

# ICICI DISTRIBUTION FINANCE PRIVATE LIMITED

## 7TH ANNUAL REPORT AND ACCOUNTS 2003-2004

### Directors

Chanda D. Kochhar, *Chairperson*  
V. Vaidyanathan  
Maninder Juneja  
M. N. Gopinath, *Managing Director*

### Company Secretary

Rajesh Chawathe

### Auditors

S. R. Batliboi & Associates  
Chartered Accountants

### Registered Office

ICICI Bank Towers  
Bandra-Kurla Complex  
Mumbai - 400 051

## directors' report

### to the members

Your Directors have pleasure in presenting the Seventh Annual Report of the Company with the audited Statement of Accounts for the year ended March 31, 2004.

### APPROPRIATIONS

The Profit and Loss Account shows profit before taxation of Rs.60.05 million (previous year Rs.93.09 million) after taking into account all expenses including depreciation of Rs.2.10 million (previous year Rs.5.56 million) on fixed assets. The net profit for the year is Rs.3.35 million (previous year Rs. 55.09 million). This is primarily on account of migration of inventory funding business to ICICI Bank Limited.

After taking into account the balance of Rs.61.49 million (previous year Rs. 17.41 million) brought forward from the previous year, the disposable profit is Rs.95.04 million (previous year Rs.72.51 million). Reflecting the strong financial performance, the Board declared the interim dividend of 70% and 16% in the months of September and December respectively, resulting in an aggregate dividend rate of 86% and outflow of Rs.65.51 million. Your Directors have not recommended any final dividend for the year and have appropriated the disposable profit as follows :

	(Rupees Million)	
	Fiscal 2004	Fiscal 2003
Transfer to Reserve Fund created and maintained in terms of Section 45IC(1) of the Reserve Bank of India Act, 1934	6.71	11.02
Transfer to General Reserve	3.35	—
Leaving balance to be carried forward to next year	0.09	61.49

### OPERATIONAL REVIEW

Pursuant to the approval of Reserve Bank of India (RBI), the entire paid-up capital of the Company was acquired by ICICI Bank Limited (ICICI Bank) and the Company became wholly owned subsidiary of ICICI Bank. Consequent to this, the name of the Company has been changed from Transamerica Apple Distribution Finance Private Limited to ICICI Distribution Finance Private Limited. RBI, while permitting ICICI Bank to acquire 100% shareholding of the Company, had directed ICICI Bank to initiate proceedings for the voluntary winding of the Company after the business is transferred to ICICI Bank's balance sheet. In view of the above, the business of the Company has been substantially migrated to ICICI Bank. The future course of action including compliance with RBI directions would be decided after full migration of the portfolio and resolution of legal and procedural issues.

### PUBLIC DEPOSITS

During the year under review, the Company has not accepted any deposit from the public.

### DIRECTORS

In terms of the provisions of the Articles of Association of the Company, Maninder Juneja would retire at the ensuing Annual General Meeting and, being eligible, offers himself for re-appointment. The Board had re-appointed M.N. Gopinath as Managing Director of the Company for a further period of two years, effective May 7, 2004. M. N. Gopinath will continue to draw his remuneration and other benefits from ICICI Bank Limited and hence will not draw any remuneration from the Company. In terms of the provisions of the Companies Act, 1956, your approval is sought for his appointment as detailed in the Notice convening the Meeting.

### AUDITORS

The Auditors, M/s. S. R. Batliboi & Associates, Chartered Accountants, Mumbai, will retire at the ensuing Annual General Meeting. The Board, at its Meeting held on April 28, 2004, has proposed their appointment as Auditors to audit the accounts of the Company for fiscal 2005. You are requested to consider their appointment.

### FOREIGN EXCHANGE EARNING AND EXPENDITURE

There was no foreign exchange earning or outgo during this year under review.

### PERSONNEL AND OTHER MATTERS

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.

Since your 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, are not applicable and hence, have not been given.

### AUDIT COMMITTEE

The Audit Committee consists of three Directors - Chanda D. Kochhar, V. Vaidyanathan and M. N. Gopinath, and is chaired by Chanda D. Kochhar.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- that they have prepared the annual accounts on a going concern basis.

### ACKNOWLEDGEMENTS

Your Company is grateful to the Reserve Bank of India for its continued support and advice. The Company is also grateful to its clients and bankers for their continued support.

