



7TH ANNUAL REPORT AND ACCOUNTS 1999-2000

Chairman

Directors

K.V. Kamath
Lalita D. Gupte
S.H. Bhojani
Shikha Sharma
Kalpana Morparia
Nachiket Mor
V. Srinivasan

Managing Director & Chief Executive Officer

Senior Management

M.B. Battliwala
Manoj Kunkalienkar
N. Manjunath
Aftab Merchant
T.V. Rangaswami
P.K. Vohra

Chief Financial Officer
Company Secretary

Debneel Mukherjee
S.R. Shettigar

Auditors

M/s. Lodha & Co.
Chartered Accountants
6, Karim Chambers
40, Ambalal Doshi Marg
Hamam Street
Mumbai - 400 023

Registered Office

Maratha Mandir Annexe
Dr. A.R. Nair Road
Mumbai Central
Mumbai 400 008

directors' report



Your Directors have pleasure in presenting the Seventh Annual Report of the Company, along with the Audited Statement of Accounts for the year ended March 31, 2000.

Overview

The year under review marked a watershed in the Company's history. Having fulfilled its original mandate of offering high quality service to investors in the share and bond offerings of ICICI Ltd., the time was propitious to broad-base the Company's activities. Accordingly, during the year, several steps were implemented to achieve the transformation of ICICI Infotech into an information technology company.

The year witnessed the consolidation of the information technology resources across the various entities in the ICICI group, under the banner of ICICI Infotech. The proposal of integration, which offered several advantages, was carefully debated and implemented. Given the high mobility of information technology personnel, it was apparent that the group's ability to attract and retain personnel would be significantly enhanced if the initiatives in the area of information technology were to be undertaken under a separate company rather than as departments in group companies. The combined human resources of the group represented a wide array of skill sets and project experience and it was evident that if properly leveraged, they could yield significant competitive advantages. The integration proposal was designed to unlock this hidden value.

The integration has allowed the much needed flexibility in formulating compensation policies and retention strategies in line with industry standards. It is believed that the group's ability to attract and retain personnel with cutting-edge skills and high quality experience has been considerably enhanced, as now the Company could offer a degree of exposure and project implementation experience, which was not possible under the earlier arrangement. Moreover it was clear that a razor-sharp focus was required to pursue growth opportunities in the highly competitive field of Information Technology services. Significant benefits in terms of elimination of duplicate processes, better commercial terms from vendors and faster response time have already been achieved, and it is clear that the pooling of resources would deliver synergistic benefits to the ICICI Group in the medium and long term.

During the year your Company was able to augment its existing resources by taking over the business of Rohan Software Private Limited. As a part of this arrangement, the promoters of Rohan Software Private Limited joined the Company.

Your Directors are committed to creating an organizational ambience where talent is nourished and brainpower unleashed. Infusion of talent is being carried out at all levels on an ongoing basis. Your Directors believe that the Company's intellectual capital will deliver significant value to its shareholders in the near term.

The Company presently serves as the technology services backbone of the entire ICICI Group, and simultaneously pursues business opportunities outside the Group, both domestic and international. It is well positioned to reap the advantages of being a part of the ICICI group — the brand-equity associated with the ICICI name and the business opportunities arising out of the group initiatives in applying information technology solutions in its various businesses. Being part of a larger group enables the Company to take a longer-term view of business, to commit resources in anticipation of opportunities and to create infrastructure ahead of demand. At the same time, being a start-up outfit, agility, flexibility and quick response will continue to characterize the Company's approach to business opportunities. Thus, the Company is uniquely positioned to enjoy the strengths of a larger group without forgoing the advantages of a young start-up. The challenge is to ensure that the spirit of innovation, enthusiasm and excitement that characterizes a start-up is retained and strengthened, and that a sense of entrepreneurship dominates the organization.

Among its significant achievements, the Company provided end-to-end technology support for various ICICI group Web-driven business initiatives including ICICI Direct.com, the Web broking project, which made the ICICI Group among the first in the country to offer this highly integrated service. The IT enabled services business continued to consolidate its operations, with the number of folios serviced crossing the 4 million mark, thus catapulting the Company into the top three in the country. During the year, a third business line, namely, IT Infrastructure and Network Management was conceived and established to set up, manage and operate the growing networking and IT infrastructural needs of the group.

While the Company has a dedicated team to service the ICICI Group, it has put in place a strong business development and implementation team for sourcing and developing external businesses with a focus on high-end export business. During the period under review, the Company established its U.S. subsidiary ICICI Infotech Inc. in New Jersey, in a bid to establish a presence in the large and lucrative American market. In the second half of the year, the Company made operational its office at Mahalakshmi in South Mumbai. During the year the Company took possession of more than 80,000 sq.ft. of office space in the International Technology Park, Vashi, and successfully executed an export order from the Software Technology Park established there.

Your Company is exploring the Mergers & Acquisitions route to achieve rapid growth and is in the process of identifying suitable take-over targets. Strategic alliances were entered into with Sun Microsystems and System Access (a Singapore-based company offering product solutions for the entire gamut of banking services).

