ICICI Home Finance

# ICICI HOME FINANCE COMPANY LIMITED

## 8TH ANNUAL REPORT AND ACCOUNTS 2006-2007

**Directors**
V. Vaidyanathan, *Chairman*
Ashok Alladi
Jayesh Gandhi
Rajiv Sabharwal

**Auditors**
S.R. Batliboi & Co.
*Chartered Accountants*

Anand Kusre
*Chief Executive Officer*

Amol Chitnavis
*Company Secretary*

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

# directors' report

## to the members

Your Directors have pleasure in presenting the Eighth Annual Report of the Company with the audited Statement of Accounts for the year ended March 31, 2007.

### INDUSTRY OVERVIEW

There is a strong demand for housing in the country. The gap between demand and supply is around 30 million units. Growth in the housing has been one of the major contributors to the economic growth of the country in the recent years. The growth in the housing segment has been primarily due to increase in job creation, growth in average income and double income household, migration of population to urban areas, etc.

Upto March 2006 the change in the interest rate did not have any major impact on the demand for housing loans. However, the increase in the interest rates during 2006-2007 coupled with the increase in the property prices has resulted in slow down in the demand as compared to previous years.

### APPROPRIATIONS

The Profit and Loss Account shows profit before taxation of Rs.637.29 million (previous year Rs. 205.38 million) after provision and write off against non performing asset of Rs. (10.86) million (previous year Rs.71.74 million) and after taking into account all expenses including depreciation of Rs.2.92 million (previous year Rs.9.83 million) on fixed assets.

The profit after tax for the year ended March 31, 2007 was Rs.469.65 million (previous year Rs.122.89 million). After taking into account the balance of Rs.48.23 million (previous year Rs.0.08 million) brought forward from the previous year, the disposable profit is Rs. 517.88 million (previous year Rs.139.10 million).

Your Directors have paid an interim dividend of 5.50% in the month of September 2006, 1.75% in the month of December 2006, 1.75% in the month of March 2007 and have appropriated the disposable profit as follows:

**(Rs. in Million)**

| | *Fiscal 2006* | **Fiscal 2007** |
|---|---|---|
| Special Reserve created and maintained in terms of Section 36(1)(viii) of the Income-tax Act, 1961 | *28.00* | **177.10** |
| Dividend | | |
| Preference Shares (including tax thereon) | *0.02* | **0.02** |
| Equity Shares (Interim - including tax thereon) | *62.86* | **291.19** |
| Leaving balance to be carried forward to next year | *48.22* | **49.58** |

### PUBLIC DEPOSITS

As required by National Housing Bank, the details of public deposits as on March 31, 2007, are given below:

(i) Number of accounts of unclaimed public deposit : **390**

(ii) Amount of unclaimed deposit : **Rs. 10,875,411**

The Company has sent reminders to the investors informing that the deposits have matured and requested them to claim the same.

### OPERATIONAL REVIEW

Your Company continued to serve as the focal point for marketing, distribution and servicing of home loan products of ICICI Bank.

Due to the growth of the mortgage market in India and the opportunity of assisting home loan borrowers to identify their dream house, the company ventured into the business of home search. The growth of the Indian economy and the real estate industry also provided an opportunity for venturing into commercial real estate transactions with advisory to corporate and developers in the aforesaid segment.

### DIRECTORS

Ashok Alladi and Jayesh Gandhi were appointed as the additional Directors of the Company effective October 18, 2006. Chanda D. Kochhar, Nachiket Mor, K. Ramkumar, Madhabi Puri Buch and Prashant Purker resigned effective December 27, 2006. Consequent to resignation of Chanda D. Kochhar as Director of the Company, V. Vaidyanathan was appointed as the Chairman of the Board of Directors effective December 27, 2006. In terms of the provisions of Section 260 of the Companies Act, 1956 and the Articles of Association of the Company, Jayesh Gandhi and Ashok Alladi hold the office till the ensuing Annual General Meeting (AGM). The Company has received notices under Section 257 of the Companies Act, 1956, from a member signifying his intention to propose the candidature of Ashok Alladi and Jayesh Gandhi for the office of Director. Further, in terms of Articles of Association of the Company, Rajiv Sabharwal would retire at the ensuing AGM and, being eligible, offers himself for re-appointment.

### AUDITORS

The Auditors, S. R. Batliboi & Co., Chartered Accountants, Mumbai, will retire at the ensuing Annual General Meeting. As recommended by the Audit Committee, the Board, at its Meeting held on April 21, 2007, has proposed their appointment as Auditors to audit the accounts of the Company for fiscal 2008. You are requested to consider their appointment.

### AUDIT COMMITTEE

Consequent to the resignation of Chanda Kochhar and K. Ramkumar as Directors of the Company, they also ceased to be the Members of the Audit Committee. The Board of Directors have appointed Jayesh Gandhi and Rajiv Sabharwal as the Members of the Audit Committee effective December 27, 2006. The existing Members of Audit Committee are V. Vaidyanathan, Jayesh Gandhi and Rajiv Sabharwal. V. Vaidyanathan is the Chairman of the Audit Committee.

### FOREIGN EXCHANGE EARNING AND EXPENDITURE

During the year under review, foreign exchange earnings were Rs.3,928,400. There was no foreign outgo during the year under review.

### PERSONNEL AND OTHER MATTERS

There are no employees within the purview of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Since your Company does not own any manufacturing facility, the disclosure of information on other matters required to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not applicable and hence not given.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors confirm that:

(a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

(c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

(d) they have prepared the annual accounts on a going concern basis.

