



12TH ANNUAL REPORT AND ACCOUNTS 1999-2000

Directors

Chairman
K.V. Kamath
Lalita D. Gupte
S.H. Bhojani
M.J. Subbaiah
Dr. K. Anji Reddy
Gopal Srinivasan
Rajeev Chandrasekhar

Managing Director & CEO
A.J.V. Jayachander

Executives

Chief - Private Equity
Investments
Nitin Deshmukh
S.N. Subramanya

Chief - Finance
& Company Secretary
N. Subramanian

Auditors

S.B. Billimoria & Co.
Chartered Accountants
Bangalore

Registered Office

4th Floor, Raheja Plaza
17, Commissariat Road
D'Souza Circle
Bangalore 560 025

Regional Office

ICICI Towers
8th Floor, South Tower
Bandra-Kurla Complex
Mumbai 400 051

ICICI VENTURE FUNDS MANAGEMENT COMPANY LIMITED

directors' report

To the Members

Your Directors are delighted to present the Twelfth Annual Report on the business and operations of the Company together with the audited statement of accounts for the financial year 1999-2000.

FINANCIAL REVIEW

	(Rs. in million)	
	1999-2000	1998-99
Profit before taxation	525.96	71.15
Provision for Income Tax	142.50	7.55
Profit after taxation	383.46	63.60
Balance of Profit & Loss Account brought forward from the previous year	99.40	48.52
Disposable Profits	482.86	112.12
Appropriations:		
General Reserve	38.34	—
Statutory Reserve	76.69	12.72
Dividend	210.00	—
Tax on Dividend	23.10	—
Balance Carried forward to next year	134.73	99.40
	482.86	112.12

ICICI Venture Funds Management Company Limited acquitted itself quite creditably during the financial year 1999-2000. Gross Revenues during the year under review were Rs. 1,850.58 million. It may be observed that unlike the previous year, gross revenues for the current year include trading revenues of Rs. 1,202.96 million. Revenues excluding income from trading operations amounted to Rs. 647.62 million against Rs.114.09 million in the previous year, an increase of over 468%.

During the year under review, the Company continued to expand its fund management and advisory activities. Consequently, management fee and advisory fee income amounted to Rs. 132.89 million against Rs. 70.45 million in the previous year, an increase of 89%.

The buoyancy in the equity markets coupled with the strong stock performance of some of the portfolio companies helped achieve significant and profitable exits during the current financial year. Performance Fee revenues, therefore, increased significantly relative to 1998-99, reaching a record level of Rs. 429.84 million.

Total Expenditure excluding cost of sales of securities increased to Rs. 115.07 million from Rs. 42.94 million in the previous year. The increase in expenditure was primarily on account of higher employee costs, advisory fee payments to UTI and increased depreciation charges.

The Profit before Tax stood at Rs. 525.96 million, up 639% from Rs. 71.15 million recorded in the previous year. Provision for income taxes increased from Rs.7.55 million in the previous year to Rs. 142.50 million during the year under review. The Company achieved a record Profit after Tax of Rs. 383.46 million during the year under review. The Profit after Tax in the current year represents a growth of 503% over the previous year.

The Company's earnings per share (face value of Rs. 10), in line with the significant growth in performance, increased exponentially from Rs.21.20 in the previous year to Rs.127.82, in the current year. The disposable profit was Rs.482.86 million after taking into account the surplus of Rs. 99.40 million brought forward from the profit and loss account of last year. Reflecting the strong financial performance, the Board approved three interim dividend distributions amounting to Rs. 210 million resulting in an aggregate dividend rate of 700%.

Transfers to Statutory Reserve and General Reserve were also markedly higher at Rs.76.69 million and Rs.38.34 million respectively. The balance amount of Rs.134.73 million has been carried over to the Balance Sheet.

Capital spending on property, equipments and creation of incubator facilities was Rs. 18.48 million during the year under reference. The strong profit performance also led to an increase in the liquid asset portfolio. Consequently, the carrying value of investments increased from Rs.1.9 million to Rs. 217.34 million during the year under reference. During the year, the Company also used a portion of its surplus cash to reduce its long-term debt from Rs. 70 million to Rs. 55 million. The Company completed the current year with a net worth of Rs. 316.61 million as against Rs.166.25 million at the end of the previous year, a growth of 90%.

FUNDS UNDER MANAGEMENT

ICICI Venture continues to retain its position as the most significant institution in the Indian Private Equity Industry. As on March 31, 2000, ICICI Venture manages/ advises ten Funds with an aggregate corpus of Rs.9.06 billion with an investment focus both in Indian and Global companies. Members may be gratified to note that your Company was one of the earliest to recognize the value of investing in

knowledge based sectors like information technology and healthcare. Core competencies for investments in these sectors have been built and these have manifested themselves in superior returns provided by the portfolio comprising companies in these industries. IT portfolio spread across the funds is expected to provide an annual return in excess of 50%. A number of companies from our various funds made successful IPOs during the year 1999-2000 including two companies on Nasdaq. Several more are expected to get listed in the coming year.

