ICICI Securities I-Sec

ICICI SECURITIES LIMITED

13TH ANNUAL REPORT AND ANNUAL ACCOUNTS 2007-2008

Directors
K. V. Kamath, *Chairman*
Kalpana Morparia, *Vice Chairperson*
Uday Chitale
V. Vaidyanathan
Nitin Jain
A. Murugappan, *Executive Director*
Anup Bagchi, *Executive Director*
S. Mukherji, *Managing Director & CEO*

Auditors
S. R. Batliboi & Co.
Chartered Accountants

Raju Nanwani
Company Secretary

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

directors' report

to the members

The Directors are pleased to present the Thirteenth Annual Report of ICICI Securities Limited (the Company) with the audited financial statements for the year ended March 31, 2008.

Reserve Bank of India (RBI) had, vide its circular dated July 4, 2006, prohibited a Primary Dealer (PD) from having a step-down subsidiary. Accordingly, ICICI Securities Primary Dealership Limited, the then holding company of the Company, was required to restructure the ownership of its subsidiaries. Accordingly, in May 2007, ICICI Securities Primary Dealership Limited and ICICI Trusteeship Services Limited (ICICI Equity Fund) transferred their respective holdings in the Company to ICICI Bank Limited. As a result, the Company became a 100% subsidiary of ICICI Bank Limited.

During the year, the Company also acquired the holdings of ICICI Securities Primary Dealership Limited in ICICI Securities Holdings, Inc. and, with this acquisition, the Company has a subsidiary in the form of ICICI Securities Holdings, Inc. and a step-down subsidiary in the form of ICICI Securities, Inc.

As part of the RBI-approved restructuring plan of ICICI Securities Primary Dealership Limited, the merchant banking business of ICICI Securities Primary Dealership Limited was to be carried on by the Company. Accordingly, the Company, on July 9, 2007, obtained the merchant banking licence from the Securities & Exchange Board of India (SEBI). After completion of the aforesaid reorganisation, the Company is now engaged in the following activities:

- Broking (institutional and retail)
- Merchant banking
- Underwriting

Employees associated with the institutional broking and merchant banking businesses as well as with other service functions have been transferred from ICICI Securities Primary Dealership Limited to the Company.

INDUSTRY OVERVIEW

Corporate Finance

FY2008 was a landmark year for Indian equity markets. Total issuance of domestic equity and equity-linked instruments by Indian corporates was Rs. 1,026.80 bn in FY2008 as against Rs. 663.00 bn in FY2007.

The domestic IPO/FPO market was buoyant with 90 issues and total issuances increasing to Rs. 522.00 bn in FY2008 from Rs. 249.00 bn in FY2007 (Source: Prime Database). Overseas offerings also received a boost in FY2008 on the back of increased appetite of global investors for Indian assets. Total funds raised through international offerings of GDRs, ADRs and FCCBs increased to US$ 13,599 mn in FY2008 from US$ 8,331 mn in FY2007 (Source: Prime Database). 'Qualified Institutional Placements' also became a vehicle of choice for fund-raising in FY2008, when 38 companies raised Rs. 257.70 bn as against 25 companies raising Rs. 49.63 bn through this route in FY2007.

FY2008 was a remarkable year for Indian M&A and private equity transactions, with both domestic and foreign M&A receiving a boost. Indian companies spent more money on overseas acquisitions than foreign companies did in India. Total deal volume for FY2008 was US$ 44 bn (Source : Bloomberg) as against US$ 70 bn (Source : Bloomberg) in FY2007. In FY2008, some key acquisitions were: i) Tata Motors' acquisition of Jaguar for US$ 2.30 bn ii) United Spirits' acquisition of Whyte & Mackay for US$ 1.18 bn iii) Vedanta Resources' acquisition of Sesa Goa for US$ 981 mn and iv) Matsushita Electric Works' acquisition of Anchor Electricals for US$ 467.7 mn. The telecom, financial institutions, cement & building materials, oil & gas, metals, IT, automobile and engineering sectors witnessed majority of transactions in the M&A space. In FY2008, 92 private equity transactions were undertaken in the Indian market aggregating US$ 4.40 bn, a 37.5% YoY growth (Source : Bloomberg). Some key private equity transactions include acquisition of a 10% stake in Bharti Infratel, a telecom tower subsidiary of Bharti Airtel by Temasek Holdings along with Investment Corporation of Dubai, Macquarie, AIF Capital, Citigroup and India Equity Partners for Rs. 41.00 bn (US$ 1bn) and Carlyle's acquisition of 6% in HDFC Limited for Rs. 26.00 bn (US$ 643 mn) (Source: InData).

Equities

FY2008 has been a good year for the equities business in India. While the final quarter was a challenging one, given rise in risk aversion to equities globally and consequent fall in stock indices and volumes, the first three quarters witnessed good market conditions, resulting in Indian equity indices scaling new highs on record turnover. Despite a sharp fall in the last quarter (23% versus 11% fall in MSCI Emerging Market Index), the Sensex was up 21% in FY2008, broadly in line with returns generated by the MSCI Emerging Market index. India has provided investors with the second-highest returns (after Brazil) amongst all large emerging markets in the year.

The US sub-prime crisis and the consequent credit tightening has engulfed financial markets worldwide over the past few quarters and is threatening to slow down world output growth. Despite looming recessionary clouds in the US and issues regarding higher inflation, India remains well poised to grow at a healthy rate in FY2009 – slightly lower than the previous four years, but high relative to other countries. The rising rate of savings and investment which were at ~35% of GDP in FY2008, large capital expenditure plans of Indian corporations, rising consumerism and positive demographics put India in a sweet spot. The Union Budget for FY2009 will also give a boost to consumer spends.

Infrastructure spends planned in the 11th five year plan have the potential to launch India on to a higher growth trajectory in the long term. With GDP having crossed US$ 1 trn in FY2008, India stands amongst the top 10 economies as regards size, even in US dollar terms. The J-curves of growth are being witnessed in more and more sectors, ranging from retail to aviation. India is adding a record 8 mn mobile subscribers per month, selling the largest number of motorcycles after China and is also set to become a small-car hub.

Hence, India is positioned to grow earnings at a healthy rate and should, therefore, attract money into Indian equities over the long term.

The Indian retail broking industry is at a nascent stage and has immense scope for growth over the next few years. Participation in equities at present is still very low, with only ~1.5% of household savings routed into stock markets. But, with a changing demographic profile and increasing disposable incomes, retail participation in equity and equity-related investments is gaining strength. Making most of this opportunity, foreign firms, private sector banks and large corporate players have entered the market and the sector has attained considerable size and scale. However, relentless pressure on commissions to expand business and acquire new customers has resulted in reduced brokerage rates.

FINANCIAL HIGHLIGHTS

(Rs. in million)

	Fiscal 2008	Fiscal 2007
Gross income	**7,490.0**	*4,379.0*
Profit before tax	**2,327.2**	*956.2*
Provision for tax	**820.3**	*330.6*
Profit after tax	**1,506.9**	*625.7*

Profit after tax for the year ended March 31, 2008 increased 141% to Rs. 1,506.9 mn from Rs. 625.7 mn in the previous year primarily due to:

- 51% increase in revenue from broking activities to Rs. 5,563.4 mn in FY2008 from Rs. 3,677.3 mn in FY2007, mainly due to buoyant equity markets in FY2008 as compared with FY2007; and
- 234% increase in income from services to Rs. 1,551.0 mn in FY2008 from Rs. 464.2 mn in FY2007,

offset in part by:

- 51% increase in operating expenses to Rs. 5,162.8 mn in FY2008 from Rs. 3,422.8 mn in FY2007, in line with increase in broking revenues and incremental costs incurred on setting up of distribution centres.

After taking into account the balance of Rs. 408.9 mn (previous year: Rs. 419.2 mn) brought forward from previous year, profit available for appropriation is Rs. 1,906.7 mn (previous year: Rs. 1,044.9 mn), of which Rs. 149.8 mn (previous year: Rs. 66.4 mn) has been transferred to General Reserve.

