ICICI Securities
Primary Dealership Limited

ICICI SECURITIES PRIMARY DEALERSHIP LIMITED

14TH ANNUAL REPORT AND ANNUAL ACCOUNTS 2006-2007

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

S. Mukherji
Managing Director & CEO

Auditors
S. R. Batliboi & Company
Chartered Accountants

Raju Nanwani
Company Secretary

Registered Office
ICICI Centre
H. T. Parekh Marg
Mumbai - 400 020

Offices
3rd Floor, ICICI Bank Tower
NBCC Place
Bisham Pitamah Marg
New Delhi 110 003

II Floor, ICICI Bank Tower
93, Santhome High Road
Chennai 600 018

2B, Gorky Terrace
Off. Lower Circular Road
Kolkata 700 017

directors' report

to the members

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

CHANGE OF NAME

Pursuant to the resolution passed by the members at the Extraordinary General Meeting held on January 17, 2007, the Registrar of Companies, Maharashtra, accorded approval for the change in name of the Company from 'ICICI Securities Limited' to 'ICICI Securities Primary Dealership Limited' effective March 1, 2007.

INDUSTRY OVERVIEW

India's economy enjoyed another year of high growth in FY2006-2007. The economy successfully overcame high oil prices, challenging global environment and a disappointing kharif output to post a commendable 9.2% GDP growth (CSO estimate) on the back of 9% growth in the previous year. The expansion was underpinned by solid household demand and rising investment demand. The good news was, however, marred as overheating fears surfaced during the year. Rising inflation, elevated levels of credit growth and strong capital inflows led Reserve Bank of India (RBI) to significantly tighten monetary conditions in the second half of the year.

Inflation turned out to be a key factor influencing policy actions and financial markets in the fiscal fourth quarter. After rising sharply from below 4% to 5.5% in the fiscal first quarter, headline inflation flat-lined in the 4.5-5.5% range in July-November. From this point onwards, headline inflation continued to climb rapidly to 6.5% levels by the end of the financial year on the back of non-seasonal rise in primary articles' prices and steadily rising manufacturing prices. Among other indicators, bank credit continued to grow faster than RBI estimates; for the full year, non-food credit expanded at an average of 31.5%, although the growth slowed marginally from 33% in first half to 30% in the second half. On the external accounts side, despite widening current account deficit, BoP surplus more than doubled to over US$ 30 bn due to rising FDI inflows and continued recourse to external borrowings by the corporate sector.

The rise in inflation to above RBI's tolerance level led to co-ordinated policy action by the Government and the central bank in the last four months of FY2007. The Government cut import duties across the board and also resorted to import of food grains to cool food prices. The Central Bank, having hiked Liquidity Adjustment Facility (LAF) rates by 50bps in H1FY2007, changed the monetary management paradigm by shifting to a strategy of liquidity management in the second half. The strategy consisted of sucking out excess liquidity arising from forex intervention and letting overnight rates rule around the upper end of the LAF corridor. Accordingly, the RBI hiked the repo rate 75bps and CRR 150bps in the six months starting October 2006 to contain inflation expectations. The Central Bank also stepped up Market Stabilisation Scheme issuances in the fiscal fourth quarter as part of its sterilisation operations. As a result, money market conditions turned tight in the middle of December 2006 and have remained so since then. During the advance tax outflows in March, overnight rates touched highs of 70%.

Government bond yields changed direction twice during the year. After dipping in the first fortnight of the fiscal, bond yields rose over 100bps in the April-July period, in reaction to rising oil prices, rate hike by the RBI, changes in the auction calendar and lack of clarity about US Federal Reserve's rate actions. This bearish phase ended when the RBI acted as per expectations in the July review of the monetary policy and the US Fed decided to pause its rate tightening campaign. Doubts about the health of the US economy following a sharp slowdown in the housing market and moderate inflation led to the start of a rally in bond market in August. In the second half of the fiscal, bond market had to contend with steady, continuous demand for G-Secs from the banking system, which had run down its excess-SLR holdings to just 4% of net demand and time liability from 9% in FY2006. All these factors together contributed to a drop in the 10-year yield by around 100bps from peak levels, before rates bottomed out in November. From December, bond market had to contend with a number of RBI actions in quick succession. Other than these, sentiment was hit by the Government promulgating an ordinance (later passed as a Bill) granting RBI the flexibility to lower SLR requirements. From December, bond market turned volatile even as yields moved up. The 10-year yield moved up by nearly 60 bps in this period. For the financial year as a whole, the 10-year yield rose 47 bps. The 1-10 year spread more than halved from 101 bps at the start of April 2006 to 42bps at the end of March 2007.

Globally, the Federal Reserve upped its policy rate 50bps to 5.25% in the fiscal first quarter and then left the rate unchanged since then as the US economy slowed down. While it retained a tightening bias in this period, in March 2007 the Fed changed its policy outlook to symmetrical. The European Central Bank (ECB) continued hiking rates through FY2007; policy rates went up 125 bps to 3.75% by March 2007. The Bank of Japan (BoJ) moved away from its zero rate policy in July 2006 and by end of the financial year had hiked policy rate to 0.5%. The People's Bank of China (PBoC) continued tightening monetary conditions through a combination of higher reserve requirements and rate hikes.

Resources raised from the equity markets were lower in the year under review. The total primary issuance of equity and equity-linked issuances by Indian corporates was Rs. 663 bn in FY2007 against Rs. 679 bn in FY2006. Domestic primary equity market remained more or less flat, with total issuances increasing to Rs. 249.22 bn in FY2007 from Rs. 236.74 bn in FY2006. The number of offerings was 85 (Source: Prime Database).

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 total funds raised through International offerings of GDRs, ADRs and FCCBs reduced to US$ 8,121 mn in FY2007 from US$ 9,976 mn in FY2006 (Source: Prime Database). Primary reason for the reducing preference for International offerings by Indian corporates has been the introduction of 'Qualified Institutions Placements' by SEBI facilitating follow-on fund raising by listed companies. In FY2007, 25 companies raised Rs. 49.63 bn through this route.

This year also saw a significant increase in M&A transaction volumes with the aggregate deal size growing to over US$ 60 bn. Corresponding deal volume for FY2006 was about US$ 40 bn. The Corus Group, Novelis Inc and Hutch Essar acquisitions together formed approximately half of the deals closed in FY2007; excluding the three transactions, the average deal size was about US$ 60 mn. There were more than 75 deals with deal value in excess of US$ 100 mn. The telecom, financial institutions, metals and IT sectors witnessed a number of transactions. There was a significant increase in the average size of transactions in the private equity space with more than 300 transactions amounting to a total value of US$ 7.47 bn being announced during CY2006 (Source: Venture Intelligence).

The acceptance of India as a global economic power has only increased further and is helping Indian companies make even larger acquisitions overseas. Confidence in the macro fundamentals was further reinforced by rating upgrade to investment grade from S&P, while Moody's and Fitch had already done earlier. On the back of strong growth, the Indian equity bull run continued with the Sensex touching new highs and corporate sector experiencing record level of M&A deals. The continued growth for a record period in succession attracted strong capital flows helping finance the current account deficit (expected to be in range of US$ 15-20 bn in FY2007 against US$ 10.4 bn in FY2006) and provide stability to Balance of Payments during the year.

With India expected to turn into a US$ 1 trn economy by March 2008, the J-curves of growth are being witnessed in more and more sectors, ranging from retail to aviation. There was a record addition of 7mn cellular subscribers in March 2007. India is also steadily emerging as a manufacturing hub in specific products such as small cars, engineering and electronics, to name a few, as large domestic market supported by active Government policies lures investors. This would acquire further momentum as SEZ policy is fine tuned and rolled out in the current financial year. Public private partnership remains the driving force for infrastructure creation with global private equity investors lining up US$ 5 bn for investments into the sector. Successful bidding for ultra mega power plants (UMPP) has been another highlight of the sector.

Market capitalisation rose 15% to Rs. 35 trn amounting to 87% of GDP. Total FII trading volumes rose to Rs. 9.8 trn from Rs. 6.4 trn in FY2006, while domestic mutual fund volumes increased to Rs. 2.6 trn (Rs. 1.8 trn in FY2006). The competition in the equity broking industry has intensified with the entry of leading global names such as Goldman, CSFB, Lehman and Macquarie resulting in falling commission rates. Along with pressures on market share, the entry of new players has also raised attrition levels to new highs. Against a tough competitive environment, the equities business maintained the market share and 30 new institutional clients were added to our roster. All this would not have been possible without the Herculean effort from the sales and research team even in the face of human resource pressures.

FINANCIAL HIGHLIGHTS

(Rs. in million)

	Fiscal 2007	*Fiscal 2006*
Gross Income	**4,246.74**	*4,059.40*
Profit before Tax	**1,901.05**	*2,140.64*
Provision for Tax	**575.59**	*663.87*
Profit after Tax	**1,325.46**	*1,476.77*

Profit after tax for the year ended March 31, 2007 was at Rs. 1,325.46 mn (previous year Rs. 1,476.77 mn). After taking into account the balance of Rs. 396.16 mn (previous year Rs. 258.08 mn) brought forward from the previous year, the profit available for appropriation is Rs. 1,721.62 mn (previous year Rs. 1,734.85 mn), of which Rs. 132.55 mn (previous year Rs. 147.68 mn) and Rs. 265.09 mn (previous year Rs. 295.35 mn) have been transferred to General Reserve and Special Reserve respectively.

DIVIDEND

During the year, the Company declared four interim dividends aggregating to 36.75%. The Directors are pleased to recommend a final dividend of 3% for the year, making a total of 39.75% amounting to Rs. 650.69 mn for FY2006-2007.

OPERATIONAL REVIEW

The Company continued to perform well in a competitive environment despite unfavourable market conditions. During the year, the Company's net worth remained unchanged at Rs. 4.11 bn because of buy-back of 37,84,100 equity shares at a price of Rs. 152.64 per share aggregating to Rs. 0.58 bn and the after-tax return on net worth was 2.25%.

During the year, the Company has listed debentures worth Rs. 500 mn in F Group – Debt Instruments on the Bombay Stock Exchange Limited.

The RBI had vide its circular dated July 4, 2006 prohibited a Primary Dealer (PD) to have a step-down subsidiary in India and abroad. In view of this circular, the Company was required to restructure its operations and ownership pattern. The necessary approval from RBI has been obtained and the Company is in the process of restructuring its operations. As per the restructuring plan, the Merchant Banking activity currently being carried on by the Company will be carried on by ICICI Securities Limited (formerly known as ICICI Brokerage Services Limited) through suitable application to Securities and Exchange Board of India (SEBI) while the Company shall surrender its Merchant Banking license. Also, the holdings of the Company in ICICI Securities Limited will be transferred to ICICI Bank Limited, while the holding in ICICI Securities Holdings, Inc. will be transferred to ICICI Securities Limited. Post the restructuring, the Company will not have any subsidiary and shall be engaged in the following activities:

- Primary Dealership
- Portfolio Management Services
- Underwriting

Further, the Company will continue to remain the subsidiary of ICICI Bank Limited.

Fixed Income

During the past year, the Company continued to maintain its leadership in the fixed income market despite operating in a testing, unpredictable environment. The key differences in the operating environment compared to the previous year were the higher frequency of monetary policy actions and the change in monetary policy paradigm. Among new initiatives, introduction of 'When-Issued' market and permitting time-bound short-selling of G-Secs were notable developments. The primary dealership system also entered a new phase in FY2007 as the RBI stopped participating in primary auctions, in line with the FRBM rules. In the new system, the PDs compulsorily underwrite a portion of the government borrowing programme and have the option of underwriting the remaining portion. Despite such changes, the Company's PD business enjoyed another profitable year. The Company successfully met its underwriting and bidding commitments in the primary market and traded actively in the secondary market to achieve an overall turnover in excess of Rs1trn. The non-government market was characterised by a large rise in absolute yields and significant expansion in spreads (91 bps to 142 bps on the 5-year bond). As a result, secondary market trading became sporadic and illiquid. Consequently, the Company focussed on churning out small and manageable positions in corporate bonds. With surrogate government bonds (oil bonds) turning out to be a very liquid market, the Company concentrated in this segment successfully. The turnover achieved during the year in non-government as well as surrogate government bonds was Rs151.5billion. In interest rate swaps, the emphasis was on maintaining profitability along with judicious usage of capital, under a regime characterised by policy changes.

The Company further consolidated its position in the structured products space by offering structured solutions to a wide cross-section of clients with emphasis on profitability and visibility. Landmark transactions included the maiden bond issue of a large public sector infrastructure company and bond issue of a financial Institution focussed on export financing.

The Company had another year of stellar performance in the debt capital markets business, with volumes of about Rs. 235 bn and better revenue share in the domestic market. The Company was ranked first in Bloomberg league tables for CY2006. The highlights of the year include block deals for Nabard and ICICI Bank, maiden bond issue of IIFCL, SBI bonds issue and credit enhanced debentures for Shriram Transport Finance Company Limited. The Company also concluded the Mortgage Backed Securitisation (MBS) deal for BHW Home Finance Limited, which was the only MBS deal concluded in FY2007 in the domestic market.

Portfolio Management Services

In October 2006, the Company was awarded the mandate to manage funds belonging to Coal Mines Provident Fund Organisation (CMPFO), under the Ministry of Coal. The current Gross AUM stands in excess of Rs. 330 bn as on March 31, 2007. The Agreement for Portfolio Management Services was executed between the Company and Coal Mines Provident Fund Organisation in November 2006 and discretionary management of funds commenced from December 2006.

This is the second largest discretionary fund in the country and the scheme covers nearly 6,50,000 employees of the Coal Industry. The mandate marks the entry of the Company in the field of Discretionary Portfolio Management Services.

Corporate Finance

The Company continued to consolidate its position as one of the leaders in the domestic equity capital markets, with 14 issuances during the year. The Company was the book runner to ten initial public offerings, two follow-on offerings and two qualified institutional placements during the year. The issues lead managed by the Company include offerings by Reliance Petroleum, Patel Engineering, Info Edge (India), Lanco Infratech, Tanla Solutions, Sobha Developers, Firstsource Solutions and Power Finance Corporation. The

Company was the lead manager for two qualified institutional placements – McLeod Russel India and Bombay Rayon Fashions. The Company also reinforced its leading position in retail procurement in IPOs with improvement in league tables at both the broker as well as syndicate member levels.

During the year, the Company completed 17 advisory transactions successfully. The Company advised clients in a diverse range of sectors such as Energy, Construction, Textiles, Media, Retail and Auto Ancillary. The notable transactions advised by the Company include acquisition of Tashkent To'Yetpa Tekstil, Uzbekistan by Spentex Industries Limited, acquisition of DGP Hinoday Industries Limited by Mahindra & Mahindra, advising financial institutions on sale of their stake in Modi Rubber Limited and the acquisition of Aban Constructions Private Limited by Kirloskar Brothers Limited.

