

# MCX'SX

India's New Stock Exchange



## Annual Report 2011-2012



## India's New Stock Exchange

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### About MCX Stock Exchange (MCX-SX)

MCX Stock Exchange Limited (MCX-SX), India's new stock exchange, commenced operations in the Currency Derivatives (CD) segment on October 7, 2008 under the regulatory framework of Securities & Exchange Board of India (SEBI) and Reserve Bank of India (RBI). The Exchange is recognised by SEBI under Section 4 of Securities Contracts (Regulation) Act, 1956. In line with global best practices and regulatory requirements, clearing and settlement is conducted through a separate clearing corporation, MCX-SX Clearing Corporation Ltd. (MCX-SX CCL).

MCX-SX, which had started operations in Currency Futures segment, has been witnessing a steady and significant growth in average daily turnover and open interest ever since its inception. The average daily turnover (ADT) of currency futures stood at ₹ 13,530.47 crore at the end of July 2012, a significant increase from an ADT of ₹ 324.78 crore in the first month of operations. Completing the spectrum of currency risk management products, MCX-SX recently introduced its first differentiated product in Currency Options with a smaller tick size of 10 bps.

The currency derivatives segment at MCX-SX is supported by a strong membership base and witnesses a nation-wide participation. At the end of July 2012, MCX-SX had 751 members and saw participation from 726 towns and cities across India. Adhering to its philosophy of '**Systematic Development of Markets through Information, Innovation, Education and Research**', its mission has been to promote Financial-literacy-for-Financial Inclusion™, as is envisaged by the Government of India. MCX-SX till date has conducted more than 1,400 investor education programmes across the country, averaging almost one such programme per working day. The Exchange has partnered with media, educational institutions, trade bodies and international organisations to jointly conduct programmes on financial literacy & investor awareness and introduce best practices for development of India's financial markets.

MCX-SX received permissions to deal in Interest Rate Derivatives, Equity, Futures & Options on Equity and Wholesale Debt Segment, vide SEBI's letter dated July 10, 2012.



### About MCX-SX Clearing Corporation Ltd. (MCX-SX CCL)

MCX-SX Clearing Corporation Limited (MCX-SX CCL) was incorporated on November 7, 2008 under the Companies Act, 1956. The company is promoted by MCX Stock Exchange Limited (MCX-SX), Multi Commodity Exchange of India Limited (MCX) and Financial; Technologies of India Limited (FTIL). The promoters of MCX-SX Clearing Corporation Ltd are of national and international repute with domain knowledge of setting up Exchanges across the globe. The main objective of the MCX-SX Clearing Corporation Ltd. is to act as central counterparty to all the trades and provide full novation and carry out the business of clearing and settlement of currency futures contracts.

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

- Mr. Ashok Jha, IAS, (Retd.), Chairman
- Mr. Jignesh Shah, Vice-Chairman
- Mr. S U Kamdar
- Mr. S S Thakur
- Mr. C M Maniar
- Mr. P R Barpande
- Prof. (Mrs.) Ashima Goyal
- Dr. Nitish Sengupta
- Mr. Vepa Kamesam
- Mr. B D Sumitra
- Mr. Atul Rai
- Mr. P K Chhokra
- Mr. P R Karanth
- Mr. Vivek Mhatre
- Mr. Pawan Kumar Bajaj
- Mr. Joseph Massey, Managing Director & CEO
- Mr. U Venkataraman, CEO-CD Segment & Whole-time Director

## EXPERT ADVISORY BOARD

- Mr. G N Bajpai
- Mr. Venkat Chary
- Dr. L C Gupta
- Mr. Ganesh Rao
- Mr. Jamal Mecklai

## COMPANY SECRETARY

Mr. S Sarat Chandran

## STATUTORY AUDITORS

M/s. Chaturvedi & Shah, Chartered Accountants

## REGISTERED OFFICE

Exchange Square, CTS No. 255, Suren Road, Andheri (East), Mumbai – 400093

# DIRECTORS' REPORT

To  
THE MEMBERS OF  
MCX STOCK EXCHANGE LIMITED

Your Directors have pleasure in presenting their Fourth Annual Report and the Audited Statement of Accounts and Auditors' Report for the period commencing from April 1, 2011 to March 31, 2012.

## 1. FINANCIAL RESULTS

(₹ in crore)

Particulars	Period ended March 31, 2012	Period ended March 31, 2011
Total Income	88.18	39.15
Less: Expenditure	91.10	96.95
Loss Before Tax	(2.92)	(57.80)
Less: Provision For Tax	-	-
Loss After Tax carried to Balance Sheet	(2.92)	(57.80)

During the year under review, the Company has registered a Total Income of ₹88.18 Crore as against ₹39.15 Crore for the previous year. The Loss after Tax for the year under review was ₹2.92 Crore as compared to ₹57.80 Crore for the previous year.

The Exchange operates in the Currency Derivatives ("CD") Segment, which is its only operational trading segment at present. Due to end of predatory pricing of its competitor pursuant to order dated June 23, 2011 of the Competition Commission of India ("CCI"), the Company has been able to reduce its loss significantly as it was able to levy transaction charges, though for part of the financial year i.e. with effect from August 22, 2011.

Although NSE had filed an appeal against the CCI order before the Competition Appellate Tribunal, no stay was granted against the portion of the CCI order directing NSE to cease and desist from the practice. NSE's prayer for stay against the CCI direction to maintain separate accounts was also rejected by the Competition Appellate Tribunal.

As regards the other segments to be operationalized on MCX-SX, the Hon'ble High Court of Bombay by the Judgement dated March 14, 2012 set aside Securities and Exchange Board of India's ("SEBI") Order dated September 23, 2010, whereby SEBI had rejected applications of the Exchange seeking regulatory approvals for commencement of new trading segments and products. SEBI's Special Leave Petition (SLP) against the said Judgement was disposed of by Hon'ble Supreme Court in the first hearing itself on certain consent terms by an Order dated April 11, 2012. In terms of the said Order, SEBI had to amend its Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006 ("MIMPS Regulations") and examine the application of the Company afresh in light of amended regulations but not being bound by the findings of the High Court on two specific issues.

SEBI has accordingly since notified Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 on June 20, 2012 ("SECC Regulations") in supersession of the MIMPS Regulations.

Thereafter, SEBI has granted permission to the Company on July 10, 2012 to deal in interest rate derivative markets, equity, futures & options on equity and wholesale debt segments. The Exchange proposes to commence trading in these new segments shortly after assessing the readiness of systems and other infrastructure.

SEBI has also approved the application of the Exchange to commence trading in Options on USD-INR Spot Rate on August 2, 2012 and accordingly, the Exchange has commenced dealing in Currency Options Contracts from August 10, 2012.

Your Company hopes to do much better in the next year as conditions for free and fair competition have been restored in the CD Segment of the stock exchange services market in view of the CCI's order and it hopes to commence trading in new segment and products.

## 2. CORPORATE AND BUSINESS BACKGROUND:

### A. Regulatory Updates

As mentioned above, SEBI has issued SECC Regulations which have brought about important changes to the ownership and governance of a stock exchange and clearing corporation. A summary of such changes as applicable to a stock exchange is reproduced below:

#### i. Networth and Shareholding

Every stock exchange is required to have a minimum networth of ₹100 crore. A person, directly or indirectly, either individually or with persons acting in concert, can hold upto 5% of the paid-up share capital of stock exchange. However, a stock exchange, depository, bank, insurance company, public financial institution can hold upto 15% shares subject to prior approval of SEBI as in the erstwhile MIMPS Regulations.

Further a non-resident, directly or indirectly, either individually or with persons acting in concert, cannot hold more than 5% shares. Total non-resident shareholding cannot exceed 49%, with total FII holding cap of 23%.

While calculating these percentages, the shareholding shall include all instruments providing entitlement to equity or rights over equity at any future date. Transitional provisions have been made for holders of such instruments at the commencement of the SECC Regulations.

#### ii. Board of Directors

The Governing Board of a stock exchange or clearing corporation shall comprise of i) Shareholder Directors; ii) Public Interest Directors; and iii) Managing Director.

The Chairperson of the Governing Board shall be elected amongst the Public Interest Directors subject to prior approval of SEBI. The total number of Shareholder Directors cannot exceed the total number of Public Interest Directors. Trading Member or their associates and agent shall not be on the Governing Board of the stock exchange. Employee Directors shall be counted as Shareholder Directors.

Appointment and re-appointment of Shareholder Directors shall be with prior approval of SEBI. Public Interest Directors shall be nominated by SEBI.

Appointment, renewal of appointment and termination of service of Managing Director shall be with prior approval of SEBI. The remuneration to Managing Director shall be approved by SEBI.

#### iii. Oversight and Advisory Committees

A stock exchange shall constitute Oversight Committees for i) membership, ii) listing and iii) trading and surveillance function in order to address conflict of interest. The heads of each

function shall report directly to the Committee and Managing Director.

An Advisory Committee comprising of trading members shall be constituted to advise the Governing Board on non-regulatory and operational matters. The Committee shall meet atleast four times a year with maximum gap of three months between two meetings. The recommendations of Advisory Committee shall be placed before Governing Board and such recommendations alongwith the decisions shall be put up on the website of the stock exchange.

**iv. Key Management Personnel**

Department heads and senior executives of the stock exchange are classified as 'Key Management Personnel'. Compensation of Key Management Personnel shall be determined by Compensation Committee and shall be disclosed in the Directors' Report. The tenure of the Key Management Personnel shall be for a fixed period.

**v. Corporate Governance and Transfer of Profits**

Every stock exchange is required to comply with disclosure and corporate governance provisions as applicable to listed companies mutatis mutandis.

Every stock exchange is required to transfer 25% of its profits every year to Settlement Guarantee Fund of the clearing corporation.

**vi. Compliance with SECC Regulations**

The Exchange is in process of implementing these regulatory changes introduced by SECC Regulations and the same have been provided at appropriate places in the Directors' Report.

**B. Business Updates**

Currently the Exchange provides trading platform only in CD segment. It offers currency futures contracts in four currency pairs – USDINR, EURINR, GBPINR and JPYINR and currency options contracts on USD-INR spot rate. The Exchange is poised to extend product offering to Interest Rate Futures (IRF), Equities (Cash & F&O), Indices and ETF and Debt products.

The Exchange has an on-line screen based order matching system which is hosted on a fully Fault Tolerant (FT) Stratus Server. This Stratus Server has “continuous processing” features, seamless availability for continuous order processing and matching. MCX-SX trading system is an order driven system. The identities of buyers and sellers are protected under an anonymous order matching system. Orders entered into the Trading System are subject to various validation requirements including trading parameters, turnover limits, and/or other restrictions placed, if any. Orders that do not meet the validation checks are not accepted by the Trading System.

This state-of-the-art transparent national level trading platform offers to a wide range of financial market participants -- hedgers (i.e. exporters, importers, corporates and banks), investors and arbitrageurs – a facility for price discovery and price risk management.

**i. Turnover and Membership**

It was observed that the Average Daily Turnover in the Currency Futures segment has shown a decrease from April 2011 to March 2012.

The Average Daily Turnover which was at ₹16,898.79 Crore in April 2011 fell to ₹13,632.27 Crore in March 2012. The reduction in the Turnover in Currency Futures volume was in line with overall market conditions. The market share of the Exchange in Currency Futures increased from 51.29% in March 2011 to 53.19% in March 2012.

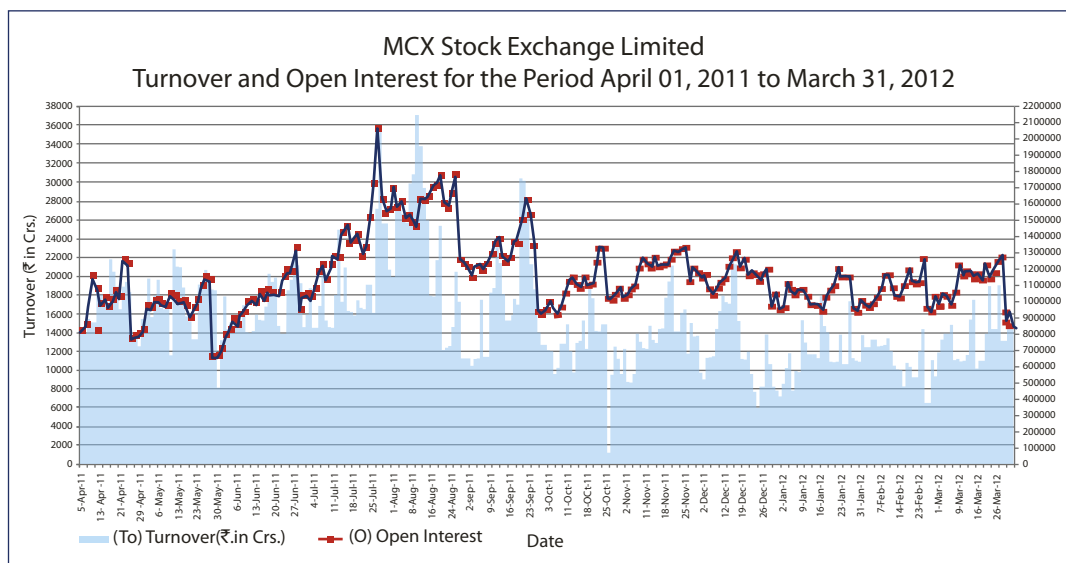
As on March 2012, the Exchange had 752 members accessing the Exchange platform

through 5640 users spread across 674 centers as against 734 members through 4556 users spread across 555 centers as on March 2011. As such the numbers of users and their centres have significantly increased, indicating broad basing of the participation in the MCX-SX Currency Futures Platform.

## ii. Market Statistics of MCX-SX for the Period

Performance	March 2012	March 2011
Approved no. of members (Registered with SEBI)	752	734
Centers participating across India	674	555
Average daily turnover (₹ in Crs.)	13,632.27	18,359.02
Highest turnover (₹ in Crs.)	18,891.40	26,741.38
Average daily volume (no. of contracts)	2,662,046	4,005,549
Highest no of contracts (no. of contracts)	3,660,602	5,865,789

The turnover and open interest for the period April 01, 2011 to March 31, 2012 are reflected in the graph below:



## iii. Monthly Trading Statistics

Monthly trading statistics of the Currency Futures Segment at the Exchange are annexed as Annexure A to the Directors' Report.

The periodwise breakup of Number of Contracts Traded and Trading Value is as below:

Period	No. of Contracts Traded	Trading Value (₹ in Cr.)
2008-09 (Oct-Mar)	29,847,569	148,825.98
2009-10 (Apr-Mar)	408,166,278	1,944,654.11
2010-11 (Apr-Mar)	903,185,639	4,194,017.48
2011-12 (Apr-Mar)	770,325,229	3,732,445.72



**iv. Technology**

The IT infrastructure at the Exchange has been designed with performance, reliability, redundancy and security as the key parameters.

The technology deployed includes the latest fault tolerant servers and a hybrid network (nationwide satellite network, terrestrial point to point, nationwide MPLS network and Internet links) even during sun outage time which enables members to connect to the Exchange from any location across the length and breadth of the country. The IT components are hosted in a state of the art datacenter that is designed to support mission critical operations. The datacenter and all its components are monitored 24 x 7 x 365.

The global technology platform enables our members to undertake uninterrupted dealing even during sun outage time.