DIVIDEND

During the year, the Company declared four interim dividends aggregating 157% and amounting to Rs. 958.8 mn. The Directors are pleased to recommend the aggregate of interim dividends at Rs. 958.8 mn as final dividend for the year.

OPERATIONAL REVIEW

Corporate Finance

Corporate finance activities, including merchant banking, were carried out by ICICI Securities Primary Dealership Limited from April 1, 2007 to August 14, 2007, when several prestigious transactions such as public offerings of DLF Limited, ICICI Bank Limited, BEML, HDIL, Omaxe and advisory for Raipur Alloys & Steel Limited as well as advisory to Rave Entertainment Limited for its sale of exhibition business to Adlabs were managed by ICICI Securities Primary Dealership Limited. Post August 15, 2007, merchant banking activities were carried out by the Company.

We continued to consolidate our position as one of the leaders in the domestic equity capital markets, with 15 issuances in the year for raising Rs. 383.30 bn. We were the book runners to 13 IPOs and two follow-on offerings during the year. The issues, which were lead managed by the Company, include offerings by Reliance Power, Mundra Port & SEZ, OnMobile, Central Bank of India, KPR Mills, Brigade Enterprises, Manaksia, Shriram EPC and Rural Electrification Corporation. We also reinforced our leading position in retail procurement in IPOs, with top-notch performance in league tables at both the broker as well as syndicate member levels. Through its retail broking and distribution business, the Company now boasts of the largest customer account base of 1.5 mn as well as one of the largest pan-India distribution networks of over 300 centres across 285 locations and 950 sub-brokers. The Company is one of the top institutional brokers, with excellent relationships with over 250 institutions.

During the year, the Company advised on multiple advisory transactions. Some key transactions were advisory to Specified Undertaking of Unit Trust of India in the sale of its stake in SICOM to financial investors and advisory to Glycol Sugar in its sale to Shakumbari Sugar. The Company also advised a number of companies on raising private equity capital. Some key transactions include advisory to Apeejay Surrendra Group to raise US$ 55 mn of private equity from CSFB Private Equity for investment in The Park Hotels. The Company also advised Powerica to raise US$ 50 mn of private equity from Standard Chartered Private Equity and Nahar Retail to raise US$ 30 mn of private equity from Sequoia Capital.

Equities

Business conditions remained strong almost throughout the year. FII activity was high in FY2008, notwithstanding apprehensions about restrictions on issue of Participatory Notes. FIIs generated gross business of US$ 435 bn (Source: SEBI) in FY2008, almost double of that in FY2007. Mutual Funds generated gross business of US$ 103 bn, 78% higher than in FY2007. Volumes on derivative markets also grew quite substantially in the period.

Competition in the equity broking industry continues to be intense, with entry of leading global names resulting in falling commission rates. The benign business environment also attracted a host of new domestic players. Along with pressures on market share, entry of new players raised attrition levels to new highs. In a tough competitive environment and despite loss of human resources, the Institutional equities team delivered revenues at par with previous year's.

The research team has been re-built within short span, with a larger research analyst team and bigger stock coverage universe . As on end-FY2008, the Institutional research team has 30 analysts, with coverage of ~150 stocks. *'India Unlimited',* the investors' conference at Singapore and New York, witnessed excellent response from investors. For the first time, the team also held a number of theme-based conferences in India that drew good response from the clientele.

The derivatives segment continues to do extremely well, even in the face of increased competition. The derivatives desk is positioning itself to add more value to its clientele via new research products.

ICICIdirect, the online broking business of the Company, with a primarily retail client base and a first-mover advantage, offers one of the largest and robust platforms for online trading and provides a wide range of products that include equities, mutual funds, IPOs, insurance (both life insurance and general insurance) and loans (home and personal). We have seen a sharp rise in customer acquisition and our client base stands at 1.5 mn at present. Daily volumes witnessed considerable surge in the current financial year on the back of the growing economy and good performance by the Indian corporate sector. Acknowledging the fact that the broking business is cyclical, we have forayed into the distribution business of financial products via the offline mode as well. The number of outlets has grown to 1,270 (320 owned centres+950 Franchisee outlets), covering over 530 cities and an employee strength of ~1,500 people, thereby expanding our points of presence and enabling us to undertake cross-selling of financial products. This would cushion us against a downturn in the broking revenue stream going forward.

ICICIdirect is one of the largest fund mobilisers in the retail category of IPOs. The Company commands market share of ~15% in retail applications. We are the fifth-largest partner for ICICI Prudential Life Insurance Company Limited in the very first year of operations. As a partner, we have witnessed the largest turnover in the first year of operations till date for ICICI Prudential Life Insurance Company Limited. During the year, we also launched online sale of life insurance products. We are also amongst top-3 originators of personal loans for ICICI Bank Limited.

We have a strong 25-member research team covering ~22 sectors. In FY2008, the team ramped up its coverage universe to 200 stocks. Strong research support has ensured customer satisfaction and loyalty.

During the year, the Company started a new equity advisory group consisting of 75 members that offers personalised investment advice to clients.

Risk Management

As a financial services company, risk management forms the core of our various business operations. The Corporate Risk Management Group is committed to 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 to identify and monitor risks better and proactively take appropriate action to mitigate the same. The Company has constituted an internal Risk Management Committee comprising of 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 of Directors.

OUTLOOK

Corporate Finance

We expect fund raising to pick up once the markets stabilise. The real estate sector, which was at the forefront in fund raising in FY2008, is expected to continue to dominate fund raising in the current year. Listed companies that want to raise equity are likely to follow the QIP and PIPE (Private Investment in Public Equity) routes. Domestic offerings by public sector companies are also expected to drive capital-raising activity in 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 via acquisitions.

Equities

The India growth story is very well established, with growth expected at over 8% levels. The demographic dividend with more people joining the work force than before would result in a higher savings rate, leading to higher investments. A triple-wealth effect (gold, equities & real estate) is buoying household sentiment. These factors should auger well for institutional flows from the domestic institutions – Mutual Funds and Insurance Companies.

FY2008 has been a very good year on this front, with record flows. However, global risk aversion to equities might mean that FY2009 will unlikely be as good a year as the past one. However, in the long term, we expect accelerated flow of money from developed markets into emerging market equities. Healthy relative rates of economic and earnings growth as well as good macro conditions (current account balance, forex reserves position and strength of currency), in our view, make emerging markets equities an attractive long-term proposition vis-à-vis developed market equities and should attract long-term institutional money.

The year ahead brings greater opportunities, albeit not without challenges in terms of delivery and regaining market share. The new directives on Participatory Notes would mean that the Company would now be addressing a larger set of clientele going forward. We also see new markets that do not have adequate exposure to Indian equities to invest in India. Further, we see slightly unsettled competition due to high attrition in the industry. Among the challenges, some are: falling commission rates, employee attrition, intense competition as more domestic players enter the business, etc. As a house, we are geared to handle greater and a more demanding set of customers.

The derivatives market, too, holds immense promise and the Company expects it to continue to witness significant volume increase in the next few years.

Over the years, the Company has been successful in developing the image of a house with an independent view and insightful research that is able to provide local flavour to clients. The Company remains confident of further deepening and broadening client relationships across geographies and improve revenues and market share.

SUBSIDIARY COMPANIES

The Company has 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 ending March 31, 2008, as prepared under the Companies Act, 1956, together with the reports of the Directors and Auditors for the year ended March 31, 2008 of these subsidiaries are attached.

ICICI Securities, Inc. undertakes securities business in the US and is a member of the Financial Industry Regulatory Authority (FINRA). Since its inception, ICICI Securities, Inc. provides brokerage and research services to US institutional investors. In addition, with all necessary approvals from FINRA, ICICI Securities, Inc. has now made inroads into the Wealth Management space, which involves showcasing India-based investment opportunities to ultra-high networth individuals and institutional investors alike.

During FY2008, ICICI Securities, Inc. continued to make its presence felt in the brokerage and research spaces. Within Wealth Management, ICICI Securities, Inc. has been successful in reaching out to the sophisticated Investor segment by leveraging ICICI Group relationships with the NRI community in the US, besides reaching across to new clients. Amongst institutions, ICICI Securities, Inc. has been showcasing India investment products to institutions such as pension funds, insurance companies, endowments, foundations, family offices and fund managers that seek alternate investment opportunities in India. ICICI Securities, Inc. has been able to make its presence felt to both high networth individuals and institutions alike, with the help of its branch offices based in Houston, Texas and San Jose, California.