Offshore Fund

The revival of the economy and the consequent improvement in the investment climate led to a significant growth in the deal-flow. As a result, there was a sharp increase in investment approvals to nineteen companies for an amount of US \$ 40.95 million. The total cumulative approvals (net of cancellations) for the Fund stand at US \$ 46.95 million in twenty two companies. With this, the entire Fund corpus is fully committed. In line with our focus on the knowledge-based sectors, all the investments are in the information technology, healthcare and services sectors. While moulding the investment strategy for the Fund, we had decided to selectively pursue investment opportunities in "Indo-US" companies, which are companies based in the US that take advantage of expertise in design, marketing and finance abroad to enhance existing domestic strengths such as high quality human skills, intellectual property and low cost production in order to compete effectively in the international market place. This trend is specially pronounced in the software and healthcare sectors. We have approved ten such investments in software, business-to-business e-commerce companies in the healthcare space and other internet companies. Four companies – two each in India and the U.S. – in the Fund's portfolio made their initial public offerings (IPOs) during the year 1999-2000 and these were very well received by the primary market. More than six companies are expected to complete their IPOs during the year 2000-01. Given the consequent liquidity available to the Fund and the prevailing capital market conditions, we expect this Fund to return the entire principal amount as well as distribute significant profits to the investors. On the basis of the market prices and valuations in subsequent investment rounds, the portfolio of the Fund as on March 31, 2000 is valued at US \$ 253.6 million, a fund multiple of over 6 times.

Software Fund

As you are aware, ICICI with support from the World Bank had taken the initiative in setting up the country's first dedicated fund for the Software industry in March 1997. As on March 31, 2000, the portfolio consisted of ten companies with approvals of Rs.276.63 million. All of these investments have been in young, unlisted companies. The performance of these companies as well as the Fund has been heartening. Two of these companies have completed their IPOs. The Fund has completely divested its stake in these companies, realising multiples of between fifteen and twenty times its investment. In addition, the Fund has been successful in foreclosing some of the loans at attractive premia. Against a corpus of Rs.280 million, the fund has already returned Rs.1,221 million to the investors. With more exits planned during the year 2000-01, the fund multiple in respect of this fund is also expected to be in excess of 6 times.

VECAUS Funds

As members are aware, ICICI Venture manages three VECAUS funds aggregating Rs. 2,800 million, which have been invested to the extent of Rs. 2,548 million. The VECAUS funds are presently in a divestment mode. The VECAUS portfolio has shrunk considerably and we have managed to complete exits or establish exit paths in respect of companies with significant investor interest. We have also been able to effectively capitalize on the buoyancy in the capital markets and exit from listed investments that have considerably appreciated in value. As a result, the VECAUS funds have paid out to the investors an aggregate amount of Rs.2,366 million as on March 31, 2000.

During the current year we expect to unlock further value from the profitable investments in VECAUS Funds. We have also identified the unprofitable investments made by the Funds, predominantly the 'old economy stocks' in the small and medium enterprises (SMEs), which have been significantly affected by the economic downturn. The investments in these small capital companies were made in the belief of growth, but the economic downturn in the recent past has impacted the performance of SME's. Most of the listed companies in this category are quoting below issue prices and there is inadequate investor interest in these stocks. Exiting from these companies is cumbersome and uncertain, and it may not be profitable to expend efforts in this direction. Consequently, it has been decided to transfer these investments to an appropriate vehicle and complete the Fund cycle by June 2001.

ICICI Structured Products Fund

The ICICI Structured Products Fund was established in June 1999 as a managed account of ICICI. The Fund with a corpus of Rupees one billion, was originally meant to provide mezzanine financing to mid-cap companies in the knowledge-based sectors in the form of structured loans and quasi-equity instruments. However, in view of the sharp increase in the number of attractive investment opportunities, particularly in the retailing sector, an overwhelming proportion of the Fund has been invested in equity. The Fund has been committed to the extent of 88% (Rs.878 million in fifteen companies). Given this attractive pipeline, the Fund is expected to be fully invested by May 2000. A notable feature of the Fund's portfolio is that 52%

directors' report



of the total investment is in the retailing sector, giving ICICI Venture the leadership position in terms of investments in this sector.

ICICI Equity Fund

Over a period of time, ICICI Venture has developed key strengths in managing exits from both unlisted and listed companies. Equity portfolios of Indian Financial Institutions include significant number of cases where exposure is small (< Rs. 100 million) compared to their total asset base. More than half of this portfolio is either unlisted or thinly traded. We feel the amount of time and resources spent by these institutions on this part of the portfolio is limited by the nature of their main business activity. A consolidated and focused Fund managed by an entity with the requisite expertise in managing this sector of equity securities can unlock value of these investments. The Fund could selectively buy out part of this portfolio from FIs and banks. We believe ICICI Venture is well placed to leverage its expertise in handling and managing exits effectively in this sector. As a first step in this direction, ICICI Equity Fund was set up during the year to take advantage of the availability of such investments.

NEW INITIATIVES

A healthy growth of funds under management is imperative to attain our key objectives of maintaining the leadership position in the private equity funds management. We have been continuously evaluating the market space to identify potential business opportunities, which would fit in with our core objectives and internal strengths. Having identified the opportunities in the market place, your Company has planned to launch an array of Funds with distinct investment focus and risk / return / maturity profiles. This would provide ICICI Venture flexibility in terms of examining investment opportunities across various stages of a company, both in India and overseas.

ICICI Information Technology Fund

As a part of its strategy to cover all segments of the private equity market and consequent to the large appetite for venture capital in the IT sector, ICICI Venture decided to set up a dedicated Fund to make investments in start-up and early stage companies in the IT products and services sector. The domestic Fund, with a corpus of Rupees one billion, had its first closing on March 29, 2000 with an aggregate commitment of Rs.315 million. Four investments aggregating about Rs.200 million have already been approved from this Fund. With a view to widen the scope of value addition for its portfolio companies, your Company has tied up with Japan Asia Investment Corporation (JAIC) for setting up a parallel offshore Fund that would co-invest along with the IT Fund.