The Company would like to express its gratitude for the unstinted support and guidance received from ICICI Bank Limited, the parent organisation, and also from other group companies.

The Directors would also like to express their sincere thanks and appreciation to all the employees for their commendable teamwork, exemplary professionalism and enthusiastic contribution during the year.

For and on behalf of the Board

CHANDA D. KOCHHAR  
*Chairperson*

Mumbai, June 10, 2004



# auditors' report

## to the members of ICICI Distribution Finance Private Limited

1. We have audited the attached Balance Sheet of ICICI Distribution Finance Private Limited as at March 31, 2004 and also the Profit and Loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. 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 disclosures 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.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 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.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. 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 those books;
  - iii. The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the balance sheet and profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v. On the basis of the written representations received from the directors as on March 31, 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - vi. Attention is drawn to note 1 (a) of schedule 17 relating to preparation of accounts on the basis that the Company is not a going concern
  - vii. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2004;
    - b) in the case of the profit and loss account, of the profit for the year ended on that date;
    - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & ASSOCIATES  
Chartered Accountants

per HEMAL SHAH  
Partner

Membership No.: 42650

Mumbai, April 28, 2004

## annexure to the auditors' report

### referred to in paragraph 3 of our report of even date

- 1) During the year, the Company has disposed off /made a provision for the fixed assets as the financial statements not prepared on the going concern assumption. (Refer note 1(a) of Schedule 17).
  - 2) As informed to us, the Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
  - 3) During the course of our audit, no major weakness has been noticed in the internal controls.
  - 4) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that there are no transactions that need to be entered into the register maintained under section 301.
  - 5) The Company has not accepted any deposits from the public.
  - 6) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
  - 7) According to the records of the Company, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Customs Duty, Excise Duty, cess and other statutory dues applicable to it with the appropriate authorities *except in case of service tax where there have been several delays*. 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, at the year end for a period of more than six months from the date they became payable.
  - 8) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
  - 9) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to bank.
  - 10) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
  - 11) In our opinion and according to the information and explanations given to us, the nature of activities of the Company do not attract any special statute applicable to chit fund and nidhi/ mutual benefit fund/societies.
  - 12) The Company does not deal or trade in shares, securities, debentures and other investments.
  - 13) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
  - 14) The Company did not have any term loans outstanding during the year.
  - 15) We have been informed by management that the funds raised on short-term basis have not been used for long-term investment and vice-versa.
  - 16) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
  - 17) The Company did not have any outstanding debentures during the year.
  - 18) The Company has not raised any money through a public issue during the year.
  - 19) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.
- The provisions of sub clause (ii) and (viii) of clause 4A of Companies (Auditor's Report) Order, 2003 are not applicable to the Company and hence we have not commented on the same.

