

Directors

Chairman

K.V. Kamath
Lalita D. Gupte
S. H. Bhojani
Shikha Sharma
Devdatt Shah
V. Srinivasan
Madhabi Puri Buch

Managing Director & CEO

Executives

Chief Controller - Operations & Finance
Business Head

Meher Baburaj
Anup Bagchi

Auditors

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

Registered & Corporate Office

ICICI Towers
Bandra-Kurla Complex
Mumbai - 400 051

directors' report

To the Members

Your Directors have pleasure in presenting the First Annual Report of the Company together with the audited Statement of Accounts for the period ended March 31, 2000.

The Company was incorporated on December 02, 1999 and it received the certificate for commencement of business from the Registrar of Companies, Maharashtra on January 17, 2000.

FINANCIAL PERFORMANCE

ICICI Web Trade Limited (IWTL) commenced commercial operations on April 17, 2000. The project commenced in November 1999, and since the Company was yet to commence operations as of March 31, 2000, all expenditure incurred, including depreciation as of March 31, 2000 has been treated as pre-operative expenditure. The total amount of pre-operative expenditure as of March 31, 2000 amounts to Rs.13.39 million and the preliminary and deferred revenue expenditure amounts to Rs.15.95 million. The pre-operative expenditure will be capitalized at the date of commencement of commercial operations and the deferred revenue expenditure would be amortized over a period of 3 years from the date of commencement of commercial operations.

RESOURCES

The Authorized Share Capital comprised 50,00,000 Equity Shares of Rs.10 each amounting to Rs.50 million. Of this, 800 Equity Shares of Rs.10 each have been issued, subscribed and paid up. ICICI and its nominees hold the entire Paid-up Equity Capital of Rs.8,000. The expenses on the project so far have been met through borrowings drawn from ICICI Limited and other group companies.

DIVIDEND

Since there were no commercial operations as of March 31, 2000, the Directors do not recommend any dividend.

BACKGROUND

In line with ICICI group's focus on e-commerce activities, IWTL was set up to provide online services to the secondary market investors to execute and settle their orders/ trades in securities. IWTL became a wholly-owned subsidiary of ICICI Limited effective January 28, 2000. It would function as a service provider offering client servicing and marketing for various financial products offered on the net. IWTL's website, icicidirect.com, is one of the first Internet stock trading websites in India. The system integrates the brokerage account from ICICI Brokerage Services Limited (IBSL), a Depository Participant (DP) account from ICICI Limited, and a bank account from ICICI Bank Limited to offer a 3-in-1 e-Invest account.

OVERVIEW OF STOCK MARKET IN INDIA

Although India has 23 stock exchanges across the country, the bulk of the volume (80%) is accounted for by two exchanges, namely, Stock Exchange, Mumbai (BSE) and National Stock Exchange (NSE). The annual turnover on the two exchanges for the last year was Rs.14,400 billion. About 80% to 85% of the volumes are accounted for by the non-institutional segment, which consists of retail investors, high net worth individuals, NRIs, Corporates and brokers. There are about 600 to 800 active brokers/members on both the exchanges with many brokers having dual membership. Although the retail brokerage market is large (commissions are estimated to be about Rs.20 billion), there is an absence of institutional brokers offering the services to retail investors. The market is highly fragmented and investors are put to undue delay in their transactions on these exchanges. It is expected that there would be significant consolidation in the brokerage services market, resulting in better service and range of products offered to retail investors. Brokerage firms with nationwide reach and offering world class service could gain significant market share.

The growth of Internet as a new medium for communication and commercial transactions has made it possible for the retail investors to directly access the equity markets from anywhere in the world.

BUSINESS STRATEGY AND FUTURE PLANS

'icicidirect.com' offering: The web site allows customers to view share prices online and place orders for executing trades on leading stock exchanges. To start with, this facility would be available on NSE. The customer is given a 3-in-1 account comprising a brokerage account, a bank account and a DP account. The settlement is online and the whole process is based on straight-through-processing. Customers will also be able to access high quality research, company data and news from reputed agencies like Reuters. IWTL has commenced operations for the Cash Product, wherein, investors can buy scrips on delivery basis. IWTL is also planning to introduce Margin Product, Initial Public Offerings (IPOs) and Mutual Fund Products in the near future. IWTL is also in the process of extending the e-invest service to NRIs, subject to clearance from the regulatory authorities, as well as to other clients like HUFs, Corporates, Financial Institutions

(FIs), Foreign Institutional Investors (FIIs), Mutual Funds, Banks, Trusts and Sub-brokers among others.

PERSONNEL AND OTHER MATTERS

Of the total strength of 21 employees, 12 employees are on deputation from ICICI and group companies.

