ICICI Securities i-SEC

ICICI SECURITIES LIMITED

13TH ANNUAL REPORT AND ACCOUNTS 2005-2006

Directors
K. V. Kamath, *Chairman*
Lalita D. Gupte
Kalpana Morparia
Nachiket Mor
Uday Chitale

S. Mukherji,
Managing Director & CEO

Executives
Abhijeet Guin
Devesh Kumar
J. Niranjan
Nitin Jain
Subir Saha
Swapna Bhargava
Vaijayanti Naik
V. Harikrishnan

Raju Nanwani,
Company Secretary

Auditors
S. R. Batliboi & Company
Chartered Accountants

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directors' report

to the members

The Directors take pleasure in presenting the 13th Annual Report of ICICI Securities Limited (the Company) with the audited Statement of Accounts for the year ended March 31, 2006.

INDUSTRY OVERVIEW

The Indian economy continued its expansion in the financial year 2005-2006 in face of high and rising oil prices and moderation in global growth. Tight government control over fuel prices and continued strong growth in India's key export markets helped the economy weather these headwinds. Normal monsoon and accommodative monetary conditions in the first three quarters of the year underpinned strong domestic demand. Overall, the economy is estimated (by CSO) to have grown by 8.1% in FY2006 on top of a 7.5% growth in the previous year. The year was characterised by rising asset prices, moderate inflation, gradual tightening of monetary policy and transition from excess to tight liquidity conditions in the money market.

On the prices front, WPI inflation started declining May 2005 onwards after threatening to breach 6% in April 2005. Favourable base effect and quiescence in manufactured goods' prices saw headline inflation decline all the way from near 6% to just above 3% in August 2005. Although inflation rose sharply from these lows, headline number ranged between 4% and 5% in the second-half of the fiscal year. The previous year also saw continued robust growth in bank credit to the commercial sector, incremental non-food credit growing at around 25% YoY and incremental credit-deposit ratio crossing 100% for the second year in succession.

Although headline inflation remained within its expectations, RBI proceeded to hike policy rates by 75 bps during the year. Mindful of risks to inflation from incomplete pass-through of oil prices and strong demand conditions, RBI adopted a tightening bias in the second half of the year and hiked both reverse repo and repo rates by 50 bps. In the last quarter of the year, RBI also took note of the boom in credit and asset prices and the likely effects on financial stability. Apart from the rise in overnight rates, liquidity conditions tightened significantly in the last quarter of the year due to bullet redemption of the India Millennium Deposit, build-up of large cash surpluses by state and central governments, rise in currency demand by public and strong credit growth. The central bank responded by suspending its market sterilisation operations and letting the sterilised money unwind.

Interest rates moved up during the year, although it was not always uni-directional, creating a challenging environment in the bond market. In the first four months of the fiscal year, yields were quite volatile with 10Y yield ranging from 6.68% to 7.32%. In the second phase, between July 2005 and January 2006 monetary policy reviews, yields were largely range bound – 10Y yield traded in the 7-7.20% range. Post the January review, yields moved up by more than 20 bps in a short period and 10Y yield closed the year at 7.52%. During the year, the yield curve flattened as shot-end rates were impacted severely by rise in policy rate and tight money market conditions. The 1Y yield, which moved in a 22 bps range in the first eight months of the year, rose by around 96 bps in the next three months to touch a high of 6.88%. Subsequently, the yield came down to 6.54% by fiscal year-end with the 1-10Y spread closing at 98 bps compared with 138 bps at the start of the year.

Globally, the Federal Reserve continued its tightening campaign and upped its policy rate by 200 bps to 4.75% in the twelve months to March 2006. Monetary authorities in other major economies also moved into a tightening mode – the European Central Bank upped its policy rate by 50 bps in the last four months of the fiscal year and Bank of Japan ended its quantitative easing stance although it continued with zero interest rate policy. Buoyed by its interest rate advantage over other currencies, the dollar strengthened through most of FY 2006 but gave up some of the gains by close of the financial year as prospects of further hikes in US receded. The rupee stayed in a narrow range through the first five months before weakening by nearly 5% in the next four months on the back of strength in dollar and weakness in equity markets. The rupee recouped some of its losses over the turn of the calendar year taking advantage of dollar weakness and renewed bullishness in the equities market.

Resources raised from the equity markets increased significantly in the year under review. The total primary issuance of equity and equity-linked issuances by Indian corporates was Rs. 684,589 mn in FY 2006 as compared with Rs. 403,678 mn in FY 2005, an increase of over 70% YoY. Domestic primary equity market remained buoyant for the third consecutive year, with total issuances increasing to Rs. 236,742 mn in FY 2006 from Rs. 214,315 mn in FY 2005. The number of offerings also increased to 102, the highest since 1996-1997.

Overseas offerings continued to be the preferred fund raising option for follow on offerings. International offerings of GDRs, ADRs and FCCBs increased by over 135% from US$4,208mn to US$9,952mn in FY 2006. In all, a total of 121 equity and equity-linked offerings were made by Indian companies comprising 49 GDRs, five ADRs and 67 FCCBs.

This year also saw more than 650 M&A deals with the total deal size being more than US$ 50 bn. The average deal size was close to US$ 100 mn. There were more than 65 deals with deal value of over US$ 100mn. While the Telecom sector stood out in terms of the number of deals done during the year, Energy, IT&ITES and Steel sectors also witnessed a number of transactions. There was a significant increase in activity in the private equity space with more than 125 transactions amounting to a total value of US$ 2bn getting announced during CY 2005.

Fiscal year 2005-2006 was characterised by unprecedented, global gains for India across the board – in the economy, business, trade, capital markets and diplomacy. Another year of 8%-plus growth, third successive year of sub-5% fiscal deficit, record outbound M&As, a hat-trick of 20% plus export growth, strides in Free Trade Agreements and substantive progress in infrastructure reforms as well as execution. The Indian equity market continued its bull run 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. Foreign Institutional Investors (FIIs) invested a record US $11bn in Indian equities through the secondary market. The barometer BSE-30 index notched its third successive year of gravity-defying returns even as record FII inflows (US$ 11bn) were supplemented by the resurgence of household savings in favour of equities with domestic mutual funds also being net buyers to the tune of US $3.2bn. This has not only helped bridge the record current account deficit that has already touched US$13.4bn for the first nine months but also maintained stability in the Balance of Payments. The signing of the civilian nuclear deal with the US was a high note towards the end of the year. Indeed, the global *mantra* is now 'India and China' as our skill sets and competitiveness are being recognised and courted globally with an ardour never seen before.

The numbers were backed by the rapidly multiplying footfalls of India's middle class in the malls and multiplexes and entrepreneurial India Inc.'s penchant for investing in the future. A few key numbers are car sales nudging the 1mn mark and mobile subscriber additions catching up with China at 4mn a month. Add to that the, albeit somewhat belated, recognition of India as an emerging manufacturing hub to supplement China (where several researchers forecast labour market constraints in the medium term). In this regard, the government has identified small cars, electronics, textiles, gems & jewellery and light engineering as focus areas. The recently formulated policy on Special Economic Zones is aimed at translating this into reality. The momentum was adequately primed by an over 32% YoY surge in bank credit across segments – retail, mortgage, farm and industrial. Clearly, some astute policy measures (hike in policy rates by the central bank) and adept fiscal management (fiscal deficit pared to 4%) helped contain inflationary pressures arising out of hardening global commodity prices and thereby preserving the growth momentum.

The new paradigm of public-private partnerships was underscored by the successful conclusion of the bidding process for the Mumbai & Delhi airports, several BOT Expressways & sea ports. Similar initiatives by way of ultra-mega power projects and transmission grids have been kicked off. This mega infrastructure investment agenda will clearly accentuate demand for funds which could cause the interest rate cycle to harden further, after an 82 bps rise in 10-year gilt yields in FY 2005-2006. Be that as it may, recourse to ECBs, FCCBs and rising FDI as well as long-term funds from insurance players should mitigate the situation.

Market capitalisation rose 65% to Rs. 27trn amounting to 80% of GDP. For a change, a multitude of sectors and participants of every hue (FIIs, mutual funds, banks and retail investors) contributed to the broad-based uptrend. Total FII trading volumes rose to Rs. 6.4trn while domestic mutual fund volumes increased to Rs. 1.8trn. Concomitantly, the F&O segment, too, witnessed daily volumes approaching the US$ 10bn mark. Against this backdrop, the equities business scaled new highs notwithstanding intensifying competitive pressures for both market share and human capital. 42 new institutional clients were added to our roster and sales offices established in Singapore and London to cater to overseas clients on a real time basis. Brokerage income crossed the landmark Rs.1bn mark inclusive of fees from private placements and IPOs. Clearly, this would not have been achievable without a Herculean effort from the entire team – research, sales & dealing – by surmounting critical constraints in terms of human resources.

