

**SIXTH ANNUAL REPORT**

**2003-04**



**INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.**



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### **BOARD OF DIRECTORS**

**Prof. P.V. Narasimham**, Chairman  
**Shri V. Shankar**, Managing Director  
**Shri. V. A. Vijayan Menon**, SEBI Nominee  
**Prof. V. R. Iyer**, Public Representative  
**Shri M. W. Deshmukh**, Public Representative  
**Shri R. M. Joshi**, Public Representative  
**Shri Sandeep H. Junnarkar**, Public Representative  
**Dr. S. D. Israni**, Public Representative  
**Dr. M.Y. Khan**, Public Representative  
**Shri Ashish M. Parikh**, Trading Member, Nominee of Mangalore Stock Exchange  
**Shri Bimal Kumar Nahata**, Trading Member, Nominee of Gauhati Stock Exchange  
**Shri Rameshwar Nath Pandey**, Trading Member, Nominee of Magadh Stock Exchange  
**Smt. Asha Manjari Mishra**, Trading Member, Nominee of Bhubaneswar Stock Exchange  
**Dr. K. Sabapathy**, Trading Member, Nominee of Coimbatore Stock Exchange

### **SECRETARIAL, LEGAL & COMPLIANCE**

**Shri Dipak K. Shah**, Company Secretary

### **AUDIT COMMITTEE**

**2003-04** : **Prof. V. R. Iyer**, Chairman  
**Justice (Retd.) A. D. Tated**, Public Representative  
**Ms. Vimala Visvanathan**, Public Representative  
**Shri R. M. Joshi**, Public Representative

**2004-05** : **Prof. V. R. Iyer**, Chairman  
**Shri R. M. Joshi**, Public Representative  
**Shri M. W. Deshmukh**, Public Representative  
**Dr. S. D. Israni**, Public Representative  
**Dr. M. Y. Khan**, Public Representative

### **STATUTORY AUDITORS**

**M/s. C. C. Chokshi & Co.**, Chartered Accountants

### **INTERNAL AUDITORS**

**2003-04** : **M/s. Bhat & Rao**, Chartered Accountants

**2004-05** : **M/s Haribhakti & Co.**, Chartered Accountants

### **LEGAL/COMPANY LAW ADVISORS**

**M/s. Kanga & Co.**, Advocates, Solicitors and Notary  
**M/s. Junnarkar & Associates**, Advocates, Solicitors and Notary  
**M/s. S. D. Israni & Co.**, Company Secretaries

### **BANKERS**

HDFC Bank Limited  
The Vysya Bank Limited  
ICICI Bank Limited  
Indusind Bank Limited  
UTI Bank Limited

### **REGISTERED OFFICE**

International Infotech Park  
Tower 7, 5<sup>th</sup> Floor, Sector 30,  
Vashi, Navi Mumbai – 400 703.

### **NOTICE OF EXCHANGE 28, 2004 OPP. CHUR**

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### **Ordinary Bu**

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Date: August  
Place: Vashi,

### **Notes:**

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**NOTICE OF THE SIXTH ANNUAL GENERAL OF INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED TO BE HELD ON TUESDAY, SEPTEMBER 28, 2004 AT 5.00 P.M. AT INDIAN MERCHANTS' CHAMBER, OPP. CHURCHGATE STATION, MUMBAI-400020.**

NOTICE is hereby given that the Sixth Annual General Meeting of the Members of Inter-connected Stock Exchange of India Ltd. will be held on Tuesday, September 28, 2004 at 5.00 p.m. at Indian Merchant's Chambers, Opp. Churchgate Station, Mumbai-400020 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, 2004 and the Balance Sheet as at that date.
2. To consider and approve the nomination of Shri A. S. Ramakrishnan, nominee of Madras Stock Exchange Ltd., whose term of office shall be liable to retirement by rotation.
3. To consider and approve the nomination of Dr. Subhash Gangwal, nominee of Jaipur Stock Exchange Ltd., whose term of office shall be liable to retirement by rotation.
4. To appoint Auditors to hold office from the conclusion of this Meeting up to the conclusion of the next Annual General Meeting and to authorise the Board of Directors

**BY THE ORDER OF THE BOARD**

Sd/-  
**V. SHANKAR**  
**MANAGING DIRECTOR**

Date: August 21, 2004  
Place: Vashi, Navi Mumbai

**Notes:**

1. All the Members are requested to forward to the Company, letters from their respective Exchanges authorising them to attend the Meeting and to exercise such other rights.
2. Members seeking any information or clarification on the Accounts are requested to send written queries to the Company at least seven days before the date of the meeting. Replies to such written queries received, will be provided only at the meeting.

**REGISTERED OFFICE**

International Infotech Park  
Tower 7, 5<sup>th</sup> Floor, Sector 30,  
Vashi, Navi Mumbai – 400 703.

## PERFORMANCE AT A GLANCE

Particulars	(Rupees lakh)	
	2002-03	2003-04
Total Income	155.51	292.75
Employee Costs	39.48	48.23
Administrative & Operative Costs (excluding Deferred Revenue Expenses)	72.96	89.52
Interest	1.90	0.00
Total Expenses	114.34	137.75
Cash profit/(loss)	41.17	155.00
Depreciation	142.70	143.59
Deferred Revenue Expenses (charged to Profit & Loss)	26.71	0.00
Total Expenditure	283.75	281.34
Excess of expenditure over revenue (carried forward to Balance Sheet)	(128.25)	11.41

The Board are pleased to report that the financial performance of the Company for the year ended March 31, 2004 is as follows:

### **A. Market Performance**

The financial performance of the Company for the year ended March 31, 2004 is negative on an overall basis. The market has been discouraged by the global economic rally in the first half of the year, which has weakened the rupee. The Company's performance is encouraging, taking into account the global economic conditions which have led to a sharp decline in the uptake of services in Europe and other regions.

The Company's revenue grew by 15.5% in 2003-04, as compared to 16.9% in 2002-03. The revenue was largely from the IT services segment, which is boosted in the period of high inflation. In the front, India has seen a rise in imports, which has led to a period of high inflation. The exchange rate has also been a factor.

### **Market Performance**

The fiscal performance of the Company over 80% of the year ended March 31, 2004 is 81.37% of the target of 1772 on March 31, 2004. The Company witnessed a rise in the Nasdaq index by 59.11%, while the Straits Times index rose by 15.11%.

## DIRECTORS' REPORT

The Board of Directors of Inter-connected Stock Exchange of India Ltd. (ISE) are pleased to present the sixth Annual Report for the year ended March 31, 2004, together with the Auditors' Report and Audited Accounts for the financial year 2003-04.

### A. MARKET SCENARIO

#### Background

The financial year 2003-04 began on a bearish note, mainly on account of negative factors such as the Iraqi war, SARS outbreak in Asia, terrorism threat on an international scale, lack lustre earnings expectation and generally discouraging economic data. Since May 2003, there has been a welcome rally in the global markets, due mainly to diminishing concerns over SARS, a weakening dollar and easing of fiscal policies, improving economic data, encouraging funds flows and liquidity improvements. Liquidity had improved significantly in the equity markets, with clear signs of bond-to-equity shifts taking place for both foreign and local investors. A steady stream of positive corporate earnings have also helped trigger an upsurge in the US markets, which had also contributed to an increase in financing and merger activities. The upturn witnessed in the US market also influenced the mood all across Europe and Asia.