PUBLIC DEPOSITS

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

INCREASE IN AUTHORISED SHARE CAPITAL AND SUB-DIVISION OF SHARES

During the year, the Authorised Share Capital of the Company increased to Rs. 1,000.0 mn from Rs. 650.0 mn. The Company has, during the year, also sub-divided the face value of the shares from Rs. 10 each to Rs. 2 each.

PREFERENTIAL ALLOTMENT OF SHARES

During the year, the Company allotted 52,820,000 equity shares of Rs. 10 each to ICICI Securities Primary Dealership Limited on a preferential basis and the paid-up equity share capital of the Company increased from Rs. 82.5 mn to Rs. 610.7 mn. These shares were later transferred by ICICI Securities Primary Dealership Limited to ICICI Bank Limited.

EMPLOYEES STOCK OPTION SCHEME

During the year, the Company introduced ICICI Securities Limited - Employees Stock Option Scheme (2007) ("ESOS Scheme") for granting options to its eligible employees. A total of 12,912,500 options (face value Rs. 2 per option) were granted during the year of which a total of 593,750 options (face value Rs. 2 per option) lapsed during the year. None of the options granted were exercised and no shares were issued pursuant to the ESOS Scheme.

EXPANSION PLANS OF THE COMPANY

A proposal for raising funds, by issue of fresh equity capital by the Company through public issue as well as issue of shares by the Company on a private placement basis prior to such public issues has been approved by the Board of Directors and the members of the Company. The proceeds of the public issue and the private placements would be used for meeting the Company's requirements of funds for undertaking various fund-based activities as permitted by law, for the expansion of its distribution network and to enable the Company to invest in value creating opportunities such as insurance and private equity.

ACHIEVEMENTS DURING THE YEAR

The Company is ranked number one in terms of equity capital raised through public issues in FY2008 (Source: Prime Database).

ICICIdirect was recently awarded the 'Most Preferred Financial Advisory Service' by CNBC Awaaz Consumer Awards 2007. The house was also honoured with other recognitions such as First Web18 Genius of the Web Awards 2007, Outlook Money NDTV Profit Awards 2007 and IBA Business Tech Awards for both 2006 and 2007.

DIRECTORS

During the year, K. V. Kamath, Kalpana Morparia, Nachiket Mor and Anil Kaul were appointed on the Board of the Company as Directors. Nachiket Mor, Subir Saha, Anup Bagchi and Anil Kaul resigned from the Board on August 16, 2007. The Board places on record its appreciation for the valuable services rendered by them. V. Vaidyanathan was appointed as an Additional Director, effective August 16, 2007.

K. V. Kamath was appointed as the Chairman of the Board, effective July 19, 2007, in place of S. Mukherji. S. Mukherji was appointed as the Managing Director & CEO, effective August 29, 2007. A. Murugappan was appointed as Executive Director, effective December 18, 2007. During the year, the Board appointed Anup Bagchi as Executive Director, subject to the approval of the shareholders. V. Vaidyanathan tendered his resignation on January 19, 2008. However, his resignation is subject to stock exchange(s) approval, which is awaited.

In terms of Section 260 of the Companies Act, 1956, A. Murugappan and Anup Bagchi hold office as Additional Directors upto the forthcoming Annual General Meeting of the Company, but are eligible for appointment as Directors.

In terms of the provisions of the Articles of Association of the Company, Uday Chitale and Kalpana Morparia, Directors, will retire by rotation at the ensuing Annual General Meeting of the Company and, being eligible, offer themselves 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 23, 2008, has proposed their re-appointment as Auditors to audit the accounts of the Company for the year ending on March 31, 2009. 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 EARNINGS AND EXPENDITURE

During FY2008, expenditure in foreign currencies amounted to Rs. 41.8 mn (previous year : Rs. 39.9 mn) and earnings in foreign currencies amounted to Rs. 35.5 mn (previous year : nil).

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, 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, 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, V. Vaidyanathan and S. Mukherji as its members. Uday Chitale, an Independent Director, is the Chairman of Audit Committee. The Committee met to review the 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 with Section 217(2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000, the Directors of the Company confirm-

- that the applicable accounting standards have been followed in preparation of final accounts and that there are no material departures;
- 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, 2008 and of the profit of the Company for the period ended on that date;
- 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
- 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 to maintain the trust and confidence of stakeholders, clients, good reputation of the Company and 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 as regards 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, Securities and Exchange Board of India, Bombay Stock Exchange Limited, National Stock Exchange of India Limited, National Securities Depository Limited, Central Depository Services (India) Limited, its bankers, lenders and other statutory authorities for their continued support to the Company.

The Directors express their gratitude for the unstinted support and guidance received from the shareholder, ICICI Bank Limited and other group companies.

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

For and on behalf of the Board

K. V. KAMATH
Chairman

Mumbai, April 23, 2008

auditors' report

to the Members of ICICI Securities Limited (formerly known as ICICI Brokerage Services Limited)

1. We have audited the attached Balance Sheet of ICICI Securities Limited (formerly known as ICICI Brokerage Services Limited) ('the Company') as at March 31, 2008 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, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 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, 2008;
     - 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 23, 2008

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

Re: ICICI Securities Limited (formerly known as Brokerage Services Limited)

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

(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

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

(ii) (a) The Company does not hold any stock in trade in physical form. The securities held as stock in trade 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 stock in trade 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 stock in trade 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, sales-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 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. The provisions of investor education and protection fund, customs duty, excise duty and cess are not applicable to the Company in the current year.

(c) According to the records of the company the dues outstanding of income tax, sales-tax, wealth tax and service tax 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 client introduction fees, client assistance charges, transaction and VSAT charges etc.	87,060	AY 2003-04 to 2005-06	CIT (Appeals) and ITAT

The provisions of customs duty, excise duty and cess are not applicable to the Company in the current year.

(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 not given any guarantee for loans taken by others from bank or financial institutions.

(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 has unsecured debentures outstanding during the year on which no security or charge is required to be created.

(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 23, 2008

balance sheet
as at March 31, 2008

ICICI Securities

(Rs. in 000's)

	Schedule	March 31, 2008	*March 31, 2007*
SOURCES OF FUNDS			
1. Shareholders' Funds			
A. Share Capital	A	**610,710.00**	*82,510.00*
B. Reserves & Surplus	B	**1,159,320.00**	*783,300.00*
		1,770,030.00	*865,810.00*
2. Loan Funds			
Secured Loans	C	—	*300,000.00*
Unsecured Loans	D	**4,481,850.00**	*1,216,530.00*
		6,251,880.00	*2,382,340.00*
APPLICATION OF FUNDS			
1. Fixed Assets			
A. Gross Block	E	**832,530.00**	*622,600.00*
Less : Accumulated depreciation/ amortisation		**463,310.00**	*332,220.00*
Net Block		**369,220.00**	*290,380.00*
B. Capital Work in Progress (inculding capital advances)		**15,160.00**	*93,880.00*
		384,380.00	*384,260.00*
2. Investments	F	**473,885.00**	*10,600.00*
3. Deferred Tax Asset		**2,970.00**	*28,140.00*
4. Current Assets, Loans & Advances			
A. Current Assets -			
(a) Interest Accrued	G	**158,150.00**	*69,110.00*
(b) Securities held as Stock-in-Trade	H	**236,920.00**	*11,720.00*
(c) Sundry Debtors	I	**2,242,390.00**	*516,520.00*
(d) Cash & Bank Balances	J	**5,059,240.00**	*2,264,730.00*
		—	—
B. Loans & Advances	K	**1,188,580.00**	*613,380.00*
		8,885,280.00	*3,475,460.00*
Less: **Current Liabilities & Provisions :**			
(a) Current Liabilities	L	**3,411,775.00**	*1,501,220.00*
(b) Provisions		**82,860.00**	*14,900.00*
Net Current Assets		**5,390,645.00**	*1,959,340.00*
		6,251,880.00	*2,382,340.00*
Notes to Accounts	S		

profit and loss account
for the year ended March 31, 2008

I-Sec

(Rs. in 000's)

