

Touching Lives



13th Annual Report and Accounts 2006-2007

## Touching Lives

From providing financial services to farmers and artisans in villages, to establishing footprints across the world, the ICICI Group has spread both its presence and its range of products and services to meet the demand for financial services from Indian corporates and individuals. As India transforms into one of the key economic players of the future, the ICICI Group seeks to partner the country's growth by delivery of world-class financial services. As a multi-specialist financial services provider, our offerings span investment banking for large companies, technology-driven transaction banking for small enterprises, conveniently accessible retail financial services and innovative solutions for rural India; insurance solutions to mitigate a range of risks for individuals and businesses; and investment solutions for managing and enhancing wealth. This is combined with a deep and abiding commitment to socio-economic development and empowerment, as a corporate citizen that seeks to use its unique skills and strengths to create a positive impact in identified focus areas.

### Vision

To be the leading provider of financial services in India and a major global bank.

### Mission

We will leverage our people, technology, speed and financial capital to:

- be the banker of first choice for our customers by delivering high quality, world-class products and services.
- expand the frontiers of our business globally.
- play a proactive role in the full realisation of India's potential.
- maintain a healthy financial profile and diversify our earnings across businesses and geographies.
- maintain high standards of governance and ethics.
- contribute positively to the various countries and markets in which we operate.
- create value for our stakeholders.

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## Enclosures :

Notice  
Attendance Slip and Form of Proxy

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## Registered Office

Landmark, Race Course Circle, Vadodara 390 007

## Corporate Office

ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051

## Statutory Auditors

BSR & Co.

Chartered Accountants, KPMG House, Kamala Mills Compound, Senapati Bapat Marg,  
Lower Parel, Mumbai 400 013

## Registrar and Transfer Agents

3i Infotech Limited

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

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# Message from the Chairman



Fiscal 2007 was another eventful year for India and for Indian business. While the growth momentum in the economy remained strong, supply side constraints and inadequate investment in infrastructure, housing and manufacturing capacity in the past led to increase in inflation and rise in asset prices. This elicited a strong response from the regulator, in terms of monetary and prudential measures to cool demand and maintain price stability. This impacted both banks and borrowers. At the same time, the Indian corporate sector went from strength to strength, demonstrating its ability to think big and take advantage of inorganic growth opportunities globally to leapfrog competition. These trends had their impact on the financial markets as well, with overall optimism being punctuated by periods of volatility.

What should one make of these trends? We believe that fundamentally, the Indian economy is placed on a trajectory of high growth. This is being driven by the strong underlying growth momentum in the economy. The knowledge sectors continue to experience robust growth, driven by India's pool of skill and

talent. This encompasses not only information technology and IT-enabled services, but spans across a range of sectors like financial services, engineering & design, pharmaceuticals and healthcare. These sectors have emerged as major employers, not only through the direct recruitment in companies engaged in these activities, but through their larger economic impact in the form of the support and service infrastructure required. The growth in the number of jobs in turn creates demand for modern entertainment, shopping and leisure facilities, which catalyses economic activity and employment creation in these areas. The resurgence of the industrial sector over the last few years, with a combination of global competitiveness and strong domestic demand driving large organic and inorganic growth plans, provides the second engine for India's growth.

At the same time, we must focus on the key challenges that we have to overcome for the growth potential to be realized and the benefits of this growth to be widespread. Insufficient physical infrastructure remains a continual bottleneck to India's growth. Sectors such as airports, power, irrigation, roads and urban infrastructure are areas that require urgent attention if we are to sustain our current growth momentum. While we have made excellent progress in telecommunications and have achieved improvement in inter-city highway connectivity, the areas of power, rural infrastructure and urban rejuvenation remain serious challenges and we must implement focused strategies to bridge these gaps.

We need to improve the social infrastructure of the nation as well. Revamping the current educational curriculum is the key to effecting this change. Knowledge has emerged as the key driver of our economy. India is increasingly being seen as a global operations hub and supply centre for skilled resources.

