

ICICI SECURITIES HOLDINGS, INC.

4TH ANNUAL REPORT AND ACCOUNTS 2003-2004

Directors

Sripat Pandey , President
Nitin Jain
Joseph H. Bosco

Auditors

M/s. N.M. Raiji & Company
Chartered Accountants

Registered Office

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

directors' report

to the members

Your Directors have pleasure in presenting the Fourth audited Statement of Accounts of ICICI Securities Holdings, Inc. (the Company) for the year ended March 31, 2004.

INDUSTRY OVERVIEW

Business environment in the US remained lacklustre during the year under review. Increasing costs and inability to pass them to customers has lead to large number of bankruptcies in the US and the Company helped showcase relevant acquisition opportunities to its clients in India. The Company believes that Indian companies can add value to such distress companies in the USA by moving some of their work to India to optimize cost, a trend already visible in textiles and auto ancillary sectors. The Company is also in touch with corporations in the USA advising them to enter India and benefit from the India competitiveness advantage. During the period under review, the Company successfully advised private equity fund raising for some of its clients. The Company believes that there would be broad based interest from private equity funds to invest funds in India.

FINANCIAL HIGHLIGHTS

	<i>(Rupees in '000s)</i>	
	Fiscal 2004	Fiscal 2003
Gross Income	26,847.72	30,638.04
Profit before Tax	538.22	3,059.64
Provision for Tax	—	—
Profit after Tax	538.22	3,059.64

OPERATIONAL REVIEW

The Company, a wholly owned subsidiary of ICICI Securities Limited (formerly ICICI Securities and Finance Company Limited) provides corporate advisory services to the investors in the United States of America (USA) who wish to enter the Indian financial market and Indian investors who wish to enter the financial market in the USA.

DIRECTORS

Sripat Pandey and Nitin Jain continue as Directors of the Company.

Meher Baburaj resigned as a Director of the Company with effect from April 20, 2004. The Board places on record their appreciation of the valuable advice and guidance given by her during her tenure as Director.

Joseph Bosco has been appointed as Director with effect from April 21, 2004.

AUDITORS

M/s. N. M. Raiji & Co., Chartered Accountants, Mumbai, have conveyed to the Company that they were not offering themselves for re-appointment as the Auditors of the Company. Accordingly, the Board at its meeting held on April 21, 2004 proposed the appointment of M/s. S. R. Batliboi & Co., Chartered Accountants as the Auditors of the Company for fiscal 2005.

ANNUAL ACCOUNTS OF SUBSIDIARY

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts for the year ended March 31, 2004, together with the reports of Directors and Auditors for the year ended March 31, 2004, of the subsidiary company, namely, ICICI Securities Inc. are attached.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

1. that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. that they have selected such accounting policies and applied them consistently and made judgements 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;
3. 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
4. that they have prepared the annual accounts on a going concern basis.

For and on behalf of the Board

Mumbai, April 21, 2004

Director

auditors' report

ICICI Securities Holdings, Inc. to the Members of ICICI Securities Holdings, Inc.

We have audited the attached Balance Sheet of ICICI SECURITIES HOLDINGS, INC. as at March 31, 2004 and the annexed Profit and Loss Account for the year ended on that date. 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.

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.

(1) As required by the Companies (Auditors' Report) Order, 2003 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 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 agreement with the books of account;

(e) On the basis of written representations received from the directors, we report that none of the directors is disqualified as on March 31, 2004 from being appointed as a director u/s 274(1)(g) of the Companies Act, 1956;

(f) in our opinion, 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, 2004; and

(ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

For N. M. RAIJI & CO.
Chartered Accountants

J. M. GANDHI
Partner

Mumbai, April 21, 2004

Membership No.: 37924

annexure

to the auditors' report

(i) The Company is a foreign company rendering services and has no borrowings outstanding during the year. Further, it has not made any preferential allotment of shares and has not raised money by public issue. In our opinion, therefore, clauses (ii), (iii), (v), (vi), (viii), (ix), (xi), (xiii), (xiv), (xvi), (xvii), (xviii), (xix) and (xx) of the order are not applicable to the company.

(ii) (a) The Company has maintained proper records showing full particulars, including quantitative details and the situation of its fixed assets.

(b) The fixed assets have been physically verified by the management during the year. In our opinion, the frequency of verification of the fixed assets by the management is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(iii) The Company has adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase and sale of assets and services.

(iv) The Company has a system of internal audit which, in our opinion, is commensurate with its size and nature of its business.

(v) The Company has not completed five years from the date of incorporation and hence clause (x) of the Order in respect of accumulated cash loss is not applicable.

(vi) Based on our examination and according to the information and explanations given 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.