Equities

Equities team performed in an intensely competitive landscape as several new global participants entered the industry, thereby leading to human resource pressures too. 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, gleaning very favourable response from investors. The 'India Unlimited' conference was hosted in London for the first time, thereby helping build franchise in European markets and win several new clients.

Risk Management

As a financial services company, risk management forms the core of its various business operations. The Corporate Risk Management Group is committed towards framing effective and contemporary risk management policies addressing areas such as market and credit risks. The group has developed comprehensive risk management policies, which seek to minimise risks generated by the activities of the Company. The group continuously 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 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

Monetary stance is likely to remain restrictive for most part of the year with focus on containing inflation and slowing down credit growth. The extent of monetary tightening and increase in lending rates seen over the past year may start having an impact on credit growth and household demand this year, leading to a moderation in GDP growth. Inflation is also likely to moderate during the course of the year, although fuel and food prices may pose upside risks. The RBI is expected to focus more on liquidity management rather than rate actions to maintain tight monetary conditions and achieve its objectives. Globally, monetary policy cycle in the advanced countries may continue to diverge. The ECB is set to tighten further while the US Fed may decide to retain its current stance for the best part of this year. The expectations for RBI and Fed actions portend continued strength in the rupee tempered by realignment of domestic growth expectations. Bond yields are likely to gradually move up in the first half of the financial year before flat lining, with a likely reduction in the SLR requirement resulting in a discontinuous adjustment.

Corporate Finance

We expect fund raising to pick up once the markets stabilise post the correction that has set in subsequent to the budget. The Real Estate sector, which was at the forefront in fund raising in FY2007, is expected to continue to dominate fund raising in the current year. SEBI has announced introduction of IPO grading and specific norms for real estate companies going public. These norms may affect the timelines for forthcoming IPOs, especially from the real estate sector. Listed companies wanting to raise equity are likely to follow the QIP route and we expect that GDRs will generate little interest. Domestic offerings by public sector companies and public sector banks will also drive capital raising activity during the current fiscal. We expect mergers and acquisitions to be a continued focus for Indian corporates as they seek to restructure existing businesses and grow overseas through acquisitions.

Equities

Looking ahead, the secular India growth story is very well established with growth expected at 8%+ levels. The demographic dividend with more number of people joining the work force than before would result in higher savings rate leading to higher investments. A triple wealth effect (gold, equities & real estate) is buoying household sentiment and the outsourcing story is not only deepening in software and biotech but also widening in scope across other sectors as well.

After a stellar performance of the markets for the fourth successive year in a row, the scope for appreciation may be slightly lower given the rising cost of capital as the central bank removes the monetary accommodation. Even though, the confidence on sustained economic growth of India remains intact, the investment community no longer perceives India as a 'value market'. Add to it the fact that the current fiscal year would witness some of the mega-IPOs, resulting in diverting liquidity from secondary to primary market. The silver lining is in the form of opportunities in wider market as several sectors underperformed in the previous year and we expect foreign institutional investments close to levels attained in the previous fiscal. The year ahead brings greater opportunities but not without challenges in terms of delivery and regaining market share. As we commence the new fiscal year, the investor sentiment is seen to be moving from exuberant to cautious.

The derivatives market, too, holds immense promise and the Company expects it to continue to witness significant volume increases in the next few years. The Company remains committed towards maintaining its leadership in the segment.

Over the years, the Company has successfully been able to develop the image of a house with an independent view and insightful research that is able to provide local flavour to clients. The investors' conferences in Singapore and New York are now well established events attracting record number of corporates and international investors. Previous year also saw the conference being introduced in Europe and Hong Kong. On the back of this increased popularity, the Company remains confident of further deepening and broadening client relationships across geographies.

SUBSIDIARY COMPANIES

The Company has one subsidiary in India, namely ICICI Securities Limited (formerly known as 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 2006-2007 as prepared under the Companies Act, 1956, together with the reports of the Directors and Auditors for the year ended March 31, 2007 of these subsidiaries are attached.

ICICI Web Trade Limited merged with ICICI Securities Limited with effect from October 1, 2006 and as a result, ICICI Securities Limited has ceased to be a wholly-owned subsidiary of the Company, though it continues to remain a subsidiary of the Company. As a result of the merger, ICICI Securities Limited shall now be engaged in both institutional and retail broking businesses.

ICICI Securities, Inc. was formed to undertake securities business in the US and is a member of the National Association of Securities Dealers (NASD). Since commencement of operations of ICICI Securities, Inc., it 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. ICICI Securities, Inc. has received all the 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, ICICI Securities, Inc. has started its wealth management business in the US. It is targetting high net-worth Non Resident Indian (NRI) customers in the US to offer them India-centric investment products. It has been successful in reaching out to this segment by leveraging ICICI Group relationships with the NRI community in the US.

ICICI Securities, Inc. 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 ICICI Securities, Inc.'s growth momentum.

PUBLIC DEPOSITS

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

BUY-BACK AND CONSOLIDATION OF SHARES

During the year, the Company bought back 37,84,100 fully paid equity shares of Rs10 each. The paid-up equity share capital of the Company after the buy-back stands reduced to Rs. 1.62 bn. The Company has, during the year, also consolidated the face value of the shares from Rs. 10 each to Rs. 100,000 each.

DIRECTORS

Lalita D. Gupte resigned from the Board during the year. The Board places on record its appreciation for the valuable services rendered by her. In terms of the provisions of the Articles of Association of the Company, Kalpana Morparia 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 25, 2007 has proposed their re-appointment as Auditors to audit the accounts of the Company for the financial year ending on March 31, 2008. 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 2006-2007, expenditure in foreign currencies amounted to Rs. 5.68 mn (previous year Rs. 18.9 5mn) and earnings in foreign currencies amounted to Rs. 34.36 mn (previous year Rs. 80.97 mn).

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

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;
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.

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' interests 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 to successfully deliver well structured solutions through timely execution, in a preferred way.

The Directors also thank the Company's bankers, lenders, Government of India, Securities and Exchange Board of India, 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 25, 2007

auditors' report

ICICI Securities Primary Dealership Limited

to the members of ICICI Securities Primary Dealership Limited (formerly known as ICICI Securities Limited)

1. We have audited the attached Balance Sheet of ICICI Securities Limited (formerly known as ICICI Securities 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) ('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, 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 VIJAY MANIAR
Partner
Membership No.: 36738

Mumbai, April 25, 2007

annexure to the auditors' report

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

Re: ICICI Securities Primary Dealership Limited (formerly known as ICICI Securities Limited)

(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 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 statement from custodian with book records.

(iii) As informed, the Company has not granted nor taken any loans, secured or unsecured to or 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 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, customs 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	120,950	AY 1998-99 to 2005-06	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 VIJAY MANIAR
Partner
Membership No.: 36738

Mumbai, April 25, 2007

balance sheet

as at March 31, 2007

	Schedule	(Rs. in 000's)	*March 31, 2006*
SOURCES OF FUNDS			
1. Shareholders' Funds			
A. Share Capital	A	**1,621,000.00**	*1,658,840.00*
B. Reserves & Surplus	B	**2,491,100.00**	*2,448,800.00*
		4,112,100.00	*4,107,640.00*
2. Loan Funds			
A. Secured Loans	C	**1,539,850.00**	*3,003,380.00*
B. Unsecured Loans	D	**9,578,670.00**	*7,142,510.00*
		11,118,520.00	*10,145,890.00*
		15,230,620.00	*14,253,530.00*
APPLICATION OF FUNDS			
1. Fixed Assets	E		
Gross Block		**328,870.00**	*322,940.00*
Less: Accumulated depreciation/ amortisation		**273,670.00**	*276,280.00*
Net Block		**55,200.00**	*46,660.00*
Capital Work-in-progress		**960.00**	*60.00*
		56,160.00	*46,720.00*
2. Investments	F	**388,730.00**	*567,290.00*
3. Deferred Tax Asset		**17,070.00**	*17,530.00*
4. Current Assets, Loans & Advances			
A. **Current Assets -**			
(a) Interest Accrued	G	**110,390.00**	*269,570.00*
(b) Securities held as Stock-in-Trade	H	**11,695,600.00**	*10,462,920.00*
(c) Sundry Debtors	I	**2,711,020.00**	*1,954,820.00*
(d) Cash & Bank Balances	J	**2,544,260.00**	*2,656,730.00*
(e) Other Current Assets	K	**57,215.11**	*57,530.00*
B. **Loans & Advances**	L	**2,001,150.00**	*446,003.00*
		19,119,635.11	*15,847,573.00*
Less : **Current Liabilities & Provisions:**	M		
A. Current Liabilities		**4,298,035.11**	*2,218,083.00*
B. Provisions		**52,940.00**	*7,500.00*
NET CURRENT ASSETS		**14,768,660.00**	*13,621,990.00*
		15,230,620.00	*14,253,530.00*
Notes to Accounts	U		

profit and loss account

for the year ended March 31, 2007

	Schedule	(Rs. in 000's)	*March 31, 2006*
Income from Operations			
(a) Income from Services	N	**984,100.00**	*1,152,900.00*
(b) Interest Income	O	**1,972,490.00**	*1,665,170.00*
(c) Profit/(Loss) on Securities (Net)	P	**1,057,710.00**	*1,056,180.00*
(d) Other Income	Q	**232,450.00**	*185,150.00*
		4,246,750.00	*4,059,400.00*
Less : Operating Expenditure			
(a) Financial Charges and Operating Expenses	R	**1,674,120.00**	*1,352,410.00*
		2,572,630.00	*2,706,990.00*
Expenditure			
Less: Administrative Expenditure			
(a) Payments to and Provisions for Employees	S	**443,650.00**	*350,540.00*
(b) Establishment and Other Expenses	T	**213,390.00**	*199,940.00*
(c) Depreciation		**14,540.00**	*15,870.00*
		671,580.00	*566,350.00*
Profit before Taxation		**1,901,050.00**	*2,140,640.00*
Less: Provision for current income-tax		**569,000.00**	*671,650.00*
Deferred tax		**450.00**	*(13,470.00)*
Fringe Benefit tax		**6,140.00**	*5,690.00*
Profit After Taxation		**1,325,460.00**	*1,476,770.00*
Brought forward from previous year		**396,160.00**	*258,080.00*
Amount available for appropriations		**1,721,620.00**	*1,734,850.00*
Transfer to Special Reserve		**265,090.00**	*295,350.00*
Transfer to General Reserve		**132,550.00**	*147,680.00*
Proposed Dividend		**48,630.00**	*—*
Utilised towards Buyback of Shares		**317,130.00**	*102,090.00*
Interim Dividend		**602,060.00**	*695,960.00*
Tax on Dividend		**92,700.00**	*97,610.00*
Balance carried to Balance Sheet		**263,460.00**	*396,160.00*
Earnings per share (Basic & Diluted) (Face value Rs. 1,00,000 per share)		**80,360.13**	*80,066.30*
Notes to Accounts	U		

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

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

For and on behalf of the Board

For S. R. BATLIBOI & CO.
Chartered Accountants

per VIJAY MANIAR
Partner
Membership No: 36738

K. V. KAMATH
Chairman

KALPANA MORPARIA
Director

Mumbai, April 25, 2007

ABHIJEET GUIN
Vice President & Head - Financials

RAJU NANWANI
Company Secretary

S. MUKHERJI
Managing Director & CEO

ICICI Securities Primary Dealership Limited

forming part of the Accounts

	(Rs. in 000's)	March 31, 2006
SCHEDULE "A" – SHARE CAPITAL		
Authorized		
50,000 Equity Shares of Rs 1,00,000 each (Previous year 50,00,00,000 Equity Shares of Rs. 10 each)	**5,000,000.00**	*5,000,000.00*
Issued, Subscribed & Paid Up:		
16,210 Equity Shares (Previous year 16,58,84,100) of Rs. 1,00,000 (Previous year - Rs.10) each	**1,621,000.00**	*1,658,840.00*

Notes:

Of the above, 16,201 Equity Shares of Rs.1,00,000 each (Previous year - 16,57,24,500 Equity Shares of Rs.10) each are held by ICICI Bank Ltd. (the Holding company) and its nominees.

The Company bought back 37,84,100 (Previous year - 37,118,700) equity shares at Rs. 152.64 per share aggregating to Rs. 577,610 thousand (Previous year Rs.766,130 thousand) during the year.