For S. R. BATLIBOI & ASSOCIATES  
Chartered Accountants

per HEMAL SHAH  
Partner

Membership No.: 42650

Mumbai, April 28, 2004



# balance sheet profit and loss account

**ICICI** Distribution Finance

as at March 31, 2004

for the year ended March 31, 2004

	Schedule	Rupees	March 31, 2003		Schedule	Rupees	March 31, 2003
<b>SOURCES OF FUNDS :</b>				<b>INCOME :</b>			
<b>Shareholders' Funds</b>				Income from financial services and other sources			
<b>Share Capital</b>	1	<b>87,500,000</b>	116,434,650		13	<b>176,996,110</b>	377,580,938
Reserves and Surplus	2	<b>434,909,414</b>	654,505,269	<b>EXPENDITURE :</b>			
		<b>522,409,414</b>	770,939,919	Employee Expenses	14	<b>17,890,293</b>	82,295,598
<b>Loan Funds</b>				Administrative Expenses	15	<b>27,759,668</b>	77,373,050
Unsecured Loans	3	—	1,061,173,868	Interest and Bank Charges	16	<b>40,315,624</b>	102,122,452
		—	1,061,173,868	Bad Debts		<b>24,570,914</b>	10,561,993
		<b>522,409,414</b>	1,832,113,787	Provision for Unevaluated Losses / (Excess provision written back)		<b>(639,336)</b>	7,397,043
<b>APPLICATION OF FUNDS :</b>				Provision for Doubtful Debts / (Excess provision written Back)		<b>4,942,425</b>	(819,997)
<b>Fixed Assets</b>	4			Depreciation		<b>2,105,982</b>	5,560,715
Gross Block		<b>21,179,899</b>	32,176,040			<b>116,945,568</b>	284,490,853
Less : Depreciation		<b>20,222,747</b>	27,093,653	<b>Profit before Taxation</b>			
Sub Total		<b>957,152</b>	5,082,387	Less : Provisions for Taxation		<b>60,050,542</b>	93,090,085
Less : Provision for loss on disposal of fixed assets		<b>957,152</b>	—			<b>26,500,000</b>	38,000,000
Net Block		—	5,082,387	<b>Profit after Taxation for the year</b>			
<b>Investments</b>	5	<b>34,000</b>	34,000	Add : Balance brought forward from previous year		<b>33,550,542</b>	55,090,085
<b>Current Assets, Loans and Advances</b>				Profit available for appropriation		<b>61,489,438</b>	17,417,370
Stock on Hire	6	<b>24,357,875</b>	183,935,143			<b>95,039,980</b>	72,507,455
Sundry Debtors	7	<b>12,776,020</b>	4,410,463	<b>APPROPRIATIONS :</b>			
Cash and Bank Balances	8	<b>434,954,802</b>	14,013,267	Transfer to Reserve Fund under Section 45IC(1) of the Reserve Bank of India Act, 1934		<b>6,710,108</b>	11,018,017
Other Current Assets	9	<b>3,833,339</b>	35,449,405	Interim Dividend		<b>75,250,000</b>	—
Loans and Advances	10	<b>197,967,976</b>	1,862,749,990	Tax on Dividend		<b>9,641,406</b>	—
		<b>673,890,013</b>	2,100,558,268	Transfer to General Reserve		<b>3,355,054</b>	—
Less : Current Liabilities and Provisions						<b>94,956,569</b>	11,018,017
Current Liabilities	11	<b>20,266,285</b>	168,926,849	<b>Surplus carried to balance sheet</b>			
Provisions	12	<b>131,248,314</b>	104,634,019			<b>83,411</b>	61,489,438
		<b>151,514,599</b>	273,560,868	<b>NOTES TO ACCOUNTS</b>			
<b>Net Current Assets</b>		<b>522,375,414</b>	1,826,997,400				
		<b>522,409,414</b>	1,832,113,787				
<b>NOTES TO ACCOUNTS</b>							
	17						

The Schedules referred to above form an integral part of the Balance Sheet.  
Signatures to the Balance Sheet and Schedules 1 to 12 and 17

As per our Report of even date

For S. R. BATLIBOI & ASSOCIATES  
Chartered Accountants

per HEMAL SHAH  
Partner  
Membership No.: 42650

Mumbai, April 28, 2004

The Schedules referred to above form an integral part of the Profit and Loss Account

Signatures to the Profit and Loss Account and Schedules 13 to 17  
For and on behalf of the Board of Directors

M. N. GOPINATH  
Managing Director

V. VAIDYANATHAN  
Director

RAJESH CHAWATHE  
Company Secretary



# schedules

## forming part of the accounts

(Rupees)

As at  
March 31, 2004

As at  
March 31, 2003

### SCHEDULE 1

#### SHARE CAPITAL

##### Authorised

1,25,00,000 Equity shares of Rs.10 each 125,000,000 125,000,000

##### Issued, Subscribed and Paid Up

1,16,43,465 Equity shares of Rs.10 each fully paid up 116,434,650 116,434,650

Less : Equity shares buy back (Refer note 3 of Schedule 17)

28,93,465 Equity shares of Rs.10 each fully paid up 28,934,650 —

( 87,50,000 Equity shares of Rs. 10 each held by ICICI Bank Limited, the holding company) 87,500,000 116,434,650

87,500,000 116,434,650

### SCHEDULE 2

#### RESERVES AND SURPLUS

##### Share Premium Account

Balance brought forward 512,880,430 512,880,430

Less: Transferred for buy back (Refer note 3 of Schedule 17) 168,254,990 —

344,625,440 512,880,430

##### Reserve Fund under Section 45 IC(1) of the Reserve Bank of India Act, 1934

Balance brought forward 29,602,744 18,584,727

Add: Transferred from Profit and Loss Account 6,710,108 11,018,017

36,312,852 29,602,744

##### Capital Redemption Reserve

Balance brought forward — —

Add: Transferred from General Reserve for buy back of shares (Refer note 3 of Schedule 17) 28,934,650 —