With India's credentials as a reliable provider of I.T. solutions well established and given the brand equity of the ICICI Group, the directors are confident of your Company achieving satisfactory rates of growth in its business.

Financial Results

The financial results for the year under review are as follows:

Particulars	(Rs. In million)	
	1999-2000	1998-1999
Profit before Interest, Depreciation and Tax	164.83	51.71
Less: Interest	4.64	4.54
Depreciation	14.41	6.37

Particulars	(Rs. In million)	
	1999-2000	1998-1999
Profit from Operations	145.78	40.80
Add: Other Income	2.07	0.21
Profit before Tax	147.85	41.01
Less: Provision for Tax	42.80	10.91
Profit after Tax	105.05	30.10
Balance of Profit and Loss account brought forward from previous year less issue of Bonus Shares	4.19	2.60
Disposable Profit	109.24	32.70
APPROPRIATIONS		
Transfer to General Reserve	10.60	3.00
Dividend	20.33	5.00
Corporate Dividend Tax	2.29	0.50
Balance carried to Balance Sheet	76.02	24.20

Financial Highlights

Your Company posted a 139% increase in its total operating income to reach Rs.417.61 million (Rs.174.76 million in the previous year). Income from Software Consultancy & Development Services registered the strongest growth by increasing 300% to Rs.100.06 million (Rs.25.00 million in the previous year). In addition, IT-enabled Transaction Processing Services increased by 82.59% to Rs.273.45 million against Rs.149.76 million in the previous year. The newly established IT Infrastructure & Facilities Management Services added another Rs.44.10 million to the Company's operating income. Despite a significantly higher tax provision of Rs.42.80 million, the Profit after Tax increased by 249% to Rs.105.05 million (Rs.30.11 million in the previous year).

Dividend

During the year under review, your Company has paid two interim dividends aggregating to 50%. The dividend payout for the year is Rs.20.33 million as against Rs.5 million paid in the previous year. The Directors do not recommend any further dividend for the financial year 1999-2000. Dividend payout during the year was higher at 19.29% (16.60% in the previous year).

Review of Operations

Software Consultancy and Development Services

The year under review was a period of planning and consolidation for this division, with the aim being to build a strong team of software professionals. To funnel this growth, your Company took over the businesses of Rohan Software Private Limited and pooled together all the Information Technology (IT) personnel across the ICICI Group under one umbrella. The strength of the team increased to 220 software professionals by the end of the year under review. During the year, your Company was able to develop a large skill base and project management capability by executing several large projects for ICICI group companies. The division carried out Rs.100.06 million worth of projects and services during the year which considerably enhanced the Company's confidence in its ability to successfully service external clients.

In the coming year, the Company would focus on Software development relating to the financial sector (vertical specialization), Web based development (horizontal specialization), embedded software, and real time software including WAP related development. The geographical areas proposed to be targeted would be North America, Europe and Asia Pacific. The types of services would include onsite projects and combined onsite/offshore delivery mechanisms. The main focus would be to build a large and diversified customer base so as to be recognized as a global player in the IT industry.

Wholesale Banking

Your Company provided the requisite IT solutions to the group's wholesale banking business, which is targeted at large corporate customers, and covers a large gamut of activities including lending, leasing, and bill discounting. Significant achievements include implementation of the Symbols Software, System Access partnership and implementation of the Mfund software for leasing. During the year, your Company successfully developed and implemented an intranet-based Treasury Executive Information System and 'Gateway to Markets', which provides live market quotes and news through the web as per the preference of each user. Your Company is currently implementing a Treasury Trading system for the Group.

Retail Banking

Your Company supported the group's retail banking initiatives by identifying and employing cutting-edge technologies, apart from routine I.T. operations and maintenance for ICICI Bank. This enabled the businesses to meet some strong top and bottom line growth targets during the period, and contributed to strengthening the "technology savvy" image of the Group.

One of the significant developments during the year was a project to facilitate on-line equity trading. This project was carried out for ICICI Web Trade Ltd., and made the Group the first in the country to offer a seamless, fully integrated service. In addition, a comprehensive *Retail IT Architecture* plan was drawn up to serve as a road map, and a 'master' CIF, central to this architecture, was built and populated.

The Company also carried out a large number of projects including the Call Centre, an Email response automation system and a virtual shopping mall. Projects relating to personal loans and direct sales agents were implemented to significantly enhance the availability of information in the relevant businesses. Considerable support was also extended in implementing the expansion of the ATM network, and putting in place the credit card processing and carding system. Numerous enhancements were implemented in Infinity (the Internet Banking service). Y2K issues across all systems in the Group were resolved well in time, to ensure a smooth transition to the new millennium. New initiatives in the areas of mobile-commerce and payment gateways were also set in motion.

directors' report

Enterprise Resource Planning (ERP)

Your Company enjoys a unique blend of domain knowledge in the financial services sector as well as the skills and project experience required for implementing Enterprise Resource Planning solutions.

