ICICI Securities I-Sec

ICICI SECURITIES LIMITED

14TH ANNUAL REPORT AND ANNUAL ACCOUNTS 2008-2009

Directors
K. V. Kamath, *Chairman (upto April 22, 2009)*
Chanda D. Kochhar, *Chairperson (w.e.f. April 22, 2009)*
Uday Chitale
Sonjoy Chatterjee
Narendra Murkumbi
Ketan Patel
Pravir Vohra
Madhabi Puri Buch, *Managing Director & CEO*
Anup Bagchi, *Executive Director*
A. Murugappan, *Executive Director*

Auditors
S. R. Batliboi & Co.
Chartered Accountants

Raju Nanwani
Company Secretary

Registered Office
ICICI Centre
H. T. Parekh Marg,
Churchgate,

directors' report

to the members

Your Directors have pleasure in presenting the Fourteenth Annual Report of ICICI Securities Limited (the Company) with the audited statement of accounts for the year ended March 31, 2009.

INDUSTRY OVERVIEW

Equities

The 'sub prime' crisis in the US led to a series of extraordinary events, affecting many asset classes, including equities, debt, commodities and real estate. After five years of unprecedented growth, the global financial markets witnessed a downturn.

The global slowdown also affected Indian equities, both institutional and retail.

Against this backdrop, fiscal 2009 was a challenging year for the institutional equities business in India. Daily institutional cash-market volumes (FII + domestic) fell to a low of Rs. 600.38 billion in February 2009 from their peak of Rs. 2,823.43 billion in October 2007. Risk aversion visible in the last quarter of fiscal 2008 continued into fiscal 2009, especially among foreign institutional investors (FIIs). Assets under management of many FIIs declined due to fall in prices of stocks held by them as well as redemptions by their investors. Hedge funds, which formed 40-50% of FII volumes in fiscal 2008, were particularly affected by redemptions and de-leveraging by financial institutions that were providing debt finance to these funds.

In fiscal 2009, FII outflow was Rs. 479.41 billion vis-à-vis a record inflow of Rs. 515.95 billion in fiscal 2008. Indian insurance companies, on the other hand, became significant incremental buyers of equities in the market in fiscal 2009. Indian Mutual Funds bought Rs. 66.25 billion overall in fiscal 2009.

Despite a fall in FII investments, number of FIIs and sub-accounts registered with the Securities and Exchange Board of India (SEBI) grew by 316 and 1,051 to 1,635 and 5,015 respectively. The Indian market (Nifty) outperformed by delivering negative returns of 36.2% versus negative return of 48.4% delivered by the MSCI Emerging Market Index in fiscal 2009. This, we believe, will likely lead to higher participation in Indian equities, once the global financial situation stabilises.

Retail participation in equity and equity-related investments had gained strength in fiscal 2008. However, the share of retail in NSE turnover, i.e. excluding FIIs, domestic institutions and proprietary turnover, that peaked at nearly 70% in the third quarter of fiscal 2008, has stabilised at 50-55% in fiscal 2009, mirroring impact of the global crisis on the Indian economy and, thereby, on retail investors. In fiscal 2009, the retail players were affected not just by the lower proportion of volumes by retail participants but also by the significant reduction in absolute volumes. Further, delivery volumes, as a percentage of cash segment, fell to 21% from 35%. Thus, the overall broking industry was affected by lower volumes as well as lower yields on turnover.

Corporate Finance

The global credit crisis and downturn in global financial markets also made a significant impact on the Indian markets. Total issuance of domestic equity and equity-linked instruments by Indian corporates declined 86% to Rs. 144.00 billion in fiscal 2009 as against Rs. 1,040.00 billion in fiscal 2008.

The domestic IPO/FPO market was also affected, with only 21 issues mobilising Rs. 20.00 billion in fiscal 2009 compared with 90 issues garnering Rs. 522.00 billion in fiscal 2008 (Source: Prime Database). Companies raised Rs. 122.00 billion from 22 equity rights issues in fiscal 2009 as against Rs. 260.00 billion from 27 equity rights issues in fiscal 2008. Due to reduced risk appetite among global investors, there were few overseas offerings. Total funds raised through international offerings of GDRs, ADRs and FCCBs stood at US$ 213.0 million in fiscal 2009, aggregating 1.6% of funds raised in fiscal 2008 (Source: Prime Database). There were only two 'Qualified Institutional Placements' during the year, with total issuance of Rs. 1.90 billion compared with 38 issuances of Rs. 257.70 billion in the previous year.

In line with the bearish market conditions, there was significant activity in the buy-back, delisting and open offers – 46 buy-back offers were made, with an offer amount of Rs. 42.00 billion in fiscal 2009 as against 10 offers with an offer amount of Rs. 20.00 billion in fiscal 2008. Further, there were 25 de-listing offers in fiscal 2009 as against 23 in fiscal 2008; however, the offer amount declined 57% to Rs. 9.20 billion. 112 open offers worth Rs. 138.00 billion were made in fiscal 2009 as against 119 open offers worth Rs. 149.00 billion in fiscal 2008.

FINANCIAL HIGHLIGHTS

(Rs. in million)

	Fiscal 2008	**Fiscal 2009**
Gross income	*7,490.0*	**5,182.1**
Profit before tax	*2,327.2*	**67.3**
Provision for tax	*820.3*	**23.1**
Profit after tax	*1,506.9*	**44.2**

Profit after tax for the year ended March 31, 2009 decreased to Rs. 44.2 million from Rs. 1,506.9 million in the previous year, primarily due to overall decrease in income by Rs. 2,307.9 million.

After taking into account the balance of Rs. 635.1 million (previous year: Rs. 408.9 million) brought forward from previous year, profit available for appropriation is Rs. 679.3 million (previous year: Rs. 1,906.7 million), of which Rs. 20.0 million (previous year: Rs. 149.8 million) has been transferred to General Reserve.

DIVIDEND

During the year, the Company declared two interim dividends on the equity share capital, aggregating 39.31% and amounting to Rs. 240.1 million. The Directors are pleased to recommend the aggregate of interim dividends at Rs. 240.1 million as final dividend for the year.

The Company had, on December 19, 2008, issued 5,000,000, 13.75% Non- Convertible Cumulative Redeemable Preference Shares to ICICI Home Finance Company Limited. The Directors are pleased to recommend a dividend @ 13.75% per annum for the period from December 19, 2008 to March 31, 2009 amounting to Rs. 19.4 million.

OPERATIONAL REVIEW

Equities

Business conditions for the industry were weak through the year. FIIs generated gross business of US$ 231.02 billion (Source: SEBI) in fiscal 2009 compared with US$ 351.85 billion in fiscal 2008. Mutual funds generated gross business of US$ 55.32 billion in fiscal 2009 compared with US$ 81.41 billion in fiscal 2008. Volumes in the derivatives markets also dropped significantly.

The fall in institutional volumes affected the institutional equities business and revenues were approximately 53% lower than in fiscal 2008. The derivatives business segment, which witnessed approximately 40% drop in revenues, was also affected by the global financial crisis, with proprietary desks of many global financial institutions (key clients) closing their trading books. However, increased hedging activity among domestic funds helped the business to some extent.

The research team delivered commendable work. As of end-fiscal 2009, the institutional research team covered 110 rated stocks. Number of analysts rated by key institutions in their internal polls increased substantially. Many new research products were introduced in the derivatives department. The Company is one of the leading institutional brokers, with excellent relationships with over 250 institutions. The eighth *'India Unlimited'* Global investors' conference held in Singapore witnessed excellent response from investors. Further, the research team held a financial services conference in London in fiscal 2009.

ICICIdirect.com, the online broking arm of the Company, primarily has a retail client base. It offers one of the largest and most robust platforms for online trading and provides a wide range of products that includes equities, mutual funds, IPOs, insurance (both life insurance as well as general insurance) and loans (home and personal).

The rise in risk aversion among customers as well as uncertainties about long-term investments led to a change in the trading pattern by way of a shift from the Cash segment to the Futures & Options segment. This had a marginal impact on revenues as the Futures & Options segment attracts lower yields as against the cash segment. However, several strategies such as Active Trader Service (ATS) that was launched in fiscal 2009 as a part of our offline segment managed to limit the impact. ATS added to daily volumes of the offline segment, hitherto not fully utilised by us. It was a step in the right direction and proved fruitful in tough times. ICICIdirect.com has a strong 25-member research team covering 21 sectors. The team maintains coverage of 170 stocks. Strong research support with regular updates after an initial ramp up has ensured customer satisfaction and loyalty. Overall, we improved our market share.

The Company has the largest customer account base of ~1.8 million and one of the largest pan-India distribution networks of over 250 owned centres and 830 sub-brokers at present. This has led to expansion in our points of presence, thereby enabling us to undertake cross-selling of financial products. Although centres added to the cost base of the Company in the current downturn in the markets, rationalisation has helped contain it.