The Central Statistical Organisation (CSO), has announced that India's GDP grew by 5.7%, 8.4%, 10.4% and 8.3% in the four quarters of the financial year 2003-04, averaging to 8.2% for the year. The commendable GDP growth rate was largely because of the improvement in the farm sector, which expanded by 16.9% over the preceding year. Besides, a buoyant manufacturing sector boosted industrial production to 6.9% in the fiscal, compared to 5.7% recorded in the preceding year. Among other economic indicators, the WPI-based inflation rate fell to 4.6% for the week ended March 27, 2004. On the external front, India's exports recorded a growth of 17.26% during the year under review. Imports, on the other hand, recorded a growth of 25% for the April-March period. The foreign exchange position was extremely comfortable, with foreign exchange reserves going up to more than USD 107.45bn.

#### Market Indices

The fiscal witnessed the BSE (Bombay Stock Exchange) Sensex rising by over 80% or 2509 points, from 3080 points on April 1, 2003 to 5590 points on March 31, 2004. The NSE (National Stock Exchange) Nifty, likewise gained 81.37% from the opening value of 977 on April 1, 2003 to the closing value of 1772 on March 31, 2004. During this period, all international stock indices too witnessed high growths, with the Dow Jones (NYSE) rising smartly by 29.6%, Nasdaq (USA) by 48.69%, FTSE (UK) by 21.38%, Xetra Dax (Germany) by 59.11%, Nikkei (Japan) by 46.94%, Hang Seng (Hong Kong) by 46.87% and Straits Times (Singapore) by 46.62%

### FINANCIAL STATEMENTS AT A GLANCE

(Rupees lakh)

	2002-03	2003-04
	155.51	292.75
	39.48	48.23
	72.96	89.52
Expenses)		
	1.90	0.00
	114.34	137.75
	41.17	155.00
	142.70	143.59
	26.71	0.00
	283.75	281.34
Revenue	(128.25)	11.41

## Market Capitalisation

Reflecting the positive sentiment in the economy and on the back of good corporate performance, equity share prices soared. On BSE, which has over 5,528 securities listed, the market capitalisation increased from Rs.5,72,197 crore in March 2003 to Rs.12,01,206 crore in March 2004, a gain of Rs.6,29,010 crore or 110% during the fiscal. The ratio of market cap to GDP also witnessed a handsome jump with respect to the figures for the previous years, as is evident from the following table:

Year	Market cap (Rs. Crore)	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	7,20,000	17.6
2003-04	13,80,000	49.0

Source: CMIE

\*GDP at Current Market Prices.

The ratio of market cap to GDP is more than 100% in countries like, USA, UK, Singapore and Hong Kong. Even in countries like Japan, Germany and China, this ratio is higher than that for India. There is, therefore, substantial scope for further growth of the equity market in India.

## Primary Market

With stock indices touching their all time high levels in the year under review, it was no surprise that the primary market too presented a similar picture. History was created with the primary market raising over Rs.175bn in the fiscal through public issues of equity shares. The previous highest amount was in 1994-95 when companies raised Rs.133bn. A large portion of the amount raised in the fiscal was through offer of sale, mainly by PSUs. Out of the total amount raised through the primary market, almost Rs.140bn was raised in the last quarter and the Government raised a record Rs.155bn through the disinvestment exercise. The major contribution to the primary market raising was on account of the mega offer from ONGC aggregating to Rs.105bn, the largest public offering in India's corporate history. In spite of the huge issue size, the offer was over subscribed nearly 6 times. Apart from ONGC, the other PSU shares on offer were IPCL, IBP, GAIL, Maruti Udyog, CMC, Petronet, Power Trading Corp., Dredging Corp. of India, LNG and Corporation Bank.

## Secondary

The secondary market witnessed continuous growth with the turnover of exchanges increasing by 72% over the year.

Foreign Institutional Investment (FI) investment in India compared to other countries is the highest for FIIs. FIIs also net bought Rs.20.67bn worth of securities during the year.

## Depository

Dematerialisation of securities in the year 2003-04 was 100%. The demat account opening in Securities Depository Central Depository Limited (CDSL) on March 31, 2004 was 100% over the corresponding period of the previous year.

Straight Through Processing (STP) from July 1, 2003 onwards in the banking sector has become a reality. Some banks have started business and are facilitating smooth processing of securities.

## Derivatives

The Futures & Options (F&O) turnover was Rs.1,200 crore during 2003-04. The rise in turnover was due to the increase in the number of contracts and at current prices.

Out of the total turnover, 10.15% index

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(crore)	Market Cap (as % of GDP*)
	43.0
	44.3
	33.9
	36.8
	31.3
	47.3
	29.7
	26.7
	17.6
	49.0

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 orp. of India, LNG and Corporation Bank.

## Secondary Market

The secondary market, which was on a moribund state until May 2003, showed continuous progress after June 2003. The combined turnover on the Indian exchanges during the fiscal was Rs.16,00,000 crore, representing an increase of 72% over the preceding year's figure of Rs.9,30,000 crore.

Foreign Institutional Investors (FIIs) were quite active in India. The total FII investment for the fiscal has been estimated at a record USD 9.9bn (Rs.457bn), compared to a mere USD 0.5bn (Rs.25bn) during 2002-03. The previous highest for FII investment in India was USD 3bn in 1993-04. Mutual funds were also net buyers during the fiscal at Rs.13.08bn, compared to net seller position of Rs.20.67bn in the preceding fiscal.

## Depository

Dematerialisation of securities listed on stock exchanges progressed further in the year 2003-04, mainly on account of the mandatory requirement for having a demat account while subscribing to the PSU and other issues. National Securities Depository Ltd. (NSDL) had a total of 52.03 lakh accounts and Central Depository Services (India) Ltd. (CDSL) had 6.29 lakh accounts as on March 31, 2004, which represented increase of 37% and 154% respectively over the corresponding figures as on March 31, 2003 for these two depositories. The depositories have also enhanced the range of services offered by providing instruction capability over internet to the account holders.

Straight Through Processing (STP) was made compulsory by SEBI with effect from July 1, 2004 for institutional trades. Another related development in the banking sector was the introduction of Real Time Gross Settlement (RTGS) by some banks from end-March 2004. Extension of STP facility also to retail business and adoption of RTGS system by all banks across the country would facilitate smooth transition to the T+1 settlement cycle, which is high on SEBI's agenda.

## Derivatives

The Futures & Options (F&O) segment recorded a total turnover of Rs.21,42,087 crore during 2003-04, compared to Rs.4,42,343 crore in the preceding year. The rise in turnover in this segment was a hefty 384% over the preceding year and at current levels, the F&O turnover is 1.33 times the combined turnover in the Equities segment.

Out of the total F&O turnover, stock futures account for 61.20%, stock options 10.15%, index futures 26.19 and index options 2.46%.

### **Indian Depository Receipts**

Companies incorporated outside India can now raise resources from the Indian capital market, consequent to the Government notifying the norms for issue of Indian Depository Receipts (IDRs). Companies planning to raise IDRs should have pre-issue paid-up capital and free reserves of USD 100mn and an average of USD 500mn during the 3 financial years preceding the issue. Besides, the issuing company should also have made profits for at least 5 years preceding the issue and declared a dividend of not less than 10% for each of the said years. It should also have a pre-issue debt equity ratio of not more than 2:1, as well as fulfil the eligibility criteria laid down by SEBI from time to time. All IDR issues would need prior approval of SEBI and such issues do not require listing on a foreign bourse. The norms notified by the Government also make it mandatory for the issuing company to have an established place of business in India. The rules further stipulate that IDRs cannot be redeemed into the underlying equity shares within one year from the issue date and IDRs issued in any financial year cannot exceed 15% of the company's paid-up capital and free reserves.

### **IndoNext**

A joint proposal prepared by the Federation of Indian Stock Exchanges (FISE) and BSE for creating a special trading platform for small and medium cap companies having paid-up capital upto Rs.20 crore was submitted to SEBI in February 2004. Additional information sought by SEBI on the concept and working of this new market was also provided.

