

ICICI HOME FINANCE COMPANY LIMITED

6TH ANNUAL REPORT AND ACCOUNTS 2004-2005

Directors

Chanda D. Kochhar, *Chairperson*
 Nachiket Mor
 Madhabi Puri Buch
 K. Ramkumar
 Prashant Purker
 V Vaidyanathan, *Managing Director & CEO*
 Rajiv Sabharwal, *Chief Operating Officer*

Company Secretary
 Rajendra Patil

Auditors
 S.R. Batliboi & Co.
 Chartered Accountants

Registered & Corporate Office
 ICICI Bank Towers
 Bandra-Kurla Complex
 Mumbai - 400 051

directors' report

to the members

Your Directors have pleasure in presenting the Sixth Annual Report of the Company with the audited Statement of Accounts for the year ended March 31, 2005.

INDUSTRY OVERVIEW

Housing Finance had emerged as a major business in the country and an increasingly large number of people are going in for home loans. Driven mainly by increased affordability of home loans, low interest rates, greater availability of home finance and continued stability in property prices, India's housing finance sector has demonstrated a healthy growth during the last decade.

APPROPRIATIONS

The Profit and Loss Account shows profit before taxation of Rs.137.5 million (previous year Rs.105.3 million) after provision of Rs.56.1 million (previous year Rs.17.2 million) towards bad and doubtful debts and after taking into account all expenses including depreciation of Rs.15.3 million (previous year Rs.15.3 million) on fixed assets. During the fiscal 2004, a provision of Rs.33.3 million was made against standard assets and out of the said provision, a sum of Rs.1.8 million was written back during the year under review. The net profit for the year is Rs.100.0 million (previous year Rs.98.5 million).

After taking into account the balance of Rs.9.0 million (previous year Rs. 0.19 million) brought forward from the previous year and after adjusting deferred tax liability, the disposable profit is Rs.109.1 million (previous year Rs.98.6 million). Your Directors do not recommend any dividend for the year ended March 31, 2005 and have appropriated the disposable profit as below :

	<i>(Rupees Million)</i>	
	<i>Fiscal 2004</i>	<i>Fiscal 2005</i>
Special Reserve created and maintained in terms of Section 36(1)(viii) of the Income-tax Act, 1961	89.58	109.0
Dividend on		
Preference Shares (including tax thereon)	0.04	0.04
Leaving balance to be carried forward to next year	9.07	0.08

PUBLIC DEPOSITS

As required by National Housing Bank, the details of public deposits as on March 31, 2005, are given below:

(a) (i) Number of accounts of unclaimed public deposit	5177
(ii) Amount of unclaimed deposit	Rs. 52448981
(b) (i) Number of public deposit accounts matured and unpaid	1223
(ii) Amount of such matured and unclaimed deposit	Rs. 32334291

OPERATIONAL REVIEW

Your Company continued to serve as the focal point for marketing, distribution and servicing of home loan products of ICICI Bank. During the year under review, new products like SmartFix, Part fixed part floating etc were launched. The Company has hosted various exhibitions along with industry associations to market products to focused customer segments. For the year, your Company has received Runner up Outlook Money's "Dream Home Award" for 2004 for its excellent performance in the housing finance industry.

Your Company also continued to expand its geographical reach and at the same time, penetrated deeper into existing markets. It has used the "hub and spoke" distribution strategy towards this end, which ensured deeper penetration and larger market share, at the same time delivering customer service of a high standard nationwide. Your Company offers loans in over 1000 locations in the country and continues to successfully leverage on ICICI group's relationships.

AMALGAMATION

The Board of Directors of the Company at its Meeting held on March 17, 2005, subject to the approval of the High Court of Bombay, approved the merger of the Company with ICICI Distribution Finance Private Limited (ICICI Distribution), one of the subsidiaries of ICICI Bank Limited. Consequent to the above and your approval, the petition for amalgamation of the Company and ICICI Distribution has been filed before the High Court of Bombay. The Hon'ble High Court has approved the merger on June 30, 2005.

DIRECTORS

M. N. Gopinath and Kalpana Morparia who were on the Board since August 14, 1999 and July 20, 2001 respectively, tendered their resignation from the Board, both effective April 26, 2005. The Board accepted their resignations and placed on record its appreciation of the contributions made by them during their tenure.

The Board at its Meeting held on April 26, 2005 filled the casual vacancies, occurred due to resignation of above directors, by appointing K. Ramkumar, Senior General Manager and Prashant Purker, Joint General Manager of ICICI Bank Limited, as Directors of the Company in place of Kalpana Morparia and M. N. Gopinath respectively.

In terms of the provisions of Section 262(2) of the Companies Act, 1956 and the Articles of Association of the Company, K. Ramkumar and Prashant Purker hold the office till the ensuing Annual General Meeting (AGM) and, being eligible, offered themselves for appointment. Further, in terms of Article of Association of the Company, Rajiv Sabharwal and Madhabi Puri Buch would retire at the ensuing AGM and, being eligible, offers themselves for re-appointment.