The SAP team currently specializes in financials, controls and enterprise consolidation modules, and has many firsts to its credit, such as the first successful ERP implementation in a banking industry in the subcontinent, and one of the few such implementations in the world with a similar scope. The team has extended SAP implementation to three group companies, taking the total number of ICICI group companies running on SAP to six.

IT Enabled Services - Transactions Processing

Servicing of Investors

ICICI Infotech substantially enhanced its servicing capability during the period under review and now services over 4 million investor accounts. 189 series of instruments - 21 in retail and 168 in wholesale - are being serviced. During the year under review, the number of folios serviced increased by 41% to cross the 4.46 million mark (3.16 million as in March 1999). Also, around 0.2 million transfer transactions and 0.4 million investor requests were acted upon during the period. In addition, the Company took over the servicing of Units of ICICI Premier (Roll-over Scheme and Redemption-Scheme) of Prudential ICICI AMC.

Your Company has taken a number of initiatives to provide enhanced levels of investor service. On-line holding and signature verification at ICICI bank branches all over the country facilitated across-the-counter redemption of encash bonds. In addition, automated image capturing of payment-instruments ensured that speedier reconciliation was achieved.

Personal Financial Services (PFS)

Your Company has instituted systems for the entire backroom processing of the lending products of ICICI PFS including auto-loans (both personal and commercial), Consumer Durable loans, Loans against Bonds, Personal Loans, Home Loans, and Credit Cards. Processing capabilities for handling the substantial volumes planned have been built up with adequate back-up in the form of systems, software and controls with the result that volumes in the first full year of operations have been successfully handled with adherence to high customer service and minimum turn-around-time. Processes have been streamlined so as to enable the Company to be geared to handle increased volumes with optimal resources. Systems are being implemented for processing the new products to be marketed by the ICICI PFS during the coming year. With a view to enhancing customer satisfaction, the Company is also planning to offer specialized Web-based customer relationship management services, thereby enabling single window access to the entire spectrum of products offered by the ICICI Group including updated status on products availed.

IT Infrastructure and Facilities Management Services

The Infrastructure Division is responsible for activities such as Networking, Facilities Management, Data Centre Operations, Resource Management, Data Base/Systems Administration, Systems Security and Customer Support. Presently, its customers are all ICICI Group Companies.

A major initiative this year has been the setting up of a Data Centre at Mahalaxmi, which is equipped with new Sun servers and HP storage and StorageTek backup drives.

Your Company has already achieved considerable progress in the consolidation of servers. Similarly, significant headway has been made in the centralization of data relating to the operations of ICICI Bank. The Communication Network is in the process of being augmented with 125 leased lines being added to the existing set of 175 active leased lines. Over 120 VSATs are presently operational with another 20 in the process of being installed. Appropriate security measures including firewalls have also been implemented.

Facilities Management services for all ICICI group companies are being provided by your Company across the country. Future projects include setting up of a Disaster Recovery Site, management of desktops and servers using Unicenter, ISO certification and Remote mail Access.

Quality Initiatives

Your Company has received the ISO 9001 certificate for its transaction processing business relating to investor servicing operations. During the year, the Company successfully faced two surveillance audits by the certification agencies. One of the fundamental requirements of an ISO 9000 certification is continuous improvement, which the Company has been able to demonstrate time and again with the implementation of several innovative solutions.

The Software Solutions Group is formulating a Quality Management System. The objective of this group is to develop standard and effective processes for the activities in the Software Development Life Cycle, with processes based on International Standards (SEI-CMM model). All projects within this group will be required to follow the standard procedures, and the group will also be responsible for collecting and analyzing matrix data.

Most of the processes have already been developed and implementation is planned in phases. While the Project Management Procedures have already been implemented, the full implementation of the Quality System is scheduled to commence in May 2000.

The Company has also initiated ISO 9000 certification efforts for other areas of operations.

Human Resources

Being knowledge-driven, your Company is committed to enhancing human capital through innovative HR practices. 103 employees were recruited during the last quarter, making the total employee strength 444 at the end of the year. This enabled the Company to enlarge its competency reservoir and bring in a host of new skills for meeting business challenges effectively. Aggressive plans are afoot to achieve higher levels of mobilization on a fast track basis.

As people constitute our core strength, attracting and retaining the best talent will continue to be our key focus. We provide a challenging and open working environment to our employees, where opportunities for growth are unlimited. We continuously benchmark ourselves against the best in the industry. An Employee Stock Option Scheme is being introduced as a part of our retention strategy.

Capital

During the year under review, the Company issued bonus shares of Rs.10 each in the ratio of one equity share of Rs.10 for each equity share held. The Company also issued an additional 9,98,600 equity shares of Rs.10 at par to its holding Company, ICICI Limited, thus bringing its paid-up capital to Rs.50 million.

