

ICICI SECURITIES, INC.

6TH ANNUAL REPORT AND ACCOUNTS 2005-2006

Directors

Sripat Pandey, *President*
Devesh Kumar
Nitin Jain
J Niranjan
Madhav Kalyan
Gopakumar P
Subir Saha

Auditors

S. R. Batliboi & Company
Chartered Accountants

Registered Office

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

directors' report

to the members

The Directors take pleasure in presenting the Sixth Annual Report of ICICI Securities, Inc. (the Company) with the audited Statement of Accounts for the year ended March 31, 2006.

INDUSTRY OVERVIEW

The year saw unprecedented interest from international institutional investors who wanted to invest in Indian capital markets. Foreign institutional investors (FIIs) invested a record US\$ 11bn in Indian equities through the secondary market. Additionally, many Indian companies could access International capital markets to raise funds through equity and debt for their expansion plans.

FINANCIAL HIGHLIGHTS

	(Rupees in '000s)	
	Fiscal 2006	Fiscal 2005
Gross Income	288,429.94	43,663.26
Profit before Tax	73,810.90	1030.23
Provision for Tax	30,397.79	—
Profit after Tax	43,413.11	1030.23

OPERATIONAL REVIEW

The Company was formed to undertake securities business in the US and is registered with the Securities and Exchange Commission as a broker-dealer and is a member of the National Association of Securities Dealers (NASD). Since commencement of its operations, the Company has been providing brokerage and research services to U.S. institutional investors and has been focusing on institutional clients in the US who have been actively investing in the Indian equity markets.

During the period under review, the Company continued to make its presence felt among the institutional investor community by adding a significant number of large institutional clients based in the US. Indian equity market continued its bull march with the benchmark index BSE Sensex returning 74% over the year and reaching the psychological five-figure mark as India remained one of the favoured investment destinations.

The Company continued its brand-building efforts with road shows involving various Indian companies and analysts from ICICI Securities Limited, a second-level holding company of the Company, making presentations to major fund management companies based in the U.S. The Company also successfully organised its annual 'India Unlimited Investor Conference' in Singapore in March 2006. The conference attracted huge investor interest and was attended by blue-chip Indian companies, foreign equity funds and institutional investors. We also had a China Conference for the first time during the year.

The Company is also expanding its footprints into other global markets and has set up branches in the United Kingdom and Singapore. To this end, the Financial Services Authority, United Kingdom has given permission to the Company for acting as a lead manager and arranger for issuance of equity and equity linked instruments (such as Global Depository Receipts and Convertible Bonds) by Indian companies and for providing other services related to the securities market to institutional and qualified investors in the secondary market. The Monetary Authority of Singapore has granted Capital Market Services License to the Company for undertaking business of dealing in securities and advising

on corporate finance. These offices shall continue to provide a major impetus to the Company's growth momentum going forward.

The Company has also forayed into the foreign issuances by Indian companies in the form of GDRs and Foreign Currency Convertible Bonds post license from MAS, Singapore and FSA, UK. The Company was involved in eight foreign equity issuances including two FCCB Issues of Motherson Sumi Systems Limited and 3i Infotech Limited. The GDRs done by the Company included Arvind Mills Limited, Dhampur Sugar Mills Limited, Jindal Saw Limited, CESC Limited, Usha Martin Limited, Eveready Industries India Limited, Ruchi Soya Industries Limited, Man Industries India Limited and Himatsingka Siede Limited.

During the year, NASD did a review of the operations of the Company. NASD inspection authorities were satisfied after inspecting the operations of ICICI Securities, Inc. and had issued a clean report without a single comment.

The Board takes pleasure in informing you that an application was filed by the Company with NASD in January 2006 for seeking its approval, *inter alia*, for conducting the following additional activities:

- act as a mutual fund retailer and sell variable life insurance or annuities;
- solicit time deposits for financial institutions;
- enhancing the activities involving private placements of securities, including interests in exempt investment company securities;
- act as a broker or dealer for closed-end funds and exchange traded funds; and
- register as an investment adviser and provide investment advisory services to clients.

