

PUNE STOCK EXCHANGE LTD.

Registered Office : "Shivleela Chambers", 752, Sadashiv Peth,
Kumthekar Marg, Pune - 411 030

B. D. Banerjee
Administrator
Pune Stock Exchange Ltd.

(Appointed as Administrator of Pune Stock Exchange Limited vide The Gazette of India. Extraordinary, Part - II Section 3, subsection ii, published by Authority Securities and Exchange Board of India notification Mumbai, dated 4th April, 2003. In super session of Pune Stock Exchange Governing Board the Administrator is empowered to "exercise and perform all the powers and duties of the Governing Board")

Manish J. Rangari
Offi. Executive Director
Pune Stock Exchange Ltd.

AUDITORS

k

JOSHI & SAHNEY
CHARTERED ACCOUNTANTS

BANKERS

k

BANK OF INDIA.
Laxmi Road, Branch, Pune - 411 030.

k

JANATA SAHAKARI BANK LIMITED
Pune Stock Exchange Branch, Sadashiv Peth, Pune - 411 030.

ARBITRATION COMMITTEE

SHRI. M. R. PARANJAPE
Non - Member

SHRI. SHAILENDRA SHAH
Member

SMT. NILIMA BHADBHADE
Non - Member

SHRI. ANIL PARIKH
Member

SHRI. K. R. SHAH
Non - Member

SHRI. MANISH RANGARI
Offi. Executive Director

DISCIPLINARY ACTION COMMITTEE

DR. C. G. VAIDYA
Non - Member

SHRI. MOHAN CHIMANLAL GUJARATHI
Member

SHRI. VENKATESH GALGALI
Non - Member

SHRI. ARUN MANUDHANE
Member

SHRI. BHALCHANDRA RADKAR
Non - Member

SHRI. MANISH RANGARI
Offi. Executive Director

DEFAULTS COMMITTEE

SHRI. DINESH BHALERAO
Non - Member

SHRI. ASHISH SHAH
Member

SHRI. N. G. DRAVID
Non - Member

SHRI. J. D. NATU
Member

SHRI. M. R. PARANJAPE
Non - Member

SHRI. MANISH RANGARI
Offi. Executive Director

DELISTING COMMITTEE

SHRI. S. L. JOSHI
Non - Member

SHRI. ARUN MANUDHANE
Member

SHRI. GHANSHYAM BHINGE
Non - Member

SHRI. MANISH RANGARI
Offi. Executive Director

SHRI. R. V. DANI
SEBI Nominee (Non - Member)

ETHICS COMMITTEE

SHRI. S. L. JOSHI
Non - Member

SHRI. MOHAN CHIMANLAL GUJARATHI
Member

SHRI. A. CHOUDHARI
Non - Member

SHRI. M. N. RANADE
Member

SHRI. N. G. DRAVID
Non - Member

SHRI. MANISH RANGARI
Offi. Executive Director

INVESTMENT WORK GROUP

SHRI. VENKATESH GALGALI
Non - Member

SHRI. ASHISH SHAH
Member

SHRI. BHALCHANDRA RADKAR
Non - Member

SHRI. R. K. BHANDARI
Member

SHRI. GHANSHYAM BHINGE
Non - Member

SHRI. MANISH RANGARI
Offi. Executive Director

TRUSTEES OF PUNE STOCK EXCHANGE INVESTORS' PROTECTION FUND TRUST

DR. SHAILESH GUJAR
Non - Member

SHRI. AMIT MODAK
Member

SHRI. M. N. PARANJAPE
Non - Member

SMT. RUPA PATANKAR
Member

SHRI. VENKATESH GALGALI
Non - Member

SHRI. MANISH RANGARI
Member Secretary

PUNE STOCK EXCHANGE LTD.

"Shivleela Chambers", 752, Sadashiv Peth, Kumthekar Marg, Pune - 411 030

NOTICE

Notice is hereby given that the 21st Annual General Meeting of the Members of the Pune Stock Exchange will be held on Friday the 19th day of September 2003 at 5.00 p.m. at the Registered Office of the Exchange, 1st Floor, "Shivleela Chambers", 752, Sadashiv Peth, Kumthekar Marg, Pune - 411 030, to transact the following business :

Ordinary Business :

1. To receive, consider and adopt the Audited Accounts for the year ended 31.03.2003 and the Report of Administrator and Auditors thereon.
2. To appoint the Auditors and fix their remuneration.

Special Business :

- 1) To pass with or without modifications the following Resolutions as a special resolution.

RESOLVED THAT subject to the approval of Securities & Exchange Board of India and pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be and is hereby altered by insertion of the following Article after the existing Article No.64.9.4.

Article 64.9.5 — Guidelines for Fair Practices/Code of Conduct for Public Representative and SEBI Nominee Directors

Public Representative/SEBI Nominee Director shall

(A) Meetings & minutes

- a. endeavour to attend all the board meetings and shall be liable to vacate his office if he remains absent for three consecutive meetings of the Board of Directors or does not attend 75% of the total meetings of the Board in a calendar year.
- b. not participate in the discussion of any subject matter in which any conflict of interest exists or arises, whether pecuniary or otherwise, and in such cases the same shall be disclosed and recorded in the minutes of the meeting.
- c. not encourage the circulation of agenda papers during the meeting, unless circumstances requires.
- d. meet themselves at least once in 6 months separately, if necessary, to exchange views on critical issues. .
- e. offer their comments on the draft minutes and ensure that the same are incorporated in the final minutes.
- f. insist on the minutes of the previous meeting being placed for approval in subsequent meeting.

- g. endeavour to have the date of next meeting fixed at each Board Meeting in consultation with other members of the Governing Board.
- h. endeavour that in case where all the items of the agenda of a meeting were not covered for want of those, the next meeting is held within 15 days for considering the remaining items.

(B) Strategic Planning

- a. participate in the formulation and execution of strategies in the best interest of the exchanges and contribute towards pro-active decision making at the Board level.
- b. give benefit of his experience and expertise to the exchange and provide assistance in strategic planning and execution of decisions when the Board is in the throes of a raging controversy.

(C) Regulatory Compliances

- a. endeavour to ensure that the Exchange abides by all the provisions of the SEBI Act, Securities Contracts (Regulation) Act, Rules, Regulations framed thereunder and the circulars, directions issued by the Government/SEBI from time to time.
- b. endeavour compliance at all levels so that the regulatory system does not suffer any breaches.
- c. endeavour to ensure that the Exchange takes commensurate steps to honour the time limit prescribed by SEBI for corrective action.
- d. not support any decision in the meeting of the Governing Board which may adversely affect the interest of investors and shall report forthwith any such decision to SEBI.
- e. endeavour that the arbitral award is given within the period stipulated in the bye Laws, rules or regulations of the Exchange and in any case, the award is delivered within 15 days after the final meeting.

(D) General Responsibility

- a. be punctual and participate actively in the proceedings of the Meetings.
- b. place priority for redressing Investor Grievance, encourage fair trade practice, to become engine for the right growth of the securities industry.
- c. make use of every reasonable opportunity to enhance and improve his level of knowledge and endeavour to analyse and administer the exchange issues with professional competence, fairness, impartiality, efficiency and effectiveness.
- d. submit the necessary disclosures/statement of holdings/dealings in securities as required by the Exchange from time to time as per their Rules or Articles of Association.
- e. unless otherwise required by law, maintain confidentiality and shall not divulge/disclose any information obtained in the discharge of their duty. Further, no such information shall be used for personal gain.

- f. maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of his duties in order to inspire public confidence and shall not engage in acts discreditable to his responsibilities.
- g. avoid any interest or activity which is in conflict with the conduct of his official duties.
- h. perform his duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, his independence or objectivity.
- i. perform his duties with a positive attitude and constructively support open communication, creativity, dedication, and compassion.
- j. not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of the exchange.”

2) To pass with or without modifications the following Resolutions as a ordinary resolution.

RESOLVED THAT the Scheme of Corporatisation and Demutualisation of Pune Stock Exchange Limited as circulated to the members and placed before the meeting, be and is hereby approved.