Corporate Finance

We continued to consolidate our position as one of the leaders in the domestic equity capital markets. Some of the key capital market transactions lead managed by the Company during the year included issuances with innovative product structures. We also managed the largest open offer in the Indian capital markets.

During the year, the Company advised on multiple advisory transactions as well.

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 risk management policies, addressing both market and credit risks. The group has developed comprehensive risk-management policies, which seek to continuously enhance its risk management and control procedures to better identify and monitor risks and proactively take appropriate action 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-related 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

Equities

The year ahead brings with it a demanding environment. Tight cost control will be one of the key drivers of profitability.

Unlike fiscal 2009, when FIIs were net sellers, the coming year is expected to see some reversal in this trend. And, as in fiscal 2009, we expect Indian insurance companies to be big buyers of Indian equities in the coming year.

We remain confident about the potential of the Indian economy and the stability of its corporate sector. We believe that India, as an emerging market, will continue to display the big gap in growth vis-à-vis the developed world and even peers. Asset valuations have substantially contracted since January 2008, while inflation and interest rates are heading south. This, along with a reasonably good return on capital and current low valuations, in our opinion, presents an attractive opportunity for long-term investors.

Over the years, the Company has emerged as a key domestic institutional broking house, which provides insightful research and reasonable corporate access. The Company remains confident about further deepening and broadening client relationships across geographies as well as improving its market position in the year ahead – both institutional and retail.

Corporate Finance

We expect fund-raising activity to gain momentum once the markets stabilise. In fiscal 2009, we had a leading position in consolidation products such as buy-back, delisting and open offers and shall endeavour to maintain our position. Further, we expect to retain our position in retail debt issuances. In the current year, our focus will be on sectors that are ready for consolidation-driven activity. Infrastructure and financial services sectors also continue to draw investor interest. We expect domestic consolidation, divestments and restructuring to be key themes for fiscal 2010. Private equity will be the favoured route for raising funds for companies. Convertible instruments are likely to be the preferred mode of investment by private equity firms in public companies. The recent events in the global markets have caused a paradigm shift in valuation perceptions and deals will need to reflect this shift to be successful.

SUBSIDIARY COMPANIES

The Company has two subsidiaries in the US, namely ICICI Securities Holdings, Inc. (ISHI) and ICICI Securities, Inc. (I-Sec, Inc.). As required under Section 212 of the Companies Act, 1956, the audited statements of accounts for the year ending March 31, 2009 together with the reports of the directors and auditors for the year ended March 31, 2009 of these subsidiaries are attached.

In July 2008, ISHI launched Financial Planning and Investment Advisory services by merging with itself the business of Global Investment Management, Inc., a New Jersey-based company registered with the Securities and Exchange Commission (SEC) as a Registered Investment Advisor (RIA). As a result, ISHI expanded its Wealth Management offerings to US investors.

ISHI's conservative approach to manage client portfolios based on risk diversification, rigorous due diligence and discipline helped effectively manage client relationships.

I-Sec, Inc. is registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA).

In fiscal 2009, I-Sec, Inc. continued making its presence felt in the Indian capital markets brokerage space by continuously reaching out to various institutional investors. Further, I-Sec, Inc. conducted placement services for funds from India that were looking for raising capital for their proposed funds overseas. Meetings and road shows were organised with fund managers from India for meeting with institutional investors in the US, including pension funds, insurance companies, endowments, foundations, family offices and fund of funds.

In the institutional space, I-Sec, Inc. continues to showcase select direct investment opportunities to its clients besides continuing to expand its relationships in select markets, even as it discontinued operations in Houston and San Jose on account of low volume of business from these locations.

CORPORATE SOCIAL RESPONSIBILITY

The Company's mission is to empower and enable marginalised children in our society. In fiscal 2009, the Company continued to support three NGOs in their endeavour to provide education and healthcare to underprivileged children.

PUBLIC DEPOSITS

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

INCREASE IN AUTHORISED SHARE CAPITAL

During the year, the Authorised Share Capital of the Company was increased to Rs. 2,500.0 million from Rs. 1,000.0 million, consisting of 750,000,000 equity shares of Rs. 2 each and 10,000,000 preference shares of Rs. 100 each.

FUND RAISING

During the year, the Company allotted 5,000,000, 13.75% Non Convertible Cumulative Redeemable Preference Shares of Rs. 100 each to ICICI Home Finance Limited.

Whilst the raising of funds through public issue as well as issue of shares by the Company on a private-placement basis prior to such public issue was approved by the Board of Directors and members of the Company last year, it was considered appropriate to defer the plan, given the turbulent market conditions.

ACHIEVEMENTS DURING THE YEAR

ICICIdirect.com was adjudged the 'Best E-Brokerage House 2008' at the Outlook Money NDTV Profit Awards function held on October 15, 2008. The Company has won the award for four consecutive years since the institution of the award.

ICICIdirect, the Neighbourhood Financial Superstore, was adjudged the 'Service Retailer of the Year' at the prestigious Franchise India Star Retailer Awards, 2008. Notably, the Company has won this award not just in financial services, but also across all service categories. The Franchise India Star Retailer Awards are given for excellence in retailing, retail supply and pioneering efforts by individuals and organisations in modern retail across different categories.

During the year, the Company also inaugurated its branch in Muscat, the capital of the Sultanate of Oman. The Company has received a licence from the Capital Market Authority (CMA) to undertake business activities under the licence of 'investment advice' in the Sultanate of Oman and is the first Indian financial-services firm to set up a branch in Oman under the licence given by the CMA. The Company plans to offer broking and other investment products in Oman.

DIRECTORS

During the year, A. Murugappan and Anup Bagchi were appointed on the Board of the Company as Directors. Kalpana Morparia and Nitin Jain resigned from the Board on October 15, 2008 and November 17, 2008 respectively. S. Mukherji retired as the Managing Director & CEO of the Company during the year. K. V. Kamath tendered his resignation as the Chairman and Director of the Board effective April 22, 2009. The Board places on record its appreciation for the valuable services rendered by them.

Chanda D. Kochhar, Ketan Patel and Narendra Murkumbi were appointed as Additional Directors, effective October 15, 2008 and Madhabi Puri Buch and Pravir Vohra were appointed as Additional Directors, effective February 17, 2009. Chanda D. Kochhar was nominated as the Director by ICICI Bank Limited effective November 20, 2008. Madhabi Puri Buch was appointed as the Managing Director & CEO of the Company during the year, subject to approval of the Central Government. Chanda D. Kochhar was appointed as the Chairperson of the Board of Directors of the Company, effective April 22, 2009.

In terms of Section 260 of the Companies Act, 1956, Ketan Patel, Narendra Murkumbi, Madhabi Puri Buch and Pravir Vohra hold office as Additional Directors up to the forthcoming Annual General Meeting of the Company, and are eligible for appointment as Directors.

In terms of the provisions of the Articles of Association of the Company, A. Murugappan and Uday Chitale, 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 22, 2009, has proposed their re-appointment as Auditors to audit the accounts of the Company for the year ending March 31, 2010. 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 fiscal 2009, expenditure in foreign currencies amounted to Rs. 118.7 million (previous year: Rs. 41.8 million) and earnings in foreign currencies amounted to Rs. 149.3 million (previous year: Rs. 35.5 million).

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 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 is not applicable and, hence, not given.

AUDIT COMMITTEE

The Audit Committee comprises Uday Chitale, Pravir Vohra and Anup Bagchi as its members. Uday Chitale, an Independent Director, is the Chairman of Audit Committee. The Committee meets to review the accounts and discuss the audit findings and recommendations of the internal and statutory auditors.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company confirm-

- that the applicable accounting standards have been followed in the preparation of the annual accounts and that there are no material departures;
- that such accounting policies have been selected and applied consistently and judgments 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, 2009 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 its stakeholders and the reputation of the Company. To ensure transparency, fairness and objectivity in the organisation's functioning and unquestioned integrity of all personnel involved, 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 SEBI, National Stock Exchange of India Limited, Bombay Stock Exchange Limited, National Securities Depository Limited, Central Depository Services (India) Limited and other statutory authorities, its bankers and lenders for their continued support to the Company.

The Directors express their gratitude for the support and guidance received from the shareholders, ICICI Bank Limited and other group companies and also express their warm appreciation to all employees for commendable teamwork, professionalism and contribution during the year. The Directors also express their sincere thanks to the clients and customers of the Company for their unstinted support.

For and on behalf of the Board

K. V. KAMATH
Chairman

April 22, 2009

to the Members of ICICI Securities Limited

1. We have audited the attached Balance Sheet of ICICI Securities Limited ('the Company') as at March 31, 2009 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 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Without qualifying our opinion, we draw attention to note (B)(4) of schedule S of the financial statements regarding excess managerial remuneration paid by the Company without prior approval of the central government for which requisite applications have been made.
5. 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 Act.
   - v. On the basis of the written representations received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.
   - 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 Act, 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, 2009;
     - 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.