The Company expects to receive requisite approvals soon. After the receipt of requisite NASD approvals, the Company shall start the aforesaid new lines of business in the coming year.

INCREASE IN CAPITAL

During the year, the paid-up equity share capital of the Company was increased by US\$10 mn from US\$ 1.05mn to US\$ 11.05mn.

DIRECTORS

Sripat Pandey, Nitin Jain and Devesh Kumar continue as Directors of the Company. During the year, J. Niranjan, Subir Saha, Gopakumar P. and Madhav Kalyan were appointed on the Board of the Company as Directors. Sanjeev Patni and Joseph Bosco resigned from the Board during the year. The Board places on record its appreciation for the valuable services rendered by them.

AUDITORS

The Auditors, S. R. Batliboi & Co., Chartered Accountants, Mumbai, appointed pursuant to the provisions of the Companies Act, 1956, will retire at the ensuing Annual General Meeting and offer themselves for re-appointment. The Board at its Meeting held on April 19, 2006 has proposed their re-appointment as Auditors to audit the accounts of the Company for the year ended on March 31, 2007 as per Indian GAAP.

You are requested to consider the re-appointment of aforementioned retiring Auditors.

directors' report

ICICI Securities, Inc. to the members of ICICI Securities, Inc.

Continued

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company confirm -

1. that the applicable accounting standards have been followed in preparing the final accounts and that there have been no material departures;
2. that such accounting policies have been selected and applied consistently and such judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2006 and of the profit of the Company for the period ended on that date;
3. that proper and sufficient care has been taken 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;
4. that the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS

The Directors thank the clients for the confidence reposed, which has enabled the Company successfully deliver well structured solutions and timely execution, in a preferred way.

The Directors also thank the Company's bankers and the statutory authorities for their continued support to the Company.

The Directors express their gratitude for the unstinted support and guidance received from its shareholders, ICICI Securities Holdings, Inc. and other group companies.

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

For and on behalf of the Board

SRIPAT PANDEY
President

Mumbai, April 19, 2006

auditors' report

to the members of ICICI Securities, Inc.

We have audited the attached Balance Sheet of ICICI Securities Inc. ('the Company') as at March 31, 2006 and also the Profit and Loss Account and 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.

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 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.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements 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, 2006;
- b. in the case of the profit and loss account, of the profit for the year ended on that date; and
- c. in case of the 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: 48749