Subsequently, the Company increased the authorized capital from Rs.50 million to Rs.250 million representing 20 million equity Shares of Rs.5 and 15 million preference shares of Rs.10 each to enable the Company to raise capital in future to meet business requirements. The Company also subdivided the shares of Rs.10 each into shares of Rs.5 each to provide greater liquidity to investors as and when the Company decides to go public listed. Further, in view of the proposed Employee Stock Option Scheme, it was felt that shares of smaller denomination would give the Company more flexibility in deciding the quantum of Shares to be offered to its employees.

Particulars of Employees pursuant to section 217 (2A)

A statement containing the particulars of employees as required under Section 217(2A) of the Companies Act, 1956 is annexed to this report.

Statutory Disclosure of Particulars

Activities relating to exports, initiatives taken to increase exports, development of new exports markets and export plans.

During the period under review your Company entered into an International Partnership agreement with M/s. System Access Pte. Limited, with the aim of leveraging mutual core competencies in the area of joint product development, system integration, third party implementation, and consulting.

The Company has executed its first export order during the period under review. A part of this export order was executed at the companies' offshore software development facility at the Software Technology Park in Vashi.

The outlook for the current year is encouraging with a satisfactory export order book position. The Company expects to implement these orders through a judicious mix of offshore development in India as well as onsite development, either at the Company's own offshore development facility or at the facilities of its partners or at third party sites abroad.

The Company is adopting an aggressive market penetration strategy by considerably extending its geographical coverage in profitable destinations abroad.

Foreign Exchange used and earned

During 1999-2000, the foreign exchange earnings amounted to Rs.2.11 million and the expenditure in foreign currency amounted to Rs.2.4 million.

The requirement of disclosure, in terms of Section 217(1)(e) of the Companies Act, 1956, of steps taken as regards conservation of energy and technology absorption, does not apply to your Company. Also, as the Company does not own any manufacturing facility, the other particulars in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1998 are not applicable.

Fixed Deposit

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

Directors

The Board comprises seven Directors with Mr. K. V. Kamath as the Chairman.

Mr. V. Srinivasan, non-retiring Nominee Director of ICICI Limited was appointed as the Managing Director & CEO effective April 15, 1999.

During the year, the Company had appointed Mrs. Lalita D. Gupte, Joint Managing Director and Chief Operating Officer, ICICI, Mrs. Shikha Sharma, Senior General Manager, ICICI, Mrs. Kalpana Morparia, Senior General Manager, ICICI and Mr. Nachiket Mor, General Manager, ICICI as Additional Directors. These Directors would hold office up to the date of the forthcoming Annual General Meeting of the Company as provided in the Articles of Association of the Company, but are eligible for appointment. In terms of the provisions of the Articles of Association of the Company, Shri S.H. Bhojani would retire at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

Auditors

M/s. Lodha & Co., Chartered Accountants, Mumbai, the Auditors, will retire at the ensuing Annual General Meeting. The Board has recommended their appointment as the Auditors to audit the accounts of the Company for the financial year ending March 31, 2001. You are requested to consider their appointment.

Acknowledgement

The Board acknowledges the support extended by ICICI, the promoter shareholder of the Company and its group companies. The Directors place on record their appreciation to all the members of the staff for their excellent teamwork.

On behalf of the Board

K.V. KAMATH
Chairman

Mumbai, April 26, 2000

auditors' report



To the Members of ICICI Infotech Services Limited

We have audited the attached Balance Sheet of ICICI Infotech Services Limited as at 31st March, 2000 and the annexed Profit & Loss Account of the Company for the year ended on that date and report that:

1. 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.
2. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
4. In our opinion, the Balance Sheet and Profit and Loss Account comply with Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 (hereinafter referred to as "the Act").
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and Notes on Accounts in Schedule 'XIII' and elsewhere in the accounts, give the information required by the Act, in the manner so required and give a true and fair view:
 - a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2000; and
 - b) In the case of Profit and Loss Account, of the profit of the Company for the year ended on that date.
6. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Act and on the basis of such checks as were considered appropriate and according to the information and explanations given to us during the course of our audit we further state that:
 - (i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed on such verification.
 - (ii) None of the fixed assets have been revalued during the year.
 - (iii) The Company has not granted/taken any loan, secured or unsecured, to/from companies, firms or other parties listed in the register maintained under Section 301 of the Act. However, the Company has granted/taken unsecured loans to/from its holding company, the rates of interest and other terms and conditions of which are prima facie, not prejudicial to the interest of the Company. In terms of Section 370(6) of the Act, provisions of Section 370 are not applicable to the Company on or after 31st October, 1998.
 - (iv) In the case of loans and advances to employees in the nature of loans given by the Company, employees are repaying the principal amounts as stipulated and are also regular in payment of the interest, wherever applicable.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the services rendered are of special nature and suitable alternate sources do not exist for obtaining comparable quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of plant and machinery, equipment and other assets and for sale of services.
- (vi) There are no transactions of purchase of goods and materials and sale of goods, materials and services with the parties listed in the register maintained under Section 301 of the Act.
- (vii) No deposits within the meaning of Section 58A of the Act and Rules framed thereunder have been accepted by the Company.
- (viii) The Company is generally regular in depositing the Provident Fund dues with appropriate authorities. As explained, the Company is in the process of applying for registration under the ESIC and arrears as at the year end of Rs. 0.12 million would be deposited on obtaining such registration.
- (ix) The Company has an internal audit system which is commensurate with the size and nature of its business.
- (x) There were no undisputed amounts payable in respect of income tax, wealth tax and sales tax outstanding as at 31st March, 2000 for a period of more than six months from the date they became payable.
- (xi) No personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
- (xii) Considering the nature of services rendered and basis of billing as explained, the Company has a reasonable system of recording receipts, issues and consumption of stationery materials as supplied by the customers and of allocating man-hours utilized to the relative jobs, which is commensurate with the size and nature of its business. In our opinion, there is a reasonable system of authorization at proper levels.
- (xiii) Other provisions of the said Order are not applicable to the Company.