AUDITORS

The Auditors, S. R. Batliboi & Co., Chartered Accountants, Mumbai, will retire at the ensuing Annual General Meeting. As recommended by the Audit Committee, the Board, at its Meeting held on April 26, 2005, has proposed their appointment as Auditors to audit the accounts of the Company for fiscal 2006. You are requested to consider their appointment.

AUDIT COMMITTEE

The Audit Committee consists of three Directors - Chanda Kochhar, K. Ramkumar and V Vaidyanathan, and is chaired by Chanda Kochhar.

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 not given.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) 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;
- (c) 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
- (d) they have prepared the annual accounts on a going-concern basis.

ACKNOWLEDGEMENTS

Your Company is grateful to the National Housing Bank and other regulatory authorities for their support and advice.

The Company would like to express its gratitude for the unstinted support and guidance received from ICICI Bank and its 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 KOCHHAR

Chairperson

Mumbai, July 1, 2005

auditors' report

to the members of ICICI Home Finance Company Limited

1. We have audited the attached Balance Sheet of ICICI Home Finance Company Limited (the 'Company') as at March 31, 2005 and also the Profit and Loss account and the cash flow statement 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 (as amended) 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, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the balance sheet, profit and loss account and cash flow statement 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, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi. 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, 2005;
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & CO.
Chartered Accountants

per VIREN H. MEHTA
Partner
Membership No.: 048749

Mumbai, April 26, 2005

annexure to the auditors' report



referred to in paragraph 3 of our report of even date

Continued

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) The company being a Housing Finance Company, the provisions related to inventories as mentioned in clause (ii) of the said order are not applicable.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) According to the information and explanations provided by the management, we are of the opinion that there are no transactions which need to be entered into the register maintained under section 301 of the Companies Act, 1956.
- (vi) The company being a "Housing Finance Company" ('HFC'), sections 58A, 58AA of the Companies Act, 1956 is not applicable. In our opinion and according to the information and explanation given to us, the Company has complied, to the extent applicable, with the provisions of the Housing Finance Companies ('NHB') directions, 2001 in respect of deposits accepted during the current year.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, wealth-tax, service tax, cess have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.
- (b) According to the information and explanations given to us, undisputed dues in respect of profession tax which were outstanding at the year end for a period of more than six months from the date they became payable are as follows:

Nature of dues	Amount (Rs.)	Period to which the amount relates	Due Date	Date of Payment
Professional Tax	40,902	May to August 2004	June 21 to September 30, 2004	Rs. 3,430 paid on April 9, 2005 and Rs. 2,065 paid on April 11, 2005. Rs. 35,407 is unpaid

- (c) According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax and cess which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, we are of the opinion that the Company has generally maintained adequate records in cases where the Company has granted loans and advances on the basis of security of its own fixed deposits.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company, in its own name.
- (xv) 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.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) 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.
- (xix) The Company had unsecured debentures outstanding during the year on which no security or charge is required to be created. These have been fully repaid as on March 31, 2005.
- (xx) The company has not raised any money by public issues during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the 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.

