

*Scrub of actual expenses.*  
*- breakup - 150 debit note*  
*line item tax invoice copy of bills supported.*

# INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.

**EASIER ACCESS, WIDER REACH**

## SECOND ANNUAL REPORT

### 1999 - 2000



**Registered Office:**

**Inter-Connected Stock Exchange of India Ltd.**  
International Infotech Park, Tower-7,  
5th Floor, Vashi, Navi Mumbai - 400 703.



**Tel:** (022) 781 2056(6 lines). **Fax:** 7812061.

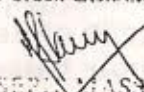


**Our Internet Web Site:**

Home Page: [http:// www.iseindia.com](http://www.iseindia.com)  
E-mail : [isesc@ bom3.vsnl.net.in](mailto:isesc@bom3.vsnl.net.in)

**CERTIFIED TO BE TRUE COPY**

FOR INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED.

  
**JOSEPH MASSEY**  
Managing Director.



# INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED

## NOTICE OF THE SECOND ANNUAL GENERAL MEETING OF THE EXCHANGE

NOTICE is hereby given that the Second Annual General Meeting of the Members of Inter-connected Stock Exchange of India Limited will be held on Saturday, September 23, 2000 at 2.30 p.m. at the Registered Office of the Exchange at International Infotech Park, Tower 7, 5<sup>th</sup> 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 31<sup>st</sup> March 2000, Profit & Loss Account for the period ended on that date and the Auditors' and Directors' Report thereon.
2. To approve the Nomination of Shri N.Ranga Prasad a Nominee of Hyderabad Stock Exchange Limited in place of Shri Jambu Kumar Jain a Nominee of Gauhati Stock Exchange Limited as a Director whose term of office shall be liable to retirement by rotation
3. To approve the Nomination of Shri Arvind Bhai B. Patel a Nominee of Saurashtra Kutch Stock Exchange Limited in place of Ms. Manisha P. Naik a Nominee of Vadodara Stock Exchange Limited as a Director whose term of office shall be liable to retirement by rotation
4. To approve the Nomination of Shri Mohan Malpani, a Nominee of Madhya Pradesh Stock Exchange in place of Shri Pankaj J. Shah, a Nominee of Bangalore Stock Exchange Limited as a Director whose term of office shall be liable to retirement by rotation.
5. To appoint the Auditors and to fix their remuneration.

BY ORDER OF THE BOARD

JOSEPH MASSEY  
MANAGING DIRECTOR

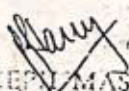
Place: Vashi, Navi Mumbai  
Date: August 12, 2000

### Note:

1. All the Members are requested to forward to the Company 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.

**CERTIFIED TO BE TRUE COPY**

FOR INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED.

  
JOSEPH MASSEY  
Managing Director



# Inter-Connected Stock Exchange of India Limited

Balance sheet as at March 31, 2000.

	Schedule	as at March 31, 2000 Rupees	as at March 31, 1999 Rupees
<b>Sources of funds</b>			
<b>Shareholder's funds</b>			
Share Capital (Company Limited by guarantee)		Nil	Nil
Admission fees/ Contribution towards Infrastructure development	1	112,473,000	105,100,000
Dealer Admission Fees	2	26,000,000	
Reserves & Surplus	3	3,674,069	1,120,222
		142,147,069	106,220,222
<b>Loan Funds</b>			
Unsecured Loans	4		500,000
<b>Total</b>		<b>142,147,069</b>	<b>106,720,222</b>
<b>Application of funds</b>			
<b>Fixed assets</b>			
Gross block	5	139,914,534	139,555,915
less, Depreciation		19,325,996	2,573,558
Net block		120,588,538	137,042,357
Capital work in progress		29,904,145	1,681,125
		150,492,683	138,723,482
Investments	6	25,000,000	
<b>Current assets, loans and advances</b>			
<b>Current Assets</b>			
Cash and Bank Balances	7	186,817,346	25,537,096
Sundry Debtors	8	1,355,439	186,649
Loans and advances	9	10,752,829	3,595,955
		198,925,614	29,319,699
<b>less, Current liabilities and provisions</b>			
Current liabilities	10	262,832,107	27,834,290
Deferred Payment Liabilities	11	33,312,280	54,856,584
		296,144,387	82,690,874
<b>Net current assets</b>		<b>(97,218,773)</b>	<b>(53,371,176)</b>
Miscellaneous expenditure (to the extent not written off or adjusted)	12	8,011,592	10,682,123
Profit & Loss Account		55,861,567	10,685,793
<b>Total</b>		<b>142,147,069</b>	<b>106,720,222</b>
Significant accounting policies and notes forming part of the accounts	17		

as per our attached Report of even date

for C. C. Chokshi & Co.,

Chartered Accountants

sd/-  
(P. R. Barpaude)  
Partner

for and on behalf of the Board

sd/-  
(S. R. Nayya)  
Chairman

sd/-  
(Joseph Massey)  
Managing Director

sd/-  
(V. Shankar)  
Joint Managing Director

Mumbai, dated August 12, 2000

Mumbai, dated August 12, 2000

**CERTIFIED TO BE TRUE COPY**  
OF THE BALANCE SHEET OF  
INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED.

**JOSEPH MASSEY**  
Managing Director.



## Inter-Connected Stock Exchange of India Limited

Profit and Loss Account for the year April 1, 1999 to March 31, 2000

	schedule	for the year ended March 31, 2000	for the period ended March 31, 1999
		Rupees	Rupees
<b>Income</b>	13	6,562,742	2,448,315
<b>Total</b>		<b>6,562,742</b>	<b>2,448,315</b>
<b>Expenditure</b>			
Employee Costs	14	7,400,685	1,940,249
Administration and Operational Expenses	15	23,116,532	8,417,933
Interest Paid	16	4,406,678	961,859
Depreciation: ( Previous year net of Rs. 709,552 transferred to deferred revenue expenditure )		16,814,621	1,814,067
<b>Total</b>		<b>51,738,516</b>	<b>13,134,108</b>
Loss for the year		(45,175,774)	(10,685,793)
Loss brought forward from previous period		(10,685,793)	
(Loss) carried to Balance sheet		<b>(55,861,567)</b>	<b>(10,685,793)</b>
Significant accounting policies and notes forming part of the accounts	17		

as per our attached Report of even date  
for C. C. Chokshi & Co.,  
Chartered Accountants

sd/-  
(P. R. Barpande)  
Partner

Mumbai, dated August 12, 2000

for and on behalf of the Board


sd/-  
(M. R. Mayya)  
Chairman

Mumbai, dated August 12, 2000

sd/-  
(Joseph Massey)      (V. Shankar)  
Managing Director      Joint Managing Director

**CERTIFIED TO BE TRUE COPY**

FOR INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED.

  
JOSEPH MASSEY  
Managing Director.



# Inter-Connected Stock Exchange of India Limited

Schedules forming part of the accounts

	as at March 31, 2000 Rupees	as at March 31, 1999 Rupees
<b>Schedule 1, Admission Fees/Contribution towards Infrastructure development from Members</b>		
Members Admission Fees	7,51,00,000	7,50,00,000
Contribution towards infrastructure development		
Balance as per last year	10,00,000	
Add: Contributions during the year	72,30,000	
Less: Repaid during the year	(4,35,000)	
Refer note B-5A:		
<b>Total</b>	<b>112,473,000</b>	<b>105,100,000</b>

	as at March 31, 2000 Rupees	as at March 31, 1999 Rupees
<b>Schedule 2, Admission Fees from Dealers</b>		
Dealer Admission Fees		
- Received during the year	26,00,00,000	
<b>Total</b>	<b>26,00,00,000</b>	

	as at March 31, 2000 Rupees	as at March 31, 1999 Rupees
<b>Schedule 3 Reserves &amp; Surplus</b>		
<b>Other Reserves</b>		
<b>Settlement Guarantee Fund</b> (from initial contribution from traders and dealers and accretions by way of levy of charges on transactions during the year) (Including Rs. 20,67,335/- accretion arising by way of interest for the year on deposits, etc. made out of such funds in accordance with the bye-laws of the company)	3,632,795	1,120,000
<b>Investor Protection Fund</b> (from accretions by way of levy of charges and fines on transactions during the year)	17,453	27
<b>Investor Service Fund</b> (from accretions by way of levy of charges and appropriations from listing fees income during the year)	23,820	27
<b>Total</b>	<b>3,674,069</b>	<b>1,120,222</b>

	as at March 31, 2000 Rupees	as at March 31, 1999 Rupees
<b>Schedule 4, Unsecured Loans</b>		
From Others	Nil	500,000
<b>Total</b>	<b>Nil</b>	<b>500,000</b>



## Inter-Connected Stock Exchange of India Limited

Schedules forming part of the accounts

	as at March 31, 2000 Rupees	as at March 31, 1999 Rupees
<b>Schedule 6. Investments</b>		
Long Term Investments (unquoted, at cost)		
Investments in the Shares of Subsidiary Company - ISE Securities & Services Limited 2500000 Equity Shares of Rs. 10 - each fully paid		
<b>Total</b>	<b>25,000,000</b>	

	as at March 31, 2000 Rupees	as at March 31, 1999 Rupees
<b>Schedule 7. Cash and bank balances</b>		
Cash-on-hand [including security deposits, etc.]		
<b>Bank balances</b>		
<b>with scheduled Banks</b>		
- in Current Account [including Rs. 8,54,521 - (Previous year Rs. 14,04,555) in earmarked funds accounts]	1,667,212	1,667,212
- in Deposit Account * [including Rs. 25,861,015/- (Previous year Rs. 19,097,248) in earmarked funds accounts] [including interest accrued Rs. 19,38,772 - (Previous year Rs. 147,511)-]	185,149,376	21,627,521
<b>Total</b>	<b>186,817,340</b>	<b>25,537,094</b>
* Includes Fixed Deposit Receipt of Rs. 25,00,000/- (Previous year Rs. 25,00,000) over which a bank has given in respect of the guarantee given by a bank to a supplier.		

	as at March 31, 2000 Rupees	as at March 31, 1999 Rupees
<b>Schedule 8. Sundry Debtors</b>		
<i>(Unsecured)</i>		
Outstanding for a period exceeding six months	1,027,408	1,50,000
Other Debts	478,031	46,649
	<b>1,505,439</b>	<b>186,649</b>
Less: Provision	150,000	
<b>Total</b>	<b>1,355,439</b>	<b>186,649</b>
<b>Note:</b>		
Considered Good	1,355,439	186,649
Considered Doubtful	150,000	
	<b>1,505,439</b>	<b>186,649</b>

	as at March 31, 2000 Rupees	as at March 31, 1999 Rupees
<b>Schedule 9. Loans and Advances</b>		
<i>(unsecured)</i>		
Advances given to subsidiary company - ISE Securities & Services Limited	4,408,920	
Advances recoverable in cash or in kind, or for value to be received	5,706,123	4,592,214
Tax Deducted at Source	1,293,510	146,472
	11,408,553	4,738,656
Less: Provision	649,924	1,142,711
<b>Total</b>	<b>10,752,829</b>	<b>3,595,955</b>
Considered Good	10,752,829	3,595,955
Considered Doubtful	649,924	1,142,711
	<b>11,408,553</b>	
Due from Directors	Nil	
(Maximum amount outstanding at any time during the year Rs. 2,34,383 -)		



# Inter-Connected Stock Exchange of India Limited

Schedules forming part of the accounts

## Schedule 5. Fixed Assets

PARTICULARS OF ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	as at 31.3.99	Additions	Deductions	Total as on 31.3.2000	upto 31.3.99	for the year	upto 31.3.2000	As at 31.3.2000	As at 31.3.1999
Leasehold Land	796,950			796,950	4,691	13,283	17,974	778,976	792,259
Leasehold Premises	32,565,962			32,565,962	644,878	633,715	1,228,593	31,287,369	31,921,084
Machinery & Electrical Equipments	3,740,772	58,413		3,799,187	61,338	180,462	241,866	3,557,387	3,679,434
Furniture & Fixtures	4,399,108	145,752		4,544,860	93,212	287,305	169,517	4,164,343	4,305,896
Vehicles	841,619			841,619	28,095	79,954	108,049	733,570	813,534
Office Equipments	1,275,888	39,333	772	1,314,440	55,914	67,416	123,271	1,191,178	1,219,974
Computers	95,935,616	164,976	49,085	96,051,507	1,625,430	15,552,486	17,175,792	78,875,715	94,310,186
Previous year	139,555,915	408,476	49,857	139,914,534	2,513,558	16,814,621	19,325,996	120,588,538	137,042,357
		139,594,315	38,600	139,555,915		2,514,610	2,513,558	137,042,357	

Capital Work in Progress in respect of installation of Computers and Office Equipment of Rs 2,99,04,145 ( Previous Year Rs. 16,81,125) (including advances )

Notes:

- 1) In respect of Leasehold Land and Leasehold Premises pending execution
- 2) Leasehold Premises represents cost of Office Premises including improvements in premises taken from CIXCO under lease for a period of 60 years in respect of which Lease Deed and agreement to lease is pending execution
- 3) The cost of Leasehold Land does not include Stamp duty aggregating Rs 31,41,596. In the opinion of the company, the amt being set up in International Finance Park is same is exempt and steps are being taken to get the necessary approvals from the relevant authorities