28,934,650 —

##### General Reserve

Balance brought forward 50,532,656 50,532,656

Add: Transferred from Profit and Loss Account 3,355,054 —

Less: Transferred to Capital Redemption Reserve (Refer note 3 of Schedule 17) 28,934,650 —

24,953,060 50,532,656

##### Profit and Loss Account

As per annexed account 83,411 61,489,438

434,909,414 654,505,269

### SCHEDULE 3

#### UNSECURED LOANS

##### Short Term Loans

(Short Term loans from Banks are guaranteed by Transamerica Finance

Corporation, USA to Bank of America, USA & ABN Amro Bank, USA)

— 1,061,173,868

— 1,061,173,868

### SCHEDULE 4

#### FIXED ASSETS

Rupees

Asset	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2003	Additions	Deductions	As at 31.03.2004	Up to 31.03.2003	For the year	Deletions	Up to 31.03.2004	As at 31.03.2004	As at 31.03.2003
Computers	18,571,807	4,250	3,315,616	15,260,441	18,186,839	300,334	3,252,622	15,234,551	25,889	384,967
Office										
Equipment	3,063,503	—	779,262	2,284,241	2,020,964	467,854	551,393	1,937,426	346,815	1,042,539
Furniture										
& Fixtures	9,722,520	—	6,087,303	3,635,217	6,524,724	1,270,325	4,744,279	3,050,770	584,447	3,197,796
Vehicles	818,210	—	818,210	—	361,125	67,469	428,593	—	—	457,085
Sub Total	32,176,040	4,250	11,000,391	21,179,899	27,093,652	2,105,982	8,976,887	20,222,747	957,152	5,082,387
Less: Provision for loss on disposal of fixed asset									957,152	
Total	32,176,040	4,250	11,000,391	21,179,899	27,093,652	2,105,982	8,976,887	20,222,747	—	
Previous year	37,408,102	188,567	5,420,629	32,176,040	24,830,971	5,560,715	3,298,033	27,093,653	5,082,387	



# schedules

	(Rupees)	
	As at March 31, 2004	As at March 31, 2003
<b>SCHEDULE 5</b>		
<b>INVESTMENTS</b>		
Long Term - At Cost		
Government and Trust Securities - Unquoted		
6 years National Saving Certificates - Face value Rs. 34,000	34,000	34,000
(The above certificates have been pledged with Sales Tax Authorities)		
	<u>34,000</u>	<u>34,000</u>
<b>SCHEDULE 6</b>		
<b>STOCK ON HIRE</b>		
Stock on Hire under hire purchase agreements		
{Net of Unmatured Finance Charges Rs. 2,198,535 ( Previous Year Rs. 24,795,323)	24,357,875	183,935,143
and Instalment received in Advance Rs. 512,826 (Previous year- Rs. 1,057,357)}		
(Secured by hypothecation of Two wheelers)		
	<u>24,357,875</u>	<u>183,935,143</u>
<b>SCHEDULE 7</b>		
<b>SUNDRY DEBTORS</b>		
(Secured by hypothecation of Two wheelers)		
Outstanding for a period not exceeding six months		
Considered Good	12,776,020	4,410,463
Considered Doubtful	2,250,000	—
	<u>15,026,020</u>	<u>4,410,463</u>
Less : Provision for Doubtful Debts	2,250,000	—
	<u>12,776,020</u>	<u>4,410,463</u>
<b>SCHEDULE 8</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on Hand	5,936	2,690,622
Balances with Scheduled Banks		
- In Current Accounts	17,448,866	11,322,645
- In Deposit Accounts	417,500,000	—
	<u>434,954,802</u>	<u>14,013,267</u>
<b>SCHEDULE 9</b>		
<b>OTHER CURRENT ASSETS</b>		
Accrued Interest	3,833,339	35,449,405
	<u>3,833,339</u>	<u>35,449,405</u>
<b>SCHEDULE 10</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured & considered good unless otherwise stated)		
Consumer Finance		
{Net of Unmatured Finance Charges Rs. 2,710,802 ( Previous Year Rs. 21,992,023)		
and Instalment received in Advance Rs. 651,912 (Previous year- Rs. 1,299,185)}		
(Secured by hypothecation of Two wheelers)		
Advances recoverable in cash or in kind or for value to be received	29,588,426	151,537,933
Distribution Finance	48,289	1,417,657
Considered Good	—	1,562,017,795
Considered Doubtful	6,757,707	7,397,043
	<u>6,757,707</u>	<u>1,569,414,838</u>
Less : Provision for Doubtful Distribution Finance	6,757,707	7,397,043
	<u>—</u>	<u>1,562,017,795</u>
Staff Loans		
(Secured by hypothecation of vehicles)	—	91,099
Advance payment of tax and tax deducted at source	167,296,469	139,360,858
Security Deposits	1,034,792	8,324,648
	<u>197,967,976</u>	<u>1,862,749,990</u>