Paradoxically, despite our large and expanding pool of human capital, the most important question facing corporates today is the low availability of manpower with relevant skill sets for the jobs at hand. We need to focus on building an adequately trained knowledge worker base through setting up and expansion of institutions for higher education, and through curriculum change as may be necessary. Only then can India's demographic advantage be truly realized.

The inconsistent performance of the agriculture sector needs to be viewed with concern as sustaining and further enhancing the current growth rates, and ensuring broad-basing of growth, is dependent on improving economic conditions in rural India. The performance of the agriculture sector weakened as growth fell to around 2.0% in fiscal 2007 compared to the 6.0% growth recorded in 2006. While focusing on improvements in agricultural productivity and creating efficient farm-to-market linkages, we need to create new economic opportunities and employment generators in rural India and reduce dependence on agriculture alone. This would involve equipping young people in rural India with the skills that will enable them to engage with the mainstream economy. This will align the proportion of people directly dependent on agriculture to the capacity of the agriculture sector to provide higher than subsistence-level livelihoods, and create new income streams for the rural population. The goal of bringing rural India into mainstream

economic activity is a challenge and the task before us is enormous. However, we need to make focused efforts in each of the above areas, starting with identified geographies and areas of activity and going on to increase the scale of operations. We can then indeed transform rural India into an engine of growth.

ICICI Bank is seeking to participate in India's growth process by leveraging its strong competencies in various segments of the business. We are continuing our focus on retail banking. We are partnering Indian companies by providing the right product and advisory skills to aid their rising global aspirations. Rural India continues to be a significantly untapped market and presents a major growth opportunity, which we are seeking to address through innovative products and delivery mechanisms. We seek to support this strategy with financial and human capital, as we move to the next level in terms of scale of operations. Looking ahead, we see ourselves as the premier provider of financial services in India and to Indian customers overseas, partnering our customers and the nation in achieving growth and prosperity.



N. VAGHUL  
Chairman

## Letter from the Managing Director & CEO



Dear Stakeholders,

India continues on its path of high economic growth, drawing on the strong foundation of economic activity in the country. This is reflected in our economic performance during fiscal 2007, a year which was marked by increases in domestic inflation, asset prices and both domestic and international interest rates. Our GDP growth rate is estimated to have been at 9% and above for the second year in succession - no mean achievement, and a testimony to the impact of 15 years of economic reform.

Our movement to a high growth trajectory has been propelled by the knowledge economy, which has established a completely new growth paradigm in India. Knowledge sublimates the entire process of wealth creation by directly leveraging human capital. This is now extending from information technology and related services to financial services, healthcare, analytics, engineering, design and other similar knowledge-based sectors. The development of a knowledge-centric and people-centric economy not only generates direct employment, but also has

a multiplier effect on various sectors of our economy given the boost it gives to retail, infrastructure, real estate and other sectors. The only challenge is to equip our young people with skills relevant to this new economic reality, so that our unique demographic advantage is fully realized.

The explosive growth of the knowledge economy and the favourable demographic profile continue to drive consumption demand. This will lead to a market for a wide range of financial products and services for consumers - a mortgage to finance a house; a loan for a car; a credit card for ongoing purchases; a bank account; a long-term investment plan to finance a child's higher education; a pension plan for retirement; a life insurance policy, and many others. The increase in incomes leads to higher demand not only for financial and other services, but also for manufactured goods, thereby spurring increased manufacturing activity as companies step up production to meet the growing demand. Already we are in a position where companies are operating at near peak capacities and sustained demand growth will require a rapid build up of production capacities and infrastructure. Power, airports and ports, urban rejuvenation and rural infrastructure are all areas where infrastructure investment will scale up rapidly over the next few years. Our estimates show that by 2010 over US\$ 500 billion of investments would be required to fund capacity expansion and infrastructure building. These domestic growth trends combined with the global expansion of Indian businesses present a diverse range of growth opportunities for the financial sector.

