

ICICI SECURITIES, INC.

7TH ANNUAL REPORT AND ACCOUNTS 2006-2007

Directors

Nitin Jain
 J. Niranjana
 Gopakumar P., *President & CEO*
 Subir Saha
 Anup Bagchi

Auditors

S. R. Batliboi & Co.
Chartered Accountants

Registered Office

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

directors' report

to the members

The Directors take pleasure in presenting the Seventh Annual Report of ICICI Securities, Inc. (the Company) with the audited Statement of Accounts for the year ended March 31, 2007.

INDUSTRY OVERVIEW

The year saw unprecedented interest from international institutional investors wanting to invest in Indian capital markets. Overseas offerings, which were the preferred fund raising option for follow-on offerings in FY2006, received relatively subdued response from Indian corporates in FY2007. The primary reason for the reducing preference for International offerings by Indian corporates has been the introduction of 'Qualified Institutions Placements' by the Securities & Exchange Board of India (SEBI), the Securities Regulator in India, facilitating follow-on fund raising by listed companies in India.

FINANCIAL HIGHLIGHTS

	Fiscal 2007	Fiscal 2006 (Rs. in 000's)
Gross Income	104,735.74	288,429.94
Profit before Tax	(83,148.10)	73,858.26
Provision for Tax	(16,601.19)	30,397.79
Profit after Tax	(66,546.91)	43,460.47

OPERATIONAL REVIEW

The Company was formed to undertake securities business in the US and is a member of the National Association of Securities Dealers (NASD). Since commencement of its operations, the Company has been providing brokerage and research services to US institutional investors and has been focussing on institutional clients in the US who have been actively investing in the Indian equity markets.

During the period under review, the Company continued to make its presence felt among the institutional investor community. On the back of strong growth, the Indian equity bull run continued with the Sensex touching new highs.

The investors' conference at Singapore and New York witnessed excellent responses from investors across the globe. The Singapore conference was extended to Hong Kong for a day, gleaming favourable response from investors. The 'India Unlimited' conference was also hosted in London for the first time, thereby helping build franchise in European markets and win several new clients.

The Board takes pleasure in informing you that the Company has received all necessary approvals from NASD, *inter alia*, for conducting the following additional activities:

- act as a mutual fund retailer and sell variable life insurance or annuities;
- solicit time deposits for financial institutions;
- enhance the activities involving private placements of securities, including interests in exempt investment company securities;
- act as a broker or dealer for closed-end funds and exchange traded funds;
- act as a broker or dealer selling structured investment products; and
- act as a broker or dealer offering advisory services involving mergers and acquisitions.

On receipt of the approval, the Company has started its wealth management business in the US. The Company is targetting high net-worth Non Resident Indian (NRI) customers in the US to offer them India-centric investment products. The Company has been successful in reaching out to this segment by leveraging ICICI Group relationships with the NRI community in the US.

The Company is also expanding its footprint in the US and to this end, branch offices have been opened in Houston, Texas and San Jose, California. With the opening of these branches, the Company has presence in five locations – New York, London, Singapore, San Jose and Houston. These offices shall provide a major impetus to the Company's growth momentum.

The Company has also forayed into alliances with Product Manufacturers in the US to distribute their funds among its client base in the US.

The Company has appointed a full time Compliance & Anti-Money Laundering Officer in its New York Office. A large part of 2006 was dedicated to further development of the Firm's Anti-Money Laundering (AML) program. Initiatives included the following:

- further refinement of the Firm's AML policies and procedures;
- revision of the Firm's new account procedures; and
- creating a risk matrix for enhanced due diligence on new customers.

SHARE CAPITAL

During the year, the paid-up equity share capital of the Company reduced by US\$ 4 mn from US\$ 11.05 mn to US\$ 7.05 mn.

DIRECTORS

Sripat Pandey, Devesh Kumar and Madhav Kalyan resigned from the Board during the year. The Board places on record its appreciation for the valuable services rendered by them. During the year, Anup Bagchi was appointed on the Board as a Director.