# Inter-Connected Stock Exchange of India Limited

Schedules forming part of the accounts

	as at March 31, 2000 Rupees	as at March 31, 1999 Rupees
<b>Schedule 10, Current Liabilities</b>		
<b>Sundry Creditors*</b>		
Total Outstanding dues of Small Scale industrial undertakings	Nil	
Total Outstanding dues of creditors other than small scale industrial undertakings	3,037,381	5,461,524
<b>Deposits**</b>		
Contribution towards Base Minimum Capital Traders & Dealers	16,017,000	8,600,000
Contribution towards Settlement Stabilisation fund	11,209,000	10,200,000
<b>Contributions received in Advance ***</b>		
	232,577,726	3,572,766
<b>Total</b>	<b>262,832,107</b>	<b>27,834,290</b>
<p>* The above information as provided in respect of small scale industrial undertakings have been arrived at on the basis of information available with the company.</p> <p>** Refundable in accordance with the bye-laws of the company</p> <p>*** Advance contribution represents amounts received from the Traders/ dealer towards admission fees, annual fees, insurance premium, etc pending registration/ approval</p>		

	as at March 31, 2000 Rupees	as at March 31, 1999 Rupees
<b>Schedule 11 Deferred Payment Liabilities</b>		
a) Due to CIDCO in respect of Leasehold Premises	18,879,668	21,941,228
b) Due to Suppliers towards Capital Goods	14,432,612	32,915,356
<b>Total</b>	<b>33,312,280</b>	<b>54,856,584</b>
<p>Note Payment to CIDCO is to be made in 36 monthly installments alongwith interest in accordance with the sanctioned terms of the leasehold premises and to other suppliers upto August 2001.</p>		

	as at March 31, 2000 Rupees	as at March 31, 1999 Rupees
<b>Schedule 12, Miscellaneous Expenditure</b> (To the extent not written off or adjusted)		
Preliminary expenses	21,618	28,824
Deferred Revenue Expenditure	7,989,974	10,653,299
<b>Total</b>	<b>8,011,592</b>	<b>10,682,123</b>



## **Inter-Connected Stock Exchange of India Limited**

Schedules forming part of the accounts

	<i>for the year ended</i> March 31, 2000 Rupees	<i>for the period ended</i> March 31, 1999 Rupees
<i>Schedule 13, income</i>		
Admission Fees from Traders	155,000	55,000
Annual Subscription received		
- From Members	750,000	1,450,000
- From Traders	212,000	190,000
Interest on Bank Deposits, etc. 5,341,925 (TDS of Rs.1148,138 previous year Rs.146,472)		715,901
Less: Interest earned on Reserve Fund Deposits 2,067,335	3,274,590	
Listing Fees	71,200	
Transaction Charges	232,179	597
Excess Provision of Doubtful advance written back	492,807	
Miscellaneous Income	1,374,966	36,817
<b>Total</b>	<b>6,562,742</b>	<b>2,448,315</b>

	<i>for the year ended</i> March 31, 2000 Rupees	<i>for the period ended</i> March 31, 1999 Rupees
<i>Schedule 14, Employee Cost</i>		
Salaries (net of recovery Rs. 380540/-)	6,396,554	1,588,390
Contribution to Provident and other Funds	697,399	182,866
Contribution to Gratuity	61,022	21,344
Staff Welfare	245,710	147,649
<b>Total</b>	<b>7,400,685</b>	<b>1,940,249</b>



## Inter-Connected Stock Exchange of India Limited

Schedules forming part of the accounts

	<i>for the year ended</i> March 31, 2000 Rupees	<i>for the period ended</i> March 31, 1999 Rupees
<i>Schedule 15 Administration and Operational Expenses</i>		
Communication Expenses [net of recovery Rs. 3,275 -]	4,476,092	999,204
Printing & Stationery	769,364	298,862
Legal & Professional	786,001	723,144
Power, Fuel & Water Charges	1,329,619	319,401
Rates & Taxes [net of recovery Rs. 85,782 -]	760,969	424,508
Repairs & Maintenance - Other	2,182,763	178,908
Repairs & Maintenance - Leasehold Premise	6,024,153	170,452
Conveyance	174,256	89,166
Postage & Courier Expenses [net of recovery Rs. 99 -]	361,979	122,274
Security Expenses	347,736	104,913
Insurance [ net of recovery Rs. 763,206 - (Previous year Rs. 8233 -)]	1,354,176	223,350
Hiring Charges	27,158	64,130
Bank Charges	129,738	70,401
Publicity Expenses	1,993,492	68,641
Books, Newspapers and Periodicals	45,591	14,070
Rent [net of recovery Rs. 15,400 -]	63,500	251,747
Travelling Expenses [ net of recovery of Rs. 1,620 - (Previous year Rs. 44,386 -)]	1,975,423	133,740
Motor Car Expense [net of recovery Rs. 30,000 -]	125,091	32,782
Conference Expenses [net of recovery Rs. 11,404 -]	521,774	3,798
Miscellaneous Expenses	527,342	311,180
Provision for Doubtful Debts - Advance	150,000	1,142,731
Advances written off	348,684	
Preliminary Expenditure Written Off	7,206	7,206
Deferred Revenue Expenditure Written Off	2,663,325	2,663,325
<b>Total</b>	<b>23,116,532</b>	<b>8,417,933</b>
<i>Note</i>		
<i>Miscellaneous expenses includes training expenses, brokerage, loss on asset Rs. 39,035 [net of recovery Rs. 709,540 (previous year Rs. 37,539)]</i>		

	<i>for the year ended</i> March 31, 2000 Rupees	<i>for the period ended</i> March 31, 1999 Rupees
<i>Schedule 16, Interest</i>		
Interest on Loan including on bank overdraft	2,622,638	661,809
Interest on Others	2,384,640	300,050
<b>Total</b>	<b>4,406,678</b>	<b>961,859</b>



Inter-Connected Stock Exchange of India Limited  
Schedules - 17

4. Significant accounting policies

1. Fixed assets

Fixed Assets are valued at cost. They are stated at historical cost (including incidental expenses).

The improvements to leased premises have been capitalised along with leasehold premises.

2. Depreciation and amortization

(i) Depreciation is provided on Straight Line basis at the rates specified in Schedule XIV of the Companies Act, 1956.

(ii) Depreciation on assets acquired / purchases during the year is provided on pro-rata basis.

(iii) Leasehold land and premises including improvements are amortised over the period of the lease.

3. Foreign currency transactions

Transactions in foreign currency are recorded at the original rate of exchange in force at the time of occurrence of transactions. Exchange differences arising on repayment of liabilities incurred for the purpose of acquiring fixed assets are adjusted in the carrying amounts of respective fixed assets. Exchange differences arising on settlement of other transactions are recognised in the Profit and Loss account.

Monetary items (other than those related to the acquisition of fixed assets) denominated in foreign currency are restated using exchange rates prevailing at the date of the Balance Sheet, the resulting net exchange difference is recognised in the Profit & Loss Account.

4. Retirement benefits

Company's contribution to the provident fund to the employees is charged to revenue. The company's liability for gratuity is funded through Life Insurance Corporation of India (LIC). Contribution payable to the gratuity fund is charged to revenue on the basis of LIC's demand, which specifies the contribution to be made on the basis of actuarial valuation carried out by LIC.



Inter-Connected Stock Exchange of India Limited  
Schedules - 17

5. Miscellaneous Expenditure

a) Preliminary Expenditure

Preliminary expenses are being amortised over a period of five years from the year the company commences the operations.

b) Deferred revenue expenditure

Indirect expenses considered as pre-operational and pertaining to the project incurred before the commencement of operations are considered as deferred revenue expenditure to be amortised over a period of five years from the year the company commences its operations.

6. Revenue recognition

In appropriate circumstances, revenue (income) is recognised when no significant uncertainty or collectible exists.

The revenue in respect of a settlement is accounted on the funds pay-in date of a settlement.

The interest income on investments of the funds being accretions to the said funds, in accordance with the bye-laws of the Company, is credited to the funds.

7. Settlement Transactions

The transactions pertaining to the settlement, which are conducted in the fiduciary capacity, do not form part of the accounts of the exchange.

8. Contingent Liabilities

Contingent liabilities are disclosed by way of note to the balance sheet. Provision is made in the accounts for those liabilities which are likely to materialise after the year end till the finalisation of accounts and having material effect on the position stated in the balance sheet.

9. Dealers admission fees, which is one time admission fees towards transferable right to trade on exchange, is considered as capital contribution and classified accordingly. (refer note B-1i)



Inter-Connected Stock Exchange of India Limited  
Schedules - 17

*B* Notes on accounts.

1. Estimated amounts of contracts remaining to be executed and not provided for (net of advances) - Rs. 14,852,399 /- (previous year Rs. 7,585,747/-)

2. Contingent liabilities

a. Claims against the company not acknowledge as debts Rs. NIL (previous year - Rs. 1,338,116/-)

b. Guarantee given by a Scheduled Bank on behalf of the company Rs. 66,17,500/- (previous year - Rs.6,617,500)

3. Managerial Remuneration.

	31 <sup>st</sup> March 2000 Rupees	31 <sup>st</sup> March 1999 Rupees
Salaries	1,500,617	1,473,278
Perquisites in Cash/Kind	Nil	Nil
Contribution to Provident & Other funds (including Gratuity)	186,655	109,889
	<u>1,687,272</u>	<u>1,583,167</u>

4. Payment to auditors

	31 <sup>st</sup> March 2000 Rupees	31 <sup>st</sup> March 1999 Rupees
As auditors	26,250	26,250
As advisor or in any capacity in respect of Taxation Matters	100,000	
Other services such as accounting matters, Financial Advice, etc.	100,000	317,645
In any other manner ( certification work, including certification of internal accounts for the year 31.3.99.)	27,300	26,250
As expenses	7,355	43,830
<i>Total</i>	<u>260,905</u>	<u>413,975</u>



## Inter-Connected Stock Exchange of India Limited Schedules - 17

5. A. During the year in accordance with the resolution passed at the meeting of the Board of Directors the contribution for the infrastructure development per member was reduced from Rs.13,000,000 to Rs. 7,000,000 since cost of the project of the Company for the time being is also being met partly through the admission fees received from the induction of the dealers. Accordingly excess amount of Rs.4,350,000 has been repaid.  
The balance amount aggregating to Rs.16,200,000/-towards Infrastructure development from members is yet to be received which will be accounted in the year of receipt.
- B. In accordance with the resolution passed at the Board meeting the company is entitled to recover an amount of Rs. Nil (Previous Year Rs. 8,847,818/-) towards interest for delayed/ non-payment of Contribution referred to in (a) above. However in view of the uncertainty towards recovery of such interest, the same has not been accounted for in the books of accounts. Subsequently, the Board has decided to forego the interest for the above delayed payments.
6. Shares and Fixed Deposits received from Traders and dealers in connection with the compliance of Base Minimum Capital contribution (Capital Adequacy Norms) in accordance with the Bye-Laws have been held as Securities and accordingly have not been accounted in the books.
7. Sundry Debtors include an amount of Rs.95,000/- (previous year Rs. 30,000/-) recoverable from Traders and dealers towards contribution to settlement guarantee funds for which steps are being taken to recover the said amount and earmark the same.
8. As per the bye laws of the Company and Securities and Exchange Board of India (SEBI) requirements, traders and dealers are required to maintain with the company a Base Minimum Capital (BMC) of Rs.200,000/- in the form of guarantee of the respective exchange of the trader, cash, bank fixed deposits or approved investments; with a minimum cash component of Rs. 100,000/-: However the minimum cash component of BMC amounting to Rs.7,100,000/- due from 71 SEBI registered dealers / traders is yet to be received as on March 31, 2000. Hitherto the Company used to monitor the compliance of the requirement prior to the traders activation for trading rather than as pre condition for registration. Accordingly the Company has already taken the steps to Comply with this requirement and have also ensured that such traders have not been permitted to trade. In the absence of receipt of Base Minimum Capital from the above traders and dealers the same have not been accounted and earmarked.



# Inter-Connected Stock Exchange of India Limited

## Schedules - 17

9. In the earlier year the Company had accounted for admission fees, annual fees and the Contribution towards Settlement Guarantee Fund for traders registered by the Company on the basis of the registration. However considering that the SEBI is the final authority for the registration of trader / dealer the Company has accounted such dues from the traders on the basis of date of approval of SEBI, being the conclusive point of entry of the trader into the exchange. However there is no material impact on the loss for the year consequent to such change in the accounting of such receivables.
10. During the year in order to control the recoverability of cost of insurance premium from traders / dealers, the Company has recovered the insurance premium on the basis of date activation of for trading and not on the basis of registration by SEBI which was hitherto followed. Consequent to this recovery on account of the insurance premium from traders is lower by Rs.856,800/- and loss is higher by the like amount.
11. During the year the Company has received an amount aggregating to Rs.26,000,000 as one time admission fees from the dealers towards the transferable right to trade on the exchange. The amount so collected is considered as capital contribution and classified in the Balance Sheet accordingly.
12. Balances with Bank Current Accounts and Deposit Accounts (refer schedule 7) includes an amount aggregating to Rs. 26,715,557/- (Previous year Rs. 20,502,243) [including interest accrued Rs. 150,411/- (Previous year Rs. 97,288/-)] which is earmarked against the funds received as per schedule 3 & 10 except an amount of Rs. 4,181,208/- (previous year Rs. 72,879/-) which has been transferred to earmarked accounts subsequently excluding Rs. 123/- (previous year Rs. 54/-) [Refer Note 13].
13. The details of the earmarked funds are shown in the following table :

### Details of Funds

(Cash Component including accretions)

<u>Balance of funds / contributions received</u>	<u>As on 31-3- 2000</u>	<u>As on 31-3- 1999</u>
Settlement Guarantee Fund (including accretions from levy of transactions and interest)	3,632,795	1,120,168
Settlement Stabilisation Contribution from Member Exchanges	11,200,000	10,200,000
Contributions towards Base Minimum Capital (cash component)	16,017,000	8,600,000
<b>Total</b>	<b>30,849,795</b>	<b>19,920,168</b>



## Inter-Connected Stock Exchange of India Limited

### Schedules - 17

The balances as on 31-3-2000 in the various fund accounts and contributions received are earmarked in accordance with the bye-laws of the Company as under :

<u>Earmarked</u>	As on 31-3- 2000	As on 31-3- 1999
In Fixed Deposit and Current Bank Accounts (Including interest accrued Rs.150,411. Previous year 97,288 )	26,668,710	20,592,243
Amount yet to transferred as on March 31, 2000 (transferred subsequently)	4,181,085	(582,075)*
* Net of Rs 72, 879/- short earmarked		

#### Non-Cash Component:

(not accounted in the books, refer note 6)

Bank Guarantees from traders and dealers	1,400,000	2,200,000
Fixed Deposits under lien**	4,93,423	2,000,000
Securities Pledged***	6,923,769	662,910
Undertakings given by Member Exchanges on behalf of Traders of those exchanges	13,400,000	Nil
<b>Total Non-Cash Component</b>	<b>42,679,192</b>	<b>4,862,910</b>

\*\*In respect of some of the fixed deposits, though handed over, the procedure in respect of creation of lien is in progress

\*\*\* As confirmed the custodian bank - ABN AMRO Bank N.V

#### Investor Protection Fund

	As on 31-3- 2000	As on 31-3- 1999
Received as Levy on transactions, etc	17,453	27
Earmarked In Fixed and Current Bank Accounts	1,330	Nil
Amount yet to be transferred as on March 31, 2000	123	27

#### Investor Service Fund

	As on 31-3- 2000	As on 31-3- 1999
Received as Levy on transactions, etc	23,820	27
Earmarked In Fixed and Current Bank Accounts	29,497	Nil
Amount to be transferred as on March 31, 2000	(5,677)	27



# Inter-Connected Stock Exchange of India Limited

Schedules forming part of the accounts

*Schedule 17, Significant accounting policies and notes forming part of accounts*

## 14. Notes forming part of accounts

Balance sheet abstract and Company's general business profile

### I. Registration details

Registration no.

