



The edge is efficiency

BSE

The edge is efficiency

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When the seed is right

and the soil conducive,

growth is inevitable.

ANNUAL REPORT 2005-2006
Bombay Stock Exchange Limited

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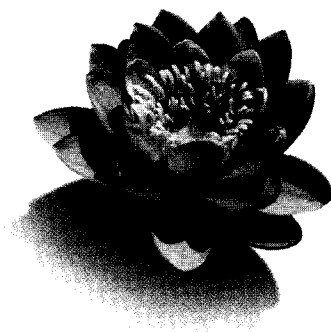
Vision:

Emerge as the
premier

Indian stock exchange

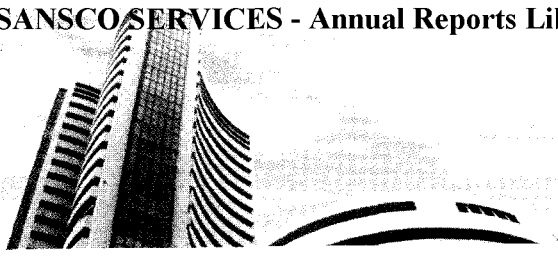
by establishing

global benchmarks.



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Shri Jagdish Capoor

C H A I R M A N



M A N A G I N G D I R E C T O R & C E O



Shri Rajnikant Patel

Board of Directors (as on 31-07-2006)



BOARD OF DIRECTORS

Chairman

Shri Jagdish Capoor

Public Interest Directors

Shri P.K. Banerji

Shri Shekhar Datta

(w.e.f. 20.06.2006)

Shri S. Jambunathan

Shri Jitesh Khosla

Shri Vijay Mukhi

Prof. N. Ravichandran

(upto 25.04.2006)

Shri Pradip Shah

Shri P.P. Vora

Trading Member Directors

Shri Prakash Kacholia

Shri Balkishan Mohta

Shri Siddharth Shah

Managing Director & CEO

Shri Rajnikant Patel

Senior Management Team

Shri Ashok Kumar Rout

Shri Sandeep Sarawgi

Shri A. A. Tirodkar

Shri P. S. Reddy

Shri Kevin Desouza

Dr. Bandi Ram Prasad

Shri S. S. Vyas

Company Secretary

Shri V. G. Bhagat

DERIVATIVES SEGMENT

GOVERNING COUNCIL

Shri Jagdish Capoor

Chairman

Shri Vineet Bhatnagar

Shri Vijay Kalantri

Shri Narayan S. A.

Shri Rajnikant Patel

Shri N. P. Sarda

Shri P. P. Vora

CLEARING COUNCIL

Shri Jagdish Capoor

Chairman

Shri S. Jambunathan

Shri Rajnikant Patel

Shri N. P. Sarda

Registered Office

Floor 25, P. J. Towers

Dalal Street

Mumbai 400 001

Bankers

Bank of India

Solicitors

M/s.Wadia Ghandy & Co.

Auditors

S.B. Billimoria & Co.

Chartered Accountants

Registrar & Transfer Agent

Karvy Computershare Private Limited

Karvy House

46, Avenue 4, Street No.1

Banjara Hills, Hyderabad 500 034

E-Mail: investor@karvy.com

Telephone Nos.: +91-040-23320666/23320711/23323037

or at

16-22, Bake House
Maharashtra Chamber of
Commerce Lane
Opp. MSC Bank, Fort
Mumbai 400 023

Telephone No.: 022-56382666

FIRST ANNUAL GENERAL MEETING

Day : Tuesday
Date : 26th September, 2006
Time : 4.30 p.m.
Venue : "Sir Dinshaw Petit International Convention Hall",
1st floor, P. J.Towers, Dalal Street, Mumbai 400 001.

Board of Directors (as on 31-07-2006)



Shri Jagdish Capoor



Shri P. K. Banerji



Shri Shekhar Datta



Shri S. Jambunathan



Shri Jitesh Khosla



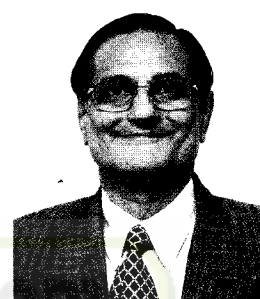
Shri Vijay Mukhi



Prof. N. Ravichandran
(upto 25.04.06)



