



BSE
The Stock Exchange of India

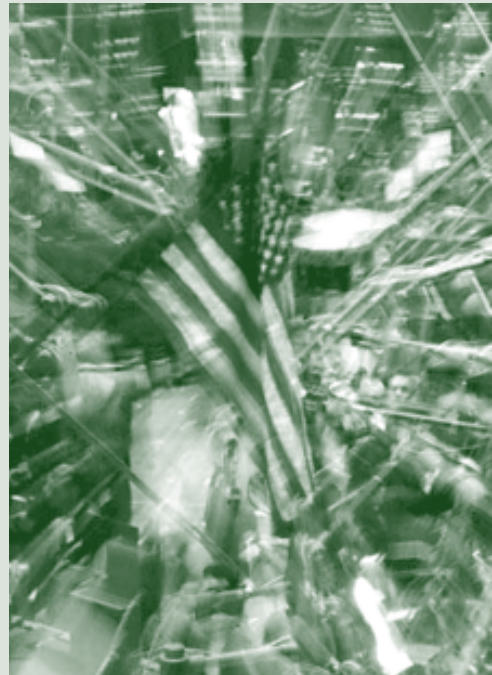
Annual Capital
Market Review '03



STATE OF THE MARKETS

World

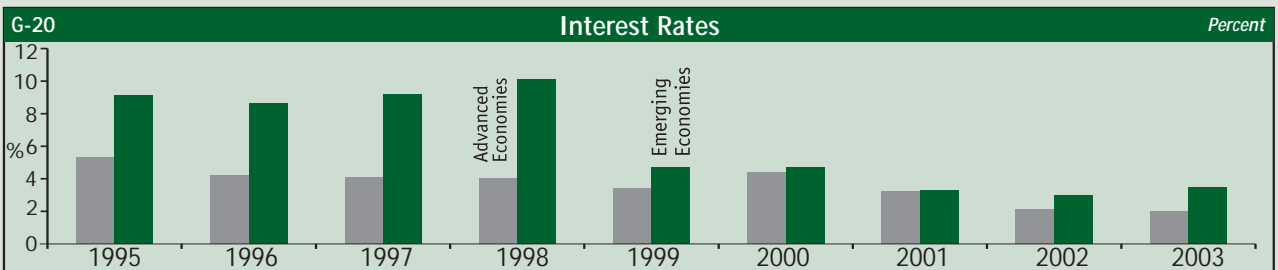
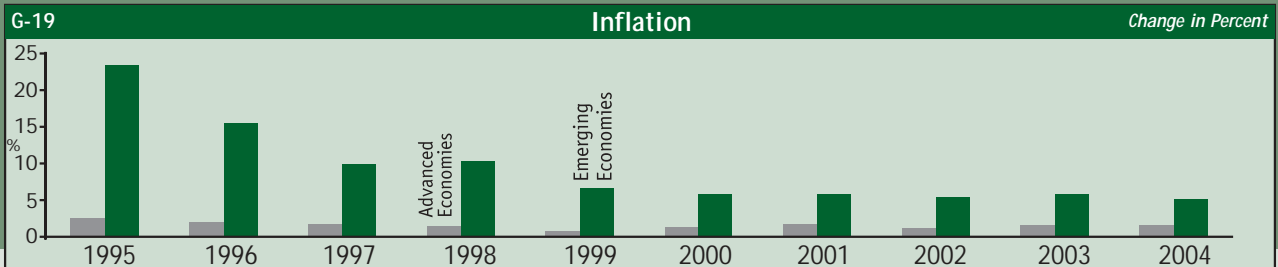
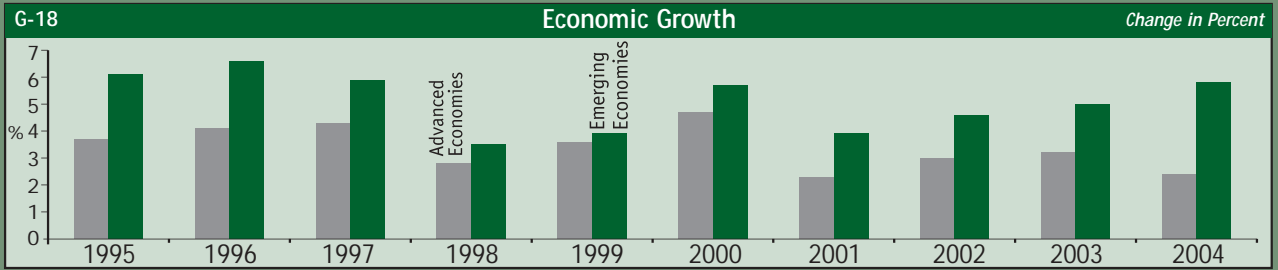
Economic growth continues to be subdued: Better prospects for 2004.
Fear of deflation in some economies.
Surge in Euro against US\$. Long term implications for Euro zone growth.
Interest rates at historic lows : Fed funds rate is the lowest in 45 years,
Zero interest rates does not appear to stimulate growth in Japan.
Japanese banks vulnerability continues. Estimates better recovery in 2004.
Oil prices smoothen after the Gulf II War.
Volumes and prices inching up in the capital markets : Prospects for
2003 appear good. Stock Indices show sharp recovery across the world
markets
SARS affects East Asian Economic Growth. Effective containment of the
disease however, limited the damage.
International financial stability remains firm.
Corporate setbacks extend to other countries such Korea (SK Group) and
Netherlands (Ahold).
Security concerns dominate Korea and Middle East.
Wall Street braces for hefty fines/settlements.
Renewed interest in internet/technology stocks in the
United States.



India

Economy poised to post a major recovery.
Industry recovers, shows strong growth.
Exports increase after the previous year's decline.
Forex reserves reach record heights.
Rupee firms up against dollar.
Banking sector stocks outperform.
T+2 Securities settlement comes into force.
Interest rates continuous to fall.
Surge in personal finance/consumer credit.
Banking sector posts handsome profits.
Volumes on stock exchanges pick up momentum.
Launch of Retail Debt Segment and Interest Rate Futures.
Sensex goes Free Float.





Perspectives

JOHN SNOW
Secretary
U.S. Treasury

"We do support the strong dollar. Nobody becomes prosperous through devaluation and currency values are best set in open and competitive markets. I think it's been an orderly adjustment. We're going to monitor it. We're going to watch it. But I don't think it's any cause for great alarm."

ALAN GREENSPAN
Chairman
U.S. Federal Reserve

"Even though we perceive the risks as minor, the potential consequences are very substantial and could be quite negative. This is not an imminent, dangerous threat to the United States, but a threat that, even though minor, is sufficiently large that it does require very close scrutiny and maybe - maybe - action on the part of the central bank. We believe that because in the current environment the cost of taking out insurance against deflation is so low, that we can aggressively attack some of the underlying forces, which are essentially weak demand."

G.N.BAJPAI
Chairman
Securities Exchange
Board of India

"India is now fast moving towards being the benchmark in the international arena in capital markets. Legislation will keep evolving and follow the development, but they would be less intrusive yet more effective. If we try to interfere too much, then the market forces will not happen, which might not be in the best interest of the country."

DR. BIMAL JALAN
Former Governor
Reserve Bank of India

"Our macro-economic fundamentals are now strong, given the high forex reserves, soft interest rates and stable inflation. Besides the monsoon situation looks good, which should bring down inflation further in the coming months. All this gives us a lot of maneuverability to carry forward financial sector reforms and accelerate growth by 2-3 percent in the medium term."