The IndoNext platform is expected to rejuvenate the primary market and secondary activities on your Exchange. It would also result in the revival of activities of Traders and Dealers of your Exchange, dealing on behalf of retail investors having interest in trading in the securities of small and medium cap companies, which would include the regionally-listed companies and those listed under the B1 and B2 groups on BSE.

### **B. OPERATIONS**

With a view to bolstering the operational activity on your Exchange, a new line of business, namely, Depository Participant operations, was launched during the year 2003-04. The DP operations have commenced in a small way from the single location, i.e., the Registered Office.

A total of 2,464 accounts consisting of 83 broker accounts and 2,381 client accounts were opened during the fiscal. The gross income earned from DP business during the year 2003-04 was Rs.19.37 lakh, out of which Rs.4.57 lakh was paid to NSDL and CDSL.

### **Listing**

The total number of companies listed on your Exchange for the year 2003-04 was 1,100. Trading on your Exchange is permitted securities of 1,000 companies. The total market capitalization of these companies is Rs. 1,00,000 crore as on March 31, 2004. The number of companies had a listing on your Exchange (Delisting of Securities)

### **Membership**

There has been a total of 14,000 members on your Exchange. There has been a total of fourteen Stock Exchanges in India: Bangalore, Bhubaneswar, Bombay, Calcutta, Madhya Pradesh, Mumbai, New Delhi, Pune, Vadodara.

### **Traders and Dealers**

The position relating to Traders and Dealers on your Exchange is as follows:

	Position on 31.03.04
Traders	20
Dealers	34
Total	54

The distribution of Traders and Dealers is as follows:

Sr. No.	Region	Position
1.	West	6
2.	North	10
3.	East	10
4.	South	10
5.	Central	8

ia can now raise resources from the Indian  
 1. Government notifying the norms for issue of  
 2. Companies planning to raise IDRs should  
 3. e reserves of USD 100mn and an average  
 4. l years preceding the issue. Besides, the  
 5. made profits for at least 5 years preceding  
 6. of not less than 10% for each of the said  
 7. e debt equity ratio of not more than 2:1, as  
 8. l down by SEBI from time to time. All IDR  
 9. SEBI and such issues do not require listing  
 10. notified by the Government also make it  
 11. to have an established place of business in  
 12. that IDRs cannot be redeemed into the  
 13. year from the issue date and IDRs issued  
 14. 15% of the company's paid-up capital and

deration of Indian Stock Exchanges (FISE)  
 1. trading platform for small and medium cap  
 2. upto Rs.20 crore was submitted to SEBI in  
 3. ation sought by SEBI on the concept and  
 4. o provided.

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 1. ange. It would also result in the revival of  
 2. your Exchange, dealing on behalf of retail  
 3. in the securities of small and medium cap  
 4. he regionally-listed companies and those  
 5. on BSE.

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 1. participant operations, was launched during  
 2. ions have commenced in a small way from  
 3. ered Office.

ng of 83 broker accounts and 2,381 client  
 1. fiscal. The gross income earned from DP  
 2. was Rs.19.37 lakh, out of which Rs.4.57

## Listing

The total number of companies listed on ISE as at the end of the fiscal is 10. Trading on your Exchange is possible in securities of listed companies and in permitted securities, which at present number 711. The market capitalisation of these companies as on March 31, 2004 was Rs.522 crore, as against Rs.3,466 crore as on March 31, 2003. During the year under review, two of the listed companies had applied for voluntary delisting of their securities under the SEBI (Delisting of Securities) Guidelines, 2003.

## Membership

There has been no change in the membership of your Exchange and the fourteen Stock Exchanges who are its members are the Stock Exchanges of Bangalore, Bhubaneswar, Cochin, Coimbatore, Hyderabad, Jaipur, Madras, Madhya Pradesh, Magadh, Mangalore, Saurashtra Kutch, Uttar Pradesh and Vadodara.

## Traders and Dealers

The position relating to registration, resignation and transfer of trading rights of Traders and Dealers during the financial year 2003-04 is given below:

	Position as on 31.3.2003	Fresh Registrations	Resignations/ Transfers/ Defaulters/ Expulsions	Position as on 31.3.2004	Change
Traders	209	10	16	203	(-) 6
Dealers	340	14	12	342	(+) 2
Total	549	24	28	545	(-) 4

The distribution of Traders and Dealers across the different regions is given below:

Sr. No.	Region	States	Traders	Dealers	Total
1.	West	Goa, Gujarat, Maharashtra	35	185	220
2.	North	Haryana, Jammu & Kashmir, New Delhi, Punjab, Rajasthan, Uttaranchal and Uttar Pradesh	11	66	77
3.	East	Assam, Bihar, Jharkhand, Orissa and West Bengal	69	72	141
4.	South	Andhra Pradesh, Karnataka, Kerala and Tamil Nadu	76	11	87
5.	Central	Chhattisgarh and Madhya Pradesh	12	8	20
Total			203	342	545

### **Settlement Guarantee Fund**

The corpus of the Settlement Guarantee Fund (SGF) set up by ISE in accordance with the SEBI requirement has a total fund base of Rs.19.21 crore as at the end of the financial year 2003-04, compared to Rs.19.07 crore at the end of the financial year 2002-03.

The break-up of this Fund in terms of its various constituents is given below:

Sr. No.	Item	(Rs. crore)	
		As on 31.3. 2004	As on 31.3.2003
1.	Cash contribution from Promoter Stock Exchanges	1.30	1.30
2.	SGF Admission Fees paid in cash by Traders and Dealers	1.20	0.44
3.	BMC of Traders and Dealers maintained in the form of cash	4.54	4.68
4.	BMC of Traders and Dealers maintained in the form of FDRs/ BGs/Securities	5.58	6.31
5.	BMC of Traders maintained in the form of Undertakings from Promoter Stock Exchanges	4.77	3.54
6.	Interest accrual on cash component of SGF	3.46	2.41
<b>Total Corpus of SGF</b>		<b>19.21</b>	<b>19.07</b>

### **Investor Protection Fund and Investor Services Fund**

ISE maintains Investor Protection Fund (IPF) and Investor Services Fund (ISF) as per the requirements of SEBI. Details of these Funds are presented below:

Particulars	IPF (Rupees)	
	2003-04	2002-03
Opening balance	93,367	92,783
Accretion during the year	2	584
Closing balance	93,369	93,367

Particulars	ISF (Rupees)	
	2003-04	2002-03
Opening balance	1,19,475	98,096
Accretion during the year	23,802	21,379
(Less) Expenses incurred on Investor Awareness Programmes	1,00,000	-
Closing balance	43,277	1,19,475

### **Investor Griev**

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Your Exchange monitor the statu to the Manager

### **Training Progr**

The ISE Traini conducting train market interme also held for th arranged by ISE

Date
June 21, 2003
July 19, 2003
October 19, 2003
November 22, 2003
December 13, 2003

Guarantee Fund (SGF) set up by ISE in  
 ment has a total fund base of Rs.19.21 crore  
 2003-04, compared to Rs.19.07 crore at the

of its various constituents is given below:

(Rs. crore)

	As on 31.3. 2004	As on 31.3.2003
ter	1.30	1.30
ash	1.20	0.44
	4.54	4.68
maintained rities	5.58	6.31
the form	4.77	3.54
Stock Exchanges		
ment of SGF	3.46	2.41
	19.21	19.07

#### Investor Services Fund

Fund (IPF) and Investor Services Fund (ISF)  
 Details of these Funds are presented below:

(Rupees)

	2003-04	2002-03
	93,367	92,783
	2	584
	93,369	93,367

(Rupees)

	2003-04	2002-03
	1,19,475	98,096
	23,802	21,379
	1,00,000	-
nes		
	43,277	1,19,475

#### Investor Grievances Cell ✓

Complaints of investors against Traders and Dealers, as well as against companies, are attended to by the Investor Grievances Cell. Each complaint is followed up by your Exchange, which arranges conciliation meetings between the parties and where the conciliation effort do not yield an amicable settlement, the parties are advised to refer the matter to arbitration. During the year under review, 11 complaints were received by the Investor Grievances Cell and 6 complaints were resolved or closed, due to absence of supporting information/evidence.

