Welcome to

THE STOCK EXCHANGE, MUMBAI

The Strategic Objectives of BSE

1. To promote, develop and maintain a well regulated market for dealing in securities.

2. To safeguard the interest of members and the investing public having dealings on the exchange.

3. To promote industrial development in the country through efficient resource mobilization by way of investment in corporate securities.

4. To establish and promote honourable and just practices in securities transactions.

Rights of Investors to BSE

1. To receive material information from the company.

2. Prompt services from company such as transfers, sub divisions and consolidation of holdings in the company.

3. Equity holders have a right to subscribe to further issue of capital by the company.

4. Brokerage not to exceed 2.5 per cent of the contract price.

5. Receipt of the contract note from the broker in the specified format showing transaction price and brokerage separately.

6. Investors can expect delivery of shares purchased / value of shares sold within 2 days after the pay-out day.

7. Access to the Exchange arbitration facilities in case of dispute with brokers.

8. For complaints against listed companies / brokers contact the General Manager, Investor Service Cell, The Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, 27th Floor, Fort, Mumbai 400 001.

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Welcome
to
The Stock Exchange
Mumbai

The Stock Exchange
Phiroz Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001

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Introduction

The Stock Exchange, Mumbai, which was established in 1875 as "The Native Share and Stockbrokers Association" (a voluntary non-profit making association), has evolved over the years into its present status as the premier Stock Exchange in the country. It may be noted that the Stock Exchange is the oldest one in Asia, even older than the Tokyo Stock Exchange, which was founded in 1878.

It is the most active stock market in the country accounting over 70 per cent of the listed capital in the country while in terms of market capitalisation its share is over 75 per cent. The turnover on the Exchange accounts for nearly 1/3 of the total turnover in securities all over India.

The Exchange while providing an efficient market also upholds the interests of the investors and ensures redressal of their grievances, whether against the companies or the brokers. It also strives to educate and enlighten investors by making available necessary informative inputs.

A Governing Board comprising of 9 elected directors (one third of them retire every year by rotation), an Executive Director, three Government nominees, a Reserve Bank of India nominee and five public representatives, is the apex body which regulates the Exchange and decides its policies.

A President, a Vice-President and an Honorary Treasurer are annually elected from among the elected directors, by the Governing Board following the election of directors.

The Executive Director as the Chief Executive Officer is responsible for the day-to-day administration of the Exchange.

Important Landmarks of The Stock Exchange, Mumbai

The Stock Exchange, Mumbai has a long but fascinating history. The earliest records of the security dealings in India are available in bits and pieces. We have tried to put them together here.

Earliest records of securities trad-ing in India are available from the end of the eighteenth century. Before 1850, there was business conducted in Mumbai in shares of banks and the securities of the East India Company which were considered as securities for buying, selling and exchange. The shares of the Commercial Bank, Mercantile Bank and Bank of Bombay were some of the prominent shares traded. The business was conducted under a sprawling banyan tree in front of the Town Hall, which is now in the Horniman Circle Park.

In 1850, the Companies Act was passed and that heralded the commencement of the joint stock companies in India.

It was the American civil war that helped Indians to establish broking business. The leading broker, Shri Premchand Roychand was responsible for developing conventions and procedures.

In 1874, the Dalal Street became the prominent place of meeting of the brokers to conduct their business. The brokers organised an association on 9th July 1875 known as the Native Share Brokers Association to protect character, status and interest

of the Native Brokers and that was the foun-dation of the Stock Exchange, Mumbai.

The Exchange was established with 318 members. The number increased to 333 in 1896 and at present, it is 641. The membership fee has increased gradually from Re.1 in 1887 to Rs. 1,000/- in 1896, Rs.48,000/- in 1920, Rs. 7.51 lakhs in 1986 and Rs. 55 lakhs at present.

In January 1899, the Brokers' Hall was inaugurated by Mr. James M. Maclean, M.P. and he said, "A bombay broker is a very usefull member of the society, whose virtues are not sufficiently recognised, although his faults are emblazoned forth. With rare exceptions, he is honest to the core and pays to the last pie."

After the first world war, the Stock Exchange was housed properly at an old building near the Town Hall. In 1928, the present premises were acquired surrounded by Dalal Street, Bombay Samachar Marg and Hamam Street. A new building was constructed and was occupied on the 1st December, 1930.

The present 28 storeyed two phased building called Phiroze Jeejeebhoy Tower, named after late Phiroze Jamshedji Jeejeebhoy, who was the Chairman of the Exchange from the 1st Aprial, 1966, till his death on the 9th February, 1980, was constructed between 1973 and 1983. This was occupied in phases from 1980-81.

In 1950, Stock Exchanges became an exclusively central government subject following adoption of the Constitution of India. In 1956, the Securities Contracts (Regulation) Act was passed. In 1992, the Securities and Exchange Board of India Act was passed though the Securities Exchange Board of India (SEBI) came into existence in 1988. In the last three years SEBI has beenempowered by the Central Government to regulate and develop capital markets in India.

In 1992, the Over The Counter Exchange of India (OTCEI) came into existence where equities of small Companies are listed.

In 1994, birth of the National Stock Exchange took place.

In 1995, the Exchange rapidly computerised its trading operations and thus the open out-cry system of share trading was replaced by screen based trading in the Stock Exchange, Mumbai.

In January 1996, the revised carry forward system was introduced. In September 1997, BSE On-Line Trading System network went nationwide.

The Stock Exchange - A Market Place

The Stock Exchange is a market place, like any other centralised market, where buyers and sellers can transact business in shares and securities at a given point of time in a convenient and competitive manner at the fairest possible price. The business is done using screen based trading method through duly authorised members of the Exchange. The Stock Exchange is open to any one, big or small, with money to invest or securities to sell.

Legal Definition

'Stock Exchange' means any body of individuals, whether incorporated or not, constituted for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities.

Trading Days and Hours

The stock market is open for trading to one and all. One can do business according to one's own capacity. Securities can be bought and sold during fixed sessions, which are usually held from 10.00 a.m. to 3.30 p.m. from Monday to Friday.