	Schedule	March 31, 2008	*March 31, 2007*
INCOME FROM OPERATIONS			
(a) Brokerage Income		**5,563,370.00**	*3,677,280.00*
(b) Income from Services		**1,550,980.00**	*464,190.00*
(c) Interest Income	M	**314,480.00**	*93,560.00*
(d) Other Income	N	**13,840.00**	*15,220.00*
(e) Profit/(Loss) on Securities (Net)	O	**47,310.00**	*128,800.00*
		7,489,980.00	*4,379,050.00*
Less : Financial Charges and Operating Expenses	P	**1,926,230.00**	*1,872,280.00*
		5,563,750.00	*2,506,770.00*
EXPENDITURE			
(a) Payments to and provisions for Employees	Q	**1,506,090.00**	*527,800.00*
(b) Establishment and other Expenses	R	**1,594,070.00**	*925,200.00*
(c) Depreciation		**136,420.00**	*97,530.00*
		3,236,580.00	*1,550,530.00*
Profit Before Taxation		**2,327,170.00**	*956,240.00*
Less: Provision for current income-tax		**777,000.00**	*350,000.00*
Deferred tax		**25,170.00**	*(31,440.00)*
Fringe Benefit tax		**18,100.00**	*12,010.00*
Profit after Taxation		**1,506,900.00**	*625,670.00*
Prior Period Items (Net of Tax Rs. 7070 thousand))		**9,120.00**	—
Profit after Taxation and adjustment of previous year		**1,497,780.00**	*625,670.00*
Brought forward from previous years		**408,920.00**	*419,180.00*
Amount available for appropriations		**1,906,700.00**	*1,044,850.00*
Adjustments on Amalgamation		—	*(44,260.00)*
Transfer to General Reserve		**149,780.00**	*66,440.00*
Transfer to / (from) Investor Contingency Reserve		—	*(15,220.00)*
Interim Dividend		**958,810.00**	*551,610.00*
Tax on Dividend		**162,950.00**	*77,360.00*
Balance carried to Balance Sheet		**635,160.00**	*408,920.00*
Earnings per share (Basic & Diluted)		**5.29**	*19.63*
(Face value Rs. 2 per share)			
Notes to Accounts	S		

The schedules referred to above and notes to accounts form an integral part of the Profit and Loss Account

As per our report of even date

S.R.BATLIBOI & CO.
Chartered Accountants

Per VIJAY MANIAR
Partner
Membership No: 36738

Mumbai, April 23, 2008

For and on behalf of the Board

K. V. KAMATH
Chairman

S. MUKHERJI
Managing Director & CEO

A. MURUGAPPAN
Executive Director

ANUP BAGCHI
Executive Director

RAJU NANWANI
Company Secretary

ABHIJEET GUIN
Vice President & Head - Financials

	Schedule	March 31, 2008	(Rs. in 000's) *March 31, 2007*
SCHEDULE "A" - SHARE CAPITAL			
Authorised:			
500,000,000 (as at March 31, 2007 65,000,000 of Rs. 10 each) Equity Shares of Rs. 2 each		**1,000,000.00**	*650,000.00*
Issued:			
305,353,500 (as at March 31, 2007 - 8,250,700 of Rs. 10 each) Equity Shares of Rs. 2 each		**610,710.00**	*82,510.00*
Subscribed & Paid-up:			
305,353,500 (as at March 31, 2007 - 8,250,700 of Rs. 10 each) Equity Shares of Rs. 2 each		**610,710.00**	*82,510.00*

Note:

All the above, 305,353,500 Equity Shares of Rs. 2 each (as at March 31, 2007 - NIL) are held by ICICI Bank Limited (Holding Company)

SCHEDULE "B" - RESERVES AND SURPLUS

	Balance as on April 1, 2007	Additions/ transfer during the year	Deductions/ transfers during the year	As at March 31, 2008	*As at March 31, 2007*
Securities Premium Account	*262,500.00*	—	—	**262,500.00**	*262,500.00*
General Reserve	*101,880.00*	**149,778.00**	—	**251,660.00**	*101,880.00*
Profit and Loss Account	*408,920.00*	**1,497,778.00**	**1,271,538.00**	**635,160.00**	*408,920.00*
Investors Contingency Fund	*10,000.00*	—	—	**10,000.00**	*10,000.00*
TOTAL	*783,300.00*			**1,159,320.00**	*783,300.00*

	Schedule	March 31, 2008	(Rs. in 000's) *March 31, 2007*
SCHEDULE "C" - SECURED LOANS			
Secured Loan from Standard Chartered Bank		**—**	*300,000.00*
(Secured by pledge of Fixed Deposit Receipts of Rs. 150,000 thousand)		**—**	—
		—	*300,000.00*
SCHEDULE "D" - UNSECURED LOANS			
Unsecured Debentures		**3,170,000.00**	*250,000.00*
Cash Credit		**514,080.00**	*966,530.00*
Commercial Paper		**797,770.00**	—
		4,481,850.00	*1,216,530.00*

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

	Gross Block (At Cost)				Accumulated Depreciation				Net Block	
	April 1 2007	Additions	Sale/Adj	March 31, 2008	*April 1 2007*	Additions	Sale/Adj	March 31, 2008	March 31, 2008	*March 31, 2007*
TANGIBLE										
Computers	*263,330.00*	63,880.00	—	**327,210.00**	*150,260.00*	76,150.00	—	**226,410.00**	**100,800.00**	*113,070.00*
Furniture & Fixtures	*88,830.00*	29,750.00	4,090.00	**114,490.00**	*12,940.00*	21,150.00	3,490.00	**30,600.00**	**83,890.00**	*75,890.00*
Office Equipment	*50,240.00*	44,610.00	8,180.00	**86,670.00**	*9,390.00*	7,660.00	1,840.00	**15,210.00**	**71,460.00**	*40,850.00*
Vehicles	—	2,980.00	—	**2,980.00**	—	230.00	—	**230.00**	**2,750.00**	—
Lease Hold Improvements	—	44,130.00	—	**44,130.00**	—	10,050.00	—	**10,050.00**	**34,080.00**	—
INTANGIBLE										
Software	*220,200.00*	36,850.00	—	**257,050.00**	*159,630.00*	21,180.00	—	**180,810.00**	**76,240.00**	*60,570.00*
Total	*622,600.00*	222,200.00	12,270.00	**832,530.00**	*332,220.00*	136,420.00	5,330.00	**463,310.00**	**369,220.00**	*290,380.00*
Capital Work-in-Progress	*93,880.00*	—	78,720.00	**15,160.00**	—	—	—	**—**	**15,160.00**	*93,880.00*
Net Block	*716,480.00*	222,200.00	90,990.00	**847,690.00**	*332,220.00*	136,420.00	5,330.00	**463,310.00**	**384,380.00**	*384,260.00*
Previous Period	*42,870.00*	*1,136,770.00*	*463,160.00*	*716,480.00*	*15,530.00*	*343,290.00*	*26,600.00*	*332,220.00*	*384,260.00*	*27,020.00*

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, 2008	*As At March 31, 2007*
Unquoted				
Shares of BSE Ltd.	0.001 (0.001)	1.00	**1.00**	—
Mutual Fund			**—**	—
Units Mutual Fund			**10,750.00**	*10,600.00*
In Equity Shares of Subsidiary Company			**—**	—
ICICI Securities Holding Inc.	10,700 (Nil)	US $ 1	**463,134.00**	—
Total			**473,885.00**	*10,600.00*

Note:

The aggregate cost of the unquoted investments as at March 31, 2008 is Rs. 473890 thousand (as at March 31, 2007 Rs. 10600 thousand)

	March 31, 2008	*March 31, 2007*
SCHEDULE "G" - INTEREST ACCRUED		
On Stock in Trade	**2,530.00**	*260.00*
On Fixed Deposits	**155,620.00**	*68,850.00*
Total	**158,150.00**	*69,110.00*
SCHEDULE "H" - SECURITIES HELD AS STOCK IN TRADE (At cost or market value whichever is lower) (Quoted unless otherwise stated):		
Equity Shares	**17,630.00**	*11,480.00*
Mutual Fund	**10.00**	*240.00*
Non Convertible Debenture		
9.80% LIC Housing Finance Limited 22-10-2017	**2,030.00**	—
Bond		
9.35% PNB 05-03-2023 TIER II CALL 05-03-2018	**217,250.00**	—
Total	**236,920.00**	*11,720.00*

Note : The aggregate carrying value and market value of quoted securities as at March 31, 2008 is Rs. 236,920 thousand and Rs. 237,720 thousand (previous period - Rs. 16,530 thousand and Rs. 11,480 thousand respectively).