For LODHA & COMPANY
Chartered Accountants

N. KISHORE BAFNA
Partner

Mumbai
Date : April 26, 2000

balance sheet

profit and loss account

as at March 31, 2000

for the year ended March 31, 2000

	Schedule	(Rupees in million)	March 31, 1999		Schedule	(Rupees in million)	March 31, 1999
I. SOURCES OF FUNDS				Income from operations			
1. Shareholders' Funds:				IX 417.61 174.76			
A. Share Capital	I	50.00	20.01	Less: Operating Expenses	X	47.40	35.20
B. Reserves & Surplus	II	89.98	27.56	Other Expenditure:	XI		
		139.98	47.57	a) Payments to & provisions for employees	XIa	110.78	21.33
2. Loan Funds:				b) Establishment & other expenses	XIb	94.46	66.49
Unsecured Loans	III	224.00	34.30	c) Interest on fixed loans		4.64	4.54
		363.98	81.87	d) Miscellaneous expenditure written off		0.14	0.03
II. APPLICATION OF FUNDS				e) Depreciation		14.41	6.37
1. Fixed Assets:						271.83	133.96
A. Gross Block	IV	361.02	75.31	Profit from operations		145.78	40.80
B. Less: Depreciation		29.56	14.45	Add: Other Income	XII	2.07	0.21
C. Net Block		331.46	60.86	Profit before taxation		147.85	41.01
2. Investments:				Less: Provision for taxation		42.80	10.90
	V	12.43	—	Profit after taxation		105.05	30.11
3. Current Assets, Loans and Advances:				Less: Income tax pertaining to earlier years		—	0.01
A. Current Assets	VI			— Add: Balance brought forward from the previous year		24.20	2.60
a) Sundry Debtors		48.45	38.58	Less: Utilized for issue of bonus shares		20.01	—
b) Cash and Bank Balances		5.45	3.11			4.19	2.60
B. Loans and Advances		95.64	17.73	Disposable profit		109.24	32.70
		149.54	59.42	Appropriations:			
Less: Current Liabilities and Provisions:	VII			General Reserve		10.60	3.00
A. Current Liabilities		74.92	20.29	Proposed Dividend		—	5.00
B. Provisions		55.60	18.30	Dividend - Interim		20.33	—
		130.52	38.59	Corporate Dividend Tax (includes Rs.0.05 million related to previous year)		2.29	0.50
Net Current Assets and Advances		19.02	20.83	Balance carried to Balance sheet		76.02	24.20
4. Miscellaneous Expenditure						109.24	32.70
(To the extent not written off or adjusted)	VIII	1.07	0.18	Significant Accounting Policies and Notes to Accounts	XIII		
		363.98	81.87				
Significant Accounting Policies and Notes to Accounts	XIII						

Schedules referred to above form an integral part of the accounts.

As per out attached report of even date

For LODHA & COMPANY
Chartered Accountants

N. KISHORE BAFNA
Partner

Mumbai,
Dated : April 26, 2000

K.V. KAMATH
Chairman

SHIKHA SHARMA
Director

V. SRINIVASAN
Managing Director

For and on behalf of the Board

LALITA D. GUPTA
Director

KALPANA MORPARIA
Director

DEBNEEL MUKHERJEE
Chief Financial Officer

S.H. BHOJANI
Director

NACHIKET MOR
Director

S. R. SHETTIGAR
Company Secretary

schedules

ICICI Infotech forming part of the Accounts

(Rupees in million)

March 31,
1999

I SHARE CAPITAL

Authorized

20,000,000 (Previous Year 5,000,000) Equity Shares of Rs. 5 each
(Previous Year Rs. 10 each)
15,000,000 (Previous Year Nil) Preference Shares of Rs. 10 each

100.00	50.00
150.00	—
<u>250.00</u>	<u>50.00</u>

Issued, Subscribed & Paid up

10,000,000 (Previous Year 2,000,700) Equity shares of Rs. 5 each
(Previous Year Rs. 10)

<u>50.00</u>	<u>20.01</u>
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Notes:

- All the above Equity Shares are held by the Holding Company, ICICI Ltd. and its nominees.
- Out of the above, 2,000,700 (Previous Year Nil) Equity Shares are allotted as fully paid up by way of Bonus shares by capitalization of accumulated profits.