S. R. BATLIBOI & CO.
Chartered Accountants

per VIJAY MANIAR
Partner
Membership No.: 36738

Mumbai, April 22, 2009

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

Re: ICICI Securities Limited

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

(b) The Company has a regular program of physical verification of its fixed assets by which all fixed assets are verified in a phased manner. In our opinion, this periodicity of physical verification is reasonable having regard to the size of Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) During the year, the Company has disposed off a substantial part of the Computers and Office Equipment. Based on the information and explanation given by the management and on the basis of audit procedures performed by us, we are of the opinion that the sale of the said part of Computers and Office Equipment has not affected the going concern status of the Company.

(ii) (a) The Company does not hold any securities 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 securities held as 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 securities held as stock in trade and no discrepancies were noticed on comparing the statement from custodian with book records.

(iii) As informed, the Company has neither 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 Act and hence clause 4 (iii) of the Order are not applicable to the Company.

(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 rendering services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

As informed, the Company has not sold goods during the year, hence adequacy of internal controls on same has not been commented upon.

(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, employees' state insurance, 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, sales-tax, wealth-tax, service 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, employees' state insurance, 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 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.	470,280	AY 2003-04 to 2006-07	CIT (Appeals) and ITAT

According to the information and explanation given to us, there are no dues of sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.

(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 a financial institution, bank or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, 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 of the Company, we report that no funds raised on short-term basis have been used for long-term purpose.

(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 Act.

(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.

S. R. BATLIBOI & CO.
Chartered Accountants

per VIJAY MANIAR
Partner
Membership No.: 36738

Mumbai, April 22, 2009

balance sheet as at March 31, 2009

	Schedule	March 31, 2009	March 31, 2008
			(Rs. in 000's)
SOURCES OF FUNDS			
1. Shareholders' funds			
A. Share Capital	A	**1,110,707.00**	*610,710.00*
B. Reserves & Surplus	B	**624,128.76**	*1,159,320.00*
2. Loan Funds			
Unsecured Loans	C	**4,291,600.00**	*4,481,850.00*
		6,026,435.76	*6,251,880.00*
APPLICATION OF FUNDS			
1. Fixed assets			
A. Gross Block	D	**801,250.33**	*832,524.00*
Less: Accumulated depreciation/ amortisation		**437,003.88**	*463,310.00*
Net Block		**364,246.45**	*369,214.00*
B. Capital Work in Progress (including capital advances)		**42,090.00**	*15,160.00*
		406,336.45	*384,374.00*
2. Investments	E	**2,136,851.70**	*473,896.00*
3. Deferred Tax Asset (net)	S(B)(8)	**—**	*2,970.00*
4. Current Assets, Loans & Advances			
A. Current Assets:			
(a) Interest Accrued	F	**49,059.80**	*158,150.00*
(b) Securities held as Stock-in-Trade	G	**918.00**	*236,920.00*
(c) Sundry Debtors	H	**898,797.00**	*2,242,390.00*
(d) Cash & Bank Balances	I	**1,941,243.30**	*5,059,240.00*
(e) Other Current Assets	J	**74,099.00**	*—*
B. Loans & Advances	K	**2,585,840.00**	*1,188,580.00*
		5,549,957.10	*8,885,280.00*
Less: **Current Liabilities & Provisions**			
(a) Current liabilities	L	**2,029,745.49**	*3,411,780.00*
(b) Provisions		**36,964.00**	*82,860.00*
Net Current Assets		**3,483,247.61**	*5,390,640.00*
		6,026,435.76	*6,251,880.00*
Notes to Accounts	S		

profit and loss account for the year ended March 31, 2009

	Schedule	March 31, 2009	March 31, 2008
			(Rs. in 000's)
INCOME FROM OPERATIONS			
(a) Brokerage Income		**3,581,945.75**	*5,573,870.00*
(b) Income from Services		**1,095,155.65**	*1,540,480.00*
(c) Profit/(loss) on Securities (net)	M	**166,694.00**	*47,308.00*
(d) Interest Income	N	**303,929.00**	*314,480.00*
(e) Dividend and Other Income		**34,320.00**	*13,840.00*
		5,182,044.40	*7,489,978.00*
EXPENDITURE			
(a) Payments to and provisions for employees	O	**1,471,268.76**	*1,506,090.00*
(b) Operating expenses	P	**841,553.79**	*1,486,260.00*
(c) Establishment and Other Expenses	Q	**2,008,123.92**	*1,579,950.00*
(d) Financial Charges	R	**575,220.50**	*393,440.00*
(e) Depreciation	D	**138,158.04**	*136,420.00*
(f) Doubtful debts written off/provided		**80,417.12**	*60,650.00*
		5,114,742.13	*5,162,810.00*
Profit before taxation		**67,302.27**	*2,327,168.00*
Less: Provision for Income-Tax			
(i) Current income-tax/MAT payable		**7,653.42**	*777,000.00*
Less: MAT credit entitlement		**(7,653.42)**	*—*
(ii) Deferred Tax charge		**2,970.32**	*25,170.00*
(iii) Fringe Benefit Tax		**20,000.00**	*18,100.00*
(iv) Wealth Tax		**150.72**	*—*
Profit after taxation		**44,181.23**	*1,506,898.00*
Prior period items (net of tax Rs. Nil, previous year Rs.7,070 thousand)		**—**	*9,120.00*
Net Profit		**44,181.23**	*1,497,778.00*
Brought forward from previous years		**635,159.39**	*408,920.00*
Profit available for appropriations		**679,340.62**	*1,906,698.00*
Dividend on Preference Shares		**19,400.69**	*—*
Interim Dividend on Equity Shares		**240,063.92**	*958,810.00*
Tax on Dividends		**44,096.86**	*162,950.00*
Transfer to General Reserve		**20,000.00**	*149,778.00*
Balance carried to balance sheet		**355,779.15**	*635,160.00*
Earnings per share (Basic/Diluted)		**0.07**	*5.29*
(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 Balance Sheet and 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 22, 2009

For and on behalf of the Board

K.V. KAMATH
Chairman

MADHABI PURI BUCH
Managing Director & CEO

A. MURUGAPPAN
Executive Director

ANUP BAGCHI
Executive Director

RAJU NANWANI
Company Secretary

CHARANJIT ATTRA
CFO & Head - Operations

(Rs. in 000's)

SCHEDULE "A" – SHARE CAPITAL

	March 31, 2009	*March 31, 2008*
Authorised:		
750,000,000 (March 31, 2008 : 500,000,000 of Rs. 2 each) equity shares of Rs. 2 each	**1,500,000.00**	*1,000,000.00*
10,000,000 (March 31, 2008: Nil) 13.75% Cumulative non-convertible redeemable preference shares of Rs. 100 each	**1,000,000.00**	—
	2,500,000.00	*1,000,000.00*
Issued:		
305,353,500 (March 31, 2008 : 305,353,500 of Rs. 2 each) equity shares of Rs. 2 each	**610,707.00**	*610,710.00*
5,000,000 (March 31, 2008 : Nil) 13.75% Cumulative non-convertible redeemable preference shares of Rs. 100 each. These shares are redeemable on 18 December, 2013.	**500,000.00**	—
	1,110,707.00	*610,710.00*
Subscribed & paid-up:		
305,353,500 (March 31, 2008 : 305,353,500 of Rs. 2 each) equity shares of Rs. 2 each fully paid	**610,707.00**	*610,710.00*
5,000,000 (as at March 31, 2008: Nil) 13.75% Cumulative non-convertible redeemable preference shares of Rs. 100 each fully paid	**500,000.00**	—
TOTAL	**1,110,707.00**	*610,710.00*

Note:

All the above, 305,353,500 Equity Shares of Rs. 2 each are held by ICICI Bank Limited (Holding Company) and 5,000,000 Cumulative non-convertible redeemable preference shares are held by ICICI Home Finance Company Limited (Fellow Subsidiary).

SCHEDULE "B" – RESERVES AND SURPLUS

	Balance as on April 1, 2008	Additions/ transfer during the year	Deductions/ transfers during the year	As at March 31, 2009
Securities Premium Account (note 1)	*262,500.00*	—	18,500.00	244,000.00
General Reserve (note 2) (schedule S(B)(7))	*251,660.00*	20,000.00	260,866.00	10,794.00
Investors Contingency Fund	*10,000.00*	3,555.00	—	13,555.00
Profit and Loss Account	*635,160.00*	44,181.22	323,561.46	355,779.76
TOTAL	*1,159,320.00*			624,128.76

Note:

1. Share issue expenses amounting to Rs.18,500 thousand written off from Securities premium account.
2. Stock options settled in cash amounting to Rs.260,866 thousand, as per the 'Employee Stock Option Scheme' are adjusted from general reserve account.