FINANCIAL HIGHLIGHTS **(Rupees in million)**

	Fiscal 2006	Fiscal 2005
Gross Income	**4,059.40**	*1,823.28*
Profit before Interest, Depreciation & Tax	**3,250.51**	*1,354.20*
Depreciation	**15.87**	*13.21*
Interest	**1,094.00**	*496.42*
Profit before Tax	**2,140.64**	*844.56*
Provision for Tax	**663.87**	*280.58*
Profit after Tax	**1,476.77**	*563.98*

The profit after tax for the year ended March 31, 2006 was Rs. 1476.77mn (previous year Rs. 563.98mn). After taking into account the balance of Rs. 258.08mn (previous year Rs. 133.49mn) brought forward from the previous year, the profit available for appropriation is Rs. 1734.85mn (previous year Rs. 697.47mn) of which Rs. 147.68mn (previous year Rs. 28.20mn) and Rs. 295.35mn (previous year Rs. 112.80mn) have been transferred to General Reserve and Special Reserve respectively.

DIVIDEND

During the year, the Company declared four interim dividends aggregating to 40.5%. The Directors are pleased to recommend the aggregate of interim dividends of 40.5% as final dividend for the year.

OPERATIONAL REVIEW

The Company continued to deliver remarkable performance, in line with its forefront position in the industry. During the year, the Company's net worth increased from Rs. 4.19bn in 2004-2005 to Rs. 4.11bn in 2005-2006, a decrease of 1.91% because of buy back of 37,118,700 equity shares at a book value of Rs. 20.64 per share aggregating to Rs0.76bn and the after-tax return on net worth was 35.59%.

Fixed Income

During the past year, the Company continued to maintain its leading position in the fixed income market despite a complex and challenging operating environment. The notable changes in the environment included launch of a screen-based trading system in the gilts market and unanticipated tightness in the money market in the second half of the fiscal year. The screen-based trading system led to reduction in volatility and fall in volumes in the voice (telephone) market. Further, bond yields continued to rise during the year. Despite these challenges, the primary dealership business continued to thrive, surpassing bidding and success commitments in the primary market and achieving a turnover in excess of Rs. 1trn in the secondary market yet again. In the non-government business, in line with the objective of outperformance of benchmark yield movements, profitability received precedence over turnover. Accordingly, the business achieved a turnover of Rs. 66.2bn vis-à-vis Rs. 139bn in FY 2005. In swaps, the emphasis was on profitability and judicious capital usage under testing conditions characterised by certain regulatory constraints.

The year also saw the Company's entry into the structured products market. The new business met its objective of gaining a foothold in the market and transacting in a variety of innovative structures. That this success was achieved without diluting the profit motive, turned out to be the highlight.

The Company had another profitable year in the debt capital markets business, mobilising funds for a large number of clients through private placement and loan syndication routes. The highlight of the year was an improvement in Company's market share to 45% and a consequent improvement in prime league table rankings. Among notable deals, the Company acted as an advisor and arranger for an innovative corporate bond securitisation deal. The Company also diversified its product offering in this space by syndicating for venture funds.

Corporate Finance

During the year, ICICI Securities, Inc. (ISI), a step-down subsidiary of the Company was granted the licence to practice as a merchant banker in Singapore and London by Monetary Authority of Singapore & Financial Services Authority respectively. The Company has, during the year, emerged as one of the leaders in overseas capital-raising by Indian corporates. ISI was involved in 11 international issuances including nine GDRs and two FCCBs, raising more than US$ 7,902mn. ISI was the sole book runner and lead manager to the GDR issues of Eveready Industries India Limited, Usha Martin Limited and Ruchi Soya Industries Limited. In addition, ISI worked on as the joint book runner for GDR issuances by Arvind Mills Limited, Dhampur Sugar Mills Limited, CESC Limited, Jindal SAW Limited and Himatsingka Siede Limited. ISI also lead managed the GDR of Man Industries Limited that was the first offering by any Indian company listed in the Dubai International Financial Exchange (DIFX). ISI also lead managed the FCCB issuances of Motherson Sumi Systems Limited and 3i Infotech Limited during the year.

The Company continued to consolidate its position as one of the leaders in the domestic equity capital markets, with 17 issuances during the year. The Company was the book runner to thirteen initial public offerings and four follow on offerings during the year. The issues lead managed by the Company includes offerings by Punj Lloyd Limited, Jagran Prakashan Limited, Gujarat State Petroleum Limited, PVR Limited, ICICI Bank Limited, ABG Shipyard Limited, Triveni Engineering & Industries Limited and Oriental Bank of Commerce.

During the year, the Company was ranked second in the league tables for the number of M&A advisory transactions handled by it. The Company worked on a total of 29 deals, with an aggregate value of Rs. 106bn. The Company was actively engaged in advising clients in the FMCG, Spirits, Power, Telecom, Automotive, Chemicals, Oil and Gas, Engineering, Fertilizers and Pharmaceutical sectors. Some of the notable transactions advised by the Company include the sale of UTI Securities, acquisition of Indo Rama Textiles Limited by Spentex Industries Limited, acquisition of Williamson Tea Assam by McLeod Russel and the buy out of ACC's refractories business by ICICI Ventures, etc.

Equity Research

With markets being in frenzy, the role of equity research has become ever so important to provide independent and analytical views. Keeping this in mind, the Company augmented its research efforts to become brokers of preferred choice for views on both established as well as emerging companies. The Equity Research team's well-structured ideas as well as strategy and theme reports across sectors have been well received and appreciated by major domestic and international clients. The investors' conference at Singapore and New York witnessed excellent responses from investors across the globe. We also had a China Conference for the first time during the year.

Risk Management

As a financial services company, the Company is committed to ensure that effective risk management policies and practices are incorporated as fundamental aspects of all its business operations. The Corporate Risk Management Group of the Company has a comprehensive risk management policy in place, primarily addressing areas such as market, credit and operation risks. This policy seeks to minimise the risks generated by the activities of the Company. The group continuously develops and enhances its risk management and control procedures in order to better identify and monitor risks and to proactively take appropriate actions to mitigate the same. The Company has also constituted an internal Risk Management Committee comprising the Managing Director & CEO and Senior Executives from cross-functional areas. The Committee debates on various aspects of risk management and, among other things, decides the risk and investment policies for its various businesses, ensures compliance with regulatory guidelines on risk management and compliance with all the prudential and exposure limits sanctioned by the Board.

FUTURE OUTLOOK

Fixed Income

Growth is likely to decelerate in the year ahead due to a combination of higher interest rates, slowing global growth and infrastructure constraints. However, the deceleration is likely to be moderate as inherent momentum in the economy and maturing of the capex cycle are expected to provide ongoing support. Although headline inflation is contained at present, upside risks in the form of incomplete pass-through of oil prices and stronger-than-expected monetary growth remain. Funds demand is likely to remain robust on the back of large budgeted borrowing figure and strong demand from the private sector, both corporates and households. Globally, monetary policy in developed countries is expected to remain tight as Euro-zone and Japan pick up the baton from the US in hiking policy rates. Although probable cessation of rate hikes in the US is likely to weigh on dollar, wide current account deficit and moderation in growth may limit rupee strength. Overall, the macro environment in FY 2007 portends higher policy rates and bond yields, although the pace of rise may be slower than in the previous year.

Corporate Finance

We expect that the current financial year would see continued buoyancy in terms of fund raising from the Indian capital markets. Several large public offerings are in the pipeline during the year and we see sustained investor interest in these offerings. The strong investor response to Rs. 2.7bn public offering by Reliance Petroleum Ltd is expected to continue into other fund raising during the year. We expect Indian corporates to continue to raise equity and equity-linked capital from the overseas markets in the coming year as well. SEBI is expected to come out with guidelines for a restricted public offerings in the Indian markets and this is expected to provide a fillip to institutional placement markets in India.

The continuing focus of corporates to invest for growth and to establish an overseas footprint, assisted by the buoyancy in the capital markets will drive various advisory-related activities among Indian corporates. We expect pharma, engineering and capital goods to contribute a significant share to Indian M&A advisory activities with greater focus on cross border acquisition by Indian corporates to achieve economies of scale.

SUBSIDIARY COMPANIES

The Company has one subsidiary in India, namely ICICI Brokerage Services Limited and two subsidiaries in the US, namely, ICICI Securities Holdings, Inc. and ICICI Securities, Inc. As required under Section 212 of the Companies Act, 1956, the audited statements of accounts for the year 2005-2006 as prepared under the Companies Act, 1956, together with the reports of the Directors and Auditors for the year ended March 31, 2006 of these subsidiaries are attached.

ICICI Securities Inc. 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). ICICI Securities, Inc. 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.

PUBLIC DEPOSITS

During the year, the Company has not accepted any deposit under Section 58A of the Companies Act, 1956.