SCHEDULE "B"– RESERVES AND SURPLUS

(Rs. in 000's)

	Balance as on April 1, 2006	**Additions/transfer during the year**	**Deductions/transfers during the year**	**Balance as at March 31, 2007**	*Balance as at March 31, 2006*
Securities Premium Account	*112,800.00*	—	**112,800.00**	—	*112,800.00*
General Reserve	*147,680.00*	**132,550.00**	**147,630.00**	**132,550.00**	*147,680.00*
Special Reserve (maintained under Section 45 IC of the RBI Act, 1935)	*1,420,970.00*	**265,090.00**	—	**1,686,060.00**	*1,420,970.00*
Capital Redemption Reserve	*371,190.00*	**37,840.00**	—	**409,030.00**	*371,190.00*
Profit and Loss Account	*396,160.00*	**1,325,460.00**	**1,458,160.00**	**263,460.00**	*396,162.64*
Total	*2,448,800.00*			**2,491,100.00**	*2,448,802.64*

SCHEDULE "C" – SECURED LOANS

(Rs. in 000's)

	March 31, 2007	*March 31, 2006*
Borrowings under LAF	**1,400,000.00**	—
(Secured by pledge of Govt. securities of Face Value Rs.1,482,000 thousand) (Previous year Rs. Nil)		
Collateralised Borrowings	**139,850.00**	*3,003,380.00*
(Secured by pledge of Govt. securities of Face Value Rs. 2,115,400 thousand) (Previous year Rs. 3,012,500 thousand)		
Total	**1,539,850.00**	*3,003,380.00*

SCHEDULE "D" – UNSECURED LOANS

(Rs. in 000's)

	March 31, 2007	*March 31, 2006*
Subordinated Bonds issued as Tier III Capital	**1,600,000.00**	*600,000.00*
Subordinated Bonds issued as Tier II Capital	**250,000.00**	—
Inter-Corporate Borrowings	**1,150,000.00**	—
Money at Call and Short Notice		
– From Banks	—	*500,000.00*
– From Others	—	—
Commercial Paper Borrowings	**1,384,170.00**	*497,010.00*
FCNRB Borrowing	—	*229,000.00*
Floating Rate Debentures (Redeemable at par by December 2007)	**150,000.00**	—
Floating Rate Debentures (Redeemable at par by April 2007)	**1,000,000.00**	—

SCHEDULE "D" – UNSECURED LOANS *(Continued)*

(Rs. in 000's)

	March 31, 2007	*March 31, 2006*
Floating Rate Debentures (Redeemable at par by May 2007)	**500,000.00**	—
Floating Rate Debentures (Redeemable at par by June 2007)	**1,229,000.00**	—
7.45% Debentures 2006 (Redeemable at par by April 2006)	—	*200,000.00*
Floating Rate Debentures (Redeemable at par by December 2007)	—	*150,000.00*
Floating Rate Debentures (Redeemable at par by June 2006)	—	*2,845,500.00*
Floating Rate Debentures (Redeemable at par by May 2006)	—	*2,071,000.00*
7.50% Debentures 2006 (Redeemable at par by April 2006)	—	*50,000.00*
16.00% Debentures 2007 (Redeemable at par by June 2007)	**750,000.00**	—
12.00% Debentures 2007 (Redeemable at par by April 2007)	**250,000.00**	—
16.00% Debentures 2007 (Redeemable at par by April 2007)	**500,000.00**	—
15.10% Debentures 2007 (Redeemable at par by April 2007)	**217,000.00**	—
15.00% Debentures 2007 (Redeemable at par by April 2007)	**598,500.00**	—
Total	**9,578,670.00**	*7,142,510.00*

SCHEDULE "E" – FIXED ASSETS

(Rs. in 000's)

	Gross Block (at Cost)				Accumulated Depreciation				Net Block	
	April 1, 2006	**Additions**	**Sale/Adj.**	**March 31, 2007**	*April 1, 2006*	**Additions**	**Sale/Adj.**	**March 31, 2007**	**March 31, 2007**	*March 31, 2006*
TANGIBLE										
Freehold Land	—	—	—	—	—	—	—	—	—	—
Building	—	—	—	—	—	—	—	—	—	—
Plant & Machinery/ Electrical Installation	*3,110.00*	**4,010.00**	**1,600.00**	**5,510.00**	*1,620.00*	**290.00**	**1,270.00**	**640.00**	**4,870.00**	*1,490.00*
Office Equipment	*32,440.00*	**2,810.00**	**2,890.00**	**32,360.00**	*11,720.00*	**3,070.00**	**1,600.00**	**13,180.00**	**19,180.00**	*20,720.00*
Computers	*55,680.00*	**6,960.00**	**13,850.00**	**48,780.00**	*41,750.00*	**6,529.78**	**13,170.00**	**35,109.78**	**13,670.21**	*13,930.00*
Furniture & Fixtures	*2,990.00*	**7,220.00**	**70.00**	**10,140.00**	*1,444.00*	**500.00**	**70.00**	**1,864.00**	**8,276.00**	*1,550.00*
Vehicles	*3,900.00*	**2,180.00**	**1,060.00**	**5,010.00**	*1,860.00*	**767.22**	**560.00**	**2,067.22**	**2,942.78**	*2,040.00*
INTANGIBLE										
Software	*14,820.00*	**2,420.00**	**170.00**	**17,070.00**	*7,890.00*	**3,079.00**	**150.00**	**10,809.00**	**6,261.00**	*6,930.00*
Total	*112,940.00*	**25,600.00**	**19,640.00**	**118,870.00**	*66,284.00*	**14,236.00**	**16,820.00**	**63,670.00**	**55,200.00**	*46,660.00*
Capital Work-in-Progress	—	**960.00**	—	**960.00**	—	—	—	—	**960.00**	—
Sub-Total	*56,094.00*	**26,560.00**	**19,640.00**	**118,870.00**	*66,284.00*	**14,236.00**	**16,820.00**	**63,670.00**	**56,160.00**	*46,660.00*
Assets Given on lease (Plant & Machinery)	*210,000.00*	—	—	**210,000.00**	*210,000.00*	—	—	**210,000.00**	—	—
Total	*322,940.00*	—	—	**328,870.00**	*276,284.00*	**14,236.00**	**16,820.00**	**273,670.00**	**56,160.00**	*46,660.00*
Previous Year	*168,045.60*	*14,570.00*	*69,680.00*	*112,940.00*	*56,090.00*	*15,870.00*	*5,680.00*	*66,280.00*	*46,660.00*	

SCHEDULE "F" – INVESTMENTS - LONG TERM

(Rs. in 000's)

Name of the Company	Quantity in thousands	Face Value per unit (Rs.)	**March 31, 2007**	*March 31, 2006*
In Equity Shares of Subsidiary Company - Unquoted and fully paid up				
ICICI Brokerage Services Ltd.	4,500.7 (4,500.7)	10.00	**45,010.00**	*45,010.00*
ICICI Securities Holdings Inc.	7,700.0 (11,700.0)	*	**343,720.00**	*522,280.50*
Total			**388,730.00**	*567,290.50*

Notes :

* Face Value of US Dollar 1.00 per unit.

SCHEDULE "G" – INTEREST ACCRUED

On Stock-in-Trade	**67,950.00**	*228,730.00*
On Loans & Advances	**42,440.00**	*40,840.00*
Total	**110,390.00**	*269,570.00*

SCHEDULE "H" – SECURITIES HELD AS STOCK IN TRADE

(Rs. in 000's)

(at lower of cost or market value categorywise) (Quoted unless otherwise stated)		**March 31, 2007**	*March 31, 2006*
Government of India Securities & Deemed Government of India Securities			
7.40% Government of India 2035	Nil (34,400)	—	*32,770.00*
7.49% Government of India 2017	Nil (15,100)	—	*15,020.00*
11.40% Government of India 2008	Nil (100,000)	—	*110,050.00*
11.90% Government of India 2007	52,000 (2,302,500)	**52,210.00**	*2,437,200.00*
12.00% Government of India 2008	295,600 (2,289,300)	**307,420.00**	*2,519,370.00*
Government of India FRB 2013	Nil (200,000)	—	*206,500.00*
7.85% Government of Uttar Pradesh 2016	Nil (Nil)	—	*7,500.00*
7.37% Govt. Stock 16-04-2014 A	7,000 (Nil)	**6,750.00**	—
8.07% Govt. Stock 15-01-2017 CG	1,400,000 (Nil)	**1,408,830.00**	—
11.83% Govt. Stock 12-11-2014	5,500 (Nil)	**6,660.00**	—
7.95% Jammu And Kashmir SDL 03-02-2017	50 (Nil)	**50.00**	—
8.38% UttaranchaL SDL 14-3-2017	50 (Nil)	**50.00**	—
8.45% Jammu And Kashmir SDL 14-03-2017	80 (Nil)	**80.00**	—
		1,782,050.00	*5,328,410.00*
Treasury Bills			
364 Day Treasury Bill 05-01-2007	Nil (592,000)	—	*564,367.20*
364 Day Treasury Bill 22-12-2006	Nil (250,000)	—	*238,948.10*
182 Day Treasury Bill 01-06-2007	220,000 (Nil)	**217,301.14**	—
182 Day Treasury Bill 07-09-2007	960,000 (Nil)	**928,969.89**	—
182 Day Treasury Bills 06-04-2007	30,000 (Nil)	**29,955.71**	—
364 Day Treasury Bill 07-12-2007	100,000 (Nil)	**95,007.75**	—
364 Day Treasury Bill 23-11-2007	250,000 (Nil)	**238,194.55**	—
364 Day Treasury Bill 25-05-2007 TB	38,200 (Nil)	**37,772.87**	—
364 Day Treasury Bill 28-09-2007	50,000 (Nil)	**48,179.53**	—
91 Day Treasury Bill 01-06-2007	67,225 (Nil)	**66,393.52**	—
91 Day Treasury Bill 06-04-2007	100,000 (Nil)	**99,859.02**	—
91 Day Treasury Bill 08-06-2007	500,000 (Nil)	**492,967.80**	—
91 Day Treasury Bill 11-05-2007	44,400 (Nil)	**44,038.99**	—
91 Day Treasury Bill 19-05-2007	50,000 (Nil)	**49,520.14**	—
91 Day Treasury Bill 20-04-2007	230,000 (Nil)	**229,034.23**	—
91 Day Treasury Bill 25-05-2007	960,000 (Nil)	**949,439.66**	—
		3,526,634.82	*803,315.30*

		(Rs. in 000's)	March 31, 2006
Commercial Papers & Certificates of Deposit			
ABN Amro Bank 01-11-2006 CD	Nil (50,000)	—	*47,549.17*
Shyam Telelink Ltd. 04-07-2006 CP	Nil (350,000)	—	*341,921.58*
State Bank of Indore 18-12-2006 CD	Nil (50,000)	—	*47,048.90*
State Bank of Indore 22-09-2006 CD	Nil (150,000)	—	*143,976.93*
State Bank of Indore 26-02-2007 CD	Nil (150,000)	—	*138,901.70*
State Bank of Patiala 22-09-2006 CD	Nil (450,000)	—	*431,899.45*
UTI Bank Ltd. 26-09-2006 CD	Nil (100,000)	—	*95,896.99*
ABN Amro Bank 19-09-2007 CD	250,000 (Nil)	**237,569.33**	—
Allahabad Bank 12-03-2008 CD	500,000 (Nil)	**451,781.12**	—
Canara Bank 04-03-2008 CD	250,000 (Nil)	**226,895.57**	—
IDBI Limited 10-03-2008 CD	450,000 (Nil)	**406,828.49**	—
Punjab National Bank 26-03-2008 CD	500,000 (Nil)	**451,130.73**	—
State Bank of Mysore 19-03-2008 CD	250,000 (Nil)	**225,945.97**	—
Union Bank of India 21-03-2008 CD	1,000,000 (Nil)	**903,273.97**	—
		2,903,425.18	*1,247,204.70*
Bonds & Debentures			
5.90% NABARD 2008	Nil (150,000)	—	*148,130.00*
6.80% Power Finance Corp Ltd. 2011	Nil (16,000)	—	*15,220.00*
7.20% Rural Electrification Corporation Ltd. 2013	Nil (2,000)	—	*1,870.00*
7.30% REC Ltd. 2015	Nil (1,000)	—	*930.00*
7.50% IDBI Ltd. 2012	Nil (32,000)	—	*30,240.00*
CIFCO FRB 2008	Nil (150,000)	—	*146,610.00*
LIC Housing Finance Ltd. FRB 2010	Nil (300,000)	—	*294,300.00*
Mukand Ltd. FRB 2011	Nil (250,000)	—	*272,050.00*
Sundaram Finance Ltd. FRB 2008	Nil (750,000)	—	*716,480.00*
FRB (5.78%) Sundaram Finance Ltd. 25-08-2008	250,000 (Nil)	**233,030.00**	—
FRB (5.781%) CIFCO 10-06-2008 (P/C 10-06-2007)	150,000 (Nil)	**148,140.00**	—
FRB (7.682%) LIC Hsg. Fin. Ltd. 11-08-2012P/C11-08-10	300,000 (Nil)	**283,200.00**	—
FRB (12.15%) Mukand Ltd. 15-12-2011	250,000 (Nil)	**258,680.00**	—
FRB Deccan Chronicle Ltd. 19-01-2008 DPC NMBR+0.25%	1,000,000 (Nil)	**1,000,000.00**	—
9.83% Shriram Transport Finance Co. Ltd. 18-01-2009	440,000 (Nil)	**40.00**	—
10.10% HDFC Ltd. 20-0-2017	375,000 (Nil)	**375,000.00**	—
10.55% Sundaram Finance Limited 15-04-2008	1,000 (Nil)	**990.00**	—
10.55% Sundaram Finance Ltd. 15-04-2008 A	99,000 (Nil)	**98,270.00**	—
8.50% HDFC Ltd. 29-08-2009	108,000 (Nil)	**104,220.00**	—
9.85% Export Import Bank of India 15-03-2017	37,000 (Nil)	**33,300.00**	—
10.10% United Bank of India 27-04-2017	100,000 (Nil)	**99,000.00**	—
9.45% Union Bank of India Perpetual Call 10-10-2016	19,000 (Nil)	**17,100.00**	—
9.98% ICICI Bank Tier I Perpetual Call 13-09-2016	18,000 (Nil)	**16,200.00**	—
		2,667,170.00	*1,625,830.00*
Debentures (Unquoted)			
15.00% Pal Peugot Ltd. 2004	Nil (16,160)	—	*12,170.00*
17.50% Grapco Granites Ltd. 1998	20,000 (20,000)	**18,250.00**	*18,250.00*
17.50% Grapco Granites Ltd. 2000	15,000 (15,000)	**13,100.00**	*13,100.00*
17.50% Grapco Mining Ltd. 1995	10,000 (10,000)	**9,310.00**	*9,310.00*
18.00% Parasrampuria Synthetics Ltd. 1999	20,000 (20,000)	**17,620.00**	*17,620.00*
19.50% Grapco Granites Ltd. 1998	20,000 (20,000)	**18,920.00**	*18,920.00*
20.00% Das Lagerwey 1996	30,000 (30,000)	**30,000.00**	*30,000.00*
22.00% GTV Spinners Ltd. 1996	4,529 (4,529)	**4,480.00**	*4,480.00*
		111,680.00	*123,850.00*
Equity (Face Value Rs.10 unless specified otherwise)			
Aldrich Pharmaceuticals Ltd.	2,400 (2,400)	—	—
Andhra Bank Ltd.	Nil (4,347)	—	*35,100.00*
Associated Cement Company FV Rs. 50	Nil (Nil)	—	—
Astrazeneca Pharmaceutical Ltd.	*(*)	—	—
Bank of Baroda	168 (6,328)	**3,610.00**	*145,890.00*
Bharat Forge Co. Ltd. – FV Rs. 2	19 (19)	**2,960.00**	*4,180.00*
Biochem Synergy Ltd.	635 (635)	—	—
Cadbury India Ltd.	*(*)	—	—
Dataline & Research Technologies	*(*)	—	—
FDC Ltd.	Nil (Nil)	—	—
Financial Technologies (India) Ltd.	Nil (5)	—	*4,290.00*
G E Shipping Ltd.	Nil (1,067)	—	*27,900.00*
Geodesic Ltd. – FV Rs. 2	Nil (Nil)	—	—
GKN Invel Transmissions Ltd.	*(*)	—	—
Gujarat Alkalies & Chem Ltd.	Nil (250)	—	*3,820.00*
GVK Power & Infrastructure Ltd.	Nil (250)	—	*6,260.00*
Hindalco Industries Ltd.	Nil (1,260)	—	*23,020.00*
Hiralal Print Works	1,935 (1,935)	—	—