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.

Software expenditure in foreign currency during the period under review was Rs.0.09 million.

Since the Company does not own any manufacturing facility, the disclosure of information on other matters 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 Board of Directors) Rules, 1988, is not applicable and hence not given.

DIRECTORS

Shri Ananda Mukerji, Smt. Shikha Sharma and Shri Devdatt Shah are the first Directors named in the Articles of Association of the Company.

Shri Ananda Mukerji tendered his resignation from the Board effective January 28, 2000. The Board accepted the resignation of Shri Ananda Mukerji and placed on record its appreciation of the valuable services rendered by him during his tenure.

Shri K. V. Kamath, Smt. Lalita D. Gupte, Shri S. H. Bhojani, Shri V. Srinivasan, and Smt. Madhabi Puri Buch, all from ICICI Limited, were appointed as additional Directors effective January 28, 2000. They hold office only up to the date of the forthcoming Annual General Meeting of the Company as provided in the Articles of Association of the Company, but are eligible for appointment.

The Board has appointed Smt. Madhabi Puri Buch as the Managing Director and Chief Executive Officer of the Company for a period of five years effective January 28, 2000. Smt. Madhabi Puri Buch will continue to draw her remuneration and other benefits from ICICI Limited and hence will not draw any remuneration and benefits from the Company. The appointment of Smt. Madhabi Puri Buch as the Managing Director and Chief Executive Officer of the Company was approved by the members in the Extraordinary General Meeting held on March 31, 2000. Smt. Madhabi Puri Buch is also the Managing Director of ICICI Capital Services Ltd.

In terms of the provisions of the Articles of Association, Smt. Shikha Sharma and Shri Devdatt Shah would retire at the forthcoming Annual General Meeting and both, being eligible, offer themselves for re-appointment.

AUDITORS AND AUDITORS' REPORT

M/s. N. M. Raiji & 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.

The observations contained in the Auditors' Report are self-explanatory and, therefore, no comments are called for separately.

ACKNOWLEDGEMENTS

Your Company is grateful to the Securities and Exchange Board of India, the National Securities Depository Limited and National Stock Exchange for their support and advice during the period under review. The Company is also grateful to its technology partners EDS, Financial Technologies and Plexus Technologies for their continuous and critical support during the aforesaid period.

The Company would like to express its gratitude for the support and guidance received from ICICI Limited, the parent company, as also from other ICICI group companies including ICICI Bank Limited, ICICI Brokerage Services Limited and ICICI Infotech Services Limited.

The Directors would also like to place on record their appreciation for the professionalism, dedication and excellent teamwork shown by the team working for the Company.

For and on behalf of the Board

Mumbai, April 26, 2000

K. V. Kamath
Chairman

auditors' report



To the Members of ICICI Web Trade Limited

We have audited the attached Balance Sheet of ICICI WEB TRADE LIMITED as at March 31, 2000 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 matter specified in paragraphs 4 & 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, dealt with by this report is in agreement with the books of account;

- d) in our opinion, the balance sheet dealt with by this report is in compliance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956; and
- 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 a true and fair view, in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2000.

For N. M. RAIJI & CO.
Chartered Accountants

J. M. GANDHI
Partner

Mumbai, April 26, 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. No discrepancies were noticed in respect of the assets verified.
2. None of the fixed assets have been revalued during the year.
3. The securities held as stock-in-trade are in dematerialized form and confirmation has been obtained from the depository. No discrepancies have been noticed on comparison of book stock with the statement received from the depository.
4. In our opinion, the valuation of securities held, as stock-in-trade is fair and proper, in accordance with the normally accepted accounting principles.
5. The Company has taken loans from its Holding Company and from the Company under the same management as defined under Section 370(1B) of the Companies Act, 1956. Both these companies are also listed in the register maintained under Section 301 of the Companies Act, 1956. The rate of interest, if any and other terms and conditions of such loans are, not prima facie, prejudicial to the interest of the Company.
6. The Companies have not granted loans to the parties listed in the register maintained under Section 301 of the Companies Act, 1956, or to the companies under the same management defined under Section 370 (1B) of the Companies Act, 1956.
7. The Company has not accepted any deposits from the public and hence the provision of Section 58A of the Companies Act, 1956 and the rules framed thereunder are not applicable to the Company.
8. 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.
9. In our opinion, and according to the information and explanations given to us, there are no transactions entered into by the Company 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,

10. The Company has not commenced its business and is yet to introduce an internal audit system.
11. As informed to us, Provident Fund Act and Employees' State Insurance Act are not yet applicable to the Company.
12. 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, custom duty and excise duty were outstanding as at 31st March, 2000 for the period of more than six months from the date they became payable.
13. 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 obligation or in accordance with generally accepted business practice.
14. The Company is not an industrial company and hence the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable.
15. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
16. 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. Securities are held in dematerialized form in the account of the Company.