**ACKNOWLEDGEMENTS**

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

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

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

For and on behalf of the Board

V. VAIDYANATHAN
*Chairman*

*Mumbai, April 21, 2007*

# auditors' report

## to the Members of ICICI Home Finance Company Limited

1. We have audited the attached Balance Sheet of ICICI Home Finance Company Limited (the 'Company') as at March 31, 2007 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

   iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

   v. On the basis of the written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 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, 2007;

      b) in the case of the profit and loss account, of the profit for the year ended on that date; and

      c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & CO.
*Chartered Accountants*

per VIREN H. MEHTA
*Partner*
*Membership No.: 048749*

*Mumbai, April 21, 2007*

## annexure referred to in paragraph [3] of our report of even date

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

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year.

(ii) The Company being a Housing Finance Company, the provisions related to inventories as mentioned in clause (ii) of the said order are not applicable.

(iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

(b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) According to the information and explanations provided by the management, we are of the opinion that there are no transactions which need to be entered into the register maintained under Section 301 of the Companies Act, 1956.

(vi) The Company being a "Housing Finance Company" ('HFC'), sections 58A, 58AA of the Companies Act, 1956 is not applicable.

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

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for the products of the Company.

(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, wealth-tax, service tax, cess have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.

(b) According to the information and explanations given to us, undisputed dues in respect of lease tax amounting to Rs. 1,023 thousand which were outstanding at the year end for a period of more than six months from the date they became payable.

(c) According to the information and explanation given to us, the dues outstanding of income-tax on account of dispute, are as follows:

| Name of the statue | Nature of dues | Amount (Rs. in 000's) | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|
| Income Tax Act, 1961 | Income Tax demand | 25,400 | Assessment Year - 2003-2004 | CIT (Appeal) |
| Income Tax Act, 1961 | Income Tax demand | 4,792 | Assessment Year - 2004-2005 | CIT (Appeal) |

(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 preceeding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, we are of the opinion that the Company has generally maintained adequate records in cases where the Company has granted loans and advances on the basis of security of its own fixed deposits.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company, in its own name.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.

(xix) The Company did not have outstanding debentures during the year.

(xx) The Company has not raised any money by public issues during the year.

(xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company was noticed or reported during the year, although there have been few instances of loans becoming doubtful of recovery consequent upon fraudulent misrepresentation by borrowers, the amounts whereof are not material in the context of the size of the Company and the nature of its business and which have been provided for.

For S. R. BATLIBOI & CO.
*Chartered Accountants*

per VIREN H. MEHTA
*a Partner*
*Membership No.: 048749*

*Mumbai, April 21, 2007*

# balance sheet as at March 31, 2007

ICICI Home Finance

| | Schedule | | (Rs. in 000's) | March 31, 2006 |
|---|---|---|---|---|
| **I SOURCES OF FUNDS** | | | | |
| **(1) Shareholders' Funds:** | | | | |
| A. Share Capital | I | **2,987,500** | | *2,987,500* |
| B. Reserves and Surplus | II | **705,014** | | *526,569* |
| | | | **3,692,514** | *3,514,069* |
| **(2) Loan Funds:** | | | | |
| Unsecured Loans | III | | **40,866,319** | *35,915,372* |
| | | | **44,558,833** | *39,429,441* |
| **II APPLICATION OF FUNDS** | | | | |
| **(1) Fixed Assets:** | IV | | | |
| A. Gross Block | | **29,906** | | *37,579* |
| B. Less: Depreciation | | **22,000** | | *22,750* |
| C. Net Block | | | **7,906** | *14,829* |
| **(2) Investments** | V | | **371,698** | *171,810* |
| **(3) Loans and Other Credit Facilities** | VI | | **43,225,246** | *38,065,447* |
| **(4) Current Assets, Loans and Advances:** | VII | | | |
| A. Current Assets | | **602,067** | | *236,380* |
| B. Cash and Bank Balances | | **227,281** | | 332,916 |
| C. Loans and Advances | | **1,520,549** | | *1,777,382* |
| | | **2,349,897** | | *2,346,678* |
| *Less:* **Current Liabilities and Provisions:** | VIII | | | |
| A. Current Liabilities | | **474,489** | | *471,079* |
| B. Provisions | | **1,074,499** | | *913,019* |
| | | **1,548,988** | | *1,384,098* |
| Net Current Assets and Advances | | | **800,909** | *962,580* |
| **(5) Deferred Tax Asset [refer note 2(c)]** | | | **153,074** | *214,775* |
| | | | **44,558,833** | *39,429,441* |
| **Notes to Accounts** | XIV | | | |

# profit and loss account for the year ended March 31, 2007

| | Schedule | (Rs. in 000's) | March 31, 2006 |
|---|---|---|---|
| **Income** | | | |
| Income from Operations | IX | **4,351,340** | *2,881,109* |
| Other Income | X | **91,417** | *253,624* |
| | | **4,442,757** | *3,134,733* |
| **Expenditure** | | | |
| Interest, Other Financial Charges & Expenses on Borrowings | XI | **3,101,849** | *2,192,029* |
| Employee Cost | XII | **607,833** | 522,264 |
| Establishment and Other Expenses | XIII | **2,124,356** | *2,837,347* |
| Depreciation | | **2,916** | *9,828* |
| Provision / (write back) of contingencies | | **(5,111)** | *(4,037)* |
| Provision and write off against Non-performing Assets | | **(10,863)** | *71,746* |
| Provision / (write back) against standard assets | | **21,586** | *35,475* |
| Preliminary and Share Issue Expenses Written Off | | **—** | *9,395* |
| | | **5,842,566** | *5,674,047* |
| *Less :* Expenses Recovered | | **2,037,096** | *2,744,694* |
| | | **3,805,470** | *2,929,353* |
| **Profit before Taxation** | | **637,287** | *205,380* |
| Provision for Taxation | | **97,038** | — |
| Provision for Tax of earlier years (net) | | **500** | *494* |
| Fringe Benefit Tax | | **8,395** | *10,021* |
| Deferred Tax | | **61,701** | *71,974* |
| **Profit after Taxation** | | **469,653** | *122,891* |
| *Add :* Profit of ICICI Distribution Finance Private Limited for FY 2004-2005 | | **—** | *16,132* |
| *Add :* Balance brought forward from previous year | | **48,230** | *80* |
| **Disposable Profit** | | **517,883** | *139,103* |
| **Appropriations** | | | |
| Special Reserve- in terms of Section 36(1)(viii) of the Income Tax Act, 1961 | | **177,098** | *28,000* |
| Dividend | | | |
| – on Equity Shares – Interim (including corporate dividend tax) | | **291,191** | *62,856* |
| – on Preference Shares - proposed (including corporate dividend tax) | | **17** | *17* |
| Balance Carried to Balance Sheet | | **49,577** | *48,230* |
| | | **517,883** | *139,103* |
| **Earnings per share - Annualised** (Equity shares, par value Rs. 10 each) | | | |
| Basic (Rs.) | | **1.66** | *0.76* |
| Diluted (Rs.) | | **1.57** | *0.70* |
| **Notes to Accounts** | XIV | | |