BUY-BACK OF SHARES

During the year, the Company bought back 3,71,18,700 fully paid equity shares of Rs. 10 each. The paid-up equity share capital of the Company after the buy-back stands reduced to Rs. 1.66bn.

DIRECTORS

Uday Chitale was appointed as an Additional Director of the Company with effect from October 11, 2005. In terms of Section 260 of the Companies Act, 1956, he holds office as an Additional Director upto the forthcoming Annual General Meeting of the Company and being eligible offers himself for appointment as a Director.

In terms of the provisions of the Article of Association of the Company, Lalita D. Gupte will retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offers herself for re-appointment.

AUDITORS

The Statutory Auditors, S. R. Batliboi & Co., Chartered Accountants, Mumbai, will retire at the ensuing Annual General Meeting. The Board at its Meeting held on April 22, 2006 has proposed their re-appointment as Auditors to audit the accounts of the Company for the financial year ending on March 31, 2007. S. R. Batliboi & Co, the retiring Auditors, have indicated their willingness to be re-appointed. You are requested to consider their re-appointment.

FOREIGN EXCHANGE EARNING AND EXPENDITURE

During 2005-2006, expenditure in foreign currencies amounted to Rs. 18.95mn (previous year Rs. 30.81mn) and earnings in foreign currencies amounted to Rs. 80.97mn (previous year Rs. 26.09mn).

PERSONNEL AND OTHER MATTERS

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report.

Since the Company does not own any manufacturing facility, the disclosure of information relating to conservation of energy and technology absorption 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.

AUDIT COMMITTEE

The Audit Committee comprises of Uday Chitale, Lalita D. Gupte, Kalpana Morparia, Nachiket Mor and S. Mukherji as its members. Uday Chitale, an Independent Director, is the Chairman of Audit Committee. During the year, the Committee met to review the half-yearly and annual accounts, to discuss the audit findings and recommendations of the internal and statutory auditors and to review the internal control systems of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of Section 217(2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000, the Directors of the Company confirm:

1. that the applicable accounting standards have been followed in preparation of final accounts and that there are no material departures;

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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.

CORPORATE PHILOSOPHY AND COMPLIANCE

The Company firmly believes that corporate governance and compliance practices are of paramount importance in order to maintain the trust and confidence of the stakeholders, clients, good reputation of the Company and the unquestioned integrity of all personnel involved in the Company. To ensure transparency, fairness and objectivity in an organisation's functioning, the Company has proactively adopted best practices with regard to corporate governance and compliance. The Company's policy on compliance with external regulatory requirements is backed by stringent internal policies and principles to ensure, *inter alia*, priority to clients' interest over proprietary interest, maintenance of confidentiality of client information and prevention of insider trading.

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, lenders, the Government of India, the Securities and Exchange Board of India, the Reserve Bank of India and other 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 Bank Limited 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

K.V. KAMATH
Chairman

Mumbai, April 22, 2006

auditors' report

ICICI Securities

to the member of ICICI Securities Limited

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1. We have audited the attached Balance Sheet of ICICI Securities Limited ('the Company') as at March 31, 2006 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) ('the Order') 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, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 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, 2006;
      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.: 48749

Mumbai, April 22, 2006

annexure to the auditors' report

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

(i) (a) The fixed assets of the Company comprise leased fixed assets and other fixed assets. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets, except leased assets, were physically verified by the management in the previous year in accordance with a planned program of verifying them 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) (a) The securities held as stock in trade and in custody of the Company have been physically verified by the management at reasonable intervals while securities held by the custodian are verified with the confirmation statement received from them on a regular basis. In our opinion, the frequency of such verification is reasonable.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no discrepancies were noticed on comparing the physical securities/statement from custodian with book records.

(iii) As informed, the Company has not granted nor taken any loans, secured or unsecured to 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 securities and fixed assets and for the sale of securities and 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 the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 have been so entered.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) The provision of clause (viii) of the Order is not applicable to the Company in the year under audit and hence not reported upon.

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, wealth tax, service tax and other material statutory dues applicable to it. The provisions of Investor Education and Protection Fund, customs duty, excise duty and cess are not applicable to the Company in the current year.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, service tax, sales-tax, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax , sales-tax, wealth-tax, service tax, custom duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. in 000's)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowance of expenses U/s 14A, Sec. 73 and Sec. 115BBB	244,600	AY 1998-99 to 2004-05	CIT (Appeals)

(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 debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(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 Order 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 given counter guarantee for loans taken by subsidiary from bank, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.

(xvi) The Company did not have any term loans outstanding during the year. For this purpose loans with repayment periods beyond 36 months are considered as long term loans.

(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 did not have any outstanding secured debentures during the year.

(xx) The Company has not raised any money through a public issue.

(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.: 48749

Mumbai, April 22, 2006

balance sheet

as at March 31, 2006

	Schedule	(Rs. in '000s)	*March 31, 2005*
SOURCES OF FUNDS			
1. Shareholders' Funds			
A. Share Capital	A	**1,658,840**	*2,030,030*
B. Reserves & Surplus	B	**2,448,800**	*2,160,543*
		4,107,640	*4,190,573*
2. Loan Funds			
A. Secured Loans	C	**3,003,380**	*2,951,110*
B. Unsecured Loans	D	**7,142,510**	*5,960,390*
		10,145,890	*8,911,500*
		14,253,530	*13,102,073*
APPLICATION OF FUNDS			
1. Fixed Assets	E		
Gross Block		**322,940**	*378,049*
Less: Accumulated depreciation/ amortisation		**276,280**	*266,094*
Net Block		**46,660**	*111,955*
Capital Work-in-progress		**60**	*680*
		46,720	*112,635*
2. Investments	F	**567,290**	*841,538*
3. Deferred Tax Asset		**17,530**	*4,060*
4. Current Assets, Loans & Advances			
A. **Current Assets -**			
(a) Interest Accrued	G	**269,570**	*50,730*
(b) Securities held as Stock-in-Trade	H	**10,462,920**	*8,872,870*
(c) Sundry Debtors	I	**1,954,820**	*373,950*
(d) Cash & Bank Balances	J	**2,656,730**	*2,445,650*
(e) Other Current Assets	K	**57,530**	*-*
B. Loans & Advances	L	**389,280**	*1,026,070*
		15,790,850	*12,769,270*
Less : **Current Liabilities & Provisions:**	M		
A. Current Liabilities		**2,161,360**	*617,360*
B. Provisions		**7,500**	*8,080*
NET CURRENT ASSETS		**13,621,990**	*12,143,830*
		14,253,530	*13,102,073*
Notes to Accounts	U	81	(1,165)

The Schedules referred above and the notes to accounts form an integral part of the Accounts

profit and loss account

for the year ended March 31, 2006

	Schedule	(Rs. in '000s)	*March 31, 2005*
Income from Operations			
(a) Income from Services	N	**1,152,900**	*564,830*
(b) Interest Income	O	**1,665,170**	*983,970*
(c) Profit on Securities (Net)	P	**1,056,180**	*227,850*
(d) Other Income	Q	**185,150**	*46,630*
		4,059,400	*1,823,280*
Less : Operating Expenditure			
(a) Financial Charges and Operating Expenses	R	**1,352,410**	*610,690*
		2,706,990	*1,212,590*
Expenditure			
Less: Administrative Expenditure			
(a) Payments to and Provisions for Employees	S	**350,540**	*171,230*
(b) Establishment and Other Expenses	T	**199,940**	*183,490*
(c) Depreciation		**15,870**	*13,310*
		566,350	*368,030*
Profit before Taxation		**2,140,640**	*844,560*
Less: Provision for current income-tax		**671,650**	*279,827*
Deferred tax		**(13,470)**	*750*
Fringe Benefit tax		**5,690**	*—*
Profit After Taxation		**1,476,770**	*563,982*
Brought forward from previous year		**258,082**	*133,493*
Amount available for appropriations		**1,734,852**	*697,465*
Transfer to Special Reserve		**295,350**	*112,800*
Transfer to General Reserve		**147,680**	*28,200*
Utilised towards Buyback of Shares		**102,089**	*—*
Interim Dividend		**695,960**	*263,900*
Tax on Dividend		**97,610**	*34,490*
Balance carried to Balance Sheet		**396,162**	*258,075*
Earnings per share (Basic & Diluted) (Face value Rs. 10/- per share)		**8.01**	*2.78*
Notes to Accounts	U		

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.

