up of goals and evaluation of performance and control functions vest with the Board, while the Committees oversee operational issues. ICICI believes that this structure has enhanced the Board's role in guiding ICICI and has contributed to ICICI's strategic objective of enhancing shareholder value.

The Audit Committee consists of three Directors, all of them independent, and provides directions and oversees the audit and risk management functions in the Company, including the quality of internal and management audit. It reviews audit plans, audited and unaudited financial results and findings of the internal and statutory auditors. It also recommends the appointment of the statutory auditors.

The Board Governance Committee consists of five Directors and is chaired by an independent Director. The functions of the Committee include submission of recommendations to the Board to fill up vacancies on the Board, appointments of senior management positions that are critical for management succession, evaluation of the performance of the top management team, the Board and its individual members and recommending compensation including performance bonus and perquisites payable to wholetime Directors. The Committee also determines the amount of bonus payable to the staff and executives below the level of wholetime Directors and the eligibility of employees and wholetime Directors of the Company and its subsidiary companies for grant of stock options under the Employee Stock Option Scheme approved by the Members.

The Credit Committee consists of five Directors and is chaired by an independent Director. This Committee approves and reviews the credit policies and approves proposals which, based on the parameters laid down by the Board, are beyond the powers of the Management Committee. It also lays down an appropriate reporting system to keep itself informed of the major decisions taken by the Management Committee.

The Investment Committee consists of five Directors and is chaired by an independent Director. The Committee lays down/modifies the policies of disinvestment of shares and securities held by the Company. It also establishes criteria for investment in shares and securities in the secondary market up to an amount of disinvestment made during the relevant period.

The Resources, Treasury and Asset Liability Management Committee, chaired by the Managing Director, consists of the three wholetime Directors and is vested with powers to manage resources and treasury functions, including management of assets and liabilities.

The Share Transfer Committee consists of four Directors and is chaired by the Joint Managing Director. The Committee approves transfer of shares, bonds and debentures issued by the

Company. It also approves issue of duplicate share/bond/debenture certificates and reviews the status of investor grievances and redressal mechanism.

The Systems and Technology Committee consists of three Directors and is chaired by an independent Director. The Committee reviews and advises the Company on its policies and practices related to human resource development and systems and technology.

The Board has delegated all operational powers to the Management Committee, which comprises only wholetime Directors and is presided over by the Managing Director & CEO.

The Executive Management has discussed the review and analysis of the financial results for the year 1999-2000 in the next section.

EMPLOYEE STOCK OPTION SCHEME (ESOS)

The Company has formulated an Employee Stock Option Scheme (ESOS) to enable the employees, including wholetime Directors, of the Company and its subsidiary companies to participate in the future growth and financial success of the Company. The ESOS was approved by the Members at the Forty-fourth Annual General Meeting held on July 30, 1999. Employees are granted an option that vests in a graded manner over three years, with 20%, 30% and 50% of the grants vesting at the end of each year from the date of the grant. The options can be exercised within ten years from the date of the grant or five years from the date of vesting, whichever is later.

Pursuant to such approval, 2,323,750, options were granted on August 3, 1999 for the financial year 1998-99 to the eligible employees including wholetime Directors of the Company. Each option confers on the employee / wholetime Director the right to apply for one equity share of Rs.10 of the Company at Rs. 85.55, the closing market price on the date of the grant on the National Stock Exchange, which recorded the highest trading volume on that date.

On the basis of the recommendation of the Board Governance Committee (which, inter alia, acts as the Compensation Committee), the Board, at its Meeting held on April 28, 2000, approved grant of further 2,922,500 options for financial year 1999-2000 to the eligible employees (including wholetime Directors) of the Company and of its subsidiary companies. Each option confers on the employee/wholetime Director a right to apply for one equity share of Rs. 10 of the Company at Rs. 133.40, the closing market price on the date of the grant on the Stock Exchange, Mumbai (BSE), which recorded the highest trading volume on that date.

Particulars of options granted under ESOS for the financial years 1998-99 and 1999-2000 :

The total number of shares covered by the ESOS as approved by the shareholders	7,853,115
The pricing formula	The closing market price on the stock exchange, which records the highest trading volume on the date of grant.
Options granted	5,246,250
Options vested	Nil
Options exercised	Nil
Options forfeited	Nil
Extinguishment or modification of options	Nil
Money realized by exercise of options	Nil
Total number of options in force	5,246,250

Options granted to senior managerial personnel for each of the financial years 1998-99 and 1999-2000 are as follows: K.V. Kamath - 120,000, Lalita D. Gupte - 110,000, S. H. Bhojani - 100,000, Sanjiv Kerkar - 60,000, Kalpana Morparia - 60,000, S. Mukherji - 60,000, Shikha Sharma - 60,000 and M. J. Subbaiah - 60,000. Devdatt Shah was granted 60,000 options for the financial year 1999-2000. No other employee has a grant, in any one year, of options amounting to 5% or more of options granted during that year.

No employee was granted options during any one year equal to or exceeding 1% of the issued capital of the Company at the time of the grant. The options have not yet been exercised and, consequently, there is no dilution of Earnings Per Share (EPS) as of date.

ICICI Bank Limited, a subsidiary of your Company, formulated a similar ESOS which was approved by its Members at an Extraordinary General Meeting on February 21, 2000. Under its ESOS, ICICI Bank can issue up to 9.84 million equity shares to its employees (including its wholetime Directors) and employees of ICICI (including wholetime Directors of ICICI). Out of these, ICICI Bank granted 1,788,000 options on February 21, 2000 to its eligible employees including its wholetime Directors as well as to the employees, including wholetime Directors, of ICICI. Of the 718,750 options granted to employees of ICICI, 150,000 options were granted to wholetime Directors of ICICI. Each option confers on the employee / wholetime Director the right to apply for one equity share of Rs. 10 of ICICI Bank at Rs. 171.90, the closing market price prevailing on the date of the grant on the Stock Exchange, Mumbai, which recorded the highest trading volume on that date.

ACKNOWLEDGEMENTS

ICICI is grateful to the Government of India, the Reserve Bank of India and the Securities and Exchange Board of India for their continued support and advice. ICICI is thankful to the World Bank, KfW, Asian Development Bank, Japan Bank of International Co-operation and the international banking and investment community for their support in the mobilization of foreign currency resources. The Company thanks its underwriters, auditors and legal counsels for making ICICI's maiden overseas equity offering a resounding success. ICICI expresses its gratitude to the Unit Trust of India, the Life Insurance Corporation of India, the General Insurance Corporation of India and its subsidiaries, as well as to the domestic banking community, provident funds, trusts and the large body of individual investors that have contributed to its equity issue and domestic resource mobilization efforts. The Company would also like to thank the Bombay Stock Exchange and the National Stock Exchange for their co-operation in the resource raising exercise. ICICI is also grateful to its valued clients for their continuous support.

Your Directors would like to express their sincere thanks and appreciation to all the employees for their commendable teamwork, exemplary professionalism and enthusiastic contribution during the year. Finally, the Directors wish to express their gratitude to the Members for their continued support.

For and on behalf of the Board

Mumbai
April 28, 2000

N. Vaghul
Chairman