1 1 3 1 4 7

State code

1 1

Balance sheet date

3 1 0 3 0 0

### II. Capital raised during the year (amount in Rupees thousands)

Public issue

N I L

Rights issue

N I L

Bonus issue\*

N I L

Private placement

N I L

### III. Position of mobilisation and deployment of funds (amount in Rupees thousands)

Total liabilities

0 0 0 4 3 8 2 9 1

Total assets

4 3 8 2 9 1

Sources of funds

Paid-up capital (in Rupees)

N I L

Reserves and surplus

3 6 7 4

\* Contribution towards Infrastructure Development & Others

Rs. 1384.73

Secured loans

N I L

Unsecured loans

0 0 0 0 0 0 0 0 0

Application of funds

Net fixed assets

0 0 0 1 5 0 4 9 3

Investments

2 5 0 0 0

Net current assets

( 0 0 9 7 2 1 8 )

Miscellaneous expenditure

0 0 0 0 0 8 0 1 2

Accumulated losses

0 0 0 0 5 5 8 6 2

### IV. Performance of the Company (amount in Rupees thousands)

Turnover / other income

0 0 0 0 0 6 5 6 3

Total expenditure

0 0 0 0 5 1 7 3 9

+ (-) Profit / (loss) before tax

( 0 0 4 5 1 7 6 )

+ (-) Profit / (loss) after tax

( 0 0 4 5 1 7 6 )

Earnings per share (Rupees)

N A

Dividend %

N A

### V. Generic names of three principal products/ services of the Company (as per monetary terms)

Item code no. (ITC code)

N I L

Product description

N A

as per our attached Report of even date

for C. C. Chokshi & Co.,

for and on behalf of the Board

Chartered Accountants

sd-

(P. R. Barpande)

Partner

sd-

(M. R. Mayya)

Chairman

sd-

(Joseph Massey)

Managing Director

sd-

(V. Shankar)

Joint Managing Director

Mumbai, dated August 1, 2000

Mumbai, dated August 12, 2000

Page 15

**CERTIFIED TO BE TRUE COPY**

FOR INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED

JOSEPH MASSEY  
Managing Director.



Inter-Connected Stock Exchange of India Limited  
Schedules - 17

15. Figures of the previous year have been regrouped/reclassified to make them correspond with the current year's figures, wherever necessary.
16. The amounts in the balance sheet and profit and loss account are rounded off to the nearest rupee.
17. The previous years figures are for a period of 15 months and net of capitalisation of indirect expenditure and that for the current year are for a period of 12 months and hence not comparable.

Signatures to schedules 1 to 17

As per our attached Report of even date

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

sd/-  
(P. R. Barpande)  
Partner  
Mumbai, August 12, 2000

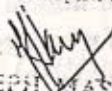
For and on behalf of the Board

sd/- :                      sd/-  
(M.R. Mayya)              (Joseph Massey)  
Chairman                      Managing Director  
Mumbai, August 12, 2000

sd/-  
(V. Shankar)  
Joint Managing Director

**CERTIFIED TO BE TRUE COPY**

FOR INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED.

  
JOSEPH MASSEY  
Managing Director.



**C. C. Chokshi  
& Co.**

Chartered Accountants  
Mafatlal House  
Backbay Reclamation  
Mumbai - 400 020

Telephone: 91 (22) 285 4330  
283 7006  
Facsimile : 91 (22) 202 4499  
202 4337

E-mail : cchokshi@grasdm01.vsnl.net.in

Auditors' report

To,  
The members of  
Inter-connected stock exchange of India Limited

We have audited the attached Balance Sheet of Inter-Connected Stock Exchange Of India Limited as at March 31, 2000 and also the annexed Profit and loss account for the year ended on that date and report that :

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order to the extent applicable.
2. Further to our comments in Annexure referred to in the paragraph 1 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;
  - (c) The Balance Sheet and profit and loss Account dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the Profit and Loss account and Balance sheet complies with the Accounting Standards referred to in sub-section 3(C) of section 211 of the Companies Act, 1956;



**C. C. Chokshi  
& Co.**

Chartered Accountants  
Mafatalal House  
Backbay Reclamation  
Mumbai 400 020

Telephone: 91 (22) 285 4330  
283 7006  
Facsimile : 91 (22) 202 4499  
202 4337  
E-mail : cchokshi@grasbm01.vsnl.net.in

(c) In our opinion, and to the best of our information, and according to the explanations given to us, the accounts, read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view:

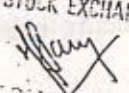
- i. in case of the Balance sheet, of the state of affairs of the Company as at March 31, 2000 and
- ii. in the case of the Profit and loss account, of the loss for the year ended on that date.

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

P. R. Barpande  
Partner

Mumbai, dated, August 12, 2000

CERTIFIED TO BE TRUE COPY  
FOR INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED.

  
JOSEPH MASSEY  
Managing Director.



Chartered Accountants  
Mafatalal House  
Backbay Reclamation  
Mumbai 400 020

Telephone: 91 (22) 285 4330

283 7006

Facsimile : 91 (22) 202 4499

202 4337

E-mail : cchokshi@gastrbml.vsnl.net.in

**Annexure to the Auditor's report**

*(referred to in paragraph 1 of our Report of even date)*

1. The nature of the Company's activities are such that requirements of items (iii), (iv), (v), (vi), (xii), (xiv), (xvi) of clause A and items (ii), (iii) and (iv) of clause B of paragraph 4 of the Order are not applicable to the Company.
2. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management during the year. We are informed that no material discrepancy has been noticed by the management on such verification.
3. The fixed assets have not been revalued during the year under review.
4. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. We are informed that there are no companies under the same management as this Company within the meaning of section 370 (1B) of the Companies Act, 1956.
5. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. We are informed that there are no companies under the same management as this Company within the meaning of section 370 of the Companies Act, 1956.
6. The Company had given advances in the nature of loan which has been written off during the year being irrecoverable. There are no other loans outstanding at the year end.
7. In our opinion and according to the information and explanations given to us, there are internal control procedures with regards to purchase of machinery, equipment and other assets and in respect of sale of services which in our opinion needs to be strengthened to be commensurate with the size of the Company and nature of its business.

he Board of Dir  
ioned Apri... 19  
uditors' Report

uring the perio  
ave significant  
ssociated with

Primary Market

Resource mobili  
interest on the  
ptrend is largel  
uring the year  
nformation Tec  
s these comp  
ncouraging dev

During 1999-20  
Rs. 7816.75  
n 1999-2000 w  
Share of Rights  
Rs. 667.56 cro  
review, likewise  
sharp rise by  
epurchase val  
figures for the  
epurchase and

Secondary Ma

The secondary  
conditions and  
1000 level on  
pharmaceutical  
rocess and  
previous Budg  
ome initial fall  
in March 31<sup>st</sup>

With the settin  
large number  
n their market  
nd Delhi Stoc  
nd in fact, th  
statistics



## INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED

DIRECTORS' REPORT

The Board of Directors of the Exchange is pleased to present its Second Annual Report for the period April 1, 1999 to March 31, 2000, which is the second Financial Year, together with the Auditors' Report and the Accounts for this period.

During the period under reference, the capital market has witnessed tremendous changes, which will have significant long term impact on the functioning of various institutions and intermediaries associated with this market.

Primary Market :

Resource mobilisation has witnessed an uptrend after a long time and there has been a revival of interest on the part of investors in the primary market for IPO's and also for Mutual Funds. This uptrend is largely due to improvement in the secondary market conditions. The IPO's subscribed during the year displayed the preference of investors, as most of the interest was in issues of Information Technology, Communication and Entertainment (ICE) and Pharmaceutical companies, as these companies are doing exceedingly well in the secondary market. This has been a very encouraging development after a long spell of dull market.

During 1999-2000, the total funds mobilized by Indian corporates through domestic offerings totaled Rs. 7816.75 crores as against Rs. 5586.46 crores raised in 1998-99. The Public Issue component in 1999-2000 was Rs. 6256.51 crores, as against Rs. 5018.90 crores for the previous year. The share of Rights Issue in the total funds collected during the year was Rs. 1560.24 crores as against Rs. 567.56 crores during 1998-99. The number of companies that raised funds during the year under review, likewise, increased from 58 in 1998-99 to 93 in 1999-2000. Mutual Funds too showed a smart rise by mobilizing Rs. 61241.23 crores during 1999-2000, which after considering the repurchase value of Rs. 42271.35 crores, yielded a net inflow of Rs. 18969.88 crores. The similar figures for the previous year were Rs. 22710.73 crores of funds mobilization, Rs. 23660.40 crores of repurchase and net inflow of Rs. 949 crores.

Secondary Market

The secondary market witnessed unprecedented buoyancy, after a long spell of depressed market conditions and the momentum in the market was so pronounced that the BSE Sensex crossed the 5000 level on February 11, 2000. The buoyancy was mainly on account of the ICE and pharmaceutical stocks. The Union Budget of 2000-01 maintained the momentum of the reforms process and favorable policies for the capital market were continued, as was the case in the previous Budget, inspite of marginally higher rate of taxation. The market, therefore, improved after some initial fall. The Sensex at the end of the review period was higher by 1261.32 points (5001.28 in March 31<sup>st</sup>, 2000 as against 3739.96 on 31<sup>st</sup> March 1999).

With the setting up of NSE terminals across the country and expansion of BSE's BOLT system in a large number of cities, the smaller Regional Stock Exchanges (RSEs) have seen substantial erosion in their market share. Over 95% of all-India turnover is now accounted for by NSE, BSE, Calcutta and Delhi Stock Exchanges. All other Exchanges put together account for about 5% of total turnover, and in fact, the share of the smaller Exchanges is on the decline, as revealed by the following statistics:



**C. C. Chokshi  
& Co.**

Chartered Accountants Telephone: 91 (22) 285 4330  
Mafatlal House 283 7006  
Backbay Reclamation Facsimile: 91 (22) 202 4499  
Mumbai 400 020 202 4337  
E-mail: cchokshi@iasbns01.vsnl.net.in

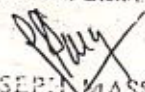
8. According to the information and explanations given to us, there are no transactions of purchase of goods and materials and sale of services, made in pursuance of contracts or arrangements entered in the Register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party.
9. The Company has not accepted any deposits from the public.
10. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
11. According to the records of the company, Provident Fund and Employee State Insurance dues have been generally regularly deposited during the year with the appropriate authorities.
12. According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth-tax, sales-tax, customs duty and excise duty as at March 31, 2000 were outstanding for a period exceeding six months from the date they became payable.
13. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
14. The Company is not a sick industrial company within the meaning of Clause (c) of section 3 (i) of the Sick Industrial Companies (Special Provisions) Act, 1985.

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

P. R. Barpande  
Partner

Mumbai, dated August 12, 2000

**CERTIFIED TO BE TRUE COPY**  
FOR INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED.

  
JOSEPH MASSEY  
Managing Director,

Stock  
Excha  
NSE  
BSE  
Calcut  
Delhi  
ISE  
Excha  
Ahme  
Pune  
OTCE  
All-in  
15  
On the  
Excha  
key fi  
statist

A m  
mark  
from  
mar  
acro  
oper  
this  
com  
dec  
The  
by  
has  
Exc  
rec



## Directors' Report

Stock Exchange	1999-00		1998-1999		1997-1998	
	Rs. Crores	Percentage to total	Rs. Crores	Percentage to total	Rs. Crores	Percentage to total
NSE	8,39,052	40.59	4,14,383	40.49	3,69,934	40.71
BSE	6,85,028	33.14	3,11,999	30.49	2,07,383	22.82
Calcutta	3,57,166	17.28	1,71,780	16.79	1,78,778	19.67
Delhi	93,289	4.51	51,759	5.06	67,840	7.47
ISE	45,255	2.20	36,132	3.53	45,226	4.93
<b>Exchanges*</b>						
Ahmedabad	37,566	1.82	29,734	2.91	30,771	3.39
Pune	6,087	0.29	7,453	0.73	8,624	0.95
OTCEI	3,588	0.17	142	0.01	125	0.01
All-India	20,67,031	100.00	10,23,382	100.00	9,08,681	100.00

• 15 Stock Exchanges that have promoted ISE.

On the other hand, the combined financial strength and infrastructure facilities available at these Exchanges are on par with those available at the bigger Exchanges. Given below Following are the key financial statistics of 14 RSEs (promoters of ISE, except Madras Stock Exchange, for which statistics are not available) for 1997-98:

(Rs. '000)	
Reserves & Surplus	9,97,048
Networth	14,00,888
Fixed Assets	13,29,758
Investments	2,24,052
Listing Fees	1,19,903
Total Income	2,79,785
Total Expenditure (Excl. Depreciation)	1,71,611

A major cause for the decline in the market share of smaller Exchanges is the fragmentation of market leading to lower liquidity and thinner volumes on individual Exchanges. The shift of business from local Exchanges to BSE and NSE has further accentuated this problem. Consolidation of the market place, therefore, became a necessity for improving liquidity at the smaller Exchanges spread across the country. This was the objective behind the establishment of ISE, which was operationalized on February 26, 1999. Initially, four Exchanges participated in trading and gradually this number grew to eleven by March 31, 2000. Guahati and Jaipur Stock Exchanges are in complete readiness to participate in ISE, while Madras and Ludhiana Stock Exchanges have still not decided to activate their membership.