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

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

per VIREN H. MEHTA
Partner
Membership No.: 48749

Mumbai, April 22, 2006

For and on behalf of the Board

K. V. KAMATH
Chairman

LALITA D. GUPTE
Director

ABHIJEET GUIN
Vice President & Head - Financials

RAJU NANWANI
Company Secretary

S. MUKHERJI
Managing Director & CEO

	(Rs. in '000s)	*March 31, 2005*
SCHEDULE "A" - SHARE CAPITAL		
Authorized :		
50,00,00,000 Equity Shares of Rs. 10 each	**5,000,000**	*5,000,000*
Issued, Subscribed & Paid Up		
16,58,84,100 (Previous year - 20,30,02,800) Equity Shares of Rs 10 each	**1,658,840**	*2,030,030*

Notes:
Of the above, 16,57,24,500 (Previous year - 20,28,33,200) Equity Shares of Rs.10 each are held by ICICI Bank Ltd. (the Holding company) and its nominees.
The Company bought back 37,118,700 Equity Shares at a book value of Rs. 20.64 per share aggregating to Rs. 766,130 thousand during the year.

SCHEDULE "B" - RESERVES AND SURPLUS (Rs. in '000s)

	Balance as on April 1, 2005	**Additions/transfers during the year**	**Deductions/transfers during the year**	**Balance as on March 31, 2006**	*Balance as at March 31, 2005*
Securities Premium Account	*112,800*	-	-	**112,800**	*112,800*
General Reserve	*664,040*	**147,680**	**664,040**	**147,677**	*664,040*
Special Reserve (maintained under Section 45 IC of the RBI Act, 1935)	*1,125,620*	**295,350**	-	**1,420,970**	*1,125,620*
Capital Redemption Reserve	-	**371,190**	-	**371,190**	-
Profit and Loss Account	*258,080*	**1,476,770**	**1,236,702**	**396,163**	*258,082*
TOTAL	*2,160,542*			**2,448,800**	*2,160,542*

Note:
Deduction of Rs. 664040 thousand from General Reserve represents amount utilised for buyback of shares

SCHEDULE "C" - SECURED LOANS	**March 31, 2006**	*March 31, 2005*
CBLO Borrowings (Secured by pledge of Govt. securities of Face Value Rs. 3,012,500 thousand)	**3,003,380**	*2,951,110*
Total	**3,003,380**	*2,951,110*
SCHEDULE "D" - UNSECURED LOANS:		
Subordinated Bonds issued as Tier III Capital	**600,000**	*250,000*
Inter-Corporate Borrowings	—	*1,425,000*
Money at Call and Short Notice		
- From Banks	**500,000**	—
- From Others	—	—
Commercial Paper Borrowings	**497,010**	*989,390*
FCNRB Borrowing	**229,000**	*229,000*
Floating Rate Debentures (Redeemable at par by June 2006)	**2,845,500**	—
Floating Rate Debentures (Redeemable at par by May 2006)	**2,071,000**	—
7.50% Debentures 2006 (Redeemable at par by April 2006)	**50,000**	—
7.45% Debentures 2006 (Redeemable at par by April 2006)	**200,000**	—
Floating Rate Debentures (Redeemable at par by December 2007)	**150,000**	—
Floating Rate Debentures (Redeemable at par by April 2005)	—	*500,000*
Floating Rate Debentures (Redeemable at par by June 2005)	—	*1,885,500*
6.00% Debentures 2005 (Redeemable at par by April 2005)	—	*250,000*
5.55% Debentures 2005 (Redeemable at par by April 2005)	—	*431,500*
Total	**7,142,510**	*5,960,390*

SCHEDULE "E" - FIXED ASSETS **(Rs. in '000s)**

	Gross Block (at Cost)				Accumulated Depreciation				Net Block	
	April 1, 2005	**Additions**	**Sale/Adj**	**March 31, 2006**	*April 1 2005*	**Additions**	**Sale/Adj**	**March 31, 2006**	**March 31, 2006**	*March 31, 2005*
TANGIBLE										
Freehold Land	*57,230*	**—**	**57,230**	**—**	**—**	**—**	**—**	**—**	**—**	*57,230*
Building	*10,050*	**—**	**10,050**	**—**	**3,420**	**330**	**3,750**	**—**	**—**	*6,630.00*
Plant & Machinery / Electrical Installation	*3,510*	**30**	**430**	**3,110**	**1,720**	**250**	**350**	**1,620**	**1,490**	*1,790*
Office Equipment	*31,200*	**1,800**	**560**	**32,440**	**8,630**	**3,400**	**310**	**11,720**	**20,720**	*22,570*
Computers	*49,340*	**7,590**	**1,250**	**55,680**	**35,120**	**7,740**	**1,110**	**41,750**	**13,930**	*14,220*
Furniture & Fixtures	*2,310*	**840**	**160**	**2,989**	**1,164**	**440**	**160**	**1,444**	**1,545**	*1,145*
Vehicles	*3,900*	**—**	**—**	**3,900**	**1,140**	**720**	**—**	**1,860**	**2,040**	*2,760*
INTANGIBLE										
Software	*10,510*	**4,310**	**—**	**14,820**	**4,900**	**2,990**	**—**	**7,890**	**6,930**	*5,610*
Total	*168,050*	**14,570**	**69,680**	**112,939**	**56,094**	**15,870**	**5,680**	**66,284**	**46,655**	*111,955*
Assets Given on lease (Plant & Machinery)	*210,000*	**—**	**—**	**210,000**	**210,000**	**—**	**—**	**210,000**	**—**	*—*
Total	*378,050*	**14,570**	**69,680**	**322,939**	**266,094**	**15,870**	**5,680**	**276,284**	**46,655**	*111,955*
Previous Year	*391,760*	*34,799*	*48,510*	*378,049*	*—*	*13,310*	*37,526*	*266,094*	*111,955*	*—*

SCHEDULE "F" - INVESTMENTS - LONG TERM **(Rs. in '000s)**

Name of the Company	Quantity in thousands	Face Value per unit (Rs.)	**March 31, 2006**	*March 31, 2005*
In Equity Shares of Subsidiary Company - Unquoted and fully paid up				
ICICI Brokerage Services Limited	4,500.7 (4,500.7)	10.00	**45,010**	*45,007*
ICICI Securities Holdings Inc.	11,700.0 (1,600.0)	*	**522,280**	*75,023*
- Quoted				
Bonds				
HDFC 06/12/2005 ZCB			**—**	*721,508*
Total			**567,290**	*841,538*

Notes :

1. The aggregate cost of unquoted Investments as at March 31, 2006 is Rs. 567,290 thousand (previous year - Rs.120,030 thousand)
2. The aggregate cost and market value of the quoted Investments as at March 31, 200 thousand is Rs. Nil and Rs. Nil respectively (previous year - Rs. 721,510 thousand and Rs. 721,470 thousand).

* Face Value of US Dollar 1.00 per unit.

SCHEDULE "G" - INTEREST ACCRUED:

On Stock-in-Trade	**228,730**	*32,770*
On Loans & Advances	**40,840**	*17,960*
Total	**269,570**	*50,730*

SCHEDULE "H" - SECURITIES HELD AS STOCK IN TRADE

(Rs. in '000s)

(at lower of cost or market value categorywise) (Quoted unless otherwise stated)		**March 31, 2006**	March 31, 2005
Government of India Securities & Deemed Government of India Securities			
6.18% Government of India 2005	Nil (28,900)	**—**	*28,890*
7.17% Government of Andhra Pradesh 2017	Nil (1,900)	**—**	*1,860*
7.40% Government of India 2035	34,400 (Nil)	**32,770**	*—*
7.49% Government of India 2017	15,100 (Nil)	**15,020**	*—*
8.25% Government of India 2005	Nil (30)	**—**	*30*
9.40% Government of India 2012	Nil (500)	**—**	*570*
12.40% Government of India 2013	Nil (1,100)	**—**	*1,460*
11.40% Government of India 2008	100,000 (Nil)	**110,050**	*—*
11.90% Government of India 2007	2,302,500 (Nil)	**2,437,200**	*—*
12.00% Government of India 2008	2,289,300 (Nil)	**2,519,370**	*—*
Government of India FRB 2013	200,000 (200,000)	**206,500**	*200,170*
7.85% Government of Uttar Pradesh 2016	7,460 (Nil)	**7,500**	*—*
		5,328,410	*232,980*
Treasury Bills			
364 Day Treasury Bill 10-06-2005	Nil (50,000)	**—**	*49,490*
364 Day Treasury Bill 13-05-2005	Nil (400,000)	**—**	*397,685*
364 Day Treasury Bill 29-04-2005	Nil (250,000)	**—**	*249,189*
91 Day Treasury Bill 15-04-2005	Nil (240,950)	**—**	*240,492*
91 Day Treasury Bill 03-06-2005	Nil (3,050,000)	**—**	*3,022,969*
91 Day Treasury Bill 06-05-2005	Nil (100,000)	**—**	*99,494*
91 Day Treasury Bill 13-05-2005	Nil (200,000)	**—**	*198,837*
91 Day Treasury Bill 20-05-2005	Nil (100,000)	**—**	*99,294*
91 Day Treasury Bill 23-06-2005	Nil (2,225,000)	**—**	*2,198,262*

