

ICICI SECURITIES, INC.**1ST ANNUAL REPORT AND ACCOUNTS 2000-2001****Directors**

Meher Baburaj, *President*
Sripat Pandey
Devesh Kumar
Amit Tandon

Auditors

M/s. Grant Thornton LLP
Accountants and Management
Consultants

Registered Office

1013 Centre Road
City of Wilmington
County of New Castle
Delaware 19805

directors' report

to the members

Your Directors present the First audited Statement of Accounts of the Company for the period ended March 31, 2001.

Operation

The Company was incorporated on June 13, 2000, as a wholly-owned subsidiary of ICICI Securities Holdings, Inc., with an authorized capital of US\$ 10 million. The Company's paid-up capital is US\$ 1.05 million. In November 2000, the Company obtained registration with the Securities and Exchange Commission as a broker-dealer and became a member of the National Association of Securities Dealers, Inc.

The Company has been formed to provide brokerage, research and investment banking services to investors in the United States who wish to invest in India. Initially, the Company intends to target institutional investors of the United States.

Directors

Ms. Meher Baburaj, Mr. Sripat Pandey, Mr. Devesh Kumar and Mr. Amit Tandon compose the Board of Directors.

Auditors

The Auditors of the Company are M/s Grant Thornton, Accountants and Management Consultants, New York, New York.

For and on behalf of the Board

Mumbai, April 19, 2001

Director

report of independent certified public accountants

to the stockholder of ICICI Securities Inc.

We have audited the accompanying statement of financial condition of ICICI Securities Inc. (the "Company") as of March 31, 2001. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as

evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of ICICI Securities Inc. as of March 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP
Accountants and Management Consultants
New York, New York
April 5, 2001

statement of financial condition statement of operations

March 31, 2001

period from June 13, 2000 (inception)

	(Expressed in U.S. Dollars)	March 31, 2001		(Expressed in U.S. Dollars)	March 31, 2001
ASSETS			Revenue		
Cash and cash equivalents	\$	912,184	Interest income		\$ 26,995
Accrued interest receivable		1,656			
Due from Parent		49,921	Expenses		
		<u>963,761</u>	Administrative fee		105,000
			Regulatory fees		6,975
			Other		1,259
					<u>113,234</u>
STOCKHOLDER'S EQUITY			NET LOSS		<u>\$ (86,239)</u>
Stockholder's equity					
Common stock, \$1 par value; 10,500,000 shares authorized; 1,050,000 shares issued and outstanding		1,050,000			
Accumulated deficit		<u>(86,239)</u>			
Total stockholder's equity		<u>\$ 963,761</u>			

statement of changes in stockholder's equity

period from June 13, 2000 (inception) to March 31, 2001

	(Expressed in U.S. Dollars)			March 31, 2001
	Total	Common stock	Accumulated deficit	
Issuance of shares	\$ 1,050,000	\$ 1,050,000	\$ —	
Net loss	(86,239)	—	(86,239)	
Stockholder's equity, March 31, 2001	<u>\$ 963,761</u>	<u>\$ 1,050,000</u>	<u>\$ (86,239)</u>	

notes to financial statements

period from June 13, 2000 (inception) to March 31, 2001

NOTE A - ORGANIZATION

ICICI Securities Inc. (the "Company") is a wholly-owned subsidiary of ICICI Securities Holdings, Inc. ("Parent") which is an indirect wholly-owned subsidiary of ICICI Limited, an Indian financial services company whose American Depository Receipts are listed on the New York Stock Exchange. The Company was established to provide, brokerage, research and corporate finance services to institutional investors in the United States, investing in securities of companies principally headquartered in India. In addition, it may provide brokerage services to Indian clients wishing to invest in the United States and underwriting services for issuers wishing to offer securities to the marketplace. On November 28, 2000, the Company became registered with the Securities and Exchange Commission as a broker-dealer and became a member of the National Association of Securities Dealers, Inc. To date, the Company has not commenced business as a broker-dealer.

Once the Company commences business, it will carry all of its customer accounts on a delivery versus payment basis. The settlement of most transactions is expected to be facilitated by an affiliate in India. Accordingly, the Company will operate under the exemptive provisions of sub-paragraph (k)(2)(i) of Rule 15c3-3 of the Securities Exchange Act of 1934, but it is subject to Rule 15c3-1, the Uniform Net Capital Rule.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents include cash and commercial paper or other instruments purchased with an original maturity of three months or less.

The Company is a wholly-owned subsidiary of its Parent and therefore all of its income and losses are included in the consolidated tax return filed by its Parent. Tax liabilities are calculated on a separate return basis.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C - RELATED PARTY TRANSACTION

The Company has paid for certain operating expenses on behalf of its Parent. In addition, pursuant to an agreement, the Company pays its Parent a monthly administrative fee for managing the operations of the Company. As of March 31, 2001, net receivable from Parent was \$ 49,921.

NOTE D - NET CAPITAL REQUIREMENT

As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission, which requires that the Company maintain minimum net capital, as defined, of \$ 100,000 or 6-2/3% of aggregate indebtedness, as defined, whichever is greater. At March 31, 2001, the Company had net capital of \$ 912,814, which exceeded requirements by \$ 812,814.