The process of consolidation attempted by ISE is different from the normal route of merger followed by some of the Exchanges abroad, considering the sensitivity of any merger decision. Therefore, ISE has gone in for *inter-connectivity* of Regional Stock Exchanges by creating a separate national-level Exchange. Within a year of its inception, ISE now occupies the thirteenth position among the 25 recognized Stock Exchanges in India.



As at the end of July 2000, ISE has received 382 applications from Traders (i.e. members of the Participating Stock Exchanges), out of whom 230 have been registered with SEBI and 32 are awaiting registration at SEBI. The balance applications are pending at ISE for want of the required information. The Regional Stock Exchanges participating in ISE have in all about 4,500 members, out of whom 2,500 are active. These members are eligible to be registered as Traders on ISE. The distribution of members from various Exchanges is given below:

Stock Exchange	Applications Received
Bangalore	37
Bhubaneswar	12
Cochin	62
Coimbatore	57
Gauhati	16
Hyderabad	27
Madhya Pradesh (Indore)	16
Jaipur	12
Uttar Pradesh (Kanpur)	46
Mangalore	18
Magarh (Patna)	16
Saurashtra Kutch (Rajkot)	27
Vadodara	36
<b>Total</b>	<b>382</b>
<b>Registered Brokers</b>	<b>230</b>

Besides Traders, with a view to meeting the growing demand for stock broking services at competitive rates across the country, ISE has gone in for Dealers in those cities where the Participating Exchanges are not located. After a country-wide marketing drive, ISE has been able to enlist over 500 Dealers, spread over 60 cities, who are currently undergoing registration formalities. As of end-July 2000, around 200 Dealers have been registered by SEBI and another 50 applications are awaiting SEBI registration. The distribution of the Dealers is as follows:

Distribution of Dealers	Applications received
Western Region	236
Northern Region	103
Southern Region	41
Eastern Region	102
Central Region	20
<b>Total</b>	<b>502</b>
<b>Registered Brokers</b>	<b>200</b>



Financial Highlights

Financial Highlights for the year under review, together with a comparison for the previous period (January 22, 1998 to March 31, 1999) are given below:

(Rs. in lakhs)

	1999-2000	1998-1999
Total Income	86.07	24.48
Employee Costs	74.01	19.40
Administration and Operational Expenses	234.97	84.18
Interest	44.06	9.62
Depreciation	168.14	18.14
Total Expenditure	521.19	131.34
Excess of Expenditure over Income (carried forward)	435.12	106.86

Funding of the Project

The Exchange has received Rs. 1124.73 Lakhs as admission fees and contributions towards infrastructure development from the Member Exchanges upto March 31, 2000. The above amount has been expended towards the capital expenditure of the Project and related implementation expenses. The total expenditure made in the project upto March 31, 2000 is Rs. 1698.18 lakhs. Outstanding receivables from the Exchanges towards the project contribution, as on March 31, 2000, stood at Rs. 32 lakhs, with the present level of contribution per Exchange of Rs. 70 lakhs.

Office Infrastructure

The Exchange was, during the initial stages, functioning from a rented premises at Andheri, Mumbai. From March 20, 1998, the Exchange moved into its own premises, which is also its Registered Office. The office area measuring 10,200 sq. ft. has been acquired from CIDCO and is situated very conveniently at the Vashi Railway Station Complex. The address of the Registered Office is International Infotech Park, Tower No. 7, 5<sup>th</sup> floor, Sector 30, Vashi-400703, Maharashtra.

All Exchange operations are being currently carried out from this office and also from the four Regional Administrative Offices established at Calcutta, Chennai, Delhi and Nagpur. The Registered Office of ISE was inaugurated by Shri Manohar Joshi, former Chief Minister of Maharashtra and present Union Industries Minister, on June 14, 1998.

Performance and prospects of ISE

The year 1999-2000 was undoubtedly a fruitful year for ISE, as many developmental activities were initiated, which have long term benefits. While the Exchange went through an extremely harrowing first half, as the turnover on ISE was not commensurate with the infrastructure setup, however, the situation improved in the second half, mainly on account of the induction of Dealers. The long term prospects of the Exchange are much better now, thanks to the sagacity and determination shown by the Directors and the employees. There was a slowdown in the financial support provided by the Participating Exchanges. The Dealers inducted now represent a pool of participants, who are determined to strengthen ISE by giving undivided focus.



## Directors' Report

During the year under review, ISE notched up a turnover of Rs. 545 crores, with the result that it now occupies the 13<sup>th</sup> position in the overall ranking among the 25 Stock Exchanges in India, based on turnover. This is a remarkable achievement, though a significant improvement in the trading volume is still necessary to achieve financial stability. The consolidated turnover of ISE and ISS is more than Rs. 27 crores a day and it is expected to go up to Rs. 250 crores by the end of this financial year. In addition to the ISE and NSE segments, business opportunities that will be opened up through the introduction of Badla, ALBM, Derivatives, Internet Trading, IPO Distribution, etc. will quite considerably boost the attractiveness of ISE to the Traders and Dealers.

### Trading on ISE

ISE has made considerable progress since the last year in enrolment of Traders and Dealers, with the result that the number of registered participants has gone up from just 86 as on March 31, 1999 to over 450 as on July 31, 2000. The daily turnover on ISE though has progressed marginally, from less than Rs. 25 lakhs during the initial stages to more than Rs. 1.5 crores with over 15 scrips traded regularly. About 50 participants log into the system daily. While the activity level is much lower than that required to sustain a national-level institution, we are confident that the turnovers will improve once Traders and Dealers are registered in larger numbers for ISE and NSE. This dual business opportunity is also expected to boost turnover on ISE due to arbitrage between the NSE and ISE segments. Some of the registered intermediaries are unable to trade because of the delay in networking Wipro Infotech, which has been entrusted the networking assignment, has been requested to expedite the project implementation, so that the full potential of ISE and ISS can be realized at the earliest. The number of Traders and Dealers participating in the ISE and NSE segments is expected to go up to about 500 by March 2001 and the turnover in the ISE and NSE segments is likewise expected to go up to Rs. 250 crores by then.

ISE is the most cost-effective trading system in the country today with a transaction charge of only Rs. 6/= per Re. 1 lakh of turnover. This level of cost-effectiveness is possible because of the model of consolidation employed and technology deployed, which ensure that existing infrastructure are optimally utilized.

### Clearing & Settlement

ISE has established a sound decentralized system for clearing and settlement through the Clearing Houses at the 13 Regional Stock Exchanges and 4 Regional Administrative Offices (Chennai, Calcutta, Delhi and Nagpur). This setup will take care of all the support requirements of Traders and Dealers for the ISE and NSE segments. Depository Participants like Stock Holding Corporation of India Ltd. (SHCIL), HDFC Bank, ABN Amro Bank, etc. provide settlement support for demat segment, while the Regional Clearing Houses in support with Elbee Couriers take care of the physical segment. As regards funds settlement, a national-level funds transfer system has been established using the services of Vysya Bank, HDFC Bank, ANZ Grindlays Bank and ABN Amro Bank. The operations on ISE are fully covered by an Insurance Policy procured from New India Assurance, which addresses various risks in the system.

ISE has also set up a delivery mechanism wherein total delivery-in and delivery-out obligations are netted off at the level of the Regional Clearing Houses and only the residuals need to be moved from one centre to another. Traders and Dealers deliver their securities at the respective Regional Clearing Houses on the deliver-in day, which are then transferred to the respective destinations electronically or physically with the help of Elbee Couriers. Over 98% of the total delivery in ISE takes place in demat form.

For managing fund transfer requirements of ISE, Vysya Bank has established an Extension Counter or a branch within the premises of the Participating Exchanges or close to them. Each Extension



## *Directors' Report*

Counsell / branch of Vysya Bank has two terminals: one terminal is connected to the banking system, while the second one is connected to the RCH Server installed at that Exchange.

ISE uses a VSAT line with the National Securities Depository Limited for facilitating settlement operations in the demat segment of ISE.

### Base Minimum Capital

Traders and Dealers of ISE are required to maintain a Base Minimum Capital (BMC) of Rs.2lakhs. The cash component of BMC has to be Rs. 1 lakh, while the remaining can be in the form of fixed deposits, specified securities and bank guarantees. The total BMC collected from Traders and Dealers stood at Rs.4.01 crores as on 31.03.2000, against Rs.1.54 crores, which was the level as on 31.03.1999.

### Settlement Guarantee Fund

As part of its risk management system, ISE has set up a Settlement Guarantee Fund (SGF) for guaranteeing the settlements arising out of trades done in the market. The only trades not covered by the SGF are those that are adjudged fictitious by the Defaults Committee, block trades and bad delivery claims. The entire Base Minimum Capital (BMC) collected from Traders forms part of the SGF.

The corpus of the SGF as on 31.03.2000 is over Rs. 5.42 crores. Every Trader or Dealer is required to pay a cash contribution of Rs.5,000 towards the SGF at the time of registration, which is in addition to the cash component of BMC (Rs. 1 lakh). This corpus is further protected by the comprehensive Insurance Policy taken from New India Assurance against market defaults. Till date, ISE has not had the need to utilise the SGF.

### Investor Protection Fund

ISE has a separate corpus for protecting the interests of investors as required by its Regulations, as well as those framed by SEBI in this regard. This fund has been created out of an initial contribution made by ISE, supplemented by a portion of the transaction charges collected from the Traders and Dealers. Claims from investors are met out of this fund, after due verification of the claims, as provided for under the Rules and Bye-laws of the Exchange.

### Risk Management & Surveillance System

ISE's Risk Management & Surveillance (RMS) system is totally system-driven. This system helps the Exchange to monitor the positions of Traders and Dealers on a real-time basis to prevent them from taking larger than acceptable risks at any point in time.

### Insurance for ISE's Operations

ISE's insurance cover with New India Assurance Company Ltd. covers operational risks of ISE, those arising in the offices of the Traders and Dealers, as well as for the Settlement Guarantee Fund. The insurance cover is for Rs.15 crores, which is inclusive of Rs. 2 crores of SGF cover. The SGF cover provides protection against the risk of default by any individual Trader or Dealer of an amount beyond the specified excess. Therefore, ISE is very well protected. A similar cover is under consideration for the NSE segment offered by ISE's subsidiary.



Technology at ISE

A. Computer System

ISE's Central Trading Computer is a Tandem S70000 mainframe, which is fault-tolerant. The Central Trader Computer, which is installed at the Registered Office at Vashi, is connected to the Gateway Server (GWS) systems installed at each of the Participating Exchanges. Dual Compaq Proliant 1600 servers are used as the GWSs at the Participating Exchanges. The Tandem computer is sized to process 100,000 trades over a 5-hour trading window.

Trader Workstations (TWSs) of Traders belonging to a Participating Exchange are connected to the GWS systems through a Local Area Network (LAN). The GWSs at each Exchange are sized to handle about 100 Traders. As far as the connectivity of Dealers is concerned, they are directly connected to the Central Trading Computer through leased lines at all the major cities and through VSATs at remote centers.

For trading, The Electronic Securities Architecture (TESA) software, developed by Indigo Technologies, Chennai is used. SSI Ltd., which is one of the largest computer training establishments in the country, has recently acquired Indigo Technologies. The real-time Risk Management & Surveillance software has also been developed by Indigo Technologies. For Clearing & Settlement, the software developed by Ritechoice Technologies, an associate of SSI Ltd., is used. The C&S system allows for decentralized settlement operations, by having Regional Clearing House (RCH) servers located at each of the Participating Exchange centers and at the major metros connected to the Central Clearing House (CCH) server at Vashi.

B. Communication System

For connectivity of the Participating Exchange with the Vashi office, ISE uses two types of VSAT communication channels: (i) the Single Carrier Per Channel (SCPC) / Permanently Assigned Multiple Access (PAMA) link for interactive traffic and (ii) Time Division Multiple Access (TDMA) channel for downloading of broadcasts. The SCPC/PAMA links are used for interactive traffic, such as order routing and confirmations, etc. because they are fast and efficient, resulting in excellent response time. On the other hand, the TDMA channel is used for dissemination of market data, fast traded price, ticker data, index messages, etc. because it is reliable for high volume data transfer. These two communication channels also work as backups for each other. Motorola routers have been used at the Vashi, as well as at the Participating Exchange locations. Further, a mesh network through Integrated Services Digital Network (ISDN) and analog links serve as a backup to take care of satellite and satellite equipment failures. The same link with higher bandwidth of about 64 kbps is being used for permitting registered Traders from the Participating Exchange centers to trade on NSE. The entire project for connectivity of the Participating Exchanges with ISE through VSATs and ISDN/analog lines has been implemented by HCL Comnet, who are also responsible for ongoing support.

For connecting Traders and Dealers situated at locations other than the Participating Exchange centers, ISE has gone in a 64 kbps leased line link to each intermediary's office, which is backed up by an ISDN line. Network hubs, which concentrate a large number of local leased lines and ISDN lines, have been set up at South Mumbai, Delhi and Calcutta. The network hubs are connected by high-speed lines to ISE, Vashi. By concentrating leased and ISDN lines through the network hubs, the recurring charges payable by the Traders and Dealers will be brought down significantly. The leased line project to link up 600 sites spread across 60+ cities is being implemented by Wipro Infotech. In addition, ISE is also using the services of WiproNet at some other locations like Chennai, Pune and Ahmedabad, as an interim solution for providing

connect  
connect  
inordina

ISE's o  
this link

Using th  
has also  
Dealers

ISE Security

During 1999-  
which could  
view to reviv  
have access  
were facing  
intermediate  
the main bro  
and roughly  
necessary in

In order to r  
has floated  
membership  
premier Ex  
the Chief Mi  
was started  
for operating  
approximatel

Centralized

Today's com  
has set up  
Customer th  
accurate info  
and e-mail

The Co-ord  
Traders and  
network

- > Technica
- > Responsi
- > Any supp
- > Channel
- > Source a

Listing

Securities of  
4,000 compa



connectivity to the Traders and Dealers situated in these cities, until their final leased line connectivity is established. At centers where leased lines are not possible or would take inordinate time for implementation, the intermediaries have been asked to go in for VSATs.

ISE's office is connected to NSE by means of a 2 mbps leased line. For proving resilience to this link, a VSAT connection is also available.

Using the sophisticated network infrastructure available with ISE, an integrated E-mail system has also been developed. This E-mail system links up the ISE personnel at Vashi with Traders, Dealers and support personnel located at the different Regional Offices of ISE.