JAIC Fund

Pursuant to an MoU between ICICI Venture and JAIC, an Offshore Fund domiciled at Mauritius is being set up with a corpus of US \$ 23 million. This Fund would make co-investments with the ICICI IT Fund. This arrangement affords ICICI Venture an opportunity to leverage JAIC's network among Japanese companies to add value to the portfolio companies. The Fund would be managed by JAIC.

ICICI Global Opportunities Fund

Following the full commitment of the TCW/ICICI Fund, your Company has decided to float a second offshore Fund. This Fund will be domiciled in Mauritius with a targeted corpus of US \$ 125 million. The Fund would target the knowledge-based sectors with a minimum investment size of US \$ 2 million. Upto 50% of the total corpus is to be invested in overseas companies. The Fund has already approved one investment.

ICICI Incubator Fund

With a view to capturing investment opportunities at a very early stage, ICICI Venture has taken the initiative to establish incubator facilities at its premises. The value proposition to such companies at the concept stage is that they can develop their ideas to a commercially fundable proposition with minimum startup time, thereby substantially reducing the time to market. To complement this activity, ICICI Venture has also set up the ICICI Incubator Fund with a corpus of Rs.500 million. This Fund would finance the cost of using the incubation facility in lieu of an equity stake in the Company.

ICICI IT Brand Equity Fund

ICICI IT Brand Equity Fund is a joint effort of ICICI and the Government of India / Ministry of Information Technology. This Rupees One billion Fund is being set up with a mandate to enhance the brand image of the Indian IT industry in the international market so as to facilitate rapid growth of exports.

ICICI Life Sciences Fund & ICICI Retail Services Fund

These two Funds are industry specific with a corpus of Rs.500 million each and aimed at domestic companies in the life sciences and retailing sectors respectively. We are confident that our new initiatives would help us to strengthen the Company's position as the premier private equity funds management company in India.

OUTLOOK

ICICI Venture, as it steps forward into the new millennium, has clearly defined its objectives to remain in the forefront of the Private Equity Fund Management Industry. As elaborated earlier, several new initiatives have been planned for the next year addressing management of Funds for different market segments. As the Indian

Private Equity Industry continues to mature, ICICI Venture remains well positioned to access quality investments, nurture entrepreneurship, add value to its investments and overall enhance the shareholders' value of its investee companies.

DIRECTORS

Mrs. Kiran (Mazumdar) Shaw, who was on the Board of the Company tendered her resignation on July 27th 1999. The Board accepted the resignation of Mrs. Kiran (Mazumdar) Shaw and placed on record its gratitude for the valuable services rendered by Mrs. Kiran (Mazumdar) Shaw during her tenure as Director of the Company.

Dr. R. A. Mashelkar ceased to be Director of the Company with effect from July 12th, 1999. The Board placed on record its appreciation of the valuable services rendered by him during his tenure as a Director of the Company.

Shri Mike A Shah ceased to be Director of the Company with effect from July 12th, 1999. The Board placed on record its appreciation of the valuable services rendered by him during his tenure as a Director of the Company.

Shri A.J.V. Jayachander, President & CEO of the Company was appointed as Managing Director & CEO by the Board of Directors with effect from March 18th 2000. Shri A.J.V. Jayachander is not liable to retire by rotation and shall hold office for a period of three years from the date of appointment. In accordance with the provisions of the Companies Act, 1956, the approval of the shareholders will be sought at the next General Meeting for the appointment of Shri A.J.V. Jayachander as Managing Director & CEO of the Company.

Shri Ananda Mukerji, who was on the Board of the Company tendered his resignation on February 24, 2000. The Board accepted the resignation of Shri Ananda Mukerji and placed on record its gratitude for the valuable services rendered by Shri Ananda Mukerji during his tenure as Director of the Company.

In terms of the Articles of Association of the Company, Shri K. V. Kamath, Smt. Lalita D Gupte and Shri S. H. Bhojani, Directors of the Company would retire at the ensuing Annual General Meeting of the Company and, being eligible, offer themselves for re-appointment.

BUY-BACK OF SHARES

The Members may be aware that the Company passed a Resolution at the 11th Annual General Meeting approving the buy-back of 2,00,000 equity shares of Rs.10 each at Rs.160 per share. Members may also recall that the resolution was passed before the Central Government announced the Private Limited Company and Unlisted Public Limited Company (Buy-Back of Securities) Rules, 1999. An examination of the guidelines which were subsequently issued by the Government revealed that the resolutions passed by the Members for the buy-back of shares did not meet certain procedures stipulated in the aforementioned rules. The Board of Directors has therefore decided not to implement the aforementioned proposal to buyback the shares of the Company.

PERSONNEL

Information required to be disclosed in accordance with Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, forming part of the Directors' Report for the year ended March 31, 2000 is enclosed as an Annexure to this Report.

FOREIGN EXCHANGE EARNINGS AND EXPENDITURE

The Foreign Exchange Earnings during the year under review amounted to Rs. 29.05 million. Expenditure in foreign currency amounted to Rs. 0.28 million.

ENERGY CONSERVATION

ICICI Venture being a financial institution has limited scope for energy conservation. However, while sanctioning assistance, due weightage is given for energy conservation measures being adopted by the portfolio companies.

In the areas of technology upgradation and innovative product development, ICICI Venture continues to encourage and support a number of companies in diverse industries for development and commercialization of market oriented technologies.

