

**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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### **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 results for the year ended March 31, 2004 are as follows:

### **A. Market Performance**

The financial markets were negative on an overall basis due to the discouraging news about the global economy. The Indian market was weakly encouraged by the government's policy of taking private sector companies to the stock market. The uptick in the market was seen in Europe and Asia.

The Central Bank of India grew by 1.5% in 2003-04, which was largely due to the 16.9% increase in the price level. In the front, India's inflation rate is expected to rise. Imports, which were 1.5% in the period, are expected to rise to 2.5% in the exchange rate.

### **Market Indices**

The fiscal deficit was over 80% of GDP in March 31, 2004. The market index was 81.37% of the base of 1772 on March 31, 2004. The market witnessed a sharp decline in Nasdaq (down 59.11%) and the Straits Times (down 11.11%) in the period.

## 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 10.15% over the corresponding period of the previous year.

Straight Through Processing (STP) from July 1, 2003 onwards in the banking sector has facilitated some banks to offer business and facilitate smooth agenda.

## Derivatives

The Futures & Options (F&O) turnover was Rs.1,200 crore during 2003-04. The rise in turnover was 10.15% and at current levels the Equities segment is expected to grow.

Out of the total turnover of 10.15%, index