		(Rs. in '000s)	March 31, 2005
91 Day Treasury Bill 23-06-2005	Nil (125,000)	—	123,507
364 Day Treasury Bill 05-01-2007	592,000 (Nil)	564,367	—
364 Day Treasury Bill 22-12-2006	250,000 (Nil)	238,948	—
		803,315	6,679,222
Commercial Papers & Certificates of Deposit			
ABN Amro Bank 01-11-2006 CD	50,000 (Nil)	47,549	—
Shyam Telelink Ltd 04-07-2006 CP	350,000 (Nil)	341,921	—
State Bank Of Indore 18-12-2006 CD	50,000 (Nil)	47,048	—
State Bank Of Indore 22-09-2006 CD	150,000 (Nil)	143,976	—
State Bank Of Indore 26-02-2007 CD	150,000 (Nil)	138,901	—
State Bank Of Patiala 22-09-2006 CD	450,000 (Nil)	431,899	—
UTI Bank Ltd 26-09-2006 CD	100,000 (Nil)	95,896	—
		1,247,204	—
Bonds & Debentures			
5.63% Industrial Development Bank of India 2007	Nil (200,000)	—	200,020
5.796% LIC Housing Finance Ltd 2011	Nil (100,000)	—	100,050
5.87% Housing Development Finance Corp Ltd 2006	Nil (50,000)	—	50,000
5.90% NABARD 2008	150,000 (Nil)	148,130	—
6.35% National Textile Corporation 2008	Nil (14,000)	—	13,630
6.80% Power Finance Corp Ltd 2011	16,000 (109,000)	15,220	107,150
7.05% Citifinancial Consumer Finance 2008	Nil (350,000)	—	350,180
7.05% National Textile Corporation 2010	Nil (70,000)	—	69,270
7.20% Rural Electrification Corporation Ltd 2010	Nil (50,000)	—	49,900
7.20% Rural Electrification Corporation Ltd 2011	Nil (50,000)	—	49,950
7.20% Rural Electrification Corporation Ltd 2011	Nil (20,000)	—	19,960
7.20% Rural Electrification Corporation Ltd 2012	Nil (50,000)	—	49,750
7.20% Rural Electrification Corporation Ltd 2012	Nil (50,000)	—	49,750
7.20% Rural Electrification Corporation Ltd 2013	2,000 (31,000)	1,870	30,760
7.20% Rural Electrification Corporation Ltd 2014	Nil (50,000)	—	49,300
7.20% Rural Electrification Corporation Ltd 2015	Nil (50,000)	—	49,200
7.20% State Bank of Bikaner & Jaipur 2014	Nil (12,000)	—	11,800
7.30% REC Ltd 2015	1,000 (Nil)	930	—
7.50% IDBI Ltd 2012	32,000 (Nil)	30,240	—
CIFCO FRB 2008	150,000 (Nil)	146,610	—
LIC Housing Finance Ltd FRB 2010	300,000 (Nil)	294,300	—
Mukand Ltd FRB 2011	250,000 (250,000)	272,050	254,850
Sundaram Finance Ltd FRB 2008	750,000 (Nil)	716,480	—
		1,625,830	1,505,520
Debentures (Unquoted)			
15.00% Pal Peugot Ltd 2004	16,160 (16,160)	12,170	12,170
17.50% Grapco Granites Ltd 1998	20,000 (20,000)	18,250	18,250
17.50% Grapco Granites Ltd 2000	15,000 (15,000)	13,100	13,100
17.50% Grapco Mining Ltd 1995	10,000 (10,000)	9,310	9,310
18.00% Parasrampuria Synthetics Ltd 1999	20,000 (20,000)	17,620	17,620
19.50% Grapco Granites Ltd 1998	20,000 (20,000)	18,920	18,920

		(Rs. in '000s)	March 31, 2005
20.00% Das Lagerwey 1996	30,000 (30,000)	30,000	30,000
22.00% GTV Spinners Ltd 1996	4,529 (4,529)	4,480	4,480
		123,850	123,850
Equity (Face Value Rs.10 unless specified otherwise)			
Aldrich Pharmaceuticals Ltd.	2,400 (2,400)	—	8,400
Andhra Bank Ltd	4,347 (Nil)	35,100	—
Associated Cement Company FV Rs. 50	Nil (750)	—	5,380
Astrazeneca Pharmaceutical Ltd	*(*)	—	—
Bank Of Baroda	6,328 (Nil)	145,890	—
Bharat Forge Co. Ltd - FV Rs. 2	19 (Nil)	4,180	—
Bharat Forge Ltd **	Nil (788)	—	16,950
Bharat Forge Utilities Ltd	Nil (750)	—	—
BHEL	Nil (100)	—	7,500
Biochem Synergy Ltd	635 (635)	—	1,143
Cadbury India Ltd	*(*)	—	—
Dataline & Research Technologies	*(*)	—	—
FDC Ltd.	Nil (50)	—	2,550
Financial Technologies (India) Ltd	5 (Nil)	4,290	—
G E Shipping Ltd. .	1,067 (Nil)	27,900	—
Geodesic Ltd. - FV RS. 2	Nil (214)	—	1,620
GKN Invel Transmissions Ltd	*(*)	—	—
Gujarat Alkalies & Chem L .	250 (Nil)	3,820	—
GVK Power & Infrastructure Ltd	250 (Nil)	6,260	—
Hindalco Industries Ltd	1,260 (Nil)	23,020	—
Hiralal Print Works	1,935 (1,935)	—	1,940
IAEC Industries Ltd.	1,500 (1,500)	—	6,000
India Containers Ltd	934 (934)	—	2,800
Indian Seamless Metaltube Ltd	1,250 (1,000)	12,690	24,000
Indoco Remedies Ltd.	Nil (115)	—	3,790
Infosys Technologies Ltd - FV Rs. 5	306 (Nil)	182,460	—
Inland Printers Ltd	7,992 (7,992)	—	47,950
Ivrcl Infrastructures & Projects Ltd FV 2	36 (Nil)	5,000	—
Jindal Stainless Ltdeq	250 (Nil)	2,860	—
Jsw Steel Ltd.	350 (Nil)	10,600	—
Kallam Spinning Mills Ltd	4,634 (4,634)	11,350	4,634
Knoll Pharmaceuticals Ltd	*(*)	—	—
Lanco Industries Ltd	*(*)	—	—
LIC Housing Finance Ltd .	500 (Nil)	9,490	—
Lyka Labs Ltd.	Nil (1,149)	—	7,600
Mahanagar Telephone Nigam Ltd	Nil (600)	—	8,270
Maharashtra Seamless Ltd.	Nil (1,000)	—	32,010
Maruti Udyog Ltd	15 (15)	2,620	640
Mascon Global Ltd.	Nil (500)	—	1,240
MIL Industries Ltd.	350 (350)	—	350
Mirza Tanners Ltd.	Nil (2,000)	—	43,000
New Delhi Television Ltd	2,574 (Nil)	66,340	—
Nucent Finance Ltd	1 (1)	—	—
Oriental Bank Of Commerce	400 (Nil)	9,390	—
Orissa Lamp Ltd	7,215 (7,215)	—	7,220
Otis Elevator Company (India) Ltd	*(*)	—	—
Parakaram Tehcnofab Ltd	1,910 (1,910)	—	1,910
Parasrampuria Synthetics Ltd	1,246 (1,246)	10	2,785
Parasrampuria Synthetics Ltd	905 (905)	—	90
Philips India Ltd	*(*)	—	—
Premier Explosives Ltd	500 (Nil)	4,240	—
Punj Lloyd Ltd	1,650 (Nil)	178,980	—
Punjab National Bank	200 (Nil)	9,410	—
Punjab Tarctors Ltd.	Nil (164)	—	3,190
Ramsarup Industries Ltd	800 (Nil)	6,160	—

forming part of the Accounts *Continued*

		(Rs. in '000s)	March 31, 2005
Rayban Sun Optics India Limited	*(*)	—	—
Reckitt & Cleman India Limited	*(*)	—	—
Ring Plus Aqua Limited	Nil (2,258)	—	7,340
Satyam Computer Services - FV Rs. 2	Nil (20)	—	3,950
Scandent Solutions Corporation Limited	350 (Nil)	**5,350**	—
Shah Alloys Limited	150 (Nil)	**2,610**	—
Shasun Chemicals Limited	Nil (50)	—	1,870
Shaw Wallace Limited	100 (Nil)	**1,830**	—
Standard Industries Limited	Nil (500)	—	2,300
State Bank Of India	4,615 (200)	**446,960**	13,040
Subex Systems Limited	150 (100)	**6,510**	3,995
Sunshield Chemicals Limited	2(2)	—	—
TASC Pharmaceuticals Limited	422 (1,250)	**9,640**	36,030
Tata Investment Corp Limited	Nil (203)	**10**	6,590
Tata Iron & Steel Co.	2,336 (100)	**125,300**	3,990
Teledata Informatics Limited	500 (Nil)	**910**	—
Union Bank Of India	5,293 (Nil)	**64,360**	—
Unipon Industries Limited	2,177 (2,177)	—	4,350
Videocon Industries Limited	100 (Nil)	**4,180**	—
Whirlpool India Limited	*(*)	—	—
Widia India Limited*	(*)	—	—
		1,429,720	326,417
Equity Unquoted (Face Value Rs. 10 unless specified otherwise)			
Jocil Ind Ltd	2,371 (2,371)	**17,780**	17,784
Mahindra Sona Ltd.	1,158 (1,158)	**6,160**	6,160
Shri Renuga Textiles Ltd	1,000 (1,000)	**4,500**	4,500
	(354.85)	**28,440**	28,444
Units of Mutual Funds			
JM Floater Fund	Nil (46,098)	—	50,290
Kotak Mid -Cap Growth	Nil (50,000)	—	50,000
		—	100,290
Total		**10,586,770**	8,996,713
Less : Provision against Non-performing Assets / Bad debts written off		**123,850**	123,850
Grand Total		**10,462,920**	8,872,873