For S. R. BATLIBOI & CO.
Chartered Accountants

per VIREN H. MEHTA
Partner

Membership No.: 048749

Mumbai, April 26, 2005

balance sheet

profit and loss account

as at March 31, 2005

for the year ended March 31, 2005

Schedule				(Rs. in '000s)	March 31, 2004	Schedule				(Rs. in '000s)	March 31, 2004
II SOURCES OF FUNDS						INCOME					
(1) Shareholders' Funds:						Income from Operations	X	2,314,806,753		1,400,406,606	
A. Share Capital	I	1,550,000,000			1,550,000,000	Other Income	XI	84,042,816		62,491,755	
B. Reserves and Surplus	II	365,509,760			265,450,288			2,398,849,569		1,462,898,361	
				1,915,509,760	1,815,450,288	EXPENDITURE					
(2) Loan Funds:						Interest, Other Financial Charges & Expenses on					
Unsecured Loans	III	27,209,185,414			24,242,261,876	Borrowings	XII	1,690,615,367		1,093,750,032	
		29,124,695,174			26,057,712,164	Employee Cost	XIII	243,649,518		157,971,396	
						Establishment and Other Expenses	XIV	2,379,606,150		1,936,736,379	
II APPLICATION OF FUNDS						Depreciation		15,345,515		15,330,930	
(1) Fixed Assets:	IV					Provision for contingencies		209,883,950		177,272,975	
A. Gross Block		91,004,788			90,711,300	Provision and write off against Non-performing Assets		56,112,002		17,185,916	
B. Less: Depreciation		46,824,530			31,479,015	Provision / (write back) against standard assets		(1,825,408)		33,317,141	
C. Net Block				44,180,258	59,232,285	Preliminary and Share Issue Expenses Written Off		1,800,684		1,800,684	
(2) Investments	V			320,504,526	208,160,550			4,595,187,778		3,433,365,453	
(3) Loans and Other Credit Facilities	VI			24,067,257,300	24,771,827,987	Less : Expenses Recovered		2,333,901,802		2,075,786,295	
(4) Current Assets, Loans and Advances:	VII							2,261,285,976		1,357,579,158	
A. Current Assets		4,110,542,828			454,643,326	Profit before Taxation		137,563,593		105,319,203	
B. Loans and Advances		2,073,262,407			1,753,301,878	Provision for Taxation		109,886,825		87,093,309	
		6,183,805,235			2,207,945,204	Deferred Tax Credit		(72,420,973)		(80,227,835)	
Less:						Profit after Taxation		100,097,741		98,453,729	
Current Liabilities and Provisions:	VIII					Add : Balance brought forward from previous year		9,020,600		192,314	
A. Current Liabilities		546,386,667			468,420,716	Disposable Profit		109,118,341		98,646,043	
B. Provisions		1,240,809,555			905,969,316	Appropriations					
		1,787,196,222			1,374,390,032	Special Reserve- in terms of Section 36(1)(viii) of the Income-tax Act, 1961		109,000,000		89,580,319	
Net Current Assets and Advances				4,396,609,013	833,555,172	Dividend					
(5) Deferred Tax Asset [refer note 2(c)]				286,749,277	164,333,653	- on Preference Shares- proposed (including corporate dividend tax)		38,269		45,124	
(6) Miscellaneous Expenditure	IX			9,394,800	20,602,517	Balance Carried to Balance Sheet		80,072		9,020,600	
		29,124,695,174			26,057,712,164	Earnings per share		109,118,341		98,646,043	
Notes to Accounts	XV					(Equity shares, par value Rs 10 each)					
						Basic (Rs.)		0.82		0.86	
						Diluted (Rs.)		0.73		0.64	
						Notes to Accounts	XV				

The Schedule referred to above and the notes to accounts form an integral part of Balance sheet

For S.R. BATLIBOI & CO.
Chartered Accountants

VIREN H. MEHTA
Partner
Membership No.: 48749

Mumbai, April 26, 2005

RAJENDRA PATIL
Company Secretary

For and on behalf of the Board

CHANDA D. KOCHHAR
Chairperson

V. VAIDYANATHAN
Managing Director & CEO

SANJAY SINGHVI
Head - Finance & Accounts

schedules



forming part of the Accounts

(Rs. in '000s)

March 31,
2004

SCHEDULE - I SHARE CAPITAL

Authorised

225,000,000 Equity Shares of Rs.10 each
75,000,000 Preference Shares of Rs.10 each

2,250,000,000	2,250,000,000
750,000,000	750,000,000
<u>3,000,000,000</u>	<u>3,000,000,000</u>

Issued, Subscribed and Paid up

140,000,000 Equity Shares of Rs.10 each fully paid up
(March 2004 - 115,000,000)Refer Note 2 (b) of Notes to Accounts
15,000,000 - 0.01% Fully Convertible Cumulative Preference Shares
of Rs. 10 each fully paid up(March 2004 - 40,000,000)
- Refer Note 2 (b) of Notes to Accounts

1,400,000,000	1,150,000,000
150,000,000	400,000,000

(All shares are held by ICICI Bank Limited, the holding company and its nominees)

<u>1,550,000,000</u>	<u>1,550,000,000</u>
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SCHEDULE - II RESERVES AND SURPLUS

General Reserve
Special Reserve created and maintained in terms of
Section 36(1)(viii) of the Income tax Act, 1961.
As per Last Balance Sheet
Add : Transferred from Profit & Loss Account

234,945,831
109,000,000

21,483,857	21,483,857
343,945,831	234,945,831
80,072	9,020,600
<u>365,509,760</u>	<u>265,450,288</u>

Surplus in Profit and Loss Account

SCHEDULE - III

UNSECURED LOANS

Loans from Holding Company
(Includes subordinated debts of Rs 299,445,150 ; March 2004 - Rs 1,795,833,393)
Loans from Banks
Loan from National Housing Bank (Refinance)
Unsecured , rated , non convertible bonds in the nature of Debentures
Fixed Deposits
(includes deposits from banks Rs. 260,000,000 ; March 2004 - Rs 325,198,350
and from corporate Rs. 13,587,000 ; March 2004 - Rs 110,597,000)

299,445,150	2,418,930,610
25,116,964,283	10,061,952,815
1,268,312,000	2,700,000,000
-	7,500,000,000
524,463,981	1,561,378,451
<u>27,209,185,414</u>	<u>24,242,261,876</u>