(vii) On the basis of the information and explanations given to us the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(viii) Based on the audit procedures performed and information and explanations given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For N. M. RAIJI & CO.
Chartered Accountants

J. M. GANDHI
Partner

Mumbai, April 21, 2004

Membership No.: 37924

balance sheet

profit and loss account

as at March 31, 2004

for the year ended March 31, 2004

Schedule	(Rs. in '000s)	March 31, 2003	Schedule	(Rs. in '000s)	March 31, 2003
SOURCES OF FUNDS			Income from Operations		
Shareholders' Funds			(a) Income from Services	K 12,934.12	16,062.64
A. Share Capital	A	75,025.00	(b) Interest Income	L 104.93	28.10
B. Reserves & Surplus	B	(8,116.63)	(c) Other Income	M 13,808.67	14,547.30
		66,908.37		26,847.72	30,638.04
APPLICATION OF FUNDS			Less: Operating Expenditure		
1. Fixed Assets	C		Financial Charges and		
Gross Block		650.60	Operating Expenses	N	184.86
Less: Depreciation		411.86			26,662.86
Net Block		238.74			1,027.11
					29,610.93
2. Investments	D	48,309.55			
3. Current Assets, Loans & Advances			Expenditure		
A. Current Assets -			Less: Administrative Expenditure		
(a) Interest Accrued	E	—	(a) Payments to and Provisions	O 15,206.58	15,023.07
(b) Sundry Debtors	F	7,869.15	for Employees		
(c) Securities held as			(b) Establishment and Other	P 10,746.68	11,365.74
Stock-in-Trade	G	—	Expenses		
(d) Cash & Bank			(c) Depreciation - On other		
Balances	H	7,974.85	owned Assets		171.38
B. Loans & Advances	I	3,665.38			26,124.64
		19,509.38			162.48
					26,551.29
Less: Current Liabilities & Provisions:	J	1,149.30	Profit before Taxation		538.22
Net Current Assets		18,360.08	Less: Provision for Taxation		—
		66,908.37	Profit After Taxation		538.22
					3,059.64
Notes forming part of the Accounts and Accounting Policies	Q	2.77	Less: Provision for Taxation		—
			Profit After Taxation		538.22
					3,059.64
			Brought forward from previous years		(6,043.37)
			Amount available for appropriations		(5,505.15)
			Balance carried to Balance Sheet		(5,505.15)
					(6,043.37)
			Notes forming part of the Accounts and Accounting Policies	Q	

Per our Report attached
For N.M.RAJI & CO.
Chartered Accountants

J. M. GANDHI
Partner
Membership No.: 37924
Mumbai, April 21, 2004

For and on behalf of the Board

SRIPAT PANDEY
President

NITIN JAIN
Partner

schedules

ICICI Securities Holdings, Inc. forming part of the Accounts

(Rs. in '000s)

March 31, 2003

SCHEDULE "A" - SHARE CAPITAL

Authorized:

10,000,000 Equity Shares of USD 1 each

Issued, Subscribed & Paid Up:

Common stock, USD 1 par value; 1,600,000 shares

75,025.00

75,025.00

SCHEDULE "B" - RESERVES AND SURPLUS

	Balance as on April 1, 2003	Balance as on March 31, 2004	Balance as on March 31, 2003
Profit and Loss Account	(6,043.37)	(5,505.15)	(6,043.37)
Translation Reserve	(1,025.68)	(2,611.48)	(1,025.68)
Total	(7,069.05)	(8,116.63)	(7,069.05)

SCHEDULE C - FIXED ASSETS

(Rs. in '000s)

	Gross Block (At Cost)			Accumulated Depreciation			Net Block	
	April 1, 2003	Additions	Sale/Adj	Mar 31, 2004	Additions	Sale/Adj	Mar 31, 2004	Mar 31, 2003
Office Equipment	353.11	30.61	—	383.72	107.84	—	319.73	141.22
Furniture & Fixtures	289.87	(22.99)	—	266.88	33.47	—	92.13	231.21
TOTAL	642.98	7.62	—	650.60	141.31	—	411.86	372.43
Previous Period	660.79	(17.81)	—	642.98	156.03	—	270.55	372.43

Note :

- Fixed Assets includes Translation Reserve of Rs. 51.01 Thousand
- Depreciation for the year includes Translation Reserve of Rs. 21.47 Thousand

SCHEDULE "D" - INVESTMENTS - LONG TERM: - (AT COST)

Name of the Company	Quantity in thousands	FV per unit	(Rs. in '000s)	March 31, 2003
In Equity Shares of Subsidiary Company - Unquoted and fully paid up ICICI Securities Inc.	1,050.00	*	48,309.55	48,309.55
Total			48,309.55	48,309.55

* Face Value of USD 1 per unit.