For N. M. RAIJI & CO.
Chartered Accountants

J. M. GANDHI
Partner

Mumbai, April 26, 2000.

balance sheet

as at March 31, 2000

	Schedule	(Rupees)	
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A		8,000
Unsecured Loans & Advances			
	B		27,700,397
			<u>27,708,397</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	C	2,549,970	
Less: Depreciation		<u>96,904</u>	
Net Block		2,453,066	
Capital Work in Progress (Refer Note 4)		<u>66,971,687</u>	69,424,753
Current Assets, Loans and Advances			
	D	8,026,301	
<i>Less: Current Liabilities & Provisions</i>			
	E	<u>65,691,894</u>	
Net Current Assets, Loans and Advances			(57,665,593)
Miscellaneous Expenditure (To the extent not written off or adjusted)			
Preliminary & Deferred Expenditure	F		15,949,237
			<u>27,708,397</u>
Notes forming part of the Accounts			
	G		
Accounting Policies			
	H		

Per our Report attached

For N.M. RAIJI & CO.
Chartered Accountants

J.M. GANDHI
Partner

Mumbai, April 26, 2000

For and on behalf of the Board

K.V. KAMATH
Chairman

MADHABI PURI BUCH
Managing Director & CEO

MEHER BABURAJ
Chief Controller - Operations & Finance

schedules

ICICI Web Trade forming part of the Accounts

(Rupees)

March 31, 2000

A. SHARE CAPITAL

Authorized

5,000,000 Equity Shares of Rs. 10 each

50,000,000

Issued, Subscribed and Paid up

800 Equity Shares of Rs. 10 each

8,000

All the above equity shares are held by ICICI Limited, the Holding Company and its nominees.

B. UNSECURED LOANS

Loan from Company

27,700,397

27,700,397

C. FIXED ASSETS:

	Gross Block (at cost)				Accumulated Depreciation				Net Block	
	<i>April 1,</i>	Additions	Sale/Adj.	March 31,	<i>April 1,</i>	Additions	Sale/Adj.	March 31,	March 31,	<i>March 31,</i>
	<i>1999</i>			2000	<i>1999</i>			2000	2000	<i>1999</i>
Computers	—	1,693,250	—	1,693,250	—	78,515	—	78,515	1,614,735	—
Office Equipments	—	856,720	—	856,720	—	18,389	—	18,389	838,331	—
	—	2,549,970	—	2,549,970	—	96,904	—	96,904	2,453,066	—
Capital Work in Progress	—	66,971,687	—	66,971,687	—	—	—	—	66,971,687	—
	—	69,521,657	—	69,521,657	—	96,904	—	96,904	69,424,753	—
<i>As at March 31, 1999</i>	—	—	—	—	—	—	—	—	—	—

D. CURRENT ASSETS, LOANS AND ADVANCES

(Unsecured, Considered good unless otherwise stated)

(A) Current assets

Securities held as Stock-in-Trade

(at cost or market price whichever is lower)

328,454

Sundry Debtors (Unsecured; considered good)

Trade date receivable

15,024

Cash and Bank balances:

Cash and cheques on hand

410,400

Accounts with scheduled banks

6,286,584

6,696,984

Sundry Deposits

300,000

7,340,462

(B) Advances

Advances recoverable in cash or in kind or for value to be received

685,839

685,839

8,026,301

schedules

forming part of the Accounts

Continued

(Rupees)

March 31, 2000

E. CURRENT LIABILITIES AND PROVISIONS:

Sundry Creditors	27,841,232
Current Account with Holding Company	36,618,072
Other Liabilities	1,232,590
	<u>65,691,894</u>

F. MISCELLANEOUS EXPENDITURE:

(to the extent not written off or adjusted)

Preliminary Expenses	350,391
Deferred Revenue Expenses	15,598,846
	<u>15,949,237</u>

schedules

G. NOTES FORMING PART OF THE ACCOUNTS:

1. Estimated amounts of contracts remaining to be executed on capital account and not provided for, in respect of capital orders – Rs. 6,17,413.60 (previous year Rs. Nil).

2. Auditors Remuneration: (in Rupees)
1999-2000
Audit Fees **26,250**

3. Expenditure in Foreign Currency
Purchase of Software and Licence: 86,982

4. (a) Capital work in progress includes Rs. 1,16,42,460 on account of capital advances and Rs. 1,33,86,155 on account of pre-operative expenses.