The Schedules referred to above and the Notes to Accounts form an integral part of Balance Sheet & Profit and Loss Account

As per our report of even date
For S.R. BATLIBOI & CO.
*Chartered Accountants*

per VIREN H. MEHTA
*a Partner*
*Membership No.: 048749*

*Mumbai, April 21, 2007*

AMOL CHITNAVIS
*Company Secretary*

For and on behalf of the Board

V. VAIDYANATHAN
*Chairman*

RAJIV SABHARWAL
*Director*

ANAND KUSRE
*Chief Executive Officer*

| | | (Rs. in 000's) | March 31, 2006 |
|---|---|---|---|
| **SCHEDULE - I** | | | |
| **SHARE CAPITAL** | | | |
| **Authorised** | | | |
| 685,000,000 Equity Shares of Rs.10 each (March 2006 – 285,000,000) | | **6,850,000** | *2,850,000* |
| 15,000,000 Preference Shares of Rs.10 each (March 2006 –15,000,000) | | **150,000** | *150,000* |
| | | **7,000,000** | *3,000,000* |
| **Issued, Subscribed and Paid up** | | | |
| 283,750,000 Equity Shares of Rs.10 each fully paid up (March 2006 – 283,750,000) | | **2,837,500** | *2,837,500* |
| 15,000,000 – 0.01% Fully Convertible Cumulative Preference Shares of Rs.10 each fully paid up (March 2006 – 15,000,000) – Refer Note 2 (a) of Notes to Accounts | | **150,000** | *150,000* |
| | | **2,987,500** | *2,987,500* |

Notes : 1. 43,750,000 equity shares of Rs. 10 each fully paid up issued to shareholders of ICICI Distribution Finance Private Limited on amalgamation

2. All shares are held by ICICI Bank Limited, the holding company and its nominees

| | | | |
|---|---|---|---|
| **SCHEDULE - II** | | | |
| **RESERVES AND SURPLUS** | | | |
| General Reserve | | | |
| As per Last Balance Sheet | **106,393** | | *21,484* |
| *Add :* On amalgamation of ICICI Distribution Finance Private Limited | **—** | | *84,909* |
| | | **106,393** | *106,393* |
| Special Reserve created and maintained in terms of Section 36(1)(viii) of the Income Tax Act, 1961. | | | |
| As per Last Balance Sheet | **371,946** | | *343,946* |
| *Add :* Transferred from Profit & Loss Account | **177,098** | | *28,000* |
| | | **549,044** | *371,946* |
| Surplus in Profit and Loss Account | | **49,577** | *48,230* |
| | | **705,014** | *526,569* |

| | | | |
|---|---|---|---|
| **SCHEDULE - III** | | | |
| **UNSECURED LOANS** | | | |
| Loans from Holding Company – Subordinated debts | | **1,199,445** | *1,199,445* |
| *(Due within a year Rs. Nil, March 2006 - Rs. Nil)* | | | |
| Loans from Banks | | **33,510,814** | *33,539,583* |
| *(Due within a year Rs.6,494,047,619, March 2006 - Rs.12,938,492,063)* | | | |
| Loan from National Housing Bank (Refinance) | | **68,312** | *668,312* |
| (Due within a year Rs.68,312,000, March 2006 - Rs.600,000,000) | | | |
| Commercial Paper (maximum outstanding during the year : Rs.4,750,000,000, March 2006 - Rs.Nil) | **3,750,000** | | |
| *Less* : Unamortised interest | **138,624** | **3,611,376** | *—* |
| Fixed Deposits | | **2,476,372** | *508,032* |
| {includes deposits from banks Rs.10,000,000 (March 2006 - Rs.260,000,000) and from corporates Rs.140,162,000 (March 2006 - Rs.12,087,000)}, | | | |
| (Due within a year Rs.571,706,000, March 2006 - Rs.410,349,219) | | | |
| | | **40,866,319** | *35,915,372* |