RESOLVED FURTHER THAT the Administrator / Offi.Executive Director be and are hereby authorised to incorporate any changes / modifications / changes / deletions / insertions in the said scheme as may be suggested by SEBI from time to time and to do all such other things, acts and deeds as may be necessary in this regard on behalf of the Company.”

Explanatory statement pursuant to Section 173(2) of the Companies Act 1956.

- 1) The Amendments in the Articles of Association are proposed for the following reasons.
 - (i). To give effect to the directives issued by Securities & Exchange Board of India vide its circular No.SEBI/SMD/SEAD/Cir-29/2003/03/07 dt. July 3rd, 2003 by which the Stock exchange shall provide for Guidelines for Fair Practices/ Code of Conduct for Public Representatives and SEBI Nominee Directors in order to ensure that the affairs of the stock exchange are conducted on healthy lines with the highest standards of professional conduct, business ethics and morality to inspire and sustain the confidence of the investing public.
 - (ii). Making consequential changes in Articles of Association for giving effect to the above directives.

Members approval is sought for the alteration of Articles of Association of the Exchange.

- 2) The Central Government has announced its proposal to Corporatize and Demutualize the stock exchanges by which ownership, management and trading rights would be segregated from each other.

In order to implement this policy statement made by the Government, Securities and Exchange Board of India (SEBI) had set up a group under the Chairmanship of Justice M. H. Kania, former Chief Justice of India on Corporatisation and Demutualisation of Stock Exchanges in India. The Group has recommended corporatisation and demutualisation of stock exchanges and the modalities thereof.

In order to expedite the process, SEBI has advised the Exchanges to frame a scheme for corporatisation and demutualisation on the lines of the recommendations of Justice Kania Group within six months, that is before July 31st, 2003 for approval of SEBI. After obtaining such approval, the Stock Exchange will be required to implement the same in terms of the approved scheme. Pune Stock Exchange has submitted the Scheme to SEBI in the month of July 2003. However SEBI has directed the Exchange to get the Corporatisation & Demutualisation Scheme approved by the General Meeting of the members. Members approval is sought for the same.

Date: 22nd August 2003

Place : Pune

BY ORDER OF THE ADMINISTRATOR

Manish J. Rangari
Offi. Executive Director

DIRECTORS' / ADMINISTRATORS' REPORT

Ladies and Gentlemen,

It gives me great pleasure in presenting the 21st Annual Report to the Members of the Exchange along with the Balance Sheet as at 31st March 2003 and the Income and Expenditure Account for the year ended 31st March 2003.

Securities and Exchange Board of India had superseded the Governing Board of Pune Stock Exchange Limited, vide the Extraordinary Gazette of India Notification, dated April 4th, 2003 and appointed an Administrator, to exercise and perform all the powers and duties of the Board of Pune Stock Exchange Limited (PSE).

FINANCIAL RESULTS:

The year ended at 31st March 2003 with excess of expenditure over income to the extent of Rs.141.74 lacs.

The figures in short are as given below:

	(Rs. in Lacs)	
	2002-2003	2001-2002
Income	117.85	134.19
Less :		
Expenditure before Depreciation *	190.56	91.78
Depreciation	69.03	114.15
Excess of Income over Expenditure	—	—
Excess of Expenditure over Income	(141.74)	(71.74)
Earlier years adjustments	(8.71)	0.00

Appropriations:

Op. bal. Of Inc. & Expd. A/c.	(89.84)	(18.10)
Trf. to Inv. Service Reserve	0.00	0.00
Trf. to Infra. Dev. Fund.	0.00	0.00
Net Surplus / (Deficit) -	(240.29)	(89.84)

* Rs.1.00 Crore has been considered towards the Settlement Guarantee Fund contribution of the Exchange, which is mentioned in the Annual Accounts.

During the year the Exchange has recorded a turnover of Rs.1.81 Crores as compared to the last year's turnover of Rs.1,171.04 Crores. Exchange completed all the settlements exactly as per the settlement calendar without any delay in pay-in and pay-out. During the year number of Listed companies at Pune Stock Exchange Limited were 320.

After the starting of the Rolling Settlement, the turnover has gone down considerably. Since last couple of months the trading is negligible or almost nil at the Pune Stock Exchange. As far as listing fees is concerned even though number of listed companies remained same as last year, the listing fees collection has decreased from Rs.64.87 lacs to Rs.56.46 lacs. SEBI has approved the new Delisting guidelines in February 2003 by which there shall not be any compulsion for the existing company to remain listed on any Stock Exchange merely because it is a Regional Stock Exchange. As a result many Companies had requested to delist the shares from the Exchange. Administrator has set up a recovery cell for the collection of pending and current years listing fees. This exercise has helped to recover listing fees amounting to some couple of lacs. However many companies are not paying the listing fees to the Exchange in spite of regular follow-up and sincere efforts by the Exchange office. I feel that in the coming days non receipt of the Listing fees will impact the profitability of the Exchange at large since listing fees is one of the main source of income for the Exchange.

Corporatisation and Demutualisation of Pune Stock Exchange:

The Central Government has announced its proposal to Corporatize and Demutualize the stock exchanges by which ownership, management and trading rights would be segregated from each other.

In order to implement this policy statement made by the Government, Securities and Exchange Board of India (SEBI) had set up a group under the Chairmanship of Justice M. H. Kania, former Chief Justice of India on Corporatisation and Demutualisation of Stock Exchanges in India. The Group has recommended corporatisation and demutualisation of stock Exchanges and the modalities thereof.

In order to expedite the process, SEBI has advised the Exchanges to frame a scheme for corporatisation and demutualisation on the lines of the recommendations of Justice Kania Group within six months, that is before July 31st, 2003 for approval of SEBI. After obtaining such approval, the Stock Exchange will be required to implement the same in terms of the approved scheme.

Considering this the Administrator of Pune Stock Exchange(PSE) appointed a small sub-group of 6 members within PSE to study the report and give their recommendations thereon. The sub-group prepared their report and the same was submitted to the Administrator.

Thereafter the Administrator appointed a Committee consisting of five broker representatives, one Officiating Executive Director and two Consultants to prepare a scheme of Corporatisation and Demutualisation of PSE.

The Committee prepared the Draft scheme after considering the Kania Committee Report and Report prepared by the sub-group. The Draft scheme / report was circulated to all the broker members of the Exchange sufficiently in advance and their suggestions / recommendations were obtained in a duly convened brokers meeting. Thereafter the Committee considered the suggestions and incorporated necessary changes in the scheme. The said scheme was submitted to SEBI subject to approval at the Annual General Meeting.

Compliance of SEBI Circulars:

For the compliance of the SEBI Circulars received by the office a SEBI Compliance cell has been formed and a senior officer has been nominated as the Compliance Officer. This cell keeps the record of the circulars received, takes the necessary action on the circulars and forwards regularly the compliance report to SEBI.

Settlement Guarantee Fund:

Pune Stock Exchange Limited has now created the Settlement Guarantee Fund (SGF) which was granted "in principle" approval by SEBI vide its letter No.SMDRP/SEAID-I/PSE/16098/99 dt.August 12th, 1999. SEBI has asked to amend the Byelaws relating to the SGF Scheme and the same were amended by the Exchange.

As per the original Scheme prepared by the Exchange the corpus of the SGF should have been transferred to the separate SGF account and interest should have been credited to the said corpus / account only. Unfortunately this amount was not transferred earlier and the same has been accounted for this year which is reflected in the Balance Sheet and Profit and Loss account as on 31/3/2003.

Adoption of Model Bye- Laws / Rules & publication of Bye-laws:

SEBI advised the Exchange to amend the Articles /Rules / Bye-laws by adopting the Model byelaws suggested by SEBI. The Exchange accordingly amended the necessary and applicable Articles of Association of the Exchange and forwarded the same to SEBI for approval which is awaited. However the Exchange undertakes to amend the Articles / Bye Laws and will abide by the guidelines of SEBI.