Special trading sessions are held on specific occasions like the Union Budget day and Diwali (Moorat session) in the evening.

The Securities and Exchange Board of India

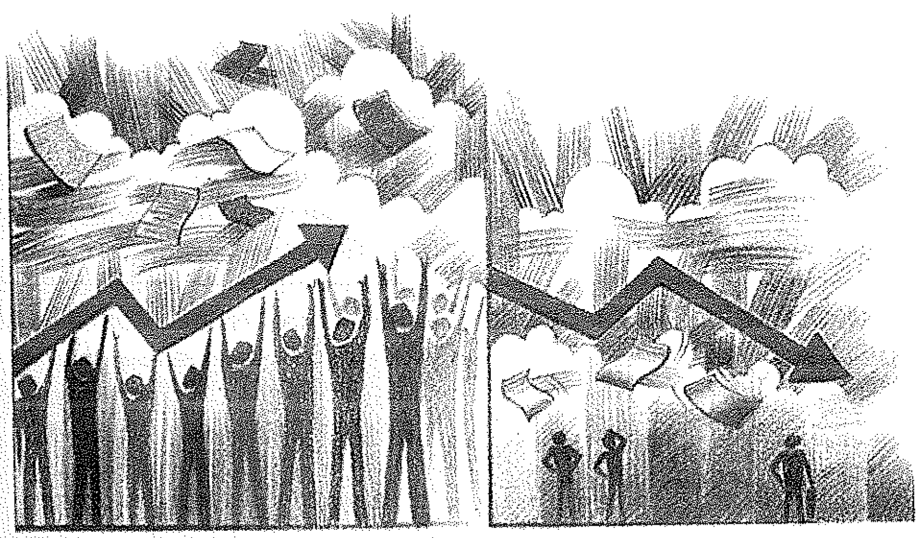
The Securities and Exchange Board of India (SEBI) which was established on the 12th April, 1988, acquired statutory status on the 30th January, 1992. The main objectives of the SEBI are to protect the investors, regulate and promote the capital market by creating an environment which would facilitate mobilisation of resources through efficient allocation and to generate confidence among the investors. As such the SEBI is responsible to regulate stock exchanges, other intermediaries who may be associated with the capital market and the process of public companies raising capital by issuing instruments that will be traded on the capital market.

Price Fluctuations

The price of shares are not stable with hundreds and thousands of people operating simultaneously on the market. It is almost like a national poll. The prices are determined by the forces of demand and supply. Factors which influence share prices are the political situation, state of economy, performance of companies and expectations of the investing public. There are risks involved in investment. But the risks can be anticipated by knowledge, information, study, judgement, awareness, advice and research.

Investment in shares offers a wide range of choice. There is something for every type of investors. There are three types of investors depending upon their incomes, needs and expectations: (a) Investors who are risk averse, (b) cautious investors who would like to take some risk and (c) speculative investors. The Stock Exchange allows an individual to invest in any security he likes. His capital is free to move from one security to another which enables him to make profit if the venture succeeds or to incur losses if it fails.

The screen based trading system of the Stock Exchange is a continuous auction market but it is not like the conventional auction where the buyers compete and there is only one seller. In the Stock Exchange, there is two-way auction. The bidders compete with each other to purchase at the lowest possible price the shares that they want to buy. Similarly, those who want to sell compete with each other to get the highest price for the shares they are offering. When the buyer bidding the highest price and the seller offering the lowest price match, a transaction is executed by the computer. Both, quotations and orders of sale and buy are entered in a computer.



Equity Shares, Preference Shares and Debentures

A share means a part in the equity capital of an enterprise. It includes stock except where a distinction between stock and share is expressed or implied. A stock is aggregate of the fully paid-up shares, consolidated or divided for the purpose of holding in two different parts. Stock can be issued only when the shares are fully paid-up.

Preference shares are shares having preference over other shares of the company in regard to distribution of dividend and liquidation. There are different types of preference shares such as cumulative convertible preference shares and redeemable preference shares.

The terms equity shares, preference, debentures, right, bonus may sound to be technical, but their meaning and investment functions can be mastered after a little study. A share signifies a part ownership of a company. You have a voice in the management of the company in proportion of your holding. As a proof of ownership, you receive share certificate in your name recorded in the register of members of the Company.

Thus, a share certificate is not merely a piece of paper, but it means share of business. Thus share owners are partners in the good fortune and bad luck of the enterprise. Shares have fixed par value known as nominal value of a share. In most cases this is either Rs.10 or Rs.100. Equity shares represent one type of security followed by preference shares.

Companies raise capital in the form of shares and/or debentures. They raise capital to buy land, plant and equipments etc. These result in production of goods and services, sale of which result in profits. A part of the profits are used to pay share/debenture holders as dividends and interest respectively. The balance of profits is ploughed back into business. Companies earning high profits have a sizeable reserves, which can be used for issue of bonus shares or investment in future expansion. The bonus shares qualify for future dividend payments.

Debentures, when issued, are in the form of debt. It may be converted into equity capital of the Company at par value or at a premium on a pre-determined date (s) which must be disclosed in the offer document. If the entire face value of the debenture is to be converted at one time or in phases such debenture issue is known as Fully Convertible Debenture (FCD) Issue. If no part of debenture is to be converted, such debentures are known as Non-convertible Debentures (NCD).

A synthesis of FCD and NCD gives rise to another type of debenture known as Partly Convertible Debenture. If conversion is to be effected after 18 months from the date of allotment of debentures, such conversion must invariably be optional i.e., an option to the debenture holder either to convert the debenture value into equity or retain it in the form of debt. The non-convertible debentures or the non-convertible portion of partly convertible debentures (the latter is popularly known as khokas) will be redeemed at one time or in stages which again has to be disclosed in the offer document. But, in all cases, each debenture earns interest at a prescribed rate till it remains as debt.