AUDITORS

M/s. S.B. Billimoria & Co., Chartered Accountants, Bangalore, 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.

ACKNOWLEDGEMENTS

The Directors wish to place on record their appreciation of the dedication, professionalism and hard work put in by the employees of the Company at all levels. Relationships with the shareholders, Government, regulatory authorities and clients remained excellent. Your Directors are grateful for the support extended by them and look forward to receiving their continued support and encouragement. Your Directors also wish to thank the investors in the Funds managed and advised, for their continued support to the company.

For and on behalf of the Board of Directors

K.V. KAMATH
Chairman

Mumbai, April 20, 2000

auditors' report

To the Members of ICICI Venture Funds Management Company Limited

We have audited the attached Balance Sheet of ICICI VENTURE FUNDS MANAGEMENT COMPANY LIMITED as at 31st March, 2000 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto. We report as follows:

1. 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 Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
2. Further to our comments in the Annexure referred to in paragraph 1 above:
 - a. 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;
 - b. 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;
 - c. The Balance Sheet and the Profit and Loss Account are in agreement with the books of account;

- d. In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
- e. 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 notes thereon, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view :
 - i. in the case of the Balance Sheet of the state of affairs of the Company as at March 31, 2000, and
 - ii. in the case of the Profit and Loss Account, of the profit of the Company for the year ended March 31, 2000.

For S.B. BILLIMORIA & CO.
Chartered Accountants

V. SRIKUMAR
Partner

Bangalore, April 20, 2000

annexure to auditors' report

Referred to in paragraph (1) of our Report of even date

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The Company has a programme of physically verifying all fixed assets, other than leased assets in a year which, according to us, is reasonable. The said fixed assets have accordingly been verified by the management. No material discrepancies have been noticed on such physical verification.

In respect of the leased assets, the Company has adopted a procedure of calling for confirmation letters from the respective lessees regarding the existence and condition of the assets. Where no confirmation has been received from any lessee for two consecutive years, the procedure provides for physical verification of the respective assets to be carried out by the management in the following year. The above procedure is considered reasonable, taking into account the constraints in arranging for physical verification of the assets located at the premises of the various lessees.

2. The fixed assets of the Company have not been revalued during the year.
3. The Company has not taken or granted any loans, secured or unsecured from/to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there are no Companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956.
4. In respect of loans given by the Company, and considered good, parties have generally repaid the principal amounts as stipulated and have also generally been regular in the payment of interest.

In cases where instalments of principal and/or interest are not received, it is the practice of the Company to review the operations of the borrower and on the basis of such review, to take such steps as are considered appropriate in the circumstances, having regard to the overall objectives of the Company. In our opinion, the steps taken by the Company are reasonable having regard to the nature of business of the Company.

5. In our opinion and according to the information and explanations given to us, there are reasonable internal control procedures commensurate

with the size of the Company and the nature of its business with regard to the purchase of the plant and machinery, equipment and other assets.

6. There were no purchase of goods and materials or sale of goods, materials and services in excess of Rs. 50,000 in value for each type from firms, companies or other parties entered in the Registers maintained under Section 301 of the Companies Act, 1956.
7. The Company has not accepted any deposits from the public.
8. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
9. According to the records of the Company, Provident Fund dues have been generally regularly deposited with the appropriate authorities during the year. According to the information and explanations given to us, the Employees State Insurance Act, 1948 is not applicable to the Company.
10. According to information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding as at March 31, 2000, for a period of more than six months from the date they became payable.
11. According to the information and explanations received by us and the records of the Company examined by us, no personal expenses have been charged to the revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
12. The Company has maintained proper records of the investments made in shares, securities, etc. The investments are held in the name of the Company.

For S.B. BILLIMORIA & CO.
Chartered Accountants

V. SRIKUMAR
Partner

Bangalore, April 20, 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
SOURCES OF FUNDS				INCOME			
Shareholders' Funds				Income from Operations VIII 1796.79 100.86			
Share Capital	I	30.00	30.00	Profit on Sale of Investments (net)		49.28	9.66
Reserves and Surplus	II	286.61	136.25	Provision for doubtful debts, advances, expenses and contingencies written back		4.05	3.07
		316.61	166.25	Other Income	IX	0.46	0.50
Loan Funds				1850.58 114.09			
Unsecured Loans	III	55.00	70.00	EXPENDITURE			
Total		371.61	236.25	Cost of Sale of Securities held as Stock-in-trade (See Note 8)		1209.55	—
APPLICATION OF FUNDS				Staff Expenses (See Note 9) X 33.75 16.41			
Fixed Assets				Establishment Expenses XI 7.05 8.54			
Gross Block	IV	202.90	187.90	Other Expenses (See Note 10) XII 64.15 11.95		10.12	6.04
Less: Depreciation and lease adjustment		68.07	49.05	Depreciation		1324.62	42.94
Net Block		134.83	138.85	Profit before Taxation 525.96 71.15			
Investments				Less: Provision for Income Tax (See note 5) 142.50 7.55			
Current Assets, Loans and Advances	V	217.34	1.90	Profit after Taxation 383.46 63.60			
Less: Current Liabilities and Provisions	VI	113.88	109.08	Add: Balance brought forward from previous year 99.40 48.52			
Net Current Assets	VII	94.44	13.58	DISPOSABLE PROFIT 482.86 112.12			
Total		371.61	236.25	APPROPRIATIONS			
Notes forming part of Accounts XIII				Statutory Reserve (See note 12) 76.69 12.72			
Accounting Policies XIV				General Reserve 38.34 —			
				Interim Dividend 210.00 —			
				Tax on Interim Dividend 23.10 —			
				Balance carried to Balance Sheet 134.73 99.40			
				482.86 112.12			
				Notes forming part of Accounts XIII			
				Accounting Policies XIV			