Turnover based SEBI fees payable by members:

SEBI vide its letters and circular dt.March 28th, 2002 had asked the members brokers through the Exchange to submit the details of the gross turnover details to SEBI for the accurate calculation of SEBI turnover fees and also for obtaining the facility of concessional rate of fees payable by them. The Exchange from time to time has reminded the members to submit the details to the Exchange and comply with the guidelines. Information submitted by the members and the Exchange details had been forwarded to SEBI. However many of the members have not submitted the details as per the prescribed format and hence Exchange has forwarded the details as per its records. Many members have not submitted the details in the prescribed format for the year 2002-2003, which may be submitted at the earliest.

Consolidation of Regional Exchanges:

The Regional Stock Exchanges (RSEs) were created with an objective that they will cater to the requirements of investors from the respective regions and will help in raising the capital for the entrepreneurs of that region. During the last two decades the trading was done through outcry system and substantial volumes were generated at the RSEs. With the technological advancement taking place in the Capital market, National level exchanges offered the latest online trading facilities to the investors as a result slowly the turnover shifted to the National level Exchanges from the Regional exchanges. SEBI took number of initiatives for the revival of the Regional Exchanges. SEBI permitted the RSEs to float their own subsidiary company and permitted to become the members of bigger Exchanges.

SEBI constituted Mayya Committee for submitting a report for consolidation of RSE's in line with the concept of "EURONEXT" by which there will be a common trading platform for the RSE's. The proposal was named as INDONEXT. The main concept of Indonext was that

- the RSEs who participate in the project will stop the trading on the local platform.
- there will be a centralised trading platform.
- existing function of the RSE and their existence will continue, except for the trading at the local platform,
- it was proposed that the companies having paid up capital upto Rs.20 Crores be exclusively be allowed to trade at Indonext platform.
- Due to Indonext the existing RSEs will save the expenses on maintainance of their local trading platform and a big order book will be generated as the trading will be at one place and platform.

However recently BSE has shown interest in the said concept and proposed that instead of RSE's forming a new platform, BSE may be interested in offering the similar facility by creating a separate segment called as "S - Segment" at the existing BSEs trading software. The proposal has been accepted by almost all the RSEs and further discussions are going on with the BSE and the Federation of Indian Stock Exchanges. It is felt that this may bring in activity and business volume for the Pune Stock Exchange Brokers. PSE has given its consent to join the proposal of INDONEXT or S-Segment with BSE. Further developments in this regard will be informed to the members from time to time.

Appointment of the Executive Director:

The Exchange is not having a full time Executive Director from August 1st, 2001. The Exchange did recommend the name of the candidate to SEBI in February 2003, however SEBI directed the Exchange to follow fresh procedure for the appointment of SEBI as the earlier appointment was not in line with the SEBI guidelines.

After the directive of SEBI the Exchange floated a fresh advertisement for the post of Executive Director of the Exchange and a new selection Committee has been constituted with the prior approval of SEBI. The process of selection of Executive Director will be completed shortly.

Renewal recognition of the Stock Exchange:

Last year SEBI has granted conditional renewal recognition to the Exchange and had also directed to comply with all the directives as well as findings of the inspection report. The same was noted by the erstwhile Board but was not complied with in letter and spirit. The Administrator has requested the Broker members to comply with the directives of SEBI to ensure recognition of renewal by them. This year the Exchange has forwarded the necessary application for the renewal of recognition to SEBI. SEBI Inspection team has recently completed the inspection of the Exchange. SEBI will decide on the matter of granting recognition to the Exchange on the basis of their findings.

Reconstitution of the Statutory and other Committees:

Following the suspension of the Board of the Exchange, the Exchange had forwarded the names of Public Representatives on the Statutory Committees and other Committees for the approval of SEBI. Approval has since been received and the Committees are in place as required under SEBI guidelines.

Budget for 2003- 2004:

Annual Budget for the year 2003-2004 was prepared by the Exchange office which was approved by the Administrator. The budget was prepared based on the past experience to project the future trend and was as realistic as possible. It addressed to quantifiable targets for respective departments / sections and identified areas of functioning. It was a fully representative budget. The Exchange has taken many bold steps to reduce the expenditure and will continue to do so in the overall interest of the Institution.

Restructuring of Subsidiary Management:

SEBI vide its Circular No.SMD/Policy/Cir-4/2003 dt. February 11th, 2003, read in conjunction with SEBI Circular No.SMD/SEAD/9971/03 dt.May 21st, 2003, letter dt. May 23rd, 2003 and the Administrator of Pune Stock Exchange letter dt. May 26th, 2003, SEBI letter No.SMD/SEAD/PSE/11408/03 dt.June 10th, 2003 and Administrator's letter dt.June 26th, 2003 addressed to the Chairman of subsidiary company PSE Securities Limited's Board may be referred to fully appreciate the relevance and importance of the issue.

The SEBI order to restructure the subsidiary Board was not complied with and SEBI time and again reminded the office to take appropriate steps in this direction. In the ensuing Annual General Meeting of PSE Securities Limited (PSESL) the Articles of Association of the Subsidiary company are proposed to be amended and the Board of PSESL will be restructured with the appointment of CEO, inducting Public Nominees, appointing shareholder representatives and by appointing Exchange nominee on the Board of the subsidiary company so that adequate representation can be given to each of the stake holders and bringing back the confidence level of the investors to the PSE Securities in particular and Indian Capital Market at large.

Responsibilities of Parent Exchange towards the Subsidiary Company:

As per SEBI guidelines the parent exchange i.e.Pune Stock Exchange Limited shall be responsible for all risk management of the subsidiary company i.e.PSE Securities Limited and shall set up appropriate mechanism for the supervision of the trading activity of subsidiary company. Such mechanism shall include:

- a) Verification of compliance of margin payments and other risk management measures applicable to the subsidiary company as a broker member of another exchange.
- b) Reporting requirements between the subsidiary and exchange, such as placing quarterly reports on the financial and accounts of the subsidiary and on review of operations of the subsidiary before the Governing Board of exchange at its meetings.
- c) Conducting of half-yearly inspections of the subsidiary and 20% of its sub-brokers and placing such reports before the Governing Board of exchange.
- d) Handling of investor complaints of sub-brokers of the subsidiary company.

The Exchange has noted the above guidelines and is committed to taking steps to implement the above guidelines through the formation of full-fledged Board of the subsidiary company.

Formation of in-house Technical Group on Information Technology:

The Administrator has formed an in-house technical group of Officers on Information Technology to deal with the I.T. Departments and all aspects about computerisation like present application, future requirements, sufficiency or otherwise of the existing software solutions, possible up-gradations by in-house team, future up-gradation necessitated by internal / external requirements, methodology of selecting / buying hardware / software, SEBI compliance, feedback information on comparative software performance in other Stock Exchanges etc. The group held several meetings and was involved in negotiating with the existing software companies like CMC Ltd. and SDG Software Technologies P. Ltd., as well.

Finalisation of Charter of Demands of employees Union:

The Administrator took the initiative to complete the process of negotiation and Settlement with staff union which was pending for some time. The Agreement has been reached amicably with the hope that employees would put in their best and assist the Management in its efforts to turn around and improve the performance of the Exchange. A Committee has also been formed to look into the existing scales of pay and allowances of officers and design a revision in line with similar operations in the industry. The Committee meetings are in progress.

Meetings with SEBI and other Exchanges:

For resolving the number of pending issues and for obtaining advises / approvals and guidance the Administrator and the Exchange officials are in regular touch with the SEBI officials. The Administrator and the Offi.Executive Director have attended the meetings called by SEBI and various other Exchanges to sort out various issues relating to the operations, risk management and other important issues of mutual interest.

Recovery of outstanding dues from members:

SEBI in its earlier inspection report of the Exchange has directed to recover the outstanding dues from the broker members. Administrator had issued letter to the members and held discussions with the representatives of the members to resolve the said issue. However while the members have appreciated the points, the issue is not addressed to its fullest extent and there is a need that the members pay to the Exchange the outstanding dues as discussed at the meetings.