(Rs. in 000's)

SCHEDULE "I" - SUNDRY DEBTORS (UNSECURED)

	March 31, 2008	March 31, 2007
(A) Receivables outstanding for a period exceeding six months:		
Considered good	63,350.00	—
Considered Doubtful	45,080.00	51,532.38
(B) Receivables outstanding for a period not exceeding six months:		
Considered good	2,179,040.00	516,520.36
Considered Doubtful	30,000.00	23,131.44
Less: Provision for Doubtful Debt	(75,080.00)	(74,663.82)
	2,242,390.00	516,520.00

Included in sundry debtors (net of provisions) are:

Dues from Companies under same management

ICICI Bank Limited Rs. 41,910 thousand (Previous year - Rs. Nil)

ICICI Securities Primary Dealership Limited Rs. 4,810 thousand (Previous year - Rs. 7,870 thousand)

ICICI Prudential Life Insurance Co. Limited Rs. 6,000 thousand (Previous year - Rs. Nil)

ICICI Lombard General Insurance Co. Limited Rs. 4,460 thousand (Previous year - Rs. Nil)

ICICI Prudential Asset Management Co. Limited Rs. 7,790 thousand (Previous year - Rs. Nil)

SCHEDULE "J" - CASH AND BANK BALANCES

	March 31, 2008	March 31, 2007
Cash & Cheques on hand	24,830.00	11,090.00
In Current Accounts with Scheduled Banks	952,160.00	477,820.00
	976,990.00	488,910.00
Fixed Deposits with Scheduled Banks (Under Lien) Fixed Deposits under lien with Stock Exchanges Rs. 2,463,500 thousand (as at March 31, 2007 Rs. 312,380 thousand) and collateral security towards bank guarantees issued Rs. 1,615,290 thousand (as at March 31, 2007 Rs.1,460,460 thousand) and others Rs. 3,460 thousand (as at March 31, 2007 Rs. 2,980 thousand)	4,082,249.43	1,775,820.00
Total	5,059,240.00	2,264,730.00

SCHEDULE "K" - LOANS AND ADVANCES (Unsecured and Considered Good)

	March 31, 2008	March 31, 2007
Advances:		
(Recoverable in cash or in kind or for value to be received)		
Deposit with stock exchanges	48,990.00	54,660.00
Security Deposit for Leased Premises	303,640.00	192,840.00
Other advances and deposits	475,690.00	162,520.00
Share Application Money	44,950.00	44,950.00
Advance Tax (net of Provisions)	315,310.00	158,410.00
Total	1,188,580.00	613,380.00

Included in loans and advances are:

Dues from Companies under same management

ICICI Bank Limited Rs. 87,860 thousand (Previous year - Rs. 780 thousand)

ICICI Lombard General Insurance Company Limited. Rs. 18,920 thousand (Previous year - Rs. 6,810 thousand)

ICICI Prudential Life Insurance Co. Limited Rs. 1,010 thousand (Previous year - Rs. Nil)

SCHEDULE "L" - CURRENT LIABILITIES AND PROVISIONS

	March 31, 2008	March 31, 2007
CURRENT LIABILITIES:		
Interest accrued but not due	54,090.00	7,480.00
Trades Creditors	1,935,820.00	622,060.00
Other Sundry Creditors	747,250.00	638,740.00
Other Liabilities	674,615.00	232,940.00
Total	3,411,775.00	1,501,220.00
PROVISIONS:		
Provision for employees retirement benefits	82,860.00	14,900.00
Total	82,860.00	14,900.00

Includes amount payable to Micro, Small and Medium Enterprises Rs. Nil (Previous year Rs. Nil).

SCHEDULE "M" - INTEREST INCOME

	March 31, 2008	March 31, 2007
Interest income on Fixed Deposits/Application Money	227,450.00	92,890.00
Interest on Securities Held As Stock in Trade	86,280.00	360.00
Interest Income on Other Advances & Deposits	750.00	310.00
Total	314,480.00	93,560.00

SCHEDULE "N" - OTHER INCOME

	March 31, 2008	March 31, 2007
Dividend Income	349.00	783.00
Miscellaneous Income	13,491.00	14,437.00
Total	13,840.00	15,220.00

SCHEDULE "O" - PROFIT/(LOSS) ON SECURITIES (NET)

	March 31, 2008	March 31, 2007
Profit On Stock In Trade	47,310.00	22,220.00
Profit on Sale of Investments	—	106,580.00
Total	47,310.00	128,800.00

SCHEDULE "P" - FINANCIAL CHARGES AND OPERATING EXPENSES

	March 31, 2008	March 31, 2007
Interest on Fixed Loans	351,620.00	157,010.00
Procurement Expenses	394,410.00	328,870.00
Turnover Fees	9,200.00	470.00
Transaction Charges	2,560.00	3,130.00
Custodial and Depository Charges	579,150.00	444,610.00
Clients Assistance Charges	171,890.00	569,780.00
Call Centre Charges - Policy Issuance Related	88,060.00	54,090.00
Franking Charges	221,270.00	155,160.00
Rating Agency Fees	2,220.00	530.00
Guarantee Commission	29,210.00	3,350.00
Stamp Duty	3,380.00	1,910.00
Bank Charges	12,610.00	38,240.00
Doubtful Debts Written Off/Provided	60,650.00	115,130.00
Total	1,926,230.00	1,872,280.00

SCHEDULE "Q" - PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

	March 31, 2008	March 31, 2007
Salaries, Wages and Incentive	1,323,480.00	489,270.00
Contribution to Provident and other Funds	115,520.00	20,800.00
Staff Welfare Expenses	67,090.00	17,730.00
Total	1,506,090.00	527,800.00

SCHEDULE "R" - ESTABLISHMENT AND OTHER EXPENSES

	March 31, 2008	March 31, 2007
Rent & Amenities	620,310.00	221,010.00
Insurance	2,950.00	10,130.00
Business Promotion, Traveling and Conveyance Expenses	147,520.00	83,270.00
Repairs, Maintenance & Upkeep	162,130.00	11,370.00
Rates & Taxes	36,420.00	27,890.00
Electricity Expenses	61,220.00	16,550.00
Communication Expenses	181,570.00	173,770.00
Loss/(Profit) on Sale of Fixed Assets	6,850.00	17,240.00
Advertisement & Publicity	139,290.00	102,560.00
Printing & Stationery	60,200.00	81,050.00
Subscription & Periodicals	37,320.00	32,440.00
Professional Fees	58,530.00	21,790.00
Auditors' Remuneration	2,820.00	2,030.00
Miscellaneous Expenses	76,940.00	124,100.00
Total	1,594,070.00	925,200.00

SCHEDULE "S" SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

Basis of Preparation

The financial statements have been prepared to comply in all material respects with the Notified Accounting Standards by Companies Accounting Standards Rules, 2006 and relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

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.

Change in the Accounting Policy

In the current year, the Company changed (with retrospective effect) its method of providing depreciation on fixed assets from the Written Down Value ('WDV') method at the rates prescribed in Schedule XIV to the Companies Act, 1956 to the Straight Line method (SLM) at the rates based on technical estimates of useful life. Had the Company continued to use the earlier basis of providing depreciation, the charge to the Profit and Loss account after taxation for the current period would have been lower by Rs. 2,380 thousand and the net block of fixed assets would correspondingly have been higher by Rs. 3,610 thousand. The net charge of Rs. 2,380 thousand (after adjusting deferred tax credit of Rs. 1,230 thousand) arising out of retrospective recomputation has been recognised in the current period's profit and loss account

SIGNIFICANT ACCOUNTING POLICIES

i) Revenue Recognition

a. Brokerage income in relation to stock broking activity is recognised on the trade date.