SCHEDULE - IV FIXED ASSETS

Particulars	Gross Block				Depreciation			Net Block	
	At April 01, 2004	Additions during the year	Deductions	At March 31, 2005	At April 01, 2004	For the year	At March 31, 2005	At March 31, 2005	At March 31, 2004
Computer	16,405,172	270,876	—	16,676,048	9,736,136	2,692,438	12,428,574	4,247,474	6,669,036
Software	54,212,481	—	—	54,212,481	18,585,337	10,842,498	29,427,835	24,784,646	35,627,144
Office Equipments	1,393,812	—	—	1,393,812	137,310	70,726	208,036	1,185,776	1,256,502
Motor Car (Operating Lease)	17,502,723	—	—	17,502,723	2,848,809	1,662,770	4,511,579	12,991,144	14,653,914
Furniture	1,197,112	22,612	—	1,219,724	171,423	77,083	248,506	971,218	1,025,689
Total	90,711,300	293,488	—	91,004,788	31,479,015	15,345,515	46,824,530	44,180,258	59,232,285
Previous year	90,555,986	1,634,088	1,478,774	90,711,300	16,218,252	15,260,763	31,479,015	59,232,285	

	(Rs. in '000s)	March 31, 2004		(Rs. in '000s)	March 31, 2004
SCHEDULE - V			SCHEDULE - VIII		
INVESTMENTS - (FULLY PAIDUP)			CURRENT LIABILITIES AND PROVISIONS		
Long Term Investments (Non-Trade) (at Cost)			A. Current liabilities :		
Equity Shares			Sundry creditors (from other than		
(a) Unquoted			Small Scale Inds. Undertaking)	147,693,383	198,554,670
10 shares of Rs 10 each of ICICI Venture			Interest accrued but not due	31,815,852	189,938,616
Funds Management Company Limited	100	100	Other liabilities	366,877,432	79,927,430
(b) Quoted				<u>546,386,667</u>	<u>468,420,716</u>
94,579 shares (March 2004 - 1,61,300)			B. Provisions :		
shares of Rs 10 each of IBP Limited	58,638,980	100,006,000	Provision for tax	481,952,840	326,471,364
Government Securities			Other provisions	758,818,446	579,452,828
364 Day T-Bill(Face value Rs 74,000,000;			Proposed dividend (Including		
March 2004 - Rs 75,500,000)	71,255,920	73,154,450	Corporate dividend tax)	38,269	45,124
Current Investments				<u>1,240,809,555</u>	<u>905,969,316</u>
Liquid Mutual Fund (Unquoted)			SCHEDULE - IX		
Prudential ICICI Mutual Fund	190,609,526	35,000,000	MISCELLANEOUS EXPENDITURE		
	<u>320,504,526</u>	<u>208,160,550</u>	(to the extent not written off or adjusted)		
Market value of Quoted Investments	121,960,594	167,629,301	Preliminary and share issue expenses	9,394,800	11,195,484
Repurchase price of Mutual Fund	190,866,533	35,008,961	Deferred revenue expenditure	—	9,407,033
Statement of Mutual Fund Units				<u>9,394,800</u>	<u>20,602,517</u>
Purchased and Sold during the Year			SCHEDULE - X		
Opening Balance	2,240,358	2,017,159	INCOME FROM OPERATIONS		
Purchased	794,007,396	1,084,218,990	Interest income	1,978,248,649	1,215,051,863
Sold	784,618,415	1,083,995,791	Income from securitisation of loans	27,346,071	143,832,109
Closing Balance	<u>11,629,339</u>	<u>2,240,358</u>	Fee income	309,212,033	41,522,634
				<u>2,314,806,753</u>	<u>1,400,406,606</u>
SCHEDULE - VI			SCHEDULE - XI		
LOAN AND OTHER CREDIT FACILITIES (SECURED)			OTHER INCOME		
(Refer note no 2(f) & 2(n))			Interest received		
Housing Loans			(Gross, Tax deducted at source Rs 8,906,367 ;	46,203,697	19,015,518
- Individuals	23,557,565,184	22,803,601,172	Previous year Rs. 1,809,663)		
- Corporates	272,698,159	1,909,049,079	Profit on sale of mutual fund units	25,482,002	37,483,045
Other Loans	350,349,675	117,674,426	Dividend income	3,992,700	475
	<u>24,180,613,018</u>	<u>24,830,324,677</u>	Miscellaneous income	7,071,162	5,992,717
Considered Good	24,067,257,300	24,771,827,987	Profit on sale of long term investment	1,293,255	-
Considered Doubtful	113,355,718	58,496,690		<u>84,042,816</u>	<u>62,491,755</u>
Less: Provisions	113,355,718	58,496,690	SCHEDULE - XII		
	<u>24,067,257,300</u>	<u>24,771,827,987</u>	INTEREST, OTHER FINANCIAL CHARGES & EXPENSES ON BORROWINGS		
SCHEDULE - VII			Interest	1,633,001,509	1,033,584,362
CURRENT ASSETS, LOANS AND ADVANCES			Prepayment premium	10,000,000	38,545,445
A. Current Assets :			Finance and other charges	47,613,858	21,620,225
Interest accrued on loans	150,968,749	153,642,819		<u>1,690,615,367</u>	<u>1,093,750,032</u>
Cash and bank balances :			SCHEDULE - XIII		
Balances with scheduled banks			EMPLOYEE COST		
- in current accounts	197,585,028	205,128,899	Salary	197,920,118	113,705,105
- in deposit accounts	3,760,000,000	81,800,000	Contribution to Provident and Other Funds	32,628,998	5,946,793
Interest accrued on deposits	1,989,051	14,071,608	Staff Welfare Expenses	13,100,402	38,319,498
	<u>4,110,542,828</u>	<u>454,643,326</u>		<u>243,649,518</u>	<u>157,971,396</u>
B. Loans and Advances :			SCHEDULE - XIII		
(Unsecured , considered good)			ESTABLISHMENT AND OTHER EXPENSES		
Advances recoverable in cash or			Advertisement & Sales Promotion	187,962,727	149,487,022
in kind or for value to be received *	888,104,732	718,270,180	Customer acquisition	1,130,313,667	923,025,026
Deposits	698,443,245	653,937,213	Professional and legal charges	615,832,553	488,431,154
Advance income tax	486,714,430	381,094,485	Rent	58,567,460	30,981,304
* Refer Note No 2 (I) in			Communication	143,311,840	99,476,352
Notes to Accounts	<u>2,073,262,407</u>	<u>1,753,301,878</u>	Travelling and conveyance	44,646,651	45,134,540
			Printing and stationery	71,621,752	67,418,820
			Audit fees	750,000	581,700
			Insurance	4,707,079	18,648,814
			Electricity	29,645,152	19,212,098
			Rates & Taxes	7,099,875	3,915,516
			Miscellaneous expenses	85,147,394	90,424,033
				<u>2,379,606,150</u>	<u>1,936,736,379</u>