Status of compliance on SEBI Inspections:

The Exchange office has submitted the initial and interim Compliance Report to SEBI. Majority of the administrative and operational discrepancies pointed out in SEBI inspection have been complied with or are in the final stages of compliance. Some of the compliances would be due from our Broker members for which discussions have been held with them.

Meetings with the Broker Members:

The Administrator had given utmost importance for getting feedback from the market participants and sharing the experiences of the market players. He has been carrying out discussions with the members and investors regularly and has appointed Brokers on almost all the Committees of the Exchanges. He meets the representatives of the Brokers to make the organization more transparent, vibrant and people friendly. The Exchange has been communicating with the members by addressing them with the circulars and personal hearings.

Investors Awareness / Education Programme:

The Exchange is deeply concerned about the protection of the interest of the investors and public at large. In order to educate people about their rights and duties in the Capital Market and to take informed decision, the Exchange organizes regular investor education programmes, keeping in line with the SEBIs initiatives of "empowering investors through education".

The Exchange has set up the Settlement Guarantee Fund, Investors Service Reserve and Pune Stock Exchange Investors Protection Fund Trust to protect the interest of investors.

As a regular strategy Exchange had organized two investors education programme in Pune city. Both the programmes received overwhelming response from the investors. We propose to conduct a big event in the coming months, in which important dignitaries of the State would be requested to give it more fillip and sustain the interest generated by the investors and people of Maharashtra at large.

Future Outlook of Pune Stock Exchange

With the dwindling income from listing fees as also from investments marked by steady decline in the interest rates coupled with no trading volume in the Exchange, Pune Stock Exchange like other smaller exchanges, is on the cross roads. A serious revival package can only make us survive.

I am confident that with our efforts to augment income through vigorous pursuasion of backlog of listing fees, a dynamic approach in managing our funds and finally with setting up of an integrated platform for operation of Exchanges, forming Indonext type of conglomeration can really be a "panacea" for the revival of our Exchange. Simultaneously our efforts in keeping our costs down and saving additional spending wherever possible, matched with maximum output by all concerned will give us the desired result.

As a robust optimist, I am hopeful, that the Exchange will find a new lease of life.

About PSE Securities Limited (PSESL) :

The fourth year under review of PSE Securities Limited was rather eventful as the company initiated various activities to pave way for widening the scope of its business.

The Company started its trading operations through NSE on June 14th, 2001. From a turnover of Rs.12.5 Crores in the first month of operations the Company has achieved a turnover of more than Rs.38 Crores / day in the subsequent month. Nearly 85 sub-brokers are operational at PSE Securities Limited and are operating successfully on LAN and WAN set-up.

Future plans of PSESL:

PSE Securities Limited has applied for the F & O Segment membership of NSE for which approval is awaited from SEBI. It is proposed to start the F & O segment trading as soon as the permission is received..

It is proposed to start the Depository operations during the year. Recently advertisement has been floated for recruiting trained and experienced staff members and officers in the subsidiary company to carry forward the trading and business operations. This will help the sub-brokers to offer better services to the investors. Also this will reduce the cost of transactions for the sub-brokers.

Expansion of Wide Area:

Presently two sub-brokers are operating from Mumbai and one each from Kopergaon and Aurangabad. Our efforts are to give trading terminals to many other cities considering the feasibility, risk management and operations structure. The company is making efforts in this direction and also exploring the possibilities of the Internet Trading facilities in the days to come.

Interest in Subsidiary Company:

The Exchange has contributed an amount of Rs.4.00 Crores towards the paid-up equity capital of PSE Securities Limited. The total Authorized capital of PSE Securities Limited is Rs.7.80 Crores, (390 equity shares of Rs.2,00,000/- each). The paid up capital is Rs.7.02 Crores, out of which Rs.4.00 Crores is the equity contribution of Pune Stock Exchange Limited and Rs.3.02 Crores is of the Members.

Conservation of Energy and Technology Absorption:

Particulars required to be furnished under section 217 (l)(e) of the Companies Act 1956 are not applicable.

Foreign Exchange earnings and out go:

Foreign Exchange earnings and out go were nil during the current year.

Fixed Deposits:

Company has not accepted any deposits from the public in the current year.

Particulars of Employees:

No employee is drawing remuneration more than Rs.2,00,000/- p.m. and Rs.24.00 lacs p.a. Therefore the provisions of Section 217(2A) of the Companies Act 1956 and Particulars of [Employees] Rules, 1975 are not applicable.

Auditors:

M/s. Joshi & Sahaney - Chartered Accountants, retire as Auditors of the Stock Exchange at this Annual General Meeting and being eligible offer themselves for reappointment. You are requested to appoint the Statutory Auditors and fix their remuneration for the current year.

Acknowledgement:

I would like to appreciate the co-operation and the guidance received by me from the investors and other market participants, which proved valuable to me for taking ahead the Exchange and increasing the investors confidence.

I would also like to mention that; Public representatives on all Statutory Committees and other Committees have contributed a precious deal to make the Committees functioning smooth and positive.

I also express my thanks to the Broker members for their co-operation and support which has helped me shaping my initiatives.

I would like to place on record my appreciation for the services of the staff and Officers of the Exchange.

I would like to place on record my appreciation for the faith and trust reposed by the Bombay Stock Exchange, National Stock Exchange, CDSL, NSDL, Bankers, Shareholders, Investors, Auditors, Company Secretary, Financial Institutions and other individuals / bodies.

I would also like to Sincerely thank the Securities and Exchange Board of India for its continued support / guidance to PSE and in reposing faith in me, which has gone a long way in giving the present shape to the Exchange.

I am pleased to express my satisfaction for the interest shown by all the members in the smooth operations and development of our Exchange.

B.D.Banerjee
Administrator

(Appointed as Administrator vide The Gazette of India, Extraordinary, Part - II Section 3, subsection ii, published by Authority Securities and Exchange Board of India notification Mumbai, dated 4th April, 2003. In super session of Pune Stock Exchange Governing Board the Administrator is empowered to "exercise and perform all the powers and duties of the Governing Board")

Date: 22nd August 2003

Place: Pune

ANNEXURE - I TO THE DIRECTORS / ADMINISTRATORS REPORT

Pune Stock Exchange Limited, Pune

Particulars to be disclosed u/s 217(1)(e) of the Companies Act, 1956 with respect to conservation of energy, technology absorption, and research and development expenditure.

ANNEXURE - I

CONSERVATION OF ENERGY

- | | | |
|----|---|-----|
| a) | Energy Conservation measures taken : | Nil |
| b) | Additional Investments and proposal ,
if any, being implemented for reduction
of consumption of energy : | Nil |
| c) | Impact of measures at (a) and (b) above
for reduction of energy consumption and
consequent impact on the cost of production
of goods : | Nil |

FORM B

Form for disclosure of particulars with respect to technology absorption

Pune Stock Exchange Limited, Pune Research and Development (R&D) :

- | | | |
|----|--|-----|
| 1. | Specific areas in which R&D carried out by the company. | Nil |
| 2. | Benefits derived as a result of the above R & D. | Nil |
| 3. | Future plan of action. | Nil |
| 4. | Expenditure on R & D : | |
| | (a) Capital | Nil |
| | (b) Recurring | Nil |
| | (c) Total | Nil |
| | (d) Total R&D expenditure as a percentage of total turnover. | Nil |

Technology absorption, adaptation and innovation :

- | | | |
|----|---|-----|
| 1. | Efforts, in brief, made towards technology Absorption, adaptation and innovation. | Nil |
| 2. | Benefits derived as a result of the above efforts, eg. Product improvement, cost reduction, Product development, import substitution, etc. | Nil |
| 3. | In case of imported technology (imported during the last 5 years, reckoned from the beginning of the financial year) following information may be furnished : | |
| | a) Technology imported. | Nil |
| | b) Year of import. | Nil |
| | c) Has technology been absorbed. | Nil |
| | d) If not fully absorbed, areas where this is not Taken place, reasons therefore and future plans of action. | Nil |

AUDITORS' REPORT

To,
The Members of
Pune Stock Exchange Limited.,

1. We have audited the attached Balance Sheet of Pune Stock Exchange Ltd. as at 31.3.2003 and also the annexed Income & Expenditure Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act 1956 and in terms of the information and explanations given to us and on the basis of such checks as we considered appropriate, we enclose in the annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.
4. Further to our comments referred to in paragraph (3) above :
 - a) 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.
 - b) In our opinion, proper books of account as required by law, have been kept by the company so far as it appears from our examination of the books.
 - c) The Balance Sheet and Income and Expenditure account dealt with by this report are in agreement with the books of account.
 - d) In our opinion the Balance Sheet and Income & Expenditure Account are in compliance with the Accounting Standards referred to in Sub-section 3 (c) of Section 211 of the Companies Act, 1956. to the extent applicable.
 - e) On the basis of written representations received from the directors of the company as at 31.3.2003 & taken on record by the Board of Directors, we report that no director is disqualified from being appointed as the director of the company under clause (g) of sub-section (1) of section 274 of the Companies Act 1956.

