



**5TH ANNUAL REPORT AND ACCOUNTS 1999-2000**

**Directors**  
Chairman      Devdatt Shah  
                    Subhash Dhavale  
                    Meher Baburaj  
                    Nitin Jain

**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 Fifth Annual Report of the Company along with the Audited Statement of Accounts for the year ended March 31, 2000.

### Financial Results

	(Rupees in million)	
	Year ended	
	March 31, 2000	March 31, 1999
Gross Income	135.83	36.45
Profit before Tax	75.15	9.08
Provision for taxation	29.10	1.90
Profit after tax carried to Balance Sheet	46.05	7.18

### Performance and outlook

The market picked up in the second quarter, shrugging off political uncertainty and economic slowdown. Technology, media and telecom sectors led the recovery. Money flowed in from both overseas and domestic investors. The Sensex and Nifty scaled new highs. Your Company capitalized on the opportunities and recorded a 3.7 times jump in gross income and a 6.4 times jump in profit after tax. Your Company's performance is commendable considering growing competition and declining commission rates.

### Dividend

To conserve resources for the business of the Company, your Directors do not recommend payment of dividend for the current year.

### Personal & Other Matters

Employees on deputation from ICICI Securities and Finance Company Limited looked after the operations of the Company during the year.

There are no employees within the purview of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

During 1999-2000, there were no foreign currency earnings and expenditure in foreign currency amounted to Rs.0.05 million.

The requirements of disclosure, in terms of Section 217 (1) (e) of the Companies Act 1956, of steps taken with regard to conservation of energy and technology absorption, do not apply to your Company. Since the Company does not own any manufacturing facility, the other particulars in the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules 1988 are not applicable.

### Directors

Mr. V. Srinivasan and Mr. S. C. Bhatia 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.

Ms. Meher Baburaj and Mr. Nitin Jain were appointed additional Directors of the Company with effect from September 3, 1999 and February 7, 2000 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 are eligible for appointment.

In terms of the provisions of the Articles of Association of the Company, Subhash V. Dhavale would retire at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

### Auditors

M/s. N.M. Rajji & Co., Chartered Accountants, Mumbai, the Auditors, will retire at the ensuing Annual General Meeting. The Board has recommended their appointment as the Auditors to audit the accounts of the Company for the financial year ending March 31, 2001. You are requested to consider their appointment.

### Acknowledgements

Your Directors thank the clients, the Securities and Exchange Board of India, the Stock Exchange Mumbai (BSE), the National Stock Exchange (NSE), Over the Counter Exchange of India and bankers of the Company. Your Directors wish to place on record their appreciation of the support and cooperation received from the parent organisations, ICICI and I-SEC.

On behalf of the Board

DEV DATT SHAH  
Chairman

Mumbai, April 20, 2000

# 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, 2000 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, the Balance Sheet and Profit and Loss Account dealt with by this report are in compliance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956 and are in agreements with the books of account.
- (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, 2000; and
  - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

For N. M. RAJI & CO.  
Chartered Accountants

J. M. GANDHI  
Partner

Mumbai, April 20, 2000

## 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 during the year. No discrepancies were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The securities held as stock-in-trade and in the custody of the Company have been physically verified by the management at reasonable intervals. For securities with the custodian and depository participants, statements from 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 reconciliation of stock with the custodian and depository participants as compared to the 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 explanations 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, 2000 for a 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 service 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. In respect of the loans and advances granted on the basis of security by way of pledge of shares, debentures and other securities, the Company has maintained adequate documents and records.
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. RAJI & CO.  
Chartered Accountants