SCHEDULE "C" – UNSECURED LOANS

(Rs. in 000's)

	March 31, 2009	*March 31, 2008*
Unsecured Debentures	**2,070,000.00**	*3,170,000.00*
(Repayable within one year Rs. 2,070,000 thousand Previous year Rs. 3,170,000 thousand)		
Cash Credit		*514,080.00*
Commercial Paper	**2,221,600.00**	*797,770.00*
(Repayable within one year Rs. 2,221,600 thousand, Previous year Rs. 797,770 thousand)		
TOTAL	**4,291,600.00**	*4,481,850.00*

SCHEDULE "D" – FIXED ASSETS

(Rs. in 000's)

	Gross Block (At Cost)				Accumulated Depreciation				Net Block	
	April 1, 2008	Additions	Sale/Adj*	March 31, 2009	*April 1, 2008*	Additions	Sale/Adj*	March 31, 2009	March 31, 2009	*March 31, 2008*
TANGIBLE										
Computers	*327,210.60*	43,227.73	197,610.00	**172,828.33**	*226,410.17*	24,872.56	119,046.17	**132,236.56**	**40,591.77**	*100,800.43*
Furniture & fixtures	*114,485.00*	12,689.02	41,600.00	**85,574.02**	*30,592.74*	16,962.85	18,008.00	**29,547.59**	**56,026.43**	*83,892.26*
Office equipment	*86,670.00*	52,213.21	112,975.81	**25,907.40**	*15,215.55*	13,210.00	22,879.94	**5,545.61**	**20,361.79**	*71,454.45*
Vehicles	*2,981.00*	18,543.54	1,930.00	**19,594.54**	*229.89*	2,952.78	159.02	**3,023.65**	**16,570.89**	*2,751.11*
Leasehold improvements	*44,130.45*	91,154.30	8,984.18	**126,300.57**	*10,047.51*	38,793.71	4,130.90	**44,710.32**	**81,590.25**	*34,082.94*
INTANGIBLE										
Software	*257,046.95*	96,898.52	—	**353,945.47**	*180,814.14*	39,077.70	10.13	**219,881.71**	**134,063.76**	*76,232.81*
CMA membership right	—	17,100.00	—	**17,100.00**	—	2,288.44	230.00	**2,058.44**	**15,041.56**	—
Total	*832,524.00*	331,826.32	363,099.99	**801,250.33**	*463,310.00*	138,158.04	164,464.16	**437,003.88**	**364,246.45**	*369,214.00*
Capital work-in-progress	*15,160.00*	90,290.00	63,360.00	**42,092.42**	—	—	—	**—**	**42,090.00**	*15,160.00*
Net Block	*847,684.00*	422,116.32	426,459.99	**843,342.74**	*463,303.95*	138,166.76	164,464.16	**437,003.88**	**406,340.89**	*384,374.00*
Previous Year	*716,476.70*	*222,200.00*	*90,992.00*	*847,684.00*	*332,221.23*	*136,420.00*	*5,331.23*	*463,310.00*	*384,374.00*	

* Fixed assets sale/adjustments includes effect of foreign currency translation amounting to Rs. 230 thousand.

(Rs. in 000's)

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

Name of the Company	Quantity in thousands	Face value per unit	As at March 31, 2009	*As at March 31, 2008*
In Equity Shares				
Subsidiary Company:				
ICICI Securities Holding Inc. (unquoted)	14,200 (10,700)	US$ 1	**626,090.00**	*463,134.00*
Others:			**—**	*—*
Bombay Stock Exchange Limited (unquoted)	22.828 (0.001)	Rs. 1	**1.00**	*1.00*
ICICI West Bengal Infrastructure Development Corporation (unquoted)	0.001 (0.001)	Rs.10	**1.00**	*1.00*
Tata Motors Limited (quoted)	4,411.764 (Nil)	Rs.10	**1,499,999.70**	*—*
In Mutual Funds (Investors Contingency Fund):			**—**	*—*
JM Mutual Fund	0.41 (0.41)		**2.58**	*2.58*
IDFC Mutual Fund	0.64 (0.64)		**6.95**	*6.95*
Birla Sun Life Asset Management Company Limited	0.01 (0.01)		**0.45**	*0.45*
DSP Liquid Fund - Growth	226.10 (226.10)		**3,773.00**	*3,773.00*
ICICI Prudential Liquid Plan - Growth	400.95 (400.95)		**6,977.02**	*6,977.02*
Total			**2,136,851.70**	*473,896.00*
Aggregate amount of quoted investments			**1,499,999.70**	*—*
(Market Value Rs. 796,765 thousand, Previous year Rs. Nil)				
Aggregate amount of unquoted investments			**636,852.00**	*473,896.00*

SCHEDULE "F" – INTEREST ACCRUED

(Rs. in 000's)

	March 31, 2009	*March 31, 2008*
On stock in trade	**—**	*2,530.00*
On fixed deposits	**49,059.80**	*155,620.00*
Total	**49,059.80**	*158,150.00*

SCHEDULE "G" – SECURITIES HELD AS STOCK IN TRADE :
(At cost or market value whichever is lower)

	March 31, 2009	*March 31, 2008*
Equity Shares (Quoted)	**900.00**	*17,630.00*
Mutual Fund (Unquoted)	**18.00**	*10.00*
Non-Convertible Debentures		
9.80% LIC Housing Finance Ltd. 22-10-2017	**—**	*2,030.00*
Bond		
9.35% PNB 05-03-2023 Tier II call 05-03-2018	**—**	*217,250.00*
Total	**918.00**	*236,920.00*

1. The aggregate carrying value and market value of quoted securities as at March 31, 2009 is Rs. 918 thousand (Previous year - Rs. 236,920 thousand and Rs. 237,720 thousand respectively).
2. The above include securities on the Company's account due to trading errors on behalf of the customers.

(Rs. in 000's)

SCHEDULE "H" – SUNDRY DEBTORS (Unsecured)

	March 31, 2009	*March 31, 2008*
(A) Receivables outstanding for a period exceeding six months:		
Considered good	**100,360.00**	*63,350.00*
Considered doubtful	**179,330.00**	*45,080.00*
(B) Receivables outstanding for a period not exceeding six months:		
Considered good	**798,440.00**	*2,179,040.00*
Considered doubtful	**2,790.00**	*30,000.00*
Less: Provision for doubtful debt	**(182,123.00)**	*(75,080.00)*
Total	**898,797.00**	*2,242,390.00*

Included in sundry debtors (net of provisions) are:

Dues from Companies under same management

ICICI Bank Limited Rs. 49,540 thousand (Previous year - Rs. 41,910 thousand) and maximum outstanding during the year Rs. 57,940 thousand (Previous year - Rs. 47,650 thousand).

ICICI Securities Primary Dealership Limited Rs.14,733 thousand (Previous year - Rs. 3,950 thousand) and maximum outstanding during the year Rs. 18,990 thousand (Previous year - Rs. 27,110 thousand).

ICICI Prudential Life Insurance Co. Limited Rs. 1,030 thousand (Previous year - Rs. 6,000 thousand) and maximum outstanding during the year Rs. 59,310 thousand (Previous year - Rs. 6,000 thousand).

ICICI Lombard General Insurance Co. Limited Rs. 2,010 thousand (Previous year - Rs. 4,460 thousand) and maximum outstanding during the year Rs.5,560 thousand (Previous year - Rs. 46,630 thousand).

ICICI Prudential Asset Management Co. Limited Rs. 1,770 thousand (Previous year - Rs. 7,790 thousand). and maximum outstanding during the year Rs.9,700 thousand (Previous year - Rs. 7,790 thousand).

ICICI Home Finance Company Limited Rs.1,470 thousand (Previous year - Rs. Nil) and maximum outstanding during the year Rs. 3,550 thousand (Previous year - Rs. 20 thousand).

ICICI Securities Holdings Inc. Rs. 13 thousand (Previous year - Rs. Nil) and maximum outstanding during the year Rs. 13 thousand (Previous year Rs. Nil).

ICICI Securities Inc. Rs. 18,993 thousand (Previous year - Rs. Nil) and maximum outstanding during the year Rs. 18,993 thousand (Previous year Rs. Nil)

SCHEDULE "I" – CASH AND BANK BALANCES

	March 31, 2009	*March 31, 2008*
Cash & cheques on hand	**15,159.00**	*24,830.00*
In Current accounts with banks		
i) In India with scheduled banks	**296,989.30**	*952,160.00*
ii) Outside India	**20,910.00**	*—*
Fixed deposits with scheduled banks		
i) In India	**170,000.00**	*—*
Cash & bank balances	**503,058.30**	*976,990.00*
Fixed Deposits with banks (under lien)		
i) In India with scheduled banks	**1,436,204.00**	*4,082,250.00*
ii) Outside India	**1,981.00**	*—*
Total	**1,941,243.30**	*5,059,240.00*

Fixed deposits under lien with stock exchanges amounted to Rs. 1,064,800 thousand (Previous year - Rs. 2,463,500 thousand) and kept as collateral security towards bank guarantees issued amounted to Rs. 373,380 thousand (Previous year - Rs. 1,615,290 thousand) and others Rs. Nil (Previous year - Rs. 3,460 thousand)

SCHEDULE "J" – OTHER CURRENT ASSETS

	March 31, 2009	*March 31, 2008*
Accrued Income	**74,099.00**	*—*
TOTAL	**74,099.00**	*—*

(Rs. in 000's)

	March 31, 2009	March 31, 2008
SCHEDULE "K" – LOANS AND ADVANCES		
(Unsecured and Considered Good)		
Advances:		
(Recoverable in cash or in kind or for value to be received)		
Deposit with stock exchanges	**664,863.00**	*48,990.00*
Security deposit for leased premises	**339,306.00**	*303,640.00*
Other advances and deposits	**760,499.00**	*475,690.00*
Share application money		*44,950.00*
Advance tax (net of provision Rs. 1,747,680 thousand (Previous year Rs.1,779,040 thousand)	**821,172.00**	*315,310.00*
TOTAL	**2,585,840.00**	*1,188,580.00*

Included in loans and advances are:

Dues from Companies under same management

ICICI Bank Limited Rs. Nil (Previous year Rs. 1,500 thousand) and maximum outstanding during the year Rs. 1,500 thousand (Previous year Rs. 1,500 thousand).