		(Rs. in 000's)	March 31, 2006
IAEC Industries Ltd.	1,500 (1,500)	—	—
India Containers Ltd.	934 (934)	—	—
Indian Seamless Metaltube Ltd.	Nil (1,250)	—	*12,690.00*
Indoco Remedies Ltd.	Nil (Nil)	—	—
Infosys Technologies Ltd. – FV Rs. 5	5 (306)	**1,820.00**	*182,460.00*
Inland Printers Ltd.	7,992 (7,992)	—	—
Ivrcl Infrastructures & Projects Ltd. FV 2	Nil (36)	—	*5,000.00*
Jindal Stainless Ltdeq	Nil (250)	—	*2,860.00*
JSW Steel Ltd.	2,772 (350)	**136,660.00**	*10,600.00*
Kallam Spinning Mills Ltd.	4,634 (4,634)	**10,190.00**	*11,350.00*
Knoll Pharmaceuticals Ltd.	*(*)	—	—
Lanco Industries Ltd.	*(*)	—	—
LIC Housing Finance Ltd.	Nil (500)	—	*9,490.00*
Lyka Labs Ltd.	Nil (Nil)	—	—
Mahanagar Telephone Nigam Ltd.	Nil (Nil)	—	—
Maharashtra Seamless Ltd.	Nil (Nil)	—	—
Maruti Udyog Ltd.	15 (15)	**2,460.00**	*2,620.00*
Mascon Global Ltd.	Nil (Nil)	—	—
MIL Industries Ltd.	350 (350)	—	—
Mirza Tanners Ltd.	Nil (Nil)	—	—
New Delhi Television Ltd.	Nil (2,574)	—	*66,340.00*
Nucent Finance Ltd.	1 (1)	—	—
Oriental Bank of Commerce	Nil (400)	—	*9,390.00*
Orissa Lamp Ltd.	7,215 (7,215)	—	—
Otis Elevator Company (India) Ltd.	*(*)	—	—
Parakaram Tehcnofab Ltd.	1,910 (1,910)	—	—
Parasrampuria Synthetics Ltd.	1,246 (1,246)	**10.00**	*10.00*
Parasrampuria Synthetics Ltd.	905 (905)	—	—
Philips India Ltd.	*(*)	—	—
Premier Explosives Ltd.	400 (500)	**1,650.00**	*4,240.00*
Punj Lloyd Ltd.	Nil (1,650)	—	*178,980.00*
Punjab National Bank	Nil (200)	—	*9,410.00*
Punjab Tractors Ltd.	Nil (Nil)	—	—
Ramsarup Industries Ltd.	Nil (800)	—	*6,160.00*
Rayban Sun Optics India Ltd.	*(*)	—	—
Reckitt & Cleman India Ltd.	*(*)	—	—
Ring Plus Aqua Ltd.	Nil (Nil)	—	—
Satyam Computer Services – FV Rs. 2	Nil (Nil)	—	—
Scandent Solutions Corporation Ltd.	Nil (350)	—	*5,350.00*
Shah Alloys Ltd.	Nil (150)	—	*2,610.00*
Shasun Chemicals Ltd.	Nil (Nil)	—	—
Shaw Wallace Ltd.	Nil (100)	—	*1,830.00*
Standard Industries Ltd.	Nil (Nil)	—	—
State Bank of India	1,733 (4,615)	**172,290.00**	*446,960.00*
Subex Systems Ltd.	Nil (150)	—	*6,510.00*
Sunshield Chemicals Ltd.	2 (2)	—	—
TASC Pharmaceuticals Ltd.	1,000 (422)	**5,100.00**	*9,640.00*
Tata Investment Corp. Ltd.	Nil (Nil)	—	*10.00*
Tata Iron & Steel Co.	Nil (2,336)	—	*125,300.00*
Teledata Informatics Ltd.	Nil (500)	—	*910.00*
Union Bank of India	Nil (5,293)	—	*64,360.00*
Unipon Industries Ltd.	2,177 (2,177)	—	—
Videocon Industries Ltd.	100 (100)	**4,480.00**	*4,180.00*
Whirlpool India Ltd.	*(*)	—	—
Widia India Ltd.	*(*)	—	—
Canara Bank Ltd. - Equity	96 (Nil)	**1,870.00**	—
CESC Ltd. - Equity	1,276 (Nil)	**48,100.00**	—
GMR Infrastructure Ltd. - Equity	60 (Nil)	**2,160.00**	—
Industrial Finance Corporation Ltd. - Equity	14,569 (Nil)	**48,950.00**	—
Parsvnath Developers Ltd. - Equity	1,557 (Nil)	**40,330.00**	—
Praj Industries Ltd. - Equity	792 (Nil)	**30,030.00**	—
Cadbury India Ltd. - Equity	Nil (Nil)	—	—
Dataline & Research Techno Equity	Nil (Nil)	—	—
GKN Invel Transmissions Ltd. - Equity	Nil (Nil)	—	—
ISMT Ltd.	1,250 (Nil)	**8,690.00**	—
Knoll Pharmaceuticals Ltd - Equity	Nil (Nil)	—	—
Lanco Industries Ltd. - Equity	Nil (Nil)	—	—
Otis Elevator Company (I) - Equity	Nil (Nil)	—	—
Philips India Ltd. - Equity.	Nil (Nil)	—	—
Rayban Sun Optics India Ltd. - Equity	Nil (Nil)	—	—
Whirlpool India Ltd. - Equity.	Nil (Nil)	—	—
Widia India Ltd. - Equity	Nil (Nil)	—	—
Aegis Logistics Limited	451 (Nil)	**5,330.00**	—
Akruti Nirman Ltd. - Equity	100 (Nil)	**4,070.00**	—
Associated Cement Co. Ltd. - FV Rs. 10 - Equity	85 (Nil)	**6,250.00**	—
Bajaj Auto Ltd. - Equity.	53 (Nil)	**12,870.00**	—
Dewan Housing Fin. Corp. Ltd. - Equity	500 (Nil)	**3,060.00**	—
Dwarikesh Sugar Industries Ltd. - Equity FV Rs. 10	200 (Nil)	**1,490.00**	—

		(Rs. in 000's)	*March 31, 2006*
ERA Constructions (India) Equity	50 (Nil)	**1,600.00**	—
Great Offshore Ltd. - Equity	90 (Nil)	**5,490.00**	—
House of Pearl Fashions Ltd. - Equity	127 (Nil)	**4,290.00**	—
India Cements Ltd. - Equity	100 (Nil)	**1,630.00**	—
J B Chemicals and Pharma - Equity	500 (Nil)	**3,930.00**	—
Mahindra & Mahindra Ltd. - Equity	50 (Nil)	**3,900.00**	—
Murudeshwar Ceramics Ltd. - Equity	700 (Nil)	**5,760.00**	—
Omax Autos Ltd. - Equity	400 (Nil)	**3,680.00**	—
Royal Orchid Hotels Ltd. - Equity	400 (Nil)	**8,290.00**	—
Software Solution Int. Ltd. - Equity	400 (Nil)	**7,280.00**	—
Tanla Solutions Ltd. - Equity	20 (Nil)	**3,500.00**	—
Tata Motors Ltd. - Equity	Nil (Nil)	**—**	—
Technocraft Industries (India) Ltd. - Equity	1,771 (Nil)	**16,660.00**	—
Usha Martin Ltd. - Equity	135 (Nil)	**5,190.00**	—
V B C Ferro Alloys Equity	305 (Nil)	**2,160.00**	—
Welspun Gujarat Stahl Rohren Limited	100 (Nil)	**2,080.00**	—
Wockhardt Pharma Ltd. - Equity	200 (Nil)	**7,960.00**	—
Wyeth Ltd. - Equity	100 (Nil)	**4,550.00**	—
HEG Ltd. - Equity.	100 (Nil)	**1,660.00**	—
Sunshield Chemicals Ltd. - Equity	2 (Nil)	**—**	—
		644,040.00	*1,429,720.00*
Equity Unquoted (Face Value Rs.10 unless specified otherwise)			
Jocil Ind. Ltd.	2,371 (2,371)	**17,780.00**	*17,780.00*
Mahindra Sona Ltd.	Nil (1,158)	**—**	*6,160.00*
Shri Renuga Textiles Ltd.	1,000 (1,000)	**4,500.00**	*4,500.00*
		22,280.00	*28,440.00*
Units of Mutual Funds			
Kotak Twin Advantage Ser. III - GR 422282/71	50,000 (Nil)	**50,000.00**	—
Birla Sun Life Cash Mgr.-Inst. PLN-GR 1013544847	79,939 (Nil)	**100,000.00**	—
		150,000.00	—
Total		**11,807,280.00**	*10,586,770.00*
Less: Provision against Non-performing Assets/Bad debts written off		**111,680.00**	*123,850.00*
Grand Total		**11,695,600.00**	*10,462,920.00*

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, 2007 is Rs. 11,673,230 thousand and Rs. 11,671,760 thousand respectively (Previous year Rs. 10,434,480 thousand and Rs. 10,433,910 thousand respectively).

SCHEDULE "I" – SUNDRY DEBTORS (Unsecured)

	(Rs. in 000's)	*March 31, 2006*
(A) Receivables outstanding for a period exceeding six months:		
Considered good	**88,150.29**	*76,730.00*
Considered Doubtful	**36,230.00**	*45,990.00*
(B) Receivables outstanding for a period not exceeding six months:		
Considered good*	**364,709.71**	*281,020.00*
Considered doubtful	**—**	—
Trades executed but not settled**	**2,258,160.00**	*1,597,070.00*
	2,747,250.00	*2,000,810.00*
Less: Provision for Doubtful Debts	**36,230.00**	*45,990.00*
Total	**2,711,020.00**	*1,954,820.00*

* Includes an amount of Rs. Nil receivable from Subsidiary Companies (Previous year - Rs. 34,840 thousand)

** Includes an amount of Rs. Nil receivable from Subsidiary Companies (Previous year - Rs. 171,940 thousand)

SCHEDULE "J" – CASH AND BANK BALANCES

	(Rs. in 000's)	*March 31, 2006*
Cash & Cheques on hand	**90.00**	*80.00*
In Current Accounts with Scheduled Banks	**32,440.00**	*91,530.00*
In Current Accounts with Reserve Bank of India	**8,240.00**	*3,940.00*
Fixed Deposits with Scheduled Banks	**1,701,890.00**	*2,201,080.00*
	1,742,660.00	*2,296,630.00*
Fixed Deposits with Scheduled Banks (Under Lien)	**801,600.00**	*360,100.00*
(Under lien with ICICI Bank Rs. 801,600 thousand (Previous year Rs. 300,000 thousand)		
Total	**2,544,260.00**	*2,656,730.00*

SCHEDULE "K" – OTHER CURRENT ASSETS

	(Rs. in 000's)	*March 31, 2006*
Assets held for Sale	**57,215.11**	*57,529.92*
	57,215.11	*57,529.92*

SCHEDULE "L" – LOANS AND ADVANCES

(Unsecured and considered good unless otherwise stated)

	(Rs. in 000's)	*March 31, 2006*
Advances :		
(Recoverable in cash or in kind or for value to be received)		
Security Deposit for Leased Premises	**4,260.00**	*4,260.00*
Other Advances and Deposits*	**875,760.00**	*284,773.00*
Application Money for Securities	**1,000,000.00**	—
Advance Tax (net of Provisions)	**121,130.00**	*156,970.00*
Total	**2,001,150.00**	*446,003.00*

* Includes an amount of Rs. 10,070 thousand receivable from Subsidiary Companies (Previous year - Rs.18,520 thousand)

SCHEDULE "M" – CURRENT LIABILITIES AND PROVISIONS

	(Rs. in 000's)	*March 31, 2006*
(A) Current Liabilities		
Interest Accrued but not due	**140,080.00**	*45,060.00*
Sundry Creditors*	**1,749,650.00**	*1,745,380.00*
Sundry Creditors for Expenses	**51,950.00**	*34,770.00*
Other Liabilities	**2,356,155.11**	*392,533.00*
Unclaimed Dividends	**200.00**	*340.00*
Total (A)	**4,298,035.11**	*2,218,083.00*
(B) Provisions:		
Proposed Dividend	**48,630.00**	—
Retirement Benefits	**4,310.00**	*7,500.00*
Total (B)	**52,940.00**	*7,500.00*

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

SCHEDULE "N" – INCOME FROM SERVICES

	(Rs. in 000's)	*March 31, 2006*
Issue Management Fees	**326,810.00**	*586,020.00*
Financial Advisory Services	**510,790.00**	*281,290.00*
Syndication Fees	**139,070.00**	*197,390.00*
Underwriting Commission	**5,990.00**	*23,470.00*
Brokerage and Commission	**1,440.00**	*64,730.00*
Total	**984,100.00**	*1,152,900.00*

SCHEDULE "O" – INTEREST INCOME

	(Rs. in 000's)	*March 31, 2006*
Interest on Securities Held as Stock in Trade	**1,227,710.00**	*1,221,850.00*
Interest on Securities Held as Investments	**192,990.00**	—
Income on Discounted Instruments - Stock-in-Trade	**283,170.00**	*255,730.00*
Interest on Repo and Call Lendings	**37,910.00**	*15,400.00*
Interest on Other Loans and Advances	**8,020.00**	—
Interest on Income - Tax Refund	**—**	*15,820.00*
Interest on Other Loans and Advances	**222,690.00**	*156,370.00*
Total	**1,972,490.00**	*1,665,170.00*

(Rs. in 000's)		March 31, 2006
SCHEDULE "P" – PROFIT ON SECURITIES (NET)		
Profit on Sale of Investments	**5,990.00**	*20,450.00*
Profit on Stock-in-Trade	**427,760.00**	*872,260.00*
Net Gain/(Loss) from interest rate derivatives	**623,960.00**	*163,470.00*
Total	**1,057,710.00**	*1,056,180.00*
SCHEDULE "Q" – OTHER INCOME		
Dividend Income from Mutual Funds/Companies*	**208,180.00**	*183,260.00*
Recovery against Bad Debts Written Off	**7,150.00**	*840.00*
Miscellaneous Income	**17,120.00**	*1,050.00*
Total	**232,450.00**	*185,150.00*

* Includes an amount of Rs.189.03 million towards dividend from Subsidiary Companies (Previous year -Rs.166.53 million).