J. M. GANDHI  
Partner

Mumbai, April 20, 2000

# balance sheet

# profit and loss account

as at March 31, 2000

for the year ended March 31, 2000

	Schedule	(Rupees in million)	March 31, 1999		Schedule	(Rupees in million)	March 31, 1999
<b>SOURCES OF FUNDS</b>				<b>INCOME FROM OPERATIONS</b>			
<b>Shareholders' Funds</b>				Brokerage Income			
Share Capital	A	45.01	45.01		H	84.99	21.41
Reserves & Surplus		51.39	5.36	Other Income		10.63	2.23
			96.40	Profit/(Loss) on Securities	I	40.21	12.81
							135.83
							36.45
<b>Loan Funds</b>				Less: Financial Charges and Operating Expenses			
Unsecured Loans from Holding Company		365.03	55.70		J	43.95	9.22
		461.43	106.07			91.88	27.23
<b>APPLICATION OF FUNDS</b>				<b>EXPENDITURE</b>			
<b>Fixed Assets</b>				Payments to and provisions for Employees			
Gross Block	B	13.06	13.05		K	0.76	3.09
Less: Depreciation		2.85	1.54	Establishment and other Expenses	L	14.66	14.60
Net Block		10.21	11.51	Depreciation		1.31	0.46
							16.73
							18.15
<b>Investments</b>				Profit Before Taxation			
		—	—			75.15	9.08
<b>Current Assets and Loans &amp; Advances</b>				Less: Provision for Taxation			
<b>Current Assets -</b>				Profit after Taxation			
Securities held as Stock-in-Trade	C	0.51	1.21			46.05	7.18
Sundry Debtors	D	359.99	158.11	Brought forward from previous years		5.36	0.66
Cash & Bank Balances	E	123.85	1.54	Amount available for appropriations		51.41	7.84
		56.89	21.97				
		541.24	182.83	Proposed Dividend		—	2.25
<b>Less: Current Liabilities &amp; Provisions:</b>				Tax on Dividend (For Earlier Year)			
Current Liabilities	G	57.93	83.08			0.02	0.23
Provisions		32.09	5.46	Balance carried to Balance Sheet		51.39	5.36
			451.22				
			94.29				
<b>Net Current Assets</b>							
<b>Miscellaneous Expenditure:</b>							
(To the extent not written off or adjusted)							
Preliminary Expenses		—	0.27				
		461.43	106.07				
<b>Notes forming part of the Accounts and Accounting Policies</b>							
	M						

Per our Report attached

For N.M. RAJI & CO.  
Chartered Accountants

J.M. GANDHI  
Partner

Mumbai, April 20, 2000

For and on behalf of the Board

DEV DATT SHAH  
Chairman

SUBHASH DHAVALA  
Director

# schedules



forming part of the Accounts

(Rupees in million)

March 31, 1999

## A. SHARE CAPITAL:

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

(Rupees in million)

	Gross Block (At Cost)				Accumulated Depreciation				Net Block	
	April 1, 1999	Additions	Sale/Adj.	March 31, 2000	April 1, 1999	Additions	Sale/Adj.	March 31, 2000	March 31, 2000	March 31, 1999
Computers	0.91	—	—	0.91	0.70	0.08	—	0.78	0.13	0.22
Office Equipment	1.11	0.01	—	1.12	0.39	0.10	—	0.49	0.63	0.72
Improvements to Leased Property	1.03	—	—	1.03	0.38	0.13	—	0.51	0.52	0.64
BSE Memberships Rights	10.00	—	—	10.00	0.07	1.00	—	1.07	8.93	9.93
Total	13.05	0.01	—	13.06	1.54	1.31	—	2.85	10.21	11.51
Previous Year	3.04	10.01	—	13.05	1.08	0.46	—	1.54	11.51	

## C. SECURITIES HELD AS STOCK-IN-TRADE:

(At cost or market value whichever is lower)

	Face Value (in Rupees)		
<b>QUOTED - EQUITY SHARES</b>			
Bharat Petroleum Corp. Ltd.	1,000 (1,000)	—	0.02
Kirloskar Cummins Ltd.	500 (Nil)	0.02	—
BSES Ltd.	Nil (37,500)	—	0.54
Federal Bank Ltd.	93,000 (93,000)	0.49	0.33
HCL Hewlett Packard Ltd.	Nil (500)	—	0.03
Larsen & Toubro Ltd.	Nil (9,500)	—	0.21
Oil & Natural Gas Corp.	Nil (1,000)	—	0.01
Reliance Industries Ltd.	Nil (2,000)	—	0.03
Relta India Ltd.	Nil (1,000)	—	0.02
State Bank of India	Nil (1,000)	—	0.02
Total		<u>0.51</u>	<u>1.21</u>

Note : The aggregate market value of quoted securities as at March 31, 2000 is Rs. 0.51 million (previous year - Rs. 1.22 million)