# schedules

forming part of the accounts

Continued

(Rupees)

	As at March 31, 2004	As at March 31, 2003
<b>SCHEDULE 11</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	3,221,018	30,349,979
Interest Accrued but not due	—	444,749
Other Liabilities {Includes Rs.6,849,988 (Previous year Nil, payable to Holding Company)}	11,442,067	9,229,825
Book Overdraft	291,591	118,975,648
Security Deposits	5,311,609	9,926,648
	<u>20,266,285</u>	<u>168,926,849</u>
<b>SCHEDULE 12</b>		
<b>PROVISIONS</b>		
Provision for Leave Encashment	—	2,578,130
Provision for Taxation	122,900,000	96,400,000
Provision for Losses	8,348,314	5,655,889
	<u>131,248,314</u>	<u>104,634,019</u>
	<b>For the year ended March 31, 2004</b>	<b>For the year ended March 31, 2003</b>
<b>SCHEDULE 13</b>		
<b>INCOME FROM FINANCIAL SERVICES AND OTHER SOURCES</b>		
Hire Purchase Income	29,936,520	96,499,308
Consumer Finance Interest Income	16,435,495	46,891,903
Discounting Charges	4,248,095	19,148,649
Other Interest		
- Distribution Finance (Refer Note 5 of Schedule 17)	88,870,842	209,741,449
- Fixed Deposit with Banks	5,121,962	—
- Inter Corporate Deposits	766,573	—
(Tax deducted at source Rs.25,453,989 (Previous year Rs.39,554,750))		
Miscellaneous Income (Refer Note 6 of Schedule 17)	31,616,623	5,299,630
	<u>176,996,110</u>	<u>377,580,938</u>
<b>SCHEDULE 14</b>		
<b>EMPLOYEE EXPENSES</b>		
Salary and Other Allowances	15,913,295	74,218,080
Contribution to Provident and Other Funds	1,554,665	6,500,325
Welfare Expenses	422,333	1,577,193
	<u>17,890,293</u>	<u>82,295,598</u>
<b>SCHEDULE 15</b>		
<b>ADMINISTRATIVE EXPENSES</b>		
Hire Purchase / Consumer Finance Expenses	1,308,691	14,053,139
Rent, Rates and Taxes	6,141,734	11,170,899
Office Expenses	2,758,275	4,477,821
Insurance Charges	308,696	408,548
Repairs and Maintenance	875,206	2,106,262
Communication Expenses	2,679,676	8,485,678
Travelling and Conveyance Expenses	2,918,320	8,403,005
Legal and Professional Fees	965,326	10,867,442
Auditors Remuneration :		
Audit Fees	700,715	420,000
Tax Audit Fees	54,000	52,500
Certification Fess	100,717	367,500
Out of Pocket Expenses	36,879	82,500
Loss on Sale of Fixed Assets	697,280	1,023,830
Miscellaneous Expenses	8,214,152	15,453,926
	<u>27,759,668</u>	<u>77,373,050</u>



# schedules

## SCHEDULE 16

### INTEREST AND BANK CHARGES

	For the year ended March 31, 2004	For the year ended March 31, 2003
Interest on Short Term Loans	4,955,906	84,863,711
Interest on Bank Overdraft	26,078,691	—
Interest - Others	829,024	1,340,300
Discounting Charges - Commercial Paper	—	4,197,900
Bank Charges	8,452,003	11,720,540
	<u>40,315,624</u>	<u>102,122,452</u>

## SCHEDULE 17

### NOTES TO ACCOUNTS

1.a) On January 3, 2003 the then shareholders of the Company had signed a Share Purchase Agreement to transfer their entire shareholding in the Company to ICICI Bank Limited (the Bank) and accordingly on May 7, 2003, the transfer of shares was completed. Consequent to the transfer of shares, the Company has become a wholly owned subsidiary of the Bank. As per the approval of the Reserve Bank of India (RBI) dated March 31, 2003 received by the Bank for the acquisition of these shares, the Bank is required to initiate proceedings for the voluntary winding up of the Company after the business is transferred to the Bank's balance sheet. Hence the financial statements are not prepared on the going concern assumption.