New companies can invite the public to contribute to the capital of the company through prospectus. The prospectus is an important document which makes a detailed disclosure of all material facts about the Company and also contains management's perception of risk factors. An application form inviting public subscription for shares/debentures has to be accompanied by a memorandum (abridged prospectus) containing salient features of the prospectus. Every company intending to offer shares/debentures to the public for subscription must get these securities listed on any recognised stock exchange in India.

After the initial issue, a company can raise additional capital by making right issue to the existing shareholders. Existing shareholders can renounce their rights in favour of new investors for a consideration. Sometimes, a company may not be certain that their rights issue will be subscribed to in full and, may, therefore, offer such shares to new investors as well.

Brokers and Jobbers

An investor has to utilise the services of a registered broker for buying or selling of shares in stock market. It may be noted that brokers are acting as agents for their clients. At times, clients may deal with a sub-broker who in turn will transact business through a registered broker. At present sub-brokers are required to register themselves with the Securities and Exchange Board of India for doing business. The broker charges commission or brokerage for his services which is regulated and which has to be shown separately in the contract, which must be issued to the client.

Some of the brokers or their authorized assistants act as jobbers. Jobbers are important players in the market who buy and sell the shares on their own account by giving two-way quotations on the computer. An order is executed when it matches either a jobber's quote or another broker's order.

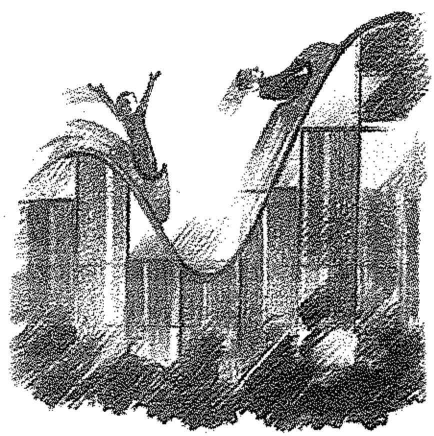
Jobber's Spread

Jobbers specialise in trading on their own account in one or more listed securities. By trading in and out of the market for a small difference in price, they are helping in maintaining a liquid and continuous market in the stock in which they specialise. For active shares, there may be several jobbers trading in them. For inactive shares or thinly traded shares, only one jobber may be doing trading in many of them.

Jobbers specialise in particular shares. There may be more than one jobber and the price quoted by them may differ according to their individual judgement. But all jobbers try to square up their deals at the end of the day. It means, whatever they buy or sell, or whatever they have earlier bought or sold, are recorded in the books. They do not keep normally any outstanding business to be carried forward for the next day.

A jobber gives two-way quotations. The higher price (offer) represents the figure at which the jobber is willing to sell. The lower price (bid) represents the price at which he is willing to buy. The difference between these two prices is the jobber's spread. For an inactive share, there may be only one jobber and as he is not faced with any competition, his spread could be large.

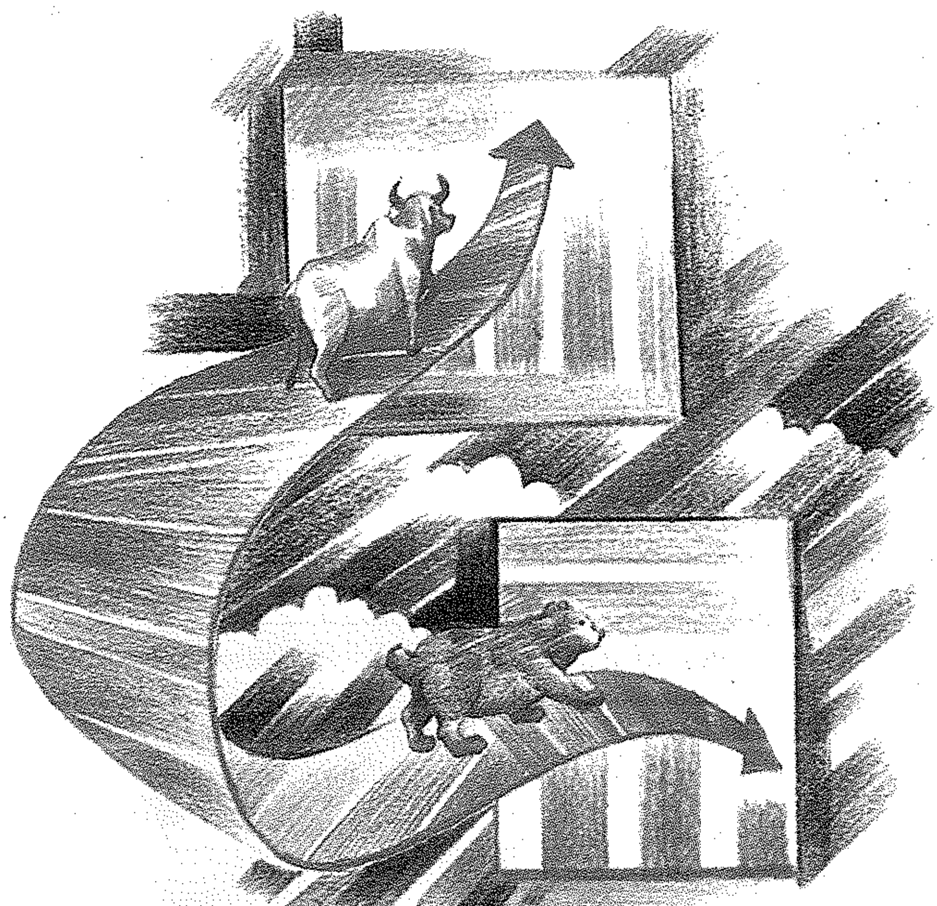
The jobber's spread is generally a fraction of one per cent of the price for actively traded shares but if the share is traded infrequently, the spread becomes wider as the jobber has to cover the risk of his books not being balanced at the end of the day and forced to carry the shares on his books until he is able to find a buyer. In some cases, the spread could be even 10 per cent of the price.