In order to provide better service to investors, your Exchange has opened its first Investor Point kiosk at the ground floor of the Vashi Railway Station complex. Similar kiosks are proposed to be set up at other locations in Mumbai and other important cities, to provide investors with single-window services on all matters related to your Exchange and its wholly-owned subsidiary, ISE Securities & Services Ltd. (ISS).

Your Exchange has also constituted an Investors' Services Committee to monitor the status of investor grievances and to provide appropriate directions to the Management for effective resolution of the same.

#### Training Programmes ✓

The ISE Training & Research Centre (ISE-TRC) played a n active role in conducting training programmes for stock brokers, sub-brokers and other market intermediaries, as well as for their staff. Training programmes were also held for the staff of ISE and ISS. Some of the significant programmes arranged by ISE-TRC are listed below:

Date	Place	Programme
June 21, 2003	Vashi, ✓ Navi Mumbai	Investor Awareness programme under the auspices of the Securities Market Awareness Campaign of SEBI, inaugurated by the then Dy. Chief Minister of Maharashtra, Shri Chhagan Bhujbal.
July 19, 2003	Kolkata ✗	Business Opportunities for Stock Brokers and Regulatory Framework.
October 19, 2003	Bhopal ✗	Investor Education Programme under the auspices of the Securities Market Awareness Campaign of SEBI.
November 22, 2003	Vashi, ✓ Navi Mumbai	Importance of Technical Analysis for wise investing.
December 13, 2003	Vashi, ✓	Role of Day Trading in Stock Market. Navi Mumbai



Programme
Investment Opportunities - The Road Ahead.
Investor Education Programme on Depository System.
Investors' Mela on Capital Market.
Compliance Requirements for Brokers and Sub-brokers.
Capital Market - Problems & Prospects.
Investor Education Programme on Stock Market Operations.
Seminar on Investment Opportunities.
Investor Education Programme on Stock Market Operations
Role of Financial Planning.

there were 3 legal cases, filed by 3 Dealers. Adequate measures are being taken by your Exchange with the help of its legal advisors/advocates. There are no legal cases pending against your Exchange.

Defaulters by your Exchange during the financial year 2003-04. Their failure to pay outstanding dues to ISE. Further, three Traders were expelled by your Exchange on their parent stock exchanges, in accordance with the Guidelines issued by the Ministry of Finance, Government of India.

Consolidated its position to emerge as one of the leading exchanges in the country. The operations of ISS span across the country.

Total turnover recorded by the subsidiary was Rs.12,266 crore), consisting of Rs.22,568 crore in the Capital Market segment and Rs.11,368 crore in the Futures & Options segment of NSE. Turnover during the fiscal was Rs.134 crore, with the peak daily turnover achieved was Rs.303 crore on 27 January 9, 2004.

## C. FINANCIAL HIGHLIGHTS

There has been a substantial improvement in the financial performance of your Exchange during the year 2003-04, with your Exchange posting a net profit for the first time since inception. Comparative statistics on the financial performance of your Exchange for the year under review and the four preceding years are given below:

(Rupees lakh)

Particulars	1999-00	2000-01	2001-02	2002-03	2003-04
Total Income	65.63	219.58	193.42	155.51	292.75
Employee Costs	74.01	80.11	49.71	39.48	48.23
Administrative & Operative Costs (excluding Deferred Revenue Expenses)	204.45	210.60	262.29	72.96	89.52
Interest	44.07	24.96	65.92	1.90	0.00
Total Expenses	322.53	315.67	377.92	114.34	137.75
Cash profit/(loss)	(256.90)	(96.09)	(184.50)	41.17	155.00
Depreciation	168.15	187.09	180.89	142.70	143.59
Deferred Revenue Expenses (charged to Profit & Loss)	26.71	26.71	26.71	26.71	0.00
Total Expenditure	517.39	529.46	585.52	283.75	281.34
Excess of expenditure over revenue (carried forward to Balance Sheet)	(451.76)	(309.89)	(392.11)	(128.25)	11.41

The income of your Exchange has increased mainly on account of the DP business started during the year, reimbursement of actual asset usage charges by the Subsidiary and rental income for the office premises let out. Close monitoring of expenditure also helped keep the administrative and operative costs under control.

Your Exchange expects to generate net profit even in the financial year 2004-05.

## D. CORPORATISATION AND DEMUTUALISATION OF STOCK EXCHANGES

As required by SEBI, your Exchange has submitted its proposal for Corporatisation and Demutualisation, in tune with the Kania Committee recommendations approved by SEBI. After implementation, the Corporatisation and Demutualisation proposal would segregate ownership interest, trading interest and management interest in your Exchange, with the Exchange converting itself into a for-profit entity.



the DP area would be substantially in major cities, such as Mumbai, Delhi, and Chennai, etc. These branches would provide DSL, facilitating prompt and convenient internet requirements. At the second stage, branches will be established at strategic locations in all states and would all be linked to the respective branch office. This would spread out the DP operations of your Exchange and would attract investors to maintain their accounts with your Exchange.

For your Exchange would be training. This includes on-line testing and e-certification is planned. The rules of relevance to the capital and market structure change is in the process of identifying and implementing the courseware, technology and the infrastructure.

Currently working on the establishment of a category of securities of small and medium enterprises. The creation of Indian Stock Exchanges and BSE, and the introduction of IndoNext would galvanise the market, as its vast network of Traders and Dealers spread across 17 states can provide an environment for catering to the interests of the retail investor. This is attached to the development of this market. The Hon'ble Union Finance Minister, Budget Speech 2004-05.

Continue its regulatory responsibilities and ensure the interests of investors, as well as Sub-brokers of ISS. This would be carried out by your Exchange,

Regional Office at International Infotech Park, which has been set up at Delhi, Kolkata, Nagpur and Hyderabad. The Office and the Regional Offices are well equipped to cater to Traders and Dealers across the country and communication systems. The

infrastructure of your Exchange supports instantaneous communication across the network.

### **G. INSURANCE**

All assets and properties of your Exchange and its subsidiary at Navi Mumbai and Mumbai, as well as at the Regional Offices are adequately covered by insurance.

### **H. DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors confirm that in the preparation of the Annual Accounts for the financial year ended March 21, 2004,

- the applicable accounting standards have been followed and no material departure have been made from the same;
- appropriate accounting policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at March 31, 2004 and Profit & Loss Account for the year ended March 31, 2004;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities, and;
- the annual accounts have been prepared on a going-concern basis.