AUDITORS

The Auditors, S. R. Batliboi & Co., Chartered Accountants, Mumbai, appointed pursuant to the provisions of the Companies Act, 1956, will retire at the ensuing Annual General Meeting and offer themselves for reappointment. The Board at its Meeting held on April 23, 2007 has proposed their re-appointment as Auditors to audit the accounts of the Company for the year ended on March 31, 2008 as per Indian GAAP. You are requested to consider the re-appointment of aforementioned retiring Auditors.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company confirm —

1. that the applicable accounting standards have been followed in preparing the final accounts and that there have been no material departures;
2. that such accounting policies have been selected and applied consistently and such judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2007 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; and
4. that the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS

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

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

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

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

For and on behalf of the Board

New York, April 23, 2007

GOPAKUMAR P.
President & CEO

auditors' report

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

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

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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2007;
- b) in the case of the profit and loss account, of the loss for the year ended on that date; and
- c) in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per VIJAY MANIAR
Partner
Membership No.: 36738

Mumbai, April 23, 2007

balance sheet

profit and loss account

as at March 31, 2007

for the year ended March 31, 2007

Schedule		(Rs. in '000s)	March 31, 2006	(US\$ in '000s)	March 31, 2006	Schedule		(Rs. in '000s)	March 31, 2006	(US\$ in '000s)	March 31, 2006	
SOURCES OF FUNDS						INCOME FROM OPERATIONS						
Shareholders' Funds						(a) Income from						
A.	Share Capital	A	314,187.50	491,212.05	7,050.00	11,050.00	Services	J	68,296.89	272,858.96	1,509.63	6,163.11
B.	Reserves & Surplus	B	(49,686.80)	24,284.09	(951.18)	504.84	(b) Interest Income	L	1,649.14	1,991.16	36.45	44.97
Loan Funds						(c) Profit on						
A.	Unsecured Loans		326,025.00	334,612.50	7,500.00	7,500.00	Securities (Net)	K	15,935.93	7,635.35	352.25	172.46
			<u>590,525.70</u>	<u>850,108.64</u>	<u>13,598.82</u>	<u>19,054.84</u>	(d) Other Income	M	18,853.78	5,944.47	416.74	134.27
APPLICATION OF FUNDS												
1. Fixed Assets						Less: Operating Expenditure						
	Gross Block	C	1,945.36	536.19	44.75	12.02	Financial Charges and					
	Less: Depreciation		482.07	87.51	11.09	1.96	Operating					
	Net Block		1,463.29	448.68	33.66	10.06	Expenses	N	49,674.49	138,219.44	1,098.01	3,121.97
	Capital Work-in-progress		18,214.01	—	419.00	—			55,061.25	150,210.50	1,217.06	3,392.84
			<u>19,677.30</u>	<u>448.68</u>	<u>452.66</u>	<u>10.06</u>	EXPENDITURE					
2. Current Assets						Less: Administrative Expenditure						
Loans & Advances						(a) Payments to						
A. Current Assets -						and Provisions						
(a)	Interest		—	116.99	—	2.62	for Employees	O	67,352.14	22,201.99	1,488.75	501.48
	Accrued	D					(b) Establishment and					
(b)	Sundry						Other Expenses	P	70,448.86	54,063.41	1,557.20	1,220.64
	Debtors	E	6,714.08	12,833.19	154.45	287.65	(c) Depreciation		408.35	86.84	9.03	1.96
(c)	Securities held								<u>138,209.35</u>	<u>76,352.24</u>	<u>3,054.98</u>	<u>1,724.08</u>
	as Stock-in-Trade	F	523,650.60	902,997.96	12,046.25	20,239.78	Profit before Taxation					
(d)	Cash & Bank								(83,148.10)	73,858.26	(1,837.92)	1,668.76
	Balances	G	44,347.73	64,831.49	1,020.18	1,453.13	Less: Provision for					
							Taxation					
									(16,601.19)	30,397.79	(381.90)	686.60
			<u>608,092.91</u>	<u>991,622.40</u>	<u>13,988.76</u>	<u>22,226.21</u>	Profit after Taxation					
									(66,546.91)	43,460.47	(1,456.02)	982.16
							Brought forward					
							from previous years					
									21,329.38	(6,480.61)	504.84	(123.82)
							Amount available					
							for appropriations					
									(45,217.53)	36,979.86	(951.18)	858.34
							Interim Dividend					
									—	15,650.48	—	353.50
							Balance carried to					
							Balance Sheet					
									(45,217.53)	21,329.38	(951.18)	504.84
							Earnings per share (Basic & Diluted)					
							(Face value US \$1 per share)					
									(7.50)	16.39		
Notes to Accounts						Notes to Accounts						
Q						Q						

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

For S. R. BATLIBOI & CO.

Chartered Accountants

Per VIJAY MANIAR

Partner

Membership No: 36738

Mumbai, April 23, 2007

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

For and on behalf of the Board

GOPAKUMAR P.