II RESERVES & SURPLUS

	<i>Balance as at March 31, 1999</i>	Additions during the Year	Deductions/ Transfers during the Year	Balance as at March 31, 2000
General Reserve	3.36	10.60	—	13.96
Profit & Loss Account	<u>24.20</u>	<u>71.83</u>	<u>20.01</u>	<u>76.02</u>
Total	<u>27.56</u>	<u>82.43</u>	<u>20.01</u>	<u>89.98</u>
<i>Previous Year</i>	2.96	30.10	5.50	27.56

III UNSECURED LOANS

Loan from Holding Company
(Amount repayable within one year
Rs. 6 million; Previous Year Rs. 6.70 million)

<u>224.00</u>	<u>34.30</u>
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IV FIXED ASSETS

(Rupees in million)

	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	<i>As at April 1, 1999</i>	Additions for the year	Deductions/ Adjustment for the year	As at March 31, 2000	<i>Upto March 31, 1999</i>	For the year	Deductions/ Adjustment for the year	Upto March 31, 2000	As at March 31, 2000	<i>As at March 31, 1999</i>
Freehold Land	20.88	—	—	20.88	—	—	—	—	20.88	20.88
Building**	3.37	156.75	—	160.12	0.22	0.17	—	0.39	159.73	3.15
Plant & Machinery	3.93	0.69	—	4.62	0.33	0.20	—	0.53	4.09	3.60
Computer Hardware and Software	34.63	107.66	0.01	142.28	11.49	10.45	*	21.94	120.34	23.14
Furniture & Fixtures	3.75	2.56	—	6.31	1.56	0.61	—	2.17	4.14	2.18
Office Equipment	7.55	1.47	0.13	8.89	0.67	0.40	0.01	1.06	7.83	6.88
Electrical Installation	0.94	0.65	—	1.59	0.15	0.05	—	0.20	1.39	0.79
Motor Car	0.27	—	—	0.27	0.03	0.03	—	0.05	0.21	0.24
Business & Commercial Rights	—	16.06	—	16.06	—	3.21	—	3.21	12.85	—
Total	<u>75.31</u>	<u>285.85</u>	<u>0.14</u>	<u>361.02</u>	<u>14.45</u>	<u>15.12</u>	<u>0.01</u>	<u>29.56</u>	<u>331.46</u>	<u>60.86</u>
<i>Previous Year</i>	63.49	13.77	1.95	75.31	8.79	6.37	0.71	14.45	60.86	—

Note:

- **include Rs. 156.17 million lease premium paid in respect of building taken on lease for sixty years.
- Refer Note No. 2.4 of Schedules XIII.
- Figures below Rs. 5,000 are denoted by(*)

V INVESTMENTS

(Long Term, Non-Trade)

Unquoted - Fully Paid-up

2,50,000 Units of Prudential ICICI Gilt Fund - Treasury Plan - Dividend	2.50	—
2,50,000 Units of Birla Mutual Fund - Birla Balance - Dividend Plan	2.48	—
2,44,307.63 Units of Templeton India Government Securities Fund - Dividend	2.50	—
2,50,000 Units of Kothari Internet Opportunities Fund - Dividend Plan	2.47	—
2,50,000 Units of Prudential ICICI Balanced Fund - Dividend	2.48	—
	<u>12.43</u>	<u>—</u>

schedules

forming part of the Accounts

Continued

(Rupees in million)