**iv. Certifications**

In continuation with its commitment to providing quality-driven services to members, MCX-SX has successfully cleared the ISO 9001:2008 Surveillance Audit and has been recommended for continuation of this certification. Further, information security being a crucial aspect of day to day business processes, MCX-SX continues to retain the ISO/IEC 27001:2005 certification for its effective Information Security Management System. As a step towards demonstrating its dedication towards sustaining the Environment, MCX-SX has also cleared the Surveillance Audit for ISO 14001:2004, and continues to hold the certification for the same.

Certificate	Purpose / Scope	Certificate Date	Validity
ISO 9001:2008	Quality Management System (QMS)	16-09-2009	15-09-2009
ISO/IEC 27001:2005	Information Security Management System (ISMS)	16-09-2009	15-09-2009
ISO 14001:2004	Environment Management System	16-09-2009	15-09-2009

**v. Initiatives**

The Stock Exchange continues its initiatives to spread knowledge and awareness on Financial Markets. Some of the key initiatives continued this year include:

- Communicate - Monthly Exchange Newsletter giving important developments across various Exchanges of the world.
- Market Update - Encompasses the happenings around the Global Financial Markets & Macro view on Indian Financial Markets.
- Conduct of Training & Seminars across the length and breadth of the country continued during the last year also.
- During the year, the Exchange held 519 programs in various cities and towns.

**vi. The Way Forward**

The Exchange is fully committed for introduction of trading in new asset classes under the extant regulatory framework.

**3. DIVIDEND AND RESERVES**

In view of the fact that the Company is in its nascent stage of operations and is currently incurring losses, the Board of Directors do not recommended any dividend on the equity capital of the Company. For the same reason, no amounts are available for carrying to reserves.

## 4. SHARE CAPITAL

The Authorised Share Capital of the Company is ₹2,500,000,000/- divided into 2,500,000,000 equity shares of ₹1/- each. The Paid up Capital of the Company is ₹544,557,900/- divided into 54,45,57,900 equity shares of ₹1/- each. The shareholding pattern is under:

Sr. No.	Category of Shareholder	No. of shares held	Percentage of shareholding
1.	Promoters	54,330,000	9.98%
2.	Banks	3,845,00,000	70.61%
3.	Financial Institutions	99,040,000	18.19%
4.	MCX Stock Exchange ESOP Trust + shares issued under ESOP Scheme	6,687,900	1.22%
	Total	544,557,900	100.00%

A total of 1,196,630,000 transferable warrants issued under the scheme of reduction cum arrangement which was sanctioned by the Hon'ble High Court of Bombay are presently held by two shareholders. The said warrants are to be disposed-off within a period of 3 years from the date of notification of SECC Regulations i.e. June 20, 2012.

The promoters i.e. Multi Commodity Exchange of India Limited ("MCX") and Financial Technologies (India) Limited ("FTIL") have to bring down their shareholding in the Exchange to 5% limit within 18 months from July 10, 2012.

The Exchange is in compliance with the shareholding criteria specified in SECC Regulations. Further the Exchange has networth well in excess of the prescribed networth of ₹100 crore by SEBI.

## 5. DIRECTORS

Mr. A A Badshah (representing Bank of India), Mr. V K Khanna (representing Union Bank of India), Mr. C VR Rajendran (representing Corporation Bank) and Mr. P K Chhokra (representing Punjab National Bank) were appointed as Directors at the last Annual General Meeting till the fourth Annual General Meeting in accordance with a rotational representation policy. Mr. A A Badshah, Mr. V K Khanna and Mr. C VR Rajendran have resigned with effect from September 26, 2011, September 27, 2011 and February 18, 2012, respectively.

Mr. P R Karanth, also representing Corporation Bank, was appointed as Director on March 27, 2012 in Casual Vacancy caused by resignation by Mr. C VR Rajendran on February 18, 2012.

Mr. P R Karanth and Mr. P K Chhokra are due to remit office at the ensuing Annual General Meeting. Mr. Vivek Mhatre (representative of Union Bank of India) and Mr. Pawan Bajaj (representative of Bank of India) were appointed as Additional Directors on September 27, 2011 and March 27, 2012 respectively. They will cease to hold office at the Fourth Annual General Meeting of the Company.

Mr. P R Karanth, Mr. P K Chhokra, Mr. Vivek Mhatre and Mr. Pawan Kumar Bajaj are not proposed to be re-appointed in view of the provisions of SECC Regulations against associates and agents of Trading Members being on the Board of Directors of the Exchange.

Mr. Ashok Jha, Mr. Vepa Kamesam, Mr. S S Thakur and Dr. Nitish Sengupta are liable to retire by rotation at the ensuing Annual General Meeting. Having completed two terms as per the provisions of Articles of Association, Mr. Vepa Kamesam and Dr. Nitish Sengupta are not eligible for re-appointment.

Mr. Ashok Jha and Mr. S S Thakur, being eligible, have offered themselves for re-appointment. Your Directors recommend their re-appointment as Directors of the Company.

In the Extra-Ordinary General Meeting of the Members held on June 2, 2012, Mr. Joseph Massey was re-appointed as Managing Director & CEO for a period of 3 years commencing from June 1, 2012 and Mr. U Venkataraman was re-appointed as Chief Executive Officer-Currency Derivatives Segment & Whole-time Director for a period of 3 years with effect from February 16, 2012.

The above changes to the Board of Directors would bring down the Board strength to 11 (eleven) and the board composition shall be as follows:

Sr. No.	Particulars	Nos
1.	Shareholder Directors	5
2.	Public Interest Directors	5
3.	Managing Director	1

**6. Management**

The management of the Company is headed by Mr. Joseph Massey, Managing Director & CEO, who is in overall charge of the affairs of the Company, subject to the superintendence and oversight of the Board of Directors. The Currency Derivatives Segment, which is the currently operational segment of the Exchange, is headed by Mr. U. Venkataraman, CEO-CD Segment & Whole-time Director, who reports to the Managing Director. There is a team of highly experienced and effective senior management leading the different departments of the Exchange, which reports to the Managing Director and the Whole-time Director.

**7. HUMAN RESOURCES AND PARTICULARS OF EMPLOYEES**

During the period under review, emphasis was placed on Human Resource Planning with the objective of optimum utilization of existing manpower. Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2012, is given in Annexure B to this Report.

**8. SUBSIDIARY**

The Exchange has two subsidiaries as on the date of this Report and both subsidiaries operate in related / incidental activities as prescribed under SECC Regulations.

**A. MCX-SX Clearing Corporation Limited**

The Company's subsidiary, MCX-SX Clearing Corporation Limited ("MCX-SX CCL"), was jointly promoted by your Company, MCX and FTIL, as a new age Clearing Corporation constituted to undertake clearing and settlement of deals in multi asset classes. MCX-SX CCL offers best-in-class services to its clearing members with the help of its state of the art risk management framework and unparalleled clearing and settlement systems with dedicated linkages with clearing partners.

MCX-SX CCL was incorporated on November 7, 2008 and was permitted by SEBI to undertake clearing and settlement functions of trades done in MCX-SX on January 2, 2009. It commenced its operations on February 16, 2009 after completion of requisite formalities including opening of accounts and execution of agreements with participants. MCX-SX CCL currently clears the deals entered in the CD Segment of MCX-SX. MCX-SX CCL received authorisation from RBI under Section 10 of Foreign Exchange Management Act,

1999 on August 3, 2012 to undertake activities relating to clearing and settlement of currency options contracts. It has commenced clearing and settlement of currency options contracts dealt on MCX-SX from August 10, 2012.

In view of the SECC Regulations, MCX-SX CCL would have to apply to SEBI for recognition as a Clearing Corporation and would have to comply with the SECC Regulations within the time laid down in the SECC Regulations.

During the financial year 2011-12, MCX-SX CCL has registered a total income of ₹16.57 crore as against ₹12.11 crore for the previous year. The Profit after tax for the year under review was ₹0.69 crore compared to ₹1.00 crore for the previous year.

During the financial year, MCX-SX CCL had successfully carried out 240 settlements amounting to ₹2,952.91 crore without any delay and shortages. On account of its robust risk management practices, Settlement Guarantee Fund has never been put to use. Some other highlights during the year are:-

- i. Based on an assessment carried out by reputed consulting agency, Deloitte Touche Tohmatsu India Private Limited, MCX-SX CCL observes CPSS-IOSCO recommendations for Securities Settlement Systems - an international benchmark for Central Counterparties.
- ii. MCX-SX CCL has retained the LAAA (SO) rating by ICRA, indicating highest level of safety of collaterals parked with the Clearing Corporation. MCX-SX CCL is the first clearing corporation to receive such rating from its first year of operation. The rating indicates highest credit quality rating assigned by ICRA.
- iii. MCX-SX CCL follows well defined operating procedures and clearly defined service standards to provide quality and timely services to members. Considering the sensitive nature of its business, it adheres to stringent information security standards. This has enabled MCX-SX CCL to become the first Indian Clearing Corporation to obtain ISO certifications for quality management system (ISO 9001-2008) and information security management system (ISO 27001-2005) from the first year of operations.
- iv. During the financial year, MCX-SX CCL has empanelled Canara Bank as a Clearing Bank of collaterals to provide wider choice to members at competitive terms in addition to the existing 10 clearing banks and 3 custodians.
- v. MCX-SX CCL has implemented Risk Analysis & Management System (RAMS) to strengthen its Risk Management Capabilities. RAMS system provides for simulation of margins considering various scenarios of prices and volatility. A dedicated module for collateral management was introduced during the year. Clearing Corporation has also introduced Secured FTP, an interface which offers high level of security for transfer of files with various clearing intermediaries.
- vi. During the financial year, MCX-SX CCL launched 'My>Exchange', a web based interface for members for accessing information relating to collaterals, margins & obligations. Using this interface member can also access and download daily reports provided by the exchange/clearing corporation and upload client margin details. 'My>Exchange' also provide a facility to members for requesting release of collaterals.

Information regarding the subsidiary, in accordance with the provisions of Section 212 of the Companies Act, 1956 is attached to the Balance Sheet of the Company.

### **B. MCX-SX KYC Registration Agency Limited**

The Company had floated a wholly owned subsidiary in the name of MCX-SX KYC Registration Agency Limited ("MCX-SX KRA") to take up the business of KYC (Know Your Client) Registration Agency and allied activities subject to registration with SEBI under the

SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011. The subsidiary was incorporated on March 2, 2012 and it received the Certificate of Commencement of Business on March 22, 2012. The subsidiary has filed an application with SEBI seeking its in-principle approval for acting as KYC Registration Agency in May 2012. The application is under consideration of SEBI for grant of such in-principle approval.

Since MCX-SX KRA was incorporated on March 2, 2012, it is yet to complete its first financial year. Therefore, the annual report of MCX-SX KRA is not attached to the annual report of the Company. However, information regarding the subsidiary, in accordance with the provisions of Section 212 of the Companies Act, 1956 is attached to the Balance Sheet.

**9. COMPLIANCES:**

The Company is recognized as a stock exchange by Securities and Exchange Board of India under Section 4 of the Securities Contracts (Regulation) Act, 1956 ("SCRA"). It also holds authorisation under Section 10 of the Foreign Exchange Management Act, 1999 ("FEMA") for operating its Currency Derivatives Segment. It is also notified as a "recognised Stock Exchange" under proviso (d) to Section 43(5) of the Income-tax Act, 1961. The Company, being a stock exchange, adheres to SEBI Act, 1992, SCRA, 1956, FEMA, 1999, Income-tax Act, 1961 and also the various rules, regulations circulars, guidelines, instructions, etc. prescribed by the SEBI, CBDT and Reserve Bank of India and other authorities under these Acts from time to time. The Company follows an internal policy of comprehensive compliance reporting and monitoring.

**10. DEPOSITS:**

The Company has not accepted any public deposit since its inception.

**11. AUDITORS:**

Consequent upon implementation of the scheme of reduction cum arrangement in March 2010, the shareholding pattern of the Company had undergone a change whereby about 67% of the Company's equity capital came to be held by public sector banks.

Consequently, as per the provisions of Section 619B of the Companies Act, 1956, the auditors of the Company for the current financial year, M/s Chaturvedi & Shah, Chartered Accountants, Mumbai, were appointed by the Office of the Comptroller and Auditor General of India (CAG). In view of continuance of the same shareholding pattern, the Auditors for the FY 2012-13 would also be appointed by the CAG. The office of CAG has since appointed M/s Chaturvedi & Shah, Chartered Accountants, Mumbai as statutory auditors for the financial year 2012-13.

**12. COMPOSITION OF AUDIT COMMITTEE:**

As per Section 292A of the Companies Act, 1956, the Company has constituted an Audit Committee of the Board, comprising of four directors of which three are Independent Directors. The composition of the Audit Committee is as follows:

1. Mr. P R Barpande – Chairman
2. Mr. C M Maniar – Member
3. Mr. B D Sumitra – Member
4. Mr. Joseph Massey – Member

The Audit Committee met 4 (four) times during the Financial Year 2011-12.

**13. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

In view of the nature of activities which are being carried out on by the Company, Rule 2A

and Rule 2B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, concerning conservation of energy and technology absorptions are not applicable to the Company.

There was no foreign exchange earnings during the period ended March 31, 2012. The foreign exchange outgo during the year ended March 31, 2012 cumulatively amounted to ₹90,33,730 as compared to ₹1,88,57,700/- in the year ended March 31, 2011 mainly on account of legal and professional charges.

The Company does not directly contribute to export growth, as it is not allowed to export its services. However, the Company provides a platform to the small and medium enterprises (SMEs) and resident Indians, who hitherto did not have easy access to the currency market and takes the necessary initiative to educate these potential users on the benefits of risk management using currency futures through seminars and events. By providing a hedging mechanism, it indirectly encourages exports. The Company has tied up with the Federation of Indian Export Organisations (FIEO) for creating awareness amongst its members for risk management of volatility in foreign currency.

#### **14. DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that:-

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures;
- ii. they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
- iii. they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- iv. they have prepared the annual accounts on a going concern basis.

#### **15. BUY-BACK OF SHARES**

As during the last financial year, your Company did not have any scheme of buyback of shares, the requirements specified in Section 217(2B) read with Section 77A of the Companies Act, 1956 are not applicable to the Company.

#### **16. EMPLOYEES STOCK OPTION PLAN**

The Company had formulated the 'MCX Stock Exchange Employee Stock Option Scheme, 2009', pursuant to the authorization of shareholders granted at the First Annual General Meeting of the Company, and in order to attract, encourage, motivate and retain talent in the Company. The MCX Stock Exchange ESOP Trust has begun the process of granting options to eligible employees under the scheme and two rounds of grants have been made. A further authorization for additional allocations under the said scheme or one or more new schemes is being sought from shareholders at the Fourth Annual General Meeting. The requisite disclosures in terms of Clause 12 and other provisions of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 are given in Annexure C to this Report.

**17. ACKNOWLEDGEMENTS**

The Directors would like to place on record their gratitude for the valuable guidance and support received from the Government of India, particularly Ministry of Finance and Ministry of Corporate Affairs, Securities and Exchange Board of India, Reserve Bank of India, participating banks, clearing banks, shareholding banks and institutions, NSDL, CDSL, FEDAI, FIMMDA, FIEO, FICCI, CII, ASSOCHAM, IMC, IOSCO, SAFE, IGIDR, ICRIER, WFE, FIA, TIE, FISME and various other international, national and regional chambers of commerce, trade associations and all other broker-members, lawyers and law firms, consulting firms, vendors, technology partners and all other business associates for the continuous support given by them to the Company.