Notes:
1. Certain Debentures which have defaulted for payment on maturity date have been written off. However, the same have been continued to be disclosed as Stock-in-trade to reflect existence of the claim on the Issuer/ Seller.
2. The aggregate carrying value and market value of quoted securities as at March 31, 2006 is Rs. 10,434,480 thousand and Rs. 10,433,910 thousand respectively. (previous year Rs. 8,747,520 thousand and Rs. 8,838,930 thousand respectively)

SCHEDULE "I" - SUNDRY DEBTORS (Unsecured) :

(A) Receivables outstanding for a period exceeding six months:		
Considered good	**76,730**	75,650
Considered doubtful	**45,990**	2,950
(B) Receivables outstanding for a period not exceeding six months:		
Considered good*	**281,020**	281,620
Considered doubtful	-	-
Trades executed but not settled**	**1,597,070**	16,680
	2,000,810	376,900
Less: Provision for Doubtful Debts	**45,990**	2,950
Total	**1,954,820**	373,950

* Includes an amount of Rs. 34.840 thousand receivable from Subsidiary Companies (Previous year - Rs. Nil)

** Includes an amount of Rs. 171.940 thousand receivable from Subsidiary Companies (Previous year - Rs. 36.180 thousand)

	(Rs. in '000s)	March 31, 2005
SCHEDULE "J" - CASH AND BANK BALANCES:		
Cash & Cheques on hand	**80**	50
In Current Accounts with Scheduled Banks	**91,530**	11,200
In Current Accounts with Reserve Bank of India	**3,940**	61,910
Fixed Deposits with Scheduled Banks	**2,201,080**	2,250,490
	2,296,630	2,323,650
Fixed Deposits with Scheduled Banks (Under Lien) (Under lien with ICICI Bank Rs. 360.100 thousand (previous year Rs. 710 thousand and ICICI Brokerage Rs. NIL (previous year Rs. 51,000 thousand)	**360,100**	122,000
Total	**2,656,730**	2,445,650
SCHEDULE "K" - OTHER CURRENT ASSETS		
Assets held for Sale	**57,530**	—
	57,530	—
SCHEDULE "L" - LOANS AND ADVANCES:		
(Unsecured and considered good unless otherwise stated)		
(A) Loans:		
Collateralised Lendings	—	179,960
Total (A)	—	179,960
(B) Advances :		
(Recoverable in cash or in kind or for value to be received)		
Security Deposit for Leased Premises	**4,260**	—
Other Advances and Deposits*	**228,050**	100,140
Application Money for Securities	—	600,000
Advance Tax (net of Provisions)	**156,970**	145,970
Total (B)	**389,280**	846,110
Total	**389,280**	1,026,070

* Includes an amount of Rs. 18.520 thousand receivable from Subsidiary Companies (Previous year - Rs. 20.580 thousand)

SCHEDULE "M" - CURRENT LIABILITIES AND PROVISIONS:		
(A) Current Liabilities:		
Interest Accrued but not due	**45,060**	53,220
Sundry Creditors*	**1,745,380**	36,510
Sundry Creditors for Expenses	**34,770**	45,730
Other Liabilities	**335,810**	481,440
Unclaimed Dividends	**340**	460
Total (B)	**2,161,360**	617,360
(B) Provisions:		
Retirement Benefits	**7,500**	8,080
Total (B))	**7,500**	8,080

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

SCHEDULE "N" - INCOME FROM SERVICES :		
Issue Management Fees	**586,020**	184,510
Financial Advisory Services	**281,290**	235,160
Syndication Fees	**197,390**	109,790
Underwriting Commission	**23,470**	6,190
Brokerage and Commission	**64,730**	29,180
Total	**1,152,900**	564,830
SCHEDULE "O" - INTEREST INCOME:		
Interest On Securities Held As Stock in Trade	**1,221,850**	707,630
Income On Discounted Instruments		
- Investments	—	340.00
- Stock in Trade	**255,730**	154,330
Interest On Repo and Call Lendings	**15,400**	48,600
Interest on Income - Tax Refund	**15,820**	45,710
Interest On Other Loans and Advances	**156,370**	27,360
Total	**1,665,170**	983,970

		(Rs. in '000s)	*March 31, 2005*
SCHEDULE "P" - PROFIT ON SECURITIES (NET) :			
Profit on Sale of Investments		**20,450**	—
Profit On Stock In Trade			
Sale Of Securities	**590,685,920**		*735,879,360*
Less: Purchases	**591,403,710**		*722,132,230*
	(717,790.00)		*13,747,130*
Add/Less : Increase/(Decrease)			
In Closing Stock	**1,590,050**		*(13,409,800)*
Profit on Stock In Trade		**872,260**	*337,340*
Net Gain/(Loss) from Derivatives		**163,470**	*(109,490)*
Total		**1,056,180**	*227,850*

SCHEDULE "Q" - OTHER INCOME:			
Dividend Income from Mutual Funds / Companies*		**183,260**	*8,800*
Recovery against Bad Debts Written Off		**840**	*8,380*
Miscellaneous Income		**1,050**	*29,450*
Total		**185,150**	*46,630*

* Includes an amount of Rs.166,530 thousand towards dividend from Subsidiary Companies (Previous year - Rs. Nil)

SCHEDULE "R" - FINANCIAL CHARGES AND OPERATING EXPENSES:			
Interest on Fixed Loans and Debentures		**596,640**	*293,020*
Interest on Borrowings from			
Reserve Bank of India		**930**	*1,570*
Interest On Repo and Call Borrowings		**496,430**	*201,830*
Procurement Expenses		**128,570**	*70,180*
Guarantee Commission		**10**	*10*
Rating Agency Fees		**3,650**	*3,000*
Brokerage and Stamp Duty		**36,590**	*28,720*
Bank Charges		**6,930**	*3,700*
Custodial and Depository Charges		**13,900**	*13,470*
Doubtful Debts Written Off / Provided	**71,710**		*3,220*
Less: Opening Provision	**2,950**		*8,030,000*
		68,760	*(4,810)*
Total		**1,352,410**	*610,690*

SCHEDULE "S" - PAYMENTS TO AND PROVISIONS FOR EMPLOYEES:			
Salaries, Wages and Incentive		**311,310**	*149,540*
Contribution to Provident and other Funds		**26,590**	*13,900*
Staff Welfare Expenses		**12,640**	*7,790*
Total		**350,540**	*171,230*

SCHEDULE "T" - ESTABLISHMENT AND OTHER EXPENSES:			
Rent And Amenities		**72,070**	*96,830*
Insurance		**290**	*250*
Business Promotion, Travelling and			
Conveyance Expenses		**41,540**	*18,280*
Repairs, Maintenance and Upkeep		**13,410**	*10,570*
Rates and Taxes		**400**	*600*
Electricity Expenses		**9,530**	*9,120*
Profit / (Loss) on Sale of Fixed Assets		**300**	*10,920*
Communication Expenses		**8,700**	*7,130*
Printing and Stationery		**6,650**	*4,980*
Subscription and Periodicals		**13,490**	*10,320*
Professional Fees		**9,580**	*7,240*
Advertisement Expenses		**5,570**	*990*
Auditors' Remuneration		**2,060**	*1,050*
Miscellaneous Expenses		**16,350**	*5,210*
Total		**199,940**	*183,490*

SCHEDULE "U": 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**

(a) 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.

(b) Gains and losses on dealing with securities are recognized on trade date.