SCHEDULE - V

NOTES TO ACCOUNTS

1. Significant Accounting Policies

a) Basis of Preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India, the directions issued by the National Housing Bank (NHB) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company.

b) Revenue Recognition

Interest Income / fees on housing loan is accounted for on accrual basis, other than interest on non-performing assets and charges for delayed payments and cheque bouncing, if any, which is accounted for on cash basis.

Dividend is accounted on an accrual basis when the right to receive the dividend is established.

c) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and market value. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

Cost such as brokerage, commission etc., pertaining to investment, paid at the time of acquisition, are included in investment cost.

d) Provisions/ write-offs on loans and other credit facilities

a) Loans and other credit facilities are classified as per the NHB guidelines, into performing and non-performing assets. Further non-performing assets classified into sub standard, doubtful and loss assets based on criteria stipulated by NHB. Additional provision are made against specific non performing assets over above what is stated above, if in the opinion of the management, increased provisions are necessary.

b) The Company maintains general provisions to cover potential credit losses which are inherent in any loan portfolio but not identified. For standard assets, additional general provisions are determined having regard to overall portfolio quality, asset growth, economic conditions and other risk factors.

e) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

The carrying amounts are reviewed at each balance sheet date when required to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

f) Depreciation

Depreciation on assets is charged on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956, except in case of Computer Software where depreciation is provided @ 20% per annum.

g) Retirement Benefits

i) Retirement benefits in the form of Provident Fund and Pension Schemes are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due.

ii) Gratuity liability under the Payment of Gratuity Act and provision for leave encashment is accrued and provided for on the basis of actuarial valuation made at the end of each financial year.

h) Preliminary and Share Issue Expenses

Preliminary and share issue expenses are amortised over a period of ten years.

i) Deferred Tax

Tax expense comprises both current and deferred taxes. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income -tax Act. Deferred income taxes reflects

the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

j) Transfer and servicing of Financial Assets

The Company transfers loans to a bankruptcy remote special purpose vehicles through a securitization transactions. The transferred loans are derecognized from the books of the Company and gains / losses are recorded only if the Company surrender the rights to benefits specified in the loan contract. Credit provisions and servicing obligations are debited separately to the Profit & Loss account. Retained beneficial interest in the loan is evaluated by allocating the carrying values of the loans between the assets sold and retained interest, based on the relative fair value measured at the end of each reporting period. The resultant gains/ losses if any are recorded in to the Profit and Loss account.

k) Accounting for Swaps

The Company enters into derivative contracts such as interest rate swaps to hedge on balance sheet assets and liabilities. The swap contracts entered to hedge on balance assets and liabilities are structured such that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments are correlated with the movements of the underlying assets and liabilities and accounted pursuant to the principles of hedge accounting whereby interest differential received/ paid adjusted from /to interest expenses. The related amount receivable from and payable to the swap counter parties is included in the other assets or other liabilities in the balance sheet.

l) Impairment

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceed its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

m) Provision

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

2. Notes to accounts

a) Home Loans given by the Company are secured by the underlying property.