As per our Report attached

For S.B. BILLIMORIA & CO.
Chartered Accountants

V. Srikumar
Partner

Bangalore, April 20, 2000

N. SUBRAMANIAN
Chief - Finance &
Company Secretary

A.J.V. JAYACHANDER
Managing Director & CEO

For and on behalf of the Board

K.V. KAMATH
Chairman

LALITA D. GUPTA
Director

S.H. BHOJANI
Director

Mumbai, April 20, 2000

schedules

forming part of the Accounts

(Rupees in million)

March 31,
1999

SCHEDULE I

SHARE CAPITAL

Authorized

20,000,000 Equity Shares of Rs. 10 each

200.00

200.00

Issued, Subscribed and Paid-up

3,000,000 Equity Shares of Rs.10 each

30.00

30.00

30.00

30.00

Out of 3,000,000 Equity Shares issued by the Company, 2,999,880 equity shares (for the year ended March 31, 1999 - 2,999,880) are held by ICICI Limited (the Holding Company)

Additions/
(deletions)
during the year

Balance at
March 31, 2000

Balance at
March 31, 1999

SCHEDULE II

RESERVES AND SURPLUS

Statutory Reserve

76.69

100.97

24.28

General Reserve

38.34

50.91

12.57

Surplus in Profit and Loss Account

134.73

134.73

99.40

(99.40)

150.36

286.61

136.25

Previous Year

63.60

136.25

72.65

SCHEDULE III

LOAN FUNDS

Interest-free loan from ICICI Ltd.

(Repayable within one year Rs. 16,000,000; Previous Year - Rs. 15,000,000)

55.00

70.00

55.00

70.00

SCHEDULE IV

FIXED ASSETS

(Rupees in million)

	Gross Block			Depreciation				Lease Adj. Account Upto March 31, 2000	Net Block		
	As at March 31, 1999	Addi- tions	Deduc- tions	As at March 31, 2000	As at March 31, 1999	For the Year	Depre- ciation with- drawn		As at March 31, 2000	As at March 31, 2000	As at March 31, 1999
ASSETS ON LEASE:											
Vehicles	1.20	—	—	1.20	1.17	0.01	—	1.18	—	0.02	0.03
Plant & Machinery	145.44	—	—	145.44	17.23	6.99	—	24.22	25.15	96.07	114.43
Sub-Total - A	146.64	—	—	146.64	18.40	7.00	—	25.40	25.15	96.09	114.46
As at March 31, 1999				146.64				18.40	13.78	114.46	
OTHER ASSETS											
Building *	20.01	—	0.17	19.84	4.64	0.77	0.04	5.37	—	14.47	15.37
Equipment	5.76	1.79	0.99	6.56	2.83	0.51	0.44	2.90	—	3.66	2.93
Computers	8.08	0.50	2.07	6.51	4.97	1.25	1.83	4.39	—	2.12	3.11
Furniture & Fixtures	6.48	—	0.25	6.23	4.20	0.41	0.16	4.45	—	1.78	2.28
Vehicles	0.93	—	—	0.93	0.23	0.18	—	0.41	—	0.52	0.70
Sub-Total - B	41.26	2.29	3.48	40.07	16.87	3.12	2.47	17.52	—	22.55	24.39
Capital advances - C	—	16.19	—	16.19	—	—	—	—	—	16.19	—
As at March 31, 1999				41.26				16.87	24.39		
Grand Total - (A)+(B)+(C)	187.90	18.48	3.48	202.90	35.27	10.12	2.47	42.92	25.15	134.83	138.85
As at March 31, 1999				187.90				35.27	13.78	138.85	

* Building acquired on long lease.

schedules



forming part of the Accounts

Continued

(Rupees in million)

March 31,
1999

SCHEDULE V

INVESTMENTS (at cost or estimated net realizable value whichever is lower)

Assistance to Industrial Concerns	—	1.89
Other Investments	217.34	0.01
Total	217.34	1.90