SCHEDULE "E" - INTEREST ACCRUED

On Stock-in-Trade	—	27.53
Total	—	27.53

SCHEDULE "F" - SUNDRY DEBTORS (Unsecured)

Receivables outstanding for a period not exceeding six months (considered good)	7,869.15	—
Total	7,869.15	—

SCHEDULE "G" - SECURITIES HELD AS STOCK IN TRADE

(at lower of cost or market value) (Quoted unless otherwise stated)	Total Face Value (Rs. in '000s)	
91 Day Treasury Bills 01-05-2003	Nil (14,246.00)	—
		14,204.45
		14,204.45

SCHEDULE "H" - CASH AND BANK BALANCES

In Current Accounts with Banks	7,974.85	7,156.50
Total	7,974.85	7,156.50

schedules

forming part of the Accounts

Continued

(Rs. in '000s) March 31,
2003

SCHEDULE "I" - LOANS AND ADVANCES

(Unsecured and considered good unless otherwise stated)

Advances :

(Recoverable in cash or in kind or for value to be received)
Other Advances and Deposits*
Security Deposit for Leased Premises

	3,578.82	46.18
	86.56	94.02
Total	3,665.38	140.20

*Includes an amount of Rs.3.58 million receivable from Subsidiary Company (Previous year -Rs. 0.04 million)

SCHEDULE "J" - CURRENT LIABILITIES AND PROVISIONS

Sundry Creditors for Expenses

	1,149.30	2,254.71
Total	1,149.30	2,254.71

SCHEDULE "K" - INCOME FROM SERVICES

Financial Advisory Services

	12,934.12	16,062.64
Total	12,934.12	16,062.64

SCHEDULE "L" - INTEREST INCOME

Income On Discounted Instruments - Stock in Trade

	104.93	28.10
Total	104.93	28.10

SCHEDULE "M" - OTHER INCOME

Service Charges

	13,808.67	14,547.30
Total	13,808.67	14,547.30

SCHEDULE "N" - FINANCIAL CHARGES AND OPERATING EXPENSES

Bank Charges
Doubtful Debts Provided

	184.86	57.29
	—	969.82
Total	184.86	1,027.11

SCHEDULE "O" - PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

Salaries, Wages and Incentive
Staff Welfare Expenses

	15,206.58	15,022.68
	—	0.39
Total	15,206.58	15,023.07

SCHEDULE "P" - ESTABLISHMENT AND OTHER EXPENSES

Rent and Amenities
Insurance
Travelling, Conveyance and Motor Car Expenses
Business Promotion Expenses
Repairs, Maintenance and Upkeep
Rates and Taxes
Communication Expenses
Printing and Stationery
Subscription and Periodicals
Professional Fees
Advertisement Expenses
Miscellaneous Expenses

	1,770.93	1,449.42
	646.63	759.33
	1,110.59	2,108.54
	1,717.57	1,352.95
	—	16.96
	411.53	300.41
	1,998.31	1,015.70
	23.26	21.02
	47.65	1,530.98
	2,573.72	2,727.70
	—	31.81
	446.49	50.92
Total	10,746.68	11,365.74

SCHEDULE "Q" - 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 accrual method of accounting.

(ii) Revenue Recognition

In case of non-fund based activities such as issue management, loan syndication, financial advisory services etc., the revenue is recognized based on the stage of completion of assignments and the bills raised for the recovery of fees.

(iii) Investments

The Investments are shown in 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 management.

(iv) Conversion to Indian Rupees

For the purpose of the accounts during the year all income and expense items are converted at the average rate of exchange applicable for the year. All assets and liabilities are translated at the closing rate as on the Balance Sheet date. The exchange difference arising out of the year-end translation is being debited or credited to Translation Reserve.

The Equity Share Capital and Investments in subsidiary is carried forward at the rate of exchange prevailing on the transaction date. The resulting exchange difference on account of translation at the year-end are transferred to Translation Reserve account and the said account is being treated as "Reserves and Surplus".

(v) Fixed Assets and Depreciation

Fixed assets are stated at historical cost.

Depreciation on fixed assets is provided on written down value method at the rates which are equal or higher than the rates prescribed in Schedule XIV of the Companies Act, 1956. Such rates are fixed after considering applicable laws in the United States of America and management estimation of the useful life of the asset.

Depreciation of Assets	Estimate Life
Office Equipment & Computers	3 Years
Furniture & Fixtures	7 Years

(vi) Deferred Tax

The tax effects of significant temporary differences are reflected through a Deferred Tax Asset /Liability, which has been reflected in the Balance Sheet and the corresponding effect of the same is given in the Profit and loss Account.

2. The Company is a wholly owned subsidiary of ICICI Securities Limited. The accounts have been prepared and audited to attach with the accounts of ICICI Securities Limited, the Holding Company, to comply with the provisions of the Indian Companies Act, 1956

3. Deferred Tax

Deferred Tax asset resulting from accumulated losses have not been accounted because of uncertainty of availability of sufficient future taxable income.

4. For the purpose of conversion of the local currency (USD) into Indian Currency (Indian Rupees) the exchange rate applied is as per para (iv) of the accounting policies.

5. Related Party Disclosures

The Company being a finance company the transactions in the normal course of business have not been disclosed. The following are the details of transactions with related parties:

(Rs. in '000s)		
Name of the Related Party	Type of Transactions	Amount
ICICI Securities Inc. - Subsidiary Company	Service charges	13,808.67

6. For the purpose of comparison, figures for the previous year have been given, which have been regrouped/reclassified wherever necessary.

Signatures to Schedules A to L

Per our Report attached
For N.M. RAJI & CO.
Chartered Accountants

J. M. GANDHI
Partner
Membership No.: 37924
Mumbai, April 21, 2004

For and on behalf of the Board

SRIPAT PANDEY
President

NITIN JAIN
Partner