Mumbai, April 19, 2006

balance sheet profit and loss account



as at March 31, 2006

for the year ended March 31, 2006

	Schedule	(Rs. in '000s)	(US\$ in '000s)		Schedule	(Rs. in '000s)	(US\$ in '000s)
		March, 2005	March, 2005			March, 2005	March, 2005
SOURCES OF FUNDS				INCOME FROM OPERATIONS			
Shareholders' Funds				(a) Income from Services J 272,858.96 43,319.15 6,163.11 963.88			
A. Share Capital	A	491,212.05	48,309.55	11,050.00	1,050.00	(b) Interest Income K 1,991.16 79.20 44.97 1.76	
B. Reserves & Surplus	B	24,284.09	(7,794.04)	504.84	(123.82)	(c) Profit on Securities (Net) L 7,635.35 18.38 172.46 0.41	
Loan Funds				(d) Other Income M 5,944.47 246.53 134.27 5.48			
A. Unsecured Loans		334,612.50	—	7,500.00	—		
		850,108.64	40,515.51	19,054.84	926.18	Less: Operating Expenditure	
APPLICATION OF FUNDS				Financial Charges and			
1. Fixed Assets	C					Operating Expenses N 138,219.44 16,110.41 3,121.97 358.46	
Gross Block		536.19	—	12.02	—		
Less: Depreciation		87.51	—	1.96	—		
Net Block		448.68	—	10.06	—		
2. Current Assets, Loans & Advances						Expenditure	
A. Current Assets -						Less: Administrative Expenditure	
(a) Interest Accrued	D	116.99	—	2.62	—	(a) Payments to and	
(b) Sundry Debtors	E	12,833.19	22,395.56	287.65	511.96	Provisions for Employees O 22,201.99 — 501.48	
(c) Securities held as						(b) Establishment and	
Stock-in-Trade	F	902,997.96	17,736.00	20,239.78	405.44	Other Expenses P 54,063.41 26,522.62 1,220.64 590.14	
(d) Cash & Bank						(c) Depreciation	
Balances	G	64,831.49	9,417.96	1,453.13	215.29		
B. Loans & Advances	H	10,842.77	4,939.22	243.03	112.91	Profit before Taxation	
		991,622.40	54,488.74	22,226.21	1,245.60	Less: Provision for Taxation	
Less: Current Liabilities & Provisions	I	141,962.44	13,973.23	3,181.43	319.42		
NET CURRENT ASSETS		849,659.96	40,515.51	19,044.78	926.18	Profit After Taxation	
		850,108.64	40,515.51	19,054.84	926.18	Brought forward from	
						previous years	
						Amount available for appropriations	
						Interim Dividend	
						Balance carried to Balance Sheet	
						Earnings per share (Basic & Diluted)	
						(Face value US. \$1 per share)	
						Notes to Accounts	Q
						The Schedules referred above and the notes to accounts form an integral part of the Accounts	

This is the Balance Sheet referred to in our report of even date.

For S.R. Batliboi & Co.
Chartered Accountants

per VIREN H. MEHTA
Partner
Membership No.: 48749
Mumbai, April 19, 2006

This is the Profit and Loss Account referred to in our report of even date.

For and on behalf of the Board

SRIPAT PANDEY
President

DEVESH KUMAR
Director

schedules

forming part of the Accounts

	(Rs. in '000s)	(US\$ in '000s)
	As at	As at
	March 31, 2006	March 31, 2005
SCHEDULE "A" - SHARE CAPITAL:		
Authorized:		
15,000,000 Equity Shares of US\$ 1 each		
Issued, Subscribed & Paid Up:		
Common stock, \$1 par value; 11,050,000 shares (Previous year 1,050,000 shares)	491,212.05	48,309.55
	11,050.00	1,050.00
SCHEDULE "B"-RESERVES AND SURPLUS :		
Profit and Loss Account	21,329.38	(6,480.61)
Translation Reserve	2,954.71	(1,313.43)
TOTAL	24,284.09	(7,794.04)

schedules

forming part of the Account

SCHEDULE C - FIXED ASSETS

	(Rupees in Thousand)							(US\$ in Thousand)			
	GROSS BLOCK (at Cost)				ACCUMULATED DEPRECIATION			NET BLOCK		NET BLOCK	
	April 1 2005	Additions	Sale/Adj	Mar 31, 2006	Additions	Sale/Adj	Mar 31, 2006	Mar 31, 2006	Mar 31, 2005	Mar 31, 2006	Mar 31, 2005
Computers	—	536.19	—	536.19	87.51	—	87.51	448.68	—	10.06	—
TOTAL	—	536.19	—	536.19	87.51	—	87.51	448.68	—		—
<i>Previous Period</i>	—	—	—	—	—	—	—	—	—	—	—

Note :