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon and in particular note no.2 of Notes on Accounts give the information required by the Companies Act 1956 in the manner so required and give a true and fair view.

(i) In the case of the Balance Sheet of the state of affairs of the company as at 31st March 2003.

AND

(ii) In the case of the Income & Expenditure Account of the excess of Expenditure over Income of the company for the year ended on that date.

FOR JOSHI & SAHNEY
CHARTERED ACCOUNTANTS

H.M.JOSHI
PARTNER.

Place : Pune.

Date : 22nd August 2003.

ANNEXURE OF THE AUDITOR'S REPORT

(Referred to in paragraph 1 of our Report of even date)

1. Records showing full particulars including quantitative details and situation of fixed assets are being updated and properly compiled. As informed to us the management has physically verified the fixed assets at reasonable intervals during the year, except for particular computer equipments which are verified on the basis of the third party confirmations and no material discrepancies with respect to book records were noticed on such verification. However, there were no working papers available to substantiate the same.
2. None of the fixed assets have been revalued during the year.
3. The Company has not taken any loans, secured or unsecured, from Companies, firms or other parties to be listed in the register maintained under section 301 of the Companies Act, 1956, or to companies under the same management as was defined under Section 370 (1B) of the Companies Act 1956.
4. The Company has not granted any loans, secured or unsecured to companies, firms or other parties to be listed in the register maintained under Section 301 of the Companies Act, 1956, or to companies under the same management as was defined under Section 370 (1B) of the Companies Act ,1956.
5. The Company has during the year from time to time given advance in nature of loans to subsidiary company aggregating Rs.81858/- for meeting daily routine expenses which have been repaid by the subsidiary company. No interest is charged on these advances.

The Employees to whom loans and advances in the nature of loans have been given by the company are repaying the principal amounts as stipulated and have been regular in the payment of interest whenever applicable.
6. The Company has not accepted any deposits from the public.
7. As per the records of the Company, Provident fund dues have been deposited with the appropriate authorities within the stipulated time limit. As informed to us the provisions of the Employees State Insurance Act 1948 are not applicable to the Company. The demand of Rs.44296.07 raised by the ESI Authorities for 6 months period ended on 30.9.97 has been contested by the company before appropriate authority. An amount of Rs.22387/- has been paid in earlier year against the said demand.
8. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income-tax, wealth tax, sales tax, customs duty and excise duty which are outstanding as on 31st March 2003 for a period of more than six months from the date they became payable.
9. 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 practices.

10. The Company is not a sick industrial company within the meaning of Clause (0) of Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provision) Act, 1985.
11. The Company has a system of internal control commensurate with the size of the company and the nature of its business for the purchase of equipment and other assets.
12. The Company being a service company limited by guarantee and also considering the nature of its business our comments on the under mentioned clauses of Para 4 (A) and 4 (B) of the said order are not applicable.
 - a. Physical verification of finished goods, stores, spare parts and raw materials.
 - b. Procedure of physical verification of stocks followed by the Company.
 - c. The discrepancies noticed on verification between the stocks and book records.
 - d. Valuation of stocks.
 - e. Internal control regarding purchases of raw materials, components, plant and machinery, equipment and other similar assets and for the sale of goods.
 - f. Purchase of goods and materials and sale of goods material and services aggregating during the year to Rs.50,000/- or more in respect of each party.
 - g. Determination of damaged and unserviceable stores and raw materials.
 - h. Maintenance of records for sale and disposal of realisable by-products and scrap.
 - i. Internal audit system.
 - j. Maintenance of cost records.
 - k. The system of recording receipts and issue of materials and allocation of man hours to relative jobs and system of authorisation for issue of stores and labour to jobs.

FOR JOSHI & SAHNEY
CHARTERED ACCOUNTANTS

H.M.JOSHI
PARTNER.

Place : Pune.
Date : 22nd August 2003.

**PUNE STOCK
BALANCE SHEET**

AS AT 31.3.02 (Amt. in Rs.)	LIABILITIES	SCH.NO.	AS AT 31.3.03 (Amt. in Rs.)
88295567.38	RESERVES & SURPLUS	1	99341499.31
319810.87	SECURED LOANS	2	140229.52
84802512.10	CURRENT LIABILITIES & PROVISIONS	3	82166198.58
173417890.35	Total Rupees		181647927.41

NOTES ON ACCOUNTS :

SCHEDULES 1 TO 10 ANNEXED HERETO FORM AN INTEGRAL PART OF THE ACCOUNTS

FOR PUNE STOCK EXCHANGE LTD.

B.D.BANERJEE
ADMINISTRATOR

(Appointed as Administrator vide The Gazette of India, Extraordinary, Part - II Section 3, subsection II, Published by Authority Securities & Exchange Board of India notification Mumbai, dated 4th April 2003. In Supersession of Pune Stock Exchange Governing Board, the Administrator is empowered to "exercise and perform all the powers and duties of the Governing Board."

PLACE : PUNE
DATE : 22nd August 2003.

M.J.RANGARI
OFFI. EXECUTIVE DIRECTOR

**EXCHANGE LTD.,
AS AT 31/03/2003**

AS AT 31.3.02 (Amt. in Rs.)	ASSETS	SCH.NO.	AS AT 31.3.03 (Amt. in Rs.)
22183298.00	FIXED ASSETS	4	15420779.00
67031650.00	INVESTMENTS	5	66106000.00
75218725.35	CURRENT ASSETS, LOANS & ADVANCES	6	76092398.05
8984217.00	INCOME & EXPENDITURE A/C.		24028750.36
173417890.35	Total Rupees		181647927.41

AS PER OUR REPORT ATTACHED
FOR JOSHI & SAHNEY
CHARTERED ACCOUNTANTS

**H.M.JOSHI
PARTNER**

**PUNE STOCK
INCOME & EXPENDITURE ACCOUNT**

PREVIOUS YEAR (Amt. in Rs.)	EXPENDITURE	SCH.NO.	CURRENT YEAR (Amt. in Rs.)
3554389.98	PAYMENT TO & PROVISION FOR EMPLOYEES	7	3806933.60
5378172.56	GENERAL EXPENDITURE	8	5234154.24
245338.00	INTEREST TO BANK		15138.00
0.00	CONTRIBUTION TO SETTLEMENT GUARANTEE FUND		10000000.00
1141486.70	DEPRECIATION		6903147.00
20592747.24	Total		25959372.84
1810523.52	OPENING BALANCE OF INCOME & EXPENDITURE A/C.		8984217.00
---	EARLIER YEARS' ADJUSTMENT		870507.10
7173693.48	EXCESS OF EXPENDITURE OVER INCOME B/D		14174026.26
8984217.00	TOTAL		24028750.36
<p>SCHEDULES 1 TO 10 ANNEXED HERETO FORM AN INTEGRAL PART OF THE ACCOUNTS FOR PUNE STOCK EXCHANGE LTD.</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>B.D.BANERJEE ADMINISTRATOR</p> <p>(Appointed as Administrator vide The Gazette of India, Extraordinary, Part - II Section 3, subsection II, Published by Authority Securities & Exchange Board of India notification Mumbai, dated 4th April 2003. In Supersession of Pune Stock Exchange Governing Board, the Administrator is empowered to "exercise and perform all the powers and duties of the Governing Board.")</p> <p>PLACE : PUNE DATE : 22nd August 2003.</p> </div> <div style="width: 45%; text-align: right;"> <p>M.J.RANGARI OFFI. EXECUTIVE DIRECTOR</p> </div> </div>			