NOTES TO SCHEDULE V

Particulars	As at March 31, 2000			As at March 31, 1999		
	Number	Face Value Rs. (per unit)	Cost	Number	Face Value Rs. (per unit)	Cost
NON-TRADE INVESTMENTS						
A. Assistance to Industrial Concerns						
- Equity Subscription						
Long term (Unquoted)						
1. Archana Exports (P) Limited Equity Shares of Rs.100 each fully paid [(Shares purchased/acquired during the Year - Nil) (Previous Year - Nil)] [(Shares sold during the Year - 1500) (Previous Year- Nil)]	—	—	—	1,500	100	0.15
2. Amalgam Leathers Limited Equity Shares of Rs. 10 each fully paid [(Shares purchased/acquired during the Year - Nil) (Previous Year - Nil)] [(Shares sold during the Year - 180,000) (Previous Year - Nil)]	—	—	—	180,000	10	1.80
3. Shaanshi Seritech Limited Equity Shares of Rs. 10 each fully paid [(Shares purchased/acquired during the Year - Nil) (Previous Year - Nil)] [(Shares sold during the Year - 400,000) (Previous Year - Nil)]	—	—	—	400,000	10	4.00
Total - (A)	—	—	—	581,500	—	5.95
B. Other Investments						
I. Long term						
Industrial Development Bank of India 11.5% IDBI Bonds 2010 (Fifty-fifth Series)	—	—	0.01	—	—	0.01
Total - (I)	—	—	0.01	—	—	0.01
II. Current Investments (quoted)						
1. Television Eighteen India Ltd. Equity Shares of Rs.10 each fully paid [(Shares purchased/acquired during the Year - 4,900) (Previous Year - Nil)] [(Shares sold during the Year - Nil) (Previous Year - Nil)]	4,900	10	0.88	—	—	—
2. Geometric Software Solutions India Ltd. Equity Shares of Rs. 10 each fully paid [(Shares purchased/acquired during the Year - 1,100) (Previous Year - Nil)] [(Shares sold during the Year - Nil) (Previous Year - Nil)]	1,100	10	0.33	—	—	—
Total - (II)	6,000	—	1.21	—	—	—
III. Current Investments (unquoted)						
1. Units of Prudential ICICI Liquid Plan	6,807,912	10	80.12	—	—	—
2. Units of Dundee Liquidity (Appreciation Option)	3,151,536	10	36.00	—	—	—
3. Units of Sun F & C Money Value Fund - Liquid	8,863,755	10	100.00	—	—	—
Total - (III)	18,823,203	—	216.12	—	—	—
Total - (B) - (I)+(II)+(III)			217.34		—	0.01
Grand Total - (A) + (B)			217.34		—	5.96

SUMMARY

Current Year
Rs.

Previous Year
Rs.

Aggregate Value of Investments :

Quoted

1.21

Nil

Unquoted (at cost or estimated net realizable value whichever is lower)

216.13

1.90

- Investments have been classified as Long-Term and Current Investments in accordance with Accounting Standard 13 Issued by the Institute of Chartered Accountants of India
- During the year, the Company purchased 25,000 equity shares of HCL Technologies Limited (Face Value Rs. 4) for Rs. 14.50 million. and sold the entire holding for Rs. 54.75 million. (Previous Year - Nil)
- Purchases of units of Mutual Funds held as Investments - 74,128,245 units amounting to (net of brokerage refunds) Rs. 866.05 million. (Previous Year - 13,655,144 units amounting to Rs. 143.93 million)
- Sales of units of Mutual Funds held as Investments - 55,305,041 units amounting to Rs. 658.92 million. (Previous Year - 13,655,144 units amounting to Rs. 145.59 million.)
- Market value of quoted Investments Rs. 6.84 million. (Previous Year - Nil)

schedules

forming part of the Accounts

Continued

(Rupees in million)

March 31,
1999

SCHEDULE VI

CURRENT ASSETS, LOANS AND ADVANCES

Current Assets

Accrued Interest (Includes accrued interest on investments Rs. Nil; (For the Year ended March 31, 1999 - Rs. 757)		—	0.96
Sundry Debtors (unsecured)			
(i) Debts (considered good - outstanding for less than six months)	6.66		0.39
(ii) Debts (considered good - outstanding for more than six months)	0.47		—
(iii) Debts (considered doubtful - outstanding for less than six months)	—		0.48
(iv) Debts (considered doubtful - outstanding for more than six months)	0.54		0.54
Less: Provision for doubtful debts	(0.54)		(1.02)
		7.13	1.35
Cash		0.04	0.03
Balance with Scheduled Banks -			
Balance in Current Accounts		62.99	1.17
Balance in Deposit Account		7.44	59.75
		77.60	62.30

Loans and Advances *

Loans to Staff (See note 6)		8.25	8.14
Other Loans		—	15.00
Advance tax and tax deducted at source (Net of provisions)		21.93	16.65
Advances recoverable in cash or in kind or for value to be received	6.16		7.02
Less: Provision for doubtful advances	(0.06)	6.10	(0.03)
		36.28	46.78
Of the above Advances			
* (a) Fully Secured		7.63	22.34
(b) Unsecured, Considered Good		28.65	24.44
(c) Considered Doubtful	0.06		0.03
Less: Provision for doubtful advances	(0.06)	—	(0.03)
		36.28	46.78
		113.88	109.08

SCHEDULE VII

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities

Sundry Creditors -			
– Dues to creditors other than small-scale industrial undertakings		41.30	12.58
Income and Lease Rentals received in advance		52.13	0.26
Other Liabilities		1.01	0.14
		94.44	12.98
Provisions			
Provision for contingencies		—	0.60
		—	0.60
		94.44	13.58

schedules



forming part of the Accounts

Continued

(Rupees in million)

March 31
1999

SCHEDULE VIII

INCOME FROM OPERATIONS

Fee Income		569.48	75.73
[Tax at source Rs. 32,469,436] (Previous Year - Rs. 4,856,939)			
Sales of Securities held as Stock-in-trade		1083.45	—
Interest on Loans		3.97	2.12
[Tax at source Rs. 272,171] (Previous Year - Rs. 189,210)			
Bad debts recovered		1.92	2.30
Lease rentals and related income	29.19		11.33
Less: Lease Equalization Account	(11.37)		(5.56)
		17.82	5.77
Dividend (See note 7)		119.51	7.48
[Tax at source Rs. Nil] (Previous Year - Rs. 1,494,028)			
Interest on Deposits and Securities		0.64	7.46
[Tax at source Rs. 193,211] (Previous Year - Rs. 1,462,981)			
		1796.79	100.86