### **I. BOARD OF DIRECTORS**

During the period April 1, 2003 till date, eleven meetings of the Board of Directors were held as detailed below:

Meeting No.	Date
42	May 17, 2003
43	July 12, 2003
44	July 26, 2003
45	August 30, 2003
46	September 29, 2003
47	November 8, 2003
48	December 20, 2003
49	February 21, 2004
50	April 17, 2004
51	June 19, 2004
52	August 21, 2004

The following changes have taken place in the Board of Directors during the period:

Sr. No.	Name of Director	Particulars	Date of change
1.	Shri Joseph Massey	Resigned as Managing Director of the Exchange	April 2, 2003
2.	Shri V. Shankar	Appointed as Officiating Managing Director of the Exchange	April 2, 2003
3.	Smt. Asha Manjari Mishra	Appointed as Nominee of Bhubaneswar Stock Exchange	September 29, 2003
4.	Dr. K. Sabapathy	Appointed as Nominee of Coimbatore Stock Exchange	December 20, 2003
5.	Shri V. Shankar	Appointed as Managing Director of the Exchange	January 16, 2004
6.	Shri M. R. Mayya	Ceased to Public Representative Director and Chairman of the Exchange	April 17, 2004
7.	Prof. P. V. Narasimham	Re-appointed as Public Representative Director and appointed as Chairman of the Exchange	April 17, 2004
8.	Justice (Retd.) A. D. Tated	Ceased to be Public Representative Director	April 17, 2004
9.	Ms. Vimala Visvanathan	Ceased to be Public Representative Director	April 17, 2004
10.	Dr. S. D. Israni	Appointed as Public Representative Director	April 17, 2004
11.	Shri Sandeep H. Junnarkar	Appointed as Public Representative Director	April 17, 2004
12.	Dr. M. Y. Khan	Appointed as Public Representative Director	April 17, 2004

In the forthcoming (i.e. Sixth) Annual General Meeting, the Madras, Hyderabad and Jaipur Stock Exchanges are eligible to nominate their representatives on the Board of the Exchange, in place of the nominees of Mangalore, Gauhati and Vadodara Stock Exchanges.

#### **J. CONSTITUTION OF STATUTORY AND OPERATIONAL COMMITTEES**

Your Exchange has constituted various Statutory and Operational Committees, as required by SEBI. The names of the members of the Committees have been approved by/intimated to SEBI. Details of these Committees are given below.

#### **Central Arbitration Panel**

The following persons are Panel:

Sr. No.	Name of the
1.	Justice (Retd.)
2.	Shri V. H. Pan
3.	Smt. S. M. Reg
4.	Shri B. S. Hegc
5.	Shri Sunil Dalal
6.	Dr. Sailendra N
7.	Shri Suraj Bajaj
8.	Shri K. Sriram
9.	Shri Ganesh Sh
10.	Shri Dhiraj Gala

The following persons were in the previous year:

Sr. No.	Name of the
1.	Shri S. S. Pradhe
2.	Shri G. K. Menda
3.	Shri M. U. Kini
4.	Shri R. Krishnam
5.	Shri V. H. Pandya
6.	Justice (Retd.) A.
7.	Shri Ganesh Shar
8.	Shri Dhiraj Gala
9.	Shri Sanjeev Kher
10.	Shri G. D. Mundra

#### **Defaults Committee**

The following persons are me

Sr. No.	Name of the Mem
1.	Dr. D. K. Bhatia
2.	Dr. Sailendra Narain
3.	Smt. S. M. Rege
4.	Shri G. D. Mundra
5.	Shri Yatin Shah
6.	Shri V. Shankar

in the Board of Directors during the period:

Particulars	Date of change
Appointed as Managing Director of the Exchange	April 2, 2003
Appointed as Officiating Managing Director of the Exchange	April 2, 2003
Appointed as Nominee of the Madras Stock Exchange	September 29, 2003
Appointed as Nominee of the Vadodra Stock Exchange	December 20, 2003
Appointed as Managing Director of the Exchange	January 16, 2004
Appointed as Public Representative and Chairman of the Exchange	April 17, 2004
Appointed as Public Representative Director and Chairman of the Exchange	April 17, 2004
Appointed as Public Representative Director	April 17, 2004
Appointed as Public Representative Director	April 17, 2004
Appointed as Public Representative Director	April 17, 2004
Appointed as Public Representative Director	April 17, 2004

At the Annual General Meeting, the Madras, Vadodra and Bombay Stock Exchanges are eligible to nominate their representatives in place of the representatives of the Madras and Vadodra Stock Exchanges.

#### **TUTORIAL AND OPERATIONAL**

Appointed various Statutory and Operational representatives to SEBI. The names of the members of the committee are being intimated to SEBI. Details of these

#### **Central Arbitration Panel**

The following persons are members of the present Central Arbitration Panel:

Sr. No.	Name of the Member	Status
1.	Justice (Retd.) A. D. Tated	Public Representative
2.	Shri V. H. Pandya	Public Representative
3.	Smt. S. M. Rege	Public Representative
4.	Shri B. S. Hegde	Public Representative
5.	Shri Sunil Dalal	Public Representative
6.	Dr. Sailendra Narain	Public Representative
7.	Shri Suraj Bajaj	Trading Member
8.	Shri K. Sriram	Trading Member
9.	Shri Ganesh Shanbhag	Trading Member
10.	Shri Dhiraj Gala	Trading Member

The following persons were members of the Central Arbitration Panel in the previous year:

Sr. No.	Name of the Member	Status
1.	Shri S. S. Pradhan	Public Representative
2.	Shri G. K. Menda	Public Representative
3.	Shri M. U. Kini	Public Representative
4.	Shri R. Krishnamurthy	Public Representative
5.	Shri V. H. Pandya	Public Representative
6.	Justice (Retd.) A. D. Tated	Public Representative
7.	Shri Ganesh Shanbhag	Trading Member
8.	Shri Dhiraj Gala	Trading Member
9.	Shri Sanjeev Khemani	Trading Member
10.	Shri G. D. Mundra	Trading Member

#### **Defaults Committee**

The following persons are members of the present Defaults Committee:

Sr. No.	Name of the Member	Status
1.	Dr. D. K. Bhatia	Public Representative, Chairman
2.	Dr. Sailendra Narain	Public Representative
3.	Smt. S. M. Rege	Public Representative
4.	Shri G. D. Mundra	Trading Member
5.	Shri Yatin Shah	Trading Member
6.	Shri V. Shankar	Managing Director (Ex-officio)

The following persons were members of the Defaults Committee in the previous year:

Sr. No.	Name of the Member	Status
1.	Shri M. W. Deshmukh	Public Representative, Chairman
2.	Shri M. V. Raghavachari	Public Representative
3.	Shri Kirit P. Mehta	Public Representative
4.	Shri Kamal Kothari	Trading Member
5.	Shri Yatin Shah	Trading Member
6.	Shri Joseph Massey	Managing Director (Ex-officio)
7.	Shri V. Shankar	Joint Managing Director (Ex-officio)

#### **Disciplinary Action Committee**

The following persons are members of the present Disciplinary Action Committee:

Sr. No.	Name of the Member	Status
1.	Justice (Retd.) A. D. Tated	Public Representative, Chairman
2.	Shri B. S. Hegde	Public Representative
3.	Shri Sunil Dalal	Public Representative
4.	Shri Jayant Vidwans	Trading Member
5.	Shri Sanjeev Khemani	Trading Member
6.	Shri V. Shankar	Managing Director (Ex-officio)

The following persons were members of the Disciplinary Action Committee in the previous year:

Sr. No.	Name of the Member	Status
1.	Justice (Retd.) A. D. Tated	Public Representative, Chairman
2.	Prof. M. D. Limaye	Public Representative
3.	Dr. K. U. Mada	Public Representative
4.	Shri Jayant Vidwans	Trading Member
5.	Shri P. Bose Babu	Trading Member
6.	Shri Joseph Massey	Managing Director (Ex-officio)
6.	Shri V. Shankar	Joint Managing Director (Ex-officio)

#### **Screening (i.e. Membership Selection) Committee**

The following persons are members of the present Screening Committee:

Sr. No.	Name of the Member	Status
1.	Shri R. M. Joshi	Public Representative, Chairman
2.	Prof. V. R. Iyer	Public Representative
3.	Shri M. W. Deshmukh	Public Representative
4.	Shri V. Shankar	Managing Director

The following persons were members of the Defaults Committee in the previous year:

Sr. No.	Name of the Member	Status
1.	Shri M. W. Deshmukh	Public Representative, Chairman
2.	Shri M. V. Raghavachari	Public Representative
3.	Shri Kirit P. Mehta	Public Representative
4.	Shri Kamal Kothari	Trading Member

