

Fifth Annual Report, 2002-03



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INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.

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INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.

BOARD OF DIRECTORS

1. R. Mayya, Chairman
2. Shankar, Managing Director (Officiating)
3. A. Vijayan Menon, SEBI Nominee
4. (Retd.) A. D. Tated, Public Representative
5. V. Narasimham, Public Representative
6. Mala Visvanathan, Public Representative
7. R. Iyer, Public Representative
8. W. Deshmukh, Public Representative
9. M. Joshi, Public Representative Director
10. Ranga Prasad, Trading Member, Nominee of Hyderabad Stock Exchange
11. Ravi B. Patel, Trading Member, Nominee of Saurashtra Stock Exchange
12. Shish M. Parikh, Trading Member, Nominee of Mangalore Stock Exchange
13. Kamal Kumar Nahata, Trading Member, Nominee of Gauhati Stock Exchange
14. Rameshwar Nath Pandey, Trading Member, Nominee of Magadh Stock Exchange

REGISTERED OFFICE

Additional Infotech Part, Tower 7, 5th Floor,
- 30, Vashi, Navi Mumbai - 400 703.

(022) 2781 2056 / 58 / 59 / 62 / 2390, Fax: (022) 2781 2061
isesec@bom3.vsnl.net.in Internet Url: <http://www.iseindia.com>

TUTORIAL AUDITORS

C. Chokshi & Co., Chartered Accountants

LEGAL / COMPANY LAW ADVISORS

1. Ranga & Co., Advocates, Solicitors and Notary
2. Inarkar & Associates, Advocates, Solicitors and Notary
3. D. Israni & Co., Company Secretaries

BANKERS

1. Bank Limited
2. Bank Limited
3. Bank Limited
4. Bank Limited
5. Bank Limited

INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED

NOTICE OF THE FIFTH ANNUAL GENERAL MEETING TO BE HELD ON MONDAY, SEPTEMBER 29, 2003 AT 11.00 A.M. AT THE REGISTERED OFFICE OF THE COMPANY.

NOTICE is hereby given that the Fifth Annual General Meeting of the Members of Inter-connected Stock Exchange of India Limited will be held on Monday September 29, 2003 at 11.00 a.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 reports of the Directors and Auditors and the Audited Profit and Loss Account of the Company for the year ended March 31, 2003 and the Balance Sheet as at that date;
2. To consider and approve the nomination of Smt. Asha Manjari Mishra a Nominee of Bhubaneswar Stock Exchange, in place of the Nominee of Madhya Pradesh Stock Exchange, as a Director whose term of office shall be liable to retirement by rotation;
3. To appoint the Auditors and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider, and if thought fit, to pass with or without modification(s), 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 and subject to the approval of the Securities and Exchange Board of India (SEBI), the existing Articles 27.4 and 27.8 of the Articles of Association of the Company be and are hereby deleted and in its place the following new Articles be and are hereby inserted as Article 27.4 and 27.8 of the Articles of Association of the Company respectively.

- 27.4 The concerned Regional Arbitration Panel, and in case this Panel has not been constituted, the Central Arbitration Panel, will have jurisdiction in respect of all claims and disputes between Traders inter-se where the complainants and respondents are from the same Member Exchange, between Traders and Non-traders (the term Non-traders shall mean clients, remisiers, authorised clerks and employees of the concerned Traders) arising out of or in a relation to any dealings, transactions or contracts made through this Company, which shall be subject to the provisions of the Arbitration and Conciliation Act, 1996 and the Articles of Association, Rules, Bye-Laws and Regulations of the Company.

The Arbitrators appointed for a particular case, called the Arbitral Tribunal, may with the agreement of the parties, use mediation, conciliation or other procedure at any time during the Arbitral proceedings to encourage settlement. In case during the proceedings, parties settle their dispute, then the Arbitral Tribunal shall terminate the proceedings and record the settlement in the form of an Arbitral Award on the substance of the dispute.

Provided further that the Arbitrators chosen or appointed for a particular case in which one of the parties is not a Trader or Dealer, shall be from among the Public Representatives in the Central Arbitration Panel or Regional Arbitration Panel, as the case may be.

RESOLVED THAT Shri V. Shankar, Managing Director (Officiating) or Shri . Shah, Company Secretary be and is hereby authorised to do all such acts, things and to take the necessary actions for obtaining the necessary permissions, approvals and to give effect to this Resolution for the above referred amendments in the Memorandum of Association of the Company."