The ICICI Group is well positioned to participate in and contribute to this process. We were among the first to recognise the opportunity presented by the retail market and are today positioned as market leaders across the spectrum of retail

products. In the insurance sector, we continue to maintain our leadership position among both life and general insurers. We are among the two largest asset management companies in India in terms of assets under management. We have continued to deepen our relationships with corporate clients and have developed a wide suite of products to cater to their requirements. Going forward, we expect that the demand for financial services in the retail sector will continue to act as a significant growth driver. Given the strong investment pipeline and the rapid scale-up of Indian corporates in international markets, we expect the demand for financial services from the corporate sector to grow exponentially. We will continue to expand our international presence and focus on the international operations of Indian companies, demand for financial services from the large Indian diaspora and the opportunity to leverage our technology platform to gain competitive advantage in overseas markets.

We view rural India as a major untapped opportunity and are focusing on this aspect as part of our core business of banking and financial services. Our strategy is based on identifying the needs of all segments of the rural population - farmers, traders, entrepreneurs and the poorest of the poor, designing products and services to meet their specific requirements and

creating a distribution network that delivers these efficiently and at an affordable cost, while ensuring that our operations are sustainable. Rural India offers us the opportunity to leapfrog brick and mortar structures and use handheld devices and smart cards to provide banking services. While these initiatives are at an early stage, we hope to build on these to develop a large-scale rural banking platform in the years ahead.

Looking ahead, we believe that India will sustain high growth rates for the foreseeable future, driven by the knowledge economy and industrial resurgence, to which rural growth could bring an additional new dimension. As an Indian financial services group, we seek to facilitate and participate in this growth process by making a wide range of financial products and services available on a large scale, accessing capital to support growth when necessary. Achieving size and scale aligned to the needs of a fast growing modern economy, with relevance in the global context, will be a key success factor as India grows and globalizes. We look forward to your continued support in this endeavour.

*K. Vaman Kamath*

K.V. KAMATH

Managing Director & CEO

## Board of Directors

N. Vaghul, *Chairman*

Sridar Iyengar

R. K. Joshi

L. N. Mittal

Narendra Murkumbi

Anupam Puri

Vinod Rai

M. K. Sharma

P. M. Sinha

Marti G. Subrahmanyam

T. S. Vijayan

V. Prem Watsa

K. V. Kamath,  
*Managing Director & CEO*

Kalpana Morparia,  
*Joint Managing Director*  
(Up to May 31, 2007)

Chanda D. Kochhar,  
*Deputy Managing Director*

Nachiket Mor,  
*Deputy Managing Director*

V. Vaidyanathan,  
*Executive Director*

Madhabi Puri-Buch,  
*Executive Director*  
(w.e.f. June 1, 2007)