SCHEDULE "R" – FINANCIAL CHARGES AND OPERATING EXPENSES		
Interest on Fixed Loans and Debentures	**813,210.00**	*596,640.00*
Interest on Borrowings from Reserve Bank of India	**4,640.00**	*930.00*
Interest on Repo and Call Borrowings	**669,340.00**	*496,430.00*
Procurement Expenses	**105,570.00**	*128,570.00*
Guarantee Commission	**10.00**	*10.00*
Rating Agency Fees	**3,830.00**	*3,650.00*
Brokerage and Stamp Duty	**32,890.00**	*36,590.00*
Bank Charges	**8,860.00**	*6,930.00*
Custodial and Depository Charges	**26,460.00**	*13,900.00*
Doubtful Debts Written Off/Provided	**55,300.00**	*71,710.00*
Less: Opening Provision	**45,990.00**	*2,950.00*
	9,310.00	*68,760.00*
Total	**1,674,120.00**	*1,352,410.00*
SCHEDULE "S" – PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages and Incentive	**409,990.00**	*311,310.00*
Contribution to Provident and Other Funds	**18,790.00**	*26,590.00*
Staff Welfare Expenses	**14,870.00**	*12,640.00*
Total	**443,650.00**	*350,540.00*
SCHEDULE "T" – ESTABLISHMENT AND OTHER EXPENSES		
Rent and Amenities	**76,760.00**	*72,070.00*
Insurance	**330.00**	*290.00*
Business Promotion, Travelling and Conveyance Expenses	**40,420.00**	*41,540.00*
Repairs, Maintenance and Upkeep	**16,900.00**	*13,410.00*
Rates and Taxes	**60.00**	*400.00*
Electricity Expenses	**9,210.00**	*9,530.00*
Profit/(Loss) on Sale of Fixed Assets	**1,830.00**	*300.00*
Communication Expenses	**8,530.00**	*8,700.00*
Printing and Stationery	**4,980.00**	*6,650.00*
Subscription and Periodicals	**17,500.00**	*13,490.00*
Professional Fees	**13,810.00**	*9,580.00*
Advertisement Expenses	**5,990.00**	*5,570.00*
Auditors' Remuneration	**2,060.00**	*2,060.00*
Miscellaneous Expenses	**15,010.00**	*16,350.00*
Total	**213,390.00**	*199,940.00*

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) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(iii) Adoption of Accounting Standard AS15 (Revised 2005) Employee Benefits

In current year, the Company has gone for early adoption of the Accounting Standard 15 (Revised 2005) which is mandatory for accounting period commencing on or after December 7, 2006. Accordingly the Company has provided for short term leave benefits on estimate basis. Further in accordance with the transitional provision in the revised accounting standard, Rs. Nil (net of tax liability Rs. Nil) has been adjusted to the General Reserve.

(iv) Revenue Recognition

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

(b) Gains and losses on dealing with securities are recognised 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.

(v) 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 recognised as Interest income.

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

(e) The secondary market short sale transactions in Government securities as permitted by RBI Circular No, RBI/2006-2007/243 IDMD. No./11.01.01(B)/2006-07 are classified under miscellaneous liabilities and are carried at carrying cost or market price whichever is lower.

(vi) 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.

(vii) 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.

(viii) 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.

(ix) Income Taxes

Tax expense comprises of current, deferred taxes and fringe benefit taxes. Current income tax and fringe benefit 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.

(x) 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.

(xi) 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.

(xii) Retirement Benefits

(a) Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and 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.

(b) The Company's employees are covered under the Employees' Gratuity Scheme & contribution is made to Life Insurance Corporation of India (LIC). Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of each financial year.

(c) Short term compensated absences are provided for on based on estimates.

(d) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

(xiii) Derivatives Transactions

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

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

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

(xiv) Segment Reporting

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

(xv) 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.

(xvi) 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.

(xvii) 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:

(Rs. in 000's)

Deferred Tax Assets	**As at March 31, 2007**	*As at March 31, 2006*
Depreciation	**1,360**	*(470)*
Provision for Debtors	**12,310**	*15,480*
Provision for Retirement Benefits	**3,400**	*2,520*
Total	**17,070**	*17,530*

3. Contingent Liabilities

(a) Income tax matters disputed by the Company Rs. 181,780 thousand (Previous year – Rs. 364,440 thousand).

(b) Outstanding counter guarantees for subsidiary company, as at March 31, 2007 is Rs. 50,000 thousand (Previous year – Rs. 50,000 thousand).

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

(d) Outstanding capital commitments as at March 31, 2007 are Rs. 2,170 thousand.

4. Notional principal outstanding on account of Swaps/Forward Rate Agreements/Foreign Currency Swaps aggregating to Rs. 955,563,970 thousand (Previous year – Rs. 665,793,000 thousand).

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

	Amount outstanding	*Amount overdue*
(a) Unsecured Debentures	**5,262,850**	*NIL*
(b) CBLO Borrowing	**139,920**	*NIL*
(c) Inter-corporate Loans and Borrowing	**1,150,990**	*NIL*
(d) Commercial Paper	**1,384,170**	*NIL*
(e) Other Loans		
– Liquidity Adjustment Facility (LAF) from RBI	**1,400,580**	*NIL*
– Subordinated Bonds issued as Tier II & III Capital	**1,920,090**	*NIL*
Total	**11,258,600**	*NIL*

6. Managerial Remuneration		
Salary, Perquisites and Bonus	**24,300**	*11,420*
Contribution to Provident Fund and Other Funds	**1,620**	*650*
Total	**25,920**	*12,070*
7. Auditors' Remuneration		
(a) Audit Fees	**1,300**	*1,300*
(b) Tax Audit & Certification Fees	**700**	*700*
(c) Out-of-Pocket Expenses	**60**	*60*
Total	**2,060**	*2,060*
8. Payments in Foreign Currency (Travelling & Other expenses)	**2,640**	*18,950*
Receipts in Foreign Currency (Fees towards Advisory Services)	**34,360**	*80,970*

9. Quantitative Details of Securities held as Stock-in-Trade

(a) OPENING AND CLOSING STOCK

Category	**Opening Stock**		**Closing Stock**	
	Face Value (Rs. in 000's)	Value (Rs. in 000's)	Face Value (Rs. in 000's)	Value (Rs. in 000's)
Government Securities	4,948,760	5,328,410	15,220	1,782,050
	(232,430)	*(232,980)*	*(4,948,760)*	*(5,328,410)*
Treasury Bills	842,000	803,320	3,576,830	3,526,640
	(6,740,950)	*(6,679,220)*	*(842,000)*	*(803,320)*
Equity Shares	74,730	1,458,160	70,330	666,280
	(52,240)	*(354,860)*	*(74,730)*	*(1,458,160)*
Debentures/Bonds & CPs/CDs	2,951,000	2,873,030	6,347,000	5,570,600
	(1,506,000)	*(1,505,520)*	*(2,951,000)*	*(2,873,030)*
Others	—	—	129,940	150,000
	(96,100)	*(100,290)*	—	—
Total	**8,816,490**	**10,462,920**	**10,138,990**	**11,695,570**
	(8,627,720)	*(8,872,870)*	*(8,816,490)*	*(10,462,920)*

(b) PURCHASES AND SALES

Category	**Purchases**		**Sales**	
	Face Value (Rs. in 000's)	Value (Rs. in 000's)	Face Value (Rs. in 000's)	Value (Rs. in 000's)
Government Securities	440,960,450	442,632,540	445,893,990	446,331,160
	(323,142,650)	*(349,317,360)*	*(318,426,320)*	*(344,805,980)*
Treasury Bills	125,148,880	121,713,660	122,414,050	118,996,400
	(196,272,380)	*(191,685,030)*	*(202,171,330)*	*(197,556,340)*
Equity Shares	477,920	20,253,710	482,650	20,682,250
	(391,950)	*(11,709,440)*	*(369,460)*	*(10,869,080)*
Debentures/Bonds & CPs/CDs	47,432,750	46,091,290	44,036,750	43,301,060
	(25,407,000)	*(25,291,730)*	*(23,962,000)*	*(23,932,490)*
Others	5,034,320	3,400,000	4904,380	3,251,890
	(11,247,680)	*(13,400,150)*	*(11,343,780)*	*(13,522,030)*
Total	**619,054,310**	**634,091,200**	**617,731,820**	**632,562,740**
	(556,461,660)	*(591,403,710)*	*(556,272,890)*	*(590,685,920)*

Note: Figures in parenthesis pertain to previous year.

10. Derivatives

(Rs. in 000's)

	2007	*2006*
Notional Principal amount of IRS Contracts		
a. Hedging Contracts	**—**	*229,100*
b. Trading Contracts	**955,563,970**	*655,564,000*
(i) Fair Value of Trading IRS	**707,640**	*94,810*
(ii) Associated Credit Risk on Trading IRS*	**707,640**	*94,810*
(iii) Market Risk on trading IRS#	**1,527,000**	*98,310*
(iv) Credit Risk Concentration@	**937,800**	*512,950*
Equity Derivatives – Trading Contracts		
a. Futures Contracts		
Open Quantity in units – Long	**84,250**	*147,160*
Short	**2,291,025**	*3,056,165*
Net	**2,206,775**	*2,909,005*
b. Option Contracts		
Open Quantity in units – Long	**—**	—
Short	**11,500**	—
Net	**11,500**	—
MTM Value of Trading Derivatives	**6,910**	—

* 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.10,580 thousand (US $ 243,423 @ closing rate of 1USD = Rs.43.47) [Previous Year Rs. 44,100 thousand (US $ 988,359 @ closing rate of 1USD = Rs. 44.615)]

11. Related Party Disclosures

(Rs. in 000's)

Name of the related Party	Type of Transactions	2006-07	2005-06
ICICI Bank Ltd. – The Holding Company	Income from Services	**54,540**	*85,940*
	Interest Income	**150,770**	*25,500*
	Financial charges & Operating expenses	**74,130**	*54,340*
	Payment to and Provisions for employees	**3,440**	*3,760*
	Establishment & other expenses	**100,890**	*100,280*
	Dividend paid	**601,620**	*695,300*
	Bank Balance	**31,300**	*90,160*
	Fixed Deposits	**2,003,100**	*1,260,790*
	Interest Accrued	**37,730**	*14,430*
	Sundry Debtors	**42,870**	*48,040*
	Current Liabilities	**31,290**	*34,300*
	Notional Principal amount of Interest Rate Swaps outstanding	**162,300,000**	*130,950,000*
	Notional Principal amount of Currency Swaps outstanding	**—**	*229,050*
ICICI Securities Ltd. – Wholly owned subsidiary	Other Income – Dividend received	**189,030**	*166,530*
	Financial Charges & Other Expenses – Brokerage paid	**4,360**	*8,620*
	Investments	**45,010**	*45,010*
	Sundry Debtors	**7,870**	*171,940*
	Loans & Advances	**—**	*28,960*
	Current Liabilities	**79,080**	*417,090*
ICICI Lombard General Insurance Co. Ltd. – Subsidiary of ICICI Bank Ltd.	Establishment & Other Expenses	**8,730**	*2,090*
	Loans & Advances	**3,160**	*2,940*
	Unsecured Loans	**100,000**	*—*
	Current Liabilities	**5,790**	*—*
Prudential ICICI Asset Management Company Ltd. – Subsidiary of ICICI Bank Ltd.	Financial Charges & Operating Expenses	**28,210**	*270*
ICICI Prudential Life Insurance Co. Ltd. – Subsidiary of ICICI Bank Ltd.	Unsecured Loans	**150,000**	
	Current Liabilities	**3,340**	
	Financial Charges & Operating Expenses	**14,190**	
ICICI Securities Holdings Inc. – Wholly owned subsidiary	Investments	**343,720**	*522,280*
	Sundry Debtors	**90**	*70*
	Other Income	**—**	*70*
ICICI Securities Inc. – Wholly owned subsidiary of ICICI Securities Holdings Inc.	Income from Services	**15,220**	*105,910*
	Sundry Debtors	**—**	*35,110*
ICICI Venture Funds Management Company Ltd.	Income from Services	**1,000**	*5,000*

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

(Rs. in 000's)

No.	Issuer	Amount*	Extent of private placement	Extent of 'unlisted securities'
1	PSUs	—	—	—
2	FIs	479,220	479,220	—
3	Banks	3,069,030	3,069,030	—
4	Other PDs	—	—	—
5	Private corporates	2,022,350	2,022,350	40
6	Subsidiaries/Joint Ventures	—	—	—
7	Others	—	—	—
8	Provision held towards depreciation	—	—	—
	Total	**5,570,600**	**5,570,600**	**40**

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

* Represents amounts net of provision for depreciation if any.

13. Repo/Reverse repo transactions:

(Rs. in 000's)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31, 2007
Securities sold under repos	3,620,410	24,694,300	5,849,480	5,657,680
	(—)	*(16,761,140)*	*(4,483,260)*	*(6,450,290)*
Securities purchased under reverse repos	—	2,044,490	105,750	1,587,540
	(—)	*(400,270)*	*(1,760)*	*(—)*

14. Earnings per Equity Share (EPS)

EPS has been calculated based on the net profit after taxation of Rs.1,325,460 thousand (Previous year – Rs.1,476,770 thousand) and the weighted average number of equity shares outstanding during the year of 16,494 (Previous year – 18,444).

15. Long Term Incentive Scheme

The Company approved a Long Term Incentive Scheme (the scheme) for employees in the last year. 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. (Formerly known as ICICI Securities Ltd).

With respect to the incentive units granted to the employees during the year, the Company has provided Rs.23,850 thousand (Previous year – 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 254,262 (Previous year Nil). The intrinsic value of each incentive unit granted in the scheme is Rs.145.98 (Previous year – Rs.152.64) as at March 31, 2007.

Details of scheme are as follows:

Opening Units	Additional/ Granted	Forfeited/ Exercised	Closing
514,259	—	254,262	259,997

16. Employee benefits (AS 15 Revised 120(b))

The following table summarises the components of net benefit expense recognised in the profit and loss account and the amounts recognised in the balance sheet.

(Rs. in 000's)

Particulars	**Year ended March 31, 2007**	
	Pension	**Gratuity**
Opening obligations	Not Determined	—
Service cost		—
Interest cost		—
Actuarial (gain)/loss		—
Benefits paid		—
Obligations as at March 31, 2007	—	20,680
Defined benefit obligation liability at March 31, 2007	—	20,680
Opening plans assets, at fair value		—
Expected return on plan assets		—
Actuarial gain/(loss)		—
Contributions		—
Benefits paid	Not Determined	
Plans assets at March 31, 2007, at fair value	—	16,450
Fair value of plan assets at the end of the period	—	(16,450)
Present value of the defined benefit obligations at the end of the period	—	20,680
Asset/(liability) at March 31, 2007	—	4,230
Cost for the period		
Service cost Interest cost		
Expected return on plan assets		
Actuarial (gain)/loss	Not Determined	Not Determined
Net cost	—	—
Investment details of plan assets		
Majority of the plan assets are invested in Government securities and corporate/ bonds in case of pension plan and insurer managed funds and special deposit schemes in case of gratuity plan.		
Assumptions		
Interest rate	N/A	8.35%
Salary escalation rate	N/A	7.50%
Estimated rate of return on plan assets	N/A	7%

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

Per our Report attached.