**EXCHANGE LTD.,
FOR THE YEAR ENDED 31.3.2003**

PREVIOUS YEAR (Amt. in Rs.)	INCOME	SCH.NO.	CURRENT YEAR (Amt. in Rs.)
910000.00	ANNUAL SUBSCRIPTION		880000.00
6487353.00	ANNUAL LISTING FEES		5646334.00
4122064.53	INCOME FROM INVESTMENTS (GROSS) TDS NIL		1953774.96
380541.01	INTEREST ON DEPOSITS		2425852.13
1519095.22	OTHER INCOME	9	879385.49
7173693.48	EXCESS OF EXPENDITURE OVER INCOME C/D		14174026.26
20592747.24	Total		25959372.84
8984217.00	BALANCE CARRIED TO BALANCE SHEET		24028750.36
8984217.00	TOTAL		24028750.36
<p>AS PER OUR REPORT ATTACHED FOR JOSHI & SAHNEY CHARTERED ACCOUNTANTS</p> <p>H.M.JOSHI PARTNER</p>			

**SCHEDULE NO. 1
RESERVES & SURPLUS**

AS AT 31.3.2002 (Amt. in Rs.)	Description	AS AT 31.3.2003 (Amt. in Rs.)
20325000.00	LAND AND BUILDING RESERVE FUND	20325000.00
6292982.30	RESERVE FUND	6292982.30
	ADD :ADDITIONS DURING THE YEAR	
	I) INITIAL LISTING FEES	30000.00
	II) ENTRANCE FEES	25100.00
		6348082.30
56902662.48	INFRASTRUCTURE DEV. FUND	56902662.48
	ADD : ADDITIONS DURING THE YEAR	125000.00
		57027662.48
2287422.60	INVESTORS SERVICE RESERVE	2287422.60
2487500.00	SETTLEMENT GUARANTEE FUND	2487500.00
	ADD :ADDITIONS DURING THE YEAR	
	I) MEMBERS CONTRIBUTION	12500.00
	II) TRANSFERRED DURING THE YEAR (INCLUDING INTEREST OF Rs. 203643.94)	10203643.93
	III) ADJUSTMENTS OF EARLIER YEARS INTEREST	649688.00
		13353331.93
88295567.38	TOTAL Rs.	99341499.31

**SCHEDULE 2
SECURED LOANS**

AS AT 31.3.2002 (Amt. in Rs.)	Description	AS AT 31.3.2003 (Amt. in Rs.)
319810.87	OVERDRAFT FROM JANATA SAHAKARI BANK	0.00
0.00	OVERDRAFT FROM JANATA SAHAKARI BANK AS PER BOOKS	140229.52
319810.87	TOTAL Rs.	140229.52

SCHEDULE NO. 3
CURRENT LIABILITIES & PROVISIONS

AS AT 31.3.2002 (Amt. in Rs.)	Description	AS AT 31.3.2003 (Amt. in Rs.)
7363076.12	LIABILITIES FOR EXPENSES	9729296.51
56531395.90	SECUTIRY & CAPITAL ADEQUACY DEPOSIT	53053965.90
1780412.62	OTHER LIABILITIES	2538382.81
20000.00	SECURITY DEPOSIT FOR BUILDING FROM MEMBERS	20000.00
748584.00	LISTING FEES RECEIVED IN ADVANCE	442150.00
5000.00	SUBSCRIPTION RECEIVED IN ADVANCE	0.00
65381.00	MARGIN MONEY	15381.00
6822732.46	AUCTION FOR MEMBERSHIP	4978207.36
276500.00	EARNEST MONEY DEPOSIT	51000.00
8900930.00	DEPOSIT FOR PUBLIC/RIGHTS ISSUES	8501315.00
1114000.00	DEPOSIT FROM SUB-BROKERS	1064000.00
126000.00	TELEHPHONE INTERCOM CONNECTIONS DEPOSIT	124000.00
300000.00	CREDITORS FOR CAPITAL EXPENDITURE	0.00
748500.00	RECOVERY FOR COMPUTER COST FROM MEMBERS	1648500.00
84802512.10	TOTAL Rs.	82166198.58

SCHEDULE : 4
SCHEDULE OF FIXED ASSETS

(Amt. in Rs.)

SR NO	PARTICULARS	COST				DEPRECIATION				W. D. V.		
		AS AT 01.04.2002	ADDITIONS	DEDUCTION	AS AT 31.03.2003	UPTO 31.03.2002	FOR THE YEAR	DEDUCTION	AS AT 31.03.2003	AS AT 31.03.2003	AS AT 31.03.2002	AS AT 31.03.2003
1.	Building	11471370.14	0.00	0.00	11471370.14	5199797.14	627157.00	0.00	5826954.14	5644416.00	6271573.00	
2.	Furniture & Fixtures	10169702.11	82278.00	0.00	10251980.11	5271638.11	894214.00	0.00	6165852.11	4086128.00	4898064.00	
3.	Computer Equipment	48291235.58	16050.00	0.00	48307285.58	40816397.58	4487938.00	0.00	45304335.58	3002950.00	7474838.00	
4.	Air Conditioning Unit	2737648.35	32500.00	0.00	2770148.35	1495745.35	317555.00	0.00	1813300.35	956848.00	1241903.00	
5.	Electrical Installation	3567408.13	0.00	0.00	3567408.13	1761686.13	451430.00	0.00	2213116.13	1354292.00	1805722.00	
6.	Office Equipment	1535163.42	9800.00	0.00	1544963.42	1043965.42	124853.00	0.00	1168818.42	376145.00	491198.00	
	Total Rs.	77772527.73	140628.00	0.00	77913155.73	55589229.73	6903147.00	0.00	62492376.73	15420779.00	22183298.00	
	Previous Year	67644850.03	10886820.70	759143.00	77772527.73	44540383.03	11414846.70	366000.00	55589229.73	22183298.00	23104467.00	

**SCHEDULE NO. 5
INVESTMENTS**

AS AT 31.3.2002 (Amt. in Rs.)	INVESTMENT (AT COST)	AS AT 31.3.2003 (Amt. in Rs.)
A) QUOTED NON TRADE		
925650.00	1) 900-14.25% SECURED NON-CUMULATIVE BONDS OF Rs.1000 EACH OF IRFC MAT. DATE 29.4.04	0.00
1105000.00	2) 200-16% UNSECURED REDEEMABLE BONDS OF Rs.5000 EACH OF IFCI MAT. DATE 6.9.03	1105000.00
10000000.00	3) 2000-9.5% UNSECURED REDEEMABLE BONDS OF Rs.5000/- EACH OF ICICI LTD. MATURITY DATE 19.2.07	10000000.00
2500000.00	4) ZURICH INDIA MUTUAL FUND REGULAR GROWTH PLAN NO OF UNITS-133618.386 @ Rs.18.71 EACH.	2500000.00
2500000.00	5) STANDARD CHARTERED MUTUAL FUND INVESTMENT PLAN - GROWTH OPTION NO.OF UNITS 195007.800 @Rs.12.82 EACH	2500000.00
2500000.00	6) CHOLA MUTUAL FUND CUMULATIVE PLAN NO.OF UNITS 133120.341 @RS.18.78 EACH.	2500000.00
2500000.00	7) PRUDENTIAL ICICI INCOME PLAN - GROWTH NO.OF UNITS 154894.672 @Rs.16.14 EACH	2500000.00
B)NON-QUOTED TRADE		
1000.00	1) 10 EQ.SHARES OF Rs.100 EACH OF JANATA SAHAKARI BANK LTD.	1000.00
C)NON QUOTED NON TRADE		
5000000.00	1) 5 LACS UNITS OF Rs.10 EACH OF UTI UNDER INSTITUTIONAL INVESTORS SPECIAL FUND SCHEME MATURITY DATE MAY 2003 & NOV 2003.	5000000.00
40000000.00	2) 200 EQ.SHARES OF Rs.2 LACS EACH OF PSE SECURITIES LTD.(SUBSIDIARY COMPANY)	40000000.00
67031650.00	TOTAL RS.	66106000.00