1. Depreciation for the year includes Translation Reserve of Rs. 0.67 Thousand

	(Rupees in Thousand)		(US\$ in Thousand)	
	As at March 31, 2006	As at March 31, 2005	As at March 31, 2006	As at March 31, 2005
SCHEDULE "D" - INTEREST ACCRUED:				
On Loans & Advances	116.99	—	2.62	—
	<u>116.99</u>	<u>—</u>	<u>2.62</u>	<u>—</u>
SCHEDULE "E" - SUNDRY DEBTORS (Unsecured):				
(A) Receivables outstanding for a period exceeding six months:				
Considered Good	5,126.98	—	114.92	—
(B) Receivables outstanding for a period not exceeding six months:				
Considered Good	7,706.21	22,395.56	172.73	511.96
TOTAL	<u>12,833.19</u>	<u>22,395.56</u>	<u>287.65</u>	<u>511.96</u>
SCHEDULE "F" - SECURITIES HELD AS STOCK IN TRADE				
(at lower of cost or market value)				
(Quoted unless otherwise stated)				
	Total Face Value (in US\$ thousands)			
United State Treas Bills 0.000% 13/04/2006	800 (Nil)	355,747.52	—	7,973.72
Federal Home Ln Cons Discnts 0.000% 21/04/2006	600 (Nil)	266,518.86	—	5,973.75
Units of Mutual Fund		280,731.58	17,736.00	6,292.31
		<u>902,997.96</u>	<u>17,736.00</u>	<u>20,239.78</u>
SCHEDULE "G" - CASH AND BANK BALANCES:				
In Current Accounts with Banks	37,030.72	9,417.96	830.00	215.29
Fixed Deposits with Scheduled Banks	27,800.77	—	623.13	—
TOTAL	<u>64,831.49</u>	<u>9,417.96</u>	<u>1,453.13</u>	<u>215.29</u>
SCHEDULE "H" - 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	10,417.75	4,730.00	233.50	108.13
Security Deposit for Leased Premises	425.02	209.22	9.53	4.78
TOTAL	<u>10,842.77</u>	<u>4,939.22</u>	<u>243.03</u>	<u>112.91</u>
SCHEDULE "I" - CURRENT LIABILITIES:				
Sundry Creditors For Expenses	99,107.39	13,973.23	2,221.39	319.42
Other Liabilities	11,287.15	—	252.48	—
Interest Accrued but not due	935.24	—	20.96	—
Provision for Tax	30,632.66	—	686.60	—
TOTAL	<u>141,962.44</u>	<u>13,973.23</u>	<u>3,181.43</u>	<u>319.42</u>

Includes amount payable to SSI units Rs. Nil (Previous year Rs. Nil)

schedules

ICICI Securities, Inc. forming part of the Account

	(Rs. in '000s)	March, 2006	(US\$ in '000s)	March, 2005
SCHEDULE "J" - INCOME FROM SERVICES :				
Brokerage and Commission	37,503.24	39,820.36	847.09	886.03
Syndication Fees	1,770.92	—	40.00	0.00
Financial Advisory Services	233,584.80	3,498.79	5,276.02	77.85
TOTAL	272,858.96	43,319.15	6,163.11	963.88
SCHEDULE "K" - INTEREST INCOME:				
Interest On Other Loans and Advances	745.59	79.20	16.84	1.76
Interest On Securities Held As Stock in Trade	1,245.57	—	28.13	—
TOTAL	1,991.16	79.20	44.97	1.76
SCHEDULE "L" - PROFIT ON SECURITIES (NET):				
Profit on Stock In Trade	7,635.35	18.38	172.46	0.41
TOTAL	7,635.35	18.38	172.46	0.41
SCHEDULE "M" - OTHER INCOME:				
Miscellaneous Income	8.20	20.39	0.19	0.45
Dividend Income from Mutual Funds	5,936.27	226.14	134.08	5.03
TOTAL	5,944.47	246.53	134.27	5.48
SCHEDULE "N" - FINANCIAL CHARGES AND OPERATING EXPENSES:				
Bank Charges	358.78	80.61	8.10	1.79
Interest on Fixed Loans and Debentures	15,989.34	—	361.15	—
Procurement Expenses	121,419.57	16,028.00	2,742.52	356.63
Transaction Charges	451.75	1.80	10.20	0.04
TOTAL	138,219.44	16,110.41	3,121.97	358.46
SCHEDULE "O" - PAYMENTS TO AND PROVISIONS FOR EMPLOYEES:				
Salaries, Wages and Incentive	20,757.26	—	468.85	—
Staff Welfare Expenses	1,444.73	—	32.63	—
TOTAL	22,201.99	—	501.48	—
SCHEDULE "P" - ESTABLISHMENT AND OTHER EXPENSES:				
Rent and Amenities	2,035.41	—	45.97	—
Rates and Taxes	639.71	185.28	14.45	4.12
Insurance	86.73	65.44	1.96	1.46
Business Promotion, Travelling and Conveyance Expenses	16,653.44	449.43	376.15	10.00
Subscription and Periodicals	1,336.90	1,144.73	30.20	25.47
Printing and Stationery	52.11	—	1.18	—
Communication Expenses	1,058.33	—	23.90	—
Professional Fees	12,345.01	6,830.08	278.84	151.97
Auditors' Remuneration	896.75	870.54	20.26	19.37
Service Charges	18,594.63	16,179.37	420.00	360.00
Miscellaneous Expenses	364.39	797.75	7.73	17.75
TOTAL	54,063.41	26,522.62	1,220.64	590.14