ICICI Lombard General Insurance Company Limited Rs. 6,778 thousand (Previous year - Rs. 500 thousand) and maximum outstanding during the year Rs. 40,880 thousand (Previous year - Rs. 500 thousand).

Advance to Directors Rs.7,108 thousand (Previous year - Rs. Nil) and maximum outstanding during the year is Rs. 7,108 thousand (Previous year - Nil).

	March 31, 2009	March 31, 2008
SCHEDULE "L" – CURRENT LIABILITIES AND PROVISIONS:		
(A) CURRENT LIABILITIES:		
Interest accrued but not due	**6,208.00**	*54,090.00*
Sundry creditors*	**1,728,580.00**	*2,766,160.00*
Other liabilities*	**294,957.49**	*591,530.00*
TOTAL (A)	**2,029,745.49**	*3,411,780.00*
(B) PROVISIONS:		
Provision for employees benefits	**36,964.00**	*82,860.00*
TOTAL (B)	**36,964.00**	*82,860.00*

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

(Refer Schedule S(B)(11))

	March 31, 2009	March 31, 2008
SCHEDULE "M" – PROFIT/(LOSS) ON SECURITIES (NET)		
Profit on stock-in-trade	**166,694.00**	*47,308.00*
TOTAL	**166,694.00**	*47,308.00*
SCHEDULE "N" – INTEREST INCOME:		
Interest income on fixed deposits/ application money	**269,974.00**	*227,450*
(TDS Rs. 56,650 thousand, Previous year - Rs. 47,760 thousand)		
Interest on securities held as stock-in-trade	**13,048.00**	*86,280*
(TDS Rs. Nil, Previous year - Rs. 20,362 thousand)		
Interest income on other advances & deposits	**20,907.00**	*750*
TOTAL	**303,929.00**	*314,480.00*
SCHEDULE "O" – PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, wages and incentive	**1,303,821.76**	*1,323,480.00*
Contribution to provident and other funds	**55,197.00**	*115,520.00*
Staff welfare expenses	**112,250.00**	*67,090.00*
TOTAL	**1,471,268.76**	*1,506,090.00*

(Rs. in 000's)

	March 31, 2009	March 31, 2008
SCHEDULE "P" – OPERATING EXPENSES:		
Procurement expenses	**203,186.11**	*394,410.00*
Turnover fees	**3,152.31**	*9,200.00*
Transaction charges	**2,610.00**	*2,560.00*
Custodial and depository charges	**334,101.13**	*579,150.00*
Clients assistance charges	**71,324.00**	*171,890.00*
Call centre charges	**91,841.57**	*88,060.00*
Franking charges	**111,278.36**	*221,270.00*
Rating agency fees	**3,290.00**	*2,220.00*
Stamp duty	**2,752.88**	*3,380.00*
Other operating expenses	**18,017.43**	*14,120.00*
TOTAL	**841,553.79**	*1,486,260.00*
SCHEDULE "Q" – ESTABLISHMENT AND OTHER EXPENSES (net of recoveries)		
Rent & amenities	**873,739.68**	*620,310.00*
Insurance	**4,676.71**	*2,950.00*
Business promotion, travelling and conveyance expenses	**145,311.51**	*147,520.00*
Repairs, maintenance, upkeep and others	**146,091.63**	*183,490.00*
Rates & taxes	**16,808.82**	*38,170.00*
Electricity expenses	**87,119.84**	*61,220.00*
Communication expenses	**249,836.79**	*181,570.00*
Loss/(Profit) on sale of fixed assets	**13,713.13**	*6,850.00*
Advertisement & publicity	**123,146.87**	*139,290.00*
Printing & stationery	**50,528.93**	*60,200.00*
Subscription & periodicals	**77,532.04**	*37,320.00*
Professional fees	**146,743.00**	*58,530.00*
Auditors' remuneration	**5,518.21**	*2,820.00*
Donation	**22,171.13**	*1,710.00*
Miscellaneous expenses	**45,185.63**	*38,000.00*
Total	**2,008,123.92**	*1,579,950.00*
SCHEDULE "R" – FINANCE CHARGES		
Interest on fixed Loans	**536,795.75**	*351,620.00*
Guarantee commission	**14,759.00**	*29,210.00*
Bank charges	**23,665.75**	*12,610.00*
TOTAL	**575,220.50**	*393,440.00*

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

Overview

ICICI Securities Limited ("the Company"), incorporated in 1995, is a public company engaged in the business of broking (institutional and retail), merchant banking & advisory services.

Reserve Bank of India (RBI) had, vide its circular dated July 4, 2006, prohibited a Primary Dealer (PD) from having a 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 (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 May 2007, the Company also acquired the holdings of ICICI Securities Primary Dealership Limited in ICICI Securities Holding Inc. and with this acquisition; the Company has a subsidiary - ICICI Securities Holdings Inc. and a step-down subsidiary – ICICI Securities Inc.

As a part of 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 merchant banking license from Securities & Exchange Board of India (SEBI).

After completion of the aforesaid reorganization, the Company is now engaged in following activities:

- Broking (institutional and retail)
- Merchant banking
- Advisory services
- Distribution of financial products

Employees associated with the merchant banking businesses as well as with other service functions were transferred from ICICI Securities Primary Dealership Limited to the Company.

Basis of preparation

The financial statements have been prepared in accordance with the notified accounting standards issued by Companies (Accounting Standards) Rules, 2006 and relevant provisions of the Companies Act, 1956. The financial statements have been prepared on historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and except where otherwise stated, 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 the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income, expenses and results during the reporting period. The estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates.

SIGNIFICANT ACCOUNTING POLICIES

1. **Revenue recognition**

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

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

   c. Fee 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 date basis.

   e. Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

   f. Revenue from dividends is recognised when the shareholder's right to receive the payment is established.

2. **Investments and Stock-in-trade**

   Investments in debt and equity securities are classified as stock-in-trade or long term investments.

   Securities acquired with the intention of short-term holding and trading are classified as stock-in-trade. The securities held as stock-in-trade are grouped under current assets and are valued at cost arrived at on weighted average basis or market value, whichever is lower.

   Securities acquired with the intention of holding it for more than a year are classified as long term investments. Long term investments are carried at acquisition cost, net of direct acquisition costs, if any. Any decline in the value of investments, which is other than temporary is reduced from its acquisition costs. A decline is considered as other than temporary after considering the investee company's market value, assets, results and the expected cash flows from the investment and restrictions, if any, on distribution or sale of the investee company.

3. **Fixed assets and depreciation**

   Fixed assets are carried at cost less accumulated depreciation. 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 the assets on 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	16.21%
Furniture and fixtures	15.00%
Motor vehicles	20.00%
Computer software	25.00%
Intangible asset	20.00%

   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.

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

4. **Foreign exchange transactions**

   Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Foreign currency income and expenditure items of integral foreign operations are translated at monthly average rates.

   Monetary foreign currency assets and liabilities of domestic and integral foreign operations are translated at closing rate. Non monetary foreign currency assets and liabilities of domestic and integral foreign operations are reported at historical cost.

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

5. **Accounting for customer acquisition cost**

   Customer acquisition costs like commission paid to direct sales agents is amortised for over a period of three years on a straight line basis.

6. **Accounting for derivative transactions**

   The Company enters into derivative contracts such as equity index/ stock futures, equity index/stock options.

   Derivative contracts entered into for trading purposes are marked to market and the resulting loss is accounted for in the profit and loss account. Gains are recognised only on settlement/expiry of the derivative contract.

   Receivables/payables on the open positions are reported as current assets/current liabilities.

7. **Employee Stock Option Scheme 2007 ("the 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.

8. **Staff retirement and other benefits**

   Gratuity

   The Company pays gratuity to its employees who retire or resign after a minimum period of five years of continuous service and in the case of employees at overseas location as per rules in force in the respective countries. The Company makes contributions to the ICICI Securities Employees Gratuity Fund for the settlement of gratuity liability.

   The Company accounts for the gratuity liability as per an actuarial valuation 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, staff mortality and staff attrition as per the projected unit credit method made at the end of each financial year.