The Directors also wish to convey their appreciation to the Company's employees for their enormous personal efforts as well as their collective contribution which enabled the Company to meet the challenges set before it, including the fierce competition in the sector. The Board also acknowledged the contributions of the agencies, professional institutions such as FTKMC, ICAI, ICSI, ICWAI, Door Darshan, Delhi University to name a few, who have inked Memoranda of Understanding with the Company to work towards the goal of "Financial Literacy and Financial Inclusion".

For and on behalf of the Board of Directors

**Ashok Jha**  
Chairman

Date: August 24, 2012  
Place: Mumbai

# ANNEXURE A

## TO THE DIRECTORS' REPORT

### MONTHLY TRADING STATISTICS

Currency Futures Segment at MCX-SX

Month/ Year	No. of Contracts Traded	Trading Value (₹ In Crs.)	Average Daily Trading Value (₹ in Crs.)	Open Interest at the end of the month (in lots)
Oct-08	11,19,968	5,521.21	324.78	60,055
Nov-08	30,54,640	15,114.21	839.68	55,711
Dec-08	47,01,492	22,936.59	1,092.22	1,19,233
Jan-09	49,89,594	24,415.10	1,220.75	2,38,887
Feb-09	65,00,630	32,194.85	1,694.47	2,04,217
Mar-09	94,81,245	48,644.02	2,560.21	1,94,265
Apr-09	75,47,128	37,858.10	2,366.13	1,05,957
May-09	1,20,53,551	58,469.29	2,923.46	2,08,805
Jun-09	1,41,98,087	67,984.93	3,090.22	1,93,771
Jul-09	1,81,88,940	88,290.01	3,838.70	3,46,072
Aug-09	1,86,48,790	90,292.29	4,514.61	4,82,549
Sep-09	2,26,36,371	109,665.81	5,771.88	4,13,206
Oct-09	3,28,49,655	153,629.82	7,681.49	4,74,485
Nov-09	3,46,66,197	161,641.09	8,082.05	5,02,301
Dec-09	4,25,13,360	198,497.62	9,452.27	4,25,451
Jan-10	6,35,91,431	292,344.89	14,617.24	5,95,355
Feb-10	6,47,73,311	322,635.46	16,980.81	5,37,524
Mar-10	7,64,99,457	363,344.81	18,167.24	4,23,314
Apr-10	8,16,07,363	373,371.63	19,651.14	5,54,539
May-10	8,97,51,764	423,075.05	21,153.75	5,57,883
Jun-10	8,88,14,522	425,087.62	19,322.16	8,32,531
Jul-10	6,64,15,185	320,015.51	14,546.16	7,80,189
Aug-10	6,09,67,200	291,018.50	13,858.02	7,93,594
Sep-10	7,88,07,686	366,194.76	18,309.74	9,00,451
Oct-10	8,00,26,906	358,428.74	17,068.04	8,09,412
Nov-10	7,29,63,218	332,252.82	15,821.56	9,08,559
Dec-10	6,03,88,799	276,019.30	12,546.33	8,14,370
Jan-11	7,40,71,176	341,912.84	17,095.64	8,67,501
Feb-11	6,12,49,728	282,742.21	14,881.17	7,56,052
Mar-11	8,81,22,092	403,898.50	18,359.02	7,94,788
Apr-11	5,96,20,093	270,380.70	16,898.79	8,11,777
May-11	7,76,11,606	357,484.50	17,023.07	7,20,828
June-11	79,193,828	367,456.22	16,702.56	1,061,923
July-11	88,388,424	408,313.98	19,443.52	1,571,147



## ANNEXURE A TO THE DIRECTORS' REPORT

Month/ Year	No. of Contracts Traded	Trading Value (₹ In Crs.)	Average Daily Trading Value (₹ in Crs.)	Open Interest at the end of the month (in lots)
Aug-11	96,704,293	450,762.26	22,538.11	1,219,239
Sep-11	76,098,239	371,557.89	18,577.89	958,613
Oct-11	46,531,165	233,541.17	12,291.64	1,086,575
Nov-11	53,201,472	275,674.12	13,783.71	1,178,910
Dec-11	49,336,944	264,005.20	12,571.68	961,299
Jan-12	47,268,155	245,250.29	11,678.59	1,010,958
Feb-12	43,130,073	215,373.97	11,335.47	1,038,043
Mar-12	53,240,937	272,645.42	13,632.27	844,086
Apr-12	37,441,647	197,707.68	10,983.76	1,639,562
May-12	61,077,890	337,676.78	15,348.94	1,347,899
Jun-12	47,719,536	271,484.38	12,927.83	1,363,878
Jul-12	53,017,417	297,670.38	13,530.47	1,184,454

For and on behalf of the Board of Directors

**Ashok Jha**  
Chairman

Date: August 24, 2012  
Place: Mumbai

# ANNEXURE B

## TO THE DIRECTORS' REPORT

### STATEMENT PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

S. No	Name and Qualification	Age in yrs	Designation/ Nature of Duties	Remuneration Received (₹)	Experience (no. of years)	Date of commencement of employment	Previous employment
1.	Mr. Joseph Massey MA, MBA	50	Managing Director & CEO	1,80,00,000	24	June 1, 2009	MD & CEO - Multi Commodity Exchange of India Ltd.
2.	Mr. U Venkataraman BBA, CAIIB	58	Whole-time Director & CEO CD Segment	1,00,00,000	36	November 13, 2008	VP and Head-Treasury - IDBI Bank Ltd.
3.	Mr. Sanjit Prasad BA, PGDRM	41	Director – Business Development	66,00,000	16	December 19, 2008	Assistant Manager - Business Development, Stock Holding Corporation of India Ltd
4.	Mr. KRCV Seshachalam BA, LLB, B.Ed	49	Director - Legal & Secretarial, Investor Grievances	66,00,000	24	December 1, 2008	Deputy Legal Advisor - SEBI
5.	Ms. Latika Kundu B.Com, MBA	41	Head – Market operations	22,73,000	19	October 1, 2008	Vice President – Lehman Brothers

#### Notes:

1. Mr. Joseph Massey was appointed as Managing Director & CEO for a period of three years from June 1, 2009 and was re-appointed for a further period of three years from June 1, 2012.
2. Mr. U Venkataraman was appointed as CEO-CD Segment & Whole-time Director for a period of three years from February 16, 2009 and was re-appointed for a further period of three years from February 16, 2012.
3. All other employees listed above are/were in permanent employment of the Company in accordance with the terms and conditions of employment agreed with them and the service rules of the company.
4. None of the employees are holding any equity shares in the Company within the meaning of sub-clause (iii) of clause (a) of sub-section (2A) of Section 217 of the Companies Act, 1956.
5. None of the above employees are related to any Director of the Company.

For and on behalf of the Board of Directors

Date: August 24, 2012  
Place: Mumbai

Ashok Jha  
Chairman

# ANNEXURE C

## TO THE DIRECTORS' REPORT

### DISCLOSURES UNDER THE PROVISIONS OF SECURITIES AND EXCHANGE BOARD OF INDIA (EMPLOYEES STOCK OPTION SCHEME AND EMPLOYEE STOCK PURCHASE SCHEME) GUIDELINES, 1999.

S. No	Particular	Employees Stock Option Scheme –2009 (Round I)	Employees Stock Option Scheme – 2009 (Round II)
a.	Options granted	11,25,000 (on November 27, 2009)	40,55,100 (on March 20, 2012)
b.	The pricing formula	Based on the fair price of the shares on the date of grant.	Based on the fair price of the shares on the date of grant.
c.	Options vested	5,77,500	NIL
d.	Options exercised	5,77,500	NIL
e.	The total number of shares arising as a result of exercise of options	Not Applicable, as ESOPs are presently intended to be offered through Trust	Not Applicable, as ESOPs are presently intended to be offered through Trust
f.	Options lapsed (as at March 31, 2012)	2,50,000	2,50,000
g.	Variation of terms of options (as at March 31, 2012)	None	None
h.	Money realised by exercise of options	₹ 577,500	Not Applicable
i.	Total number of options in force (as at March 31, 2012)	2,97,500	38,05,100
j.	Employee wise details of options granted to		
	i. senior managerial personnel	NIL	Mr. Joseph Massey - 10 lakh Mr. U Venkataraman - 2.5 lakh
	ii. any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	As the grant was made to a total of 8 non-executive, non-promoter directors during 2009-10, all of the grants were in excess of 5% of the total options granted in that year.	Mr. KRCV Seshachalam - 2.5 lakh Mr. Sanjit Prasad - 2.5 lakh
	iii. identified employees who were granted option during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of options	NIL	NIL

## ANNEXURE C TO THE DIRECTORS' REPORT

S. No	Particular	Employees Stock Option Scheme –2009 (Round I)	Employees Stock Option Scheme – 2009 (Round II)
k.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share' (as at March 31, 2012)	₹(0.05)	
l.	i. Method of calculation of employee compensation cost	As per intrinsic value method.	
	ii. Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the Options	₹21,752/- (Rupees Twenty One Thousand Seven Hundred and Fifty Two only)	
	iii. The impact of this difference on profits and on EPS of the Company	Loss would have been greater by ₹21,752/- There would have been no material impact on the EPS.	
m.	Weighted average exercise price and Weighted average fair value	Not Applicable	
n.	Fair value of options based on Black Scholes methodology	₹1/-	
	Assumptions	<ul style="list-style-type: none"> <li>• Risk Free Rate is based upon Govt. Securities</li> <li>• Dividends are not considered</li> <li>• Standard Deviation and Variance are not considered</li> <li>• There was no Transaction and Tax cost</li> </ul>	
	Risk Free rate	8.00%	8.75%
	Expected life of options	Average time for expiry of option is taken as 2 years	
	Expected Volatility	Not Applicable	
	Expected Dividends	Expected Dividends has not been taken into consideration since the Company has commenced operations in August 2008 and has been incurring losses ever since.	
	Closing market price of share on a date prior to option grant	Not Applicable	

### Notes:

1. Options under the ESOP Scheme were offered through the Trust. Future options are presently intended to be offered through one or more trusts.
2. The shares of the Company are not listed on any Stock Exchange. Therefore, Expected Volatility has been considered as Zero and Fair Value of the Option has been considered as ₹ 1/- being the Face Value.

For and on behalf of the Board of Directors

Date: August 24, 2012  
Place: Mumbai

**Ashok Jha**  
Chairman

# AUDITORS' REPORT

To,  
The Members of  
MCX STOCK EXCHANGE LIMITED

1. We have audited the attached Balance Sheet of MCX Stock Exchange Limited as at March 31, 2012, the Statement of Profit and Loss and Cash Flow Statement 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 have conducted our audit in accordance with the 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Without qualifying our opinion, we draw attention to the note 3 to the financial statements regarding perception of management about the preparation of financial statements on going concern basis and provision for impairment of fixed assets and capital work – in – progress, for the reasons explained therein.
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of those books;
  - c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act 1956;
  - e. On the basis of written representations received from the Directors as on March 31, 2012 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on March 31, 2012 from being appointed as a director in terms of 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 Significant Accounting Policies and notes thereon give the information required by the Companies Act, 1956, in the manner so

required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012
- ii. in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
- iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Chaturvedi & Shah**  
Chartered Accountants  
(Registration No. 101720W)

**R. Koria**  
Partner  
Membership No.35629

Place: Mumbai  
Date: June 28, 2012

# ANNEXURE

## TO THE AUDITORS' REPORT

1. In respect of its fixed assets:
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b. As explained to us, fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to size of the Company and nature of its assets. No material discrepancies were noticed on such verification.
  - c. In our opinion and according to the information and explanations given to us, the Company has not disposed off substantial part of its fixed assets during the year and the going concern status of the Company is not affected.
2. The activities of the Company and the nature of business do not involve the use of inventories. Accordingly, provisions of Clause (ii) of Paragraph 4 of the Order are not applicable to the company
3. The Company has neither granted nor taken any loans, secured or unsecured, to/ from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, provisions of Clause (iii) of Paragraph 4 of the Order are not applicable to the company.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchase of fixed assets and also for sale of services. In our opinion and according to the information and explanations given to us, we have not observed any continuing failure to correct major weaknesses in internal control system.
5. In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956:
  - a. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
  - b. In respect of the transactions made in pursuance of contracts / arrangements entered in the Register maintained under section 301 of the Companies Act, 1956 and exceeding the value of ₹5,00,000 in respect of each party during the year, mainly for purchase of fixed assets and services and sale of fixed assets, suitable alternative sources are not available to obtain comparable quotations, however prices for them appears reasonable as per the information available with the Company and explanation provided to us.
6. According to the information and explanations given to us, the Company has not accepted any deposits from the public. Therefore, the provisions of Clause (vi) of paragraph 4 of the Order are not applicable to the Company.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. To the best of our knowledge and according to the information and explanations provided to us, the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of any services rendered by the Company.
9. In respect of statutory dues:
  - a. According to the records of the Company, undisputed statutory dues including

Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Customs Duty, Cess and any other statutory dues as applicable, have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2012 for a period of more than six months from the date they became payable.