NOTES ON INVESTMENTS

FOLLOWING ARE MOVEMENTS IN INVESTMENTS DURING THE YEAR

		ACQUIRED		SOLD/REDEEMED	
		QTY	RS. IN LACS	QTY	RS IN LACS
1	IRFC BONDS	—	—	900.00	9.25
TOTAL		—	—	900.00	9.25

SCHEDULE NO. 6 CURRENT ASSETS, LOANS & ADVANCES

AS AT 31.3.2002 (Amt. in Rs.)	ACCOUNT NAME	AS AT 31.3.2003 (Amt. in Rs.)
<u>CURRENT ASSETS</u>		
404034.01	INTEREST ACCRUED ON F D	415666.37
4318.14	CASH IN HAND	6946.79
563945.84	BALANCES IN CURRENT ACCOUNT	450126.49
3000.00	BALANCES IN SAVING ACCOUNT	0.00
976880.72	BALANCES IN SPECIAL FUND ACCOUNT *	439115.81
69649661.00	BALANCES IN FIXED DEPOSIT **	70085703.92
2789735.64	OTHER CURRENT ASSETS ***	3916136.67
351330.00	ADVANCES RECOVERABLE IN CASH OR KIND	309198.00
439219.00	DEPOSITS	439219.00
36601.00	PREPAID EXPS	30285.00
75218725.35	TOTAL RS.	76092398.05

NOTES

- * SPECIAL FUND ACCOUNTS REPRESENTS THE AMOUNT OF AUCTION PROCEEDS / DEPOSITS TRANSFERRED OF DEFAULTER MEMBERS.
- ** INCLUDES 1. Rs.8501315/- DEPOSIT KEPT BY LISTED COMPANIES PERSUEANT TO LISTING AGREEMENT.
2. Rs.17106932.50 BEING SECURITY DEPOSIT KEPT BY THE MEMBERS FOR CAPITAL ADEQUACY.
- *** 3. INCLUDES DUES FROM PSE SECURITIES LTD. (SUBSIDIARY COMPANY) Rs.1350000/-

**SCHEDULE NO. 7
PAYMENT TO & PROVISION FOR EMPLOYEES**

AS AT 31.3.2002 (Amt. in Rs.)	ACCOUNT NAME	AS AT 31.3.2003 (Amt. in Rs.)
2843491.23	SALARY & EX GRATIA/BONUS	2893810.42
118620.00	GRATUITY	266938.00
230824.00	CONTRIBUTION TO PF & FPF	257376.68
361454.75	STAFF WELFARE	388808.50
3554389.98	TOTAL RS.	3806933.60

**SCHEDULE NO. 8
GENERAL EXPENDITURE**

AS AT 31.3.2002 (Amt. in Rs.)	ACCOUNT NAME	AS AT 31.3.2003 (Amt. in Rs.)
279887.75	PRINTING & STATIONERY	290130.40
11198.00	NEWSPAPERS & PERIODICALS	14209.00
120286.85	TRAVELLING EXPENSES	225575.25
20857.50	LOCAL CONVEYANCE	9133.85
2150.00	TRANSPORT CHARGES	130.00
79372.35	POSTAGE & TELEGRAMS	90451.85
47429.63	ADVERTISEMENT	36499.00
193688.94	TELEPHONE & FAX CHARGES	169569.81
15750.00	AUDIT FEES	16200.00
44035.00	LEGAL FEES	47310.00
68062.50	PROFESSIONAL FEES	122720.00
2500.00	PROFESSION TAX	2400.00
27858.00	ADMINISTRATIVE CHARGES	29101.00
30100.00	CONSULTATION CHARGES	57000.00
24680.00	UNIFORMS & WASHING ALLOWANCE	12640.00
901901.75	REPAIRS & MAINTAINANCE	350444.18
27169.00	INSURANCE	31131.00
69091.00	FUNCTION & FESTIVAL	82260.00
122409.00	MEETING EXPENSES	205690.75
325867.65	SEBI CONTRIBUTION ON LISTING FEES	283816.70
568734.00	ELECTRICITY CHARGES	859698.00
79563.00	RENT RATES & TAXES	707404.00
74811.00	CONTRIBUTION TO PSE INVESTORS PROT. FUND	56500.00
1297470.00	INVESTOR SERVICE EXPENSES	1129267.00
344730.00	LOSS ON REDEMPTION OF INVESTMENTS	25650.00
246305.75	SECURITY & HOUSEKEEPING	157168.70
101500.00	MEMBERS INSPECTION AUDIT FEES	15750.00
194178.20	MISC. EXPS	206303.75
56585.69	LOSS ON SALE OF ASSET	0.00
5378172.56	TOTAL RS.	5234154.24

**SCHEDULE NO. 9
OTHER INCOME**

AS AT 31.3.2002 (Amt. in Rs.)	ACCOUNT NAME	AS AT 31.3.2003 (Amt. in Rs.)
27700.00	ARBITRATION FEES	67000.00
97700.00	FEES & FINE	172300.00
27744.00	INTEREST ON EMPLOYEES LOAN	24504.00
78612.72	MISC. RECEIPTS	106108.50
420757.00	PROFIT ON REDEMPTION OF UTI INVESTMENTS	0.00
435000.00	PSE & BSE & NSE SERV CHARGES	164500.00
116000.00	PSE SERVICE CHARGES	64500.00
289501.00	PSE, BSE/NSE SERV CHARGES	131000.00
4323.00	RENT	66000.00
16500.00	RENTAL CH FOR DISH ANTEENA RECD	0.00
4715.30	SHARE TRANSFER FORMS	63844.00
392.20	TELE CHARGES RECD	0.00
150.00	DAILY QUOTATIONS	0.00
0.00	INT ON TAX REFUND	18347.00
0.00	TURNOVER FEES	1281.99
1519095.22	TOTAL RS.	879385.49

SCHEDULE NO.10
NOTES ON ACCOUNTS. :

1. SIGNIFICANT ACCOUNTING POLICIES :

a) BASIS OF ACCOUNTING :

The financial statements are prepared under the historical cost conventions and income and expenditure are accounted for on an accrual basis except with regard to certain items of revenue which have not been considered due to uncertainty of ultimate collection.

b) FIXED ASSETS :

Fixed Assets are capitalised at cost. Expenses incurred on major repairs / modernization / improvements to Fixed Assets are capitalized.

c) DEPRECIATION :

Depreciation on fixed assets is provided on the Written down Value basis on pro-rata basis at the rates specified in schedule XIV of the Companies Act 1956 on the following assets

PARTICULARS OF ASSETS	RATE
1) FURNITURE & FIXTURE	18.1%
2) VEHICLE	25.89%
On other assets at specified rates mentioned as under	
1) BUILDING	10%
2) COMPUTER EQUIPMENT	60%
3) AIR CONDITIONING UNIT	25%
4) ELECTRICAL INSTALLATION	25%
5) OFFICE EQUIPMENT	25%

d) Long Term Investments are carried at cost.

e) Dividend from Investments is recognized in Income & Expenditure A/c. when the right to receive payment is established.

f) Entrance fees and initial listing fees being non recurring receipts are credited to Reserve Fund Account. Amounts collected / received towards specific funds are credited to respective funds.

g) Retirement Benefits - I) Provision for gratuity is made under the provisions of payment of Gratuity Act 1972.

II) Provident Fund Contribution is paid to the Government Provident Fund Authorities.

