PRUDENTIAL ICICI ASSET MANAGEMENT

PRUDENTIAL ICICI ASSET MANAGEMENT COMPANY LIMITED

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the Ninth Annual Report, together with the audited accounts of your Company, for the year ended March 31, 2002.

Financial Results

The salient features of the Company's financial results for the year ended March 31, 2002 are as follows:

	(Rupees in million)	(Rupees in million)
	Year ended March 31, 2002	Year ended March 31, 2001
Gross Income	**615**	496
Expenses	**452**	371
Profit / (Loss) before Tax	**163**	125
Provision for Taxation	**49**	42
Profit / (Loss) after Tax	**114**	83
Profit/(Loss) brought forward from previous year	**1**	(60)
Profit available for appropriation	**115**	23
Appropriations		
Transfer to General Reserve	**12**	2
Dividend (Interim Dividend)	**56**	19
Dividend Tax (on Interim Dividend)	**6**	2

Financial Performance of the Company:

For the year ended March 31, 2002, the operational income of the Company, by way of receipt of investment management fees was higher at Rs. 549 million as compared to Rs. 433 million during the previous year. The assets under management during the period under review grew by 41 %, from Rs. 46.87 billion to Rs. 66.16 billion leading to receipt of higher fees by your Company. The expenses for the year ended March 31, 2002 are Rs. 427 million as compared to Rs. 340 million for the previous year ended March 31, 2001. 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. 114 million

during the year. The depreciation for the year under review was at Rs.25 million (previous year Rs.29 million).

Dividend:
An interim dividend at the rate of 30% (Rs.3.00 per share) was declared on March 12, 2002 and was paid on 18,521,111 equity shares of Rs 10 each amounting to Rs. 55.563 million.

Operations during the year:

a. **Assets Under Management (AUM):** The total funds under management of your Company, as of March 31, 2002 stood at Rs. 66.16 billion as against Rs. 46.87 billion as on March 31, 2001. Your Company, as the Investment Manager to the schemes of the Fund, now offers a wide range of products that cater to different risk profiles/investment needs of the customers.

b. **Investment Accounts:** During the period under review, the total number of investment accounts in the schemes of the Fund increased from 3,53,636 (March 31, 2001) to 385,613 (March 31, 2002).

c. **Brand Building:** Your Company continued its efforts, during the year under review, to build, strengthen and reinforce the brand of Prudential ICICI among the investing public. We have received the following awards during the Financial year 2001-02 :

   a. Prudential ICICI Mutual fund rated as No.1 Fund by Business Standard – IMRB Survey on Investor Satisfaction.

   b. Economic times Brand Equity has rated Prudential ICICI Growth Plan Campaign as one of the Best Advertising Campaign in January – February 2002 (Hoarding).

   c. Prudential ICICI Tax Plan Advertisement got Best Internet Advertisement Award at the Advertising Club of Bombay (ABBY) Awards for Creative Excellence.

   d. Prudential ICICI Tax Plan & Balanced Fund ranked No.1 (one year) by Moody's Investor Services for 2001.

   e. Economic Times Brand Equity graded Prudential ICICI Mutual Funds Television commercial (Caring Dad) as "**Rightly the Best**"

d. **Personnel:** Your Company continues to place emphasis on attracting and recruiting quality manpower and in training and retaining them. Your Company believes that one of the ways to achieve the above objectives is to provide long term incentives to the performing employees.

The total staff strength of the Company increased from 114 as of March 31, 2001 to 132 as of March 31, 2002.

Portfolio Management Services:

The company commenced offering Portfolio Management Services (PMS) during the first week of October 2000. Your company offers both discretionary and non-discretionary services across both equity and fixed income assets. During the period under review the AUM has grown from Rs 116.6 mn to Rs 188.0 mn.

Growth in Assets under Management and Clients over the year

(Rs in million)

As of	Equity	Fixed Income	Total	No. of clients
31-Mar-01	63.7	52.7	116.4	6
31-Mar-02	188.0	0.0	188.0	14

Over the period, the mix has changed in favor of the more profitable equity assets, despite the trying market conditions, tighter regulatory framework and the tax disadvantage of PMS vis a vis competing investment alternatives.

The performance of the client's portfolios over this period has been good.

Over the year your company has also begun offering advisory services on equity assets.

Mutual Fund Initiatives:

During the Financial year 2001-2002, your Company launched two new open-ended schemes, viz. Prudential ICICI Child Care Plan and Prudential ICICI Index Fund. Your Company also launched the following additional plans under the existing open-ended Schemes:

Sr.No.	Additional Plans	Existing Scheme
1.	Prudential ICICI Gilt Fund – Treasury 1 Year Plus Plan	Prudential ICICI Gilt Fund
2.	Prudential ICICI Short Term Plan	Prudential ICICI Income Plan
3.	Prudential ICICI Long Term Plan	Prudential ICICI Income Plan
4.	Prudential ICICI Sweep Plan	Prudential ICICI Liquid Plan
5.	Prudential ICICI Fixed Maturity Plan – Series 5	Prudential ICICI Fixed Maturity Plan

The new schemes (including the additional plans under the existing Schemes) raised an aggregate amount of Rs. 3,007.32 million during their Initial Public Offer.

ICICI Power, a seven-year closed ended plan launched in August 1994, was converted into an open-ended fund w.e.f. September 27, 2001. On conversion into an open-ended scheme, the name of the scheme was changed to Prudential ICICI Power.