SCHEDULE IX

OTHER INCOME

Interest on Miscellaneous Advances		0.29	0.33
Miscellaneous Income		0.17	0.17
		0.46	0.50

SCHEDULE X

STAFF EXPENSES

Salaries, Wages and Bonus		30.59	13.11
Contribution to Provident and Other Funds		1.54	1.60
Salary of ICICI staff reimbursed		0.63	0.94
Staff Welfare Expenses		0.99	0.76
		33.75	16.41

SCHEDULE XI

ESTABLISHMENT EXPENSES

Insurance		0.11	0.15
Postage		0.14	0.17
Electricity Charges		1.26	0.99
Rates and Taxes		0.28	0.27
Repairs and Maintenance – Building		1.68	1.39
– Others		0.36	0.48
Telex, Telephone and Telegram Charges		1.91	2.09
Rent - Office		1.31	3.00
		7.05	8.54

SCHEDULE XII

OTHER EXPENSES

Advertisement		—	0.40
Bank Charges		0.03	0.03
Books and Periodicals		0.09	0.08
Directors' Meeting Expenses		0.02	0.02
E.D.P. Expenses		2.82	2.79
Travel, Conveyance and Motor Car Expenses		2.86	1.63
Advisory Fees		42.81	3.50
Legal and Professional Charges (See note 1)		4.40	0.43
Printing and Stationery		0.43	0.36
Memberships and Subscriptions		0.89	0.77
Provision for doubtful advances		0.04	0.03
Provision for bad and doubtful debts		—	0.99
Loss on Sale of assets (net)		0.28	0.03
Provision for contingencies		—	0.60
Interest on Income-Tax		8.30	0.03
Miscellaneous expenses		1.18	0.26
		64.15	11.95

SCHEDULE XIII

NOTES FORMING PART OF THE ACCOUNTS

1. **Legal & Professional Charges include amounts paid/payable to the Auditors for:**

	(Rupees in million)	
	1999-2000	1998-99
Audit Fees	0.05	0.05
Taxation Matters	0.01	0.01
Other Matters	0.05	0.06
Out-of-pocket Expenses	—	0.01
	0.11	0.13

2. **Earnings in Foreign Exchange**

Fees	28.69	19.68
Interest on EEFC Deposit	0.36	0.17
	29.05	19.85

3. **Expenditure in Foreign Currency**

Travel	0.24	—
Others	0.04	0.02
	0.28	0.02

4. Estimated amount of Contracts remaining to be executed on capital account not provided for (net of advances, if any) Rs. 3.48 million (*Previous Year - Rs. 0.02 million*).

5. Income Tax demands (net of tax provision already created) for which appeals are being preferred Rs. 3.57 million (*Previous Year - Rs. 3.35 million*).

6. Loans to staff include Rs. 0.09 million (*Previous Year - Rs. 0.11 million*) from an Officer of the Company. Maximum amount due during the year Rs. 0.11 million (*Previous Year - Rs. 0.14 million*).

7. Dividend Income comprises the following:

	(Rupees in million)	
	1999-2000	1998-99
Dividend from Non-Trade Investments		
– Long Term Investments	—	7.48
– Dividend from units held as Stock-in-trade	119.51	—
Total	119.51	7.48

8. Cost of Sales of securities held as Stock-in-trade is net of brokerage refunds.

9. Staff Expenses include:

- (a) Provision towards unutilized leave salary Rs. 0.33 million (*Previous Year - Rs. 0.48 million*).
- (b) Rent paid in respect of Company-leased accommodation facility provided to eligible employees Rs. 1.13 million (*Previous Year - Rs. 1.72 million*).

10. Other expenses include Provision for Interest Tax Rs. 0.08 million (*Previous Year - Rs. 0.04 million*).

11. The Company has complied with the prudential norms prescribed by the Reserve Bank of India in respect of Income Recognition, Provision for Bad and Doubtful Debts and other Non-Performing Assets.

12. In accordance with Section 45-IC of the Reserve Bank of India (Amendment) Act, 1997, twenty per cent of the profit after taxation in the current year has been transferred to a Statutory Reserve.

13. The Company has obtained the Central Government's permission under Section 211 to use 'Rupees in Million' (up to at least second place of decimal) as the monetary unit in the Annual Accounts.

14. (a) Purchases of units of Mutual Funds held as stock-in-trade- 91,634,682 units amounting (net of brokerage) to Rs. 1209.55 million (*Previous Year - Nil*).

(b) Sales of units of Mutual Funds held as stock-in-trade - 91,634,682 units amounting to Rs. 1083.45 million (*Previous Year - Nil*).

(c) Opening and Closing Stock of securities held as stock-in-trade- Nil (*Previous Year - Nil*).

15. The figures for the previous year have been re-grouped wherever necessary so as to make them comparable with those of the current year.

SCHEDULE XIV

ACCOUNTING POLICIES

The following paragraphs describe the nature of operations, the basis of presentation and the main policies adopted by the Company.

1. Nature of Operations

The Company is a public financial institution and provides venture capital assistance to a wide spectrum of industrial sectors. The assistance is extended primarily through the Venture Funds and the Private Equity Funds managed/advised by the Company. The accounts of these Funds are maintained separately and do not form part of the Company's accounts.

2. Basis of Presentation

ICICI Venture Funds Management Company Limited maintains the Books of Account in accordance with Section 209 of the Companies Act, 1956. The accounting and reporting policies of the Company are in conformity with the generally accepted accounting practices in India. The Company's assets and liabilities are principally recorded on the historical cost basis and the accrual method of accounting is followed, except where otherwise noted. The principal accounting policies followed are consistent with those followed in the previous year.