- b. According to the information and explanations given to us, there are no dues of Income-tax, Sales-tax, Service Tax, Customs Duty, Wealth Tax and Cess which have not been deposited with the appropriate authorities on account of any dispute.
10. The Company has not completed five years since incorporation and hence the provisions of Clause (X) of paragraph 4 of the Order are not applicable to the Company.
11. The Company did not have any outstanding dues to any financial institutions, banks and Debenture holders during the year. Therefore the question of default does not arise.
12. In our opinion and according to the explanations given to us and based on the information available, no loans and advances have been granted on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund/ nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
14. The Company has maintained proper records of the transactions and contracts in respect of securities and other investments and timely entries have been made therein. All shares, securities and other investments have been held by the Company in its own name.
15. The Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company did not have any term loan outstanding during the year.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that there are no funds raised on short term basis used for long term investments.
18. The Company has not made any preferential allotment of shares during the year under audit to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any monies by way of public issue during the year.
21. In our opinion and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For **Chaturvedi & Shah**  
Chartered Accountants  
(Registration No. 101720W)

**R. Koria**  
Partner  
Membership No.35629

Place: Mumbai  
Date: June 28, 2012



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF MCX STOCK EXCHANGE LIMITED FOR THE YEAR ENDED 31 MARCH, 2012.**

The preparation of financial statements of MCX Stock Exchange Limited for the year ended 31 March 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 28 June 2012.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of MCX Stock Exchange Limited for the year ended 31 March 2012. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to the inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619(4) of the Companies Act, 1956

For and on behalf of the  
Comptroller and Auditor General of India

(Dhiren Mathur)  
Principal Director of Commercial Audit &  
Ex-officio Member, Audit Board – I, Mumbai

Place : Mumbai  
Date : August 27, 2012

# BALANCE SHEET

## AUDITED BALANCE SHEET AS AT MARCH 31, 2012

	Notes No.	As at 31.03.2012		As at 31.03.2011	
		₹	₹	₹	₹
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholders' Fund</b>					
Share capital	4	539,124,900		537,870,000	
Reserves and surplus	5	1,992,841,640		2,021,712,909	
Non Refundable Interest Free Deposits Against Warrants	6	1,196,630,000		1,196,630,000	
			3,728,596,540		3,756,212,909
<b>Non-Current Liabilities</b>					
Other long-term liabilities	7		36,400,000		30,400,000
<b>Current Liabilities</b>					
Trade payables	8	13,004,459		17,040,858	
Other current liabilities	9	75,914,568		59,779,178	
Short term provisions	10	14,879,524	103,798,551	11,624,468	88,444,504
<b>Total</b>			<b>3,868,795,091</b>		<b>3,875,057,413</b>
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
<b>Fixed Assets</b>					
Tangible assets	11	39,503,746		49,899,606	
Intangible assets		144,794,043		61,375,429	
Intangible asset under development		101,500,000		100,000,000	
Non-current investments	12	128,000,000		127,500,000	
Long term loans and advances	13	204,484,179		159,335,040	
			618,281,968		498,110,075
<b>Current Assets</b>					
Current investments	14	15,003,673		10,002,285	
Trade receivables	15	55,219,110		235,701	
Cash and bank balances	16	2,871,904,664		3,153,018,140	
Short term loans and advances	17	151,183,335		91,830,734	
Other current assets	18	157,202,341		121,860,478	
			3,250,513,123		3,376,947,338
<b>Total</b>			<b>3,868,795,091</b>		<b>3,875,057,413</b>

### Notes on Financial Statements 1 - 33

As per our report of even date  
For **Chaturvedi & Shah**  
Chartered Accountants

**R.Koria**  
Partner

Place : Mumbai  
Date : June 28, 2012

For and on behalf of the Board of Directors of  
**MCX Stock Exchange Limited**

**Joseph Massey**  
Managing Director &  
Chief executive officer

**Sarat Chandran**  
Company Secretary

Place : Mumbai  
Date : June 28, 2012

**U. Venkataraman**  
Whole-time Director

**Ghanashyam V. Rao**  
Vice President Finance & Accounts

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

	Notes No.	2011-12 ₹	2010-11 ₹
<b>Income</b>			
Gross Revenue from operations	19	659,881,148	117,365,915
Less : Service tax		61,324,009	10,771,865
Net Revenue from operations		598,557,139	106,594,050
Other income	20	283,271,737	284,903,568
<b>Total Revenue</b>		<b>881,828,876</b>	<b>391,497,618</b>
<b>Expenditure</b>			
Operating expenses	21	400,794,665	278,591,981
Employee benefits expense	22	178,707,058	208,923,197
Finance costs	23	-	7,733
Depreciation and amortisation expense	11	35,214,663	31,276,931
Other expenses	24	296,356,329	450,669,533
<b>Total Expenses</b>		<b>911,072,715</b>	<b>969,469,375</b>
Loss before tax		(29,243,839)	(577,971,757)
Less : Provision for taxation		-	-
<b>Loss for the year</b>		<b>(29,243,839)</b>	<b>(577,971,757)</b>
Earnings per equity share of face value of ₹1 each	25		
Basic and Diluted (in ₹)		(0.05)	(1.07)

### Notes on Financial Statements 1 - 33

As per our report of even date  
For **Chaturvedi & Shah**  
Chartered Accountants

**R.Koria**  
Partner

Place : Mumbai  
Date : June 28, 2012

For and on behalf of the Board of Directors of  
**MCX Stock Exchange Limited**

**Joseph Massey**  
Managing Director &  
Chief executive officer

**Sarat Chandran**  
Company Secretary

Place : Mumbai  
Date : June 28, 2012

**U. Venkataraman**  
Whole-time Director

**Ghanashyam V. Rao**  
Vice President Finance & Accounts

# CASH FLOW STATEMENT

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
<b>A.</b>				
<b>Cash flow from Operating Activities</b>				
Net loss before tax		(29,243,839)		(577,971,757)
<b>Adjustments for</b>				
Depreciation/Amortisation	35,214,663		31,276,931	
Dividend from Investments	(6,317,207)		(4,370,388)	
Net Prior Year Adjustments	152,629		591,247	
Unrealised Exchange Rate fluctuation	-		3,127	
Interest Income	(273,606,848)		(257,372,071)	
Interest Expenses	-		7,733	
Loss on sale of Fixed Asset (net)	3,573,938		160,950	
Profit on sale of investments (net)	(485)		(19,683,980)	
<b>Operating profit/(loss) before working capital changes</b>		<b>(270,227,149)</b>		<b>(827,358,208)</b>
<b>Adjustments for</b>				
Trade and other receivables	(110,945,392)		(49,891,134)	
Trade and other payables	21,354,047		(47,612,039)	
		(89,591,345)		(97,503,173)
Cash generated from operations		(359,818,494)		(924,861,381)
Net Prior Year Adjustments		(152,629)		(591,247)
Less: Taxes paid		(48,448,223)		(29,644,484)
<b>Net cash generated from/(used in) operating activities</b>		<b>(408,419,346)</b>		<b>(955,097,112)</b>
<b>B.</b>				
<b>Cash flow from Investing Activities</b>				
Purchase of Fixed Assets		(122,468,971)		(22,845,571)
Sale of Fixed Assets		7,917,565		658,411
Purchase of current investments		(2,105,521,844)		(2,372,000,011)
Sale of current investments		2,106,838,148		2,892,068,461
Fixed deposit placed with banks (having maturity of more than 3 months)		(2,198,725,740)		(2,692,653,700)
Fixed deposit matured (having maturity of more than 3 months)		2,692,653,700		2,994,281,724
Investment in subsidiary company		(500,000)		-
Interest received (net of accrued interest)		239,413,502		249,935,272
<b>Net cash generated from/(used in) Investing Activities</b>		<b>619,606,360</b>		<b>1,049,444,586</b>

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
<b>C.</b>				
<b>Cash flow from Financing Activities</b>				
Interest paid		-		(7,733)
Proceeds from issuance of shares to ESOP trust		1,254,900		-
Security premium collected		372,570		-
<b>Net Cash Generated from Financing Activities</b>		<b>1,627,470</b>		<b>(7,733)</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>212,814,484</b>		<b>94,339,741</b>
Cash and Cash Equivalents at Beginning of the Year (Refer note 16)		460,364,440		366,024,699
<b>Cash and Cash Equivalents at End of the Year (Refer note 16)</b>		<b>673,178,924</b>		<b>460,364,440</b>
Add : Fixed Deposits held for more than three months		2,198,725,740		2,692,653,700
<b>Closing Cash and Bank Balance as per Note 16</b>		<b>2,871,904,664</b>		<b>3,153,018,140</b>

### Notes to Cash Flow Statement:

1. The Cash Flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 (AS 3) "Cash Flow Statement" issued by the Companies (Accounting Standards) Rules, 2006.
2. Figures in brackets represent cash outflows.

As per our report of even date

For **Chaturvedi & Shah**  
Chartered Accountants

**R.Koria**  
Partner

Place : Mumbai  
Date : June 28, 2012

For and on behalf of the Board of Directors of

**MCX Stock Exchange Limited**

**Joseph Massey**  
Managing Director &  
Chief executive officer

**Sarat Chandran**  
Company Secretary

Place : Mumbai  
Date : June 28, 2012

**U. Venkataraman**  
Whole-time Director

**Ghanashyam V. Rao**  
Vice President Finance & Accounts

Notes to Financial Statements for the year ended March 31, 2012

## 1. Significant Accounting Policies

### a. Basis of preparation of financial statements

The accompanying financial statements are prepared and presented under the historical cost convention, in accordance with the generally accepted accounting principle and the provisions of the Companies Act 1956 ('the Act'), to the extent applicable.

### b. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements and the reported revenue and expenses during the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates and assumptions used in preparing the accompanying financial statements. Adjustments, if any, are prospectively made.

### c. Fixed assets

Fixed assets are stated at cost of acquisition less accumulated depreciation and impairment loss, if any. Cost includes all expenses incidental to the acquisition of the fixed assets and any attributable cost of bringing the asset to its working condition for its intended use.

### d. Intangible assets

Intangible assets are recognised only if it is probable that the future economic benefits that are attributable to the assets will flow to the enterprise and the cost of the assets can be measured reliably. Expenditure on an intangible item is expensed when incurred unless it forms part of the cost of intangible asset that meets the recognition criteria. Intangible assets are stated at cost of acquisition net of recoverable taxes less accumulated amortization and impairment loss, if any.

### e. Depreciation

Depreciation has been provided on Tangible Fixed Assets on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

Intangible assets comprising software purchased and licensing costs are amortised on straight line basis over the useful life of the software up to a maximum of five years commencing from the month in which such software is ready for use.

The Company provides pro-rata depreciation from the day the asset is ready to use and for any asset sold, till the date of sale.

### f. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit & Loss. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

Notes to Financial Statements for the year ended March 31, 2012

**g. Foreign currency transactions**

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currencies at the year-end are restated at year end rates. Non monetary foreign currency items are carried at cost.

Any income or expense on account of exchange difference either on settlement or on translation is recognised in the Statement of Profit & Loss of the year.

**h. Revenue recognition**

Revenue is recognised when no significant uncertainty as to measurement and realisation exists.

i. Transaction fees are charged to members based on the volume of transactions entered into by the members through the exchange. These are accrued when orders placed by members on the network are matched and confirmed.

ii. Admission fees collected from new members for joining the exchange are recognised when received and the member is approved by SEBI.

iii. Processing and other fees collected from members are recognised on receipt basis.

iv. Recoveries from members towards VSAT connectivity are apportioned over the period of connectivity (three years) on a pro rata basis from the date of activation of connectivity.

v. Dividend income is recognised when the company's right to receive dividend is established.

vi. Interest income is recognised on time proportion basis.

**i. Employee benefits**

Short term employee benefits are recognised as an expense at the undiscounted amounts in the Statement of Profit & Loss of the year in which the related service is rendered.

Long-term employee benefits, viz., gratuity and leave encashment are recognised at the present value of the amounts payable determined at the close of the year based on actuarial valuation techniques using the Projected Unit Credit Method. Actuarial gains and losses are charged to the Statement of Profit & Loss. The present value is determined using the market yields of government bonds, at the balance sheet date, as the discounting rate.

**j. Investments**

Investments are classified as long-term or current based on intention of the management at the time of purchase.

Long-term investments are carried at carrying cost less any other than temporary diminution in value, determined separately for each individual investment.

Current investments are stated at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each individual investment. Profit or Loss on sale of investments is determined on the basis of weighted average cost

**k. Income Tax**

Income tax expense comprises current tax and deferred tax charge or credit.

**i. Current tax**

Current tax expense is determined in accordance with the provision of Indian Income Tax Act, 1961 after taking into consideration the exemption and allowances, if any, available to the Company in the Income Tax Act, 1961.

**ii. Deferred tax**

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets

### Notes to Financial Statements for the year ended March 31, 2012

resulting from "timing difference" between taxable and accounting income are recognised using the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised subject to managements' judgment that their future realisation is reasonably certain except where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonable / virtually certain (as the case may be) to be realised.

#### **l. Operating leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating leases. Operating lease rentals are recognised as an expense in the Statement of Profit & Loss in accordance with Accounting Standard 19 - Leases.

#### **m. Provisions, contingent liabilities and contingent assets**

Provisions comprise liabilities of uncertain timing or amount. Provisions are recognised when the Company recognizes that it has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reasonable estimate can be made.

Provision are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are neither recognised nor disclosed in the financial statements

#### **n. Earnings per share**

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by weighted average number of equity shares outstanding during the reporting year.

The number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares. In computing diluted earnings per share only potential equity shares that are dilutive are included.



### Notes to Financial Statements for the year ended March 31, 2012

2. During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also regrouped, rearranged and reclassified the previous year figures in accordance with the requirements applicable in the current year
3. MCX Stock Exchange Limited is a recognized stock exchange under Section 4 of the Securities Contracts Regulation Act, 1956. The company suffered a loss of ₹2.92 crore (Previous Year ₹57.80 crore) for the year and cumulative losses as on March 31, 2012 are ₹146.80 crore (Previous Year ₹143.88 crore). The Company's income mainly consists of transaction charges besides interest on fixed deposits and investments. The Company was not able to charge transaction fees in respect of currency futures trading in its Currency Derivatives Segment (CD Segment) for an initial part of the financial year, in view of predatory zero pricing by its main competitor, National Stock Exchange of India Ltd (NSE). Pursuant to Order dated June 23, 2011 passed by Competition Commission of India (CCI) acting on complaint by the Company, the unfair pricing practice of NSE in its CD Segment had come to an end and the Company has commenced charging transaction fee and data-feed fee since August 22, 2011. Although NSE had filed an appeal against the CCI order before the Competition Appellate Tribunal, no stay was granted against the portion of the CCI order directing it to cease and desist from the practice.

The Hon'ble High Court of Bombay by the Judgment dated March 14, 2012 set aside Securities and Exchange Board of India's ("SEBI") order dated September 23, 2010, whereby SEBI had rejected applications of the Exchanges seeking regulatory approvals for commencement of new trading segments and products. SEBI's Special Leave Petition (SLP) against the said judgment was disposed of by Hon'ble Supreme Court on certain consent terms by an order dated April 11, 2012. In terms of the said order, SEBI has to amend its Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006 and examine the application of the Company afresh in light of amended regulations but not being bound by the findings of the High Court on two specific issues. SEBI has since notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 on June 20, 2012 in replacement of the Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006 and necessary steps are being taken by the Company to comply with the same.

The Company continues to have positive networth in terms of the definition given in the new regulations and the present networth is in excess of the regulatory minimum requirement laid down by Reserve Bank of India (RBI) and SEBI which is ₹100 crore. More over during the current year consequent to transaction fee income the loss for the year is substantially lower as compared to previous year and the Company expects the same trend going forward. In view of the above, the financial statements have been prepared on a going concern basis and no provision has been considered necessary for impairment of fixed assets and capital work in progress.

## NOTES ON FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended March 31, 2012

### 4. SHARE CAPITAL

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
<b>Authorised :</b> 2,500,000,000 (Previous Year: 2,500,000,000) Equity Shares of ₹1/- each		2,500,000,000		2,500,000,000
<b>Issued, Subscribed and Paid-up :</b> 544,557,900 (previous year: 543,303,000) equity shares of ₹1/- each, fully paid up	544,557,900		543,303,000	
<b>Less :-</b> Amount recoverable from MCX Stock Exchange ESOP Trust (Refer Note 4 (e) ) [5,433,000 (Previous Year 5,433,000) equity shares of ₹1/- each fully paid allotted to the MCX Stock Exchange ESOP Trust ]	5,433,000		5,433,000	
		539,124,900		537,870,000
<b>Total</b>		<b>539,124,900</b>		<b>537,870,000</b>

#### a) Reconciliation of the shares outstanding at the beginning and at the end of the year.

	As at March 31, 2012		As at March 31, 2011	
	No. of Shares	₹	No. of Shares	₹
<b>Equity shares</b>				
At the beginning of the year	543,303,000	543,303,000	543,303,000	543,303,000
Issued during the year	1,254,900	1,254,900	-	-
Outstanding at the end of the year	544,557,900	544,557,900	543,303,000	543,303,000

#### b) Details of shareholders holding more than 5% shares in the company

	As at March 31, 2012		As at March 31, 2011	
	No. of Shares	% holding	No. of Shares	% holding
<b>Equity shares of ₹.1/- each fully paid-up</b>				
IFCI Limited	71,875,000	13.20%	71,875,000	13.23%
Union Bank of India	62,500,000	11.48%	62,500,000	11.50%
Punjab National Bank	50,000,000	9.18%	50,000,000	9.20%

Notes to Financial Statements for the year ended March 31, 2012

**c) Rights of equity share holders**

The company has only one class of equity shares having a par value of ₹1 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**d) Shares reserved for issue under options**

- i. The Convertible share warrant holders have the option to convert their share warrant into 119,663,000 (Previous Year 119,663,000) equity shares of ₹1 each at the terms and conditions mentioned in note no.6.
- ii. 4,289,100 (Previous Year Nil) equity shares of ₹1 each have been reserved to be allotted to the ESOP trust under ESOP Scheme.