schedules

forming part of Account

SCHEDULE "Q": NOTES FORMING PART OF THE ACCOUNTS AND ACCOUNTING POLICIES:

1. Significant Accounting Policies:

(i) Method of Accounting

The Financial statements are prepared under the historical cost convention on the accrual basis of accounting and in accordance with the accounting standards issued by the Institute of Chartered Accountants of India and referred to in Section 211 (3C) of the Companies act, 1956.

(ii) Revenue Recognition

Revenue from issue management, loan syndication, financial advisory services etc., is recognized based on the stage of completion of assignments and terms of agreement with the client.

(iii) Conversion to Indian Rupees

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 Equity Share Capital 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".

(iv) Income 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. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

(v) Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period.

(vi) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; 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 best 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 best estimates.

(vi) Stock-in-trade

a) The securities acquired with the intention of holding for short-term and trading are classified as stock-in-trade.

b) The securities held as stock-in-trade are valued at lower of cost or market/ fair value.

c) Discounted instruments like Commercial paper/ Certificates of Deposit / treasury bills/ zero coupon instruments are valued at carrying cost or market price whichever is lower.

d) Units of mutual fund are valued at lower of cost and net asset value:

(vii) Fixed Assets and Depreciation

Fixed assets are stated at historical cost.

Depreciation on fixed assets is provided on straight line 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

(viii) Segment Reporting

Segment information is disclosed in the consolidated financial statement and hence not furnished in the separate financial statement.

(ix) Long Term Incentive Scheme

Accounting for Long Term Incentive Scheme (the scheme) is done as per intrinsic value method specified in the guidance note on Accounting for Employee share based payments. Intrinsic value at each reporting date is calculated using the price/earnings method of valuation given in the scheme for measuring benefits accrued to the employees.

2. The Company is a wholly owned subsidiary of ICICI Securities Holdings Inc. The accounts have been prepared and audited to attach with the accounts of ICICI Securities Ltd., the ultimate 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 in the absence of virtual certainty 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 (iii) of the accounting policies.

5. Related Party Disclosures

The following are the details of transactions with related parties: -

Name of the related Party	Type of Transactions	(Rupees in thousand)	
		2005-06	2004-05
ICICI Securities Holdings Inc. – The Holding Company	Share Capital Establishment expenses	491,212	48,310
		18,594	16,179
ICICI Brokerage Services Ltd. – Subsidiary of ICICI Securities Ltd.	Income from Services	37,503	39,629
	Sundry Debtors	5,475	21,316
ICICI Securities Ltd. – Parent Company	Financial Charges & Operating Expenses	105,911	—
	Current Liability	35,107	—
ICICI Bank Ltd – Parent Company	Bank Balance	779	—
	Loans & Advances	2,268	—
	Unsecured Loans	334,612	—
	Current Liabilities	935	—
	Financial Charges & Operating Expenses	15,992	—

6. Earnings per equity share (EPS)

EPS has been calculated based on the net profit after taxation of Rs.73,858.26 thousands (previous year Rs. 1,030.23 thousands) and the weighted average number of equity shares outstanding during the year of 4,507.53 thousands (previous year 1,050 thousands).