   Provident fund

   The Company is statutorily required to contribute a specified portion of the basic salary of an employee to a provident fund as a part of retirement benefits to its employees. The contributions during the year are charged to the profit and loss account.

   Compensated Absence

   The Company provides for compensated absence's, based on actuarial valuation as at the balance sheet date conducted by an independent actuary as per the projected unit credit method made at the end of each financial year.

   Gain/loss on account of the actuarial valuation report are charged to the profit and loss account.

9. **Income taxes**

   Income tax expense is the aggregate amount of current tax, deferred tax and fringe benefit tax borne by the Company. The income tax provision is determined in accordance with the provisions of the Income tax Act, 1961. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the year.

   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 realization is considered as reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation, tax losses and carry forward capital losses, only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realized against future profits.

In accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, Minimum Alternate Tax ("MAT") credit is recognised as an asset to the extent there is convincing evidence that the company will pay normal income tax in future. MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period by way of a credit to the profit and loss account and shown as MAT credit entitlement.

10. 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.

11. 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.

12. Earnings per share ("EPS")

Basic earnings per share are 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.

The diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

13. 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 recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

14. 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.

NOTES FORMING PART OF THE ACCOUNTS

1. Earnings per share

Basic and diluted earnings per equity share are computed in accordance with "AS 20", "Earnings per Share". Basic earnings per share are 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)

	Year ended March 31, 2009	*Year ended March 31, 2008*
Basic & Diluted		
Weighted average no. of equity shares outstanding	**305,353.50**	*282,904.70*
Net profit after tax, before preference dividend	**44,181**	—
Preference dividend and tax on dividend	**22,696**	—
Net profit after tax and preference dividend	**21,485**	*1,497,778.00*
Basic/diluted earnings per share (Rs.)	**0.07**	*5.29*
Nominal value per share (Rs.)	**2.00**	*2.00*

2. Related Party Disclosures

As per accounting standard on related party disclosures ("AS18") as notified by the Companies Accounting Standard Rules 2006, the names of the related parties of the company are as follows:

A. Related party where control exists irrespective whether transactions have occurred or not

Holding Company: ICICI Bank Limited
Subsidiary Company: ICICI Securities Holdings, Inc.;
ICICI Securities, Inc.

B. Other related parties where transactions have occurred during the year

Fellow Subsidiaries:
ICICI Securities Primary Dealership Limited; ICICI Prudential Life Insurance Company Limited; ICICI Lombard General Insurance Company Limited; ICICI Prudential Asset Management Company Limited; ICICI Prudential Trust Limited; ICICI Venture Funds Management Company Limited; ICICI Home Finance Company Limited.

Key Management Personnel
Subrata Mukherji – Managing Director & CEO (upto January 31, 2009)
Madhabi Puri Buch – Managing Director & CEO (w.e.f. February 1, 2009)
Anup Bagchi – Executive Director
A Murugappan – Executive Director

The following transactions were carried out with the related parties in the ordinary course of business.

(Rs. in 000's)

Nature of Transaction	Holding Company		Subsidiary Company		Fellow Subsidiary Company	
	2009	*2008*	**2009**	*2008*	**2009**	*2008*
Accrued Interest	**11,637.44**	*80,830.00*	—	—	—	—
Accrued Interest on Purchases	—	*840.00*	—	—	—	—
ICICI Prudential Life Insurance Company Limited	—	—	—	—	—	*8,670.00*
ICICI Securities Primary Dealership Limited	—	—	—	—	**155.01**	*6,120.00*
Others	—	—	—	—	—	*380.00*
Accrued Interest on Sales	—	*1,540.00*	—	—	—	—
ICICI Lombard General Insurance Company Limited	—	—	—	—	—	*680.00*
ICICI Prudential Life Insurance Company Limited	—	—	—	—	**313.70**	*2,920.00*
ICICI Prudential Asset Management Company Limited	—	—	—	—	—	*660.00*
ICICI Securities Primary Dealership Limited	—	—	—	—	—	*19,570.00*
Bank Balance	**290,276.32**	*434,340.00*	—	—	—	—
Capital Work in Progress	—	—	—	—	—	—
ICICI Securities Primary Dealership Limited	—	—	—	—	—	*3,030.00*
Deal Value of Purchase of Investments	—	*101,760.00*	—	—	—	—
ICICI Securities Primary Dealership Limited	—	—	—	—	**100,000.00**	*1,575,910.00*
ICICI Prudential Asset Management Company Limited	—	—	—	—	—	*199,740.00*
Other	—	—	—	—	—	*144,080.00*
Deal Value of Sale of Investments	—	*151,690.00*	—	—	—	—
ICICI Lombard General Insurance Company Limited	—	—	—	—	—	*499,950.00*
ICICI Securities Primary Dealership Limited	—	—	—	—	—	*2,009,300.00*
ICICI Prudential Life Insurance Company Limited	—	—	—	—	**52,158.55**	*203,080.00*
Others	—	—	—	—	—	*101,710.00*
Deposit	—	—	—	—	—	—
ICICI Lombard General Insurance Company Limited	—	—	—	—	**34,100.39**	—
Dividend paid/Proposed	**240,068.92**	*958,810.00*	—	—	—	—
ICICI Home Finance Company Limited	—	—	—	—	**19,400.00**	—
Establishment and other expenses	**241,551.02**	*145,081.50*	—	—	—	—
ICICI Lombard General Insurance Company Limited	—	—	—	—	**38,790.82**	*31,240.00*
ICICI Securities Primary Dealership Limited	—	—	—	—	**(41,160.89)**	*(26,659.97)*
ICICI Venture Funds Management Company Limited	—	—	—	—	—	*28,490.00*
ICICI Home Finance Company Limited	—	—	—	—	**1,667.94**	—
Others	—	—	—	—	**5,526.69**	*2,462.70*
Financial Charges and Operating expenses	**604,131.65**	*987,970.78*	—	—	—	—

Nature of Transaction	Holding Company		Subsidiary Company		Fellow Subsidiary Company	
	2009	2008	2009	2008	2009	2008
ICICI Securities Inc.	—	—	12,060.00	26,140.00	—	—
ICICI Home Finance Company Limited	—	—	—	—	8,000.00	—
ICICI Lombard General Insurance Company Limited	—	—	—	—	—	416.05
ICICI Prudential Life Insurance Company Limited	—	—	—	—	—	1,901.44
Fixed Assets Purchases	96,190.44	10,567.80	—	—	—	—
ICICI Securities Primary Dealership Limited	—	—	—	—	3,031.31	—
Fixed Deposits	1,210,789.98	2,632,050.00	—	—	—	—
Income from Services (Commission & Fees)	43,064.55	131,100.00	18,007.00	—	—	—
ICICI Home Finance Company Limited	—	—	—	—	25,819.18	—
ICICI Prudential Life Insurance Company Limited	—	—	—	—	158,422.27	84,368.80
ICICI Securities Primary Dealership Limited	—	—	—	—	2,860.02	43,342.27
ICICI Prudential Asset Management Company Limited	—	—	—	—	24,371.30	48,640.00
Others	—	—	—	—	22,512.96	6,540.00
Interest Income	184,348.44	88,040.00	—	—	—	—
Investment	—	—	—	—	—	—
ICICI Securities Holding Inc.	—	—	626,098.38	463,130.00	—	—
Issue of preference share capital	—	—	—	—	—	—
ICICI Home Finance Company Limited	—	—	—	—	500,000.00	—
Loans & Advances	—	1,500.00	—	—	6,778.00	500.00
ICICI Lombard General Insurance Company Limited	—	—	—	—	—	—
Others	—	—	—	—	—	—
Non-Convertible Debenture issued	—	—	—	—	—	—
ICICI Lombard General Insurance Company Limited	—	—	—	—	—	250,000.00
ICICI Prudential Life Insurance Company Limited	—	—	—	—	—	750,000.00
Non-Convertible Debenture redeemed	—	—	—	—	—	—
ICICI Lombard General Insurance Company Limited	—	—	—	—	—	250,000.00
ICICI Prudential Life Insurance Company Limited	—	—	—	—	52,158.55	750,000.00
Payables	346,720.41	324,866.00	—	—	—	—
ICICI Lombard General Insurance Company Limited	—	—	—	—	6,764.63	2,890.00
ICICI Securities Primary Dealership Limited	—	—	—	—	—	1,151.68
Receivables	49,540.00	41,910.00	—	—	—	—
ICICI Securities Inc	—	—	18,993.45	(7,582.41)	—	—
ICICI Securities Holding Inc.	—	—	13.00	—	—	—
ICICI Lombard General Insurance Company Limited	—	—	—	—	2,010.00	4,460.00
ICICI Prudential Life Insurance Company Limited	—	—	—	—	1,030.00	6,000.00
ICICI Securities Primary Dealership Limited	—	—	—	—	14,733.04	3,950.00
ICICI Prudential Asset Management Company Limited	—	—	—	—	1,770.00	7,790.00
ICICI Home Finance Company Limited	—	—	—	—	1,470.00	—
Accrued Income	67.61	—	—	—	—	—
ICICI Lombard General Insurance Company Limited	—	—	—	—	1,631.91	—
ICICI Prudential Life Insurance Company Limited	—	—	—	—	3,023.02	—
ICICI Prudential Asset Management Company Limited	—	—	—	—	819.65	—
ICICI Home Finance Company Limited	—	—	—	—	711.26	—
Share Capital	610,710.00	610,710.00	—	—	—	—
Staff Expenses	53,305.88	88,700.00	—	—	—	—
ICICI Securities Primary Dealership Limited	—	—	—	—	5,310.00	2,280.00