b) The Preference Shares were issued in two tranches. The first tranche of Preference Shares of Rs.25 crore was allotted on December 28, 2001 and are convertible into equity shares at the option of the Preference Shareholder after completion of one year but before completion of three years from the date of allotment in the ratio of 1:1. However, the said Preference Shares shall be compulsorily and automatically convertible into one Fully Paid-up Equity Share of Rs 10 each for every one Preference Share of Rs.10 held on December 27, 2004. Accordingly, the said Preference Shares have been converted into one Fully Paid-up Equity Share of Rs 10 each for every one Preference Share of Rs.10 on December 27, 2004. The second tranche of Preference Shares for Rs.15 crore was allotted on March 14, 2002 and are convertible into equity shares at the option of the Preference Shareholder after completion of one year but before completion of seven years from the date of allotment in the ratio of 1:1. However, the said Preference Shares shall be compulsorily and automatically convertible into one Fully Paid-up Equity Share of Rs 10 each for every one Preference Share of Rs.10 held on March 14, 2009.

forming part of the Accounts

Continued

c) Deferred Tax

The composition of deferred tax assets and liabilities into major items is given below:

Particulars	Year Ended March 31, 2005	(Rs. in '000s) Year Ended March 31, 2004
Deferred tax assets:		
Provision for doubtful debts & future servicing and other liability of securitization	293,573,823	227,429,594
Retirement Benefits	2,865,476	—
Less: Deferred tax liability:		
Depreciation	9,690,022	10,871,081
Miscellaneous Expenditure (to the extent not written off)	—	52,224,860
Net Deferred tax asset	286,749,277	164,333,653

d) Contingent Liability in respect of the difference between the cash collateral and expenses provided for the future cost in respect of the securitisation is Rs 67,052,292 (Previous Year – Rs 241,358,758).

e) Commitment towards part disbursement of sanctions is amounting to Rs. 33,621,062 (Previous Year – Rs 224,281,544).

f) Loans and other credit facilities includes:

- Pass through certificates (PTC) amounting to Rs 1,129,901,828 (Previous year Rs Nil) issued by the Mortgage Backed Securitisation Trust series I, II & IV These PTCs represent the security interest in the underlying trust property of housing loans.
- Rs 450,648,588 (Previous year – Rs 487,345,548) subordinated interest in the underlying trust property of housing loans of Mortgage Backed Securitisation trust series VI & VII.

g) Details for the future lease rental receivable in respect of operating lease:

Particulars	As at March 31, 2005	Amt in Rs As at March 31, 2004
Not later than one year	4,777,696	4,777,696
Later than one year but not later than five years	2,258,959	7,036,655
Later than five years	Nil	Nil

h) Earnings Per Share:

The computation of earnings per share given below:

Particulars	As at March 31, 2005	Amt in Rs As at March 31, 2004
Basic		
Weighted average number of Equity Shares outstanding during the year (Nos.)	121,506,849	115,000,000
Net Profit	100,059,472	98,408,605
Basic Earnings Per Share (Rs.) Diluted	0.82	0.86
Diluted number of Equity Shares (Nos.)	136,506,849	155,000,000
Net Profit	100,097,741	98,453,729
Diluted Earnings Per Share (Rs.)	0.73	0.64
Nominal value of Equity Shares (Rs.)	10	10

Note : The dilutive impact is due to convertible preference shares.

i) As per the terms of appointment, the Managing Director and whole time director draw their remuneration and other benefits from the holding company, ICICI Bank Limited.

j) Segment Information

The Company's main business is to provide loans for the purchase or construction of residential houses . All other activities of the Company are related to the main business. As there are no separate reportable segments, as per the Accounting Standard on 'Segment Reporting' (AS 17), issued by the Institute of Chartered Accountants of India.

k) Interest expenses includes Rs 5,484,636 {Previous Year – (Rs 5,518,063)} being (gain)/ loss booked on the interest rate swaps (IRS). The notional principal of hedge IRS as on March 31, 2005 is Rs. 6,600,000,000 (Previous Year – Rs. 7,200,000,000). During the year, the Company has not entered into any trading IRS transactions.

l) Related Party Disclosure :

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

Amt in Rs

Name	Particulars	March 31, 2004	March 31, 2003
------	-------------	-------------------	-------------------

Holding company A. Transaction during the year

Rent paid	1,715,323	316,380
Staff Costs	5,533,162	2,869,622
Miscellaneous Expenses	1,269,199	236,367
Interest and		
other finance expenses	143,259,367	310,820,982
Bank Guarantee Comm.	1,304,499	-
Management Fees	270,562,995	60,000
Expenses recovered	2,325,388,802	2,075,786,295
Interest Income on		
fixed deposits	42,593,821	9,113,127
Purchase of housing loan		
Portfolio	3,032,667,898	18,317,205,570
Dividend – Preference Shares	33,562	40,000