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

c. Brokerage income in relation to public issues/other securities is recognised based on mobilization and intimation received from clients/intermediaries.

d. Gains/losses on dealing in securities are recognised on a trade basis.

ii) Stock-in-Trade

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

b. The securities held as stock-in-trade under current assets are valued at lower of cost arrived at on weighted average basis or market/fair value, computed category-wise.

iii) Investments

a. Investments 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.

iv) Fixed Assets and Depreciation

Fixed assets are carried at cost less accumulated depreciation and impairment loss, if any. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset. Depreciation is charged over the estimated useful life of a fixed asset on a straight-line basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in Schedule XIV of the Companies Act, 1956, are given below:

Asset	Depreciation Rate
Leasehold Improvements	Over the lease period
Plant and machinery like air conditioners, photo-copying machines, etc.	10.00%
Computers	33.33%
Furniture and fixtures	15.00%
Motor vehicles	20.00%
Others (including Software and system development expenses)	25.00%

a. Depreciation on leased assets and leasehold improvements is recognised on a straight-line basis using rates determined with reference to the lease period.

b. Assets purchased/sold during the year are depreciated on a pro-rata basis for the actual number of days the asset has been put to use.

c. Items costing up to Rs. 5,000 are depreciated fully over a period of 12 months from the date of purchase.

v) Foreign exchange transactions

a. Initial recognition

Foreign currency transactions are recorded by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

b. Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

c. Exchange Differences

Exchange differences arising on settlement or restatement of monetary items are recognized as exchange gain/ loss in the profit and loss account.

vi) Accounting for Direct Sales Agent (DSA) commission for customer acquisition

DSA commission paid for customer acquisition is amortised over a period of three years on a straight line basis. The unamortised cost is shown under other advances and deposit.

vii) Accounting for derivative transactions

The Company enters into derivative contracts such as Equity Index/Stock Futures, Equity Index/Stock Options, etc.

Derivative contracts entered into for trading purposes are marked to market and the resulting loss is accounted for in the profit and loss account and gain is ignored. Gains are recognized only on settlement/expiry of the derivative settlement. Receivables/Payables on the open positions are disclosed as current assets/current liabilities as the case may be.

viii) Employee Stock Option Scheme ("ESOS")

The Employees Stock Option Scheme ("the scheme") provides for the grant of equity shares of the Company to its employees. The Scheme provides that employees are granted an option to acquire equity shares of the Company that vests in a graded manner. The options may be exercised within a specified period. The Company follows the intrinsic value method to account for its stock-based employee's compensation plans. Compensation cost is measured by excess, if any, of the fair market price of the underlying stock over the exercise price on the grant date.

Since the exercise price of the Company's stock options are equal to fair market price on the grant date, there is no compensation cost under the intrinsic value method.

ix) Staff Retirement Benefits

Gratuity

The Company pays gratuity to employees who retire or resign after a minimum period of five years of continuous service. The Company makes contributions to ICICI Securities Employees Gratuity Fund.

Actuarial valuation of the gratuity liability for the above fund is determined by an actuary appointed by the Company. In accordance with the gratuity fund's rules, actuarial valuation of gratuity liability is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff attrition as per the projected unit credit method.

Provident Fund

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.

Leave encashment

The Company provides for leave encashment benefit based on actuarial valuation as at the balance sheet date conducted by an independent actuary.

x) Income Taxes

Income tax expense is the aggregate amount of current tax, deferred tax and fringe benefit tax charge. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

Deferred tax assets and liabilities are recognised on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax basis, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The impact of changes in the deferred tax assets and liabilities is recognised in the profit and loss account.

Deferred tax assets are recognised and reassessed at each reporting date, based upon management's judgment as to whether their realisation is considered as reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation, tax losses and carryforward capital losses, only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realised against future profits.

xi) Impairment of Assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net discounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is recognised by debiting the profit and loss account and is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

xii) Provisions, contingent liabilities and contingent assets

A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on management estimates required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet dates and adjusted to reflect the current management estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure to the effect is made in the financial statements. In case of remote possibility neither provision nor disclosure is made in the financial statements. The Company does not account for or disclose contingent assets, if any.

xiii) Earnings Per Share ("EPS")

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

xiv) Lease Transactions

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

xv) Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with the banks and short term investments with an original maturity of three months or less.

2. Earnings per Share

Basic and diluted earnings per equity share are computed in accordance with Accounting Standard 20, "Earnings per Share". Basic earnings per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. The diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

The computation of earnings per share is given below:

(Rs. in 000's)

	2007-08	2006-07
Basic & Diluted		
Weighted average no. of equity shares outstanding	282.90	31.88
Net profit	1,497,777	625,665
Basic earnings per share (Rs.)	5.29	19.63
Nominal value per share (Rs.)	2.00	2.00

* Previous year EPS adjusted for the Share Split (One Equity Share of Rs. 10 each Sub Divided into 5 Equity Shares of Rs. 2 each)

The Company has granted stock options during the year at fair value based on an independent valuation report. In absence of fair value as at March 31, 2008, the weighted average number of equity shares outstanding during the year has been considered for calculation of basic EPS and diluted EPS.

3. Related Party Disclosures

(Rs. in 000's)

Name of the Related Party	Type of Transactions	2007–08	2006–07
ICICI Bank Limited (The Holding Company) – Only related parties where control exists	Brokerage Income	2,990	4,160
	Advisory Fee Income	108,800	—
	Interest Income	88,040	37,750
	Referral Fee Income	19,310	12,680
	Financial Charges and Operating expenses	—	4,380
	Establishment and other expenses	49,280	48,500
	Common Corporate Expenses	4,950	7,360
	Client Assistance Charges	171,890	486,580
	Salary Deputation	88,700	95.860
	IBG Fee	—	82,900
	Call Centre Charges	88,060	54,090
	Interest paid	57,770	87,350
	Communication expenses	—	14,430
	DP Transaction Charges	578,820	315,950
	DP AMC Charges	—	126,270
	Insurance paid	—	3,300
	Rent	95,800	—
	Referral Fees Expenses	22,900	—
	Marketing Fees	45,000	—
	Bank Balance	832,570	402,200
	Cash Credit	398,230	694,900
	Fixed Deposits	2,632,050	428,470
	Interest Accrued	80,830	18,850
	Sundry Debtors for income from other services	43,990	—
	Provision for debtors	2,080	—
	Capital Work in Progress	—	11,200
	Share Capital	610,710	—
	Sundry Creditors for fees	10,880	—
	Sundry Creditors for expenses	310,520	332,220
	Loans & Advances	87,860	780
	Secured Loans	—	—
	Current Liabilities	—	560
	Other Expenses Reimbursements Paid	3,470	19,030
	Other Expenses Reimbursements Received	—	19,750
	BG Commission	1,880	—
	Fixed Assets Transferred	10,570	—
	ISA/LAN/WAN	16,700	—
	Deal Value of Purchase of Investments	101,760	—
	Accrued Interest on Purchases	840	—
	Deal Value of Sale of Investments	151,690	—
	Accrued Interest on Sales	1,540	—

(Rs. in 000's)