**e) Loan to ESOP Trust**

The Company's ESOP is administered through an ESOP Trust, which subscribes to shares of the Company and holds them until issuance thereof based on vesting and exercise of options by employees. At the time of formation of the trust the Company has provided an interest free loan amounting to ₹6,000,000 to the Trust to subscribe to 5,433,000 shares issued at ₹1 per share and were allotted on November 20, 2009. As per the Guidance Note on Accounting for Employee Share Based payments issued by the Institute of Chartered Accountants of India, the amount of loan equivalent to the face value of securities subscribed (₹5,433,000) has been deducted from share capital account and the balance part of the loan representing the amount of (₹567,000) has been added to Advances recoverable in cash or in kind or for value to be received in note no.17. The balance of such loan as at March 31, 2012 is ₹6,000,000. The repayment of the loan is primarily dependent upon the exercise of options by the employees, the price at which fresh or reissued options are granted and dividend income earned thereon till exercise of options. The Company believes that the options would be exercised by the employees and the Trust would be able to repay the loan based on the price received by the Trust there against. On that basis, the loan to the Trust is considered as good of recovery.

## NOTES ON FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended March 31, 2012

### 5. RESERVE AND SURPLUS

	As at March 31, 2012		As at March 31, 2011	
	₹	₹	₹	₹
<b>Securities Premium Account</b>				
As per last Balance Sheet	3,460,500,000		3,460,500,000	
Add : - Received on Issue of Shares	372,570		-	
		3,460,872,570		3,460,500,000
<b>Surplus / (deficit) in statement of Profit and Loss</b>				
As per last financial statements	(1,438,787,091)		(860,815,334)	
Add :- Loss for the year	(29,243,839)		(577,971,757)	
		(1,468,030,930)		(1,438,787,091)
<b>Total</b>		<b>1,992,841,640</b>		<b>2,021,712,909</b>

### 6. NON REFUNDABLE INTEREST FREE DEPOSITS AGAINST WARRANTS

	As at March 31, 2012		As at March 31, 2011	
	₹	₹	₹	₹
At the end of the year		1,196,630,000		1,196,630,000
<b>Total</b>		<b>1,196,630,000</b>		<b>1,196,630,000</b>

A total of 1,196,630,000 warrants were allotted to certain shareholders under the Scheme of Capital Reduction cum Arrangement implemented from March 19, 2010 post sanction of the Hon'ble High Court of Bombay under Sections 100-104 and 391-393 of the Companies Act, 1956. Under the Scheme, an amount of ₹1 was required to be maintained against each warrant as non-refundable interest free deposit. Accordingly, the Company holds an amount of ₹1,196,630,000 as interest free non-refundable deposit. Each warrant holder can exercise in one or more installments, its option to subscribe to the fully paid up equity shares of the Company of the face value of ₹1 each subject to conditions. The exercise of warrants would always be subject to the Securities Contracts (Regulation) (Manner of Increasing and maintaining Public Shareholding in Recognised Stock Exchange) Regulation, 2006 or any such regulation which is in force and other conditions. Upon exercise of the option, the proportionate non-refundable interest free deposit will be adjusted against the moneys receivable in respect of the equity shares so issued. The Equity Shares arising out of the exercise of Warrants will rank pari passu with the existing equity shares in all respects. The warrants do not carry any voting rights.

Notes to Financial Statements for the year ended March 31, 2012

## 7. OTHER LONG-TERM LIABILITIES

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
Amount received from members and applicants towards :				
- Deposits		36,400,000		30,400,000
<b>Total</b>		<b>36,400,000</b>		<b>30,400,000</b>

## 8. TRADE PAYABLES

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
Micro, Small and Medium Enterprises *		230,836		331
Others		12,773,623		17,040,527
<b>Total</b>		<b>13,004,459</b>		<b>17,040,858</b>

\* Details of dues to micro, small and medium enterprises

As per Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 the amounts due to the Micro, Small and Medium Enterprises on the basis of the information available with the Company regarding the status of suppliers are as under:

Sr. No	Particulars	As at March 31, 2012	As at March 31, 2011
1	Principal amount due and remaining unpaid	-	-
2	Interest due on (1) above and the unpaid interest	-	-
3	Interest paid on all delayed payments under the MSMED Act	-	-
4	Payment made beyond the appointed day during the year	-	-
5	Interest due and payable for the period of delay other than (3) above	-	-
6	Interest accrued and remaining unpaid	-	-
7	Amount of further interest remaining due and payable in succeeding years	-	-

## NOTES ON FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended March 31, 2012

### 9. OTHER CURRENT LIABILITIES

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
Amount received from members and applicants towards :				
- Vsat connectivity charges	1,521,006		3,820,682	
- Admission fees	2,800,000		4,450,000	
- Deposits	10,431,108		12,600,000	
- Other Advances	24,099		-	
		14,776,213		20,870,682
Investor service fund # [Including interest earned of ₹38,657 (Previous Year ₹27,576)]		1,279,811		1,188,410
Sebi Regulatory Fees		20,000,000		20,000,000
TDS Payable		16,210,199		5,989,742
Other Liabilities *		23,648,345		11,730,344
# Investor Service Fund of ₹1,000,000 was established by the Company in accordance with SEBI approval letter dated September 18, 2008. The fund is maintained to provide services to investors which include maintenance of investor grievance cell, education and awareness about securities market, price dissemination and other services that are in the interest of the investor. The balance amounting to ₹1,279,811 as at March 31, 2012 represents the initial amount of ₹1,000,000 and interest earned thereon.				
* Mainly includes payable for expenses				
<b>Total</b>		<b>75,914,568</b>		<b>59,779,178</b>

### 10. SHORT TERM PROVISIONS

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
Provision for Gratuity		4,867,060		6,647,324
Provision for Leave Encashment		9,967,257		4,943,563
Provision for Wealth Tax (net)		45,207		33,581
<b>Total</b>		<b>14,879,524</b>		<b>11,624,468</b>

Notes to Financial Statements for the year ended March 31, 2012

**11: FIXED ASSETS**

(Amount in ₹)

PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at April 01, 2010	Additions during the year	Deletions/ Adjustments	As at March 31, 2012	Upto March 31, 2011	For the year	Deletions/ Adjustments	Upto March 31, 2012	As at March 31, 2012	As at March 31, 2011
<b>Tangible Assets</b>										
Office Equipments	4,506,643	28,382	2,265,951	2,269,074	323,354	176,689	187,263	312,780	1,956,294	4,183,289
Computer Hardware	46,295,019	5,841,430	793,593	51,342,856	14,059,478	7,738,496	235,058	21,562,916	29,779,940	32,235,541
Furniture & Fixtures	7,224,969	32,063	6,854,753	402,279	717,431	200,380	762,308	155,503	246,776	6,507,538
Vehicles	7,561,579	5,313,951	4,415,649	8,459,881	588,341	831,960	481,156	939,145	7,520,736	6,973,238
<b>Total ( A )</b>	<b>65,588,210</b>	<b>11,215,826</b>	<b>14,329,946</b>	<b>62,474,090</b>	<b>15,688,604</b>	<b>8,947,525</b>	<b>1,665,785</b>	<b>22,970,344</b>	<b>39,503,746</b>	<b>49,899,606</b>
<b>Intangible Assets</b>										
Computer Software (Other than internally generated)	115,114,700	109,753,145	101,251	224,766,594	53,739,271	26,267,138	33,858	79,972,551	144,794,043	61,375,429
<b>Total ( B )</b>	<b>115,114,700</b>	<b>109,753,145</b>	<b>101,251</b>	<b>224,766,594</b>	<b>53,739,271</b>	<b>26,267,138</b>	<b>33,858</b>	<b>79,972,551</b>	<b>144,794,043</b>	<b>61,375,429</b>
<b>TOTAL ( A + B )</b>	<b>180,702,910</b>	<b>120,968,971</b>	<b>14,431,197</b>	<b>287,240,684</b>	<b>69,427,875</b>	<b>35,214,663</b>	<b>1,699,643</b>	<b>102,942,895</b>	<b>184,297,789</b>	<b>111,275,035</b>
Previous Year	157,762,611	23,869,867	929,568	180,702,910	38,261,151	31,276,931	110,207	69,427,875	111,275,035	

Intangible asset under development  
(Refer note 3)

101,500,000      100,000,000

## NOTES ON FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended March 31, 2012

### 12. NON-CURRENT INVESTMENTS

	As at March 31, 2012		As at March 31, 2011	
	₹	₹	₹	₹
Trade, Unquoted (at cost)				
In Equity Shares of Subsidiary Companies				
12,750,000 Equity Shares (Previous Year 12,750,000 Equity Shares) of MCX-SX Clearing Corporation Limited of ₹10 each fully paid-up.	127,500,000		127,500,000	
50,000 Equity Shares (Previous Year Nil Equity Shares) of MCX-SX KYC Registration Agency Ltd. of ₹10 each fully paid-up.	500,000		-	
		128,000,000		127,500,000
<b>Total</b>		<b>128,000,000</b>		<b>127,500,000</b>
Total amount of unquoted investments		128,000,000		127,500,000

### 13. LONG TERM LOANS AND ADVANCES

	As at March 31, 2012		As at March 31, 2011	
	₹	₹	₹	₹
(Unsecured, considered good)				
Balance with Central Excise and Service Tax authorities	86,687,088		88,890,107	
Prepaid expenses	271,372		1,427,023	
Sundry Deposits	8,024,916		8,024,916	
Advance Income Tax	108,507,869		60,059,646	
Loans and advances to employees	992,934		933,348	
		204,484,179		159,335,040
<b>Total</b>		<b>204,484,179</b>		<b>159,335,040</b>



Notes to Financial Statements for the year ended March 31, 2012

**14. CURRENT INVESTMENTS**

	As at March 31, 2012		As at March 31, 2011	
	₹	₹	₹	₹
<b>Non-trade unquoted (at lower of cost or realisable value, whichever is lower)</b>				
<b>In units of Mutual Funds, fully paid-up</b>				
Nil (Previous Year 248,686 ) of ₹10/- each in Canara Robeco Dynamic Bond Fund - Institutional - Dividend	-		2,500,545	
Nil (Previous Year 204,499) of ₹10/- each in Kotak Liquid - Inst Premium Plan - Daily Dividend	-		2,500,636	
14992 (Previous Year Nil) of ₹1000/- each in Religare Liquid Fund - Super Institutional. Daily Dividend	15,003,673		-	
Nil (Previous Year 247,693) of ₹10/- each in Sundaram Money Fund Super Institutional. Daily Dividend Reinvest	-		2,500,540	
Nil (Previous Year 2,498) of ₹1,000/- each in Templeton India Ultra Short Bond Fund Super Institutional Plan - Daily Dividend Reinvestment	-		2,500,564	
		15,003,673		10,002,285
<b>Total</b>		<b>15,003,673</b>		<b>10,002,285</b>

## NOTES ON FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended March 31, 2012

### 15. TRADE RECEIVABLES

	As at March 31, 2012		As at March 31, 2011	
	₹	₹	₹	₹
Unsecured and considered good Debts Outstanding for a period exceeding six months	-		185,394	
Other Debts- Considered Good	55,219,110		50,307	
		55,219,110		235,701
<b>Total</b>		<b>55,219,110</b>		<b>235,701</b>

### 16. CASH AND BANK BALANCES

	As at March 31, 2012		As at March 31, 2011	
	₹	₹	₹	₹
Cash and cash equivalent -				
Balance with Banks				
- In current accounts	24,422,252		25,798,628	
- Fixed Deposit with banks having maturity less than months	648,233,819		434,541,565	
Cheques in hand	495,000		-	
Cash on Hand	27,853		24,247	
		673,178,924		460,364,440
Other Bank Balances *		2,198,725,740		2,692,653,700
* Includes :				
(A) ₹ Nil (Previous Year ₹2,721,427) earmarked towards the Investor Protection Fund and ₹1,225,740 (Previous Year ₹1,153,700) earmarked towards the Investor Service Fund.				
(B) Under lien with Banks for Bank Guarantee- ₹250,000,000 (Previous Year 300,000,000)				

Notes to Financial Statements for the year ended March 31, 2012

**16. CASH AND BANK BALANCES**

	As at March 31, 2012		As at March 31, 2011	
	₹	₹	₹	₹
(C) Deposits of ₹19,800,000 (Previous Year ₹375,000,000) with maturity of more than 12 months.				
<b>Total</b>		<b>2,871,904,664</b>		<b>3,153,018,140</b>

**17. SHORT TERM LOANS AND ADVANCES**

	As at March 31, 2012		As at March 31, 2011	
	₹	₹	₹	₹
(Unsecured, considered good)				
Loans and advances to related parties (refer note 29)	7,698,957		434,783	
Balance with Central Excise and Service Tax authorities	81,700,000		61,300,000	
Advances to vendors	1,573,429		727,986	
Prepaid expenses	58,692,147		13,677,635	
Sundry Deposits	-		12,675,000	
Loans and advances to employees	317,165		1,126,486	
Others #	1,201,637		1,888,844	
		151,183,335		91,830,734
[# includes ₹567,000 (Previous Year ₹567,000) balance with MCX Stock Exchange ESOP Trust (Refer Note 4 (e)) ]				
<b>Total</b>		<b>151,183,335</b>		<b>91,830,734</b>

## NOTES ON FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended March 31, 2012

### 18. OTHER CURRENT ASSETS

	As at March 31, 2012		As at March 31, 2011	
	₹	₹	₹	₹
Interest accrued on Fixed Deposits **		155,553,646		121,360,300
Others #		1,648,695		500,178
** Includes : ₹606,078 (Previous Year ₹12,733,095) interest on fixed deposits having maturity of more than 12 months.				
# Mainly towards sale of fixed assets				
<b>Total</b>		<b>157,202,341</b>		<b>121,860,478</b>

### 19. REVENUE FROM OPERATIONS

	As at March 31, 2012		As at March 31, 2011	
	₹	₹	₹	₹
<b>Revenue from operations - Gross Sale of services -</b>				
Transaction Fees	464,890,617		-	
<b>Other operating revenue -</b>				
Membership Admission Fees	8,382,800		3,860,500	
Processing Fees	303,325		1,808,920	
Vsat connectivity income	4,894,892		3,914,326	
Other connectivity charges	12,613,897		1,590,159	
Data Feed Charges	3,891,941		-	
Shared service cost recovered	153,981,454		99,129,778	
RSA Hardware Token	1,922,015		-	
Examination Fees	1,256,400		1,006,700	
Others	7,743,807		6,055,532	
		659,881,148		117,365,915
<b>Total</b>		<b>659,881,148</b>		<b>117,365,915</b>