**SCHEDULE - IV**

**FIXED ASSETS**

(Rs. in 000's)

| Particulars | Gross Block | | | | Depreciation | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *At April 01, 2006* | Additions | Deductions | At March 31, 2007 | *At April 01, 2006* | For the year | Adjust-ments/ deductions | At March 31, 2007 | At March 31, 2007 | *At March 31, 2006* |
| Computer | *16,676* | — | — | **16,676** | *15,153* | **1,258** | **573** | **15,838** | **838** | *1,523* |
| Software | *1,755* | — | — | **1,755** | *1,172* | **352** | — | **1,524** | **231** | *583* |
| Office Equipments | *1,394* | — | — | **1,394** | *274* | **39** | — | **313** | **1,081** | *1,120* |
| Motor Car (Operating Lease) | *16,534* | — | **7,673** | **8,861** | *5,825* | **1,219** | **3,093** | **3,951** | **4,910** | *10,709* |
| Furniture | *1,220* | — | — | **1,220** | *326* | **48** | — | **374** | **846** | *894* |
| Total | *37,579* | — | **7,673** | **29,906** | *22,750* | **2,916** | **3,666** | **22,000** | **7,906** | *14,829* |
| *Previous year* | *91,005* | *—* | *53,426* | *37,579* | *46,825* | *9,828* | *33,903* | *22,750* | *14,829* | *—* |

| (Rs. in 000's) | | March 31, 2006 |
|---|---|---|
| **SCHEDULE - V** | | |
| **INVESTMENTS - (FULLY PAID UP)** | | |
| **Long Term Investments (Non-Trade) (at Cost)** | | |
| **Equity Shares - Quoted** | | |
| Nil (March 2006 - 94,579) shares of Rs. 10 each of IBP Limited | — | 58,639 |
| **Government Securities - Quoted** | | |
| 364 Day T-Bill (Face value - Rs. 156,475,000; March 2006 - Rs. 20,000,000) | 149,524 | 19,225 |
| **Current Investments** | | |
| Liquid Plan (Unquoted) | | |
| Prudential ICICI Mutual Fund | 222,174 | 93,946 |
| | 371,698 | 171,810 |
| Market value of Quoted Investments | 149,505 | 72,336 |
| Repurchase price of Mutual Fund Units | 222,354 | 94,002 |
| **Statement of Mutual Fund Units Purchased and Sold during the year** | | |
| Opening Balance | 9,200 | 11,629 |
| Purchased | 1,781,839 | 968,970 |
| Sold | 1,770,783 | 971,399 |
| Closing Balance | 20,256 | 9,200 |

| (Rs. in 000's) | | March 31, 2006 |
|---|---|---|
| **SCHEDULE - VI** | | |
| **LOANS AND OTHER CREDIT FACILITIES (SECURED)** (Refer note 2(f) & 2(n)) | | |
| **Housing Loans** | 37,469,402 | 32,154,003 |
| **Non-Housing Loans** | 5,830,364 | 5,977,537 |
| | 43,299,766 | 38,131,540 |
| Considered Good | 43,225,246 | 38,065,447 |
| Considered Doubtful | 74,519 | 66,093 |
| Less: Provisions | 74,519 | 66,093 |
| | 43,225,246 | 38,065,447 |

| (Rs. in 000's) | | March 31, 2006 |
|---|---|---|
| **SCHEDULE - VII** | | |
| **CURRENT ASSETS, LOANS AND ADVANCES** | | |
| **A. Current Assets:** | | |
| Interest accrued on loans | 599,946 | 232,163 |
| Interest accrued on deposits | 2,121 | 4,217 |
| | 602,067 | 236,380 |
| **B. Cash and bank balances:** | | |
| Balances with scheduled banks | | |
| – in current accounts | 67,281 | 212,047 |
| – in deposit accounts | 160,000 | 120,869 |
| | 227,281 | 332,916 |
| **C. Loans and Advances:** | | |
| (Unsecured, considered good unless Otherwise stated) | | |
| Advances recoverable in cash or in kind or for value to be received* | | |
| Considered Good | 539,826 | 928,969 |
| Considered Doubtful | — | 29,008 |
| Less: Provisions | — | 29,008 |
| | 539,826 | 928,969 |
| Deposits | 184,808 | 172,639 |
| Advance income tax | 795,915 | 675,774 |
| * Refer Note 2(m) in Notes to Accounts | | |
| | 1,520,549 | 1,777,382 |

| (Rs. in 000's) | | March 31, 2006 |
|---|---|---|
| **SCHEDULE - VIII** | | |
| **CURRENT LIABILITIES AND PROVISIONS** | | |
| **A. Current liabilities:** | | |
| Sundry creditors (other than Small Scale Inds. Undertaking) | 101,113 | 145,918 |
| Interest accrued but not due on loans | 61,651 | 44,527 |
| Other liabilities | 311,725 | 280,634 |
| | 474,489 | 471,079 |
| **B. Provisions:** | | |
| Provision for tax | 669,954 | 554,950 |
| Provision for gratuity & other staff benefits | 78,019 | 53,639 |
| Provision for Contingencies | 204,042 | 209,403 |
| Other provisions* | 122,467 | 95,010 |
| Proposed dividend** | 17 | 17 |
| | 1,074,499 | 913,019 |

* Includes provision for standard assets Rs. 116,595,688 (March 2006 – Rs. 95,009,682)

** Includes corporate dividend tax payable Rs. 2,104 (March 2006 – Rs. 2,104)

| (Rs. in 000's) | | March 31, 2006 |
|---|---|---|
| **SCHEDULE - IX** | | |
| **INCOME FROM OPERATIONS** | | |
| Interest income | 3,566,765 | 2,314,114 |
| Income from securitisation of loans | 5,374 | 20,314 |
| Fee income | 779,201 | 546,681 |
| | 4,351,340 | 2,881,109 |

| (Rs. in 000's) | | March 31, 2006 |
|---|---|---|
| **SCHEDULE - X** | | |
| **OTHER INCOME** | | |
| Interest received (Gross, Tax deducted at source Rs. 59,364,793; March 2006 – Rs. 44,276,652) | 10,579 | 212,248 |
| Profit on sale of mutual fund units | 80,649 | 36,301 |
| Dividend income | 189 | 946 |
| Miscellaneous income | — | 4,128 |
| Profit on sale of long term investment | — | 1 |
| | 91,417 | 253,624 |