Shri Pradip P. Shah



Shri P. P. Vora



Shri Prakash R. Kacholia



Shri Balkishan M. Mohta



Shri Siddharth J. Shah



Shri Rajnikant Patel

Message from the Chairman



Dear Shareholders,

The year from April 1, 2005 to March 31, 2006 has been a watershed year for the Bombay Stock Exchange Limited. Under the BSE (Corporatisation and Demutualisation) Scheme, 2005 notified by Securities and Exchange Board of India ('SEBI') on May 20, 2005, the Exchange converted itself from an Association of Persons ('AOP') to a company registered under the Companies Act, 1956. The due date was August 19, 2005. This is a very important landmark in the long history of the Exchange, which as you know is the oldest in Asia, established in the year 1875. I wish to personally congratulate all stakeholders on this transformation, which is in line with what various stock exchanges have done internationally.

Hence, from August 20, 2005 our Exchange imbibes all the virtues of a for profit, tax paying entity with renewed vigour. We will look at delivering superior returns to all our stakeholders and in particular the shareholders.

The year 2005-06 has also been a landmark year in terms of the performance of the Indian capital markets. India was one of the most profitable equity markets in the world and clearly the flavour amongst the emerging markets of the world. The Sensex crossed the milestone mark of 10,000 points for the first time in its history on February 6, 2006 and its upward surge continued even thereafter. This has been on the back of a strong economic growth of 8.4% in GDP terms. The Indian corporates are increasingly becoming truly multinational companies.

The exchange has been able to witness very good volume growth and has recorded its highest ever Total Income and Net Profit Before Tax. We expect new products and revival of the Futures and Options (F & O) segment as the key to sustain this growth in the Exchange's business.

The next milestone which the Exchange is keenly looking forward to is the demutualisation process. This would entail separation of ownership and management and would remove any perceived conflict of interest. This will be based on the guidelines in the matter from SEBI and would bring the Trading Member's shareholding from 100% to 49%.

I take this opportunity to express my gratitude to various stakeholders for their whole-hearted co-operation and guidance in this critical phase of transformation that the Exchange is going through and look forward to your continued support to the Exchange in the future.

Warm regards,

Jagdish Capoor
 Chairman
 31st July, 2006

Message from the MD & CEO



Dear Shareholders,

I am honoured to address you through the Annual Report of BSE for the year ended March 31, 2006. The year 2005-06 was indeed a historic year for your organization and the capital markets at large as it saw your organization become a company under the Companies Act 1956, following the notification of BSE (Corporatisation and Demutualisation) Scheme, 2005 by SEBI.

We are now Bombay Stock Exchange Limited, having received our Certificate of Incorporation on August 8, 2005 and Certificate of Commencement of Business on August 12 2005. The due date for conversion as a going concern was August 19, 2005.

Like several prominent exchanges across the globe, we too are now a for profit, tax paying entity. I believe this affords us a tremendous opportunity for value creation for all stakeholders.

The next major step in the demutualisation process is lowering the stake of the Trading Members to 49% from the current 100%. The clear separation of ownership from management will go a long way to remove any misconceptions there may be regarding conflict of interest. I assure you that my team and I are working to maximize value for all shareholders and those associated with the Exchange.

As we go through this far reaching transformation, the biggest challenge is going to be changing the mindset. In the highly competitive and rapidly evolving environment that we operate, these changes are not only desirable but also inevitable. To my mind, these changes are absolutely essential if BSE is to continue to grow and prosper.

The year 2005-06 was spectacular for the Indian capital markets. Indian markets continued to enjoy world's attention. The Sensex surged to the 10,000 level on February 6, 2006 reflecting, no doubt, the strong macroeconomic fundamentals, impressive corporate earnings and high levels of FIIs inflows (US\$ 10.9 billion). The positive sentiment was reflected in the Mutual Fund industry as well which saw its Assets Under Management (AUM) increase significantly. Given these favourable developments, it is hardly surprising to note that the Indian market was among the best performing markets in the world during the year under review.

For BSE, the year 2005-06 was a year of impressive performance, with the Exchange recording its highest ever Total Income and Net Profit Before Tax. The accounts have been presented in two parts, namely, from April 1, 2005 to August 19, 2005 (pre corporatisation) and from August 20, 2005 to March 31, 2006.

New products, services, technology and above all, new ways of thinking and doing will be the tools with which we seek to set new benchmarks in future. I know, I can count on the wholehearted support of all of you, in ensuring the success of our new initiatives, such as reviving Futures & Options segment, extending the use of Indian Corporate Electronic Reporting System (ICERS), popularization of our Gujarati website, increasing deposit based membership, increasing our geographical reach and strengthening the new Investor Service Centre at Rajkot. Some of the other initiatives taken during the year under review include new and improved version of internet trading on BSE Webx, new training programmes at our training institute and strengthening of risk containment mechanism by the introduction of VaR margins since May 2005.