President & CEO

ANUP BAGCHI

Director

March 31, 2006 (Rs. in 000's) March 31, 2006 (US\$ in 000's)

SCHEDULE "A" - SHARE CAPITAL

Authorized:

15,000,000 Equity Shares of US\$ 1 each

Issued Subscribed & Paid-up:

Common stock, US\$ 1 par value; 7,050,000 shares
(Previous year 11,050,000 shares)

314,187.50 491,212.05 7,050.00 11,050.00

SCHEDULE "B"- RESERVES AND SURPLUS

Profit and Loss Account

(45,217.53) 21,329.38 (951.18) 504.84

Translation Reserve

(4,469.27) 2,954.71 — —

Total

(49,686.80) 24,284.09 (951.18) 504.84

SCHEDULE "C" - FIXED ASSETS

	(Rs. in 000's)				(US\$ in 000's)						
	Gross Block (At Cost)			Accumulated Depreciation			Net Block		Net Block		
	April 1, 2006	Additions	Sale/Adj	March 31, 2007	Additions	Sale/Adj	March 31, 2007	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006
Computers	536.19	974.47	—	1,510.66	381.96	—	469.47	1,041.19	440.02	23.95	10.06
Software	—	434.70	—	434.70	12.57	—	12.57	422.13	—	9.71	—
TOTAL	536.19	1,409.17	—	1,945.36	394.53	—	482.04	1,463.32	440.02	33.66	10.06
<i>Previous Period</i>	—	536.19	—	536.19	87.51	—	87.51	448.68			

Notes:

- Fixed Assets includes Translation Reserve of Rs. (41) Thousand.
- Depreciation for the year includes Translation Reserve of Rs. 0.67 Thousand.

SCHEDULE "D" - INTEREST ACCRUED

	(Rs. in '000s)	March 31, 2006	(US\$ in 000's)	March 31, 2006
On Loans & Advances	—	116.99	—	2.62
	—	116.99	—	2.62

SCHEDULE "E" - SUNDRY DEBTORS (Unsecured)

(A) Receivables outstanding for a period exceeding six months:

Considered Good	6,714.08	5,126.98	154.45	114.92
Considered Doubtful	4,995.40	—	114.92	—

(B) Receivables outstanding for a period not exceeding six months:

Considered Good	—	7,706.21	—	172.73
	11,709.48	—	269.37	—
<i>Less: Provision for Doubtful debts</i>	4,995.40	—	114.92	—

Total 6,714.08 12,833.19 154.45 287.65

schedules

forming part of the Accounts

		(Rs. in 000's)	March 31, 2006	(US\$ in 000's)	March 31, 2006
SCHEDULE "F" - SECURITIES HELD AS STOCK-IN-TRADE					
(at lower of cost or market value) (Quoted unless otherwise stated)	Total Face Value (in US\$ thousands)				
United State Treas Bills 0.000% 13/04/2006	Nil (800)	—	355,747.52	—	7,973.72
Federal Home Ln Cons Discnts 0.000% 21/04/2006	Nil (600)	—	266,518.86	—	5,973.75
Units of Mutual Fund		523,650.60	280,731.58	12,046.25	6,292.31
		523,650.60	902,997.96	12,046.25	20,239.78
SCHEDULE "G" - CASH AND BANK BALANCES					
In Current Accounts with Banks		15,332.95	37,030.72	352.71	830.00
Fixed Deposits with Scheduled Banks		29,014.78	27,800.77	667.47	623.13
Total		44,347.73	64,831.49	1,020.18	1,453.13
SCHEDULE "H" - LOANS AND ADVANCES (Unsecured and considered good unless otherwise stated)					
Advances: (Recoverable in cash or in kind or for value to be received)					
Other Advances and Deposits		10,856.39	10,417.75	249.73	233.50
Security Deposit for Leased Premises		22,524.11	425.02	518.15	9.53
		33,380.50	10,842.77	767.88	243.03
Total (A)+(B)		33,380.50	10,842.77		
SCHEDULE "I" - CURRENT LIABILITIES					
Sundry Creditors For Expenses		26,141.25	99,107.39	601.36	2,221.39
Other Liabilities		26,665.17	11,287.15	599.22	252.48
Interest Accrued but not due		1,039.28	935.24	23.91	20.96
Provision for Tax		(16,601.19)	30,632.66	(381.90)	686.60
Total		37,244.51	141,962.44	842.59	3,181.43
Includes amount payable to SSI units Rs. Nil (Previous year Rs. Nil)					
SCHEDULE "J" - INCOME FROM SERVICES					
Brokerage and Commission		33,640.14	37,503.24	743.58	847.09
Syndication Fees		—	1,770.92	—	40.00
Financial Advisory Services		34,656.75	233,584.80	766.05	5,276.02
Total		68,296.89	272,858.96	1,509.63	6,163.11
SCHEDULE "K" - PROFIT ON SECURITIES (NET)					
Profit on Stock-in-Trade		15,935.93	7,635.35	352.25	172.46
Total		15,935.93	7,635.35	352.25	172.46
SCHEDULE "L" - INTEREST INCOME					
Interest on Other Loans and Advances		1,649.14	745.59	36.45	16.84
Interest on Securities held as Stock-in-Trade		—	1,245.57	—	28.13
Total		1,649.14	1,991.16	36.45	44.97