(c) Interest income is accounted on an accrual basis except for non performing / doubtful assets, interest in respect of which is recognized, considering prudential norms for income recognition issued by Reserve Bank of India (RBI) for Non-Banking Financial Companies on a cash basis

(iii) **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 arrived at on weighted average basis or market/fair value, computed category-wise. In case of investments transferred to stock-in-trade, carrying amount on the date of transfer is considered as cost. Commission earned in respect of securities acquired upon devolvement is reduced from the cost of acquisition. Fair value of unquoted shares is taken at break-up value of shares as per the latest audited balance sheet of the concerned company. In case of debt instruments, fair value is worked out on the basis of yield to maturity rate selected considering quotes, where available and credit profile of the issuer and market related spreads over the government securities

(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. The difference between the acquisition cost and the redemption value of discounted instruments is apportioned on a straight line basis for the period of holding and recognized as Interest income

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

(iv) **Investments**

(a) The securities acquired with the intention of holding till maturity or for a longer period are classified as investments.

(b) Investments are carried at cost arrived at on weighted average basis. Commissions earned in respect of securities acquired upon devolvement are reduced from the cost of acquisition. Appropriate provision is made for other than temporary diminution in the value of investments.

(v) Repurchase and Resale Transactions (Repo)

Repo transactions are treated as purchase and sale of the securities as per RBI guidelines and accordingly disclosed in the financial statements. The difference between purchase and sale consideration is treated as interest income or expenditure, as the case may be, over the period of the contract.

The difference between the sale price of the security offered under repo and its book value are shown under current assets / liabilities in the balance sheet, as the case may be. In case, the sale price is lower than the book value the same is provided as loss on security. In case, the sale price is higher than the book value, the differential gain is not recognised. Securities under repo/reverse repo are marked to market.

(vi) Fixed Assets and Depreciation

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

(b) Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

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

(vii) 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 there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. 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.

(viii) Provision for Doubtful Loans and Advances

The policy of provisioning against non performing loans and advances has been decided by the management considering prudential norms prescribed by the RBI for Non Banking Financial Companies except that amounts recovered subsequent to the balance sheet date have not been considered for provisioning. As per the policy adopted, the provision against sub standard assets are fixed on a conservative basis, taking into account management's perception of the higher risk associated with the business of the Company. Certain non performing loans and advances are considered as loss assets and full provision has been made against such assets.

(ix) Foreign Currency Transactions

Expenses and income are recorded at the exchange rate prevailing on the date of transaction. Assets and liabilities at the balance sheet date are restated at the exchange rate prevailing on the balance sheet date. Exchange differences arising on settlement of the transaction and on account of restatement of assets and liabilities are dealt with in the profit and loss account.

(x) Retirement Benefits

Retirement benefits to employees comprise gratuity and provident fund. The Company's employees are covered under the Employees' Gratuity Scheme & contribution is made to Life Insurance Corporation of India (LIC). The provision for gratuity has been made as per the acturial valuation at the year end. Contributions for provident fund is accounted on accrual basis and deposited with a Provident Fund Commissioner.

(xi) Derivatives Transactions

(a) All open positions are marked to market except hedge swaps which are accounted for on accrual basis.

(b) Gains are recognized only on settlement/expiry of the derivative instruments except for Interest Rate derivatives where mark-to-market gains are recognized.

(c) Receivables/payables on open position are disclosed as current assets/current liabilities, as the case may be.

(xii) Segment Reporting

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

(xiii) 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.

(xiv) 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.

(xv) 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. Deferred Tax

The break-up of deferred tax assets into major components as on the balance sheet date is as follows:

	March 31, 2006	*March 31,* 2005
		(Rs. in '000s)
Depreciation	**(470)**	*30*
Provision for Debtors	**15480**	*1080*
Provision for Retirement Benefits	**2520**	*2950*
	17530	*4060*

3. Contingent liabilities

(a) Income tax matters disputed by the Company Rs. 364,440 thousand (Previous year – Rs. 308,580 thousand).

(b) Outstanding counter guarantees for subsidiary company, as at March 31, 2006 is Rs. 50,000 thousand (Previous year – Rs. 50,000 thousand).

(c) Outstanding Bank Guarantees taken by the company Rs. 390,000 thousand (Previous Year – Rs. 490,000 thousand)

4. Notional principal outstanding on account of Swaps/Forward Rate Agreements/Foreign Currency Swaps aggregating to Rs. 655,793,000 thousand (previous year- Rs. 495,309,050 thousand)

5. Loans and advances availed by the Company inclusive of interest accrued thereon but not paid: (Rs. in '000s)

	Amount outstanding	Amount overdue
a) Unsecured Debentures	**5,359,680**	*NIL*
b) CBLO Borrowing	**3,003,920**	*NIL*
c) Inter-corporate loans and borrowing	**—**	*NIL*
d) Commercial Paper	**497,010**	*NIL*
e) Other Loans		
- Liquidity Adjustment Facility from RBI	**NIL**	*NIL*
- Subordinated Bonds issued as Tier III Capital	**638,600**	*NIL*
- Money at Call and Short Notice	**500,090**	*NIL*
- FCNR Borrowing	**229,740**	*NIL*
Total	**10,229,040**	

6. **Managerial Remuneration**

Salary, perquisites and bonus	11420	*9350*
Contribution to Provident Fund and other Funds	650	*590*
	12,070	*9,940*

7. **Auditors' remuneration**

(a) Audit Fees	1,300	1,000
(b) Tax Audit & Certification Fees	700	50
(c) Out of pocket expenses	60	-
	2,060	1,050

8.

Payments in foreign currency (Traveling & Other expenses)	18,950	*30,810*
Receipts in foreign currency (Fees towards Advisory Services)	80,970	*26,090*

9. **QUANTITATIVE DETAILS OF SECURITIES HELD AS STOCK IN TRADE**

(a) OPENING AND CLOSING STOCK

Category	Opening Stock Face Value (Rs. in '000s)	Opening Stock Value (Rs. in '000s)	Closing Stock Face Value (Rs. in '000s)	Closing Stock Value (Rs. in '000s)
Government Securities	232,430	232,980	4,948,760	5,328,410
	(12,707,120)	(15,010,040)	(232,430)	(232,980)
Treasury Bills	6,740,950	6,679,220	842,000	803,320
	(200,000)	(191,070)	(6,740,950)	(6,679,220)
Equity Shares	52,240	354,860	74,730	1,458,160
	(49,730)	(52,800)	(52,240)	(354,860)
Debentures/ Bonds & CPs / CDs	1,506,000	1,505,520	2,951,000	2,873,030
	(5,921,620)	(6,190,630)	(1,506,000)	(1,505,520)
Others	96,100	100,290	-	-
	(817,590)	(838,140)	(96,100)	(100,290)
Total	**8,627,720**	**8,872,870**	**8,816,490**	**10,462,920**
	(19,696,060)	(22,282,680)	(8,627,720)	(8,872,870)

(b) PURCHASES AND SALES

Category	Purchase Face Value (Rs. in '000s)	Purchase Value (Rs. in '000s)	Sales Face Value (Rs. in '000s)	Sales Value (Rs. in '000s)
Government Securities	323,142,650	349,317,360	318,426,320	344,805,980
	(326,668,780)	(359,170,830)	(339,143,470)	(374,019,700)
Treasury Bills	196,272,380	191,685,030	202,171,330	197,556,340
	(303,303,530)	(296,130,970)	(296,762,580)	(289,660,000)
Equity Shares	391,950	11,709,440	369,460	10,869,080
	(54,150)	(1,502,960)	(51,560)	(1,410,330)
Debentures/Bonds & CPs / CDs	25,407,000	25,291,730	23,962,000	23,932,490
	(28,673,700)	(28,862,240)	(33,089,330)	(33,532,700)
Others	11,247,680	13,400,150	11,343,780	13,522,030
	(27,391,030)	(36,465,230)	(28,112,530)	(37,255,590)
Total	**556,461,660**	**591,403,710**	**556,272,890**	**590,685,920**
	(686,091,190)	(722,132,230)	(697,159,470)	(735,878,320)

Note: Figures in parenthesis pertain to previous year.

(Rs. in '000s)

	2006	*2005*
10. Derivatives		
Notional Principal amount of IRS Contracts		
a. Hedging Contracts	**229,100**	*229,100*
a. Trading Contracts	**655,564,000**	*495,079,950*
(i) Fair Value of Trading IRS	**94,810**	*(224,170)*
(ii) Associated Credit Risk on Trading IRS*	**94,810**	—
(iii) Market Risk on trading IRS#	**98,310**	*305,440*
(iv) Credit Risk Concentration@	**512,950**	*359,950*
Equity Derivatives – Future contracts		
a. Hedging Contracts		
Open Quantity in units – Long	**147,160**	—
Short	**3,056,165**	—
Net	**2,909,005**	—
b. Trading Contracts		
Open Quantity in units – Long	**—**	*15,000*
Short	**—**	—
Net	**—**	*15,000*
MTM Value of Trading Derivatives	**—**	*1,007*

*Associated Credit Risk is defined as the loss that the Company would incur in case all the counterparties to these swaps fail to fulfill their contractual obligations.