Signatures to Schedules A to U

For and on behalf of the Board

For S. R. BATLIBOI & CO.
Chartered Accountants

per VIJAY MANIAR
Partner
Membership No: 36738

K. V. KAMATH
Chairman

KALPANA MORPARIA
Director

Mumbai, April 25, 2007

ABHIJEET GUIN
Vice President & Head - Financials

RAJU NANWANI
Company Secretary

S. MUKHERJI
Managing Director & CEO

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 Tax	**1,901,050.00**		*2,140,640.00*
	– (Profit)/Loss on Sale of Fixed Assets	**1,830.00**		*300.00*
	– Depreciation	**14,540.00**		*15,870.00*
	– Provision for Wealth Tax	**—**		*100.00*
	– Provision for Interest Tax	**—**		*—*
	– Income from investment	**—**		*—*
	– Bad and Doubtful Debts (Net)	**(9,760.00)**		*68,760.00*
	Operating Profit before Changes in Operating Assets and Liabilities		**1,907,660.00**	*2,225,670.00*
	Adjustments for net change in Operating Assets and Liabilities			
	– Current Assets excluding Cash and Cash equivalents	**(1,819,940.00)**		*(3,516,069.92)*
	– Fixed Deposits under Lien	**(441,500.00)**		*(238,100.00)*
	– Loans and advances relating to Operations	**(1,647,710.00)**		*647,790.00*
	– Current Liabilites relating to Operations	**2,133,470.00**		*1,543,440.00*
			(1,775,680.00)	*(1,562,939.92)*
	Cash generated from Operations		**131,980.00**	*662,730.08*
	Payment of Taxes (Net)		**(544,160.00)**	*(686,360.00)*
	Net Cash from Operating Activities		**(412,180.00)**	*(23,629.92)*
B.	**Cash Flow From Investment Activities**			
	– (Acquisition) / Sale of Equity Investments in Subsidiary Companies		**178,560.50**	*(447,257.50)*
	– (Purchase) / Sale of Investments (Net)		**(0.50)**	*721,507.50*
	– Income from investment		**—**	*—*
	– (Purchase) / Sale of Fixed Assets (Net)		**(25,525.16)**	*49,766.04*
	Net cash used in Investment Activities		**153,034.84**	*324,016.04*
C.	**Cash Flow From Financing Activities**			
	– Increase / (Decrease) in Borrowings (Net)		**(6,071,870.00)**	*(1,615,110.00)*
	– Issue / redemption of Debentures (Net)		**7,044,500.00**	*2,849,500.00*
	– Buy Back		**(577,554.11)**	*(766,132.97)*
	– Dividends & Dividend Tax paid		**(689,900.00)**	*(795,670.00)*
	Net Cash used in Financing Activities		**(294,824.11)**	*(327,412.97)*
	Net Change in Cash & Cash Equivalents		**(553,969.27)**	*(27,016.85)*
	Cash and Cash Equivalents at the beginning of the year		**2,296,629.27**	*2,323,646.12*
	Cash and Cash Equivalents at the end of the year		**1,742,660.00**	*2,296,629.27*
	Cash and cash equivalents at the end of the year does not include fixed deposits under Lien		**(553,969.27)**	
	Rs. 801,600 thousand (Previous year Rs.360,100 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 VIJAY MANIAR
Partner
Membership No: 36738

For and on behalf of the Board

K. V. KAMATH
Chairman

KALPANA MORPARIA
Director

Mumbai, April 25, 2007

ABHIJEET GUIN
Vice President & Head - Financials

RAJU NANWANI
Company Secretary

S. MUKHERJI
Managing Director & CEO

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

I. Registration details

Registration Number: 1 3 1 9 0 0 — State Code: 1 1

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

II. Capital raised during the period (Amount in Rs. Thousand)

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	NIL

III. Position of mobilisation and deployment of funds (Amount in Rs. Thousand)

Total Liabilities and Shareholders' Funds	Total Assets
19581600	19581600

Sources of funds

Paid-up Capital	Reserves and Surplus
1621000	2491100
Secured Loans	Unsecured Loans
1539850	9578670

Application of funds

Fixed Assets	Investments
56160	388730
Net Current Assets	Miscellaneous Expenditure
14768660	NIL

IV. Performance of Company (Amount in Rs. Thousand)

Turnover	Total Expenditure
4246750	2345700
Profit Before Tax	Profit After Tax
1901050	1325460
Earning Per Share in Rs.	Dividend Rate %
80360.13	39.75

V. Generic names of principal products/services of the Company
(as per monetary terms)

Securities Investment and Trading
Investment banking activities Corporate Finance

For and on behalf of the Board

K. V. KAMATH
Chairman

KALPANA MORPARIA
Director

Mumbai, April 25, 2007

ABHIJEET GUIN
Vice President & Head - Financials

RAJU NANWANI
Company Secretary

S. MUKHERJI
Managing Director & CEO

CONSOLIDATED FINANCIAL STATEMENTS OF ICICI SECURITIES PRIMARY DEALERSHIP LIMITED

auditors' report

to the members

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

We conducted our audit in accordance with the 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.

We report that the consolidated financial statements have been prepared by ICICI Securities Group's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

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

(a) in the case of the consolidated balance sheet, of the state of affairs of ICICI Securities PD Group as at March 31, 2007;

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

(c) in the case of the consolidated 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 25, 2007

balance sheet

ICICI Securities Primary Dealership Limited

as at March 31, 2007

	Schedule	(Rs. in 000's)	March 31, 2006
SOURCES OF FUNDS			
1. Shareholders' Funds			
A. Share Capital	A	**1,621,000.00**	*1,658,840.00*
B. Reserves & Surplus	B	**2,867,370.00**	*2,909,840.00*
		4,488,370.00	*4,568,680.00*
2. Minority Interest		**370,546.66**	—
3. Loan Funds			
A. Secured Loans	C	**1,839,850.00**	*3,003,380.00*
B. Unsecured Loans	D	**11,150,480.00**	*7,557,120.00*
		17,849,246.66	*15,129,180.00*
APPLICATION OF FUNDS			
1. Fixed Assets	E		
Gross Block		**954,320.00**	*366,860.00*
Less: Accumulated depreciation/amortisation		**607,120.00**	*292,530.00*
Net Block		**347,200.00**	*74,330.00*
Capital Work-in-Progress		**113,050.00**	*380.00*
		460,250.00	*74,710.00*
2. Investments	F	**10,590.00**	*10.00*
3. Deferred Tax Asset		**45,210.00**	*15,060.00*
4. Current Assets, Loans & Advances			
A. Current Assets -			
(a) Interest Accrued	G	**179,500.00**	*276,530.00*
(b) Securities held as Stock-in-Trade	H	**12,230,970.00**	*11,365,920.00*
(c) Sundry Debtors	I	**3,177,720.00**	*2,402,700.00*
(d) Cash & Bank Balances	J	**4,824,570.00**	*3,096,690.00*
(e) Other Current Assets	K	**57,220.00**	*57,529.92*
B. Loans & Advances	L	**2,682,630.00**	*609,893.00*
		23,152,610.00	*17,809,262.92*
Less: **Current Liabilities & Provisions:**	M		
A. Current Liabilities		**5,751,583.34**	*2,762,362.92*
B. Provisions		**67,830.00**	*7,500.00*
NET CURRENT ASSETS		**17,333,196.66**	*15,039,400.00*
		17,849,246.66	*15,129,180.00*
Notes to Accounts	U		

profit and loss account

for the year ended March 31, 2007

	Schedule	(Rs. in 000's)	March 31, 2006
Income from Operations			
(a) Income from Services	N	**5,143,890.00**	*1,969,210.00*
(b) Interest Income	O	**2,067,700.00**	*1,687,000.00*
(c) Profit on Securities (Net)	P	**1,202,440.00**	*1,061,900.00*
(d) Other Income	Q	**77,500.00**	*24,880.00*
		8,491,530.00	*4,742,990.00*
Less: Operating Expenditure			
(a) Financial Charges and Operating Expenses	R	**3,546,200.00**	*1,463,510.00*
		4,945,330.00	*3,279,480.00*
Expenditure			
Less: Administrative Expenditure			
(a) Payments to and Provisions for Employees	S	**1,051,900.00**	*540,890.00*
(b) Establishment Expenses	T	**1,208,230.00**	*353,880.00*
(c) Depreciation		**112,600.00**	*23,970.00*
		2,372,730.00	*918,740.00*
Profit before Taxation		**2,572,600.00**	*2,360,740.00*
Profit before Taxation		**2,572,600.00**	*2,360,740.00*
Less: Provision for Taxation		**912,940.00**	*797,860.00*
Deferred Tax		**(30,990.00)**	*(11,880.00)*
Fringe Benefit tax		**18,150.00**	*8,420.00*
Profit After Taxation		**1,672,500.00**	*1,566,340.00*
Less: Minority Interest		**284,369.15**	–
Net Profit after Minority Interest		**1,388,130.85**	–
Brought forward from previous years		**668,774.25**	*651,940.00*
Amount available for appropriations		**2,056,905.10**	*2,218,280.00*
Transfer to Special Reserve		**265,090.00**	*295,350.00*
Transfer to General Reserve		**165,956.00**	*168,770.00*
Proposed Dividend		**48,630.00**	*166,530.00*
Transfer from Investor Contingency Reserve		**8,301.26**	–
Utilised towards Buyback of Shares		**317,125.11**	*102,089.97*
Interim Dividend		**706,660.00**	*695,960.00*
Tax on Dividend		**119,210.00**	*120,960.00*
Balance carried to Balance Sheet		**442,535.25**	*835,150.03*
Earnings per share (Basic & Diluted) (Face value Rs. 1,00,000/- per share)		**101,540.25**	*84,922.53*
Notes to Accounts	U		

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

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

For S. R. BATLIBOI & CO.
Chartered Accountants

per VIJAY MANIAR
Partner
Membership No: 36738

For and on behalf of the Board

K. V. KAMATH
Chairman

KALPANA MORPARIA
Director

Mumbai, April 25, 2007

ABHIJEET GUIN
Vice President & Head - Financials

RAJU NANWANI
Company Secretary

S. MUKHERJI
Managing Director & CEO

forming part of the Accounts

SCHEDULE "A" - SHARE CAPITAL

(Rs. in 000's)		March 31, 2006
Authorized:		
50,000 Equity Shares of Rs. 1,00,000/- each (Previous year 50,00,00,000 Equity Shares of Rs. 10/- each)	**5,000,000.00**	*5,000,000.00*
Issued:		
16,210 Equity Shares (Previous year 16,58,84,100) of Rs. 1,00,000/- (Previous year - Rs.10/-) each	**1,621,000.00**	*1,658,840.00*
Subscribed & Paid Up:		
16,210 Equity Shares (Previous year 16,58,84,100) of Rs. 1,00,000/- (Previous year - Rs.10/-) each	**1,621,000.00**	*1,658,840.00*

Notes:

Of the above, 16,201 Equity Shares of Rs. 100,000/- each (Previous year - 16,57,24,500 Equity Shares of Rs. 10/-) each are held by ICICI Bank Ltd. (the Holding company) and its nominees.

The Company bought back 37,84,100 (Previous year - 37,118,700) Equity Shares at Rs. 152.64 per share aggregating to Rs. 577,610 thousand (Previous year Rs. 766.130 thousand) during the year.

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

	Balance as on April 1, 2006	Additions/ transfer during the Period	Deductions/ transfers during the Period	Balance as at March 31, 2007	Balance as at March 31, 2006
Securities Premium Account	*255,991.94*	–	112,800.00	143,191.94	*112,800.00*
General Reserve	*167,006.82*	165,956.00	147,630.00	185,290.00	*168,770.00*
Special Reserve (maintained under Section 45 IC of the RBI Act, 1935)	*1,420,970.00*	265,090.00	–	1,686,060.00	*1,420,970.00*
Capital Redemption Reserve	*371,190.00*	37,842.81	–	409,032.81	*371,190.00*
Translation Reserve	*960.00*	(5,150.00)	–	(4,190.00)	*960.00*
Profit and Loss Account	*668,774.25*	1,396,432.11	1,622,671.11	442,535.25	*835,150.03*
Investors Contingency Fund	*13,757.34*	–	8,301.26	5,450.00	–
Total	*2,898,650.35*	**1,860,170.91**	**1,891,402.37**	**2,867,370.00**	*2,909,840.03*

SCHEDULE "C" - SECURED LOANS: (Rs. in 000's)

		March 31, 2006
Borrowings under LAF (Secured by pledge of Govt. securities of Face Value Rs.1,482,000 thousand) (Previous year Rs. Nil)	**1,400,000.00**	–
Collateralised Borrowings (Secured by pledge of Govt. securities of Face Value Rs. 2,115,400 thousand) (Previous year Rs. 3,012,500 thousand)	**139,850.00**	*3,003,380.00*
Secured Loan from Standard Chartered Bank	**300,000.00**	–
	1,839,850.00	*3,003,380.00*

SCHEDULE "D" - UNSECURED LOANS

(Rs. in 000's)		March 31, 2006
Subordinated Bonds issued as Tier III Capital	**1,600,000.00**	*600,000.00*
Subordinated Bonds issued as Tier II Capital	**250,000.00**	–
Inter-Corporate Borrowings	**1,150,000.00**	–
Money at Call and Short Notice		
– From Banks	–	*500,000.00*
– From Others	–	–
Commercial Paper Borrowings	**1,384,170.00**	*497,010.00*
FCNRB Borrowing	–	*229,000.00*
Floating Rate Debentures (Redeemable at par by December 2007)	**150,000.00**	–
Floating Rate Debentures (Redeemable at par by April 2007)	**1,000,000.00**	–
Floating Rate Debentures (Redeemable at par by June 2006)	–	*2,845,500.00*
Floating Rate Debentures (Redeemable at par by May 2006)	–	*2,071,000.00*
7.50% Debentures 2006 (Redeemable at par by April 2006)	–	*50,000.00*
7.45% Debentures 2006 (Redeemable at par by April 2006)	–	*200,000.00*
Floating Rate Debentures (Redeemable at par by December 2007)	–	*150,000.00*
Floating Rate Debentures (Redeemable at par by May 2007)	**500,000.00**	–
Floating Rate Debentures (Redeemable at par by June 2007)	**1,229,000.00**	–
16.00% Debentures 2007 (Redeemable at par by June 2007)	**750,000.00**	–
12.00% Debentures 2007 (Redeemable at par by April 2007)	**250,000.00**	–
16.00% Debentures 2007 (Redeemable at par by April 2007)	**500,000.00**	–
15.10% Debentures 2007 (Redeemable at par by April 2007)	**217,000.00**	–
15.00% Debentures 2007 (Redeemable at par by April 2007)	**598,500.00**	–
Subordinated Debt (USD 7.50 mn from ICICI Bank Ltd. Singapore)	**326,030.00**	*334,610.00*
Cash Credit facility	**995,780.00**	*80,000.00*
Unsecured Debentures	**250,000.00**	–
	11,150,480.00	*7,557,120.00*