III) Leave encashment has been provided according to the service rules of the company.

2. a) Expenditure for the year includes for prior period as under :
- I) Rs.495428.46/- towards salary arrears in terms of Union Agreement executed on 22.5.2003.
 - II) Rs.599280/- towards rent payable to Pune Municipal Transport.
- b) Earlier year adjustment includes adjustment of excess interest of Rs.220822/- and adjustment of interest of Rs.649688/- transferred to Settlement Guarantee Fund Account.

3. Event occurring after date of Balance-Sheet :

Union Agreement for the settlement of Salary Arrears for the period January 2001 to May 2003 was executed on 22.5.2003. The requisite provision for the period January 2001 to March 2003 has been made in books of account.

4. Certain employees of the Stock Exchange have been deputed to PSE Securities Ltd. to render full time services whereas other employees of the Stock Exchange are rendering part-time services for PSE Securites Ltd.
An amount of Rs.13.50 Lacs is to be recovered from PSE Securities Ltd.(subsidiary company) towards establishment & service charges.

Security & House-keeping Rs.0.52 Lacs (Previous Year Nil), rent,rates & taxes Rs.0.14 Lacs (Previous year Nil), telephone charges Rs.0.39 Lacs (Previous year Rs.2 Lacs), repairs & maintenance Rs.5.12 Lacs (Previous Year Nil), salary Rs.5.71 Lacs (Previous year Rs.3.50 Lacs), electricity charges Rs.0.95 Lacs (Previous year Rs.4.50 Lacs) and rent income Rs.0.64 Lacs (Previous year Nil) for the year are net off towards reimbursement of expenses to be paid by PSE Securities Ltd.

5. Fixed Deposit Interest Income for the year is net of annual computer systems maintainance charges of Rs.5.50 Lacs. (Previous year Rs.13 lacs)

6. Payment to Auditors	Current Year	Previous year
Audit Fees	Rs.16200/-	Rs.15,750/-

7. The Income Tax Assessments for and upto to A.Y.1990-91 have been completed u/s 143 (3) of the Income Tax Act, 1961 and for A.Y. 1991-92 to 2001-02 (except AY 95-96) u/s 143 (1) (a) of the Act. For A.Y.95-96, assessment has been completed u/s 143(3) and no demand has been raised.

The Stock Exchange has been granted exemption u/s 11 for AY 95-96 u/s 143 (3) of the Act. In respect of Assesment Years 1984-85, 85-86 and 89-90, second appeal which had been filed by the Income Tax Department to the Income Tax Appeallate Tribunal Pune Bench Pune against the orders of the Commissioner of Income Tax (Appeals) has been decided in favour of the Stock Exchange on 16th Aug 1996. Income Tax Departments reference applications have also been rejected on 2nd April 1997.

The Second appeal for the following years are also finally disposed off by the I T A T Pune Bench vide orders dt. 9th May, 2000 and 17th May, 2000 in favour of the Stock Exchange.

ASS.YEAR	DEMAND (RS)
1986-87	2,15,338/-
1987-88	2,29,343/-
1988-89	5,28,319/-
1990-91	4,73,215/-

Refund of Rs.152890/- relating to the assessment year 2001-02 has been received. Hence there are no pending appeals nor any income tax demands as on this date.

8. In view of Accounting standard 15,(Accounting for Retirement Benefits) an amount of Rs.1,71,561/- has been provided towards leave encashment as on 31.3.2003.
9. The Company has accounted for incremental gratuity liability upto 31.3.2003 amounting to Rs.2,66,938/- (previous year Rs.1,05,728/-) though not on actuarial basis.
10. Entrance Fee of Rs.25100/- and initial listing fees of Rs.30000/- being non recurring receipts during the period have been credited to Reserve Fund Account. Amount of Rs.1,25,000/- received for Infrastructure Development Fund during the year have been credited to respective fund account.
11. The Stock Exchange has during the year accounted for its share of contribution of Rs.1 crore to Settlement Guarantee Fund pursuant to SEBI instructions and as per original SGF Scheme prepared by the Exchange. Amount of interest earned during the year on SGF Corpus has been credited to SGF Account with necessary adjustments for interest earned in earlier years on this corpus.

12. CONTINGENT LIABILITIES :

ESI Authorities have held that provisions of ESI Act are applicable to the Exchange and accordingly raised demand of Rs.44296.07 towards contribution for the period April 97 to Sept 97. The Exchange contends that the provisions of ESI Act are not applicable and has contested the said demand before the appropriate authorities. However an amount of Rs.22387/- has been paid under protest in earlier year, against the demand raised.

13. Previous year figures have been regrouped wherever necessary.

B.D.BANERJEE
ADMINISTRATOR

M.J.RANGARI
OFFI. EXECUTIVE DIRECTOR

FOR JOSHI & SAHNEY
CHARTERED ACCOUNTANTS.

(Appointed as Administrator vide The Gazette of India, Extraordinary, Part - II Section 3, subsection II, Published by Authority Securities & Exchange Board of India notification Mumbai, dated 4th April 2003. In Supersession of Pune Stock Exchange Governing Board, the Administrator is empowered to "exercise and perform all the powers and duties of the Governing Board."

H.M.JOSHI.
PARTNER.

PLACE : PUNE

DATE : 22nd August 2003.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE.

1. Registration Details -

Registration No. : 27420 State Code : 11

Balance Sheet Date : 31 03 2003

Date Month Year

2. Capital Raised During the Year (Amt.Rs.in lacs)

Public Issue : Nil Rights Issue : Nil

Bonus Issue : Nil Private Placement : Nil

3. Position of Mobilisation and Deployment of Funds (Amt. Rs.in lacs)

Total Liabilities : 1816.48 Total Assets : 1816.48

Sources of Funds

Paid up Capital N A Reserves and Surplus : 993.41

Secured Loans 1.40 Unsecured Loans : Nil

Application of funds :

Net Fixed Assets : 154.21 Investments : 661.06

Net Current Assets : 760.92 Miscellaneous Exp. : Nil

Accumulated Losses : Nil

IV) Performance of the Company (Amt.Rs.in lacs)

Turnover (including other income)	Total Expenditure
117.85	259.59
+ - Profit/loss before tax	+ - profit/Loss after tax
-141.74	-141.74
(please tick appropriate box + for profit, - for loss)	
Earning per share (Rs)	Dividend Rate %
N.A.	N A

V) Generic Names of Three Principal Products / Services

(As per monetary terms)

Item Code No. (I T C Code)	Product Description
N.A.	N.A.

C. Information required to be furnished in pursuance to the provisions of part II of Schedule VI of the Companies Act, 1956 such as production, sales, stocks, foreign exchange, etc. is either nil or not applicable.

B.D.BANERJEE
ADMINISTRATOR

M.J.RANGARI
OFFI. EXECUTIVE DIRECTOR

(Appointed as Administrator vide The Gazette of India, Extraordinary, Part - II Section 3, subsection II, Published by Authority Securities & Exchange Board of India notification Mumbai, dated 4th April 2003. In Supersession of Pune Stock Exchange Governing Board, the Administrator is empowered to "exercise and perform all the powers and duties of the Governing Board."

PLACE : PUNE

DATE : 22nd August 2003.

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT,
1956 RELATING TO SUBSIDIARY COMPANIES.**

Name of the Subsidiary Company	PSE Securities Ltd.
1) The Financial year of the subsidiary company ended on	31 st March 2003
2) Holding Company's Interest	
(a) The number of Equity Shares held fully paid.	200 Equity shares of Rs.2 lakh each
(b) Extent of interest of holding company at the end of the financial year of the subsidiary co.	57.12%
3) The net aggregate amount of the subsidiary co. profit/loss so far as it concerns the members of the Holding Company.	Nil
a) Not dealt with in the Holding Company's Accounts.	
i) For the financial year ended on 31.3.03	Profit Rs.563027.50
ii) For the previous financial year of the subsidiary company since it became the Holding Company's subsidiary.	Loss Rs.554925.76