Bulls, Bears and Stags

An operator who expects the share prices to rise is called a bull. He buys shares without any intention of taking delivery. When the prices rise he sells the shares and squares up the transaction at a profit. This is called Long Purchase. The counterpart of a bull is a bear. A bear expects prices to decline and sells shares which he may not own. His intention is to buy those shares at a later date, when the prices decline and then square up the transaction with a profit. This activity is generally refered to as Selling Short.

Stag is a person who subscribes to a new issue with the primary objective to selling at profit no sooner than he gets the allotment.



How to Place an Order

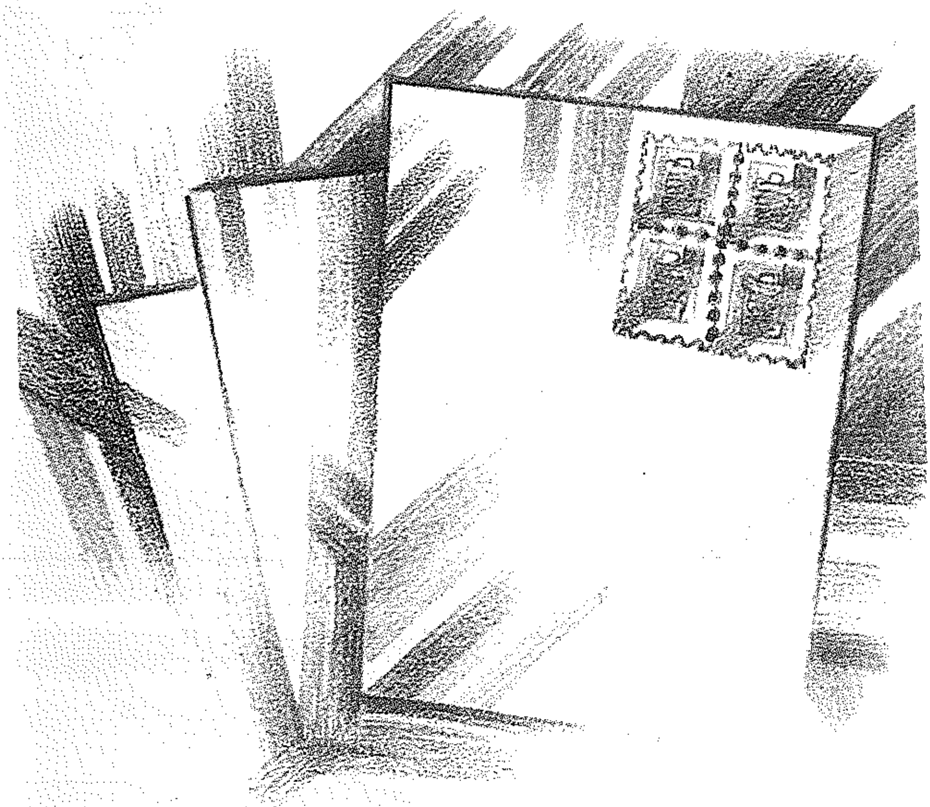
A client has two options. When he instructs his broker to enter into a transaction, he may inform him to buy or sell at the best price and leave the matter to his judgement or he may specify reasonable price limits. For instance, the client may specify 'buy at Rs. 110 maximum'. In such a case, the broker would not be able to execute the order even though the quotations of the day would be 'Rs. 110,111,112, 113' as jobber's spread of say Rs. 2 would make the share available for purchase at a price not lower than 112. Too strict an adherence to the limits can result in a good opportunity being missed, specially, if the market is changing very fast.

In a bull market, it is advisable to avoid strict buying limits, if you want to ensure a purchase. Otherwise you can be trailing for shares for days together without actually buying them. Similarly, in a bear market, it is not advisable to place selling orders at limit prices. If you specify selling limits and the market slides down, you would have lost an opportunity to sell your scrip that day and the market could be lower the next day.

Whenever limits are specified, it is necessary to state whether the limits are 'net', i.e., inclusive of broker's commission or 'at market' in which case the broker's commission will have to be added to the purchase price or deducted from the sale price.

Contract Note

After a broker executes an order of a client, he is statutorily required to issue a contract note to the client. This note is in a prescribed form and confirms that certain number of securities have been bought or sold at the stated price by your order and to your account, and the brokerage amount has to be shown seperately in the contract note. The brokerage cannot exceed Rs.0.25 per share or 2.5 per cent of the contract price, whichever is higher subject to a minimum charge of Rs. 25 per contract. The contract is an important evidence of a real transaction. Once it is delivered and accepted, it binds the broker and the client; neither can then repudiate the contract. A good broker ensures that the contract note is sent to the client by hand delivery or by post on the same day or on the following day of the transaction.

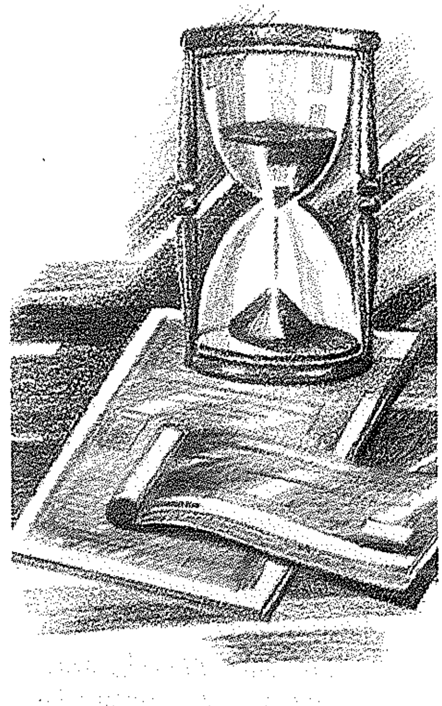


Settlement Period

In order to avoid settlement of too many transactions on a day-to-day basis, the Stock Exchange divides the period of one year into settlement periods. The settlement period in specified shares as well as non-specified Securities is one-week. The transactions entered during this period of a week are to be settled either by payment for purchase or by delivery of share certificates sold on notified days which are made known to the members of the Exchange through a clearing programme. The programme is announced six month in advance.