| (Rs. in 000's) | | March 31, 2006 |
|---|---|---|
| **SCHEDULE - XI** | | |
| **INTEREST, OTHER FINANCIAL CHARGES & EXPENSES ON BORROWINGS** | | |
| Interest | 3,038,572 | 2,184,316 |
| Finance and other charges | 63,277 | 7,713 |
| | 3,101,849 | 2,192,029 |

| (Rs. in 000's) | | March 31, 2006 |
|---|---|---|
| **SCHEDULE - XII** | | |
| **EMPLOYEE COST** | | |
| Salaries, Wages and Bonus | 531,831 | 445,835 |
| Contribution to Provident and Other Funds | 59,114 | 67,391 |
| Staff Welfare Expenses | 16,888 | 9,038 |
| | 607,833 | 522,264 |

| (Rs. in 000's) | | March 31, 2006 |
|---|---|---|
| **SCHEDULE - XIII** | | |
| **ESTABLISHMENT AND OTHER EXPENSES** | | |
| Advertisement & Sales Promotion | 130,413 | 224,892 |
| Customer acquisition | 1,043,569 | 1,359,424 |
| Professional and legal charges | 346,826 | 697,452 |
| Rent | 133,724 | 99,237 |
| Communication | 93,288 | 143,125 |
| Travelling and conveyance | 7,432 | 23,161 |
| Loss on sale of fixed assets / Written Off | 2,629 | 18,939 |
| Printing and stationery | 38,233 | 56,382 |
| Audit fees | 1,461 | 1,123 |
| Insurance | 389 | 883 |
| Electricity | 62,375 | 61,434 |
| Rates & Taxes | 12,998 | 7,542 |
| Repairs & maintenance – others | 43,510 | 35,017 |
| Office expenses | 86,089 | 41,933 |
| Director sitting fees | 45 | — |
| Loss on sale of long term investment | 17,670 | — |
| Miscellaneous expenses | 103,705 | 66,803 |
| | 2,124,356 | 2,837,347 |

SCHEDULE - XIV

NOTES TO ACCOUNTS

1. **Significant Accounting Policies**

a) **Basis of Preparation**

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

b) **Revenue Recognition**

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

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

c) **Investments**

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

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

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

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

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

e) **Fixed Assets**

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

f) **Depreciation**

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

g) **Retirement Benefits**

i) Retirement benefits in the form of Provident Fund and Pension Schemes are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective trusts.

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

h) **Income Tax**

Tax expense comprises of current, deferred and fringe benefit 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 virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

i) **Transfer and Servicing of Financial Assets**

The Company transfers loans to a bankruptcy remote Special Purpose Vehicles through a securitization transactions. The transferred loans are derecognized from the books of the Company and gains/losses are recorded, only if the Company surrenders the rights to benefits specified in the loan contract. Credit provisions and servicing obligations are debited separately to the Profit & Loss account. Retained beneficial interest in the loan is measured by allocating the carrying values of the loans between the assets sold and retained interest, based on the relative fair value measured at the date of securitisation. The carrying value of the retained beneficial interest is estimated at each reporting period end based on the forecasted cash flows from the assets securitised after adjusting for projected delinquencies, prepayments, etc. The resultant gains/ losses, if any, are recorded in to the Profit and Loss account.

j) **Accounting for Swaps**

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

k) **Impairment**

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

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

l) **Provision**

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

2. **Notes to accounts**

a) The Preference Shares for Rs.15 crores were allotted on March 14, 2002 and are convertible into equity shares at the option of the Preference Shareholder after completion of one year but before completion of seven years from the date of allotment in the ratio of 1:1. However, the said Preference Shares shall be compulsorily and automatically convertible into one Fully Paid-up Equity Share of Rs.10 each for every one Preference Share of Rs.10 held on March 14, 2009.

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

c) **Deferred Tax**

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

**(Rs. in 000's)**

| Particulars | As on March 31, 2007 | *As on March 31, 2006* |
|---|---|---|
| **Deferred tax assets:** | | |
| Provision for doubtful debts & future servicing and other liability of securitization | **135,564** | *133,879* |
| Loss as per Taxable Income | **—** | *72,133* |
| Retirement Benefits | **16,163** | *10,212* |
| *Less:* **Deferred tax liability:** | | |
| Depreciation | **(1,347)** | *1,450* |
| **Net Deferred tax asset** | **153,074** | *214,774* |

d) **Contingent Liability**

Income Tax matters in appeals Rs. 30,192 thousand (March 2006 – Rs. 15,342 thousand).

e) Commitment towards part disbursement of sanctions is amounting to Rs. 2,351 thousand (March 2006 – Rs. 13,280 thousand).

f) Loans and other credit facilities includes subordinated interest of Rs. 378,348 thousand (March 2006 – Rs. 412,798 thousand) in the underlying trust property of housing loans of Mortgage Backed Securitisation Trust Series VI & VII.

g) During the year, the company has paid Rs. 2 thousand as penalty to National Housing Bank for exceeding the borrowing limit as on March 31, 2005, as stated in paragraph 3(3) of the Housing Finance Companies (NHB) Directions, 2001.

h) Details for the future lease rental receivable in respect of operating lease.