3. Income Recognition

i. As Fund Manager, ICICI Venture Funds Management Company Limited is entitled to an annual management fee and a performance fee which is contingent on the payouts to the Fund investors. In respect of the Private Equity Funds advised by the Company, the Company is entitled to an advisory fee. The annual management fee, performance fee and the advisory fee are recognized as revenue when they contractually accrue except where the management believes that collectibility is in doubt.

ii. Dividend income from investment in units of Mutual Funds is recognized on cash basis. Dividend from shares of corporate bodies is accrued when such dividend has been declared by the corporate body in its Annual General Meeting and the Company's right to receive the dividend payment is established.

iii. Income on securities classified as stock-in-trade is recognized on trade date.

iv. Interest is recognized, except where collectibility is in doubt, on time proportionate basis taking into account the amount outstanding and the interest rates implicit in the transaction. Revenue recognition on loans placed in non-accrual status is resumed and suspended income recognized when the investment becomes contractually current and incomes are actually realized.

v. No credit is taken for interest and other dues in respect of (a) decreed debts, (b) where suits have been filed, (c) where loans have been recalled and (d) where accounts are considered bad or doubtful.

schedules



forming part of the Accounts

Continued

4. Foreign Exchange Transactions

Transactions in foreign currency, to the extent not covered by forward contracts, are recorded at the exchange rate prevailing on the date of the transaction. Exchange differences arising on foreign currency transactions are recognized as income or expenses in the period in which they arise.

Current assets and current liabilities (other than those relating to fixed assets) are restated at the rates prevailing at the year end. The difference between the year end rate and the exchange rate at the date of the transaction is recognized as income or expense in the profit and loss account.

5. Investments

Long-term Investments are carried at cost. Provision for diminution, if any, in the value of long-term investments is made to recognize a decline which is not temporary. The said diminution is determined for each investment individually. Current Investments are stated at lower of cost or fair value.

6. Stock-in-trade

Units and Securities held for trading purposes are classified as Stock-in-trade. Stock-in-trade is stated at lower of cost or market value.

7. Leasing Business

Lease income is recognized on accrual basis, except where collectibility is in doubt. In respect of the assets leased during the financial year 1995-96 and thereafter, the Company has followed the recommendations contained in the Guidance Note on Accounting for Leases issued by the Institute of Chartered Accountants of India. For assets leased prior to

financial year 1995-96, lease rentals are accounted for as revenue when they contractually accrue. The corresponding assets are depreciated at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

8. Fixed Assets and Depreciation

Fixed Assets are stated at cost less accumulated depreciation. Additions, major renewals and improvements are capitalized, while maintenance and repairs are expensed. Upon disposition, the net book value of assets is relieved and resultant gains and losses are reflected in the Profit and Loss Statement. The basis of depreciation is as follows:

- a) In respect of leased assets (other than vehicles leased to third parties), depreciation is provided on straight-line method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.
- b) In respect of all other assets, depreciation is provided on written-down value method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

9. Employee Benefits

The Company has a superannuation fund and a gratuity fund maintained and administered by Life Insurance Corporation of India to which transfers are made annually based on advices received from the Life Insurance Corporation of India. Additionally, the Company also makes monthly contributions to the Employees Provident Fund Scheme managed by a trust constituted for the purpose and to the Family Pension Scheme administered by the Central Government. Contributions to retirement benefit schemes are booked under staff expenses. Provision for unutilized leave benefits has been made on the basis of management estimates.

Signatures to Schedules 'I' to 'XIV' which form an integral part of the Accounts.

As per our Report attached

For S.B. BILLIMORIA & CO.
Chartered Accountants

V. SRIKUMAR
Partner

Bangalore, April 20, 2000

N. SUBRAMANIAN
Chief – Finance &
Company Secretary

A.J.V. JAYACHANDER
Managing Director & CEO

For and on behalf of the Board

K.V. KAMATH
Chairman

LALITA D. GUPTA
Director

S.H. BHOJANI
Director

Mumbai, April 20, 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. /
 Balance Sheet Date
 Date Month Year

2. Capital raised during the Year

(Amount in Rupees Thousand)

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

3. Position of Mobilization and Deployment of Funds

(Amount in Rupees Thousand)

Total Liabilities

.

Sources of Funds

Paid-up Capital

.

Secured Loans

N I L

Application of Funds

Net Fixed Assets

.

Net Current Assets

.

Accumulated Losses

—

Total Assets

.

Reserves & Surplus

.

Unsecured Loans

.

Investments

.

Miscellaneous Expenditure

—

4. Performance of Company

(Amount in Rupees Thousand)

Turnover / Income

.

Profit/Loss before Tax

.

Earnings per Share in Rupees

.

Total Expenditure

.

Profit/Loss after Tax

.

Dividend Rate %

5. Generic Names of Principal Products/Services of the Company

Item Code No. : Not Applicable
 Product Description : Financial Services

As per our Report attached

For S.B. BILLIMORIA & CO.
 Chartered Accountants

V. SRIKUMAR
 Partner

Bangalore, April 20, 2000

N. SUBRAMANIAN
 Chief - Finance &
 Company Secretary

A.J.V. JAYACHANDER
 Managing Director & CEO

For and on behalf of the Board

K.V. KAMATH
 Chairman

LALITA D. GUPTA
 Director

S.H. BHOJANI
 Director

Mumbai, April 20, 2000