Two most important dates covered in the programme are Pay-in and pay-out. Pay-in day is the date on which broker has to make payment to the clearing house for all purchases made by him and shares are to be delivered for all sales made by him in the previous settlement period.

The pay-out day is the date on which the broker receives payment for sales made and share certificates together with the transfer deeds delivered to the clearing house. The actual amount a broker has to pay to the clearing house or to receive from the clearing house is, however, netted out taking into account the shares to be delivered and received, the differences of the transactions offset by counter transctions to be received or paid and also the differences to be received or paid between the contract price and the price at which the transactions are carried forward to the next settlement. Again, it will take the broker two to three days after the pay-out day to remit the sales proceeds to the concerned client. The broker normally expects to receive payment from his clients a few days before the pay-in day, to allow for bank clearing and other paper work.



Specified Shares and Non-specified Securities

All the listed securities on the stock exchange are classified as either (i) 'specified shares' - 'A' Group shares or (ii) 'non-specified securities'-'B' Group securities. The Stock Exchange authorities notify from time to time the shares which shall be included in the specified list.At present, there are 100 shares in the specified group.

The main difference between specified shares and non-specified securities is in the process of settlement of transactions. Only equity shares are included in the specified list. The considerations for an equity share to be included in the specified list are generally the size of the company, the number of shareholders, dividend record, growth prospects and average volume of business.

Settlement of Transactions in Specified Shares

At the end of a settlement period, an investor, who has done his business in specified shares, has two options, viz.,

i) Terminate his contract of sales by purchase and of purchase by sale by cross contracts within the settlement period. This is known as squaring up.

ii) Complete the contract by delivery or payment, as the case may be.

iii) Those who trade within a settlement are short-term investors, sometimes referred as speculators.

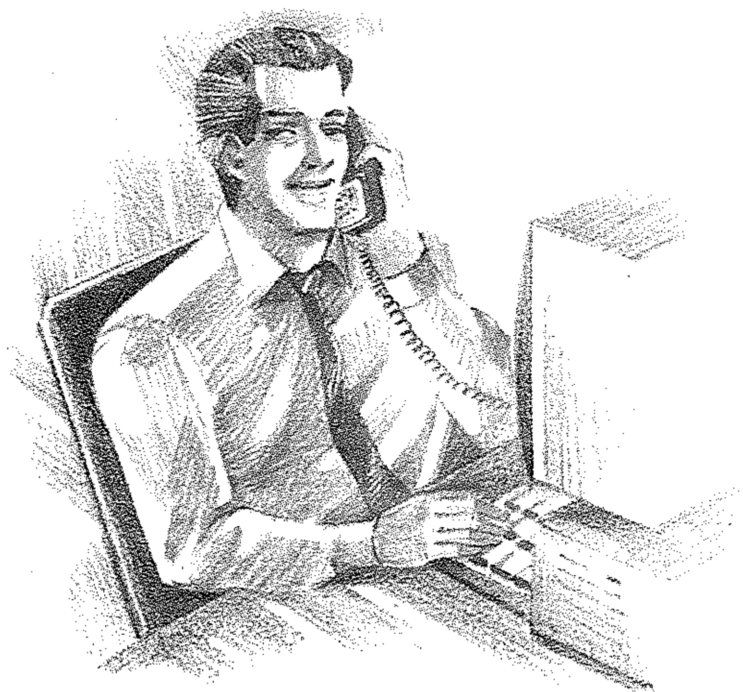
Settlement of Transaction in Non-specified Securities

Transactions in non-specified securities are for delivery, unless they are offset by opposite transactions in the course of the settlement period itself. The Exchange issues delivery orders and receives orders for all transactions entered into during the settlement period which are not offset by opposite transactions. If the seller is not in a position to deliver the securities, the buyer has a right to demand delivery of the securities he has bought and can go in for an auction notice against the seller and claim the difference between the contract price and the auction price.

Odd Lots and Market Lots

Trading in equity shares on the Stock Exchange is confined to market lots. For shares having paid-up value of Rs.10, the market lot is generally fifty or hundred shares, and for shares of Rs. 100 paid-up value, the market lot is generally five or ten shares.

Market lots of shares of an actively traded company can be bought or sold easily in the stock markets through brokers. However, problems arise when one wants to buy or sell shares in lots which are different from market lots. In stock markets, such lots are called odd lots. If a market lot of a share is 100, a transaction for say 50 shares is considered an odd lot transaction. Purchase and sale of odd lots are usually very difficult. Also, the price quotation for an odd lot could differ by as much as 5-10 per cent from the price quoted for market lot. Odd lots generally arise from issue of bonus or rights shares or convertible debentures.



