PRUDENTIAL ICICI ASSET MANAGEMENT COMPANY LIMITED

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the Seventh Annual Report, together with the audited accounts of your Company, for the year ended March 31, 2000.

Financial Results

The salient features of the Company's financial results for the year ended March 31, 2000 are as follows:

	(Rupees in million)	(Rupees in million)
	Year ended March 31, 2000	Year ended March 31, 1999
Gross Income	292	103
Expenses	228	159
Profit / (Loss) before Depreciation and Tax	64	(56)
Provision for Depreciation	21	18
Provision for Taxation	2	-
Profit / (Loss) after Tax	41	(74)
Dividend	-	-
Balance carried to balance sheet	(60)	(101)

Financial Performance of the Company:

For the year ended March 31, 2000, the operational income of the Company, by way of receipt of investment management fees, was higher at Rs.232 million as compared to Rs 42 million during the previous year. The assets under management during the period under review grew by 409%, from Rs. 8.33 billion to Rs. 42.36 billion leading to receipt of higher fees by your Company. The expenses for the year ended March 31, 2000, are Rs. 228 million as compared to Rs. 159 million for the previous year ended March 31, 1999. The rise in expenses is due to increase in employee cost and a general increase in other administrative expenses. The Company earned a net profit of Rs.41 million during the year and

consequently the accumulated loss as at the end of the year was lower at Rs 60 million as compared to Rs 101 million as of March 31, 1999. The depreciation for the year under review was at Rs.20 million (previous year Rs.18 million). The increase in the depreciation is due to addition to the fixed assets aggregating to Rs.15 million. You would also observe that the company has made provision of Rs.2 million towards the minimum alternate tax as per the provisions of Income Tax Act, 1961, for the year ended March 31, 2000.

New activities:

During the year, your Company obtained registration from the Securities and Exchange Board of India under Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993. The Company proposes to render portfolio management services to private clients both on discretionary and non discretionary basis, on receipt of all the required approvals.

Dividend:

In view of the carry forward loss, your Directors are unable to recommend any payment of dividend for the year under review.

Launch of New Products/Services:

During the Financial year 1999-2000, your Company launched four open-ended Schemes, viz. Prudential ICICI Tax Plan, Prudential ICICI Gilt Plan, Prudential ICICI Balanced Fund and Prudential ICICI Technology Fund. These Schemes raised an aggregate amount of Rs. 9,073 million in their Initial Public Offer.

The total funds under management of your Company as of March 31, 2000 were Rs 42.36 billion, making your Company one of the fastest growing AMCs in the country. Your Company intends to be the leading private sector player in the business.

Performance:

Your Company is acting as the Investment Manager for the ten schemes of Prudential ICICI Mutual Fund – ICICI Premier, ICICI Power, Prudential ICICI Growth Plan, Prudential ICICI Income Plan, Prudential ICICI Liquid Plan, Prudential ICICI Tax Plan, Prudential ICICI Gilt Fund, Prudential ICICI Balanced Fund, Prudential ICICI

FMCG Fund and Prudential ICICI Technology Fund. The performance of the Schemes is given below :

Close-ended Funds:

Scheme Name	**NAV as on March 31, 2000**	**NAV as on March 31, 1999**	**% change in NAV (annualised)**	**Net Assets as on March 31, 2000 (Rs. in billion)**
ICICI Premier	12.27	8.75	40.12	0.70
ICICI Power	21.60	9.44	128.46	0.75

Open-ended Funds:

Scheme Name	**Date of launch**	**Net Assets as on March 31, 2000 (Rs. in billion)**	**Anualised Return (%) from inception of the scheme till March 31, 2000**
Prudential ICICI Income Plan	June 19, 1998	17.53	13.68
Prudential ICICI Growth Plan	June 19, 1998	6.29	126.88
Prudential ICICI Liquid Plan	June 19, 1998	1.52	9.96
Prudential ICICI Gilt Fund	August 9, 1999	3.51	Investment option 15.75
			Treasury option 13.16
Prudential ICICI FMCG Fund	February 15, 1999	0.87	12.30
Prudential ICICI Tax Plan	July 9, 1999	1.05	178.31
Prudential ICICI Balanced Fund	September 20, 1999.	4.96	73.62

Prudential ICICI Technology Fund was launched on January 7, 2000. Net Assets under the scheme as on March 31, 2000 are Rs. 4.90 billion. The NAV of the scheme as on March 31, 2000 was Rs. 9.32.

Sales Offices

Your Company has 22 sales offices/ distribution centers as at the end of March 2000. These offices are well equipped to assist brokers/ agents of the Fund and to render customer service to the investors of Prudential ICICI Mutual Fund.

Foreign Exchange Earnings and Expenditure etc.

During the financial year under review, the Company did not earn any foreign exchange. The foreign exchange outgo was Rs.1.401 million. Since 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 Deposits

During the year, the Company has not accepted any deposits from the public under Section 58-A of the Companies Act, 1956.

Directors

In terms of the Articles of Association of the Company read with the provisions of the Companies Act, 1956, Mr. Derek Stott, Mr. Dadi Engineer and Mr. K. S. Mehta, the Directors would retire at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

Mr. Pradip Shah, who was appointed as an Additional Director on January 10, 2000, retires at the forthcoming Annual General Meeting of the Company. Your Company has received a notice under section 257 of the Companies Act, 1956, proposing his candidature for the office of a Director of the Company. Mr. Pradip Shah is Chairman of IndAsia Fund Advisors Pvt. Ltd. and your Company would be immensely benefited because of his association with the Company.

Auditors

The Auditors, M/s. BSR and Co., Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for reappointment.

Employees

The statutory information regarding employees, as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is attached to this Report.

Acknowledgement

Your Directors wish to place on record their appreciation of the support and cooperation received from the Securities and Exchange Board of India, the Reserve Bank of India, ICICI Ltd., Prudential Corporation Plc. and the Company's bankers, ICICI Bank Limited. The Company has also received considerable support from the Registrar to the Fund, Computer Age Management Services (P) Limited; the Custodian, HDFC Bank and many distributors who have extended their support to the Fund.

The Directors would also like to place on record their appreciation for the contribution made by the employees towards the progress of the Company.

On behalf of the Board

Mumbai
May 25, 2000

K.V. Kamath
Chairman