#### **Audit Committee**

The following persons are members of the present Audit Committee:

Sr. No.	Name of the Member	Status
1.	Prof. M. D. Limaye	Public Representative, Chairman
2.	Shri B. S. Hegde	Public Representative
3.	Shri Sunil Dalal	Public Representative
4.	Shri Jayant Vidwans	Trading Member
5.	Shri Sanjeev Khemani	Trading Member

The following persons were members of the Audit Committee in the previous year:

Sr. No.	Name of the Member	Status
1.	Prof. M. D. Limaye	Public Representative, Chairman
2.	Justice (Retd.) A. D. Tated	Public Representative
3.	Shri B. S. Hegde	Public Representative
4.	Dr. K. U. Mada	Public Representative

#### **Ethics Committee**

The following persons are members of the present Ethics Committee:

Sr. No.	Name of the Member	Status
1.	Prof. M. D. Limaye	Public Representative, Chairman
2.	Shri B. S. Hegde	Public Representative
3.	Shri Sunil Dalal	Public Representative
4.	Shri Jayant Vidwans	Trading Member

The following persons were members of the Ethics Committee in the previous year:

Sr. No.	Name of the Member	Status
1.	Shri R. M. Joshi	Public Representative, Chairman
2.	Prof. V. R. Iyer	Public Representative
3.	Shri M. W. Deshmukh	Public Representative
4.	Shri V. Shankar	Managing Director

Members of the Defaults Committee in the

Member	Status
	Public Representative, Chairman
	Public Representative
	Public Representative
	Trading Member
	Trading Member
	Managing Director (Ex-officio)
	Joint Managing Director (Ex-officio)

Members of the present Disciplinary Action

Member	Status
	Public Representative, Chairman
	Public Representative
	Public Representative
	Trading Member
	Trading Member
	Managing Director (Ex-officio)

Members of the Disciplinary Action Com-

Member	Status
	Public Representative, Chairman
	Public Representative
	Public Representative
	Trading Member
	Trading Member
	Managing Director (Ex-officio)
	Joint Managing Director (Ex-officio)

Selection) Committee

Members of the present Screening

Member	Status
	Public Representative, Chairman
	Public Representative
	Public Representative
	Managing Director

The following persons were members of the Screening Committee in the previous year:

Sr. No.	Name of the Member	Status
1.	Shri M. R. Mayya	Public Representative, Chairman
2.	Justice (Retd.) A. D. Tated	Public Representative
3.	Shri R. M. Joshi	Public Representative
4.	Shri V. Shankar	Managing Director

Audit Committee

The following persons are members of the present Audit Committee:

Sr. No.	Name of the Member	Status
1.	Prof. V. R. Iyer	Public Representative, Chairman
2.	Shri R. M. Joshi	Public Representative
3.	Shri M. W. Deshmukh	Public Representative
4.	Dr. S. D. Israni	Public Representative
5.	Dr. M. Y. Khan	Public Representative

The following persons were members of the Audit Committee in the previous year:

Sr. No.	Name of the Member	Status
1.	Prof. V. R. Iyer	Public Representative, Chairman
2.	Justice (Retd.) A. D. Tated	Public Representative
3.	Shri R. M. Joshi	Public Representative
4.	Ms. Vimala Visvanathan	Public Representative

Ethics Committee

The following persons are members of the present Ethics Committee:

Sr. No.	Name of the Member	Status
1.	Prof. P. V. Narasimham	Public Representative, Chairman
2.	Shri Sandeep H. Junnarkar	Public Representative
3.	Shri Ashish M. Parikh	Trading Member
4.	Shri V. Shankar	Managing Director

The following persons were members of the Ethics Committee in the previous year:

Sr. No.	Name of the Member	Status
1.	Shri M. W. Deshmukh	Public Representative, Chairman
2.	Ms. Vimala Visvanathan	Public Representative
3.	Shri Ashish M. Parikh	Trading Member
4.	Shri V. Shankar	Managing Director

### **Investors Services Committee**

The following persons are members of the present Investors Services Committee:

Sr. No.	Name of the Member	Status
1.	Dr. M. Y. Khan	Public Representative, Chairman
2.	Prof. P. V. Narasimham	Public Representative
3.	Dr. S. D. Israni	Public Representative
4.	Shri V. Shankar	Managing Director

### **K. INSPECTION OF STOCK EXCHANGE BY SEBI**

For the period April 2002 to April 2004, SEBI had carried out an inspection of your Stock Exchange and its Inspection Report has been received a few days ago. Your Exchange would be submitting its Compliance Report to SEBI after discussing the matter in the SEBI Inspection Compliance Review Committee and the Board of Directors.

### **L. RENEWAL OF RECOGNITION OF YOUR STOCK EXCHANGE**

The recognition of your Stock Exchange under Section 4 of the Securities Contracts (Regulation) Act, 1956 would be expiring on November 17, 2004. As required under the provisions of Section 3 of this Act and Rule 7 of the Securities Contracts (Regulation) Rules, 1957, your Exchange has submitted the application for renewal of recognition to SEBI, along with the supporting documents, on time.

### **M. PARTICULARS OF SUBSIDIARY COMPANY**

As required under Section 212 of the Companies Act, 1956, annexed hereto are copies of the Audited Statement of Accounts for the year ended March 31, 2004, Report of the Board of Directors and the Auditors for the year ended March 31, 2004 for ISS, wholly-owned Subsidiary of your Exchange. The Statement of the Holding Company's interest in the Subsidiary Company as specified under Sub-section (3) of Section 212 of the Companies Act, 1956 also forms part of this Annual Report.

### **N. AUDITORS**

M/s. C. C. Chokshi & Co., Chartered Accountants, were appointed by the Members of the Exchange in the Fifth Annual General Meeting as Statutory Auditors of the Exchange to hold office till the conclusion of the forthcoming (i.e., Sixth) Annual General Meeting. They are eligible for

re-appointment and to accept the office. The Auditors in the remuneration paid to subject to approval following up on the payment of remuneration Government, which

### **O. PARTICULARS**

In view of the enhancement to the particulars of 217(2A) of the Companies Act (Particulars of Employees to be stated in the [

Your Exchange had consisting of those contract. Out of the

### **P. STATUTORY DIS**

The disclosure required Companies Act, 1956 Particulars in the Financials regarding Conservation Exchange Earnings; therefore, no details

### **Q. CORPORATE GO**

Your Exchange is controlled of Directors, Chairman Exchange and its Statutory Dealers, Sub-broker serviced effectively, and The functioning of your

### **R. PUBLIC DEPOSIT**

Your Exchange has n

Members of the present Investors Services

Sl. No.	Status
	Public Representative, Chairman
Chairman	Public Representative
	Public Representative
	Managing Director

#### **EXCHANGE BY SEBI**

In April 2004, SEBI had carried out an inspection and its Inspection Report has been submitted to your Exchange. Your Exchange would be submitting its response after discussing the matter in the SEBI Review Committee and the Board of

#### **COMPLIANCE WITH THE PROVISIONS OF YOUR STOCK EXCHANGE**

Your Stock Exchange under Section 4 of the Companies Act, 1956 would be expiring on 31st March 2004. It is required under the provisions of Section 3 of the Companies Act, 1956 to file the application for renewal of the licence along with the supporting documents, on time.

#### **FINANCIAL STATEMENT OF HOLDING COMPANY**

Under Section 208 of the Companies Act, 1956, annexed to the audited Statement of Accounts for the year ended 31st March 2004 for ISS, wholly-owned subsidiary of your Exchange. The Statement of the Holding Company's financials as specified under Sub-section (3) of Section 208 of the Companies Act, 1956 also forms part of this

Chartered Accountants, were appointed by your Exchange in the Fifth Annual General Meeting to hold office till the conclusion of the next Annual General Meeting. They are eligible for

re-appointment and they have confirmed their eligibility and willingness to accept the office, if re-appointed.