schedules

	(Rs. in 000's)	March 31, 2006	(US\$ in 000's)	March 31, 2006
SCHEDULE "M" - OTHER INCOME				
Miscellaneous Income	0.03	8.20	—	0.19
Dividend Income from Mutual Funds	18,853.75	5,936.27	416.74	134.08
Total	18,853.78	5,944.47	416.74	134.27

SCHEDULE "N" - FINANCIAL CHARGES AND OPERATING EXPENSES

Bank Charges	460.12	358.78	10.17	8.10
Interest on Fixed Loans and Debentures	24,278.36	15,989.34	536.65	361.15
Procurement Expenses	19,059.90	121,419.57	421.30	2,742.52
Transaction Charges	677.21	451.75	14.97	10.20
Doubtful Debts Written Off/Provided	5,198.90	—	114.92	—
Total	49,674.49	138,219.44	1,098.01	3,121.97

SCHEDULE "O" - PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

Salaries, Wages and Incentive	62,995.54	20,757.26	1,392.45	468.85
Staff Welfare Expenses	4,356.60	1,444.73	96.30	32.63
Total	67,352.14	22,201.99	1,488.75	501.48

SCHEDULE "P" - ESTABLISHMENT AND OTHER EXPENSES

Rent and Amenities	6,664.53	2,035.41	147.31	45.97
Rates and Taxes	510.33	639.71	11.28	14.45
Insurance	51.28	86.73	1.13	1.96
Business Promotion, Travelling and Conveyance Expenses	15,039.64	16,653.44	332.43	376.15
Subscription and Periodicals	4,690.40	1,336.90	103.68	30.20
Printing and Stationery	37.38	52.11	0.83	1.18
Communication Expenses	4,718.53	1,058.33	104.30	23.90
Professional Fees	18,200.79	12,345.01	402.31	278.84
Auditors' Remuneration	5,635.99	896.75	124.58	20.26
Service Charges	12,985.15	18,594.63	287.02	420.00
Miscellaneous Expenses	1,914.84	364.39	42.33	7.73
Total	70,448.86	54,063.41	1,557.20	1,220.64

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

1. Significant Accounting Policies

(i) Method of Accounting

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

(ii) Revenue Recognition

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

(iii) Conversion to Indian Rupees

All income and expense items are converted at the average rate of

exchange applicable for the year. All assets and liabilities are translated at the closing rate as on the Balance Sheet date.

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

(iv) Income Tax

Tax expense comprises both current and deferred taxes. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised

schedules

forming part of the Accounts

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

(v) Earnings Per Share

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

(vi) Provisions

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

(vii) Stock-in-trade

- The securities acquired with the intention of holding for short-term and trading are classified as stock-in-trade.
- The securities held as stock-in-trade are valued at lower of cost or market/fair value.
- Discounted instruments like Commercial paper/Certificates of Deposit/treasury bills/zero coupon instruments are valued at carrying cost or market price whichever is lower.
- Units of mutual fund are valued at lower of cost and net asset value.

(viii) Fixed Assets and Depreciation

Fixed assets are stated at historical cost.

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

Depreciation of Assets	Estimate Life
Office Equipment, Computers & software	3 Years

(ix) Segment Reporting

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

(x) 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.

- The Company is a wholly owned subsidiary of ICICI Securities Holdings Inc. The accounts have been prepared and audited to attach with the accounts of ICICI Securities Primary Dealership Ltd., the ultimate holding Company, to comply with the provisions of the Indian Companies Act, 1956.

3. Deferred Tax

Deferred Tax asset resulting from accumulated losses have not been

accounted in the absence of virtual certainty of availability of sufficient future taxable income.