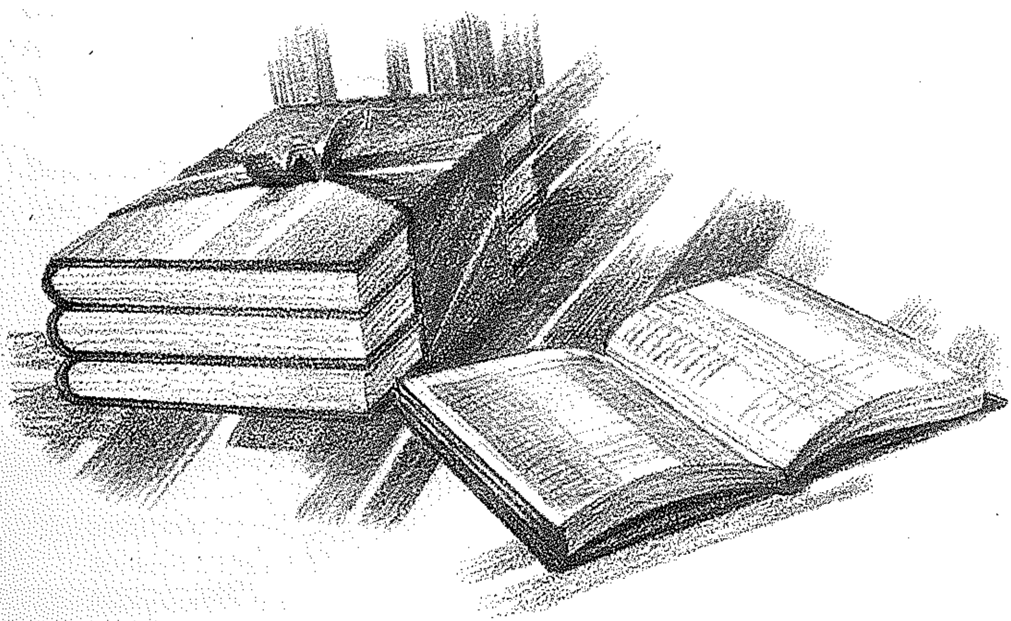
Book Closure/Record Date

Every company maintains a Register of its shareholders. The Register of Members contains the name, address and other particulars of each of its shareholders. As the ownership of shares keeps on changing due to the buying and selling activities and the consequent registration of transfers, the list of shareholders is constantly updated with the names of transferees added and those of transferors deleted.

When a company declares a dividend or announces a bonus share or right issue or wants to convene a meeting of the shareholders, it become necessary to freeze the list at a point of time to take stock of the shareholders entitled to the benefit. This is known as Closure of Register of Members or just Book Closure. During the period of Book Closure, no transfer of share is undertaken by the Company.

Occassionally, a company may choose a Record Date instead of a Book Closure for purpose of issue of bonus shares or rights entitlements.

As in the case of shares, a company has also a Register of its debentureholders, whole list is also frozen occassionally for purposes like payment of interest, etc. through either Book Closure or Record Date.



'Cum' or 'Ex'

Share prices are sometimes quoted 'cum' or 'ex' dividend, 'cum' or 'ex' bonus or 'cum' or 'ex' rights. They are written as 'cd', or 'cr' if 'cum' and 'xd', 'xb' or 'xr' if 'ex'. Unless specifically mentioned, all prices are 'cum' which means that all future dividends, bonuses and rights will accrue to the buyer. In case of doubt - which could arise if the trading date is close to the date on which a share change status from 'cum' or 'ex' - it is always advisable to get the doubt clarified with the broker before placing the order.

If share are purchased when they are quoted 'cum' and sent for registration before the closure of books, dividends and other distributions are made to the new purchaser who henceforth will be the registered holder of the shares. However, if the books are already closed, it is the responsibility of the buyer broker to collect the distribution (dividends, bonus or rights) from the seller broker and pass them on to the purchaser.

Transfer Deed

When you buy shares of a company, the seller broker will collect the concerned share certificates accompanied by prescribed transfer forms duly signed by the seller and pass them on to you through your buyer broker. These may be filled in by you and sent to the concerned company along with the share certificates for transfer in your favour.

Transfer of share and debentures requires compliance with the following :

i. There should be a proper instrument of transfer.
ii. The instrument should be duly stamped.
iii. It should be executed by or on behalf of, both the transferor and the transferee.
iv. It should contain the name, address and occupation of the transferee.
v. It should be delivered to the company along with the relevant share certificates/debenture certificates.

Share transfer form or transfer deed, as is popularly known, is an instrument of transfer the format of which is prescribed by the Companies, Act, 1956. It has to be date stamped by the prescribed authority.

According to Section 108(1A) of the Companies Act, transfer deeds are valid for a period of 12 months from the date of stamping by the prescribed authority or till the date on which the

Register of Members are closed for the first time after the date-stamping by the prescribed authority, whichever is later. However, these are considered as good delivery for circulation in the market only till the closure of Register of Members of the company for the first time after the transfer deeds are date-stamped by the prescribed authority.

Revalidity of outdated transfer deeds

The procedure for revalidating outdated transfer deeds is prescribed under the Companies Act, 1956. The transferee who holds outdated transfer deeds has to fill in the prescribed form and seek extension of time either from the Registrar of Companies of the State in which the registered office of the company is situated or from the Registrar of Companies of the State in which he ordinarily resides.

Transfer Stamps

Under the provisions of the Indian Stamps Act, the transfer deed for transfer of shares is required to be stamped at the rate of 50 paise per Rs.100 or part thereof, calculated on the amount of consideration. However, in case of transfer of debentures, the stamps are required to be affixed at the prescribed rates - as in force in different States - where the registered offices of the companies are situated calculated on the face value of the debentures except in Maharashtra, where the stamp duty is payable on the value of consideration. The stamps so affixed are required to be defaced before they are lodged with the Company for transfer.

Mutual Funds

Mutual funds are trusts which mobilise savings from the people and use the funds to purchase securities. Mutual funds usually have professional investment managers who make decisions about securities to be bought or to be sold. By pooling the financial resourses of small investors, the investors are able to participate in the securities market indirectly. There are many types of schemes operated by funds. For example:

1. **Open ended scheme:** Open ended scheme is the one which continuously offers its units and buy them back from investors. UTI - 64 is an open ended scheme.

2. **Close ended scheme:** A close ended scheme is one where funds are raised for a fixed period. The scheme is wound up after that period and funds are returned with capital appreciation to unit hold-

ers. Normally, a close ended scheme is listed on a stock exchange. SBI Magnam Triple Express is a close ended scheme.

3. **Income fund:** An income oriented fund aims at giving regular income to its investors so long as the scheme is in operation.

4. **Growth fund:** A growth fund aims at rapid capital appreciation of funds by making investments in those securities which are expected to show large appreciation quickly.

5. **Balance fund:** A balance fund invests in bonds and blue chip stocks to conserve capital. These funds pay reasonable income and provide some capital appreciation.

6. **Money Market Mutual Fund:** These funds invest in market instruments such as treasury bills, government bonds, certificate of deposits, bank deposits and commercial papers.

Foreign Institutional Investors

The rapidly growing Indian economy needs large investments for development. The government has removed many cobwebs of rules to encourage Direct Foreign Investment and Foreign Portfolio Investment. However, only recognised foreign institutions such as pension funds, mutual funds etc., can have portfolio investment after taking permission from the Reserve Bank of India and SEBI. There are currently 354 foreign institutional investors (FIIs) registered with SEBI. Registered FIIs are allowed to operate freely in the primary and the secondary market subject to certain prudential guidelines.