Performance of the schemes of Prudential ICICI Mutual Fund:

Your Company is acting as the Investment Manager for the fourteen schemes of Prudential ICICI Mutual Fund. The Net Asset Value of the schemes is given below:

Close-ended Fund:

Scheme Name	**NAV as on March 31, 2002**	**NAV as on March 31, 2001**	**Net Assets as on March 31, 2002 (Rs. in billion)**	**Net Assets as on March 31, 2001 (Rs. in billion)**
ICICI Premier	11.5377	10.10	0.51	0.57
ICICI Premier - Redeemed scheme	10.2981	9.64	0.12	0.15

Open-ended Funds:

Scheme Name	**Date of Allotment**	**Net Assets as on March 31, 2002 (Rs. in billion)**	**Compounded Anualised Return (%) from the date of allotment of units till March 31, 2002 - For Growth option.**
Prudential ICICI Power	October 4, 1994	0.30	2.39
Prudential ICICI Income Plan	July 9, 1998	27.12	13.83
Prudential ICICI Growth Plan	July 9, 1998	3.50	20.40
Prudential ICICI Liquid Plan	June 24, 1998	13.73	9.21

Prudential ICICI Gilt Fund - Investment option	August 19, 1999	4.67	20.06
Prudential ICICI Gilt Fund - Treasury option	August 19, 1999	0.81	12.23
Prudential ICICI FMCG Fund	March 31, 1999	0.54	-4.24
Prudential ICICI Tax Plan	August 19, 1999	0.72	10.55
Prudential ICICI Balanced Fund	November 3, 1999.	1.90	-3.01
Prudential ICICI Technology Fund	March 3, 2000	1.60	-41.80
Prudential ICICI Monthly Income Plan	November 10, 2000	1.24	12.44
Prudential ICICI Fixed Maturity Plan - Quarterly- Series 1	December 22, 2000	0.04	9.38
Prudential ICICI Fixed Maturity Plan - Quarterly- Series 2	January 23, 2001	0.18	8.71
Prudential ICICI Fixed Maturity Plan - Quarterly- Series 3	February 22, 2001	0.17	9.51
Prudential ICICI Fixed Maturity Plan - Half-yearly - Series 1	December 22, 2000	0.10	9.32
Prudential ICICI Fixed Maturity Plan - Half-yearly - Series 2	March 23, 2001	0.002	8.18
Prudential ICICI Fixed Maturity Plan - Yearly- Series 1	December 22, 2000	0.09	9.82
Prudential ICICI Fixed Maturity Plan - Yearly- Series 2	March 23, 2001	1.02	10.06
Prudential ICICI Fixed Maturity Plan - Yearly- Series 3	June 25, 2001	0.08	6.75*
Prudential ICICI Fixed Maturity Plan - Yearly- Series 4	September 21, 2001	0.06	4.38*
Prudential ICICI Fixed Maturity Plan - Yearly- Series 5	March 23, 2002	0.85	0.35*
Prudential ICICI Child Care Plan – Gift Option	September 5, 2001	0.07	11.60*
Prudential ICICI Child Care Plan – Study Option	September 5, 2001	0.08	8.90*
Prudential ICICI Short Term Plan	October 25, 2001	4.18	3.92*
Prudential ICICI Index Fund	February 27, 2002	0.08	-4.80*

*Absolute returns

Prudential ICICI Gilt - 1 Year Plus Plan was launched on April 26, 2001. Net Assets under the scheme as on March 31, 2002 are Rs. 1.86 billion. The NAV of the scheme as on March 31, 2002 was Rs. 10.0213.

Prudential ICICI Long Term Plan was launched on March 26, 2002. Net Assets under the scheme as on March 31, 2002 are Rs. 0.50 billion. The NAV of the scheme as on March 31, 2001 was Rs. 10.01.

Prudential ICICI Sweep Term Plan was launched on February 27, 2002. Net Assets under the scheme as on March 31, 2002 are Rs. 0.05 billion. The NAV of the scheme as on March 31, 2001 was Rs. 10.05.

During the period from April 1, 2001 to March 31, 2002, the Nifty, Sensex and Mindex have fallen by -1.6%, -3.7% and - 0.2% respectively.

Sales Offices

Your Company has established a wide reach to the retail customers through its 21 well-equipped sales offices/ distribution centers as at the end of March 2002. These offices are equipped to render customer service to the investors of Prudential ICICI Mutual Fund and to assist brokers/ agents of the 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.2.067 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. Pradip P. Shah, Mr. N. Ganga Ram and Mr. K. S. Mehta are liable to retire at the forthcoming 9th Annual General Meeting and being eligible, offer themselves for re-appointment.

Constitution of Audit Committee of Directors

In terms of newly inserted section 292A of the Companies Act, 1956, the Board of Directors of the Company have constituted an Audit Committee of Directors comprising of Mr. Pradip Shah, Ms. Lalita D. Gupte and Mr. Ajay Srinivasan. During the financial year 2001-2002 four meetings of the Audit Committee of Directors were held.

Auditors

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

Employees

The 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 (will be tabled during the meeting) to this Report.

DIRECTORS RESPONSIBILITY STATEMENT

The Directors confirm:

1. that in the preparation of the annual accounts, the applicable accounting standards had been followed. No material departures have been made during the year under review;

2. that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;

3. that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

4. that the directors had prepared the annual accounts on a going concern basis.

Acknowledgement

Your Directors wish to place on record their grateful thanks to the investors for their continued support and patronage to the schemes of the Fund.

Your Directors further 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.

Your Directors thank M/s Computer Age Management Services Limited (CAMS), ICICI Infotech Services Limited and Citibank N.A. the Registrar and Transfer agents to the schemes of the Fund and HDFC Bank Limited and Deutsche Bank AG, the Custodians to the Fund for the support provided by them in carrying out the operations in an efficient manner.

The Directors would also like to express their sincere thanks and appreciation to all the employees for their contribution during the year. Finally, the Directors wish to express their gratitude to the Members for their continued support.

On behalf of the Board

Mumbai
April 23, 2002

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K.V. Kamath
Chairman