The Auditors in their Report have drawn attention to the fact that the remuneration paid to the Managing Director from January 16, 2004 was subject to approval of the Central Government. Your Exchange is following up on the application for approval of appointment of and payment of remuneration to the Managing Director with the Central Government, which it is confident of receiving.

#### **O. PARTICULARS OF EMPLOYEES**

In view of the enhancement in the monetary limit, the disclosure relating to the particulars of employees, in terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, are not required to be stated in the Directors' Report.

Your Exchange had a total staff strength of 61 as on March 31, 2004, consisting of those who were on rolls as well as those who were on contract. Out of them, 39 have been deputed to ISS on full time basis.

#### **P. STATUTORY DISCLOSURE OF PARTICULARS**

The disclosure requirement in terms of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, regarding Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outflows, do not apply to your Exchange and therefore, no details are required to be given.

#### **Q. CORPORATE GOVERNANCE**

Your Exchange is committed to good corporate governance. The Board of Directors, Chairman, Managing Director and the staff working for your Exchange and its Subsidiary are conscious of the fact that the Traders, Dealers, Sub-brokers, investors and the general public need to be serviced effectively, as befitting a professional national-level Exchange. The functioning of your Exchange reflects this strong commitment.

#### **R. PUBLIC DEPOSIT**

Your Exchange has not accepted any deposits from the public.



## DETAILS OF ATTENDANCE OF THE DIRECTORS IN THE BOARD MEETINGS

Period: April 1, 2003 till August 21, 2004

During the period April 1, 2003 till date, 11 meetings of the Board of the Exchange were held as per details given below:

Meeting No.	Date
42	May 17, 2003
43	July 12, 2003
44	July 26, 2003
45	August 30, 2003
46	September 29, 2003
47	November 8, 2003
48	December 20, 2003
49	February 21, 2004
50	April 17, 2004
51	June 19, 2004
52	August 21, 2004

### Details of Attendance :

Sr. No.	Name of Director and status	No. of Board Meetings held during the tenure	No. of Board Meetings attended	Status at 5 <sup>th</sup> AGM
1.	Shri M. R. Mayya Public Representative & Chairman (Upto April 17, 2004)	8	8	Present
2.	Prof. P. V. Narasimham Public Representative & Chairman (w.e.f. April 17, 2004)	11	9	Present
3.	Shri. Vijayan Menon SEBI Nominee	11	6	Absent
4.	Justice (Retd.) A. D. Tated Public Representative (Upto April 17, 2004)	8	8	Present
5.	Ms. Vimala Visvanathan Public Representative (Upto April 17, 2004)	8	6	Absent
6.	Prof. V. R. Iyer Public Representative	11	9	Present
7.	Shri M. W. Deshmukh Public Representative	11	9	Present
8.	Shri R. M. Joshi Public Representative	11	10	Present

R. PUBLIC DEPOSIT

Sr. No.	Name of Director and status	No. of Board Meetings held during the tenure	No. of Board Meetings attended	Status at 5 <sup>th</sup> AGM
9.	Shri Sandeep H. Junnarkar Public Representative (w.e.f. April 17, 2004)	3	2	Not applicable
10.	Dr. S. D. Israni Public Representative (w.e.f. April 17, 2004)	3	3	Not applicable
11.	Dr. M.Y. Khan Public Representative (w.e.f. April 17, 2004)	3	3	Not applicable
12.	Shri Arvind B. Patel Trading Member, Nominee of Saurashtra Kutch Stock Exchange (Upto September 29, 2003)	4	0	Absent
13.	Shri N. Ranga Prasad Trading Member, Nominee of Hyderabad Stock Exchange (Upto September 29, 2003)	4	2	Absent
14.	Shri Bimal K. Nahata Trading Member, Nominee of Gauhati Stock Exchange	11	1	Absent
15.	Shri Ashish M. Parikh Trading Member, Nominee of Mangalore Stock Exchange	11	8	Present
16.	Shri V. Ramu Sharma Trading Member, Nominee of Bangalore Stock Exchange (Upto May 11, 2003)	1	1	Not applicable
17.	Shri Rameshwar Nath Pandey Trading Member, Nominee of Magadh Stock Exchange	11	1	Absent
18.	Smt. Asha Manjari Mishra Trading Member, Nominee of Bhubaneswar Stock Exchange (w.e.f. September 29, 2003)	7	1	Not applicable
19.	Dr. K. Sabapathy Trading Member, Nominee of Coimbatore Stock Exchange (w.e.f. December 20, 2003)	4	1	Not applicable
20.	Shri V. Shankar Managing Director (Officiating) (Upto January 16, 2004)  Managing Director (w.e.f. January 16, 2004)	11	11	Present

### 1. Location and time w held:

The last three Annual of the Company, were Company:

3<sup>rd</sup> AGM: September 2  
4<sup>th</sup> AGM: September 3  
5<sup>th</sup> AGM: September 2

### 2. Extra-Ordinary Gene

Subsequent to the Meetings of the Mem June 19, 2004 at the F

In the EOGM held appointment of Dr. K Trading Member Direc

In the EOGM held on appointment of Shri V of remuneration was t

Date: August 21, 2004  
Place: Vashi Navi Mumbai

us	No. of Board Meetings held during the tenure	No. of Board Meetings attended	Status at 5 <sup>th</sup> AGM
	3	2	Not applicable
	3	3	Not applicable
	3	3	Not applicable
ashtra	4	0	Absent
brabad	4	2	Absent
ati	11	1	Absent
alore	11	8	Present
alore	1	1	Not applicable
adh	11	1	Absent
	7	1	Not applicable
batore	4	1	Not applicable
	11	11	Present

## GENERAL BODY MEETINGS

### 1. Location and time where the last three Annual General Meetings (AGMs) were held:

The last three Annual General Meetings, i.e., 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> Annual General Meeting of the Company, were held on the following dates at the Registered Office the Company:

3<sup>rd</sup> AGM: September 22, 2001

4<sup>th</sup> AGM: September 30, 2002

5<sup>th</sup> AGM: September 29, 2003

### 2. Extra-Ordinary General Meetings (EOGMs):

Subsequent to the 5<sup>th</sup> Annual General Meeting, two Extra-Ordinary General Meetings of the Members of the Company were held on December 20, 2003 and June 19, 2004 at the Registered Office of the Company.

In the EOGM held on December 20, 2003 Special Business relating to the appointment of Dr. K. Sabapathy, Nominee of Coimbatore Stock Exchange, as Trading Member Director on the Governing Board of the Company was transacted.

In the EOGM held on June 19, 2004, Special Business relating to the approval to the appointment of Shri V. Shankar as Managing Director of the Company and payment of remuneration was transacted.