Adjustments relating to the recoverability and the classification of recorded asset amount or to amounts and classification of liabilities that may be necessary on winding up of the Company have been made based on management's assessment of the same.

All assets and liabilities have been stated at net realisable value.

b) Pursuant to transfer of shares to ICICI Bank Limited (refer (a) above), all the employees of the Company have been transferred to the Bank on May 19, 2003 and hence employment cost is for the period April 1, 2003 to May 18, 2003. The cost for the services rendered by the employees thereafter, amounting to Rs.9,027,086 is paid to ICICI Bank Limited. No accrual has been made for retirement benefits in view of the transfer.

### 2. Significant Accounting Policies

#### a) System of Accounting

The financial statements are prepared under the historical cost convention, on accrual basis and in accordance with the provisions of the Companies Act, 1956 and accounting principles generally accepted in India. As stated in para1 (a), the financial statements have not been prepared on a going concern basis.

#### b) Fixed assets

Fixed assets are stated at lower of net realisable value and written down value.

#### c) Investments

Long term investments are carried at cost of acquisition less provision for diminution in value, if any, other than of temporary nature.

#### d) Stock on hire

Stock on hire under hire purchase agreements is valued at the

aggregate of future installment receivable and is net of unmatured finance charges and installments received in advance.

#### e) Income recognition

- Income is accounted for on accrual basis except income relating to assets for which installments/ interest has remained overdue for more than six months. In such cases income is recognized only when it is received.
- Hire Purchase and Consumer Finance income is accounted for using the Internal Rate of Return (IRR) implicit in the contracts, so as to provide a constant periodic rate of return on the balance principal amount outstanding on those contracts.
- Front-ended service charges are treated as income of the period in which they accrue.
- Delayed payment charges, in case of Consumer Finance / Hire Purchase are accounted for on receipt basis.
- Interest income is accounted for on time accrual basis.
- Discounting charges are amortized using the sum of digit method in case of Scheduled Liquidation Program and using a straight line method for Pay as Sold program depending on the charge period length.
- Scheduled liquidation is a program wherein the repayment date is fixed, whereas in case of Pay as Sold program there is no fixed repayment date and the customer repays after selling the products.

#### f) Depreciation

Depreciation on fixed assets is provided on the Straight Line Method over the estimated useful life. Depreciation on assets acquired / disposed off during the year is provided pro-rata from/ up to the month of acquisition/ disposal. The useful life of the assets is estimated as under:

Asset	Estimated Useful life	Rate of Depreciation (%)
Computers	3 yrs	33.33
Office Equipment	5 yrs	20.00
Furniture & Fixtures	5 yrs	20.00
Vehicles	5 yrs	20.00

Assets costing less than Rs. 5,000 are depreciated at the rate of 100% during the year.



# schedules

## forming part of the accounts

Continued

### g) Taxation

Income-tax expense is accrued in accordance with Accounting Standard 22 "Accounting for taxes on income" issued by Institute of Chartered Accountants of India, which includes current and deferred taxes. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

In view of the transfer of the Company's shares to ICICI Bank Limited and impending winding up of the Company as required by the Reserve Bank of India (refer Note 1(a) above), no deferred tax asset has been recognized.

### h) Earnings per equity share (EPS)

Basic and diluted EPS is reported in accordance with Accounting Standard 20 "Earnings Per Share" issued by the Institute of Chartered Accountants of India. Basis of EPS has been computed by dividing net profit after tax by weighted average number of equity shares outstanding for the period. Diluted EPS has been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