I am pleased to inform you that BSE's prime brands SENSEX (India's most popular benchmark index) and DOLLEX (Sensex in US Dollar terms) have been registered with the US Patents and Trademarks Office. Also, the Commodity Futures Trading Commission of the USA has permitted the offer and sale of BSE's futures contract based on the Sensex.

I am sure the new logo would not have escaped your attention. I assure you that we remain committed to realizing the meaning of the by line embedded in our logo (the edge is efficiency) in all our activities.

The year under review saw BSE play an active part in the international arena. We made our presence felt as head of the South Asian Federation of Exchanges (SAFE), Working Committee member of Asian and East Oceanic Exchanges (AEOE),

Working Committee member of World Federation of Exchanges (WFE) and as participating member at the International Organisation of Securities Commission (IOSCO). You will be pleased to know that we had the honour of co-hosting the Annual General Assembly of WFE in November 2005. This is the very first time that this prestigious event was held in India. It is a matter of great pride for us that the SEBI Chairman has been elected the Chairman of the Emerging Markets Committee of IOSCO.

By far the most important achievement of the past year has been the transformation from an Association of Persons to a Company. Much of the credit for this goes to the members without whose unstinted co-operation this would not have been possible. I would like to acknowledge and thank Ministry of Finance, SEBI, the listed companies, associates and the employees for their valuable contribution in all the Exchange's activities. I am grateful to the Board for the guidance provided to me and to the Exchange during this epoch making period.

I am sure the coming year offers numerous opportunities and am pleased to note that BSE is fully equipped to seize them.

Warm regards,

Rajnikant Patel
Managing Director & CEO

31st July, 2006



Notice

NOTICE is hereby given that the First Annual General Meeting of Bombay Stock Exchange Limited will be held on Tuesday, the 26th September, 2006 in the "**Sir Dinshaw Petit International Convention Hall**", 1st Floor, P. J. Towers, Dalal Street, Mumbai 400 001 at 4.30 p.m. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited Profit and Loss Account for the period from 8th August, 2005 (date of incorporation) to 31st March, 2006 and the Balance Sheet as at 31st March, 2006 and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a Trading Member Director in place of Shri Siddharth J. Shah, Designated Director of J.G.A. Shah Share Brokers Pvt. Ltd., who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Sections 190, 224, 225 and all other applicable provisions, if any, of the Companies Act, 1956, M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai be and are hereby appointed as the Statutory Auditors of the Exchange, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, in place of M/s. S. B. Billimoria & Co., Chartered Accountants, Mumbai, who have not sought re-appointment as the Statutory Auditors of the Exchange, on such remuneration, as may be decided by the Board of Directors."

Special Business:

5. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 and in accordance with Article 13.16B.2 and 13.27 of Articles of Association, Shri Shekhar Datta, be and is hereby appointed as a Public Interest Director, whose office shall be liable to retirement by rotation."
6. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 and in accordance with Article 13.16B.2 of Articles of Association, Shri C. M. Vasudev, be and is hereby appointed as a Public Interest Director, whose office shall be liable to retirement by rotation."
7. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 and in accordance with Article 13.16B.2 of Articles of Association, Shri Jamshyd N. Godrej, be and is hereby appointed as a Public Interest Director, whose office shall be liable to retirement by rotation."
8. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 and in accordance with Article 13.16B.2 of Articles of Association, Shri Vivek Kulkarni, be and is hereby appointed as a Public Interest Director, whose office shall be liable to retirement by rotation."
9. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:
"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of such authorities as may be necessary in this regard, the Articles of Association be and is hereby amended as under:
 - i. In the existing Article 13.1, the words "total strength of the Board" be added at the end in brackets.
 Pursuant to the said amendment, the modified Article 13.1 would read as under (the amendments are shown in, bold and underlined):
 Article 13.1 : The Board shall comprise of not more than twelve Directors **(total strength of the Board)**.
 - ii. In the existing Article 13.8, the words "as and when deemed fit" be substituted in place of the words "pursuant to the Scheme".
 Pursuant to the said amendment, the modified Article 13.8 would read as under (the amendments are shown in strike through, bold and underlined):
 Article 13.8 : SEBI may nominate directors on the Board ~~pursuant to the Scheme~~ **as and when deemed fit**.