Global Depository Receipts (GDR)

Since April 1992, Indian companies with good track record are permitted to raise funds from the international market by way of issue of Global Depository Receipts (GDRs). GDRs are issued in the name of a foreign bank and normally listed on Luxembourg or London Stock Exchange. This provides opportunities to international investors to participate in the Indian Capital Market without going through the hassles of paper-based settlement system. Underlying company shares of GDR are held by a custodian bank in India.

Custodial Services

All the post-trading services provided by a company to an investor are defined as custodial services and the company providing the services is referred to as a custodian. Custodial services include settlement and safe custody of securities, dividend/interest handling and collections, keeping track of rights, bonus, conversion/redemption of shares, keeping accounts and providing reports to the investor. Sometimes custodial services are referred to as "back-office work"

Depository System

Under the depository system, transfer of ownership of securities is done by book entry similar to a bank deposit account. Under the system, delivery of shares against payment is ensured by the depository company. The company also undertakes to distribute devidends, bonus shares, etc, to its account holders and monitor all the accounts.

Glossary

Arbitrage

The business of taking advantage of difference in price of a security traded on two or more stock exchanges, by buying in one and selling in the other (or vice versa) .

Arbitration

Settlement of claims differences or disputes between one member and another and between a member and his clients, authorised clerks, sub-brokers etc., through appointed arbitrators.

At best

An instruction from the client to the broker authorising him to use his discretion and try to execute an order at the best possible price. An 'at best' order is valid only for the day it is placed.

Averaging

The process of gradually buying more and more securities in a declining market (or selling in a rising market) in order to level out the purchase (or sale) price.

Badla

Carrying forward of transaction from one settlement period to the next without effecting delivery or payment.

Bargain

Transaction between two members of the exchange. The terms "dealings" and "contracts" also have identical meanings.

Bear

An individual who expects price to go down.

Bear Markets

A weak or falling market characterised by absence of buyers.

Blue Chips

Blue Chips are shares of large, well established and financially sound companies with an impressive records of earnings and devidends. Generally, Blue Chip shares provides low to moderate current yield and moderate to high capital gains yield. The price volatility of such shares is moderate.

Bonus

A free allotment of shares made in proportion to existing shares out of accumulated reserves. A bonus share does not constitute additional wealth to shareholders. It merely signifies recapitalization of reserves into equity capital. However, the expectation of bonus shares has a bullish impact on market sentiment and causes share prices to go up.

Book Closure

Dates between which a company keeps its register of members closed for updating prior to payment of dividends or issue of new shares or debentures.

Bull

A bull is a operator expecting a rise in price so that he can later sell at a higher price.

Bull Market

A rising market with abundance of buyers and few sellers.

Cash Settlement

Payment for transactions on the due date as distinct from carry forward (Badla) from one settlement period to the next.

Clearing Days Or Settlement Days

Dates fixed in advance by the exchange for the first and last business days of each clearing. The intervening period is called settlement period which is normally one week in the case of 'specified' shares and ten days in the case of 'non-specified' securities.

Clearing House

Each exchange maintains a clearing house to act as the central agency for effecting delivery and settlement of contracts between all members. The days on which members pay or recieve the amounts due to them are called pay-in or pay-out days respectively.

Corner

A situation where by a single interest or group has acquired such control of a security that these cannot be obtaind or delivered for performance of existing contracts except at exorbitant prices. In such situations, the Governing board may intervene to regulate or even prohibit further dealings in that security.

Correction

Temporary reversal of trend in share prices. This could be a reaction (a decrease following a consistent rise in prices) or a rally (an increase following a consistent fall in prices).

Crisis

Reckless heavy short-sales leading to unduly depressed prices. In such a situation, the Governing Board may prohibit short sales, fix minimum prices below which sells or purchases are not permitted and limit further dealings only to closing out of existing contracts.

Cum

Means "with". A cum price includes the right to any recently declared dividend (cd) or right share (cr) or bonus share(cb).

Delivery

A transaction may be for "spot delivery" (delivery and payment on the same or next day) "hand-delivery" (delivery and payment on the date stipulated by the exchange, normally within two weeks of the contract date), special delivery (delivery and payment beyond fourteen days limit subject to the exact date being specified at the time of contract and authorized by the exchange) or "clearing" (clearance and settlement through the clearing house).

Ex

Means without. A price so quoted excludes recently declared dividend rights or bonus shares.

Floating Stock

The fraction of the paid-up equity capital of a company which normally participates in day to day trading. On an average, about 30 per cent of equity capital is held by promoters; another 30 percent by financial institutions and the balance 40 per cent by the public, mostly for long term investment. Consequently, the floating stock of a company rarely exceeds 15 -20 percent of its equity capital. Low floating stock causes erratic price movements as in the case of securities in the non-specified list.

Governing Board

A stock exchange functions under the direction and supervision of its Governing Board. It generally consists of a specified number of elected members, a whole time executive director and representatives of the Government, Securities and Exchange Board of India and public. The size and structure of the board varies from exchange to exchange.

Jobbers

Member brokers of a stock exchange who specialise in buying and selling of specific securities from and to fellow members. Jobbers do not have any direct contact with the public, but they render a useful function of imparting liquidity to the market.

Jobber's Spread

The difference between the price at which a jobber is prepared to sell and the price at which he is prepared to buy. A large difference reflects an imbalance between supply and demand.

Kerb Dealings

"Khangi Bhao" or 'Band ke Bhao'. Transactions done on behalf of members after the official close of the trading hours in the street or at the entrances to or in the vicinity of the stock exchange. The Bye-laws of the Stock Exchange, Mumbai prohibit its members from participating in kerb dealings.

Limit Orders

Instruction to the broker limiting him to buying at a stated maximum price or selling at a stated minimum price.