8. Long Term Incentive Scheme

During the year, the Company approved a Long Term Incentive Scheme (the scheme) for employees. As per the scheme, long term incentive units (incentive units) are granted to employees, which vests over a vesting period specified in the scheme. Each incentive unit is equal to one notional share of ICICI Securities Ltd (The Holding Company).

With respect to the incentive units granted to the employees during the year, the Company has provided Rs.1681 thousand using the price/earnings method of valuation given in the scheme for measuring benefits accrued to the employees. The number of incentive units forfeited/exercised during the year is Nil. The intrinsic value of each incentive unit granted in the scheme is Rs. 152.64 as at March 31, 2006.

Details of scheme are as follows:

Date of Grant	30.09.2005
Number Granted	30149
Contractual life	5 years

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

Signatures to Schedules A to Q

For S.R. Batliboi & Co.
Chartered Accountants

per VIREN H. MEHTA
Partner
Membership No.: 48749
Mumbai, April 19, 2006

For and on behalf of the Board

SRIPAT PANDEY
President

DEVESH KUMAR
Director

cash flow statements

ICICI Securities, Inc. for the period ended March 31, 2006

	(Rs. in '000s)	March, 2006	(US\$ in '000s)	March, 2005
A. Cash Flow From Operating Activities				
Profit Before Tax	73,858.26	1,030.23	1,668.76	22.93
— Depreciation	86.84	—	1.96	—
— Exchange adjustments	4,503.68	(16.37)	—	—
Operating Profit before Changes in Operating Assets and Liabilities	<u>78,448.78</u>	<u>1,013.86</u>	<u>1,670.72</u>	<u>22.93</u>
Adjustments for net change in Operating Assets and Liabilities				
— Current Assets excluding Cash and Cash equivalents	(875,816.58)	(38,287.16)	(19,612.65)	(875.21)
— Loans and advances relating to Operations	(5,903.55)	(293.57)	(130.12)	(6.64)
— Current Liabilities relating to Operations	<u>97,356.55</u>	<u>8,825.86</u>	<u>2,175.41</u>	<u>201.36</u>
	(784,363.58)	(29,754.87)	(17,567.36)	(680.49)
Cash generated from Operations	(705,914.80)	(28,741.01)	(15,896.64)	(657.56)
Payment of Taxes (Net)	—	—	—	—
Net Cash from Operating Activities	(705,914.80)	(28,741.01)	(15,896.64)	(657.56)
B. Cash Flow From Investment Activities				
— Acquisition of Equity Investments in Subsidiary Companies	—	—	—	—
— (Purchase) / Sale of Investments	—	—	—	—
— (Purchase) / Sale of Fixed Assets	(536.19)	—	(12.02)	—
Net cash used in Investment Activities	(536.19)	—	(12.02)	—
C. Cash Flow From Financing Activities				
— Increase/ (Decrease) in Borrowings	334,612.50	—	7,500.00	—
— Proceeds from Issue of Share Capital	442,902.50	—	10,000.00	—
— Proceeds from Issue of Debentures	—	—	—	—
— Dividends & Dividend Tax paid	(15,650.48)	—	(353.50)	—
Net Cash used in Financing Activities	761,864.52	—	17,146.50	—
Net Change in Cash & Cash Equivalents	55,413.53	(28,741.01)	1,237.84	(657.56)
Cash and Cash Equivalents at the beginning of the year	9,417.96	38,158.97	215.29	872.85
Cash and Cash Equivalents at the end of the year	64,831.49	9,417.96	1,453.13	215.29

This is the Cash Flow Statement referred to in our report of even date.

For S.R. Batliboi & Co.
Chartered Accountants

per VIREN H. MEHTA
Partner
Membership No.: 48749
Mumbai, April 19, 2006

For and on behalf of the Board

SRIPAT PANDEY
President

DEVESH KUMAR
Director