## Senior Management

Vishakha Mulye  
*Group Chief*  
*Financial Officer*

K. Ramkumar  
*Group Chief*  
*Human Resources Officer*

Pravir Vohra  
*Group Chief*  
*Technology Officer*

Jyotin Mehta  
*General Manager & Company Secretary*

## Board Committees

### Audit Committee

Sridar Iyengar, *Chairman*  
Narendra Murkumbi  
M. K. Sharma

### Customer Service Committee

N. Vaghul, *Chairman*  
Narendra Murkumbi  
M. K. Sharma  
P. M. Sinha  
K. V. Kamath

### Share Transfer & Shareholders' / Investors' Grievance Committee

M. K. Sharma, *Chairman*  
Narendra Murkumbi  
Chanda D. Kochhar  
Madhabi Puri-Buch\*

### Board Governance & Remuneration Committee

N. Vaghul, *Chairman*  
Anupam Puri  
M. K. Sharma  
P. M. Sinha  
Marti G. Subrahmanyam

### Fraud Monitoring Committee

M. K. Sharma, *Chairman*  
Narendra Murkumbi  
K. V. Kamath  
Chanda D. Kochhar  
V. Vaidyanathan\*

### Committee of Directors

K. V. Kamath, *Chairman*  
Chanda D. Kochhar  
Nachiket Mor  
Madhabi Puri-Buch\*  
V. Vaidyanathan\*

### Credit Committee

N. Vaghul, *Chairman*  
Narendra Murkumbi  
M. K. Sharma  
P. M. Sinha  
K. V. Kamath

### Risk Committee

N. Vaghul, *Chairman*  
Sridar Iyengar  
Marti G. Subrahmanyam  
V. Prem Watsa  
K. V. Kamath

### Asset Liability Management Committee\*\*

Chanda D. Kochhar  
Nachiket Mor  
Madhabi Puri-Buch\*  
V. Vaidyanathan\*

\* Effective June 1, 2007

\*\* Specific identified functions delegated to certain members of the senior management team.



## Directors' Report

Your Directors have pleasure in presenting the Thirteenth Annual Report of ICICI Bank Limited with the audited statement of accounts for the year ended March 31, 2007.

### Financial Highlights

The financial performance for fiscal 2007 is summarised in the following table:

Rs. billion, except percentages	Fiscal 2006	Fiscal 2007	% change
Net interest income and other income <sup>1</sup>	88.90	125.64	41.3
Operating profit <sup>1</sup>	38.88	58.74	51.1
Provisions & contingencies <sup>1, 2</sup>	7.92	22.26	181.1
Profit before tax	30.97	36.48	17.8
Profit after tax	25.40	31.10	22.4
Consolidated profit after tax	24.20	27.61	14.1

1. Amortisation of premium on government securities has been excluded from "Provisions & contingencies" and deducted from "Other income" as per Reserve Bank of India (RBI) guidelines in this regard. Previous year figures have been reclassified accordingly.
2. Excludes provision for taxes.

### Appropriations

The profit & loss account shows a profit after tax of Rs. 31.10 billion after provisions and contingencies of Rs. 22.26 billion and all expenses. The disposable profit is Rs. 34.03 billion, taking into account the balance of Rs. 2.93 billion brought forward from the previous year. Your Directors have recommended a dividend rate of 100% (Rs.10 per equity share of Rs. 10) for the year and have appropriated the disposable profit as follows:

Rs. billion	Fiscal 2006	Fiscal 2007
To Statutory Reserve, making in all Rs. 28.79 billion	6.36	7.80
To Investment Fluctuation Reserve (IFR)	— <sup>1</sup>	—
To Special Reserve created and maintained in terms of Section 36(1)(viii) of the Income-tax Act, 1961, making in all Rs. 19.19 billion	2.75	4.50
To Capital Reserve, making in all Rs. 6.74 billion	0.68	1.21
To Revenue and other Reserves, making in all Rs. 49.78 billion <sup>2</sup>	— <sup>1</sup>	—
Dividend for the year (proposed)		
– On equity shares @ 100% (@85% for fiscal 2006)	7.59 <sup>3</sup>	9.01 <sup>3</sup>
– On preference shares (Rs.)	35,000	35,000
– Corporate dividend tax	1.06	1.53
Leaving balance to be carried forward to the next year	2.93	9.98

1. In addition to appropriation of profits, balance in IFR of Rs. 13.20 billion (after appropriation to IFR during the year of Rs. 8.04 billion) was transferred to revenue and other reserves.
2. Net of transition adjustment of Rs. 1.06 billion on account of first time adoption of Accounting Standard 15 (Revised) on "Employee benefits" issued by the Institute of Chartered Accountants of India for the year ended March 31, 2007.
3. Proposed dividend for the year includes dividend paid on ESOPs exercised after balance sheet date of previous year.

## **Personal Banking**

Deposits

Loans

Investments

Cards

Insurance

Demat Services

Online Services

Property Services



Over 1 million  
homes financed  
through affordable  
and convenient  
products and services