3. The Company has bought back 2,893,465 shares at Rs. 68.15 per share aggregating to Rs.197,189,640. Out of this a sum of Rs.168,254,990 i.e the price over the nominal value has been adjusted out of the share premium account. The Company has transferred Rs.28,934,650 to Capital Redemption Reserve Account.
4. During the year, the Company had entered into an agreement with ICICI Bank Limited (the Bank) for irrevocable assignment of receivables amounting to Rs. 245,510,100. As a result of this assignment, the Company has surrendered the rights in these receivables to the Bank. Accordingly, these assets have been derecognised in the books.
5. Other Interest - Distribution Finance is net of Rs. 6,541,236 (Previous Year Rs Nil) being interest income excess booked in earlier years.
6.
  - a) The Company had entered into a Support Agreement dated December 10, 1998, with Whirlpool of India Limited (WOI) whereby, WOI had agreed to provide certain support services to the Company in the areas of volume, advertisement and the like to facilitate business. With the termination of the said agreement, the Company has received an amount of Rs. 20,000,000 towards full and final settlement of all liabilities and obligations it or WOI had under the Support Agreement. This amount is included in "Miscellaneous Income" in Schedule 13.
  - b) During the year the Company has written back other payable aggregating to Rs. 8,125,678, as the same are no longer payable.
7. The Company has entered into agreements in the nature of lease/ leave and license agreement with different lessors/ licensors for the purpose of establishment of office and residential premises. These are generally in the nature of operating lease/ leave and license and disclosure required as per Accounting Standard 19 "Accounting for Leases" issued by the Institute of Chartered Accountants of India with regard to the above and are as under:

- i) Payment under operating lease/ leave and license for the year
  - a) Not later than one year Rs.Nil (Previous Year Rs. 7,257,127)
  - b) Later than one year but not later than five years Rs.Nil (Previous Year Rs. 50,210)
- ii) There are no transactions in the nature of sub-lease.
- iii) Payments recognized in the Profit and Loss Account for the year ended March 31, 2004 Rs. 5,751,159 (Previous Year Rs. 9,747,176)
- iv) Period of agreements is generally for 11 months to 3 years and renewable at the option of the Lessee / Licensee.

### 8. Earning per equity share (EPS):

	For the year ended March 31, 2004	For the year ended March 31, 2003
Weighted number of Equity Shares outstanding during the year	10,188,827	11,643,465
Profit for calculation for EPS	33,550,542	55,090,085
Nominal value per share (Rs)	10	10
Basic and diluted EPS (Rs.)	3.29	4.73

### 9. Managerial Remuneration:

Amount in Rupees

	For the year ended March 31, 2004	For the year ended March 31, 2003
Salary	555,002	3,330,012
Contributions to Provident & Other Funds	112,500	675,000
Perquisites	62,489	515,283
Special Incentive	—	8,695,625
<b>Total</b>	<b>729,991</b>	<b>13,215,920</b>

### 10. Other Notes :

- a) Other information as required under Schedule VI - Part II, to the Companies Act, 1956 is not applicable and hence not disclosed.
- b) Previous years figures have been regrouped, rearranged wherever necessary to conform to current year's classification.

For and on behalf of the Board of Directors

M. N. GOPINATH      V. VAIDYANATHAN  
Managing Director      Director

RAJESH CHAWATHE  
Company Secretary

Mumbai, April 28, 2004



# cash flow statement



for the year ended March 31, 2004

(Rupees)

Particulars	For the year ended March 31, 2004	For the year ended March 31, 2003
<b>A. Cash flow from Operating Activities</b>		
<b>Net profit after tax</b>	<b>33,550,542</b>	<b>51,686,748</b>
Adjustments for:		
Provision for Tax	26,500,000	37,000,000
Depreciation	2,105,982	5,560,715
Interest Paid	31,863,621	90,401,911
Provision for Unevaluated Losses	(639,336)	7,397,044
Provision for loss on sale of fixed assets on migration	957,152	—
Net Loss on sale of fixed assets	697,280	1,023,830
Bad debts reserve	4,942,425	(819,997)
<b>Operating profit before working capital changes</b>	<b>99,977,665</b>	<b>192,250,250</b>
Decrease/(Increase) in sundry debtors	(8,365,557)	2,374,037
Decrease in stock on hire	159,577,268	136,939,210
Decrease/(Increase) in other current assets	32,255,403	(28,219,628)
Decrease/(Increase) in loans and advances	1,692,717,625	(384,447)
(Decrease)/Increase in sundry creditors	(148,660,563)	917,721
(Decrease)/Increase in provisions	(4,828,130)	665,758
<b>Cash generated from operations</b>	<b>1,822,673,710</b>	<b>304,542,901</b>
Income taxes paid	(27,935,611)	(41,877,101)
Cash flow before extraordinary items	1,794,738,099	262,665,800
Extraordinary item	—	—
<b>Net cash from operating activities</b>	<b>1,794,738,099</b>	<b>262,665,800</b>
<b>B. Cash Flows from Investing Activities</b>		
Purchase of fixed assets	(4,250)	(182,567)
Proceeds from sale of fixed assets	1,326,221	1,098,766
<b>Net cash from investing activities</b>	<b>1,321,971</b>	<b>916,199</b>
<b>C. Cash flows from financing activities</b>		
Repayment on reduction of share capital	(197,189,640)	—
Repayment of long-term borrowings	(1,061,173,868)	(169,375,121)
Interest paid	(31,863,621)	(92,077,108)
Dividends paid	(75,250,000)	—
Tax on dividend paid	(9,641,406)	—
<b>C. Net cash used in financing activities</b>	<b>(1,375,118,535)</b>	<b>(261,452,229)</b>
<b>Net increase in cash and cash equivalents (A+B+C+D)</b>	<b>420,941,535</b>	<b>2,129,771</b>
Cash and cash equivalents at the beginning of the year	14,013,267	11,883,496
Cash and cash equivalents at the end of the year	434,954,802	14,013,267
Note:		
<b>Cash and cash equivalent consists of</b>		
Cash in hand	5,936	2,690,622
Balances with Scheduled Banks		
In Current Accounts	17,448,866	11,322,645
In Deposit Accounts	417,500,000	—
<b>Total</b>	<b>434,954,802</b>	<b>14,013,267</b>