Key Management Personnel

The compensation for the year ending March 31, 2009 to S.Mukherji, former Managing Director & CEO, Madhabi Puri Buch, Managing Director & CEO, Anup Bagchi, Executive Director and A Murugappan, Executive Director was Rs. 16,485 thousand (previous year Rs. 6,500 thousand), Rs. 1,729 thousand (previous year Rs.Nil), Rs. 12,110 thousand (previous year Rs. 907 thousand) and Rs. 19,505 (previous year Rs. 2,479 thousand) respectively. The compensation paid includes contribution to Provident Fund. The Company also paid cash in lieu of cancellation of vested options to S.Mukherji of Rs. 48,000 thousand and A Murugappan Rs. 40 ,000 thousand during the year 2008-2009.

The outstanding employee stock options (Face value of Rs. 2 each) allotted to S.Mukherji – former Managing Director & CEO and A Murugappan -Executive Director was 12,00,000 (previous year 1,500,000) and 1,000,000 (previous year 1,250,000) respectively.

During the year, the Company has given advance to Madhabi Puri Buch, Managing Director & CEO of Rs.7,100 thousand (previous year Rs.Nil).

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

The following table summarizes the components of net expenses for retirement benefits recognised in the profit and loss account and the amounts recognised in the balance sheet.

(Rs. in 000's)

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
	Gratuity	*Gratuity*
Opening obligations	**105,205.83**	*14,896.83*
Service cost	**45,633.11**	*16,085.51*
Interest cost	**12,860.38**	*1,235.25*
Actuarial (gain)/loss	**(73,929.75)**	*6,268.79*
Past service cost	**-**	*49,291.84*
Liabilities assumed on acquisition/ (settled on divestiture)	**10,989.68**	*17,932.42*
Benefits paid	**(15,616.46)**	*(504.81)*
Total Obligation	**85,142.78**	*105,205,83*
Defined benefit obligation liability	**85,142.78**	*105,205,83*
Opening plans assets, at fair value	**67,484.73**	*2.865.43*
Expected return on plan assets	**6,136,69**	*210.90*
Actuarial gain/(loss)	**(13,611.18)**	*(1,826.11)*
Contributions by employer		*48,806.90*
Assets acquired on acquisition/ (settled on divestiture)	**10,989.68**	*17,932,42*
Benefits paid	**(15,616.46)**	*(504.81)*
Plan assets	**55,383.45**	*67,484.73*
Fair value of plan assets at the end of the period	**55,383.45**	*67,484.73*
Present value of the defined benefit obligations at the end of the period	**(85,142.78)**	*(105,205.83)*
Unrecognised Past Service Cost	**9,799.79**	*12,871.82*
Asset/(liability)	**(19,959.55)**	*(24,849.28)*
Cost for the period		
Service cost	**45,633.11**	*16,085.51*
Interest cost	**12,860.38**	*1,235,25*
Expected return on plan assets	**(6,136.69)**	*(210.90)*
Actuarial (gain)/loss	**(60.318.57)**	*8,094.90*
Past Service Cost	**3,072.03**	*36,420.018*
Net cost	**(4,889.74)**	*61,624.77*
Investment details of plan assets		
Insurer Managed Funds	**80%**	*100%*
Others	**20%**	
Assumptions		
Interest rate	**7.00%**	*8.57%*
Salary escalation rate	**7.00%**	*10.00%*
Estimated rate of return on plan assets	**8.00%**	*8.00%*

The Company expects to contribute Rs. 40,000 thousand to Gratuity in 2009-2010.

(Rs. in 000's)

Particulars	Year ended		
	March 31, 2009	March 31, 2008	March 31, 2007
Defined benefit obligation	**85,142.78**	*105,205.83*	14,896.83
Plan assets	**55,383.45**	*67,484.73*	2,865.43
Surplus/(deficit)	**(29,759.33)**	*(37,721.10)*	(12,031.41)
Experience adjustments on plan liabilities	**(33,883.31)**	*10,153.13*	(1,597.02)
Experience adjustments on plan assets	**(13,611.18)**	*(1,826.11)*	498.57

4. **Managerial Remuneration**

The details regarding the managerial remuneration are given in the table below.

	For the year ended (Rs. in 000's)	
	March 31, 2009	*March 31, 2008*
Salary, perquisites and bonus	***47,679.95**	*9,180.00*
Contribution to provident fund and other funds	**2,148.00**	*710.00*
	49,827.95	*9,890.00*

* This amount includes bonus paid for the year 2007-2008 of Rs. 18,105 thousand (previous year Rs. Nil).

As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and therefore not included above.

The Company also paid cash in lieu of cancellation of vested options amounting to Rs. 88,000 thousand during the year 2008-2009.

The Company has incurred managerial remuneration which is in excess of the limits specified by the relevant provisions of the Companies Act, 1956. The Company has made an application to the appropriate regulatory authorities in this regard, for payment of such excess remuneration paid to managerial personnel. The limits specified by the Companies Act, 1956 would be Rs. 4,418 thousand.

As there is no commission payable to the directors, the computation of profits under section 198 and 350 of the Companies act, 1956 has not been disclosed.

5. **Auditors Remuneration**

The details regarding the remuneration paid to the auditors are given in the table below.

	For the year ended (Rs. in 000's)	
	March 31, 2009	*March 31, 2008*
(a) Audit fees	**3,550**	*1,900*
(b) Tax audit & certification fees	**690**	*600*
(c) Certification	**2,000**	*600*
(d) Out of pocket expenses	**30**	*90*
TOTAL	**6,270**	*3,190*

6. **Earnings and expenditure in foreign currency (on accrual basis)**

The details regarding earnings and expenditure in foreign currency (on accrual basis) is given in the table below.

	For the year ended (Rs. in 000's)	
Particulars	**March 31, 2009**	*March 31, 2008*
Earnings:		
Income from services	**149,300**	—
Expenditure:		
Procurement & other expenses	**118,690**	*41,820*

7. **Employee Stock Option Scheme ("the scheme")**

The Company has provided share based payment scheme to its employees. For the year ended March 31, 2009, the following scheme was in operation. The details of the scheme are given in the table below.

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 scheme, 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).

The exercise price of the Company's options is computed on the price determined by an independent valuer. Hence, there is no compensation cost in the year ended March 31, 2009 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, 2009 would have been higher by Rs. 24.3 million. The key assumptions used to estimate the fair value of options granted during the year ended March 31, 2009 are given below.

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

On the first vesting date, the Company granted the employees the option to surrender the vested options for cancellation and forfeiture to the Company or hold the options till the exercise price is determined. In lieu of the cancellation, the employees were entitled to receive the settlement in cash, in three equal installments. As per the guidance note on accounting for employee share based payments issued by the Institute of Chartered Accountants of India, the cash settlement of vested options is accounted for directly on the balance sheet.

Stock options outstanding as on March 31, 2009

The stock option activity during the year is given in the table below.

Particulars	Number of shares
Outstanding at the beginning of the year	12,318,750
Add: Granted during the year	—
Less: Lapsed during the year	2,337,500
Less: Exercised during the year	2,076,250
Outstanding at the end of the year	7,905,000
Options exercisable	7,905,000

8. **Deferred Tax**

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

(Rs. in 000's)

	As on March 31, 2009	*As on March 31, 2008*
Deferred tax asset		
Provision for debtors	**71,866.50**	*57,603.11*
Provision for gratuity	**6,784.25**	*12,821.40*
Provision for leave encashment	**5,778.97**	*14,233.40*
Preliminary expenses – stamp duty 35DDA	**1,390.46**	*2085.69*
Provision for lease rent escalation	**4,665.37**	*9,821.63*
Unabsorbed depreciation	**22,202.19**	—
Total Deferred tax assets	**112,687.75**	*96,565.23*
Deferred tax liability		
Depreciation	**(3,347.51)**	*(18,357.09)*
Amortisation of DSA	**(109,340.24)**	*(75,237.65)*
Total deferred tax liability	**(112,687.75)**	*(93,594.74)*
Total net deferred tax asset/(liability)	**—**	*2,970.49*

Deferred tax asset is recognised and carried forward only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be adjusted. Hence the deferred tax asset on carry forward losses has been recognised to the extent of deferred tax liability.

9. **Capital Commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 60,797.20 thousand (Previous year – Rs. 44,020 thousand).