Notes to Financial Statements for the year ended March 31, 2012

**20. OTHER INCOME**

	As at March 31, 2012		As at March 31, 2011	
	₹	₹	₹	₹
Dividend from Non Trade Current Investments		6,317,207		4,370,388
Interest on Bank Deposits		271,753,996		256,967,311
Interest Income Others		1,852,852		404,760
Profit on sale of Investments (Net):				
- Current Investments	485		54,569	
- Long Term Investments	-	485	19,629,411	19,683,980
Rent		3,252,312		3,252,312
Exchange Difference		93,492		169,607
Miscellaneous Income		1,393		55,210
<b>Total</b>		<b>283,271,737</b>		<b>284,903,568</b>

**21. OPERATING EXPENSES**

	As at March 31, 2012		As at March 31, 2011	
	₹	₹	₹	₹
Clearing and Settlement Charges		94,315,706		76,383,688
Technology Cost		275,525,944		173,858,912
Sebi Regulatory Fees		20,000,000		20,000,000
Vsat Connectivity Expenses		4,681,687		3,921,123
Internet Connectivity Charges		6,271,328		4,428,258
<b>Total</b>		<b>400,794,665</b>		<b>278,591,981</b>

**22. EMPLOYEE BENEFITS EXPENSE**

	As at March 31, 2012		As at March 31, 2011	
	₹	₹	₹	₹
Salaries, Allowances and Bonus	170,646,218		200,104,552	
Contribution to Provident Fund and other funds	7,443,667		8,068,195	
Staff Welfare and Other Amenities	617,173	178,707,058	750,450	208,923,197
<b>Total</b>		<b>178,707,058</b>		<b>208,923,197</b>

The disclosures as per Accounting Standard – 15(AS-15)“Employee Benefits” are given in note no. 27

## NOTES ON FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended March 31, 2012

### 23. FINANCE COSTS

	As at March 31, 2012		As at March 31, 2011	
	₹	₹	₹	₹
Interest expenses		-		7,733
<b>Total</b>		<b>-</b>		<b>7,733</b>

### 24. OTHER EXPENSES

	As at March 31, 2012		As at March 31, 2011	
	₹	₹	₹	₹
Rent		44,622,264		68,075,491
Repairs & Maintenance - Others		2,244,884		5,203,450
Insurance		1,646,659		989,962
Travelling and Conveyance		9,825,819		13,693,968
Communication Expenses		16,019,968		7,420,862
Legal and Professional Charges		125,588,302		95,872,111
Shared Service Cost		19,561,483		42,000,000
Membership & Subscription Fees		25,533,096		16,061,718
Advertisement		9,532,890		93,680,520
Business Promotion Expenses		6,688,738		6,394,061
Sponsorships and Seminar		21,005,909		90,164,669
Directors Sitting Fees		1,550,000		1,610,000
<u>Payment to Auditors :</u>				
- Audit Fees		1,100,000		900,000
Loss on Sale of Fixed Asset (net)		3,573,938		160,950
Wealth Tax		51,358		33,581
Exchange Rate Fluctuation (net)		186,138		7,226
Miscellaneous Expenses		7,624,883		8,400,964
<b>Total</b>		<b>296,356,329</b>		<b>450,669,533</b>

Notes to Financial Statements for the year ended March 31, 2012

**25. EARNINGS PER SHARE ('EPS')**

Particulars	2011-12	2010-11
Loss after tax	(29,243,839)	(577,971,757)
Weighted average number of equity shares outstanding during the year for basic EPS	537,989,808	537,870,000
Weighted average number of equity shares outstanding during the year for diluted EPS	1,740,089,329	1,739,933,000
Basic and diluted earnings per share of face value ₹1 each	(0.05)	(1.07)

The effects of conversion of warrants into equity shares and the shares allotted to the ESOP trust pursuant to the employee share based payment plan are anti-dilutive and accordingly not considered for the computation of diluted earnings per share.

**26. STOCK BASED COMPENSATION**

The Company with the authorisation of its shareholders, framed the 'MCX Stock Exchange Employees Stock Option Scheme, 2009', which contemplated issue of ESOPs through the Trust route. Accordingly, 'MCX Stock Exchange ESOP Trust' was formed on November 13, 2009, as a trust.

Under the Scheme, the Compensation Committee of the Company shall decide, the options to be granted, the vesting schedule of the options to be granted and other incidental and consequential matters. The Trust shall be obliged to act on the instructions of the Compensation Committee.

On November 27, 2009 a total of 1,125,000 stock options (ESOP Round-I) have been granted under the Scheme. Details of the Options granted by the ESOP Trust are as under:

Grant Date	No. of Options granted	Exercise Price	Vesting Date	Exercise period
November 27, 2009	371,250	₹1	December 1, 2010	Upto December 1, 2011
	371,250	₹1	December 1, 2011	Upto December 1, 2012
	382,500	₹1	December 1, 2012	Upto December 1, 2013

Each option entitles the holder to exercise the right to apply and seek allotment of one equity share of ₹1 each. Exercise period for each option is as stated above from the date of vesting.

## NOTES ON FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended March 31, 2012

On March 20, 2012 a total of 4,055,100 stock options (ESOP Round-II) have been granted under the Scheme. Details of the Options granted by the ESOP Trust are as under:

Grant Date	No. of Options granted	Exercise Price	Vesting Date	Exercise period
March 20, 2012	1,338,183	₹2.10	March 20, 2013	Upto March 20, 2014
	1,338,183	₹2.10	March 20, 2014	Upto March 20, 2015
	1,378,734	₹2.10	March 20, 2015	Upto March 20, 2016

Each option entitles the holder to exercise the right to apply and seek allotment of one equity share of ₹1 each at ₹2.10. Exercise period for each option is as stated above from the date of vesting.

The particulars of number of options granted and lapsed under the Scheme are tabulated below:

Particulars	ESOP 2009 Round - I (Nos.)	ESOP 2009 Round - II (Nos.)
Outstanding at the start of the year	1,125,000	NIL
Granted during the year	NIL	4,055,100
Forfeited/Lapsed during the year	250,000	250,000
Exercised during the year	577,500	NIL
Outstanding at the end of the year	297,500	3,805,100
Exercisable / vested at the end of the year	NIL	NIL

### Other disclosures

Particulars	ESOP 2009 Round - I (Nos.)	ESOP 2009 Round - II (Nos.)
The intrinsic value per option	NIL	NIL
The estimated fair value per share	1.15	1.55
The estimated fair value per option	0.15	0.25
Date of option granted	November 27, 2009	March 20, 2012



Notes to Financial Statements for the year ended March 31, 2012

The fair values have been determined using Black-Scholes Model considering the following parameters:

Particulars	ESOP 2009 Round-I (Nos.)	ESOP2009 Round -II(Nos.)
(I) Fair Value of share at grant date	₹1	₹1.55
(ii) Exercise price	₹ 1	₹2.10
(iii) Expected volatility	1%	1%
(iv) Option Life 2 Years	2 Years	2 Years
(v) Expected Dividends	Expected Dividends have not been taken into consideration since the company has commenced operations in August 2008 and has been incurring losses ever since.	Expected Dividends have not been taken into consideration since the company has commenced operations in August 2008 and has been incurring losses ever since.
(vi) Risk free interest rate	8.00%	8.75%
(vii) To allow for the effects of early exercise, it is assumed that the employee would exercise the options after vesting date.		

The loss after tax of the Company for the year would have been higher by ₹21,752 (Previous Year ₹ 83,585) had the Company accounted the employee share-based payment using the fair value method. There is no material impact on the earnings per share.

## 27. EMPLOYEE BENEFITS

The disclosures as per Accounting Standard - 15 (AS-15) "Employee Benefits" are given below:

Defined Contribution Plan:

Provident Fund - The Company makes contribution towards provident fund as a specified percentage of the payroll cost to Regional Provident Fund Commissioner managed by the Employees' Provident Fund Organization, India. There are no other obligations other than the contribution payable to said fund.

Contribution to Defined Contribution Plan, recognised as expenses in the Statement of Profit & Loss for the year is as under:

Particulars	(Amount in ₹)	
	2011-12	2010-11
Employer's Contribution to Provident Fund	6,464,162	5,372,345

Notes to Financial Statements for the year ended March 31, 2012

## Defined benefit plan:

Gratuity: The gratuity is payable to all members at the rate of 15 days salary for each year of service. During the year the scheme is funded with an insurance company in the form of qualifying insurance policy. The most recent actuarial valuation of the present value of the defined benefit obligation for gratuity was carried out as at March 31, 2012 by an actuary. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The following table sets out the status of the gratuity plan and the amounts recognized in the Company's financial statements as at March 31, 2012.

- I. Changes in the present value of the Defined Benefit Obligation representing reconciliation of opening and closing balances thereof are as follows:-

(Amount in ₹)

Particulars	Gratuity	
	2011-12(Funded)	2010-11(Unfunded)
Defined Benefit Obligation at the beginning of the year	6,647,324	3,957,234
Current Service cost	2,104,789	1,777,753
Interest Cost	548,405	2,96,793
Liability transfer in	5,544,138	-
Liability transfer out	(56,316)	-
Actuarial (gain) / loss	(1,673,959)	6,15,545
Benefits paid	(630,673)	-
Defined Benefit obligation at the end of the year	12,483,708	6,647,324

- II. Reconciliation of opening and closing balance of the Fair value of Plan Assets:-

Particulars	2011-12	2010-11
Fair Value of Plan Assets at the beginning of the year	-	-
Contribution during the year	7,616,648	-
Fair Value of Plan Assets at the end of the year	7,616,648	-

Notes to Financial Statements for the year ended March 31, 2012

III. The amount recognised in the statement of Profit & Loss is as follows:-

(Amount in ₹)

Particulars	Gratuity	
	2011-12(Funded)	2010-11(Unfunded)
Current service cost	2,104,789	1,777,753
Interest Cost	548,405	2,96,793
Expected return on plan assets	-	-
Actuarial (gain) / loss	(1,677,937)	615,545
<b>Net expenses</b>	<b>975,257</b>	<b>2,690,090</b>

IV. Experience Adjustments in Actuarial (gain) / loss:-

(Amount in ₹)

Particulars	2011-12	2010-11	2009-10	2008-09
Gratuity				
Plan Assets	3,978	-	-	Not Applicable
Plan Liabilities	1,049,773	1,234,055	2,191,170	Not Applicable

V. Reconciliation of fair value of assets and obligation:-

**Gratuity**

(Amount in ₹)

Particulars	As at			
	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009
Fair value of Plan assets	7,616,648	-	-	-
Present Value of obligation	12,483,708	6,647,324	3,957,234	4,53,806
(Asset) / Liability recognised in Balance sheet	4,867,060	6,647,324	3,957,234	4,53,806

VI. Principal actuarial assumptions at the Balance sheet date:

(Amount in ₹)

Particulars	Gratuity	
	March 31, 2012	March 31, 2011
Mortality Table(LIC)	1994-96 (ultimate)	1994-96 (ultimate)
Discount rate (per annum)	8.50%	8.25%
Rate of escalation in salary (per annum)	7.50%	7.50%

Notes to Financial Statements for the year ended March 31, 2012

The estimates of rate of escalation in salary considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

The company has taken a Gratuity Policy with Life Insurance Corporation of India, the funds of which are managed by Life Insurance Corporation of India. Therefore the composition of investments is not ascertainable.

### **28. SEGMENT REPORTING**

#### **Primary segment**

The Company considers business segment (business of facilitating trading in currency and incidental activities thereto) as its primary segment considering the risks and rewards of the services offered, nature of services, management structure and system of financial reporting. In the opinion of the management, the Company has only one reportable business segment, in accordance with requirements of AS-17 "Segment Reporting", the results of which are disclosed in the financial statements.

#### **Secondary segment**

The Company operates only in India and has no geographical segment. On that basis, no secondary segment information is furnished.

### **29. RELATED PARTY INFORMATION**

a) Names of related parties and nature of relationship:

The disclosures regarding related parties as required by Accounting Standard ('AS') 18 "Related Party disclosures" issued by the Companies (Accounting Standards) Rules, 2006 ('the Rules') are as under:

(i) Subsidiary

- MCX-SX Clearing Corporation Limited (MCX-SX Clear)
- MCX-SX KYC Registration Agency Limited (MCX-SX KYC)

(ii) Key Management Personnel (KMP)

- Mr. Joseph Massey (MD & CEO)
- Mr. U. Venkataraman (CEO of Currency derivative segment and Whole time director)

(iii) Others

- MCX-SX ESOP Trust

Notes to Financial Statements for the year ended March 31, 2012

b) Details of transactions with related parties

Nature of Transaction	MCX-SX KYC (Subsidiary)	MCX-SX Clear (Subsidiary)	ESOP Trust (Others)
Clearing and settlement charges	- (-)	94,315,706 (76,383,688)	- (-)
Re-imbursements charged by the Company	- (-)	31,566 (5,159)	- (-)
Rent income	- (-)	3,252,312 (3,252,312)	- (-)
Shared service cost recovered	- (-)	139,602,406 (89,872,872)	- (-)
Shares allotted to ESOP Trust	- (-)	- (-)	12,54,900 (-)
Investments in equity shares	500,000 (-)	- (-)	- (-)
Sale of fixed assets	- (-)	134,450 (32,486)	- (-)
Advance recoverable in cash or in kind for value to be received	- (-)	7,698,957 (434,783)	- (-)
Closing Balance of Investments in equity shares	500,000 (-)	127,500,000 (127,500,000)	- (-)
Closing Balance of Loan to ESOP Trust	- (-)	- (-)	6,000,000 (6,000,000)

c) Transactions with KMP

Sr. No.	Nature of transactions	Amount (₹)
1.	Salary & allowances*: Mr. Joseph Massey	17,598,643 (17,194,659)
	Mr. U. Venkataraman	9,470,380 (8,725,424)
2.	Car deposit received from Mr. U. Venkataraman	(134,497) 134,497
3.	Travel advance to Mr. Joseph Massey	- (34,327)
4.	Remuneration recoverable from Mr. Joseph Massey	- (485,400)

## NOTES ON FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended March 31, 2012

Sr. No.	Nature of transactions	Amount (₹)
5.	ESOP Granted	Nos.
	<b>Mr. Joseph Massey</b>	
	Opening balance	-
		(-)
	Add- options granted (March 20, 2012)	1,000,000
		(-)
	Less- Exercised during the year	-
		(-)
	Closing Balance	1,000,000
		(-)
	<b>Mr. U Venkataraman</b>	
	Opening balance	-
		(-)
	Add- options granted(March 20, 2012)	250,000
		(-)
	Less- Exercised during the year	-
		(-)
	Closing Balance	250,000
		(-)

\*Excludes gratuity and long term compensated absences which are actuarially valued and where separate amounts are not identifiable.

- i. Related party relationship is as identified by the Company and relied upon by the auditors.
- ii. There are no amounts written off or written back in the year in respect of debts due from or to related parties.
- iii. Figures in bracket represent previous year's amounts.
- iv. The transactions with the related parties are disclosed only till the relation exists.
- v. Transaction charges collected by MCX-SX Clearing Corporation Limited on behalf of the company and paid to the company have not been considered for the aforesaid disclosure.