B. Outstanding balances

Bank Balance (including interest accrued on fixed deposits)	3,903,849,457	235,031,083
Amt recoverable on account of expenses	874,709,782	671,501,011
Unsecured loan	299,445,150	2,418,930,610
Amount payable on account of expenses (Including interest accrued but not due on unsecured loans)	8,559,048	-

Fellow subsidiaries	24,231,718	593,555,769
Dividend Income	625	375

(i) Holding Company : ICICI Bank Limited;

(ii) Fellow Subsidiaries : ICICI Venture Fund Management Company Limited, ICICI Securities Limited, ICICI Brokerage Services Limited, ICICI International Limited, ICICI Trusteeship Services Limited, ICICI Investment Management Company Limited, ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Bank UK Limited, ICICI Bank Canada, ICICI Prudential Life Insurance Company Limited, ICICI Distribution Finance Company Limited, ICICI Lombard General Insurance Company Limited, Prudential ICICI Assets Management Company Limited and Prudential ICICI Trust Limited

(iii) Key Management People : V Vaidyanathan – Managing Director & CEO and Rajiv Sabharwal – Chief Operating Officer & Director.

m) Expenditure in foreign currency – Travel and other expenses – Nil (Previous Year – Rs 1,640,000).

n) Loans and other credit facilities includes:

	March 31, 2005	Amt in Rs March 31, 2004
Outstanding for more than six months		
Considered Good	121,802,685	118,919,662
Considered Doubtful	98,729,902	58,496,690
	220,532,587	177,416,352
Other Debts		
Considered Good	23,945,454,615	24,652,908,325
Considered Doubtful	14,625,816	—
	23,960,080,431	24,652,908,325

schedules



forming part of the Accounts

o) Disclosure of Provision for contingencies:

Particulars	March 31, 2005	<i>Amt in Rs</i> <i>March 31, 2004</i>
Servicing expenses provision on loans securitized		
Opening Balance	40,373,144	83,223,186
Utilisations / write back	27,346,071	42,850,042
Closing Balance	13,027,073	40,373,144
Provision for delinquencies, prepayment and conversion risk on loans securitized		
Opening Balance	477,719,721	300,446,746
Additions	209,883,950	177,272,975
Utilisations / write back	1,346,854	-
Closing Balance	686,256,817	477,719,721

Provision for Servicing expenses of loans securitised is done upfront by the Company. At each Balance sheet date, the Company assesses the liability of servicing of securitised pool and differential amounts are written back in the books of account. The provision of the delinquencies and conversion risk as well as provision for prepayment risk on the loan portfolio sold by the Company is also made upfront and reduced from the gross capital gains on the securitisation transaction. At each Balance sheet date, the Company assesses the delinquencies, prepayment and conversion risk of securitised pool and differential amounts are written back/ provided in the books of account.

p) Audit fees includes :

Particulars	March 31, 2005	<i>Amt in Rs</i> <i>March 31, 2004</i>
Statutory Audit fees	450,000	240,000
Tax audit fees	75,000	40,000
Certification and other charges	225,000	301,700
Total	750,000	581,700

q) The Company has recovered following common expenses (as per the sharing arrangement) from ICICI Bank Limited:

Expense Head	March 31, 2005	<i>Amt in Rs</i> <i>March 31, 2004</i>
Employee cost*	25,203,532	146,204,804
Advertisement & Sales Promotion	187,776,857	149,377,900
Customer acquisition	1,119,382,162	921,870,006
Professional and legal charges	555,810,272	478,563,849
Rent	55,573,405	29,959,972
Communication	138,489,696	96,990,540
Travelling and conveyance	43,529,048	44,193,377
Printing & stationery	69,134,814	65,314,193
Insurance	4,699,066	18,625,532
Electricity	28,760,686	18,683,809
Rates & Taxes	6,894,397	3,820,280
Miscellaneous expenses	98,647,867	102,182,033
	2,333,901,802	2,075,786,295

* Includes Rs 8,513,000 (Previous Year – Nil) related to retirement benefits which will be paid by ICICI Bank when the Company actually makes the payment.

r) The Board of Directors of the company in their meeting held on March 17, 2005 have approved draft scheme of amalgamation of the ICICI Distribution Finance Private Limited into the Company which is subject to the approval of shareholders and sanction of High Court, Mumbai.

s) Figures of the previous period/year have been regrouped to conform to the current year's presentation.