**(Rs. in 000's)**

| Particulars | As on March 31, 2007 | *As on March 31, 2006* |
|---|---|---|
| Not later than one year | **Nil** | *1,548* |
| Later than one year but not later than five years | **Nil** | *Nil* |
| Later than five years | **Nil** | *Nil* |

i) **Earnings Per Share**

The computation of earnings per share is given below:

**(Rs. in 000's)**

| Particulars | Year ended March 31, 2007 | *Year ended March 31, 2006* |
|---|---|---|
| **BASIC** | | |
| Weighted average number of Equity Shares outstanding during the year (Nos. in thousand) | **283,750** | *184,024* |
| Net Profit | **469,638** | *139,008* |
| Basic Earnings Per Share (Rs.) annualised | **1.66** | *0.76* |
| **DILUTED** | | |
| Diluted number of Equity Shares (Nos. in thousand) | **298,750** | *199,024* |
| Net Profit | **469,668** | *139,023* |
| Diluted Earnings Per Share (Rs.) - annualised | **1.57** | *0.70* |
| Nominal value of Equity Shares (Rs.) | **10** | *10* |

Note : The dilutive impact is due to Convertible Preference Shares.

j) **Segment Information**

The parent of the Company i.e. ICICI Bank Limited presents both consolidated financial statements and the separate financial statement in a single financial report. Hence there are no separate disclosure of the reportable segments required in the financials of the Company as per the Accounting Standard on 'Segment Reporting' (AS-17), issued by the Institute of Chartered Accountants of India.

k) Interest expenses includes Rs. 164,961 thousand (March 2006 – Rs. 51,770 thousand) being (gain)/ loss booked on the interest rate swaps (IRS). The notional principal of hedge IRS as on March 31, 2007 is Rs. 7,250,000 thousand (March 2006 – Rs. 9,250,000 thousand). During the period, the Company has not entered into any trading IRS transactions.

l) The Company has been providing for gratuity and leave encashment based on actuarial valuation. In current year, the Company has gone for early adoption of the AS-15 (Revised 2005). Accordingly the company has provided for gratuity and leave encashment based on actuarial valuation done as per Projected Unit Credit Method and Projected Accrued Benefit Method respectively. This change is not having material impact on the profit for the current year.

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The Company has provided leave encashment benefits to the employees. These benefits are unfunded.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

**Profit and Loss account**

Net employee benefit expense (recognised in Employee Cost):

| **Gratuity** | **(Rs. in 000's)** |
|---|---|
| **Particulars** | **Year ended March 31, 2007** |
| Current service cost | 17,012 |
| Interest cost on benefit obligation | 1,557 |
| Expected return on plan assets | (582) |
| Net actuarial( gain) / loss recognised in the year | (13,257) |
| Past service cost | – |
| Net benefit expense | 4,730 |
| Actual return on plan assets | 583 |

**Balance Sheet**

Details of Provision for gratuity and leave encashment :

**(Rs. in 000's)**

| | Gratuity | | Leave Encashment | |
|---|---|---|---|---|
| | **As on March 31, 2007** | *As on March 31, 2006* | **As on March 31, 2007** | *As on March 31, 2006* |
| Defined benefit obligation | **(25,437)** | *(20,124)* | **—** | *—* |
| Fair value of plan assets | **10,890** | *4,036* | **—** | *—* |
| | **(14,547)** | *(16,088)* | **—** | *—* |
| *Less:* Unrecognised past service cost | **—** | *—* | **—** | *—* |
| Plan asset / (liability) | **(14,547)** | *(16,088)* | **(33,472)** | *(14,338)* |

Changes in the present value of the defined benefit obligation are as follows:

| **Gratuity** | **(Rs. in 000's)** |
|---|---|
| **Particulars** | **Year ended March 31, 2007** |
| Opening defined benefit obligation | **20,124** |
| Interest cost | **1,557** |
| Current service cost | **17,012** |
| Benefits paid | **—** |
| Actuarial (gains) / losses on obligation | **(13,256)** |
| Closing defined benefit obligation | **25,437** |

Changes in the fair value of plan assests are as follows:

| **Gratuity** | **(Rs. in 000's)** |
|---|---|
| | **Year ended March 31, 2007** |
| Opening fair value of plan assests | **4,036** |
| Expected return | **582** |
| Contributions by employer | **6,271** |
| Benefits paid | **—** |
| Actuarial gains / (losses) | **1** |
| Closing fair value of plan assets | **10,890** |

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

**Gratuity**

| | As on March 31, 2007 | As on March 31, 2006 |
|---|---|---|
| | % | % |
| Investments with insurer Managed Funds | 100% | 100% |

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determing Gratuity obligations for the Company's plans are shown below:

| | Gratuity | | Leave Encashment | |
|---|---|---|---|---|
| | As on March 31, 2007 % | As on March 31, 2006 % | As on March 31, 2007 % | As on March 31, 2006 % |
| Discount rate | 8.35% | 7.75% | 8.35% | 7.75% |
| Expected rate of return on assets | 7.50% | 7.50% | — | — |
| Increase in Compensation cost | 7.00% | 7.00% | 7.00% | 7.00% |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

| | One percentage point increase | One percentage point decrease |
|---|---|---|
| Effect on the aggregate of the service cost and interest cost | Not determined | Not determined |
| Effect on defined benefit obligation | Not determined | Not determined |

**Gratuity** **(Rs. in 000's)**

| | As on March 31, 2007 | As on March 31, 2006 |
|---|---|---|
| Defined benefit obligation | (25,437) | (20,124) |
| Plan assets | 10,890 | 4,036 |
| Surplus / (deficit) | (14,547) | (16,088) |
| Experience adjustments on plan liabilities | Not determined | Not determined |
| Experience adjustments on plan assets | Not determined | Not determined |