SCHEDULE "E" - FIXED ASSETS

	Gross Block (at Cost)				Accumulated Depreciation				Net Block	
	April 1, 2006	**Additions**	**Sale/Adj.**	**March 31, 2007**	*April 1 2006*	**Additions**	**Sale/Adj.**	**March 31, 2007**	**March 31, 2007**	*March 31, 2006*
TANGIBLE										
Freehold Land	–	–	–	–	–	–	–	–	–	–
Building	–	–	–	–	–	–	–	–	–	–
Plant & Machinery / Electrical Installation	*3,110.00*	**4,010.00**	**1,600.00**	**5,520.00**	*1,600.00*	290.00	1,270.00	620.00	**4,900.00**	*1,500.00*
Office Equipment	*59,968.40*	**26,136.37**	**2,900.00**	**83,204.77**	*15,729.55*	8,978.61	1,606.70	23,101.46	**60,103.31**	*20,783.00*
Computers	*238,558.77*	**89,060.24**	**13,993.06**	**313,625.95**	*142,775.82*	56,287.45	13,235.56	185,827.71	**127,798.24**	*19,742.00*
Furniture & Fixtures	*23,547.50*	**75,786.69**	**70.00**	**99,264.18**	*3,982.03*	11,117.03	70.00	15,039.06	**84,225.12**	*1,675.00*
Vehicles	*4,632.67*	**2,180.00**	**1,792.67**	**5,020.00**	*2,219.18*	817.00	958.96	2,077.22	**2,942.78**	*2,040.00*
BSE Membership Rights	*43,271.11*	–	**43,271.11**	–	*21,951.71*	3,096.48	25,043.94	–	–	*2,930.00*
INTANGIBLE										
Software	*187,093.17*	**50,841.93**	**250.00**	**237,685.10**	*139,956.88*	30,717.66	220.00	170,454.55	**67,230.56**	*25,660.00*
Total	*560,181.62*	**248,015.22**	**63,876.84**	**744,320.00**	*328,215.18*	111,304.23	42,405.16	397,120.00	**347,200.00**	*74,330.00*
Capital Work-in-Progress	*3,480.00*	528,175.00	**418,605.00**	**113,050.00**	–	–	–	–	**113,050.00**	–
Sub-Total	*563,661.62*	**776,190.22**	**482,481.84**	**857,370.00**	*328,215.18*	111,304.23	42,405.16	397,120.00	**460,250.00**	*74,330.00*
Assets Given on lease (Plant & Machinery)	*210,000.00*	–	–	**210,000.00**	*210,000.00*	–	–	210,000.00	–	–
Total	*773,661.62*	**776,190.22**	**482,481.84**	**1,067,370.00**	*538,215.18*	111,304.23	42,405.16	607,120.00	**460,250.00**	*74,330.00*
Previous Year	*391,273.00*	*45,270.00*	*69,680.00*	*366,863.00*	*274,232.00*	*23,971.00*	*5,670.00*	*292,533.00*	*74,330.00*	–

SCHEDULE "F" - INVESTMENTS - LONG TERM - (AT COST, QUOTED UNLESS OTHERWISE STATED)

Name of the Company	Quantity in thousands	Face Value per unit (Rs.)	As at March 31, 2007	*As at March 31, 2006*
Unquoted				
Shares of BSE Ltd.	10 (Nil)	1.00	–	*10.00*
Investors' Contingency Fund			**10,590.00**	–
Total			**10,590.00**	*10.00*

Notes :
The aggregate cost of the unquoted investments as at March 31, 2007 is Re. 1 (Previous period Rs. Nil).

SCHEDULE "G" - INTEREST ACCRUED

(Rs. in 000's)

	March 31, 2007	*March 31, 2006*
On Stock-in-Trade	**68,210.00**	*228,730.00*
On Loans & Advances	**111,290.00**	*47,800.00*
Total	**179,500.00**	*276,530.00*

SCHEDULE "H" - SECURITIES HELD AS STOCK-IN-TRADE

Government of India Securities & Deemed Government of India Securities	**1,782,050.00**	*5,328,410.00*
Treasury Bills	**3,526,634.22**	*803,315.42*
Certificate of Deposit & Commercial Paper	**2,903,425.18**	*1,247,204.70*
Bonds & Debentures	**2,667,170.00**	*1,625,830.00*
Debentures (Unquoted)	**111,680.00**	*123,850.00*
Equity	**655,760.00**	*1,429,720.00*
Equity Unquoted	**22,280.00**	*28,440.00*
Units of Mutual Funds	**673,650.60**	–
Total	**12,342,650.00**	*10,586,770.12*
Less: Provision against Non-performing Assets/Bad debts written off	**111,680.00**	*123,850.00*
Grand Total	**12,230,970.00**	*10,462,920.12*

Notes : 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.

SCHEDULE "I" - SUNDRY DEBTORS (Unsecured)

(Rs. in 000's)

	March 31, 2007	*March 31, 2006*
(A) Receivables outstanding for a period exceeding six months:		
Considered good	**30,770.00**	*76,730.00*
Considered Doubtful	**91,950.00**	*45,990.00*
(B) Receivables outstanding for a period not exceeding six months:		
Considered good	**500,400.00**	*254,570.00*
Considered doubtful	–	–
Trades executed but not settled	**2,646,550.00**	*2,071,400.00*
	3,269,670.00	*2,448,690.00*
Less: Provision for Doubtful Debts	**91,950.00**	*45,990.00*
Total	**3,177,720.00**	*2,402,700.00*

SCHEDULE "J" - CASH AND BANK BALANCES

Cash & Cheques on hand	**11,170.00**	*80.00*
In Current Accounts with Scheduled Banks	**496,830.00**	*245,850.00*
In Current Accounts with Reserve Bank of India	**8,240.00**	*3,940.00*
Fixed Deposits with Scheduled Banks	**1,765,776.00**	*2,228,880.00*
	2,282,016.00	*2,478,750.00*
Fixed Deposits with Scheduled Banks (Under Lien)	**2,542,554.00**	*617,940.00*
Total	**4,824,570.00**	*3,096,690.00*

SCHEDULE "K" - OTHER CURRENT ASSETS

Assets held for Sale	**57,220.00**	*57,529.92*
	57,220.00	*57,529.92*

forming part of the Accounts *Continued*

SCHEDULE "L" - LOANS AND ADVANCES

(Unsecured and considered good unless otherwise stated)

	(Rs. in 000's)	March 31, 2006
Advances : (Recoverable in cash or in kind or for value to be received)		
Security Deposit for Leased Premises	**219,720.00**	*4,780.00*
Other Advances and Deposits	**1,074,070.00**	*280,803.00*
Application Money for Securities	**1,044,950.00**	–
Deposit with stock exchanges	**54,660.00**	*121,840.00*
Advance Tax (net of Provisions)	**289,230.00**	*202,470.00*
	2,682,630.00	*609,893.00*

SCHEDULE "M" - CURRENT LIABILITIES AND PROVISIONS:

	(Rs. in 000's)	March 31, 2006
(A) Current Liabilities		
Interest Accrued but not due	**148,600.00**	*46,260.00*
Trades executed but not settled	**2,292,640.00**	*2,112,940.00*
Sundry Creditors for Expenses	**694,310.00**	*111,600.00*
Other Liabilities	**2,615,833.34**	*491,223.00*
Unclaimed Dividends	**200.00**	*340.00*
Total (A)	**5,751,583.34**	*2,762,363.00*
(B) Provisions:		
Proposed Dividend	**48,630.00**	–
Retirement Benefits	**19,200.00**	*7,500.00*
Total (B)	**67,830.00**	*7,500.00*

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

SCHEDULE "N" - INCOME FROM SERVICES

	(Rs. in 000's)	March 31, 2006
Issue Management Fees	**326,810.00**	*586,020.00*
Financial Advisory Services	**530,230.00**	*410,850.00*
Syndication Fees	**139,070.00**	*199,160.00*
Underwriting Commission	**5,990.00**	*23,470.00*
Brokerage & Commission	**3,677,600.00**	*749,710.00*
Income from other services	**464,190.00**	–
Total	**5,143,890.00**	*1,969,210.00*

SCHEDULE "O" - INTEREST INCOME

	(Rs. in 000's)	March 31, 2006
Interest on Securities held as Stock-in-trade	**1,228,070.00**	*1,223,220.00*
- Investments	**192,990.00**	–
- Stock-in-trade	**283,170.00**	*255,730.00*
Interest on Repo and Call Lendings	**37,910.00**	*15,400.00*
Interest on Deposits for Leased Premises	**8,330.00**	–
Interest on Income Tax Refund	–	*15,820.00*
Interest on Other Loans and Advances	**317,230.00**	*176,830.00*
Total	**2,067,700.00**	*1,687,000.00*

SCHEDULE "P" - PROFIT ON SECURITIES (NET)

	(Rs. in 000's)	March 31, 2006
Profit on Sale of Investments	**112,580.00**	*20,450.00*
Profit on Commercial Papers & Certificate of Deposits	**–**	–
Profit on Stock-in-trade	**465,900.00**	*880,760.00*
Net Gain/(Loss) from Derivatives	**623,960.00**	*160,690.00*
Total	**1,202,440.00**	*1,061,900.00*

SCHEDULE "Q" - OTHER INCOME

	(Rs. in 000's)	March 31, 2006
Dividend Income from Mutual Funds / Companies	**38,790.00**	*22,670.00*
Recovery Against Bad Debts Written Off	**7,150.00**	*840.00*
Miscellaneous Income	**31,560.00**	*1,370.00*
Total	**77,500.00**	*24,880.00*

SCHEDULE "R" - FINANCIAL CHARGES AND OPERATING EXPENSES

	(Rs. in 000's)	March 31, 2006
Interest on Fixed Loans and Debentures	**994,510.00**	*619,390.00*
Interest on Borrowings from Reserve Bank of India	**4,640.00**	*930.00*
Interest on Repo and Call Borrowings	**669,340.00**	*496,430.00*
Procurement Expenses	**407,890.00**	*159,930.00*
Clients Assistance Charges	**569,780.00**	–
Call Centre Charges - Policy Issuance Related	**54,090.00**	–
Franking Charges	**155,160.00**	–
Guarantee Commission	**3,340.00**	*3,370.00*
Rating Agency Fees	**4,360.00**	*3,650.00*
Turnover Fees	**470.00**	*30.00*
Custodial and Depository Charges	**474,880.00**	*38,260.00*
Brokerage and Stamp Duty	**30,430.00**	*65,040.00*
Bank Charges	**47,680.00**	*7,710.00*
Doubtful Debts Written off / Provided	**175,620.00**	*71,720.00*
Less: Opening Provision	**45,990.00**	*2,950.00*
	129,630.00	*68,770.00*
Total	**3,546,200.00**	*1,463,510.00*

SCHEDULE "S" - PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

	(Rs. in 000's)	March 31, 2006
Salaries, Wages and Incentive	**974,960.00**	*496,450.00*
Contribution to Provident and Other Funds	**39,590.00**	*26,590.00*
Staff Welfare Expenses	**37,350.00**	*17,850.00*
Total	**1,051,900.00**	*540,890.00*

SCHEDULE "T" - ESTABLISHMENT AND OTHER EXPENSES

	(Rs. in 000's)	March 31, 2006
Rent and Amenities	**308,980.00**	*97,660.00*
Insurance	**10,510.00**	*860.00*
Business Promotion, Travelling and Conveyance Expenses	**140,310.00**	*92,200.00*
Repairs,Maintenance And Upkeep	**28,270.00**	*17,050.00*
Rates and Taxes	**29,340.00**	*2,920.00*
Electricity Expenses	**25,760.00**	*11,550.00*
Profit / (loss) on Sale of Fixed Assets	**19,080.00**	*300.00*
Communication Expenses	**187,670.00**	*19,080.00*
Printing and Stationery	**86,130.00**	*13,030.00*
Subscription and Periodicals	**54,860.00**	*32,100.00*
Professional Fees	**57,090.00**	*37,820.00*
Advertisement Expenses	**108,550.00**	*5,580.00*
Auditors' Remuneration	**10,330.00**	*3,980.00*
Miscellaneous Expenses	**141,350.00**	*19,750.00*
Total	**1,208,230.00**	*353,880.00*

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) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(iii) **Adoption of Accounting Standard AS15 (Revised 2005) Employee Benefits**

In current year, the Company has gone for early adoption of the Accounting Standard 15 (Revised 2005) which is mandatory for accounting period commencing on or after December 7, 2006. Accordingly the Company has provided for short term leave benefits on estimate basis. Further in accordance with the transitional provision in the revised accounting standard, Rs. Nil (net of tax liability Rs. Nil) has been adjusted to the General Reserve.

(iv) **Basis of Consolidation**

The consolidated financial statements include results of ICICI Securities Limited and its subsidiaries which are more than 50% owned and controlled. As per requirement of Accounting Standard 21 the consolidation is on a line to line basis, all material inter-company accounts and transactions are eliminated at the time of consolidation.

(v) **Revenue Recognition**

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

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

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

(d) Brokerage income in relation to stock broking activity is recognised on the trade date of transaction. In respect of unsettled trades, amounts receivable from and payable to clients for broking transactions are disclosed separately as trades executed but not settled. Brokerage income in relation to public issues/other securities is recognised based on mobilisation and intimation received from clients/intermediaries.

(vi) **Stock-in-Trade**

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

(b) The securities held as stock-in-trade are valued at lower of cost 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/treasury bills/ zero coupon instruments are valued at carrying cost or market value 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.

(e) The secondary market short sale transactions in Government securities as permitted by RBI Circular no, RBI/2006-2007/243 IDMD. No./11.01.01(B)/2006-07 are classified under miscellaneous liabilities and are carried at carrying cost or market price whichever is lower.

(vii) **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.

(viii) **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.