### ISE Securities & Services Limited

During 1999-2000, SEBI took the decision of permitting Small Stock Exchanges to float subsidiaries, which could take up membership of bigger Exchanges. This move was proposed by SEBI with a view to reviving the Small Stock Exchanges, as now the members of such Small Exchanges would have access to liquid markets. Over the last few years, members of the Small Stock Exchanges were facing the problem of lack of liquidity at the local Exchanges, with the result that many intermediaries went out of the stock-broking business or were forced to operate as sub-brokers to the main brokers of the larger Exchanges. Membership of NSE costs the subsidiary Rs.2.50 crores and roughly an equal amount for technology and support services. Similar investments would be necessary in the case of membership of BSE.

In order to make it more economical for the Participating Exchanges and Traders and Dealers, ISE has floated a subsidiary called ISE Securities & Services Limited (ISS). ISS has acquired membership of National Stock Exchange (NSE) at present, and would take up membership of other premier Exchanges based on requirement. Mock Trading on NSE through ISS was inaugurated by the Chief Minister of Maharashtra, Shri Vilasrao Deshmukh on March 7, 2000. Live Trading on NSE was started on May 3, 2000. At present, around 155 Traders and Dealers are registered with SEBI for operating through ISS, out of whom around 50 are active. The daily turnover through ISS is approximately Rs. 25 crores, with 13 centers linked up as of present.

### Centralized Customer Support

Today's competitive business demands strong customer support. Recognising this requirement, ISE has set up a central Co-ordination & Customer Relations Department using the principles of Customer Relationship Management (CRM). This Department will help provide consistent and accurate information to Traders and Dealers with the help of modern tools, such as Web, phone, fax and e-mail.

The Co-ordination & Customer Support Department will serve as a single-point of interface between Traders and Dealers and ISE and is expected to look into the following support areas through the network:

- > Technical support for trading and connectivity problems;
- > Response to queries addressed to any department;
- > Any support for implementing an action;
- > Channel for collecting suggestions/feedback;
- > Source any help that may be required from support agencies of ISE.

### Listing

Securities of companies listed on the Participating Exchanges, numbering about 3,500 and another 4,000 companies listed on other Exchanges, would be allowed for trading on ISE under the category



## Directors' Report

of permitted securities. Currently, over 3000 companies are tradable on ISE as permitted securities. ISE, thus, has the potential to emerge as India's largest market in terms of number of registered intermediaries and number of eligible scrips for trading. In fact, ISE is the ideal Exchange for the regional companies, which grow over a period of time, and therefore, become attractive investment options for FIIs and other institutions. These institutions and other high net worth investors can trade in such scrips from the major metros, as ISE will have a strong presence in such metros. Several companies have evinced interest in getting listed on ISE. At present, five companies are listed on ISE and another five are at different stages of listing compliance.

With the SEBI Code for Corporate Governance being made a part of the listing agreement, it is realized that there would be increased responsibility on the part of companies and Exchanges for better investor protection. Focussing on this, ISE is endeavoring to facilitate better Corporate Governance and Regulatory Compliance through greater pro-activeness, decentralization and better use of technology. The Regional Offices of ISE located in all the major metros, which are headed by Senior Officers, would offer convenience and cost-effectiveness for regulatory compliance by companies. *E-compliance* is proposed in the near future. ISE also plans to implement an IPO Distribution system once the SEBI Guidelines are in place, which would allow companies to make public offerings using the ISE network.

There are several unique features of ISE which make it a *new age Stock Exchange* for companies that value shareholders' interest and are changing with changing times. The unique features are:

1. ISE is the only National-level Stock Exchange charging moderate listing fees, which grants listing and trading permission to small and medium-sized companies (post issue size in terms of paid up capital of Rs. 3 to 5 crores, with appointment of Market Makers, and above Rs. 5 Crores, in the case of others).
2. First time compliance possible from Mumbai, Delhi, Calcutta, Chennai and Nagpur at present and from more cities over a period of time.
3. All Traders and Dealers of ISE have access to NSE through ISE Securities & Services Ltd. (ISS), the wholly-owned subsidiary of ISE which has taken NSE Membership, which ensures continuous attention of investors.
4. ISE would be introducing the "IPO Distribution System" for offering primary market issues through its network.
5. Jurisdiction of ISE for listing of companies as regional Stock Exchange is Navi Mumbai, Maharashtra. However, we list the securities of companies which are located elsewhere.
6. ISE has setup an "Investors Grievance & Service Cell" which looks into all complaints of investors located anywhere in the country and provides decentralised support.

This futuristic concept of ISE is now being also explored by the Developed Countries. We think such consolidation enables optimal utilisation of existing resources, enhanced efficiency due to economies of scale and permits product innovation, a sign of any dynamic market.

The creation of a national market will provide the members of the Regional Stock Exchanges and investors located in the interiors of the country an opportunity to access a more liquid national-level market. ISE provides such investors an opportunity to trade at a national level with similar confidence level and convenience, as at their local Exchange, but with much greater safeguards, as are normally associated with a National Market. The liquidity will also increase in the market as the



scrips listed at 15 RSEs can be simultaneously traded at all the member-Exchanges by a large number of investors and intermediaries.

### Corporate Mission

The mission of ISE is to consolidate the small, fragmented and illiquid regional markets into a large, efficient and liquid national-level market and to provide its traders and dealers access to multiple markets using state-of-the-art computer and communication systems in a highly cost-effective manner.

### Consolidation of Markets - International Experience

In India, merger of Stock Exchanges has not yet taken place, while consolidation of market place has begun through inter-connectivity of several local markets into a bigger national market. Internationally, however, several mergers and alliances have happened among several Exchanges. Some important instances in recent times are as follows:

- > In July 1998, London Stock Exchange and Frankfurt's Deutsche Börse entered into a strategic alliance. They have now announced their plan to merge and create an international Exchange called iX.
- > Similar merger proposals are being undertaken in various other regions, such as USA, Europe, Asia, etc.
- > Another form of consolidation in which cross border Exchanges are entering into strategic alliances for wider reach and access is also being considered.
- > India is not very far away from witnessing similar initiatives, as the ISE project is itself an example of creation of a larger institution for accessing multiple larger markets.

### Future Plans

ISE will continue to make sustained efforts towards meeting the future requirements of Investors, Issuers, Traders, Dealers and Exchanges. Some important projects identified are given hereunder.

#### (a) Additional Trading Facility

As proposed last year, ISE is in the process of setting up Trading Facilities not only in Mumbai, but also in Calcutta, Chennai, Delhi and at more than 60 other locations. Traders and Dealers of ISE can operate from any location across the country by using the technology proposed by it.

#### (b) Custodians

ISE has registered Stock Holding Corporation of India Ltd. as a Custodian Participant in ISE to promote institutional clearing. Institutions prefer to place orders in such markets which have the facility for settlement of trades through custodians. This is so because settlement of trades is safer and generally brokerage rates are lower if trades are settled through custodians. Stock Holding Corporation of India Ltd. has become the first Custodian to register with ISE and it is expected that more would join in the future.

### Insurance

All assets and properties of the Company at Mumbai and at the other offices of ISE or its property lying in the premises of its vendors are insured adequately.



## Directors' Report

### Directors

Sr. No.	Name of Director	Status	From	To
1.	Shri M. R. Mayya	Chairman, Public Representative Director	01.05.1999	-
2.	Shri Pankaj J. Shah	Nominee of Bangalore Stock Exchange	10.07.1999	-
3.	Shri Ashok K. Sardana	Nominee of Bhubaneshwar Stock Exchange	10.07.1999	-
4.	Smt. Manisha P. Naik	Nominee of Vadodara Stock Exchange	10.07.1999	-
5.	Shri Jambukumar Jain	Nominee of Gauhati Stock Exchange	07.06.2000	-
6.	Shri H.K.Garg	Nominee of Uttar Pradesh Stock Exchange	10.07.1999	09.01.2000
7.	Shri K.V.Thomas	Nominee of Cochin Stock Exchange	10.07.1999	09.01.2000
8.	Shri Sanjay Chokhany	Nominee of Magadh Stock Exchange	10.07.1999	-
9.	Shri D.Balasundaram	Nominee of Coimbatore Stock Exchange	10.07.1999	-
10.	Dr. K.R.Chandratre	Public Representative Director	09.01.2000	12.08.2000
11.	Dr. Prasanna Chandra	Public Representative Director	01.05.1999	-
12.	Dr. Umesh R. Dangarwala	Public Representative Director	01.05.1999	09.01.2000
13.	Justice A. D. Tated	Public Representative Director	01.05.1999	-
14.	Prof. B.P. Apte	Public Representative Director	01.05.1999	09.01.2000
15.	Shri Ajay A.Thakkar	Public Representative Director	09.01.2000	-
16.	Shri P. C. Nayak	Public Representative Director	01.05.1999	-
17.	Shri R. Vasudevan, Registrar of Companies, Maharashtra	SEBI Nominee	01.05.1999	04.05.1999
18.	Shri Samir Biswas, Regional Director, Western Region	SEBI Nominee	10.07.1999	08.08.1999
19.	Shri K. Pandian, Registrar of Companies, Maharashtra	SFBI Nominee	05.06.1999 08.08.1999	10.07.1999
20.	Shri P. K. Birlidish, Division Chief, SEBI	SEBI Nominee	01.05.1999	-
21.	Shri Joseph Massey	Managing Director	22.01.1998	-
22.	Shri V. Shankar	Whole-time Director Joint Managing Director	22.01.1998 09.01.2000	09.01.2000

### Changes and

On account of Participating E

Shri R. K. Agr Pradesh Stock R. K. Agrawal and Shri Khand

Shri K.V.Thoma in his place has

Dr. K. R. Chan

During the year

For the year 20 Pradesh Stock of the Nominee

### Particulars of

During the year (fully paid up) o

24,99,300 Equi 100 Equity Sha of ISE Securitie is the Holding C

ISE Securities &

As required un Audited Statem Directors and Company's into the Companies.

### Auditors

M/s G. C. Chok Exchange in its the conclusion

The Auditors ha Members are re

Particulars of The particulars Act, 1956, read annexed herow



Changes and additions to the Board during the period

On account of resignations by some Member Directors and/or withdrawal of nomination by the Participating Exchanges, following changes have taken place in the composition of the Board:

Shri R. K. Agrawal, nominated in place of Shri Hari Krishan Garg (w.e.f. 09.01.2000) by Uttar Pradesh Stock Exchange. Subsequently, Shri Avinash Khandelwal was nominated in place of Shri R. K. Agrawal (w.e.f. 12.08.2000) by Uttar Pradesh Stock Exchange. However, both Shri Agarwal and Shri Khandelwal are yet to be registered as Traders of ISE.

Shri K.V. Thomas, Nominee of Cochin Stock Exchange, resigned w.e.f. 09.01.2000. A new Nominee in his place has not yet been appointed by Cochin Stock Exchange.

Dr. K. R. Chandratre, Public Representative Director, resigned w.e.f. 12.08.00.

During the year under review, seven Meetings of the Board of Directors were held.

For the year 2000-01, Saurashtra Kutch Stock Exchange, Hyderabad Stock Exchange and Madhya Pradesh Stock Exchange are eligible to nominate their representatives on the Board of ISE in place of the Nominees of Bangalore, Guahati and Vadodara Stock Exchanges.

Particulars of Subsidiary Company

During the year under review, the Company invested in 25,00,000 Equity Shares of Rs. 10/- each (fully paid up) of ISE Securities & Services Limited as under:

24,99,300 Equity Shares in the name of Inter-connected Stock Exchange of India Ltd.  
100 Equity Shares to each of the seven subscribers to the Memorandum and Articles of Association of ISE Securities & Services Ltd. (total of 700 Equity Shares), as Nominees of the Exchange, which is the Holding Company.

ISE Securities & Services Ltd. is, therefore, a wholly-owned Subsidiary of the Exchange.

As required under Section 212 of the Companies Act, 1956, annexed hereto are copies of the Audited Statement of Accounts for the period ended on March 31, 2000, Report of the Board of Directors and Auditors for the period ended on March 31, 2000 and 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, which forms part of this Annual Report.

Auditors

M/s C. C. Chokshi & Co., Chartered Accountants, who had been appointed by the Members of the Exchange in its First Annual General Meeting as Statutory Auditors of the Exchange to hold office till the conclusion of the forthcoming Annual General Meeting. They are eligible for re-appointment.

The Auditors have confirmed their eligibility and willingness to accept the office, if re-appointed. Members are requested to consider their re-appointment.

Particulars of Employees

The particulars of Employees as required under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, are annexed herewith and forms part of this Report.



Statutory Disclosure of Particulars

The requirements of Disclosure, 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 our Exchange and therefore no details are required to be given.

Corporate Governance

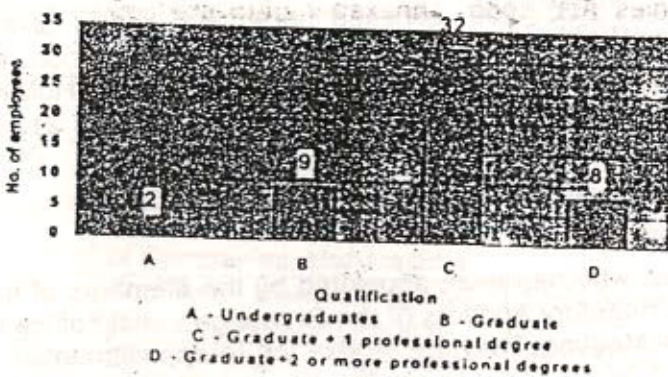
The Company is committed to good corporate governance. The Chairman, together with the other Directors and the staff working for the Company, are highly conscious that investors and general public need to be served effectively through the registered intermediaries, and therefore, all policies and strategic initiatives undertaken by the Company suitably reflect this commitment.

Human Resources

As on the date of the Report, ISE has a manpower strength of 50 employees including the Managing Director and Joint Managing Director and those who have been deputed to the Subsidiary Company, all of whom operate from the Registered Office at Vashi. This team is further assisted by a team of eight dedicated Compliance and Systems Officers, who are located at Delhi, Calcutta, Chennai and Nagpur. Besides these persons, ISE has the benefit of assistance from the Co-ordination and Systems Officers at the Participating Exchanges, who facilitate decentralized operations. In order to co-ordinate the system and operational support from Vashi, a Help Desk with three frontline operators has been established. The Help Desk is part of the Co-ordination & Customer Support Department.