Market risk is monitored as the loss that would be incurred by the Company for a 100 basis point rise in the interest rates.

@ Credit risk concentration is measured as the highest net receivable under swap contracts from top three counterparties.

Particulars of Unhedged foreign Currency Exposure as at the Balance Sheet date

Particulars	**Amount**
Receivables in foreign currency	Rs. 44,100 thousand (US $ 988,359 @ closing rate of 1USD = Rs. 44.615)

(Rs. in '000s)

11. Related Party Name of the related Party	**Disclosures Type of Transactions**	**2005-06**	*2004-05*
ICICI Bank Ltd – The Holding Company	Income from Services	**85,940**	*22,760*
	Interest Income	**25,500**	*39,360*
	Financial charges & Operating expenses	**54,340**	*33,860*
	Payment to and Provisions for employees	**3,760**	*3,240*
	Establishment & other expenses	**100,280**	*100,990*
	Dividend paid	**695,300**	*263,680*
	Bank Balance	**90,160**	*9,650*
	Fixed Deposits	**1,260,790**	*122,000*
	Interest Accrued	**14,430**	*12,770*
	Sundry Debtors	**48,040**	*8,820*
	Current Liabilities	**34,300**	*148,210*
	Notional Principal amount of Interest Rate Swaps outstanding	**130,950,000**	*105,400,000*
	Notional Principal amount of Currency Swaps outstanding	**229,050**	*229,050*
ICICI Brokerage Services Ltd - Wholly owned subsidiary	Other Income – Dividend received	**166,530**	—
	Financial Charges & Other Expenses – Brokerage paid	**8,620**	*4,380*

	Investments	**45,010**	*45,010*
	Sundry Debtors	**171,940**	*36,180*
	Loans & Advances	**28,960**	—
	Current Liabilities	**417,090**	*36,890*
ICICI Lombard General Insurance Co. Ltd. – Subsidiary of ICICI Bank Ltd	Establishment & Other Expenses	**2,090**	*2,050*
	Loans & Advances	**2,940**	—
Prudential ICICI Asset Management Company – Subsidiary of ICICI Bank Ltd	Financial Charges & Operating Expenses	**270**	—
ICICI Securities Holdings Inc. - Wholly owned subsidiary	Investments	**522,280**	*75,020*
	Sundry Debtors	**70**	—
	Other Income	**70**	—
ICICI Securities Inc. - Wholly owned subsidiary of ICICI Securities Holdings Inc.	Income from Services	**105,910**	—
	Sundry Debtors	**35,110**	—

12. Composition of investments in non Government securities (Debt):

(Rs. in '000s)

No.	**Issuer**	**Amount**	**Extent of private placement**	**Extent of 'unlisted securities'**
1	PSUs	18,020	18,020	—
2	FIs	148,130	148,130	—
3	Banks	935,520	935,520	30,240
4	Other PDs	—	—	—
5	Private corporates	1,771,360	1,771,360	—
6	Subsidiaries/ Joint ventures	—	—	—
7	Others	—	—	—
8	Provision held towards depreciation	—	—	—
	Total	**2,873,030**	**2,873,030**	**30,240**

All the investments in the above non government securities are rated and are above investment grade securities.

13. Repo/ Reverse repo transactions :

(Rs. in '000s)

	Minimum outstanding during the year	**Maximum outstanding during the year**	**Daily Average outstanding during the year**	**As on March 31, 2006**
Securities sold under repos	—	16,761,140	4,483,260	6,450,290
	—	(8,517,480)	(1,816,250)	(—)
Securities purchased under reverse repos	—	400,270	1,760	—
		(148,520)	(2,290)	(—)

14. Earnings per equity share (EPS)

EPS has been calculated based on the net profit after taxation of Rs.1,476,770 thousand (previous year Rs. 563,980 thousand) and the weighted average number of equity shares outstanding during the year of 184,440 thousand (previous year 203,000 thousand).

15. 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.

With respect to the incentive units granted to the employees during the year, the Company has provided Rs.21,710 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	389,259
Contractual life	5 years

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

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

Signatures to Schedule A to U

For and on behalf of the Board

K. V. KAMATH
Chairman

per VIREN H. MEHTA
Partner
Membership No.: 48749

LALITA D. GUPTE
Director

Mumbai, April 22, 2006

ABHIJEET GUIN
Vice President & Head - Financials

RAJU NANWANI
Company Secretary

S. MUKHERJI
Managing Director & CEO

cash flow statement

ICICI Securities **for the year ended March 31, 2006** i-SEC

			(Rs. in '000s)	March 31, 2005
A	**Cash Flow From Operating Activities**			
	Profit Before Tax	2,140,640		844,560
	- (Profit)/Loss on Sale of Fixed Assets	300		10,920
	- Depreciation	15,870		13,310
	- Provision for Wealth Tax	100		100
	- Provision for Interest Tax	—		(409)
	- Income from investment	—		(340)
	- Bad and Doubtful Debts (Net)	68,760		(4,810)
	Operating Profit before Changes in Operating Assets and Liabilities		2,225,670	863,331
	Adjustments for net change in Operating Assets and Liabilities			
	- Current Assets excluding Cash and Cash equivalents	(3,516,070)		13,514,110
	- Fixed Deposits under Lien	(238,100)		(111,800)
	- Loans and advances relating to Operations	647,790		(821,350)
	- Current Liabilites relating to Operations	1,543,440		15,470
			(1,562,940)	12,596,430
	Cash generated from Operations		662,730	13,459,761
	Payment of Taxes (Net)		(686,360)	(355,500)
	Net Cash from Operating Activities		(23,630)	13,104,261
B	**Cash Flow From Investment Activities**			
	- Acquisition of Equity Investments in Subsidiary Companies		(447,258)	—
	- (Purchase) / Sale of Investments (Net)		721,508	(721,509)
	- Income from investment		—	340
	- (Purchase) / Sale of Fixed Assets (Net)		49,766	(35,419)
	Net cash used in Investment Activities		324,016	(756,588)
C	**Cash Flow From Financing Activities**			
	- Increase/ (Decrease) in Borrowings (Net)		(1,615,110)	(7,205,840)
	- Issue/ redemption of Debentures (Net)		2,849,500	(2,554,000)
	- Buy Back		(766,133)	—
	- Dividends & Dividend Tax paid		(795,670)	(303,720)
	Net Cash used in Financing Activities		(327,413)	(10,063,560)
	Net Change in Cash & Cash Equivalents		(27,017)	2,284,113
	Cash and Cash Equivalents at the beginning of the year		2,323,646	39,540
	Cash and Cash Equivalents at the end of the year		2,296,629	2,323,653
	Cash and cash equivalents at the end of the year does not include fixed deposits under Lien Rs. 360,100 thousand (Previous year Rs. 122,000 thousand)			

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

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

per VIREN H. MEHTA
Partner
Membership No.: 48749

Mumbai, April 22, 2006

ABHIJEET GUIN
Vice President & Head - Financials

RAJU NANWANI
Company Secretary

For and on behalf of the Board

K. V. KAMATH
Chairman

LALITA D. GUPTE
Director

S. MUKHERJI
Managing Director & CEO

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

1. Registration Details

Registration No. 131900 State Code 11

Balance Sheet Date 31 (Date) 03 (Month) 2006 (Year)

2. Capital Raised during the Period
(Amount in Rupees thousand)

Public Issue	Bonus Issue
NIL	NIL
Right Issue	Private Placement
NIL	NIL

3. Position of Mobilisation and Deployment of Funds
(Amount in Rupees thousand)

Total Liabilities and Shareholders' Funds	Total Assets
14253530	14253530

Sources of Funds

Paid-up Capital	Reserves and Surplus
1658840	2448800
Secured Loans	Unsecured Loans
3003380	7142510

Application of Funds

Fixed Assets	Investments
46720	567290
Net Current Assets	Miscellaneous Expenditure
13621990	NIL

4. Performance of the Company
(Amount in Rupees thousand)

Turnover	Total Expenditure
4059400	1918760
Profit before Tax	Profit after Tax
2140640	1476770
Earnings Per Share in Rs.	Dividend Rate %
8.01	40.50

5. Generic Names of Three Principal Services of the Company
(As per monetary terms)

Securities Investment and Trading
Investment Banking Activities and Corporate Finance

For and on behalf of the Board

K. V. KAMATH
Chairman

LALITA D. GUPTE
Director

Mumbai, April 22, 2006

ABHIJEET GUIN
Vice President & Head - Financials

RAJU NANWANI
Company Secretary

S. MUKHERJI
Managing Director & CEO