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(REPLY TO BOM/DEL/CAL/BLR/AHM OFFICE)

AS-L 1581 1582 1583

February 5, 1999

ASK-Raymond James Associates Ltd.
Mumbai

Hemindra Hazari
C/o. ASK-Raymond James Associates Ltd.
Mumbai

Sub: Your report dated 7th January '99 in relation to ICICI

We are addressing you on behalf of our clients, ICICI Limited ("ICICI") who have placed in our hands a copy of a research report dated 7th January '99 prepared by your firm in relation to ICICI. Under instructions from them, we have to address you as follows:

a) In the context of certain enquiries which were received from the press, based on a copy of your report which was recently in circulation to the press, ICICI became aware of your report of 7.1.99 for the first time on 4th February '99. Our clients were shocked and surprised at the erroneous, misleading and poorly researched statements therein which are clearly intended to bring into disrepute ICICI, a respected financial institution. As stated below, not only is the report factually incorrect and misleading in many respects, it is surprising that a brokerage house or a research analyst such as yourselves have chosen to make various statements in relation to ICICI, or their statutory auditors without having verified the facts nor even, subsequently forwarding a copy of the report to ICICI as would ordinarily be the case for any reputed brokerage house or research analyst. Clearly, it appears that this report has been prepared, published and circulated to institutional and other investors with malicious intent. That the report was deliberately leaked to sections of the press at the same time in the first week of February '99, clearly bears out the lack of bonafides on your part.

b) Whilst our clients have no desire to enter into a debate with you in relation to the suggestions made in your report, they would like to make the following points :

i) As a part of the scheme for merger of ITC Classic Finance Ltd. (ITCFL) with ICICI, ITC Ltd. as the principal shareholder and promoter of ITCFL has subscribed to 20 year non-cumulative preference shares aggregating Rs. 350 Crore issued by ICICI. The scheme was approved by the Shareholders and also sanctioned by Court. These preference shares carry nominal dividend @ 0.001%, and, being long term also exhibit superior loss bearing capabilities which is an essential requirement for inclusion in Tier-1 capital An analysis of these preference shares with reference to the requirements set out by the Basle Committee for inclusion in Tier-1 capital reveals that these preference shares meet the aforementioned requirements in all material aspects. Subsequent to ICICI's discussions with credit rating agencies and ICICI's auditors, ICICI has included these preference shares as part of Tier-1 capital. All other preference shares issued by ICICI do not have the requisite characteristics and are accordingly treated as Tier-2 capital. ICICI has requested a confirmation from RBI for inclusion of the above preference capital as Tier-1 capital and there has been a dialogue between management of ICICI and RBI and the same is currently under their consideration. ICICI's capital adequacy ratio as on December 31, 1998 is 13.9% of which 9.1% is Tier-1 capital (after inclusion of Rs. 350 Crore, which has an impact of 0.6%) and 4.8% is Tier-2 capital. Even if preference capital is excluded from Tier-1 capital ratio would be 8.4% as against the minimum of 4% stipulated by RBI.

The above preference capital has been included in Tier-1 capital since March 31, 1998, and in ICICI's subsequent interactions with analysts, ICICI has discussed the rationale for the same. ICICI continues to believe that the 20 year non-cumulative preference shares aggregating Rs. 350 Crore are part of Tier 1 economic capital. With a view to recognise this Tier 1 economic capital as part of Tier 1 regulatory capital, ICICI has requested a confirmation from RBI for the inclusion of the above preference capital as Tier 1 capital. ICICI has also disclosed this information in each of ICICI's public issue prospectus that has carried March 31, 1998 accounts.

ii) Even if the preference shares were to be included in Tier-2, (as contended by you), ICICI has obtained no further advantage having them classified as Tier 1since the total capital adequacy ratio remains unaffected. Hence the inferences by you of some unfair advantage, are incorrect.

iii) It is incorrect for you to proceed on the basis that the RBI guidelines on capital adequacy have been breached. The terms of issue of the preference shares, more than satisfy the needs of Tier-1. Your remark in relation to adoption of "liberal accounting policies to cover up flagging fundamentals" suggests that ICICI has failed to adopt the applicable accounting policies, and, directly and/or by innuendo suggests that the fundamentals are being covered up. Our clients take strong exception to this defamatory statement. As you should know, as a financial institution the faith and confidence of investors in ICICI is of paramount importance. Poorly researched and malafide remarks such as these have a detrimental effect on ICICI's reputation and on investor confidence, in it, thereby causing both reputational and financial loss to our clients. It is pertinent that though your report is dated 7th January '99 you deliberately chose to selectively release the same to the press at this time, when our client's issue for Safety Bonds is in the market and subscriptions are open. This is obviously a motivated attempt to adversely affect investor confidence and our client's issue of bonds, which is in the market. The circumstances under which the research report was leaked by you to the press also evidence your malafide intent to sensationalise matters.

On behalf of ICICI we hereby call upon you forthwith to retract your report and issue the requisite clarifications in relation to the correct position as contended by ICICI. In this behalf, our clients have instructed us to seek from you a reply in confirmation in this behalf within 24 hours failing which our clients have given us peremptory instructions to take legal proceedings against you restraining you from further publication of the report or other similar report or any other similar defamatory material and to also claim from you damages in relation to the reputational and financial loss caused to them. The reputational damage has been caused to ICICI both in India and abroad, where your report has been published/ circulated. Our client's would be taking legal proceedings both in India and outside India for appropriate reliefs including in relation to monetary compensation for substantial damages caused by your actions.

For Amarchand, Mangaldas & Suresh. A. Shroff & Co.

CYRIL SHROFF
(Partner)

Cc for information: ICICI Ltd., Bombay

ASK-RAYMOND JAMES
& ASSOCIATES LIMITED

8 February 1999

Messrs Amarchand & Mangdalas & Suresh A Shroff & Co
Lentin Chambers
Dalal Street
Fort
Mumbai 400 023

By Courier and Facsimile
(Facsimile 265 3891)

For the attention of Mr Cyril Shroff

Dear Sirs

ICICI

We received your letter of 5 February, addressed to our investment analyst Mr Hemindra Hazari, on opening our office this morning.

We have passed the letter to our legal advisors, from whom you will hear in due course.

Yours faithfully

John Band
Executive Director

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