## D. SUNDRY DEBTORS (Unsecured):

### Outstanding for a period exceeding six months

Considered good	—	—
Considered doubtful	—	—
<b>Other receivables</b>		
Considered good	<u>359.99</u>	<u>158.11</u>
Total	<u>359.99</u>	<u>158.11</u>

# schedules

forming part of the Accounts

Continued

<b>E. CASH &amp; BANK BALANCES:</b>		
In Current Accounts With Scheduled Banks	3.55	1.54
Fixed Deposits with Scheduled Bank (Under Lien with Stock Exchanges)	120.30	—
Total	<u>123.85</u>	<u>1.54</u>
<b>F. LOANS &amp; ADVANCES:</b> (Unsecured and considered good)		
<b>Advances:</b> (Recoverable in cash or in kind or for value to be received)		
Advance income & other taxes	33.78	3.52
Deposit with stock exchanges	17.00	17.06
Other advances and deposits	6.11	1.39
Total	<u>56.89</u>	<u>21.97</u>
<b>G. CURRENT LIABILITIES &amp; PROVISIONS:</b>		
<b>(A) Current Liabilities:</b>		
Interest accrued but not due	0.91	0.12
Trade Creditors	48.36	71.20
Other Sundry Creditors	6.99	11.67
Other Liabilities	1.67	0.09
Total (A)	<u>57.93</u>	<u>83.08</u>
<b>(B) Provisions:</b>		
Income and Other Taxes	32.09	3.21
Proposed Dividend	—	2.25
Total (B)	<u>32.09</u>	<u>5.46</u>
<b>H. OTHER INCOME:</b>		
Interest on Securities	—	2.20
Dividend Income on Stock-in-Trade	0.01	0.03
Income from Contango Transactions	9.67	—
Other Income	0.95	—
Total	<u>10.63</u>	<u>2.23</u>
<b>I. PROFIT/(LOSS) ON SECURITIES:</b>		
Sales	7,409.00	1,995.02
Less: Purchases	<u>7,368.09</u>	<u>1,982.71</u>
	40.91	12.31
Add/(Less): Increase/(Decrease) in Closing Stock	<u>(0.70)</u>	<u>0.50</u>
Total	<u>40.21</u>	<u>12.81</u>

# schedules



forming part of the Accounts

Continued

## J. FINANCIAL CHARGES & OPERATING EXPENSES:

Interest on Fixed Loans		<b>19.47</b>	3.62
Procurement Expenses/Incentive		<b>12.86</b>	0.05
Brokerage		<b>4.57</b>	3.65
Transaction Charges		<b>2.18</b>	0.67
Custodial & Depository Charges		<b>1.99</b>	0.10
Doubtful Debts written off/Provided	<b>0.38</b>		1.06
Less: Opening Provision	<u>—</u>		0.66
		<b>0.38</b>	0.40
Bank Charges		<b>0.05</b>	0.01
Others		<b>2.45</b>	0.70
Total		<b>43.95</b>	9.22

## K. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES:

Salaries, Wages and Incentive		<b>0.68</b>	2.86
Contribution to Provident and other Funds		<b>0.02</b>	0.13
Staff Welfare Expenses		<b>0.06</b>	0.10
Total		<b>0.76</b>	3.09

Note: Refer Note 3 to Schedule M - Notes forming part of the Accounts & Accounting Policies.

## L. ESTABLISHMENT AND OTHER EXPENSES:

Rent & Amenities		<b>6.24</b>	6.24
Rates & Taxes		<b>0.01</b>	0.02
Insurance		<b>0.28</b>	0.12
Travelling & Conveyance		<b>0.78</b>	0.72
Stationery & Supplies		<b>0.23</b>	0.11
Communication Expenses		<b>1.35</b>	0.69
Software Expenses		<b>3.39</b>	0.75
Preliminary Expenses Written Off		<b>0.27</b>	0.27
Office Expenses, Repairs & Maintenance		<b>0.43</b>	0.42
Subscription & Periodicals		<b>0.36</b>	0.80
Professional Fees		<b>0.81</b>	3.63
Audit Fees		<b>0.18</b>	0.20
Miscellaneous Expenses		<b>0.33</b>	0.63
Total		<b>14.66</b>	14.60

### M. NOTES FORMING PART OF THE ACCOUNTS AND ACCOUNTING POLICIES:

#### 1. SIGNIFICANT ACCOUNTING POLICIES:

##### (i) Method of Accounting

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

##### (ii) Revenue Recognition

- Income from Brokerage activities is recognized as income on the trade date of the transaction. Related expenditure incurred for procuring business is accounted for as procurement expenses.
- Contango transactions are treated as secured lending transactions and accordingly disclosed in the financial statements. The difference between purchase and sale values on such transactions is recognized as "Income from Contango transactions".

