

III
ANNUAL
REPORT

INTER-CONNECTED STOCK EXCHANGE OF INDIA
LIMITED



EASIER ACCESS, WIDER REACH



THIRD ANNUAL REPORT

2000 - 2001

 Registered Office:

Inter-Connected Stock Exchange of India Limited.

International Infotech Park, Tower-7,
5th Floor, Vasai, Navi Mumbai - 400 703.

 Tel: (022) 781 2056, 58, 59 and 60, 62. Fax: 7812061.

 Our Internet Web Site:

Home Page: [http:// www.iseindia.com](http://www.iseindia.com)

E-mail : iseso@bom3.vsnl.net.in

INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED

NOTICE OF THE THIRD ANNUAL GENERAL MEETING TO BE HELD ON SATURDAY, SEPTEMBER 22, 2001 AT 3.30 P.M. AT THE REGISTERED OFFICE OF THE COMPANY

NOTICE is hereby given that the Third Annual General Meeting of the Members of Inter-connected Stock Exchange of India Limited will be held on Saturday, September 22, 2001 at 3.30 p.m. at the Registered Office of the Company at International Infotech Park, Tower 7, 5th floor, Sector 30, Vashi, Navi Mumbai - 400 703 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as on 31st March 2001, Profit & Loss Account for the year ended on that date and the Auditors' and Directors' Reports thereon.
2. To approve the nomination of Shri Ashish M. Parikh, a Nominee of Mangalore Stock Exchange in place of Shri Sanjay Chokhany, a Nominee of Magadh Stock Exchange Ltd. as a Director, whose term of office shall be liable to retirement by rotation.
3. To approve the nomination of Shri Rajive Kedia, a Nominee of Gauhati Stock Exchange Ltd. in place of the Nominee of Uttar Pradesh Stock Exchange Association Ltd. as a Director, whose term of office shall be liable to retirement by rotation.
4. To approve the nomination of Shri Madanlal O. Gupta, a Nominee of Vadodara Stock Exchange Ltd. in place of the Nominee of Cochin Stock Exchange Ltd. as a Director, whose term of office shall be liable to retirement by rotation.
5. To appoint the Auditors and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit pass with or without modification, the following Resolution as a "Special Resolution:"

"RESOLVED THAT in accordance with the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Articles 20.11 and 20.11.1 of the Articles of Association of the Company be and is hereby deleted and in its place the following new Articles be and is hereby inserted as Article 20.11 and 20.11.1 respectively.

20.11 Subject to the provisions of the Act, the Board may, from time to time, appoint or re-appoint a Managing Director and a Whole-time Director of the Company for such term not exceeding five years at a time and subject to such terms and conditions as the Board may think fit.

Provided further that the appointment of the Managing Director of the Company shall be subject to approval of SEBI.

20.11.1 The appointment, terms and conditions of service, renewal of appointment and the termination of service of the Managing Director shall be subject to prior approval of SEBI.

to consider and if thought fit pass with or without modification, the following Resolution as "Special Resolution:"

RESOLVED THAT in accordance with the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of Securities and Exchange Board of India (SEBI), the existing Article 20.4.4 of the Articles of Association of the Company be and is hereby deleted and in its place the following new Article 20.4.4 be and is hereby inserted as Article 20.4.4

20.4.4 "The tenure of the Chairman shall be of such period as may be decided by the Board provided he continues to be a Public Representative during his tenure as the Chairman."

BY ORDER OF THE BOARD

DIPAK K. SHAH
COMPANY SECRETARY

Place: Vashi, Navi Mumbai
Date: August 18, 2001

For:

All the Members are requested to forward to the Exchange certified copies of the Board Resolutions authorising their representatives to attend the Meeting and to exercise such other rights along with duly attested signatures of such representatives.

EXPLANATORY
ACT, 1956

IN RESPECT OF

Members of the Association of the India (SEBI) for and the termination of the Company.

SEBI, while appointing the Managing Director Ref. No. SMD/IS the Articles of Association of the Company appointment of the

Accordingly, the Board has unanimously approved the amendment of Association of Companies Act, 1956

None of the Members of the Company Massey is in any

Therefore, the Board has obtained the approval and the

IN RESPECT OF

Members are invited to attend the General Meeting of Association (A) may be decided by the Board provided he continues to be a Public Representative

This condition of the Company would be subject to the decision, subject to the decision, subject to the decision, after the expiry of

The Public Representative shall be elected at the General Meeting, Article 20.4.4 of the Articles of Association of three years for

The Company is a Public Representative under the Contracts (Regulation) Act, 1950 and the Exchange is subject to the approval of the

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

IN RESPECT OF ITEM NO.6

Members of the Company are being informed that the existing Article 20.11 of the Articles of Association of the Company provides for prior approval of Securities and Exchange Board of India (SEBI) for the appointment, terms and conditions of service, renewal of appointment and the termination of service of the Managing Director and Joint Managing Director) of the Company.

SEBI, while according its approval to the re-appointment of Managing Director and Joint Managing Director for a further period of three years, w.e.f. January 22, 2001, vide its letter Ref. No. SMD/ISE/21393/2001 dated January 12 2001, had advised the Exchange to amend the Articles of Association of the Company, so that approval of SEBI is required only for the appointment of Managing Director.