BY ORDER OF THE BOARD

**DIPAK K. SHAH
COMPANY SECRETARY**

, Navi Mumbai
30, 2003

Member is requested to forward to the Company certified copy of the Board resolution authorising their representatives to attend the Meeting and to exercise such powers along with duly attested signatures of such representative. The necessary Statutory Statement pursuant to Section 173(2) of the Companies Act, 1956 in relation to Special Business is annexed hereto.

EXPLANATION
ACT, 1956

IN RESPECT OF

Members of
SEBI/SME
to amend the
disputes to
Exchange
purpose sh

The Govern
resolution
the Compa

As per the
of Associat
a General
Company

The Board
by the Mem

None of the

Place: Var
Date: Aug

INTER-CONNECTED STOCK EXCHANGE OF INDIA
EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES
ACT, 1956

IN RESPECT OF ITEM NO. 4

Members of the Company are hereby informed that SEBI vide its Circular No. SEBI/SMD/SE/Cir-19/2003/02/06 dated June 02, 2003 has advised all the Stock Exchanges to amend their Bye-Laws, Rules and/or Articles of Association to provide that in the case of disputes between investors (i.e. non-trading members) and trading members of the Exchange the arbitration committees/arbitration councils/arbitration panels constituted for the purpose shall consist of persons other than trading members of the Stock Exchange.

The Governing Board of the Exchange in its Meeting held on July 12, 2003 had passed a resolution to amend the relevant provisions of the Bye-laws and the Articles of Association of the Company, subject to approval of the General Body and SEBI.

As per the provisions of Section 31 of the Companies Act, 1956, amendments in the Articles of Association of a Company are required to be approved by the Members of the Company in a General Meeting. The proposed resolution is therefore placed before the Members of the Company in the General Meeting.

The Board of Directors of the Company recommends the adoption/passing of the resolution by the Members of the Company.

None of the Directors of the Company is interested in the proposed resolution.

BY ORDER OF THE BOARD

**DIPAK K. SHAH
COMPANY SECRETARY**

Place: Vashi, Navi Mumbai
Date: August 30, 2003

INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.

DIRECTORS' REPORT

The Board of Directors of Inter-connected Stock Exchange of India Ltd. (ISE) is pleased to present its Fifth Annual Report for the year ended on March 31, 2003, together with the Auditors' Report and Audited Accounts upto that date.

A. MARKET SCENARIO

Market Indices

The year under review was one of the most difficult ones for the stock markets not only in India, but also across the world, with the primary market in a moribund state and the secondary market too remaining depressed. The BSE (Bombay Stock Exchange) Sensex, which was 3500.18 on April 1, 2002, shed 12.9% to close at 3048.72 on March 31, 2003. The NSE (National Stock Exchange) Nifty, likewise, lost 14.11% from the opening value of 1138.95 on April 1, 2002 to the closing value of 978.2 on March 31, 2003. During the same period, all international indices suffered even greater erosion in their values, with the Nasdaq (USA) index losing 28.00%, Dow Jones (NYSE) 22.88%, FTSE (UK) 39.19%, Nikkei (Japan) 27.71%, Hang Seng (Hong Kong) 20.62% and Straits Times (Singapore) also recording a loss of 29.14%.

Many factors contributed to the poor sentiment in the stock market in India, including deployment of battle-ready army along the Indo-Pak border, one of the weakest monsoons leading to drought in many parts of India, violence in Gujarat and delay in disinvestment programme of some large public sector units. International events, such as accounting scandals in the USA, the large number of bankruptcies filed by US corporates, crash in global markets and military conflict between USA/UK and Iraq also contributed to the negative mood overall.

Market Capitalisation

The market capitalisation of securities listed on stock exchanges in India declined during the Financial Year 2002-03. On BSE, which has the largest number of securities listed, the market capitalisation declined from Rs.6,12,200 crores in April 2002 to Rs.5,72,200 crores in March 2003 - a loss of Rs.40,000 crores or 6.5% during the fiscal. The market cap as a percentage of the Gross Domestic Product (GDP) has been showing a steady decline over the last decade, with the only exception being in the year 1999-2000 when there was an increase in this percentage. The table below reflects the trend:

Year	Market Cap (Rs. Crores)	Market Cap (as % of GDP*)
1994-95	4,35,500	43.0
1995-96	5,26,500	44.3
1996-97	4,63,900	33.9
1997-98	5,60,300	36.8
1998-99	5,45,400	31.3
1999-2000	9,12,800	47.3
2000-01	6,25,600	29.7
2001-02	6,12,200	26.7
2002-03 #	5,72,200	25.6

Source CMIE

* GDP at Current Market Prices

Based on advance GDP estimates

This ratio is more than 100% in countries such as US, UK, Singapore and Hong Kong and in countries like Japan, Germany and China, the ratio is significantly higher than in India.