As the activities of outstation support, co-ordination, registration, communication system implementation, etc. are labour-intensive and still to be stabilized, ISE has 6 temporary staff at present. The utilization of these temporary staff is reviewed every month and their services are renewed only if there is a need. The total strength of ISE staff, including those on deputation to ISS, temporary staff, consultants and electricians, is 69 as on date.

EDUCATIONAL PROFILE OF ISE



ISE has on  
brokerage  
the barest  
Exchange  
young man  
Exchange.  
and prospe  
Dealers in

The Excha  
leading me  
Nominees

Number of

There are n

Number of

There is no

Number of

There were

Acknowled

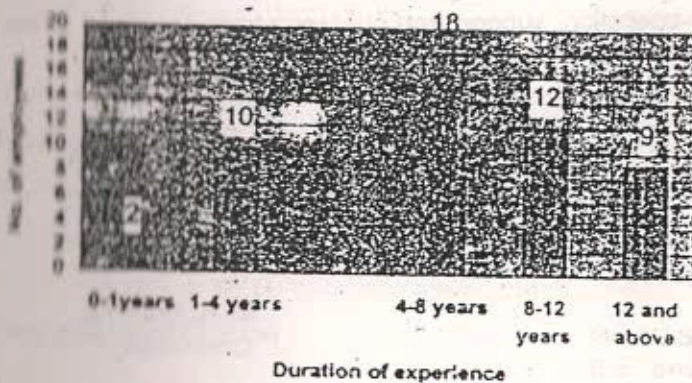
On the occ  
expressing  
Directors, I  
Ministry of  
Telecommu  
Bank, Trade  
Assurance,  
FIRE Proje  
Israni & Co.



## Directors' Report

ISE has on its roll a number of experienced persons who were working in other Stock Exchanges, brokerage firms or related financial institutions. This has helped in keeping the total staff strength to the barest minimum. In view of the highly technical and professional working environment at the Exchange, imparting requisite training and developing the talents of the existing innovative and young manpower is absolutely imperative. This in fact is the cornerstone of the HRD Policy of the Exchange. ISE takes pride in having such invaluable human assets, as the growth, development and prosperity of ISE in general and that of the Participating Stock Exchanges and Traders and Dealers in particular, depend on the quality of its manpower.

EXPERIENCE PROFILE OF ISE



The Exchange has also immensely benefited by the rich experience of Member Directors and leading members of the Participating Exchanges, Public Representative Directors and SEBI Nominees on the Board of the Exchange.

### Number of legal cases Pending

There are no legal cases against ISE as on date.

### Number of Pending Arbitration Cases

There is no arbitration case pending at ISE as on date.

### Number of Defaults

There were no defaults during the review period at ISE.

### Acknowledgements

On the occasion of presenting the Second Annual Report, the Exchange takes great pleasure in expressing its sincere thanks to the Securities and Exchange Board of India, SEBI Nominee Directors, Public Representative Directors, Member Directors, present and former officials of the Ministry of Finance, Government of India, Government of Maharashtra, Department of Telecommunications (DoT), MTNL, Vysya Bank, HDFC Bank, ABN Amro Bank, ANZ Grindlays Bank, Traders, Dealers, Indigo Technologies, SSI Technologies, HCL Comnet, WIPRO, New India Assurance, National Centre for Software Technology, Integrated Enterprises, Price Waterhouse - FIRE Project, M/s Amarchand Mangaldas & Suresh A. Shroff & Sons, M/s Kanga & Co., M/s S. D. Israni & Co., M/s C. C. Chokshi & Co. M/s A. J. Shah & Co., Stock Holding Corporation of India Ltd.,



**Directors' Report**

CIDCO and other Consultants and Contractors for their support and kind co-operation extended to ISE, without which the project of inter-connectivity of the Regional Stock Exchanges would not have been possible.

Our sincere thanks are also due to the staff members of ISE, who have displayed dedication, commitment, teamwork, perseverance and hard work, sometimes against difficult odds. We wish to place on record our deep sense of appreciation for the support extended by the Office Bearers, especially the Executive Directors, of the Participating Exchanges, Co-ordination and Systems Officers at the Participating Exchanges.

We look forward to the same level of co-operation, support and guidance from everyone in the years to come, so that ISE can become a strong, vibrant and prosperous institution.

On behalf of the Board of Directors

Place: Vashi, Navi Mumbai  
Date : August 12, 2000

M. R. MAYYA  
Chairman

**CERTIFIED TO BE TRUE COPY**

FOR INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED.

  
JOSEPH MASSEY  
Managing Director.



## ANNEXURE NO.1

**STATEMENT PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956 AND COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975**

1. Name and Qualification : Mr. Joseph Massey  
B.A. in Economics and MBA
- Designation/Nature of Duties : Managing Director  
In charge of the overall affairs of the Company, in addition to responsibilities for Support Departments, Co-ordination and Statutory Compliance, subject to the superintendence, control and direction of the Board of Directors.
- Remuneration : \*Rs.8,83,810/-
- Experience : 13 years.
- Date of commencement of Employment : January 22, 1998
- Last Employment : Executive Director  
Vadodara Stock Exchange Ltd.
2. Name and Qualification : Mr. V. Shankar  
B.E. and M.M.S.
- Designation/Nature of Duties : Whole Time Director  
(From January 22, 1998 to January 9, 2000)  
Joint Managing Director  
(From January 9, 2000)  
In charge of Operations, with additional responsibilities for the Support Departments, Co-ordination, Systems and Technology; in the absence of the Managing Director responsible for Statutory Compliance, subject to the superintendence, control and direction of the Board of Directors.
- Remuneration : \* Rs.8,03,462/-
- Experience : 19 years
- Date of commencement of Employment : January 22, 1998
- Last Employment : Director (Information Systems, Market Operations and Investor Grievances Cell)  
The Stock Exchange, Mumbai

\* Remuneration includes Basic Salary, House Rent Allowance, Reimbursement of Medical Expenses, Leave Travel Allowance and Ex-gratia for the period.

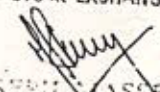
On behalf of the Board of Directors

Place: Vashi, Navi Mumbai  
Date: August 12, 2000

M. R. MAYYA  
Chairman

**CERTIFIED TO BE TRUE COPY**

FOR INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED.

  
JOSEPH MASSEY  
Managing Director



## 1. CATEGORY OF DIRECTORS

6 (Six) PUBLIC REPRESENTATIVE DIRECTORS (OUT OF WHICH ONE IS THE CHAIRMAN)

3 (Three) SEBI NOMINEE DIRECTORS (OUT OF WHICH, ONE NOMINEE DIRECTOR IS FROM SECURITIES & EXCHANGE BOARD OF INDIA (SEBI) AND THE OTHER NOMINEE DIRECTOR FROM REGISTRAR OF COMPANIES (R.O.C.) MAHARASHTRA. [1 (One) SEBI NOMINEE IS YET TO BE APPOINTED])

(c) 9 (Nine) MEMBER DIRECTORS

(d) 2 (Two) DIRECTORS FROM INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED (ISE), viz. the Managing Director and Joint Managing Director of the Exchange.

GRAND TOTAL: 20 (Twenty) DIRECTORS

AGAINST TOTAL STRENGTH OF 20 (TWENTY) DIRECTORS, COMPOSITION OF DIRECTORS AS ON 12.08.2000

## PUBLIC REPRESENTATIVE DIRECTORS

Sr. No.	Name of Director	From	To
1.	Shri M. R. Mayya- Chairman	01.05.1999	-
2.	Dr. K. R. Chandratre	09.01.2000	12.08.2000
3.	Dr. Prasanna Chandra	01.05.1999	-
4.	Dr. Umesh R. Dangarwala	01.05.1999	09.01.2000
5.	Justice A. D. Tated	01.05.1999	-
6.	Prof. B. P. Apte	01.05.1999	09.01.2000
7.	Shri Ajay A. Thakkar	09.01.2000	-
8.	Shri P. C. Nayak	01.05.1999	-

## SEBI NOMINEE DIRECTORS

Sr. No.	Name of Director	From	To
1.	(a) Shri R. Vasudevan, Registrar of Companies, Maharashtra	01.05.1999	04.05.1999
	(b) Shri Samir Biswas, Regional Director Department of Company Affairs, Western Region	10.07.1999	08.08.1999
	(c) Shri K. Pandian, Registrar of Companies, Maharashtra	05.06.1999 08.08.1999	10.07.1999
2.	Shri P. K. Bindlish, Division Chief, SEBI	01.05.1999	-



MEMBER DIRECTORS

Sr. No.	Name of Director	Status	From	To
1.	Shri Pankaj J. Shan	Nominee of Bangalore Stock Exchange	10.07.1999	
2.	Shri Ashok K. Sardana	Nominee of Bhubaneshwar Stock Exchange	10.07.1999	
3.	Smt. Manisha P. Naik	Nominee of Vadodara Stock Exchange	10.07.1999	
4.	Shri Jambu Kumar Jain	Nominee of Gauhati Stock Exchange	07.06.2000	
5.	Shri H. K. Garg	Nominee of Uttar Pradesh Stock Exchange	10.07.1999	09.01.2000
6.	Shri K. V. Thomas	Nominee of Cochin Stock Exchange	10.07.1999	09.01.2000
7.	Shri Sanjay Chokhany	Nominee of Magadh Stock Exchange	10.07.1999	
8.	Shri D. Balasundaram	Nominee of Coimbatore Stock Exchange	10.07.1999	

EXECUTIVE DIRECTORS

Sr. No.	NAME OF DIRECTOR	STATUS
1.	Shri Joseph Massey	Managing Director, ISE. (w.e.f. 22.01.1998)
2.	Shri V. Shankar	Joint Managing Director, ISE (w.e.f 09.01.2000 ) (Earlier, Whole time Director from 22.01.1998 to 9.01. 2000)

2. BOARD OF DIRECTORS ('BOD')

Attendance of each Director at the BOD Meetings held during the period 10.07.1999 upto 12.08.2000 and the last AGM date (i.e. 10.07.1999)

Sr. No.	Name of the Director	Number of Board Meeting Held	Number of Board Meeting attended	Status of presence at 1 <sup>st</sup> AGM
1.	Shri M. R. Mayya (Chairman, ISE)	6	6	Present
2.	Shri P. C. Nayak	6	4	
3.	Dr. Prasanna Chandra Shrimai	6	2	
4.	Justice A. D. Tated	6	5	Present
5.	Shri Umesh R. Dangarwala	4	2	



**Directors' Report**

6.	Shri Ajay A. Thakkar	3	2	
7.	Prof. B.P. Apte	4	0	
8.	Dr. K.R. Chandratre	3	1	
9.	Shri P.K. Bindlish	6	4	
10.	Shri R. Vasudevan	1	0	
11.	Shri Samir Biswas	3	0	
12.	Shri K. Pandian	5	3	
13.	Shri Pankaj J. Shah	6	3	Present
14.	Mrs. Manisha P. Naik	6	5	Present
15.	Shri Sanjay Chokhany	6	2	
16.	Shri Balasundaram D.	6	2	
17.	Shri Ashok K. Sardana	6	2	Present
18.	Shri H. K. Garg	4		
19.	Shri K. V. Thomas	4	2	
20.	Shri Joseph Massey	6		Present
21.	Shri V. Shankar	6	6	Present

**3. NUMBER OF BOD MEETINGS HELD, DATES ON WHICH BOARD MEETINGS WERE HELD DURING 10.07.1999 TO 12.08.2000**

(a) Total Number of BOD Meetings held during 10.07.1999 to 12.08.2000: 6 (Six)

(b) Dates on which BOD Meetings were held.

SR. NO.	ISE BOARD MEETING NO.	DATE OF ISE BOARD MEETING
1.	SIXTEENTH	July 10, 1999
2.	SEVENTEENTH	August 21, 1999
3.	EIGHTEENTH	November 04, 1999
4.	NINETEENTH	January 09, 2000
5.	TWENTIETH	April 25, 2000
6.	TWENTY FIRST	August 12, 2000



4. GENERAL BODY MEETINGS

(1) Location and time where last 3 AGM's held-

Since the Company was incorporated on 22<sup>nd</sup> January, 1998 as a Public Company, Limited by Guarantee, only the First Annual General Meeting (AGM) of the Members of the Exchange was held. This Meeting was held on Saturday, the July 10, 1999 at 2.30 P.M., at the Registered Office, viz., Inter-connected Stock Exchange of India Limited, International Infotech Park, Tower No. 7, 5<sup>th</sup> floor, Sector-30, Vashi - 400 703, Navi Mumbai, Maharashtra State.

(2) Extra-Ordinary General Meeting (EOGM):

Regarding Amendment of existing Article 27.2, Article 29.1 and Article 29.6 of the Articles of Association of the Exchange respectively, and approval for the revised remuneration for Managing Director and Whole-time Director.

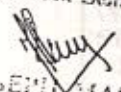
On behalf of the Board of Directors

M. R. MAYYA  
Chairman

Place: Vashi, Navi Mumbai  
Date: August 12, 2000

CERTIFIED TO BE TRUE COPY

FOR INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED.