Per our report attached
For S. R. BATLIBOI & CO.
Chartered Accountants

Place : Mumbai
Date : April 26, 2005

For and on behalf of the Board

CHANDA D. KOCHHAR
Chairperson

V VAIDYANATHAN
Managing Director & CEO

RAJENDRA PATIL
Company Secretary

SANJAY SINGHVI
Head – Finance & Accounts

cash flow statement

for the year ended March 31, 2005

	(Rs. in '000s)	March 31, 2004
A. Cash Flow from Operating Activities :		
Profit before taxation and exceptional items	137,563,593	105,319,203
Adjustments for:		
Depreciation / Amortisation	15,345,515	15,330,930
Provision for contingencies	209,883,950	177,272,975
Provision on standard asset and Non-performing assets	54,286,594	50,503,057
Profit on sale of long term investments	(1,293,255)	—
Interest received	(46,203,697)	(19,015,518)
Dividend Income	(3,992,700)	(475)
Miscellaneous Expenditure w/off	11,207,717	9,967,856
Servicing Liability written back	(27,346,071)	(42,850,042)
	349,451,646	296,527,986
Operating Profit before Working Capital Changes		
Adjustments for:		
Trade and Other Receivables	(199,583,959)	(548,557,192)
Trade Payables and Other Liabilities	76,619,098	360,875,238
Loans given (net)	648,458,686	(13,626,678,319)
	874,945,471	(13,517,832,287)
Cash generated from Operations	874,945,471	(13,517,832,287)
Income Taxes paid	(110,019,945)	(109,789,430)
Net cash from Operating Activities - A	764,925,526	(13,627,621,717)
B. Cash Flow from Investing Activities :		
Purchase of fixed assets	(293,488)	(1,634,088)
Sale of fixed assets	-	1,409,866
Purchase of Investments	(71,255,920)	(172,757,196)
Sale of Investments	115,814,725	73,256,231
Dividend Income	3,992,700	475
Interest received	46,203,697	19,015,518
Net cash from Investing Activities - B	94,461,714	(80,709,194)
C. Cash Flow from Financing Activities :		
Dividend and dividend tax	(45,124)	(45,124)
Proceeds from borrowings (net)	2,966,923,539	13,285,334,447
Net Cash used in Financing Activities - C	2,966,878,415	13,285,289,323
Net Increase in Cash and Cash Equivalents (A + B + C)	3,826,265,655	(423,041,588)
Cash and Cash Equivalents as at beginning	321,928,899	744,970,487
Cash and Cash Equivalents as at end	4,148,194,554	321,928,899
Notes :		
1. Cash and Cash Equivalents consists of :		
A. Bank balances		
I) Current Accounts	197,585,028	205,128,899
II) Deposit Accounts	3,760,000,000	81,800,000
B. Investments in mutual fund units	190,609,526	35,000,000
	4,148,194,554	321,928,899

The Schedule referred to above and the notes to accounts form an integral part of Cash flow

Per our Report attached
For S. R. BATLIBOI & CO.
Chartered Accountants

per VIREN H. MEHTA
Partner
Membership No. : 37924

Mumbai, April 26, 2004

RAJENDRA PATIL
Company Secretary

For and on behalf of the Board

CHANDA D. KOCHHAR
Chairperson

V VAIDYANATHAN
Managing Director & CEO

SANJAY SINGHVI
Head - Finance & Accounts

**Balance Sheet Abstract and Company's General Business Profile
as per Part IV, Schedule VI of the Companies Act, 1956**

(Rs. in '000s)

1. Registration Details

Registration No.

0 1 2 0 1 0 6

State Code

1 1

Balance Sheet Date

3 1

Date

0 3

Month

2 0 0 5

Year

2. Capital raised during the Year

Public Issue

N I L

Bonus Issue

N I L

Rights Issue

N I L

Private Placement

N I L

3. Position of Mobilisation and Deployment of Funds

Total Liabilities

3 0 9 1 1 8 9 1 3 9 6

Total Assets

3 0 9 1 1 8 9 1 3 9 6

Sources of Funds

Paid-up Capital

1 5 5 0 0 0 0 0 0 0

Reserves and Surplus

3 6 5 5 0 9 7 6 0

Secured Loans

N I L

Unsecured Loans

2 7 2 0 9 1 8 5 4 1 4

Application of Funds

Net Fixed Assets

4 4 1 8 0 2 5 8

Loans & Investments

2 4 3 8 7 7 6 1 8 2 6

Net Current Assets

4 3 9 6 6 0 9 0 1 3

Miscellaneous Expenditure & Deferred Tax Assets

2 9 6 1 4 4 0 7 7

Accumulated Losses

N I L

4. Performance of the Company

Turnover

2 3 9 8 8 4 9 5 6 9

Expenditure

2 2 6 1 2 8 5 9 7 7

Profit/Loss Before Tax

1 3 7 5 6 3 5 9 3

Profit Loss After Tax

1 0 0 0 9 7 7 4 1

Earnings Per Share in Rupees

0 . 8 2

Dividend Rate %

0

5. Generic Names of Principal Products/ Services of the Company As per monetary terms

Product Description

Item Code

Home Loans

N I L

For and on behalf of the Board

CHANDA D. KOCHHAR
Chairperson

V VAIDYANATHAN
Managing Director & CEO

SANJAY SINGHVI
Head - Finance & Accounts

Mumbai, April 26, 2005

RAJENDRA PATIL
Company Secretary