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

5. Related Party Disclosures

The following are the details of transactions with related parties:

Name of the related Party	Type of Transactions	(Rs. in 000's)	
		2006-07	2005-06
ICICI Securities Holdings Inc.	Share Capital	314,187	491,212
– The Holding Company	Establishment expenses	14,250	18,594
ICICI Securities Ltd.	Income from Services	25,836	37,503
– Subsidiary of ICICI Securities Primary Dealership Ltd.	Sundry Debtors	1,389	5,475
ICICI Securities Primary Dealership Ltd.	Financial Charges & Operating Expenses	15,182	105,911
– Parent Company	Current Liability	—	35,107
ICICI Bank Ltd.	Bank Balance	812	779
– Parent Company	Loans & Advances	—	2,268
	Unsecured Loans	326,025	334,612
	Current Liabilities	1,039	935
	Financial Charges & Operating Expenses	24,286	15,992

6. Earnings per Equity Share (EPS)

EPS has been calculated based on the net loss after taxation of Rs. 66,546.91 thousands (previous year Rs. 73,858.26 thousands) and the weighted average number of equity shares outstanding during the year of 8,869.18 thousands (previous year 4507.53 thousands).

7. 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 Primary Dealership Ltd. (Ultimate holding company).

With respect to the incentive units granted to the employees during the year, the Company has provided Rs. 1.58 million 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. 145.98 as at March 31, 2007.

Opening Units	Additional/Granted	Forfeited/Exercised	Closing
30,149	—	12,755	17,394

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

Signatures to Schedules A to Q

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

per VIJAY MANIAR
Partner
Membership No.: 36738
Mumbai, April 23, 2007

For and on behalf of the Board
GOPAKUMAR P.
President & CEO

ANUP BAGCHI
Director

cash flow statement



for the year ended March 31, 2007

	(Rs. in 000's)	March 31, 2006	(US\$ in 000's)	March 31, 2006
A. Cash Flow From Operating Activities				
Profit Before Tax	(83,148.10)	73,858.26	(1,837.92)	1,668.76
– Depreciation	408.35	86.84	9.03	1.96
– Exchange adjustments	(7,437.80)	4,503.68	—	—
Operating Profit before Changes in Operating Assets and Liabilities	(90,177.55)	78,448.78	(1,828.89)	1,670.72
Adjustments for net change in Operating Assets and Liabilities				
– Current Assets excluding Cash and Cash equivalents	385,583.46	(875,816.58)	8,329.35	(19,612.65)
– Loans and advances relating to Operations	(22,537.73)	(5,903.55)	(524.85)	(130.12)
– Current Liabilities relating to Operations	(57,484.08)	97,356.55	(1,270.34)	2,175.41
	305,561.65	(784,363.58)	6,534.16	(17,567.36)
Cash generated from Operations	215,384.10	(705,914.80)	4,705.27	(15,896.64)
Payment of Taxes (Net)	(30,632.66)	—	(686.60)	—
Net Cash from Operating Activities	184,751.44	(705,914.80)	4,018.67	(15,896.64)
B. Cash Flow From Investment Activities				
– Acquisition of Equity Investments in Subsidiary Companies	—	—	—	—
– (Purchase)/Sale of Investments	—	—	—	—
– (Purchase)/Sale of Fixed Assets	(19,623.18)	(536.19)	(451.73)	(12.02)
Net cash used in Investment Activities	(19,623.18)	(536.19)	(451.73)	(12.02)
C. Cash Flow From Financing Activities				
– Increase/(Decrease) in Borrowings	(8,587.50)	334,612.50	—	7,500.00
– Proceeds from Issue of Share Capital	(177,024.55)	442,902.50	(4,000.00)	10,000.00
– Proceeds from Issue of Debentures	—	—	—	—
– Dividends & Dividend Tax paid	—	(15,650.48)	—	(353.50)
Net Cash used in Financing Activities	(185,612.05)	761,864.52	(4,000.00)	17,146.50
Net Change in Cash & Cash Equivalents	(20,483.79)	55,413.53	(433.06)	1,237.84
Cash and Cash Equivalents at the beginning of the year	64,831.49	9,417.96	1,453.13	215.29
Cash and Cash Equivalents at the end of the year	44,347.70	64,831.49	1,020.07	1,453.13

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 VIJAY MANIAR
Partner
Membership No.: 36738
Mumbai, April 23, 2007

For and on behalf of the Board
GOPAKUMAR P.
President & CEO

ANUP BAGCHI
Director