Notes to Financial Statements for the year ended March 31, 2012

**30. OPERATING LEASE**

The Company has entered into operating lease agreements for its office premises.

a) The minimum lease rentals on operating leases recognized in the statement of Profit & Loss and the future minimum lease payments under operating leases are as follows:

Particulars	As at March 31, 2012 ₹	As at March 31, 2011 ₹
Future minimum lease payments		
Not later than one year	42,096,080	17,959,320
Later than one year and not later than five years	41,360,184	8,674,874
Later than five years	-	-

b) Total future minimum sub-lease payments expected to be received under subleases is ₹3,252,312 (Previous Year ₹135,55,130).

c) Lease payments recognised in the statement of Profit & Loss is ₹44,622,264 (Previous year ₹ 68,075,491).

d) Sub-lease payment received and recognised in the statement of Profit & Loss is ₹3,252,312 (Previous Year ₹3,252,312).

**31. DEFERRED TAX ASSET/LIABILITY**

As required by Accounting Standard-22 (AS-22) on "Accounting for Taxes on Income" Deferred Tax comprises of the following items:

Particulars	As at March 31, 2012 ₹	As at March 31, 2011 ₹
<b>Deferred Tax Assets</b>		
Disallowance under the Income Tax Act, 1961	5,556,476	4,883,912
Unabsorbed depreciation	62,414,527	46,572,554
<b>Deferred Tax Liability</b>		
Related to fixed assets	27,215,715	23,958,703
Net Deferred tax asset/(liability)	40,755,288	27,497,763

In the absence of virtual certainty that surplus taxable income will be available against which the Deferred Tax Asset can be realized, the same has not been recognized in the books of account in line with AS-22 dealing with "Accounting for Taxes on Income".

## NOTES ON FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended March 31, 2012

### 32. FOLLOWING PRIOR PERIOD EXPENSES/INCOMES HAVE BEEN DEBITED OR CREDITED TO THE RESPECTIVE HEADS OF ACCOUNT IN THE STATEMENT OF PROFIT & LOSS :

(Amount in ₹)		
Particulars	2011-12	2010-11
<b>Prior Period Expenses:</b>		
Legal and Professional Charges	20,000	823,300
VSAT Connectivity Charges	72,972	-
Others	59,657	131,535
<b>Total</b>	<b>1,52,629</b>	<b>954,835</b>
<b>Prior Period Income:</b>		
Dividend from Non Trade Current Investments	-	363,588
<b>Total</b>	<b>-</b>	<b>363,588</b>
<b>Net Prior Period Expenses</b>	<b>1,52,629</b>	<b>591,247</b>

### 33. EXPENDITURE IN FOREIGN CURRENCY

(Amount in ₹)		
Particulars	2011-12	2010-11
Travelling, Lodging & boarding	246,322	751,134
Legal and professional charges	8,333,122	21,44,431
Sponsorship expenses	249,175	12,995,485
Advertisement, Sales Promotion & Seminar	59,370	798,837
Membership	117,002	2,121,982
Others	28,739	45,921

For and on behalf of the Board of Directors of  
MCX Stock Exchange Limited

**Joseph Massey**  
Managing Director & CEO

**U. Venkataraman**  
Whole-time Director

**Sarat Chandran**  
Company Secretary

**Ghanashyam V. Rao**  
V.P. Finance & Accounts

Place: Mumbai  
Date: June 28, 2012



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

Sr. No.	Name of the subsidiary	MCX-SX Clearing Corporation Limited	MCX-SX KYC Registration Agency Limited
1.	Financial Year of the subsidiary company ended on	March 31, 2012	March 31, 2013
2.	Holding Company Interest		
	i) Number of Shares	12,750,000	5,00,000
	ii) Extent of Holding	51%	100%
3.	The Net Aggregate amount of the subsidiary Profit/(Loss) so far as it concerns members of the holding company and is not dealt with in Holding Company's account		
	i) for the financial year of the company	₹3,499,847	NA
	ii) for the previous financial year of the Subsidiary since it became the holding Company's subsidiary	Nil	NA
4.	Net aggregate amount of the Profit/(Loss) of the Subsidiary dealt with in the company's account		
	i) for the financial year of the subsidiary	Nil	NA
	ii) for the previous financial years of the subsidiary Since it became the subsidiary of the holding Company.	Nil	NA

For and on behalf of the Board of Directors of  
**MCX Stock Exchange Limited**

**Joseph Massey**  
Managing Director & CEO

**U. Venkataraman**  
Whole-time Director

**Sarat Chandran**  
Company Secretary

**Ghanashyam V. Rao**  
V.P. Finance & Accounts

Place: Mumbai  
Date: June 28, 2012

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**Annual Report  
2011-12**

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

- Mr. Joseph Massey – Chairman
- Mr. Paras Ajmera
- Mr. P R Barpande
- Prof. (Mrs). Ashima Goyal
- Dr. Prakash G Apte
- Mr. U Venkataraman – CEO & Whole-time Director

## STATUTORY AUDITORS

M/s. V Sankar Aiyar & Co., Chartered Accountants

## CLEARING BANKS

- Axis Bank Limited
- Bank of India
- Canara Bank
- HDFC Bank Limited
- ICICI Bank Limited
- IDBI Bank Limited
- Indusind Bank Limited
- Kotak Mahindra Bank Limited
- State Bank of India
- Union Bank of India
- Yes Bank Limited

## REGISTERED OFFICE

Exchange Square, Suren Road, Chakala, Andheri (East), Mumbai – 400 093.

# DIRECTORS' REPORT

To  
THE MEMBERS OF  
MCX-SX CLEARING CORPORATION LIMITED

Your Directors are pleased to present their Fourth Report on the business and operations of your Company together with the Audited Statement of Accounts and the Auditors' Report for the financial year ended March 31, 2012.

## 1. FINANCIAL RESULTS

(Amount in ₹)

Particulars	Period ended March 31, 2012	Period ended March 31, 2011
Total Income	165,677,547	121,086,568
Less: Expenditure	158,815,101	111,123,478
Profit Before Tax	6,862,446	9,963,090
Less: Provision For Tax	-	-
Profit After Tax	6,862,446	9,963,090

During the year under review, the Company has registered a total income of ₹165,677,547/- as against ₹121,086,568/- for the previous year. The profit after tax for the year under review is ₹6,862,446/- as compared to ₹9,963,090/- for the previous year.

## 2. PERFORMANCE

There has been a significant growth in the number of trades. However there has been a decline in the number of contracts traded and the trade value. MCX Stock Exchange Ltd (MCX-SX) has started levying transaction fees in its Currency Derivatives ("CD") Segment from August 22, 2011, consequent upon implementation of an Order dated June 23, 2011 of the Competition Commission of India which put an end to predatory zero pricing by MCX-SX's super-dominant competitor. Consequently, your Company has also been enabled to charge value based clearing and settlement fees from MCX-SX.

## 3. REVIEW OF OPERATIONS

Your Company, MCX-SX Clearing Corporation Limited (MCX-SX CCL), was jointly promoted by MCX-SX, Multi-Commodity Exchange of India Limited (MCX) and Financial Technologies (India) Limited (FTIL), as a new age Clearing Corporation constituted to undertake clearing and settlement of deals in multi asset classes. The Company offers best-in-class services to its clearing members with the help of its state of the art risk management framework and unparalleled clearing and settlement systems with dedicated linkages with clearing partners.

The Company was incorporated on November 7, 2008 and commenced its operations on February 16, 2009 on receipt of regulatory approvals and after completion of requisite formalities including opening of accounts and execution of agreements with participants. The Company currently clears and settles the deals entered in the Currency Derivatives Segment of MCX-SX.

MCX-SX CCL received authorization from RBI under Section 10 of Foreign Exchange Management Act, 1999 on August 3, 2012 to undertake activities relating to clearing and settlement of currency options contracts. It has commenced clearing and settlement of currency options contracts dealt on MCX-SX from August 10, 2012.

In view of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 ("SECC Regulations"), notified by SEBI on June 20, 2012 MCX-SX CCL would have to apply to SEBI for recognition as a Clearing Corporation and would have to comply with the SECC Regulations within the time laid down in the SECC Regulations.

MCX-SX CCL has adopted various best practices in the industry to make sure transactions are managed efficiently and completed seamlessly, which includes capital adequacy norms for membership, dedicated settlement guarantee fund, globally accepted systems for margining, online monitoring of member positions based on prudential position limit norms, automatic trading restriction on breach of prudential limits, multilateral netting for obligation computation and periodic back testing of margins.

### A) Clearing and Settlement - Currency Derivatives Segment:

During the financial year 2011-12, the Clearing Corporation has successfully carried out 240 settlements amounting to ₹2952.91 crore without any delay and shortages. On account of its robust risk management practices, Settlement Guarantee Fund ("SGF") has never been put to use. Quantum of transactions cleared by the Clearing Corporation fallen in the current financial year (as shown below) mainly on account of introduction of transaction charges from August 22, 2011 and additional restrictions introduced by RBI on banks exposures in Forex derivatives vide RBI A.P. (DIR Series) Circular no.58 dated December 15, 2011.

Financial Year	No of Trades	No of Contracts Traded	Trade Value in ₹ crore
2010-2011	18,279,691	903,185,639	4,194,017.48
2011-2012	24,534,074	770,325,229	3,732,445.72
Growth %	34.21	-14.71	-11.01

### Monthly statistics of transactions and settlements:

Month	No of Trades	No of Contracts Traded	Trade Value (in ₹ Crs.)	Daily Settlement (in ₹ Crs.)	Final Settlement (in ₹ Crs.)	Total Settlement (in ₹ Crs.)
Apr-11	1314326	59620093	270380.70	96.98	5.41	102.39
May-11	1959514	77611606	357484.50	120.09	4.32	124.41
Jun-11	2139637	79193828	367456.22	96.71	1.86	98.57
Jul-11	2439672	88388424	408313.98	152.98	12.74	165.72
Aug-11	2573240	96704293	450762.26	267.94	1.65	269.59
Sep-11	2600638	76098239	371557.89	390.74	11.08	401.81
Oct-11	1734733	46531165	233541.17	268.47	6.66	275.13
Nov-11	2001371	53201472	275674.12	361.73	8.77	370.50
Dec-11	2001922	49336944	264005.20	406.05	3.03	409.07
Jan-12	1807105	47268155	245250.29	268.99	14.84	283.83
Feb-12	1911246	43130073	215373.97	173.36	1.26	174.62
Mar-12	2050670	53240937	272645.42	272.37	4.90	277.28
<b>Total</b>	<b>24534074</b>	<b>770325229</b>	<b>3732445.72</b>	<b>2876.40</b>	<b>76.51</b>	<b>2952.91</b>

The transaction volumes cleared through the Company has remained consistent and strong throughout the review period. Highest trade value was observed on August 09, 2011 (₹36,965 crore) and highest settlement value was observed on September 22, 2011 (₹86.46 crore).

Following table depicts the underlying wise average annualized volatility of near month futures contracts, underlying wise open interest and corpus of the SGF as on last working day of the month:-

Month	Open interest in contracts				Annualized volatility (%)			
	USD-INR	EUR-INR	GBP-INR	JPY-INR	USD-INR	EUR-INR	GBP-INR	JPY-INR
Apr-11	974216	24671	22540	16616	4.75	8.57	7.54	17.03
May-11	705969	90398	9087	6323	4.65	10.06	7.44	13.85
Jun-11	1440901	51722	18798	59726	4.55	9.02	7.15	9.32
Jul-11	899941	24491	12799	21382	4.58	8.51	6.08	8.61
Aug-11	774292	33421	30011	6362	4.81	9.85	7.02	12.83
Sep-11	924041	75826	49285	12771	8.06	9.99	7.87	12.81
Oct-11	1060747	75137	30868	52487	10.54	9.72	7.95	12.77
Nov-11	1117676	26280	17733	17221	10.76	9.39	8.68	14.43
Dec-11	905962	21185	19723	14429	11.71	9.72	9.79	12.38
Jan-12	964982	18936	11239	15801	10.21	10.61	10.28	10.68
Feb-12	603358	77141	30410	9919	9.75	9.04	8.63	10.11
Mar-12	1013441	38797	15939	18398	8.49	7.78	8.10	12.75

The SGF has grown from ₹622.02 crore as on March 31, 2011 to ₹875.16 crore as on March 31, 2012. The SGF as on July 31, 2012 stood at ₹1168.72 crore. The growth in SGF is commensurate with the growth in transaction volumes and open interest.

## B) New Initiatives and Developments:

### New Clearing Banks:

MCX-SX CCL has empanelled Canara Bank as Clearing Bank in the month of November 2011. Currently MCX-SX CCL has eleven banks functioning as its clearing banks. Other existing clearing banks are viz, HDFC Bank, ICICI Bank, Axis Bank, State Bank of India, Union Bank of India, Kotak Mahindra Bank, Indusind Bank, Yes Bank, Bank of India and IDBI Bank Ltd. MCX-SX CCL is in the process of adding more banks to the league of clearing banks to provide wide choice to the clearing members.

### Introduction of 'My>Exchange':

'My>Exchange' a web based interface was launched for members for accessing information relating to collaterals, margins & obligations. Using this interface member can also access and download daily reports provided by the Exchange/Clearing Corporation and upload client margin details. 'My>Exchange' also provide a facility to members for requesting release of collaterals.

## C) Renewal of Certification and Rating

### LAAA (SO) rating from ICRA:

MCX-SX CCL has retained the LAAA (SO) rating by ICRA, indicating highest level of safety of collaterals parked with the Clearing Corporation. MCX-SX CCL is the first clearing corporation to receive such rating during its first year of operation. The rating indicates highest credit quality rating assigned by ICRA.

### ISO Certification:

MCX-SX CCL follows well defined operating procedures and clearly defined service standards to provide quality and timely services to members. Considering the sensitive nature of its business, the company adheres to stringent information security standards. This has enabled MCX-SX CCL to become the first Indian Clearing Corporation to obtain ISO certifications for quality management system (ISO 9001-2008) and information security management system (ISO 27001-2005) from the first year of operations.

## 4. REGULATORY UPDATES

As mentioned above, SEBI has recently notified the SECC Regulations. These Regulations has brought about important changes in the regulatory regime applicable to Clearing Corporations and Stock Exchanges. The summary of such changes, as applicable to your Company is given below:

- **Clearing corporations to be recognized**

The most important change brought about by the Regulations is that clearing corporations have to get recognized by SEBI for acting as such. The Regulations have further provided that existing person who clears and settles trades of a Stock Exchange as on date of the Regulations may continue to do so for three months. Thus your Company will have to make an application seeking recognition from SEBI by September 20, 2012. Your Company intends to do so.

- **Networth and Shareholding**

The Regulations have prescribed a minimum networth of ₹300 Crore to operate the Clearing Corporation. The existing Clearing Corporations have been given a time limit of three years from the date of recognition by SEBI to achieve this networth.

Minimum 51% of the share capital of a Clearing Corporation shall be held by one or more recognised Stock Exchanges. A person, directly or indirectly either individually or with persons acting in concert, can hold upto 5% of the paid-up share capital of Clearing Corporation. However, a depository, bank, insurance company, public financial institution can hold upto 15% shares.

Further a non-resident, directly or indirectly either individually or with persons acting in concert, cannot hold more than 5% shares. Total non-resident shareholding cannot exceed 49%, with total FII holding cap of 23%.