**Leave Encashment** **(Rs. in 000's)**

| | As on March 31, 2007 | As on March 31, 2006 |
|---|---|---|
| Defined benefit obligation | (33,472) | (14,338) |
| Experience adjustments on plan liabilities | Not determined | Not determined |

m) **Related Party Disclosure**

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

**(Rs. in 000's)**

| Name | Particulars | Year ended March 31, 2007 | Year ended March 31, 2006 |
|---|---|---|---|
| Holding Company | **A. Transaction during the year** | | |
| | Rent paid | 38 | 1,795 |
| | Staff Costs | 24,489 | 4,441 |
| | Miscellaneous Expenses | 8,717 | 2,188 |
| | Interest and other finance expenses | 314,823 | 100,788 |
| | Bank Guarantee Comm. | 8,692 | 7,790 |
| | Management Fees | 713,833 | 529,769 |
| | Expenses recovered | 2,266,467 | 2,744,693 |
| | Interest Income on fixed deposits | 6,511 | 200,888 |
| | Purchase of housing loan Portfolio | 13,171,403 | 37,711,022 |
| | Sell down of housing loan portfolio | — | 18,307,726 |
| | Dividend – Equity Shares | 255,375 | 55,125 |
| | Dividend – Preference Shares | 15 | 15 |
| | **B. Outstanding Balances** | | |
| | Bank Balance (including interest accrued on fixed deposits) | 223,004 | 306,406 |
| | Amount recoverable on account of expenses | 386,664 | 908,915 |
| | Unsecured loan | 1,199,445 | 1,199,445 |
| | Amount payable on account of expenses (Including interest accrued but not due on unsecured loans) | 107,435 | 41,246 |
| Fellow Subsidiaries | Insurance Premium | 37,070 | 65,966 |
| | Property Service Group fee | 3,596 | — |

(i) Holding Company: ICICI Bank Limited

(ii) Fellow Subsidiaries: ICICI Venture Funds Management Company Limited, ICICI Securities Limited, ICICI International Limited, ICICI Trusteeship Services Limited, ICICI Investment Management Company Limited, ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Bank UK Plc., ICICI Bank Canada, ICICI Prudential Life Insurance Company Limited, ICICI Lombard General Insurance Company Limited, Prudential ICICI Asset Management Company Limited, Prudential ICICI Trust Limited, ICICI Securities Primary Dealership Limited and ICICI Bank Eurasia Limited Liability Company.

(iii) Key Management Personnel: Anand Kusre, CEO

n) (i) Loans and other credit facilities includes:

**(Rs. in 000's)**

| Particulars | As on March 31, 2007 | As on March 31, 2006 |
|---|---|---|
| **Outstanding for more than six months** | | |
| Considered Good | 55,235 | 37,228 |
| Considered Doubtful | 58,263 | 65,180 |
| | 113,498 | 102,408 |
| **Other Debts** | | |
| Considered Good | 43,170,011 | 38,026,301 |
| Considered Doubtful | 16,256 | 2,831 |
| | 43,186,267 | 38,029,132 |
| **Total** | 43,299,765 | 38,131,540 |

(ii) Disclosures of provisions for assets

(Rs. in 000's)

| Particulars | Sub-Standards Assets | | Doubtful Assets | | Loss Assets | |
|---|---|---|---|---|---|---|
| | As on March 31, 2007 | As on March 31, 2006 | As on March 31, 2007 | As on March 31, 2006 | As on March 31, 2007 | As on March 31, 2006 |
| Housing | **6,157** | *(337)* | **9,544** | *11,715* | **53,258** | *48,546* |
| Non-Housing | **77** | *5,840* | **5,483** | *329* | **—** | *—* |
| **Total** | **6,234** | *5,503* | **15,027** | *12,044* | **53,258** | *48,546* |

o) Disclosure of Provision for contingencies

(Rs. in 000's)

| Particulars | Year ended March 31, 2007 | Year ended March 31, 2006 |
|---|---|---|
| Servicing expenses provision on loans securitized | | |
| Opening Balance | **10,848** | *13,027* |
| Utilisations / (write back) | **(5,111)** | *(2,179)* |
| Closing Balance | **5,737** | *10,848* |
| Provision for delinquencies, prepayment and conversion risk on loans securitized | | |
| Opening Balance | **198,305** | *686,257* |
| Additions | **4,619** | *—* |
| Utilisations / (write back) | **(4,619)** | *(487,952)* |
| Closing Balance | **198,305** | *198,305* |

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

p) Managerial Remuneration

(Rs. in 000's)

| Particulars | Year ended March 31, 2007 | Year ended March 31, 2006 |
|---|---|---|
| Salary | **1,200** | *400* |
| Cont. to Provident & Other Funds | **—** | *—* |
| Perquisites | **—** | *—* |
| **Total** | **1,200** | *400* |

q) Auditors' remuneration (including service tax)

(Rs. in 000's)

| Particulars | Year ended March 31, 2007 | Year ended March 31, 2006 |
|---|---|---|
| Statutory Audit fees | **730** | *661* |
| Tax audit fees | **112** | *110* |
| Certification and other charges | **618** | *351* |
| **Total** | **1,460** | *1,122* |

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

(Rs. in 000's)

| Particulars | Year ended March 31, 2007 | Year ended March 31, 2006 |
|---|---|---|
| Employee cost | **26,831** | *50,116* |
| Advertisement & Sales Promotion | **127,601** | *216,382* |
| Customer acquisition | **1,035,542** | *1,307,981* |
| Professional and legal charges | **321,737** | *654,964* |
| Rent | **131,055** | *95,482* |
| Communication | **90,014** | *137,709* |
| Travelling and conveyance | **6,728** | *22,285* |
| Printing & stationery | **53,830** | *54,248* |
| Insurance | **145** | *849* |
| Electricity | **61,218** | *59,109* |
| Rates & Taxes | **12,723** | *7,256* |
| Repairs & maintenance – others | **62,682** | *33,692* |
| Miscellaneous expenses | **106,990** | *104,621* |
| Service Tax | **229,371** | *—* |
| **Total** | **2,266,467** | *2,744,694* |

s) Earnings in Foreign Currency

(Rs. in 000's)

| Particulars | Year ended March 31, 2007 | Year ended March 31, 2006 |
|---|---|---|
| Fee Income | **3,928** | *—* |

t) Figures of the previous year have been regrouped to conform to the current period's presentation.