10. **Contingent Liabilities**

Income tax matters disputed by the Company are Rs. 470,275.94 thousand (Previous year – Rs. 300,860 thousand).

11. **Micro, small and medium industries**

There are no micro, small and medium enterprises, to which the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2009. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

12. **Quantitative details**

(a) **OPENING AND CLOSING STOCK**

(Rs. in 000's)

Category	**Opening Stock**		**Closing Stock**	
	Face Value	Value	Face Value	Value
Equity shares	1,740	17,630	414	900
	(290)	*(11,490)*	*(1,740)*	*(17,630)*
Others	221,000	219,280	10,60	18
	(240)	*(240)*	*(221,000)*	*(219,280)*

(b) **PURCHASES AND SALES**

(Rs. in 000's)

Category	**Purchases**		**Sales**	
	Face Value	Value	Face Value	Value
Equity shares	37,871	578,118	39,186	881,333
	(49,240)	*(1,716,170)*	*(47,800)*	*(1,700,610)*
Others	236,604,733	331,855,374	236,825,726	332,250,454
	(36,852,500)	*(41,383,130)*	*(36,361,500)*	*(41,219,280)*

Note: Figures in bracket pertain to previous year.

13. **Derivative Instruments**

Type	**Quantity**	**Rate**	**Market Value**
Future	700	334.05	233,835
Option	-4,200	15.50	-65,100

14. **Unhedged foreign currency exposure**

Particulars	**Amount**
Receivable from	
ICICI Securities Holding Inc.	US$ 401,119.06 @ closing rate of 1 US$ =Rs. 50.72 (Previous year - US$ Nil)
ICICI Securities Inc.	US$ 292.60 @ closing rate of 1 US$ = Rs. 50.72 (Previous year - US$ (185,675.15) @ closing rate of 1 US$ = Rs. 40.12)
ICICI Bank Limited	US$ 198,243 @ closing rate of 1 US$ = Rs. 50.72 (Previous year - US$ Nil)

15. **Lease**

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

(Rs. in 000's)

Particulars	**Year ended March 31, 2009**	*Year ended March 31, 2008*
Lease payments for the year	**677,285**	*522,310*
Minimum Lease Payments:		
Not later than one year	**720,764**	*632,890*
Later than one year but not later than five years	**2,492,395**	*1,791,730*
Later than five years	**1,100,149**	—

16. **Revision of accounting estimates**

The Company has revised estimates relating to customer acquisition costs w.e.f. April 1, 2008. Pursuant to this change, the net profit for the year is higher by Rs. 71,820 thousand (net of provision for current tax).

The Company had estimated the useful life of the assets in the block 'Computers' as 3 years. The management reviewed the useful life of the assets and revised its estimates to the rates prescribed under Companies Act, 1956. 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 higher by Rs. 26,210 thousand.

17. **Segment reporting**

The Company is presenting consolidated financial statements and hence in accordance with "AS 17" – Segment Reporting, the segment information is disclosed in the consolidated financial statements.

18. Information with regard to other matters specified in paragraphs 4A, 4C and 4D of Part II of Schedule VI of the Companies Act 1956, have been disclosed to the extent applicable to the Company for the year ended March 31, 2009.

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 22, 2009

For and on behalf of the Board

K.V. KAMATH
Chairman

MADHABI PURI BUCH
Managing Director & CEO

A. MURUGAPPAN
Executive Director

ANUP BAGCHI
Executive Director

RAJU NANWANI
Company Secretary

CHARANJIT ATTRA
CFO & Head - Operations

cash flow statement

for the year ended March 31, 2009

			(Rs. in 000's)
		March 31, 2009	*March 31, 2008*
A. Cash flow from Operating Activities			
Profit before tax	**67,302.27**		*2,327,170.00*
Add/ (less) adjustments:	**—**		*—*
— (Profit)/Loss on Sale of Fixed Assets	**13,713.00**		*6,850.00*
— Depreciation	**138,158.04**		*136,420.00*
— Transfer to Investor Contingency Fund	**3,555.00**		*—*
— Interest Expense	**536,800.00**		*351,620.00*
— Exchange adjustments	**(1,258.04)**		*50.00*
— Bad and Doubtful Debts (Net)	**107,050.00**		*5,160.00*
Operating Profit before Changes in Operating Assets and Liabilities		**865,320.27**	*2,827,270.00*
Payment of employee stock option plan		**(260,866.00)**	*—*
Adjustments for net change in operating assets and liabilities			
— Current Assets excluding Cash and Cash Equivalents	**1,508,797.21**		*(2,045,320.00)*
— Fixed Deposits under Lien	**2,644,073.03**		*(2,306,430.00)*
— Fixed Deposits having maturity more than 90 days	**(170,000.00)**		*—*
— Loans and Advances relating to Operations	**(891,404.48)**		*(418,300.00)*
— Current Liabilites relating to Operations	**(1,498,536.10)**		*1,931,910.00*
		1,592,929.66	*(2,838,140.00)*
Cash generated from Operations		**2,197,383.93**	*(10,870.00)*
Payment of Taxes (Net)		**(526,202.23)**	*(1,000,750.00)*
— Prior period item		**—**	*(9,120.00)*
Net Cash from Operating Activities		**1,671,181.70**	*(1,020,740.00)*
B. Cash flow from Investment Activities			
— (Purchase)/Sale of Investments (net)		**(1,662,961.05)**	*(463,290.00)*
— (Purchase)/Sale of Fixed Assets (net)		**(173,626.85)**	*(143,390.00)*
Net Cash used in Investment Activities		**(1,836,587.90)**	*(606,680.00)*
C. Cash flow from Financing Activities			
— Increase/(decrease) in borrowings (net)		**(190,250.94)**	*2,965,320.00*
— Interest paid		**(488,913.78)**	*(305,010.00)*
— Dividends & Dividend Tax paid		**(280,860.78)**	*(1,073,010.00)*
— Issue of Share Capital		**500,000.00**	*528,200.00*
— Expenses related to issue of Share Capital		**(18,500.00)**	*—*
Net Cash used in Financing Activities		**(478,525.50)**	*2,115,500.00*
Net Change in Cash & Cash Equivalents		**(643,931.70)**	*488,080.00*
Cash and Cash Equivalents at the beginning of the year		**976,990.00**	*488,910.00*
Cash and Cash Equivalents at the end of the year		**333,058.30**	*976,990.00*

Cash and cash equivalents at the end of the year does not include fixed deposits under lien Rs. 1,438,185 thousand (Previous year Rs. 4,082,250.00 thousand) and fixed deposits having maturity more than 90 days Rs.170,000 thousand (Previous year Rs. Nil)

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

As per our report of even date

For S.R. BATLIBOI & CO.
Chartered Accountants

per VIJAY MANIAR
Partner
Membership No. 36738

Mumbai, April 22, 2009

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CFO & Head-Operations

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) 2009 (Year)

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

Public Issue	NIL
Bonus Issue	NIL
Rights Issue	NIL
Private Placement	500000

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

Total Liabilities and Shareholder's funds	6026440
Total Assets	6026440

Sources of Funds

Paid-up Capital	1110710
Reserves and Surplus	624130
Secured Loans	NIL
Unsecured Loans	4291600

Application of Funds

Fixed Assets	406340
Investments	2136850
Net Current Assets	3483250
Deferred Tax Asset	NIL
Miscellaneous Expenditure	NIL

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

Turnover	5182050
Total Expenditure	5114750
Profit Before Tax	67300
Profit After Tax	44180
Earnings Per Share in Rupees	0.07
Dividend Rate %	39

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

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Mumbai, April 22, 2009

Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies

(Rs. in 000's)

Sr. No.	Name of the Subsidiary Company		ICICI Securities Holdings Inc.	ICICI Securities Inc.
1.	The financial year of the Subsidiary Company ended on		March 31, 2009	March 31, 2009
2.	(a)	Number of Equity Shares held by ICICI Securities Limited and/or its nominees in the Subsidiary as on March 31, 2009	14,450,000 Equity Shares of US$ 1 per unit Fully Paid-up	11,050,000 Equity Shares of US$ 1 per unit Fully Paid-up held by ICICI Securities Holdings inc.
	(b)	Extent of interest of ICICI Securities Limited in the Capital of the Subsidiary	100%	100%
3.	Net aggregate amount of Profits/Losses of the Subsidiary so far as it concerns the Members of ICICI Securities Limited and is not dealt with in the Accounts of ICICI Securities Limited.			
	(a)	Profits of the Subsidiary for the financial year ended on March 31, 2009	(36,712.89)	(146,545.48)
	(b)	Profits for the previous financial years of the Subsidiary since it became Subsidiary of ICICI Securities Limited	(25,716.65)	(240,739.18)
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 Limited			
	(a)	Profits of the Subsidiary for the financial year ended on March 31, 2009	Nil	Nil
	(b)	Profits for the previous financial years of the Subsidiary since it became Subsidiary of ICICI Securities Limited	Nil	Nil

For and on behalf of the Board

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