**By order of the Board of Directors**

Sd/-  
**P. V. NARASIMHAM**  
Chairman

Sd/-  
**V. SHANKAR**  
Managing Director

Date: August 21, 2004  
Place: Vashi Navi Mumbai

**STATEMENT OF THE HOLDING COMPANY'S INTEREST IN THE SUBSIDIARY  
COMPANY AS SPECIFIED IN SUB-SECTION (3) OF SECTION 212 OF  
THE COMPANIES ACT, 1956**

Sr. No.	Particulars	Remarks
1.	Name of the Subsidiary Company	ISE Securities & Services Limited
2.	Financial year of the Subsidiary Company	April 1, 2003 to March 31, 2004
3.	Number of Shares of the Subsidiary Company held by Inter-connected Stock Exchange of India Ltd. (ISE)	54,97,900 Equity Shares of Rs.10/- each fully paid-up, held in the name of Inter-connected Stock Exchange of India Ltd.  2,100 Equity Shares of Rs.10/- each fully paid-up, in the name of seven nominees of ISE (Prof. P. V. Narasimham, Shri Ajay A. Thakkar, Dr. K. Sabapathy, Shri Ashish M. Parikh, Shri V. Shankar, Shri Hasmukh B. Baldev and Shri Yogendra Surana).  ===== 55,00,000 Equity Shares of Rs. 10/- each fully paid-up
4.	Extent of Shareholding	100%. On March 31, 2004, ISE held the entire Share Capital consisting of 55,00,000 Equity Shares of Rs. 10/- each fully paid-up.
5.	Net aggregate amount of Profit / Loss of the Subsidiary Company, so far as it concerns the Members of the Company  (a) not dealt with in the accounts of Inter-connected Stock Exchange of India Ltd. for the financial year ended March 31, 2004:  I. For the financial year mentioned in 2 above.  II. For the previous financial year.	          Rs.1,06,01,985          Rs.7,98,855

Sr. No.	Particulars
	(b) dealt with in the accounts of Inter-connected Stock Exchange of India Ltd. for the financial year ended March 31, 2004:  I. For the financial year mentioned in 2 above.  II. For the previous financial year.

Date: August 21, 2004  
Place: Vashi Navi Mumbai



## Auditors' Report

To,  
**The Members of  
Inter-Connected Stock Exchange of India Limited.**

1. We have audited the attached Balance Sheet of Inter-Connected Stock Exchange of India Limited, as at 31<sup>st</sup> March, 2004 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of account;
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

Mumbai, Dated: 2

**ange of India Limited.**

ed Balance Sheet of Inter-Connected Stock  
as at 31<sup>st</sup> March, 2004 and also the Profit and  
1 Flow Statement for the year ended on that  
3 financial statements are the responsibility of  
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ndards require that we plan and perform the  
assurance about whether the financial state  
is statement. An audit includes examining, on  
porting the amounts and disclosures in the  
dit also includes assessing the accounting  
ant estimates made by management, as well  
ncial statement presentation. We believe that  
ble basis for our opinion.

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terms of Section 227 (4A) of the Companies  
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said Order.

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nd belief were necessary for the purposes of

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o far as appears from our examination of the

Profit and Loss Account and Cash Flow  
this report are in agreement with the books of

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ith by this report comply with the Accounting  
in sub-section (3C) of Section 211 of the

- e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f) *Attention is invited to Note 3 in Schedule 14 of the accounts regarding remuneration of Rs.193,842/- for the period from January 16, 2004 to March 31, 2004 paid to the Managing Director which is subject to the approval of the Central Government.*
- g) Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, the accounts read along with Note 15 in Schedule 14 regarding accounts of the Company being prepared on a going concern basis, Significant Accounting Policies and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2004;
  - ii) in the case of the Profit and Loss account, of the profit for the year ended on that date; and
  - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For C.C.Chokshi & Co.**  
**Chartered Accountants**

**Sd/-**

**P. R. Barpande**  
**Partner**

Membership No. 15291

**Mumbai, Dated: 21 AUG 2004**

**Annexure to the Auditors' Report**  
**Re: Inter-Connected Stock Exchange of India Limited**  
(Referred to in paragraph 3 of our report of even date)

- i) The nature of the Company's business/activities during the period have been such that clauses (ii), (viii), (xiii), (xiv), (xviii), and (xx) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company for the period.
- ii)
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) All the fixed assets have not been physically verified by the management during the year but there is regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification. (Refer Note 16 in Schedule 14 of the accounts)
  - (c) The Company has not disposed off substantial part of fixed assets during the period.
- iii) The Company has not granted or taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly the sub-clauses (a), (b), (c) and (d) of clause (iii) are not applicable to the company.
- iv) In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v) According to the information and explanations given to us, there were no transactions during the year that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 and accordingly sub-clause (b) of clause (v) is not applicable to the company.
- vi) The Company has not accepted any deposits from the public.
- vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.

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(xiii), (xiv), (xviii), and (xx) of paragraph 4  
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appointed by the management have been  
of the Company and the nature of its

viii) According to information and explanations given to us in respect of statutory and other dues:

- (a) The company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, cess and any other statutory dues with the appropriate authorities during the year.
  - (b) According to information and explanation given to us, there are no cases of dues of sales tax/income-tax/custom tax/wealth tax/excise duty/cess that have not been deposited on account of any dispute.
- ix) The accumulated losses of the Company have exceeded fifty per cent of its net worth as at the end of the year. The Company has not incurred cash losses during the current year but had incurred a cash loss in the immediately preceding financial year.
- x) According to information and explanations given to us, there are no dues payable to a financial institution or bank or debenture holders.
- xi) According to information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xii) According to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks and financial institutions.
- xiii) According to the information and explanations given to us, there are no term loans obtained by the Company.
- xiv) According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short term basis have, prima facie, not been used during the period for long term investment and vice versa.
- xv) The Company has not issued any debentures during the year.
- xvi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For C.C.Chokshi & Co.,  
Chartered Accountants

Sd/-

P. R. Barpande  
Partner

Membership No. 15291

Mumbai, Dated: 21 AUG 2004

## Inter-connected Stock Exchange of India Limited

Balance Sheet as at 31st March, 2004

	Schedule	As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
<b>Sources of funds</b>			
<b>Shareholders' funds</b>			
Share Capital (Company Limited by Guarantee)		Nil	Nil
Admission fees/ Contribution towards Infrastructure Development	1	91,750,000	91,750,000
Reserves and Surplus	2	226,005,088	214,614,484
<b>Total</b>		<b>317,755,088</b>	<b>306,364,484</b>
<b>Application of funds</b>			
<b>Fixed assets</b>			
Gross block	3	164,920,418	164,055,241
Less: Depreciation		91,276,451	71,048,312
Net block		73,643,967	93,006,929
Capital work-in-progress		3,589,132	4,715,053
		77,233,099	97,723,982
Investments	4	55,000,000	55,000,000
<b>Current Assets, Loans and Advances</b>			
<b>Current Assets</b>			
Cash and Bank Balances	5	161,736,304	129,637,146
Sundry Debtors	6	3,824,522	6,208,179
Loans and Advances	7	10,506,073	14,544,691
		176,066,899	150,390,016
<b>Less: Current Liabilities and Provisions</b>			
Current liabilities	8	127,760,270	134,129,944
Deferred Payment Liabilities	9	530,344	1,506,122
		128,290,614	135,636,066
<b>Net Current Assets</b>		<b>47,776,285</b>	<b>14,753,950</b>
<b>Profit and Loss Account</b>		<b>137,745,704</b>	<b>138,886,552</b>
<b>Total</b>		<b>317,755,088</b>	<b>306,364,484</b>
Significant Accounting Policies and Notes forming part of the Accounts	14		

As per our attached Report of even date  
For C. C. Chokshi & Co.,  
Chartered Accountants

Sd/-  
P. R. Barpande  
Partner  
Mumbai  
Dated: August 21, 2004

For and on behalf of the Board of Directors

Sd/-  
P. V. Narasimham  
Chairman  
Mumbai  
Dated: August 21, 2004

Sd/-  
V. Shankar  
Managing Director

Sd/-  
Dipak K. Shah  
Company Secretary

## Inter-connect

Profit and Loss Ac

Income		
Expenditure		
Employee Costs		
Administration and C		
Interest		
Depreciation		
Loss : Adjusted again		
( Refer Note 1 and No		
Profit/(Loss) for the		
Balance Brought For		
Balance carried to I		
Significant Account		
forming part of the		

As per our attached Rep  
For C. C. Chokshi & C  
Chartered Accountants

Sd/-  
P. R. Barpande  
Partner  
Mumbai  
Dated: August 21, 2004