For and on behalf of the Board

V. VAIDYANATHAN
*Chairman*

RAJIV SABHARWAL
*Director*

*Mumbai, April 21, 2007*

AMOL CHITNAVIS
*Company secretary*

ANAND KUSRE
*Chief Executive Officer*

# cash flow statement

## for the year ended March 31, 2007

| | (Rs. in 000's) | *March 31, 2006* |
|---|---|---|
| **A. Cash Flow from Operating Activities :** | | |
| Profit before taxation and exceptional items | **637,287** | *224,871* |
| *Adjustments for:* | | |
| Depreciation / Amortisation (net of write back) | **2,344** | *9,828* |
| Provision for contingencies | **(5,111)** | *(4,037)* |
| Provision / ( write back ) against standard assets | **21,586** | *35,475* |
| Loss on sale of fixed assets/Written Off | **2,629** | *18,939* |
| Provision and write off against Non-performing Assets | **(10,863)** | *71,746* |
| Profit on sale of long term investments | **—** | *(1)* |
| Loss on sale of long term investments | **17,670** | *—* |
| Interest received | **(10,579)** | *(212,248)* |
| Dividend Income | **(189)** | *(946)* |
| Miscellaneous Expenditure written/off | **—** | *9,395* |
| Servicing Liability written back | **—** | *(1,542)* |
| Operating Profit before Working Capital Changes | **654,774** | *151,479* |
| *Adjustments for:* | | |
| Trade and Other Receivables | **11,286** | *542,869* |
| Trade Payables and Other Liabilities | **33,411** | *(536,503)* |
| Loans given (net) | **(5,148,936)** | *(14,093,332)* |
| Cash generated from Operations | **(4,449,464)** | *(13,935,487)* |
| Income Taxes paid | **(111,070)** | *(129,937)* |
| **Net cash from Operating Activities - A** | **(4,560,534)** | *(14,065,424)* |
| **B. Cash Flow from Investing Activities :** | | |
| Purchase of fixed assets | **—** | *—* |
| Sale of fixed assets | **1,951** | *618* |
| Purchase of Investments | **(149,524)** | *(19,226)* |
| Sale of Investments | **60,195** | *71,257* |
| Dividend Income | **189** | *946* |
| Interest received | **10,579** | *212,248* |
| **Net cash from Investing Activities - B** | **(76,610)** | *265,843* |
| **C. Cash Flow from Financing Activities :** | | |
| Issuance of the Equity Shares | **—** | *1,000,000* |
| Dividend and dividend tax | **(291,208)** | *(62,895)* |
| Proceeds from borrowings (net) | **4,950,946** | *8,706,187* |
| **Net Cash used in Financing Activities - C** | **4,659,738** | *9,643,292* |
| **Net Increase in Cash and Cash Equivalents (A+B+C)** | **22,594** | *(4,156,289)* |
| **Cash and Cash Equivalents as at beginning** | **426,862** | *4,583,149* |
| **Cash and Cash Equivalents as at end** | **449,456** | *426,862* |

**Notes :**

1. Cash and Cash Equivalents consists of :

| | | |
|---|---|---|
| A. Bank balances | | |
| I) Current Accounts | **67,282** | *212,047* |
| II) Deposit Accounts | **160,000** | *120,869* |
| B. Investments in mutual fund units | **222,174** | *93,946* |
| | **449,456** | *426,862* |

2. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in AS - 3 on "Cash Flow Statements " issued by the Institute of Chartered Accountants of India.

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

As per our report of even date

For S.R. BATLIBOI & CO.
*Chartered Accountants*

per VIREN H. MEHTA
*a Partner*
*Membership No.: 048749*

*Mumbai, April 21, 2007*

AMOL CHITNAVIS
*Company Secretary*

For and on behalf of the Board

V. VAIDYANATHAN
*Chairman*

RAJIV SABHARWAL
*Director*

ANAND KUSRE
*Chief Executive Officer*

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS PER PART IV, SCHEDULE VI OF THE COMPANIES ACT, 1956

**(Rs. in 000's)**

**1. Registration details**

Registration No. 0 1 2 0 1 0 6    State Code 1 1

Balance Sheet Date 3 1 (Date) 0 3 (Month) 2 0 0 7 (Year)

**2. Capital raised during the Year**

| | |
|---|---|
| Public Issue | NIL |
| Bonus Issue | NIL |
| Rights Issue | NIL |
| Private Placement | NIL |

**3. Position of mobilisation and deployment of funds**

| | |
|---|---|
| Total Liabilities | 46107821 |
| Total Assets | 46107821 |

**Sources of funds**

| | |
|---|---|
| Paid-up Capital | 2987500 |
| Reserves and Surplus | 705013 |
| Secured Loans | NIL |
| Unsecured Loans | 40866319 |

**Application of funds**

| | |
|---|---|
| Net Fixed Assets | 7906 |
| Loans & Investments | 43596944 |
| Net Current Assets | 800909 |
| Miscellaneous Expenditure & Deferred Tax Assets | 153074 |
| Accumulated Losses | NIL |

**4. Performance of the Company**

| | |
|---|---|
| Turnover | 4442757 |
| Expenditure | 3805470 |
| Profit/(Loss) Before Tax | 637287 |
| Profit/(Loss) After Tax | 469653 |
| Earnings Per Share in Rupees - Basic | 1.66 |
| Dividend Rate % | 9 |

**5. Generic names of three principal products/services of the Company (As per monetary terms)**

| Product Description | Item Code |
|---|---|
| Home Loans | NIL |

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For and on behalf of the Board

V. VAIDYANATHAN
*Chairman*

RAJIV SABHARWAL
*Director*

AMOL CHITNAVIS
*Company Secretary*

ANAND KUSRE
*Chief Executive Officer*

*Mumbai, April 21, 2007*