Accordingly, the Board of Directors of the Exchange, in its Meeting held on May 19, 2001, unanimously approved the aforesaid amendments in Articles 20.11 & 20.11.1 of the Articles of Association of the Exchange, subject to approval of the Members of the Exchange in accordance with the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956.

None of the Members of the Board of the Directors of the Company, except Shri Joseph Massey is in any way concerned/interested in the Resolution.

Therefore, the matter is placed before the Members of the Company for consideration and approval and the Board recommends the passing of the Resolution.

IN RESPECT OF ITEM NO.7

Members are informed that as per the existing provisions of Article 20.4.4 of the Articles of Association (AoA) of the Company, the tenure of the Chairman shall be of such period as may be decided by the Board, subject to a maximum of three years, provided he continues to be a Public Representative during his tenure as the Chairman.

This condition was stated in the Articles of our Company with an assumption that the Company would be able to appoint the Chairman for a fixed period of three years at a time. This provision was included in our Articles of Association to enable the Board to take a decision, subject to approval of SEBI, on the appointment/re-appointment of the Chairman after the expiry of the first term of three years for a further term of three years.

The Public Representatives of our Exchange are appointed every year after the Annual General Meeting, which is also subject to approval of SEBI. It is proposed that the existing Article 20.4.4 of AoA should be amended, so that the provision relating to the maximum term of three years for the Chairman is removed.

The Company being a Stock Exchange recognized under Section 4 of the Securities Contracts (Regulation) Act, 1956 any amendment in the Articles of Association of the Exchange is subject to prior approval of SEBI, and therefore, SEBI has been requested to accord its approval to this amendment in AoA of the Company.

Shri M. R. Mayya, present Chairman of the Company, is deemed to be concerned or interested in the Resolution except him none of the Directors of the Company is in any way concerned / interested in the Resolution.

Therefore, the matter is placed before the Members of the Company for consideration and approval and the Board recommends the passing of the Resolution.

BY ORDER OF THE BOARD

DIPAK K. SHAH
COMPANY SECRETARY

Place: Vashi, Navi Mumbai
Date: August 18, 2001

INTER

The Board
the period
the Audi
reference
a major i

PRIMAR

After a
continue
buoyanc
improve
impact c
the In
Pharma
Though
long sp
end of :
2001, th
and bus

During
lower a
in 1999
6256.5
collecti
1999-2
compa
Rs. 1
Enterta
recove
61241
83,829
inflow
where

SECC

The s
row u
crash
month
financ
the f
5001
volun
the c
deriv

INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED

DIRECTORS' REPORT

The Board of Directors of our Company is pleased to present its Third Annual Report for the period April 1, 2000 to March 31, 2001, being the Third Financial Year together with the Auditors' Report and the Accounts up to that date. During the period under reference, the capital market has witnessed a lot of structural changes, which have had a major impact in enhancing the relevance of consolidation and co-existence.

PRIMARY MARKET

After a prolonged sluggish period, resource mobilisation through primary market continued its buoyancy though subdued as against that witnessed last year. This buoyancy was largely due to the sustained buoyancy in the secondary market which improved the sentiments of the investors. The IPOs during the year displayed the impact of sentiments of investors in the secondary market as most of the issues were in the Information Technology, Communication and Entertainment (ICE) and Pharmaceutical sector which was doing exceedingly well in the secondary market. Though, this was a very encouraging development for a second year in a row, after a long spell of dormant market, however, it could not be sustained for long as since the end of 2000, there have not been many issues. After the crash in the market in March 2001, the primary market has been severely hit and it would require considerable policy and business measures to improve the market sentiments.

During 2000-01, fund mobilised by Indian corporates through domestic offerings was lower at Rs. 6107.79 crore from 151 issues as against Rs. 7816.75 crore from 93 issues in 1999-2000. The Public issue in this amounted to Rs. 5378.38 crore as against Rs. 6256.51 crore during the last year, whereas the amount of rights issue in the total collection during the year was Rs. 729.41 crore as against Rs. 1560.24 crore during 1999-2000. In terms of number of issues, the Infotech sector accounted for 89 companies raising a capital of Rs. 803.54 crore as against 36 issues with a capital of Rs. 1547 crore during the previous year. Telecommunications, Finance and Entertainment were the other important growth sectors. Mutual Funds showed a sharp recovery by mobilizing Rs. 92,957.39 crore during the year 2000-01 as against Rs. 61241.23 crore during 1999-2000. The Mutual Funds repurchased units worth Rs. 83,829.32 crore as against Rs. 42271.35 crore in the previous year resulting in a net inflow of Rs. 9128.07 crore during the current year which was lower than last year wherein it was Rs. 18,969.88 crore.

SECONDARY MARKET

The secondary market witnessed an unprecedented buoyancy for the second year in a row until February, 2001. However, after the rise in the market post budget, the market crashed continuously to a level witnessed two years back, by March 31, 2001. The month of March, 2001 displayed the ills of a highly enmeshed but inefficiently integrated financial system wherein we saw the capital market impacting the banks and the rest of the financial sector. The Sensex closed lower by 1448.56 point from the level of 5001.28 on March 31, 2000 to 3604.38 on March 31, 2001. Subsequently, the turnover volume fell significantly with the introduction of the rolling settlement. The prospects for the current financial year do not look very promising and the positive impact of the derivative segment compensating this fall in business appear to be quite far at present.