Listed Company

A public limited company which satisfies certain listing conditions and signs a listing agreement with the stock exchange for trading in its securities. One important listing condition is that 25% of its issued capital should be offered to the public.

Long Position

A bull position in a security.

Members

The membership of the exchange consists of such number of members as the exchange in general meeting may from time to time determine. According to the stock exchange rules, no person shall be a member if he is less than 21 years or is not an Indian citizen or has been adjudged bankrupt or proved an insolvent or has been compounded by his creditors or has been convicted of an offence involving fraud or dishonesty or is engaged as principal or employee in any business other than that of securities. Companies formed under the provisions if Section 12 or Section 322 of the companies Act, 1956 are eligible to become members subject to certain terms and conditions. Individuals are not deemed to be qualified unless they have at least two years market experience as an apprentice or as a partner or an authorised assistant /clerk.

Moorat Trading

Auspicious trading on Diwali day during specified hours.

Pari Passu

A term used to describe new issues of securities which have same rights as the issues already in existence.

Right Issues

The issue of new shares to existing shareholders in a fixed ratio to those already held at a price which is generally below the market price of the old shares.

Selling Short

Normally one buys a security and then sells it later. This is described as going long and is profitable in rising markets. The reverse process-selling a security first, and then buying it later, is called selling short. This is profitable in a declining market.

Settlement Period

For administrative convenience, the stock exchange divides the year into a number of settlement periods each of generally two weeks duration in respect of 'specified' shares and one week duration in respect of 'non-specified' securities. The first and the last day trading of each settlement period are fixed in advance and so are settlement days for delivery and payment.

Specified Shares

For the purpose of trading, a security is categorised either as a 'specified' shares or a 'non-specified' security. This is done by stock exchange authorities.

Stamp Duty

The ad valorem duty of 1/2 per cent payable by buyers for transfer of shares in their name.

Unit of Trading

The minimum number of shares of a company which are accepted for normal trading on the stock exchange. All transactions are generally done in multiples of trading units. Odd lots are generally traded at a small discount.

Volume of Trading

The total number of shares which change hands in a particular company's securities. It is the sum of either purchases or sales which necessarily equal. This information is useful in explaining and interpreting fluctuations in share prices.

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Trading has moved from the floor to the screen.
Already, four indices weighted by market capitalisation have been compiled.
The BSE Sensitive Index (Sensex); to BSE National Index; to BSE 200 and a variant that takes account of the Rupee-Dollar Conversion rate.

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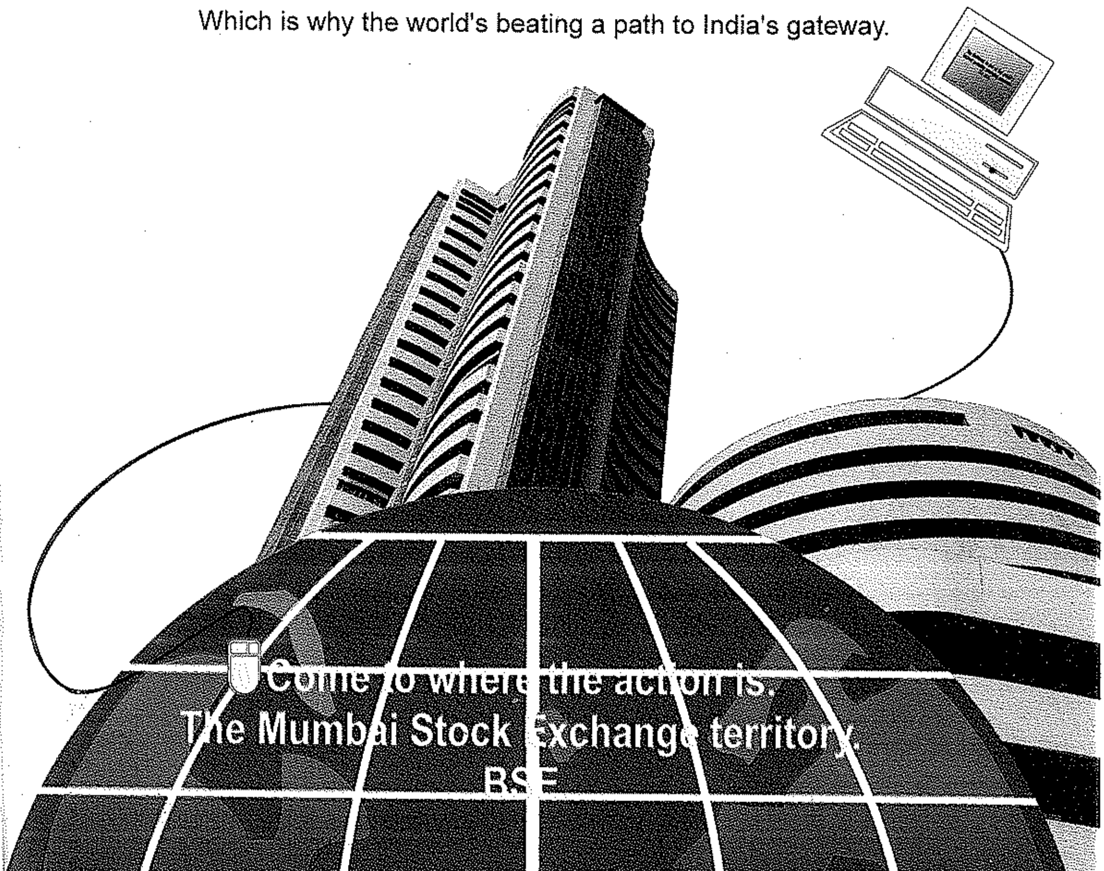

THE STOCK EXCHANGE, MUMBAI

PHIROZE JEEJEEBHOY TOWERS, 25th FLOOR, DALAL STREET,
MUMBAI - 400 001.
Tel. : 265 5581, 265 5626, 265 5860 - 61
GRAMS : "SHARATION", MUMBAI - 400 001.
TELEX : 011-85925 STEX IN . FAX : 91-22-265 8121