Name of the Related Party	Type of Transactions	2007–08	2006–07
ICICI Securities Primary Dealership Limited – Fellow Subsidiary	Brokerage Income	12,380	4,360
	Dividend paid	—	189,030
	Fee Income	2,410	4,240
	IPO Commission received	28,550	110,910
	Rent Paid	5,130	—
	Rent Received	31,790	—
	Salary of deputed Staff	2,280	—
	CWIP	3,030	—
	Sundry Debtors	4,810	7,870
	Provision for sundry debtors	(860)	—
	Sundry Creditor	1,150	—
	Deal Value of Purchase of Investments	1,575,910	—
	Accrued Interest on Purchases	6,120	—
	Deal Value of Sale of Investments	2,009,300	—
	Accrued Interest on Sales	19,570	—
ICICI Securities Inc. – Subsidiary	Financial Charges & Operating Expenses	26,140	25,840
	Current Liabilities	7,580	1,390
ICICI Securities Holding Inc. – Subsidiary	Share Capital	463,130	—
ICICI Prudential Life Insurance Co. Limited – Fellow Subsidiary	Brokerage Income	16,440	15,070
	Prepaid expenses	1,010	—
	Fee Income	67,930	—
	Interest Expenses	1,900	—
	Insurance Expenses	2,460	430
	Sundry Debtors	6,000	
	Non Convertible Debentures issued	750,000	—
	Non Convertible Debentures redeemed	750,000	—
	Deal Value of Purchase of Investments	144,080	—
	Accrued Interest on Purchases	8,670	—
	Deal Value of Sale of Investments	203,080	—
	Accrued Interest on Sales	2920	—
ICICI Lombard General Insurance Co. Limited – Fellow Subsidiary	Insurance premium (E)	42,880	1,110
	Brokerage Income	1,710	—
	Fee Income	2,860	—
	Prepaid expenses	18,420	5,520
	Loans and advances	500	1,290
	Interest Expenses	420	—
	Medicalim Received	11,640	—
	Other Receivable	3,170	—
	Other Payable	2,890	—
	Sundry Debtors	1,290	—
	Non Convertible Debentures issued	250,000	—
	Non Convertible Debentures redeemed	250,000	—
	Deal Value of Sale of Investments	499,950	—
	Accrued Interest on Sales	680	—
ICICI Prudential Asset Management Co. Limited – Fellow Subsidiary	Fee Income	48,640	—
	Sundry Debtors	7,790	—
	Brokerage Income	—	9,180
	Deal Value of Purchase of Investments	199,740	—
	Accrued Interest on Purchases	380	—
	Deal Value of Sale of Investments	101,710	—
	Accrued Interest on Sales	660	—
ICICI Prudential Trust Limited – Fellow Subsidiary	Brokerage Income	1,240	4,320
ICICI Venture Funds Management Co. Limited – Fellow Subsidiary	Establishment expenses	28,490	—
ICICI International Limited – Fellow Subsidiary	Brokerage Income	730	610
Comm Trade Services Limited – Other entity	Reimbursement of operating expenses received	—	15,890
	Share Application Money	44,950	44,950

Key Management Personnel Disclosures (Rs. in thousand except ESOP)

The Compensation for the year ending March 31, 2008 to S. Mukherji - Managing Director & CEO, Anup Bagchi - Executive Director and A. Murugappan -Executive Director was Rs. 6,500 thousand, Rs. 907 thousand and Rs. 2,479 thousand respectively. The Compensation is paid for part of the year and includes contribution to provident fund.

The outstanding Employee Stock options (Face value of Rs. 2 each) allotted to S. Mukherji – Managing Director & CEO and A. Murugappan -Executive Director was 1,500,000 and 1,250,000 respectively

4. 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, 2008**	*Year ended March 31, 2007*
	Gratuity	*Gratuity*
Opening obligations	**14,900**	*9,440*
Service cost	**16,090**	*1,610*
Interest cost	**1,240**	*180*
Actuarial (gain) / loss	**6,270**	*3,670*
Past Service Cost	**49,290**	—
Liabilities Assumed on Acquisition/(Settled on Divestiture)	**17,930**	—
Benefits paid	**(500)**	—
Total Obligation	**105,220**	*14,900*
Defined benefit obligation liability	**105,220**	*14,900*
Opening plans assets, at fair value	**2,870**	*2,280*
Expected return on plan assets	**210**	*90*
Actuarial gain/(loss)	**(1,830)**	*500*
Contributions by Employer	**48,810**	—
Assets Acquired on Acquisition/(Settled on Divestiture)	**17,930**	—
Benefits paid	**(500)**	—
Plans assets	**67,490**	*2,870*
Fair value of plan assets at the end of the period	**67,480**	*2,870*
Present value of the defined benefit obligations at the end of the period	**(105,220)**	*(14,900)*
Unrecognised Past Service Cost	**12,870**	—
Asset/(liability)	**(24,870)**	*(12,030)*
Cost for the period		
Service cost	**16,090**	*1,610*
Interest cost	**1,240**	*180*
Expected return on plan assets	**(210)**	*(90)*
Actuarial (gain)/loss	**8,090**	*3,170*
Past Service Cost	**36,420**	—
Net cost	**61,630**	*4,870*
Investment details of plan assets		
Insurer Managed Funds	**100%**	*100%*
Assumptions		
Interest rate	**8.57%**	*8.35%*
Salary escalation rate	**10.00%**	*10.00%*
Estimated rate of return on plan assets	**8.00%**	*7.50%*

5. Managerial Remuneration

Salary, perquisites and bonus	**9,180**	—
Contribution to Provident Fund and other Funds	**710**	—
	9,890	—

6. Auditors' remuneration

(a) Audit Fees	**1.900**	*1,400*
(b) Tax Audit & Certification Fees	**600**	*200*
(c) Certification	**600**	*400*
(d) Out of pocket expenses	**90**	*30*
Total	**3,190**	*2,030*

7. Expenditure in foreign currency (on accrual basis) **41,820** *39,920*
(Procurement & Other expenses)

8. Employee Stock Option Scheme ("ESOS")

The Company has provided share based payment scheme to its employees. For the year ended March 31, 2008, the following scheme was in operation:

Date of grant	June 29, 2007
Date of Board Approval	June 28, 2007
Number of options granted	12,912,500
Method of Settlement	Equity
Vesting Period	1/5th on June 29, 2008 1/5th on June 29, 2009 1/5th on June 29, 2010 1/5th on June 29, 2011 1/5th on June 29, 2012
Exercise Period	The period commencing from the date of vesting of Options and ending on the tenth anniversary of the date of grant of Options

As per the terms of the ESOS, the aggregate of Options granted to the Eligible Employees under the Scheme would be capped at such number as would entitle the Participants (after conversion of Options into Shares) to 10% of the issued equity share capital of the Company as on the date of grant(s) of Options. Subject to the above limits, Lapsed Options shall automatically be added back to the pool of Options available and would be available for future grant under the Scheme (within the annual/overall issuance limit under the Scheme).

As per the scheme, the exercise price of the Company's options is done on the basis of price determined by an independent valuer. Hence, there is no compensation cost in the year ended March 31, 2008 based on intrinsic value of options. However, if the Company had used the fair value of options based on the Black-Scholes model, compensation cost in year ended March 31, 2008 would have been higher by Rs. 21.20 million. The key assumptions used to estimate the fair value of options granted during the year ended March 31, 2008 are given below.

Risk-free interest rate	8.06%
Expected life	5 years
Expected volatility	30.41
Expected dividend yield	10.82%

A summary of the status of the Company's stock option plan is given below:
Stock options outstanding

Particulars	**Number of shares**
Outstanding at the beginning of the year	—
Add: Granted during the year	12,912,500
Less: Lapsed during the year	593,750
Outstanding at the end of the year	12,318,750
Options exercisable	12,318,750

9. Deferred tax

As on March 31, 2008 the Company has recorded net deferred tax asset of Rs. 2,970 thousand (March 31, 2007: Rs. 28,140 thousand).

The break-up of deferred tax assets and liabilities is given below:

(Rs. in 000's)

	2007-08	*2006-07*
Deferred Tax Asset		
Provision for Debtors/NPA	**57,600**	*37,330*
Provision for Gratuity	**12,820**	*5,060*
Provision for Leave Encashment	**14,230**	*1,880*
Preliminary expenses - Stamp duty 35DDA	**2,090**	*3,480*
Provision for lease rent escalation	**9,820**	—
Total Deferred Tax Assets	**96,570**	*47,750*
Deferred Tax Liability		
Depreciation on fixed assets	**(18,360)**	*(19,610)*
Amortisation of DSA	**(75,240)**	—
Total Deferred Tax Liability	**(93,590)**	*(19,610)*
Total net deferred tax asset/(liability)	**2,970**	*28,140*

10. Small and micro industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. The Company is in the process of compiling relevant information from its suppliers about their coverage under the Act. Since the relevant information is not readily available, no disclosures have been made in the accounts.

11. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 44,020 thousand (Previous year – Rs. 33,370 thousand).

12. Contingent Liabilities

Income tax matters disputed by the Company are Rs.300,860 thousand (Previous year – Rs. 148,560 thousand).

13. Quantitative Details

(a) OPENING AND CLOSING STOCK

(Rs. in 000's)

Category	**Opening Stock**		**Closing Stock**	
	Face Value	Value	Face Value	Value
Equity shares	290	11,490	1,740	17,630
	(130)	(1,890)	(290)	(11,490)
Others	240	240	221,000	219,280
	Nil	Nil	(240)	(240)

(b) PURCHASES AND SALES

(Rs. in 000's)

Category	**Purchases**		**Sales**	
	Face Value	Value	Face Value	Value
Equity shares	49,240	1,716,170	47,800	1,700,610
	(53,520)	(1,548,400)	(53,230)	(1,524,000)
Others	36,852,500	41,383,130	36,361,500	41,219,280
	(150,240)	(143,080)	(150,000)	(150,000)

Note: Figures in parenthesis pertain to previous year.

(Rs. in 000's)

14. **Lease**

Office premises and office equipment are obtained on operating lease. There are no restrictions imposed by lease arrangements. There are no subleases.

(Rs. in 000's)

Particulars	2007-08	2006-07
Total minimum lease payments at the year end	522,310	5,650
Lease payments for the year	522,310	5,650
Minimum Lease Payments:	Nil	Nil
Not later than one year	632,890	16,950
Later than one year but not later than five years	1,791,730	54,230
Later than five years	—	12,990

15. **Segment Disclosures**

Internally evaluation of performance is based on two business segments –"Investment & Trading" and "Broking and other Advisory 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

	March 31, 2008	March 31, 2007
Segment Revenue		
Investment and Trading		
– External	140,090	130,020
– Internal	—	—
Brokerage and other Advisory Services		
– External	7,340,350	4,234,570
– Internal	—	—
Less: Inter-segment elimination	—	—
Unallocable income	9,540	14,460
	7,489,980	4,379,050
Segment Results		
Investment and Trading	119,880	130,020
Brokerage and other Advisory Services	2,299,010	912,160
	2,418,890	1,042,180
Unallocable expenditure net off unallocable income	(91,720)	(85,940)
Profit before tax	2,327,170	956,240
Less: Tax expense	820,270	330,570
Profit after tax	1,506,900	625,670
Segment Assets		
Investment and Trading	1,010,880	56,580
Brokerage and other Advisory Services	7,566,470	3,274,120
Unallocable assets	1,169,170	567,760
	9,746,520	3,898,460
Segment Liabilities		
Investment and Trading	(501,690)	(13,930)
Brokerage and other Advisory Services	(7,397,730)	(2,601,670)
Unallocable liabilities	(77,070)	(413,950)
	(7,976,490)	(3,032,650)
Cost of acquisition of Segment Assets		
Investment and Trading	—	—
Brokerage and other Advisory Services	222,200	1,136,770
Unallocable assets	—	—
	222,200	1,136,770
Depreciation on Segment Assets		
Investment and Trading	—	—
Brokerage and other Advisory Services	136,420	97,530
Unallocable assets	—	—
	136,420	97,530

16. **Previous year figures have been regrouped/reclassified wherever necessary.**

Signature to Schedules A to S

As per our report of even date

S.R.BATLIBOI & CO.
Chartered Accountants

Per VIJAY MANIAR
Partner
Membership No: 36738

Mumbai, April 23, 2008

For and on behalf of the Board

K. V. KAMATH
Chairman

S. MUKHERJI
Managing Director & CEO

A. MURUGAPPAN
Executive Director

ANUP BAGCHI
Executive Director

RAJU NANWANI
Company Secretary

ABHIJEET GUIN
Vice President &
Head - Financials

cash flow statement

for the year ended March 31, 2008

			(Rs. in 000's)
		March 31, 2008	*March 31, 2007*
A. Cash Flow From Operating Activities			
Profit Before Tax	**2,327,170.00**		*956,240.00*
– (Profit)/Loss on Sale of Fixed Assets	**6,850.00**		*17,240.00*
– Depreciation	**136,420.00**		*97,530.00*
– Bad and Doubtful Debts (Net)	**5,160.00**		*7,990.00*
Operating Profit before Changes in Operating Assets and Liabilities		**2,475,600.00**	*1,079,000.00*
Adjustments for net change in Operating Assets and Liabilities			
– Current Assets excluding Cash and Cash equivalents	**(2,045,270.00)**		*57,013,300.00*
– Fixed Deposits under Lien	**(23,064,300.00)**		*(399,010.00)*
– Loans and advances relating to Operations	**(418,300.00)**		*88,570.00*
– Current Liabilites relating to Operations	**1,978,520.00**		*(7,315,620.00)*
		(27,914,800.00)	*(19,247,300.00)*
Cash generated from Operations		**(350,750.00)**	*(8,457,300.00)*
Payment of Taxes (Net)		**(1,000,750.00)**	*(384,250.00)*
– Prior period item			
Net Cash from Operating Activities		**(9,12.00)**	—
		(1,325,700.00)	*(12,299,800.00)*
B. Cash Flow From Investment Activities			
– (Purchase)/Sale of Investments (Net)		**(463,290.00)**	*44,700.00*
– (Purchase)/Sale of Fixed Assets (Net)		**(143,390.00)**	*(309,690.00)*
Net cash used in Investment Activities		**(606,680.00)**	*(264,990.00)*
C. Cash Flow From Financing Activities			
– Increase/(Decrease) in Borrowings (Net)		**2,965,320.00**	*925,600.00*
– Dividends & Dividend Tax paid		**(1,073,010.00)**	*(627,710.00)*
– Issue of Share Capital		**(528,200.00)**	—
Net Cash used in Financing Activities		**2,420,510.00**	*297,890.00*
Net Change in Cash & Cash Equivalents		**4,880,800.00**	*(11,970,800.00)*
Cash and Cash Equivalents at the beginning of the year		**4,889,100.00**	*1,685,990.00*
Cash and Cash Equivalents at the end of the year		**976,990.00**	*4,889,100.00*

Cash and cash equivalents at the end of the year does not include fixed deposits under Lien Rs. 4,082,250 thousand (Previous year Rs. 1,740,950 thousand)

As per our report of even date

For S. R. BATLIBOI & CO.
Chartered Accountants

per VIJAY MANIAR
Partner
Membership No. 36738

Mumbai, April 23, 2008

For and on behalf of the Board

K. V. KAMATH
Chairman

S. MUKHERJI
Managing Director & CEO

A. MURUGAPPAN
Executive Director

ANUP BAGCHI
Executive Director

RAJU NANWANI
Company Secretary

ABHIJEET GUIN
Vice President & Head - Financials

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

I. Registration details

Registration No. 86241 State Code 11

Balance Sheet Date 31 (Date) 03 (Month) 2008 (Year)

II. Capital raised during the Period (Rs. in thousands)

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

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

Total Liabilities and Shareholder's funds: 6251880	Total Assets: 6251880

Sources of Funds

Paid-up Capital: 610710	Reserves and Surplus: 1159320
Secured Loans: NIL	Unsecured Loans: 4481850

Application of Funds

Fixed Assets: 384380	Investments: 473890
Net Current Assets: 5390640	Deferred Tax Asset: 2970
Miscellaneous Expenditure: NIL	

IV. Performance of the Company (Rs. in thousands)

Turnover: 7489980	Total Expenditure: 5162810
Profit Before Tax: 2327170	Profit After Tax: 1506900
Earnings Per Share in Rupees: 5.29	Dividend Rate %: 157

V. Generic names of three principal/services of the Company
(as per monetary terms)
Brokerage commission from primary market operations
Bromerage commission from secondary market operations
Income from Advisory Services

For and on behalf of the Board

K. V. KAMATH
Chairman

S. MUKHERJI
Managing Director & CEO

ABHIJEET GUIN
Vice President
Financials & Accounts

RAJU NANWANI
Company Secretary

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Executive Director

A. MURUGAPPAN
Executive Director

Mumbai, April 23, 2008