(b) All expenses incurred during the current year are treated as pre-operative expenditure, as the Company is yet to begin its operations. The same will be capitalized at the time of commencement of commercial operation.

The break-up of pre-operative expenses is as under:

Printing and Stationery	59,89,826
Professional Fees	20,23,045
Subscription for data feed	13,38,370
Rent	10,22,835
Upkeep Charges	9,66,010
Interest	9,42,880
Communications	4,49,395
Staff Cost	1,26,040
Software Expenses	1,15,946
Depreciation	96,904
Conveyance	27,885
Reduction on account of valuation of stock-in-trade	1,05,006
Audit Fees	26,250
Miscellaneous Expenses	1,57,869
	1,33,88,261

Less: Other Income **2,106**

Total **1,33,86,155**

5. Preliminary Expenses comprises of:
ROC Charges **3,03,320**
Printing of MOA and AOA **47,071**

Total **3,50,391**

6. Deferred Revenue Expenditure:
During the year, a sum of Rs. 1,55,98,846 has been spent on advertisement and marketing for launch of web-site. The same is being treated as deferred revenue expenditure, which would be written off over a period of three years commencing from the date of commercial operation.

7. Quantitative Details of Securities held as Stock-in-Trade:

(a) Details of Opening and Closing stock (in Rupees)

CATEGORY	OPENING STOCK		CLOSING STOCK	
	Face Value	Value	Face Value	Value
EQUITY	—	—	7,805	3,28,454

(b) Details of Purchase and Sales during the year

	PURCHASES		SALES	
	Face Value	Value	Face Value	Value
EQUITY	8,230	4,69,484	425	36,024

H. SIGNIFICANT ACCOUNTING POLICIES:

1. Method of Accounting

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

2. Stock-in-Trade

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

3. Depreciation/Amortisation

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

4. Deferred Revenue Expenditure

Deferred Revenue Expenditure will be amortized over a period of three years from the date of commencement of operations.

5. Miscellaneous Expenditure

Preliminary Expenditure incurred for the formation of the Company is being amortized over a period of ten years from the date of commencement of commercial operation.

ANNEXURE OF SECURITIES HELD AS STOCK-IN-TRADE

(At lower of cost or market value)

Quoted Securities	Qty.	Total		Rs.
		Face value	March 31, 2000	
Escorts Ltd.	190	1,900		28,357
Navneet Publications Ltd.	20	200		10,790
Infosys Technologies Ltd.	9	45		80,731
Pentafour Software and Exports Ltd.	55	550		63,286
Reliance Industries Ltd.	175	1,750		53,621
Silverline Industries Ltd.	10	100		8,045
BSES Ltd	300	3,000		71,910
Archies Greeting & Gifts Ltd.	25	250		7,485
Satyam Computer Services Ltd.	1	10		4,229
Total				328,454

Aggregate market value Rs. 329,714

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. 1 2 2 8 8 3
 Balance Sheet Date 3 1 0 3 2 0 0 0
 Date Month Year
 State Code 1 1

2. Capital raised during the year

(Amount in Rupees Thousand)

Public Issue

N I L

Bonus Issue

N I L

Rights Issue

N I L

Private Placement

8

3. Position of Mobilization and Deployment of Funds

(Amount in Rupees Thousand)

Total Liabilities

2 7 7 0 8

Total Assets

2 7 7 0 8

Sources of Funds

Paid-up Capital

8

Reserves & Surplus

N I L

Secured Loans

N I L

Unsecured Loans

2 7 7 0 0

Application of Funds

Net Fixed Assets

6 9 4 2 4

Investments

N I L

Net Current Assets

(-) 5 7 6 6 5

Miscellaneous Expenditure

1 5 9 4 9

Accumulated Losses

N I L

4. Performance of the Company

(Amount in Rupees Thousand)

Turnover

N I L

Total Expenditure

N I L

+/- Profit/Loss before Tax

N I L

+/- Profit/Loss after Tax

N I L

Earnings per Equity Share in Rupees

N I L

Dividend Rate %

N I L

5. Generic Names of three Principal Products/Services of the Company

(As per Monetary Terms)

Service Descriptions

Technical Service Provider and Marketing arm for Net Trading.

As Per our Report of date

For N.M. RAJI & CO.
 Chartered Accountants

J.M. GANDHI
 Partner

Mumbai, April 26, 2000

MEHER BABURAJ
 Chief Controller - Operations & Finance

For and on behalf of the Board

K.V. KAMATH
 Chairman

MADHABI PURI BUCH
 Managing Director & CEO