March 31,
1999

VI	CURRENT ASSETS, LOANS & ADVANCES		
A.	Current Assets		
	Sundry Debtors (Unsecured, considered good):		
	i. Debts outstanding for a period more than six months	—	—
	ii. Other Debts	48.45	38.58
		<u>48.45</u>	<u>38.58</u>
	Cash & Bank balances:		
	i. Cash on Hand	0.01	0.02
	ii. Balance with scheduled banks		
	in current accounts	4.39	3.09
	in fixed deposit accounts	1.05	—
		<u>5.45</u>	<u>3.11</u>
B.	Loans & Advances		
	(Unsecured, considered good)		
	Advances recoverable in cash or in kind or for value to be received	29.48	5.30
	Advance against Share Capital	5.45	—
	Advance tax & tax deducted at source	58.58	11.75
	Deposits	2.13	0.68
		<u>95.64</u>	<u>17.73</u>
		<u>149.54</u>	<u>59.42</u>
VII	CURRENT LIABILITIES & PROVISIONS		
A.	Current Liabilities		
	Sundry creditors		
	Due to small scale industries	—	—
	Due to others	64.41	16.21
	Service Charges received in Advance	—	0.32
	Interest Accrued but not due	0.34	0.27
	Other Liabilities	10.17	3.49
		<u>74.92</u>	<u>20.29</u>
B.	Provisions		
	Provisions for Taxation	55.60	12.80
	Proposed Dividend	—	5.50
		<u>55.60</u>	<u>18.30</u>
		<u>130.52</u>	<u>38.59</u>
VIII	MISCELLANEOUS EXPENDITURE		
	(To the extent not written off or adjusted)		
	Preliminary expenses	0.14	0.18
	Share issue expenses	0.93	—
		<u>1.07</u>	<u>0.18</u>
IX	INCOME FROM OPERATIONS		
	IT Enabled Transaction Processing Services	273.45	149.76
	Software Development & Consultancy Services	100.06	25.00
	IT Infrastructure & Facilities Management Services	44.10	—
		<u>417.61</u>	<u>174.76</u>
X	OPERATING CHARGES		
	Job Charges	34.04	27.52
	Consultancy Charges	13.36	7.68
		<u>47.40</u>	<u>35.20</u>
XI	OTHER EXPENDITURE		
A.	Payments to and Provisions for Employees		
	Salaries, bonus and other allowances	86.44	17.01
	Contribution to Provident & Other Funds	12.33	2.63
	Staff Welfare Expenses	12.01	1.69
		<u>110.78</u>	<u>21.33</u>
B.	Establishment & Other Expenses		
	Rent	37.81	37.67
	Insurance	0.91	0.82
	Travelling & Conveyance	9.99	1.38
	Electricity & Power Consumption	5.57	4.84
	Rates & Taxes	0.16	0.14
	Communication Expenses	4.91	2.98
	Computer Expenses	16.89	8.28
	Directors' Fees	—	0.01
	Donations	0.06	—
	Loss on sale of Fixed Assets	—	0.78
	Printing and Stationery	5.00	1.83
	Repairs & Maintenance - Building	0.49	*
	General Office Expenditure	10.19	4.57
	Miscellaneous Expenses	2.48	3.19
		<u>94.46</u>	<u>66.49</u>
XII	OTHER INCOME		
	Interest#	0.96	0.02
	(Gross, TDS Rs.0.21 million; <i>Previous year Rs.0.01 million</i>)		
	Dividend on long term investments	0.57	—
	Profit on sale of fixed assets	0.01	—
	Excess/short provision written back / off (net)	0.41	—
	Miscellaneous Income	0.12	0.19
		<u>2.07</u>	<u>0.21</u>

Includes Rs. 031 million from the Holding Company; (Previous Year Rs. Nil)

* Amount below Rs. 5,000

schedules

ICICI Infotech forming part of the Accounts

SCHEDULE XIII

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. Significant Accounting Policies

1.1 Method of Accounting
The financial statements are prepared under the historical cost convention, on an accrual basis and in accordance with the applicable accounting standards.

1.2 Fixed Assets
Fixed Assets are stated at actual cost which comprises purchase consideration and other directly attributable costs (excluding finance cost) of bringing the assets to its working condition for the intended use.

1.3 Method of Depreciation / Amortization
a) Leasehold building is amortized over the period of lease.
b) Business & Commercial Rights and Software Products developed in-house are amortized over a period of five years, as considered appropriate by the Management.
c) Depreciation on other fixed assets is provided on straight line method at the rates and in the manner as prescribed in Schedule XIV to the Companies Act, 1956.

1.4 Investments
Long-term investments are carried at cost and provision is made to recognize any decline, other than temporary, in the value of such investments.

1.5 Revenue Recognition
In respect of IT enabled transaction processing activities and facilities management, income is recognized as per the terms of the relevant agreements/ contracts. In the case of software development and consulting, revenue is recognized on the basis of chargeable time or acceptance of prescribed milestones for billing as provided in the relevant agreements/contracts. License fees on sale of software products are recognized on invoicing as per the Licensing agreement.

1.6 Translation of Foreign Currency Items
Transactions in foreign currency are recorded at the rate of exchange in force at the date of transactions. Foreign currency assets and liabilities other than for financing fixed assets are stated at the rate of exchange prevailing at the year end and resultant gains/losses are recognized in the Profit & Loss Account.

1.7 Accounting of Retirement Benefits
The Company has for its employees, retirement benefits such as Provident and Gratuity Funds recognized by Income Tax authorities and Superannuation Fund covered by a scheme with Life Insurance Corporation. The Provident, Gratuity and Superannuation Funds are administered through Trustees and Company's contributions (actuarially determined at the year-end in the case of Gratuity) are charged to revenue. Liability in case of leave encashment is actuarially determined at the year end and provided for.

1.8 Amortization of Miscellaneous Expenditure
Preliminary expenses and share issue expenses are amortized over a period of ten years.

2. Notes to Accounts

2.1 Contingent liabilities not provided for in respect of income tax liability of Rs.Nil (Previous Year Rs. 0.28 million) against which appeals were pending.

2.2 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs.0.03 million (Previous Year - Rs. 2.35 million).