  
J. B. MASSEY  
Managing Director.



**Statement regarding Subsidiary Company - ISE Securities & Services Limited  
(Pursuant to Section 212 (3) of the Companies Act, 1956)**

Sr. No.	Particulars	Remarks
1.	Name of the Subsidiary Company	<b>ISE Securities &amp; Services Limited</b>
2.	Financial Year of the Subsidiary Company	The first accounting period from January 18, 2000 (being the date of incorporation of the Company) to March 31, 2000
3.	Number of Shares of the Subsidiary Company held by Inter-connected Stock Exchange of India Limited (ISE)	<p>24,99,300 Equity Shares of Rs.10/- each fully paid up held in the name of Inter-connected Stock Exchange of India Limited.</p> <p>700 Equity Shares of Rs.10/- each fully paid up, in the name of the seven subscribers to the Memorandum of Association of the Company (100 Equity Shares each of Rs.10/- fully paid up held in the name of Shri M. R. Mayya, Shri Joseph Massey, Dr. K. Sabhapathy, Shri Ashish M. Parikh, Shri V. Shankar, Shri Hasmukh B. Baldev and Shri Yogendra Surana as Nominees of Inter-connected Stock Exchange of India Limited.</p> <p>25,00,000 Equity Shares of Rs. 10/- each fully paid up</p>
4.	Extent of Shareholding	100%, On March 31, 2000, the Company held the entire Share Capital consisting of 25,00,000 Equity Shares of Rs. 10/- each fully paid up.
5.	<p>Net aggregate amount of Profit / Loss of the Subsidiary Company, so far as it concerns the Members of the Company</p> <p>(a) not dealt with in the accounts of Inter-connected Stock Exchange of India Limited for the Financial Year ended March 31, 2000</p> <p>I. For the Financial year mentioned in 2 above</p> <p>II. For the previous Financial years of the Subsidiary since it became the Subsidiary of the Company.</p>	<p>NIL</p> <p>Not applicable</p>



**Directors' Report**

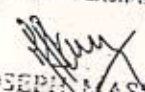
Sr. No.	Particulars	Remarks
	(b) dealt with in the accounts of Inter-connected Stock Exchange of India Limited for the Financial Year ended on 31 <sup>st</sup> March, 2000	
18.	I. For the Financial year mentioned in 2 above	Nil
19.	II. For the previous Financial years of the Subsidiary since it became the Subsidiary of the Company.	Not applicable

On behalf of the Board of Directors

Place: Vashi, Navi Mumbai  
Date: August 12, 2000

M. R. MAYYA  
Chairman

**CERTIFIED TO BE TRUE COPY**  
FOR INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED.

  
JOSEPH MASSEY  
Managing Director.



# ISE SECURITIES & SERVICES LIMITED

Balance sheet as at March 31, 2000.

	Schedule	as at March 31, 2000 Rupees
<b>Sources of funds</b>		
<b>Shareholder's funds</b>		
Share Capital	1	25,000,000
Reserves & Surplus		Nil
		25,000,000
<b>Total</b>		<b>25,000,000</b>
<b>Application of funds</b>		
<b>Current assets, loans and advances</b>		
<b>Current Assets</b>		
Cash and Bank Balances	2	3,433,840
Loans and advances	3	25,112,639
		28,546,479
<b>less:- Current liabilities and provisions</b>		
Current liabilities	4	4,419,960
Provision		Nil
		4,419,960
<b>Net current assets</b>		<b>24,126,519</b>
Miscellaneous expenditure (to the extent not written off or adjusted)	5	873,481
<b>Total</b>		<b>25,000,000</b>
Significant accounting policies and notes forming part of the accounts	6	

as per our report attached of even date

for A.J.Shah & Co.  
Chartered Accountants

Rajesh Shah  
Partner  
Membership No.31475

for and on behalf of the Board

V. Shankar (V. Shankar) Managing Director  
Joseph Massey (Joseph Massey) Director

R. Aravindan  
(R. Aravindan)  
Asst. Secretary

Mumbai, dated 7th August, 2000

Navi Mumbai, dated 7th August, 2000

**CERTIFIED TO BE TRUE COPY**

FOR INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED.

JOSEPH MASSEY  
Managing Director.





# ISE SECURITIES & SERVICES LIMITED

Schedules forming part of the accounts

	as at March 31, 2000
	Rupees
<b>Schedule 1- Share Capital</b>	
Authorised 6000000 Equity Shares of Rs10/- each	60,000,000
Issued Subscribed & Paid Up 2500000 Equity Shares of Rs10/- each	25,000,000

<b>Schedule 2- Cash and bank balances</b>	
Cash-on-hand	
Bank balances:	
with Scheduled Banks	
- in Current Account	933,840
- in Deposit Account	2,500,000
<b>Total</b>	<b>3,433,840</b>

<b>Schedule 3- Loans and advances</b>	
<i>(unsecured, considered good)</i>	
Advances recoverable in cash or in kind, or for value to be	89,283
Interest- Receivable	18,314
Tax Deducted at Source	5,042
	<b>112,639</b>
Deposits:	
NSE Deposits	21,600,000
NBCCL Deposits	3,400,000
<b>Total</b>	<b>25,112,639</b>



# ISE SECURITIES & SERVICES LIMITED

Schedules forming part of the accounts

		as at March 31, 2000
		Rupees
<b>Schedule 4- Current liabilities</b>		
Sundry Creditors for Expenses		4419960
	<b>Total</b>	<b>4,419,960</b>

<b>Schedule 5- Miscellaneous Expenditure</b> (To the extent not written off or adjusted)		
Preliminary expenses		133,560
Pre-operational Expenses		
Employee Cost	380,540	
Insurance	1,217	
Rates & Taxes	3,100	
Auditor's Remuneration	38,100	
Annual Subscription fees	100,000	
Legal & Professional Fees	38,600	
Statutory fees	201,720	
Sub-Total	763,277	
Less: Interest Income-(TDS Rs. 5042.00)	23,356	
		739,921
	<b>Total</b>	<b>873,481</b>





# ISE Securities & Services Ltd.

Schedules forming part of the Accounts

## Schedule-6

### Significant accounting policies and notes forming part of the Accounts

#### 1 Significant Accounting Policies.

##### a) Fundamental Accounting Assumptions:

The company follows the fundamental accounting assumptions of going concern, Consistency and accrual.

##### b) Method of Accounting:

The financial statements are prepared according to the historical cost convention and on an accrual basis in accordance with the requirements of the Companies Act, 1956.

##### c) Revenue recognition:

- i) Brokerage is recognised on the settlement pay in date basis, net of service tax.
- ii) Other incomes are accounted on accrual basis.

##### d) Fixed Asset and Depreciation:

- i) Fixed assets are valued at cost. They are stated at historical cost inclusive of incidental expenses.
- ii) Depreciation is provided on straight line basis at the rates specified in Schedule XIV of the Companies Act, 1956. Depreciation for asset acquired / purchases during the period is provided on pro-rata basis.

##### e) General:

All other accounting policies have been followed as per the generally accepted accounting principles.





2. Preliminary Expenses:

Preliminary expenses are being amortised over a period of five years from the year the company commences the operations.

3. Remuneration to Auditors:

	Rs.
Audit Fees	12,600
Other Services	25,500
Total	<u>38,100</u>

- In the opinion of the Board of Directors, the Current Assets, Loans and Advances; have been valued on realization in ordinary course of business at least equal to the amounts at which they are stated in the Balance Sheet.
- Employee's cost consist of Rs.380,540/- being the cost of the staff deputed by ISE to the company during the period of deputation namely 1<sup>st</sup> February,2000 to 31<sup>st</sup> March,2000.
- The Company was incorporated on January 18, 2000; and hence the accounts have been drawn up for the period from 18/1/2000 to 31/3/2000. This being the first financial year of the company there are no corresponding figures for the earlier year.
- The amount in the Balance Sheet and Profit and Loss account are rounded off to the nearest rupee.
- The Company has not drawn up the Profit & Loss Account for the period ended on 31<sup>st</sup> March, 2000 in view of the reason that the Company has not commenced business till 31<sup>st</sup> March,2000. All the expenses for the period were transferred to Pre-operational expenses.

For A.J.Shah & Co.  
Chartered Accountant

Rajesh Shah  
Partner

Mumbai, dated 7th August,2000

For and on behalf of the Board

V. Shankar      Joseph Massey      R. Aravindan  
(Managing Director)      (Director)      (Asst. Secretary)

Navi Mumbai, dated 7th August,2000

CERTIFIED TO BE TRUE COPY

FOR LISTED & UNLISTED STOCK EXCHANGE OF INDIA LIMITED.

JOSEPH MASSEY  
Managing Director.





# ISE SECURITIES & SERVICES LTD.

Schedules forming part of the accounts

*Significant accounting policies and notes forming part of accounts*

*Notes forming part of accounts*

Balance sheet abstract and Company's general business profile

## I. Registration details

Registration no.

1 2 3 7 0 7

Balance sheet date

3 1 0 3 2 0 0 0

State code

1 1

## II. Capital raised during the year (amount in Rupees thousands)

Public issue

0 0 0 2 5 0 0 0

Bonus issue

N I L

Rights issue

N I L

Private placement

N I L

## III. Position of mobilisation and deployment of funds (amount in Rupees thousands)

Total liabilities

0 0 0 0 2 9 4 2 0

Sources of funds

Paid-up capital

0 0 0 0 2 5 0 0 0

Total assets

0 0 0 0 2 9 4 2 0

Reserves and surplus

N I L

Secured loans

N I L

Application of funds

Net fixed assets

N I L

Net current assets

0 0 0 0 2 4 1 2 7

Accumulated losses

0 0 0 0 0 0 N I L

Unsecured loans

N I L

Investments

N I L

Miscellaneous expenditure

0 0 0 0 0 0 8 7 3

## IV. Performance of the Company (amount in Rupees thousands)

Turnover

0 0 0 0 0 0 N I L

+ (-) Profit/ (loss) before tax

0 0 0 0 0 0 N I L

Earnings per share (Rupees)

N A

Total expenditure

0 0 0 0 0 0 7 4 0

+ (-) Profit/ (loss) after tax

0 0 0 0 0 0 N I L

Dividend %

N A

## V. Generic names of three principal products/ services of the Company (as per monetary terms)

Item code no. (ITC code)

N I L

Product description

N A

CERTIFIED TO BE TRUE COPY  
FOR INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED.

JOSEPH MASSEY  
Managing Director.



AUDITORS' REPORT

To,  
The Members of  
ISE Securities & Services Ltd.  
Navi Mumbai.

We have audited the attached Balance Sheet of ISE SECURITIES & SERVICES LIMITED, as at 31st March, 2000 the annexed thereto and report that:-

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
2. In our opinion, proper books of accounts have been kept as required by law, so far as it appears from our examination of the books of account;
3. The Balance Sheet dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet comply with the Accounting Standards refer to in sub-section (3C) of Section 211 of the Companies Act, 1956, that have been made mandatory by the Institute of Chartered Accountants of India.
5. In our opinion, and to the best of our information and according to the explanations given to us, the accounts read together with the Notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view.

In the case of the Balance Sheet of the state of affairs of the company, as at 31st March, 2000.

6. As required by the Manufacturing and Other Companies(Auditors' Report) Order, 1988 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks of the books and records of the company as were considered appropriate and as per the information and explanations given to us, we further report that :

- i. The company has not taken any loans, secured or unsecured from companies, firms, or other parties listed in the register maintained under section 301 of the Companies Act, 1956, (1 of 1956) and/or from the companies under the same management: as defined under sub-section(1B) of section 370 of the Companies Act, 1956.





- ii. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 (1 of 1956) and/or from the companies under the same management as defined under sub-section (1B) of the Companies Act, 1956.
- iii. In our opinion and according to the information and explanations given to us, there are internal control procedures with regards to purchase of assets and sale of services which are being strengthened to be commensurate with the size of the company and nature of its business.
- During the year the company has not rendered services to parties entered in the register maintained under section 301 of the companies Act, 1956 (1 of 1956) aggregating to Rs. 50,000/- or more.
- v. The company has not accepted any deposit from the public.
- vi. The company does not have an internal audit system.
- vii. According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income-Tax, Wealth Tax, Sales Tax, Custom duty and Excise duty outstanding as at 31<sup>st</sup> March, 2000 for a period of more than six months from the date they become payable.
- viii. According to the information and explanation given to us, and records examined by us, no personal expenses have been charged to revenue accounts other than those payable under contractual obligations or in accordance with generally accepted business practices.
- ix. The provisions of Sick Industrial Company (Special Provisions) Act, 1985 are not applicable to the Company.
- x. This report does not include matter specified in clauses (i) to (vi) (xii), (xiv) (xvi), (xvii) of paragraph 4(A) and clause (ii) to (iv) of paragraph 4(B) and clause (ii) to (iv) of paragraph 4(D) of the MOACARO Order, 1988, as in our opinion and according to the information and explanations given to us, these clauses are not applicable to the company on the basis of facts and circumstances and the nature of activities carried on by the company.

For A. J. SHAH AND COMPANY,  
CHARTERED ACCOUNTANTS.

(RAJESH SHAH)  
PARTNER

MUMBAI  
DATE: 7 AUG 2000



CERTIFIED TO BE TRUE COPY

FOR INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED.

JOSEPH MASSEY  
Managing Director.



## ISE SECURITIES & SERVICES LIMITED

### DIRECTORS' REPORT

The Board of Directors of ISE Securities & Services Limited (ISS) is pleased to present its first Annual Report for the period January 18, 2000 to March 31, 2000, being the first Financial Year together with the Auditor's Report and the Accounts finalized up to that date.

#### CURRENT STATUS

Inter-connected Stock Exchange of India Ltd. (ISE) has floated ISE Securities & Services Ltd. (ISS) as a wholly-owned subsidiary under the policy formulated by Securities and Exchange Board of India (SEBI) for "Revival of Small Stock Exchanges". The policy enunciated by SEBI permits a Small Stock Exchange to float a subsidiary which can take up membership of larger Stock Exchanges, such as NSE, The Stock Exchange, Mumbai (BSE), Calcutta Stock Exchange (CSE) and Delhi Stock Exchange (DSE). ISE would be providing to its Traders and Dealers access to NSE to begin with, and later to the other Exchanges, through ISS, so that member brokers of ISE can operate in multiple markets on a highly cost-effective basis.

ISS was incorporated on January 18, 2000. The seven Subscribers to the Memorandum and Articles of Association of ISS are Dr. K. Sabapathy of Coimbatore Stock Exchange, Shri Yogendrakumar P. Surana of Madhya Pradesh Stock Exchange, Shri Ashish M. Parikh of Mangalore Stock Exchange, Shri Hasmukh B. Baldev of Saurashtra Kutch Stock Exchange, Shri M. R. Mayya, Chairman, ISE, Shri Joseph Massey, Managing Director, ISE and Shri V. Shankar, Joint Managing Director, ISE. ISS is registered as a Corporate Member of NSE, consequent to registration by SEBI on February 24, 2000.