##### (iii) Investments and Stock-in-Trade

- The securities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and shown under current assets. Other securities acquired with the intention of long-term holding are considered as 'Investments'.
- 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.
- The securities held as stock-in-trade under current assets are valued at cost or market/realizable value, whichever is lower.
- 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 the management.

##### (iv) Depreciation/Amortization

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

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

Depreciation on fixed assets other than improvements to leasehold property and Membership Rights of Stock Exchanges, is provided on written down value method at the rates prescribed in Schedule XIV of the Companies Act, 1956. Additionally, an asset whose written down value falls below Rs. 5,000 is fully depreciated for the remaining balance.

##### (v) Miscellaneous Expenditure

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

##### (vi) Sundry Debtors and Creditors

Amounts receivable from and payable to clients for broking transactions are recognized 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 the applicable tax rates.

#### 2. Contingent Liabilities

Contingent liabilities comprise bank guarantees amounting to Rs. 278.50 million provided to Stock Exchanges (Previous year - Rs. 37.50 million).

#### 3. 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.

#### 4. Payments to and Provisions for Employees

Payments to and provisions for employees consist of expenses reimbursed to the holding company for employees deputed to the Company.

#### 5. 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 capitalized as "Improvement to Leasehold Property".

#### 6. Auditors' Remuneration

(Rupees in million)

	1999-2000	1998-99
(A) Audit Fees	0.12	0.10
(B) Tax Audit & Certification Fees	0.05	0.09
(C) Out-of-Pocket Expenses	0.01	0.01
	<u>0.18</u>	<u>0.20</u>

#### 7. Expenditure in foreign currency

(Travelling Expenses)

0.05

#### 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	0.147 (0.096)	1.214 (0.716)	0.094 (0.147)	0.513 (1.214)

##### (b) Details of Purchases and Sales during the year

	PURCHASES		SALES	
	Face Value	Value	Face Value	Value
EQUITY	154.937 (63.355)	7,368.090 (1850.824)	154.989 (63.304)	7,409.327 (1,863.842)
OTHERS	Nil (240.930)	Nil (131.886)	Nil (240.930)	Nil (131.175)
	<u>154.937</u>	<u>7,368.090</u>	<u>154.989</u>	<u>7,409.327</u>

Note: Figures in parenthesis pertain to previous year.

#### 9. Previous year's figures have been regrouped wherever necessary.

For N.M. RAIJI & CO.  
Chartered Accountants

J.M. GANDHI  
Partner

For and on behalf of the Board

DEV DATT SHAH  
Chairman

SUBHASH DHAVALA  
Director

Mumbai, April 20, 2000



**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   2 0 0 0  
 State Code  1  1  
 Date Month Year

**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 Mobilization and Deployment of Funds**

(Amount in Rupees million)

Total Liabilities and Shareholder Funds

4 6 1 . 4 3

Total Assets

4 6 1 . 4 3

**Sources of Funds**

Paid-up Capital

4 5 . 0 1

Reserves & Surplus

5 1 . 3 9

Secured Loans

N I L

Unsecured Loans

3 6 5 . 0 3

**Application of Funds**

Fixed Assets

1 0 . 2 1

Investments

N I L

Net Current Assets

4 5 1 . 2 2

Miscellaneous Expenditure

N I L

**4. Performance of the Company**

(Amount in Rupees million)

Turnover

1 3 5 . 8 3

Total Expenditure

6 0 . 6 8

Profit before Tax

7 5 . 1 5

Profit after Tax

4 6 . 0 5

Earnings per Share in Rupees

1 0 . 2 3

Dividend Rate %

N I L

**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

Income from trading in securities

For and on behalf of the Board

DEV DATT SHAH  
 Chairman

SUBHASH DHAVALA  
 Director