2.3 Sundry Debtors
Sundry debtors includes Rs. 34.76 million (Previous Year - Rs. 37.70 million) due from ICICI Ltd. – the Holding Company.

2.4 The Company signed an agreement with Rohan Software Private Ltd. (RSPL) for purchase of business of the latter as a going concern w.e.f. April 1, 1999 for a consideration of Rs.17.80 million. As per the agreement,

the Company has taken over all the assets and liabilities including business and commercial rights, except building, car and the assets and liabilities - relating to income tax matters, based on the experts' valuation reports.

The Company's Profit and Loss Account includes transactions carried on by RSPL on behalf of the Company from 1st April, 1999 to 26th November, 1999 as certified by the auditors of RSPL.

2.5 Auditors' Remuneration:

	For the Year ended 31.03.2000	(Rs. In million) For the Year ended 31.09.1999
Audit Fees	0,08	0,07
Tax Audit Fees	0,02	0,01
Certification Fees	0,08	0,07
Reimbursement of out-of-pocket expenses (including Service Tax)	0,02	0,01
Total	0,20	0,16

2.6 Following expenses were capitalized, being expenditure allocated for software products developed in-house:

	For the Year ended 31.03.2000	(Rs. In million) For the Year ended 31.09.1999
Payments to and provisions for employees	5.88	—
Electricity and power consumption	0.52	—
Computer Expenses	2.15	—
Rent	3.62	—
Repairs and Maintenance-Others	0.43	—
Depreciation	0.71	—
Total	13.31	—

2.7. There are no outstanding overdues to small-scale industrial undertakings and/or ancillary industrial suppliers on account of principal and/or interest as at the close of the year. This disclosure is based on the documents/information available with the Company.

2.8 In the opinion of the Board, the current assets, loans and advances are realizable at a value, which is at least equal to the amount at which these are stated, in the ordinary course of business.

2.9 Quantitative Details

The Company is engaged in the development and maintenance of computer software, besides transaction processing and facilities management. The production and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

2.10 Expenditure in foreign currency:

	For the Year ended 31.03.2000	(Rs. In million) For the Year ended 31.09.1999
Travelling and Other Expenses	2.40	—

2.11 Earnings in Foreign Exchange:

	For the Year ended 31.03.2000	(Rs. In million) For the Year ended 31.09.1999
Income from software development charges and products	2.11	—

2.12 Previous year's figures have been re-grouped/re-arranged, wherever necessary.

Signatures to Schedules "I" to "XIII"

For and on behalf of the Board

K.V. KAMATH
Chairman

LALITA D. GUPTA
Director

S.H. BHOJANI
Director

SHIKHA SHARMA
Director

KALPANA MORPARIA
Director

NACHIKET MOR
Director

V. SRINIVASAN
Managing Director

DEBNEEL MUKHERJEE
Chief Financial Officer

S. R. SHETTIGAR
Company Secretary

Mumbai,
Dated : April 26, 2000

Statement pursuant to Part IV, Schedule VI to the Companies Act, 1956
Balance Sheet Abstract and Company's General Business Profile

1. Registration Details

Registration No. 7 4 4 1 1
 State Code 1 1
 Balance Sheet Date 3 1 0 3 2 0 0 0
 Date Month Year

2. Capital Raised during the Year

(Amount in Rupees million)

Public Issue

N I L

Bonus Issue

N I L

Rights Issue

2 0

Private Placement

1 0

3. Position of Mobilization and Deployment of Funds

(Amount in Rupees million)

Total Liabilities

4 9 4 . 5

Total Assets

4 9 4 . 5

Sources of Funds

Paid-up Capital

5 0 . 0 0

Reserves & Surplus

8 9 . 9 8

Secured Loans

N I L

Unsecured Loans

2 2 4 . 0 0

Application of Funds

Net Fixed Assets

3 3 1 . 4 6

Investments

1 2 . 4 3

Net Current Assets

1 9 . 0 2

Miscellaneous Expenditure

1 . 0 7

Accumulated Losses

N I L

4. Performance of Company

(Amount in Rupees million)

Turnover

4 1 7 . 6 1

Total Expenditure

2 7 1 . 8 3

Profit Before Tax

1 4 7 . 8 5

Profit After Tax

1 0 5 . 0 5

Earnings per Share in Rupees

1 0 . 5 0

Dividend Rate %

5 0 . 0 0

5. Generic Name of Principal Products/Services of the Company (as per monetary terms)

Item Code No. : Not Applicable
 Service Description : IT Enabled Transaction Processing Services
 Software Development & Consultancy Services.
 IT Infra & Facilities Management Services

For and on behalf of the Board

K.V. KAMATH
Chairman

LALITA D. GUPTA
Director

S.H. BHOJANI
Director

SHIKHA SHARMA
Director

KALPANA MORPARIA
Director

NACHIKET MOR
Director

V. SRINIVASAN
Managing Director

DEBNEEL MUKHERJEE
Chief Financial Officer

S. R. SHETTIGAR
Company Secretary

Mumbai,
 Dated : April 26, 2000