The Exchange subsidiary model ensures that a member of any Small Stock Exchange can access the markets offered by the larger Stock Exchanges through the subsidiary established by the Small Stock Exchange. Accordingly, Traders and Dealers of ISE are eligible to trade on NSE at present and on any other Stock Exchange of which ISS becomes a corporate member in the future. Towards this, Traders and Dealers are required to register themselves with SEBI as sub-brokers of ISS. This business model ensures that the Traders from the Participating Exchanges, as well as the Dealers, use the infrastructure established for both the ISE and NSE segments. This approach leads to optimum utilization of infrastructure, leading to provision of highly cost-effective stock broking services, with all checks and balances and an effective risk management system in place, as befitting an institutional stock trading setup. This setup ensures that investors, especially retail investors, spread across the length and breadth of the country, are able to get the advantage of lower brokerage and service charges.

ISS has commenced operations in the NSE segment from May 3, 2000, and is at present operating from Mumbai, Navi Mumbai, Calcutta, Delhi, Chennai, Pune, Ahmedabad, Bahadurgarh (Haryana), besides the Participating Exchange centers of Mangalore, Coimbatore, Vadodara and Bhubaneswar. The remaining Participating Exchange centers and the other 50+ Dealer locations would be activated progressively within the next 3 to 6 months.

The entire, Trading, Clearing & Settlement and Risk Management systems, together with the computer system and the communication network, have been rigorously tested over a number of months. ISS is the first Exchange subsidiary to operate on a national level.

FINANC

As the  
the per  
operati

FUTUR

There  
around  
registra  
register  
current  
Dealers  
ISE. Th

With a  
upward  
to arou  
are like  
boost y

Expans  
commu  
and at  
ISE se

While  
memb  
Deposi  
Service  
exploit  
spectr

OFFIC

The C  
Excha  
Vashi  
ordina  
Excha  
are pr

TRADI

Trader  
provid  
system  
are ins  
Trader  
manag  
ISS. A  
the Tr



## FINANCIAL HIGHLIGHTS

As the Company has not commenced business as of March 31, 2000, the Profit & Loss Account for the period under review has been drawn up and all expenses for this period are treated as pre-operational expenses.

## FUTURE PROSPECTS

There are more than 4500 members belonging to the various Participating Exchanges. In addition, around 500 direct trading participants, called Dealers, are at various stages of completing their registration as member brokers. At present, there are 60 Traders and Dealers who have been registered by SEBI, and the number of such registered intermediaries will increase substantially in the current financial year 2000-01. By the end of the financial year 2000-01, at least 200 Traders and 400 Dealers are expected to be active in the NSE segment offered by ISS and the national segment of ISE. These intermediaries would be spread out in more than 70 locations across the country.

With around 35 intermediaries participating in the system at present, the daily turnover notched up is upwards of Rs. 14 crores. With participation increasing in the future, the turnover is expected to go up to around Rs. 250 crores by the end of this financial year. Further, the existing Traders and Dealers are likely to register sub-brokers of their own and operate through multiple offices, which is expected to boost volumes further.

Expansion of trading operations would be easily facilitated with the adoption of internet as a communication medium. Network connectivity to support a number of offices can be done very easily and at low costs by using internet. A significant proportion of the order flow in the NSE segment (and ISE segment too) is expected to be through internet.

While currently ISS is providing trading facility only on NSE, plans are on the anvil for taking up membership of the other premier Exchanges too. ISS is also exploring the possibility of becoming a Depository Participant with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSIL). In addition, other business opportunities will be explored and exploited, so that ISS becomes a large, highly-diversified financial services institution, offering a wide spectrum of innovative financial products at the most cost-effective rates.

## OFFICE INFRASTRUCTURE

The Company functions from the same premises as that of its promoter, Inter-connected Stock Exchange of India Ltd. Apart from the central office, which is situated at International Infotech Park, Vashi, Navi Mumbai, ISS also provides decentralized support to Traders and Dealers through the Co-ordination and System Officers located at Delhi, Calcutta, Chennai, Nagpur and the Participating Exchange centers. The entire administrative and system support, as well as compliance monitoring, are proposed to be taken care of through the decentralized setup.

## TRADING, CLEARING AND SETTLEMENT AND RISK MANAGEMENT

Traders and Dealers registered on ISS as sub-brokers trade on NSE using the ODIN system which provides them the NEAT Screen through the CTCL system located at the ISE, Vashi. The ODIN system has been developed by Financial Technologies (India) Pvt. Ltd. All trades done during the day are instantaneously matched on NSE and confirmations of trades are also sent to the concerned Traders or Dealers immediately. The trading done by the Trader or Dealer is subject to on-line risk management linked to his Base Minimum Deposit and the Additional Capital kept with NSE through ISS. All orders are subjected to an on-line pre-trade verification to check the availability of the limit for the Trader or Dealer.



ISS has opened a Clearing Member (CM) depository account with Stock Holding Corporation of India Ltd. (SHCIL). The Registered Intermediaries of ISS are required to open beneficiary accounts separately for ISS operations with any DP. At the time of pay-in of securities, the Registered Intermediary is required to transfer the securities to the extent of his pay-in into the CM Pool account of ISS after receiving the same from his clients. On the other hand, at the time of securities pay-out by ISS, the beneficiary account of the Registered Intermediary would be credited through an instruction of ISS.

The NSE segment allows for trading in only those scrips, where SEBI has made demat delivery compulsory. The contract notes for all the trades done during the day are sent by post to the Traders and Dealers and would eventually be transmitted electronically, once electronic signatures are permitted. Each Registered Intermediary is required to open two accounts viz. settlement and client accounts with the clearing bankers of ISS which are HDFC Bank and their correspondent Banks in most locations and Vysya Bank at all the Participating Exchange locations.

## TECHNOLOGY AT ISS

### Application Software

The mission of ISS is to provide a multi-Exchange, multi-product platform, which is reliable, scalable, robust and state-of-the art on a highly cost-effective basis. The technology architecture at ISS is geared to support leading advances made in computer and communication systems, such as internet, VAP, etc. Towards this end, ISS has acquired the ODIN and Match (for back office) software packages from one of the leading solution provider in the market, viz. Financial Technologies (India) Private Ltd. These software packages have been extensively customised to meet the specific needs of ISS.

The solution has demonstrated performance, scalability and robustness during the benchmarking exercise, which was conducted by a leading system integrator in the country. With the present hardware, the software solution has demonstrated the ability to handle 500 concurrent users over a 5-hour period with around 6.5 lakh orders being processed successfully.

The solution acquired by ISS can handle linkages to multiple Exchanges. ISS has gone in for unlimited user licence for the front-end trading software, as well as the member's back office software. The member's back office package is being provided at no cost to all the Registered Intermediaries.

### Computer Hardware

Up-of-the line Compaq Proliant 8500 servers have been deployed for the order routing, risk management, clearing and settlement functions. The three servers have been set up in a cluster mode, so as to offer high availability. With the present configuration of 2 processors on each of the three servers, the system can handle a load of around 6.5 lakh orders on any given day. The Compaq system can be upgraded to 8 processors per server.

### Communication Network

ISS has its Central ODIN server installed at Vashi, Navi Mumbai. For connecting the registered members from the Participating Exchange locations, the communication medium is VSAT. All the Participating Exchanges have equal access to the Central Computer System. ISS uses two types of communication channels in the VSAT Network: (i) the Single Carrier Per Channel (SCPC) / Permanently Assigned Multiple Access (PAMA) link for interactive traffic, i.e. for order routing and confirmations, because it is fast and efficient and (ii) the Time Division Multiple

Access (TDMA) data, index and communication mesh network mechanism to

As regards communication established locally through local Vashi, Navi Mumbai Traders and Dealers to the central lines, VSATs

ISS also has support personnel

## CUSTOMER SERVICE

Recognizing the coordination Department as for others Department. Traders and Dealers.

The basic personnel Department in trading and settlement

## BOARD OF DIRECTORS

The First Board Meeting held on January 20, 2000

## First Directors

1. Shri M.R.
2. Shri V. S.
3. Shri Jose

Appointment of Managing Director Meeting held

## CHANGES

-- NIL --



Access (TDMA) channel for downloading the broadcasts, i.e. market data, last traded price, ticker data, index messages, etc. because it is reliable for high volume data transfer. These two communication channels will also work as backups for each other. In addition, ISS would also have a mesh network through Integrated Services Digital Network (ISDN) and analog links as backup mechanism to take care of satellite and satellite equipment failures.

As regards connectivity for Mumbai, Calcutta, Delhi, Chennai, Pune and Ahmedabad, ISS has established local network hubs in these cities. Traders and Dealers at these locations are connected through local leased lines and ISDN connections to the network hubs, which in turn are linked to Vashi, Navi Mumbai through multiple high speed data circuits. At other locations, the concerned Traders and Dealers are linked through leased lines/ISDN lines to the closest regional hub or directly to the central hub at Vashi. At centers where Traders and Dealers cannot be serviced through leased lines, VSATs have been used.

ISE also has an E-mail facility, connecting the ISE personnel at Vashi with Traders, Dealers and support personnel located at the different Regional Offices of ISE.

### CUSTOMER SUPPORT

Recognizing the need for strong customer-orientation, ISS has set up a Customer Relations & Co-ordination Department, which would act as a single point of interface for Traders and Dealers, as well as for others who need information about ISE and ISS. The central Help Desk function is part of this Department. This Department would also act as a gateway for channeling the feedback from Traders and Dealers.

The basic principles of Customer Relations Management (CRM) are being deployed by this Department in the discharge of its functions, with a view to resolving day-to-day problems with the trading and settlement system, as well as for providing query support.

### BOARD OF DIRECTORS

The First Board of Directors of the Company, comprising the following Directors, was constituted on January 20, 2000:

#### First Directors

- |                       |                   |
|-----------------------|-------------------|
| 1. Shri M.R. Mayya    | Chairman          |
| 2. Shri V. Shankar    | Managing Director |
| 3. Shri Joseph Massey | Director          |

Appointment of Shri V. Shankar, Joint Managing Director, Inter-connected Stock Exchange, as Managing Director of the Company with effect from January 18, 2000, was approved in the Board Meeting held on January 20, 2000.

### CHANGES AND ADDITIONS TO THE BOARD DURING THE PERIOD

-- NIL --



## AUDITORS

M/s. A.J. Shah & Co., Chartered Accountants, who had been appointed by the Board of Directors of the Company in its First-Board Meeting as Statutory Auditors of the Company from the date of incorporation of the Company till the date of First Annual General Meeting and they would be retiring at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

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

## PARTICULARS OF EMPLOYEES

The particulars of employees as required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended is not applicable to the Company.

## STATUTORY DISCLOSURE OF PARTICULARS

The requirements of Disclosure, in terms of Section 217(1) (e) of the Companies Act, 1956, read with 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 the Company, and therefore, no details are required to be given.

## CORPORATE GOVERNANCE

The Company is committed to good corporate governance. The Chairman, together with the other Directors and the staff working for the Company, are highly conscious that investors and general public need to be served effectively through the registered intermediaries, and therefore, all policies and strategic initiatives undertaken by the Company suitably reflect this commitment.

## HUMAN RESOURCES

As on the date of the Report, the Company has a staff strength of 15 employees (excluding the Managing Director), all of whom operate from the Vashi Office. These employees are on deputation from ISE.

The staff working at ISS has relevant experience, as they have either worked in some other Stock Exchange, brokerage firm or related institution. The internal talent available with ISE is being used effectively in the best interests of the Company. Further, the organization structure also ensures that there is great synergy in the operations of ISS and its holding company.

## GENERAL MEETINGS

During the period under review, an Extra-Ordinary General Meeting of the Members was held on February 18, 2000 to increase the Authorised Share Capital from Rs.2.50 Crores to Rs. 6.00 Crores and for making the necessary changes in the Articles of Association of the Company, as advised by SEBI.

As required under Section 165 of the Companies Act, 1956, a Statutory Meeting of the Members of the Company was held on April 25, 2000 to consider and approve the Statutory Report as on March 31, 2000.



## BOARD MEETINGS

During the period under review, seven (7) meetings of the Board of Directors were held and all the Meetings were attended by all the Directors.

## ACKNOWLEDGEMENTS

On the occasion of presenting this First Annual Report, the Company takes immense pleasure in acknowledging the constructive role played and the unstinted support extended by the Securities and Exchange Board of India (SEBI) in the development of this Company. Without SEBI's expeditious registration of the Company as a Corporate Member of NSE and speedy clearance of sub-broker registration, ISS would not have made the progress it has. The Company also wishes to place on record its deep sense of gratitude to NSE, which processed the Company's application for membership and granted membership under the new Rules governing Exchange subsidiaries without any delay. The co-operation and support extended by every member of NSE's staff were commendable. Our acknowledgements are also due to present, as well as former officials of the Ministry of Finance/Department of Company Affairs, Government of India, Government of Maharashtra, Vysya Bank, HDFC Bank, Auditors, Press and other Media, Members of the Board of Directors of ISS and ISE, Traders, Dealers, Financial Technologies, Wipro, Compaq, Satyam Computers, CMS Computers, MTNL, DoT, Integrated Services, NSDL, SHCIL, CIDCO, MSEB, NMMC and NCST for their continued support and encouragement. Commencement of live trading from May 3, 2000 was possible because of the understanding shown by all these agencies.

Sincere thanks are also due to the staff of ISS and ISE, who have untiringly and with single-minded devotion, worked towards the establishment of this unique institution. Long hours of perseverance and excellent team-work have resulted in the implementation of the project in a record time.

The Company is confident that it would continue to receive the same level of support and co-operation in the coming years.

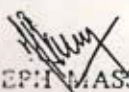
For and on behalf of the Board of  
ISE Securities & Services Limited

Date : August 7, 2000  
Place : Vashi, Navi Mumbai

M. R. MAYYA  
Chairman

**CERTIFIED TO BE TRUE COPY**

OF INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED.

  
JOSEPH MASSEY  
Managing Director.



**ATTENDANCE SLIP FOR THE SECOND ANNUAL GENERAL MEETING OF  
INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED**

I record my presence at the Second Annual General Meeting of Inter-connected Stock Exchange of India Limited (ISE) held at the Board Room of ISE at International Info. Tech Park, Tower 7, 5<sup>th</sup> floor, Sector 30, Vashi, Navi Mumbai on Saturday, September 23, 2000 at 2.30 p.m.

IN BLOCK LETTERS

Name	
Representative of	
Signature of the Representative	
Signed this _____ day of September 2000.	

Encl: Requisite Board Resolution passed by the Board of \_\_\_\_\_ Stock Exchange is produced herewith.

**NOTE:** You are requested to sign and hand over this at the entrance.