(ix) **Fixed Assets and Depreciation**

(a) Fixed assets are stated at historical cost less accumulated depreciation and impairement 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.

(d) BSE membership right is amortised over a period of 10 years.

(x) **Income Taxes**

Tax expense comprises of current, deferred taxes and fringe benefit taxes. Current income tax and fringe benefit 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.

(xi) **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 Reserve Bank of India 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.

(xii) 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.

(xiii) Retirement Benefits

(a) Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and 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.

(b) The Company's employees are covered under the Employees' Gratuity Scheme & contribution is made to Life Insurance Corporation of India (LIC). Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of each financial year.

(c) Short term compensated absences are provided for on based on estimates.

(d) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

(xiv) 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.

(xv) 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.

(xvi) 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.

2. Deferred Tax

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

(Rs. in 000's)

Deferred Tax Assets/(Liabilities)	As at March 31, 2007	As at March 31, 2006
Depreciation	**(18,250)**	*(2,940)*
Preliminary Expenses	**—**	—
Provision for Debtors	**49,640**	*15,480*
Provision for Retirement Benefits	**10,340**	*2,520*
Expenditure on amalgamation S - 35DD	**3,480**	—
	45,210	*15,060*

3. Contingent Liabilities

(a) Income tax matters disputed by the Company Rs. 330,340 thousand (Previous year - Rs. 414,550 thousand).

(b) Outstanding counter guarantees for subsidiary company, as at March 31, 2007 is Rs. 50,000 thousand (Previous year – Rs. 50,000 thousand).

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

4. Notional principal outstanding on account of Swaps/Forward Rate Agreements/Currency Swaps Rs. 955,563,970 thousand (Previous year- Rs. 665,793,000 thousand).

5. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 35,540 thousand (Previous year – Rs. 18,400 thousand).

6. Related Party Disclosures

(Rs. in 000's)

Name of the Related Party	Type of Transactions	2006-07	2005-06
ICICI Bank Ltd. – The Holding Company	Income from Services	**54,540**	*85,940*
	Brokerage Income	**4,160**	*11,620*
	Interest Income	**186,870**	*37,120*
	Financial Charges & Operating Expenses	**78,760**	*76,710*
	Payment to and provisions for employees	**3,440**	*3,760*
	Establishment & Other Expenses	**149,290**	*103,960*
	Dividend paid	**601,620**	*695,300*
	Bank Balance	**(237,920)**	*108,330*
	Fixed Deposits	**2,431,570**	*1,376,920*
	Interest accrued	**56,580**	*19,380*
	Sundry Debtors	**42,870**	*48,560*
	Loans & Advances	**780**	*2,560*
	Secured Loans	**—**	*80,000*
	Unsecured Loans	**—**	*334,610*
	Current Liabilities	**31,850**	*36,240*
	Notional Principal amount of IRS outstanding	**162,300,000**	*130,950,000*
	Notional Principal amount of Currency Swap outstanding	**—**	*229,050*
	Common Corporate Expenses	**8,630**	—
	Client Assistance Charges	**486,580**	—
	Salary Deputation	**93,600**	—
	IBG Fee	**82,900**	—
	Call Centre Charges	**54,090**	—
	Interest paid	**85,860**	—
ICICI Lombard General Insurance Co. Ltd. – Subsidiary of ICICI Bank Ltd.	Brokerage Income	**1,110**	*1,330*
	Other Income	**—**	—
	Establishment & Other Expenses	**9,260**	*2,090*
	Loans and Advances	**—**	*3,170*
	Sundry Debtors	**—**	—
ICICI Prudential Life Insurance Co. Ltd. – Subsidiary of ICICI Bank Ltd.	Brokerage Income	**24,610**	*12,470*
	Unsecured Loans	**150,000**	—
Prudential Asset Management Company Ltd. – Subsidiary of ICICI Bank Ltd.	Brokerage	**9,180**	—
	Financial Charges & Operating Expenses	**28,210**	*270*
Prudential ICICI Trust Limited - Subsidiary of ICICI Bank Ltd.	Brokerage Income	**4,320**	—
ICICI International Ltd. - Subsidiary of ICICI Bank Ltd.	Brokerage Income	**610**	—

The procedure for consolidation of Accounts is as per Accounting Standard – 21 in case of subsidiary companies. The list of subsidiary companies is given below.

a. ICICI Securities Ltd. (Formerly known as ICICI Brokerage Services Ltd.)

b. ICICI Securities Holdings Inc.

c. ICICI Securities Inc.

The Company does not have any associate companies.

7. Segmental Disclosures

Internally evaluation of performance is based on two business segments – "Investment & Trading" and "Advisory & Transaction Services". These have been considered as a Primary reportable segment. The Company does not have any secondary reportable segment.

Following are the disclosures for the two identified segments. This being a finance company, interest and finance costs is allocated to each segment.

Segment wise Revenue, Results and Capital Employed for the year ended March 31, 2007

(Rs. in 000's)

	March 31, 2007	March 31, 2006
Segment Revenue		
Investment and Trading		
– External	3,214,330	2,736,850
– Internal	—	—
Advisory and Transaction Services		
– External	5,251,530	1,988,850
– Internal	4,360	8,620
Less: Inter-segment elimination	(4,360)	(8.620)
	8,465,860	4,725,700
Segment Results		
Investment and Trading	1,655,100	1,581,780
Advisory and Transaction Services	1,550,810	1,309,560
	3,205,910	2,891,340
Unallocable expenditure net off unallocable income	633,310	530,600
Profit before Taxation & Extraordinary items	2,572,600	2,360,740
Interest tax reversal of earlier years	—	—
Profit before tax	2,572,600	2,360,740
Less: Tax expense	900,100	794,400
Profit after tax	1,672,500	1,566,340
Segment Assets		
Investment and Trading	19,110,190	15,770,120
Advisory and Transaction Services	3,739,610	1,731,900
Unallocable assets	1,182,520	340,300
	24,032,320	17,842,320
Segment Liabilities		
Investment and Trading	(13,273,290)	(11,808,390)
Advisory and Transaction Services	(2,719,770)	(807,540)
Unallocable liabilities	(3,180,340)	(657,710)
	(19,173,400)	(13,273,640)
Cost of acquisition of Segment Assets		
Investment and Trading	—	—
Advisory and Transaction Services	220,980	30,160
Unallocable assets	554,570	15,110
	775,550	45,270
Depreciation on Segment Assets		
Investment and Trading	—	—
Advisory and Transaction Services	96,510	7,900
Unallocable assets	4,300	16,070
	100,810	23,970
Non-cash expenses other than depreciation		
Investment and Trading	—	—
Advisory and Transaction Services	—	—
	—	—

8. Derivatives

(Rs. in 000's)

	2007	2006
Notional Principal amount of IRS Contracts		
a. Hedging Contracts	–	229,100
b. Trading Contracts	955,563,970	655,564,000
(i) Fair Value of Trading IRS	707,640	94,810
(ii) Associated Credit Risk on Trading IRS*	707,640	94,810
(iii) Market Risk on trading IRS#	1527,000	98,310
(iv) Credit Risk Concentration@	937,800	512,950
Equity Derivatives – Trading Contracts		
a. Futures Contracts		
Open Quantity in units – Long	84,250	147,160
Short	2,291,025	3,056,165
Net	2,206,775	2,909,005
b. Option Contracts		
Open Quantity in units – Long	–	–
Short	11,500	–
Net	11,500	–
MTM Value of Trading Derivatives	6,910	–

* 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.10,580 thousand (US$ 243,423 @ closing rate of 1USD = Rs. 43.47) [Previous Year Rs. 44.10 thousand (US$ 988,359 @ closing rate of 1USD = Rs. 44.615)]

9. Earnings per Equity Share (EPS)

EPS has been calculated based on the net profit after taxation of Rs.1,672,500 thousand (Previous year Rs.1,566,340 thousand) and the weighted average number of equity shares outstanding during the year of 16,494 (Previous year 18,444).

10. Long Term Incentive Scheme

The Company approved a Long Term Incentive Scheme (the scheme) for employees in the last year. 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. (Formerly known as ICICI Securities Ltd).

With respect to the incentive units granted to the employees during the year, the Company has provided Rs. 37,230 thousand (Previous year Rs. 32,710 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 385,567 (Previous year Nil). The intrinsic value of each incentive unit granted in the scheme is Rs. 145.98 (Previous year Rs.152.64) as at March 31, 2007.

Details of scheme are as follows:

Opening Units	Additional/Granted	Forfeited/Exercised	Closing
711,572	—	385,567	326,005

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

For S. R. BATLIBOI & CO.
Chartered Accountants

per VIJAY MANIAR
Partner
Membership No: 36738

Mumbai, April 25, 2007

For and on behalf of the Board

K. V. KAMATH
Chairman

KALPANA MORPARIA
Director

ABHIJEET GUIN
Vice President & Head - Financials

RAJU NANWANI
Company Secretary

S. MUKHERJI
Managing Director & CEO

cash flow statement

for the year ended March 31, 2007 **(Rs. in 000's)**

		March 31, 2007	March 31, 2006
A. Cash Flow From Operating Activities			
Profit Before Tax	**2,572,600.00**		*2,360,740.00*
– (Profit)/Loss on Sale of Fixed Assets	**19,080.00**		*300.00*
– Depreciation	**112,600.00**		*23,970.00*
– Provision for Interest Tax	**–**		*–*
– Provision for Wealth Tax	**–**		*100.00*
– Exchange adjustments	**(5,150.00)**		*4,520.00*
– Income from Investment	**–**		*–*
– Bad and Doubtful Debts (Net)	**45,960.00**		*68,760.00*
Operating Profit before Changes in Operating Assets and Liabilities		**2,745,090.00**	*2,458,390.00*
Adjustments for net change in Operating Assets and Liabilities			
– Current Assets excluding Cash and Cash equivalents	**3,663,110.00**		*(4,689,989.92)*
– Fixed Deposits under Lien	**(840,514.00)**		*(276,710.00)*
– Loans and advances relating to Operations	**(1,625,130.00)**		*544,380.00*
– Current Liabilites relating to Operations	**(4,674,110.24)**		*1,904,865.00*
		(3,476,644.24)	*(2,517,454.92)*
Cash generated from Operations		**(731,554.24)**	*(59,064.92)*
Payment of Taxes (Net)		**(966,650.00)**	*(816,770.00)*
Net Cash from Operating Activities		**(1,698,204.24)**	*(875,834.92)*
B. Cash Flow From Investment Activities			
– (Purchase) / Sale of Investments (Net)		**44,710.00**	*721,500.00*
– Income from investment		**–**	*–*
– (Purchase) / Sale of Fixed Assets (Net)		**(355,213.23)**	*22,060.00*
Net cash used in Investment Activities		**(310,503.23)**	*743,560.00*
C. Cash Flow From Financing Activities			
– Increase / (Decrease) in Borrowings (Net)		**790,900.00**	*(1,200,500.00)*
– Issue / redemption of Debentures (Net)		**1,128,000.00**	*2,849,500.00*
– Buy Back		**(577,554.11)**	*(766,132.97)*
– Minority Interest in retained earnings		**(241,821.21)**	*–*
– Dividends & Dividend Tax paid		**(870,600.00)**	*(809,880.00)*
Net Cash used in Financing Activities		**228,924.68**	*72,987.03*
Net Change in Cash & Cash Equivalents		**(1,779,782.80)**	*(59,277.89)*
Cash and Cash Equivalents at the beginning of the year		**4,061,798.80**	*2,538,026.69*
Cash and Cash Equivalents at the end of the year		**2,282,016.00**	*2,478,748.80*

Cash and cash equivalents at the end of the year does not include fixed deposits under Lien Rs. 2,542,554 thousand (Previous year Rs. 671,940 thousand)

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

For S.R. BATLIBOI & CO.
Chartered Accountants

per VIJAY MANIAR
Partner
Membership No: 36738

For and on behalf of the Board

K. V. KAMATH
Chairman

KALPANA MORPARIA
Director

Mumbai, April 25, 2007

ABHIJEET GUIN
Vice President & Head - Financials

RAJU NANWANI
Company Secretary

S. MUKHERJI
Managing Director & CEO

ICICI Securities Primary Dealership Limited

of the Companies Act, 1956, relating to Subsidiary Companies

(Rs. in 000's)

Sr. No.	**Name of the Subsidiary Company**	**ICICI Securities Ltd. (Formerly known as ICICI Brokerage Services Ltd.)**	**ICICI Securities Holdings Inc.**	**ICICI Securities Inc.**
1.	The financial year of the Subsidiary Company ended on	March 31, 2007	March 31, 2007	March 31, 2007
2.	(a) Number of Equity Shares held by ICICI Securities Primary Dealership Limited (Formerly known as ICICI Securities Ltd.) and/or its nominees in the Subsidiary as on March 31, 2007	4,500,700 Equity Shares of Rs. 10 each fully paid-up	1,600,000 Equity Shares of US$ 1.00 per unit fully paid-up	1,050,000 Equity Shares of US$ 1.00 per unit Fully paid-up held by ICICI Securities Holdings Inc.
	(b) Extent of interest of ICICI Securities Primary Dealership Limited (Formerly known as ICICI Securities Ltd.) in the Capital of the Subsidiary	54.55%	100%	100%
3.	Net aggregate amount of Profits/Losses of the Subsidiary so far as it concerns the Members of ICICI Securities Primary Dealership Limited (Formerly known as ICICI Securities Ltd.) and is not dealt with in the Accounts of ICICI Securities Primary Dealership Limited (Formerly known as ICICI Securities Ltd.)			
	(a) Profits of the Subsidiary for the financial year ended on March 31, 2007	341,300.38	(21,935.95)	(66,546.91)
	(b) Profits for the previous financial years of the Subsidiary since it became Subsidiary of ICICI Securities Primary Dealership Limited (Formerly known as ICICI Securities Ltd.)	443,324.75	(1,576.25)	21,329.38
4.	Net aggregate amount of Profits/Losses of the Subsidiary so far as dealt with or provisions made for those losses in the Accounts of ICICI Securities Primary Dealership Limited (Formerly known as ICICI Securities Ltd.)			
	(a) Profits of the Subsidiary for the financial year ended on March 31, 2007	Nil	Nil	Nil
	(b) Profits for the previous financial years of the Subsidiary since it became Subsidiary of ICICI Securities Primary Dealership Limited (Formerly known as ICICI Securities Ltd.)	Nil	Nil	Nil

For and on behalf of the Board

K. V. KAMATH
Chairman

KALPANA MORPARIA
Director

ABHIJEET GUIN
Vice President & Head - Financials

RAJU NANWANI
Company Secretary

S. MUKHERJI
Managing Director & CEO

Mumbai, April 25, 2007