As per our Report of even date  
For and on behalf of  
S R Batliboi & Associates  
Chartered Accountants

On behalf of the Board of Directors

per  
HEMAL SHAH  
a Partner  
Membership No.: 42650

M. N. GOPINATH  
Managing Director

V. VAIDYANATHAN  
Director

RAJESH CHAWATHE  
Company Secretary

Mumbai, April 28, 2004



## Balance Sheet Abstract and Company's General Business Profile

### I. Registration details

Registration No. 

1	0	3	2	7	9
---	---	---	---	---	---

 State code 

1	1
---	---

Balance sheet date 

3	1
---	---

0	3
---	---

2	0	0	4
---	---	---	---

Date Month Year

### II. Capital raised during the Period (Amount in Rs. '000)

Public Issue 

						N	I	L
--	--	--	--	--	--	---	---	---

 Rights Issue 

						N	I	L
--	--	--	--	--	--	---	---	---

Bonus Issue 

						N	I	L
--	--	--	--	--	--	---	---	---

 Private Placement 

						N	I	L
--	--	--	--	--	--	---	---	---

### III. Position of mobilisation and Deployment of Funds (Amount Rs. '000)

Total Liabilities 

			5	2	2	4	0	9
--	--	--	---	---	---	---	---	---

 Total Assets 

			5	2	2	4	0	9
--	--	--	---	---	---	---	---	---

**Sources of Funds**

Paid-up Capital 

				8	7	5	0	0
--	--	--	--	---	---	---	---	---

 Reserves and Surplus 

				4	3	4	9	0	9
--	--	--	--	---	---	---	---	---	---

Secured Loans 

						N	I	L
--	--	--	--	--	--	---	---	---

 Unsecured Loans 

						N	I	L
--	--	--	--	--	--	---	---	---

**Application of Funds**

Net Fixed Assets 

						N	I	L
--	--	--	--	--	--	---	---	---

 Investments 

							3	4
--	--	--	--	--	--	--	---	---

Net Current Assets 

			5	2	2	3	7	5
--	--	--	---	---	---	---	---	---

 Miscellaneous Expenditure 

						N	I	L
--	--	--	--	--	--	---	---	---

Accumulated Losses 

						N	I	L
--	--	--	--	--	--	---	---	---

### IV. Performance of Company (Amount Rs. '000)

Turnover 

			1	7	6	9	9	6
--	--	--	---	---	---	---	---	---

 Total Expenditure 

			1	1	6	9	4	6
--	--	--	---	---	---	---	---	---

Profit Before Tax 

				6	0	0	5	0
--	--	--	--	---	---	---	---	---

 Profit after Tax 

				3	3	5	5	1
--	--	--	--	---	---	---	---	---

Earnings Per Share in Rs. 

				3	.	2	9
--	--	--	--	---	---	---	---

 Dividend % 

							8	6
--	--	--	--	--	--	--	---	---

### V. Generic names of principal products / services of Company

(As per Monetary Terms)

Item Code Number\* (ITC Code) 

						N	I	L
--	--	--	--	--	--	---	---	---

Product Description 

Financial Services								
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\* Code No. for services rendered by the Company is not available in the publication of Indian Trade Classification for ITC Code of products by Ministry of Commerce, General of Commercial Intelligence & Statistics, Calcutta 700 001