While calculating these percentages, the shareholding shall include all instruments providing entitlement to equity or rights over equity at any future date. Transitional provisions have been made for holders of such instruments at the commencement of the SECC Regulations.

- **Board of Directors:**

The Governing Board of a Stock Exchange or Clearing Corporation shall comprise of i) Shareholder Directors; ii) Public Interest Directors and iii) Managing Director.

The Chairperson of the Governing Board shall be elected amongst the Public Interest Directors subject to prior approval of SEBI. The total number of Public Interest Directors shall be at least two third of the Governing Board and the total number of Shareholder Directors shall not exceed one third. Clearing Member or their associates and agent shall not be on the Governing Board of the Clearing Corporation. Employee Directors shall be counted as Shareholder Directors.

Appointment and re-appointment of Shareholder Directors shall be with prior approval of SEBI. Public Interest Directors shall be nominated by SEBI.

Appointment, renewal of appointment and termination of service of Managing Director shall be with prior approval of SEBI. The remuneration to Managing Director shall be approved by SEBI.



- **Oversight and Advisory Committees:**

A Clearing Corporation shall constitute Oversight Committees for i) membership and ii) surveillance function in order to address conflict of interest. The heads of each function shall report directly to the committee and managing director.

An Advisory Committee comprising of clearing members shall be constituted to advise the governing board on non-regulatory and operational matters. The committee shall meet at least four times a year with maximum gap of three months between two meetings. The decisions of Advisory Committee shall be placed before Governing Board and such recommendations along with the decisions shall be put up on the website of the Clearing Corporation.

- **Key Management Personnel**

Department heads and senior executives of the Clearing Corporation are classified as Key Management Personnel. Compensation of Key Management Personnel shall be determined by Compensation Committee and shall be disclosed in Directors' Report. The tenure of the Key Management Personnel shall be for a fixed period.

- **Corporate Governance:**

Every clearing corporation is required to comply with disclosure and corporate governance provisions as applicable to listed companies mutatis mutandis.

- **Agreement with Stock Exchanges**

The Regulations require the recognised Clearing Corporations to have an agreement in writing with the recognised stock exchange which avails its services stipulating their rights and obligations, conditions for admission of securities for clearing and settlement, risk management measures, charges for clearing and settlement and other incidental and consequential matters. The recognised Stock Exchange is required to extend its arbitration mechanism for settlement of disputes or claims arising out of clearing and settlement of trades executed thereon.

- **Prohibition of listing of Securities of Clearing Corporations and dematerialisation**

The SECC Regulations provide that securities of Clearing Corporations cannot be listed on any Stock Exchange. They also provide that securities of clearing corporations have to be in dematerialised form.

## **5. DIVIDEND AND RESERVES**

No dividend is recommended by the Board in view of the Company being in its initial stages. For the same reason, no amounts are proposed to be carried to the reserves for the year ended March 31, 2012.

### **OUTLOOK FOR THE CURRENT YEAR**

MCX-SX, the holding Company of MCX-SX CCL currently operates in the Currency Derivatives Segment, which is its only operational trading segment at present. Due to end of predatory pricing of its competitor pursuant to the Competition Commission of India order dated June 23, 2012, MCX-SX has been able to reduce its loss significantly as it was able to levy transaction charges, though for part of the financial year i.e. with effect from August 22, 2011.

As regards the other segments to be operationalized on MCX-SX, all legal proceedings emanating from SEBI's order dated September 23, 2010, have been completed. As a consequence of the end of legal proceedings, SEBI replaced the erstwhile Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006 ("MIMPS Regulations") with Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 on June 20, 2012 in supersession of the MIMPS Regulations. Thereafter, SEBI has granted permission to MCX-SX on July 10, 2012 to deal in interest rate derivative markets, equity, futures & options on equity and

wholesale debt segments. MCX-SX proposes to commence trading in these new segments shortly after assessing the readiness of systems and other infrastructure. Thereupon, MCX-SX CCL would also introduce the above said asset classes in its different clearing segments.

Your Company hopes to do much better in the next year as conditions for free and fair competition have been restored in the Currency Derivatives Segment of the Stock Exchange services market and the Company is poised to introduce clearing and settlement in additional asset classes, which would enable your Company to have a robust business model which shall include different clearing segments of MCX-SX CCL.

## 7. SHARE CAPITAL

The paid up Share Capital of the Company is ₹250,000,000/- divided into 25,000,000 equity shares of ₹10/- each. The shareholding pattern is under:

Sl. No.	Name of Shareholder	No. of shares of ₹10/- each	Percentage
1	MCX Stock Exchange Ltd.	12,750,000	51%
2	Multi Commodities Exchange of India Ltd.	6,500,000	26%
3	Financial Technologies (India) Ltd.	5,750,000	23%
	<b>Total</b>	<b>25,000,000</b>	<b>100%</b>

It is proposed to increase the Authorised Share Capital of the Company to ₹300 crore divided into 30 crore equity shares of ₹10/- each in order to comply with the networth requirement as per SECC Regulations.

## 8. DIRECTORS

Mr. V Hariharan had resigned as Director of the Company w.e.f. January 6, 2012. Mr. Joseph Massey and Mr. P R Barpande are liable to retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

Mr. U Venkataraman has been re-appointed as Whole-time Director and CEO for a period of 3 years with effect from April 17, 2012.

## 9. MANAGEMENT

The management of the Company is headed by Mr. U Venkataraman, the CEO and Whole-time Director of the Clearing Corporation. Mr. Balu Nair heads its operations.

## 10. HUMAN RESOURCES

During financial year 2011-12, emphasis was given to Human Resource Planning with the objective of optimum utilisation of existing manpower. The total strength of employees as on March 31, 2012 was 10. MCX-SX, the holding Company of your Company, had granted a total of 1,27,400 options to employees of the Company under MCX-SX ESOP Scheme, 2009.

## 11. AUDITORS

The retiring auditors, M/s V Sankar Aiyar & Co., Chartered Accountants, have expressed conveying their unwillingness to be reappointed as Statutory Auditors of the Company.

## 12. AUDIT COMMITTEE

As per section 292A of the Companies Act, 1956, the Company has constituted an Audit Committee of the Board comprising of three directors of which two are independent, non-

executive directors.

The composition of the Audit Committee is as follows:

- a. Mr. P R Barpande – Independent Chairman
- b. Prof. (Mrs.) Ashima Goyal – Member (Independent Director)
- c. Mr. Joseph Massey – Member (Non-executive Director)

The Audit Committee met 4 (four) times during Financial Year 2011-12 to transact business.

### **13. DEPOSITS**

The Company has not accepted any public deposits during the last financial year.

### **14. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

In view of the nature of activities which are being carried out on by the Company, Rule 2(A) and 2(B) of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, concerning conservation of energy and technology absorption, respectively, are not applicable to the Company.

There were no foreign exchange earnings or expenditure during the period under review. The Company does not directly contribute to export growth. However, by offering clearing and settlement services in currency futures contracts, it facilitates corporates, exporters and importers to hedge their currency risk.

### **15. PARTICULARS OF EMPLOYEES**

There are no employees of the Company who fall within the purview of sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended.

### **16. SWEAT EQUITY SHARES**

The Company did not issue any sweat equity shares and hence the requirements of Rule 7 of the Unlisted Companies (Issue of Sweat Equity Shares) Rules, 2003 are not applicable to the Company.

### **17. DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Management, confirm that:-

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures;
- ii. they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii. they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- iv. they have prepared the annual accounts on a going concern basis.

### 18. BUY-BACK OF SHARES

As during the last financial year your Company did not have any scheme of buyback of shares, the requirements specified in section 217(2B) read with section 77A of the Companies Act, 1956 are not applicable to the Company.

### 19. ACKNOWLEDGEMENTS

The Directors wish to convey their appreciation to the Company's employees for their enormous personal efforts as well as their collective contribution to enable the Company to meet the challenges set before it. The Directors would also like to place on record their gratitude for the valuable guidance and support received from Securities and Exchange Board of India, Reserve Bank of India and clearing members, banks, clearing banks, technology providers and all other business associates and for the confidence reposed by them in your Company's Management.

For and on behalf of the Board of Directors

**Joseph Massey**  
Chairman

Place : Mumbai  
Date: August 24, 2012

# AUDITORS' REPORT

## TO THE SHAREHOLDERS OF MCX-SX CLEARING CORPORATION LIMITED

1. We have audited the attached Balance Sheet of MCX-SX Clearing Corporation Limited as at 31st March 2012 and also the Profit and Loss Account and Cash Flow Statement 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 Companies (Auditor's Report) Order, 2003 and read together with the Companies (Auditor's Report) Amendment Order, 2004 (hereinafter referred to as the Order) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - i) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - ii) In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of those books;
  - iii) The Company's Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
  - v) On the basis of written representations received from the Directors as on 31st March 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts and read with the Significant Accounting Policies and other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012,
- b) In the case of the Profit and Loss Account, of the profit for the year ended on that date, and
- c) In the case of the Cash Flow Statement of the cash flows for the year ended on that date.

For **V. Sankar Aiyar & Co**

Chartered Accountants  
Firm Reg. No. 109208W

**[G. Sankar]**

Partner  
Membership No. 46050

Place : Mumbai  
Date: April 27, 2012

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITOR'S REPORT TO THE SHAREHOLDERS OF MCX-SX CLEARING CORPORATION LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012.**

- i. The Company has maintained proper records showing, full particulars including quantitative details and situation of fixed assets.  
All the assets have been physically verified by the management during the year and in our opinion, the verification program is reasonable having regard to the size of the company and the nature of the assets. No material discrepancy was noticed on such verification.  
Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- ii. The activities of the Company and the nature of its business do not involve the use of inventories. Accordingly, clause 4(ii) of the Order is not applicable to the company.
- iii. The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanation given to us, there exists adequate internal control system commensurate with the size of company and the nature of its business with regard to purchase of fixed assets and sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the company.
- v. According to the information and explanations given to us, the Company has not entered into any contract or arrangement during the year with parties, which needs to be entered in the register maintained under section 301 of the Companies Act, 1956. Consequently, clause (v)(a) and (v)(b) of paragraph 4 of the Order are not applicable.
- vi. The company has not accepted any deposits from the public within the meaning of the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules made thereunder.
- vii. In our opinion, the internal audit function carried out during the year by a firm of Chartered Accountants appointed by the management is commensurate with the size and nature of the Company and nature of the business.
- viii. According to information and explanation given to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub section (1) section 209 of the Act. Accordingly, clause 4(viii) of the Order is not applicable to the Company.
- ix. a) According to the records of the company, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues that are required to be deposited regularly with authorities, have been regularly deposited with the appropriate authorities.  
According to the information and explanations given to us, no undisputed amounts in respect of the aforesaid statutory dues were in arrears, as at 31st March, 2012, for a period of more than six months from the date they became payable.  
b) According to the information and explanations given to us and the records of the company, there are no dues of sales tax / income tax / customs duty / wealth tax / service tax / excise duty / cess which have not been deposited on account of disputes.
- x. The company does not have any accumulated losses at the end of the financial year. The

- company has not incurred cash loss during the financial year covered by our audit and in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to banks. The Company has not borrowed any money from financial institution or by way of debentures.
  - xii. In our opinion and according to the information and explanation given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
  - xiii. The Company is not a chit fund or a niche or a mutual benefit society. Therefore the provisions of sub para (xiii) of para 4 of the Order are not applicable to the Company.
  - xiv. In respect of shares, securities and other investments dealt in or traded by the Company, proper records have been maintained of the transactions and contracts and timely entries have been made therein. All the investments are held by the Company in its own name.
  - xv. According to the information and explanations given to us, the Company has not given any guarantee for any loans taken by others from any bank or financial institution.
  - xvi. In our opinion, and according to the information and explanation given to us, the Company has not taken any term loan. Therefore provision of sub para (xvi) of para 4 of the Order is not applicable to the Company.
  - xvii. According to the information and explanations given to us, based on an overall examination of the balance sheet of the Company, related information made available to us and as represented to us by the Management, funds raised on short term basis have not been used during the year for long term investment.
  - xviii. The Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
  - xix. According to information and explanation given to us, the Company has not issued any debentures during the year and therefore the question of creating security or charge in respect of debenture issued, does not arise.
  - xx. According to the information and explanation given to us, the Company has not made any public issue of any securities during the year and therefore the question of disclosing the end-use of money raised by any public issue does not arise.
  - xxi. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **V. Sankar Aiyar & Co**

Chartered Accountants  
Firm Reg. No. 109208W

**[G. Sankar]**

Partner  
Membership No. 46050

Place : Mumbai  
Date: April 27, 2012



**BALANCE SHEET AS AT MARCH 31, 2012**

	Notes No.	As at 31.03.2012		As at 31.03.2011	
		₹	₹	₹	₹
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholder's Funds</b>					
Share Capital	2	250,000,000		250,000,000	
Reserves and Surplus	3	29,658,262	279,658,262	22,795,816	272,795,816
<b>Non-Current Liabilities</b>					
Deferred tax liabilities (net)	4	-		-	
Long term provisions	5	418,284	418,284	281,650	281,650
<b>Current Liabilities</b>					
Trade payables	6	7,857,121		721,484	
Other current liabilities	7	558,358,463		448,917,673	
Short term provisions	5	143,067	566,358,651	365,155	450,004,312
<b>TOTAL</b>			<b>846,435,197</b>		<b>723,081,778</b>
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
<b>Fixed Assets</b>					
Tangible assets	8	887,183		926,716	
Intangible assets	8	76,319		100,958	
Other non-current assets	9	-	963,502	100,545,564	101,573,238
<b>Current Assets</b>					
Current Investments	10	40,509,918		279,253,335	
Cash and Cash Equivalents	11	733,893,688		301,875,910	
Short-term Loans and Advances	12	37,988,602		27,401,286	
Other Current Assets	9	33,079,487	845,471,695	12,978,009	621,508,540
<b>TOTAL</b>			<b>846,435,197</b>		<b>723,081,778</b>

**Significant accounting policies** **1**

**Other notes forming part of the financial statements** **22**

The accompanying notes are an integral part of the financial statements.

As per our attached report of even date

For **V. Sankar Aiyar & Co.,**

Firm Reg. No.: 109208W

Chartered Accountants

For and on behalf of the Board

**MCX-SX Clearing Corporation Ltd.**

**G. Sankar**

Partner

(M.No.46050)

**Joseph Massey**

Director

**U.Venkataraman**

Director

Place : Mumbai

Date : April 27, 2012

# STATEMENT OF PROFIT AND LOSS

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

	Notes No.	Year ended 31.03.2012 ₹	Year ended 31.03.2011 ₹
<b>INCOME</b>			
Revenue from operation	13	94,315,706	76,383,688
Other Income	14	71,361,841	44,702,880
<b>TOTAL</b>		<b>165,677,547</b>	<b>121,086,568</b>
<b>EXPENDITURE</b>			
Employee benefit expenses	15	11,708,826	13,290,765
Finance cost	16	28,197	7,823
Depreciation and amortisation cost	17	208,077	182,550
Operating and other expenses	18	146,870,001	97,642,340
<b>TOTAL</b>		<b>158,815,101</b>	<b>111,123,478</b>
Profit Before Tax		6,862,446	9,963,090
Less : Provision for Taxation		-	-
<b>Profit After Tax</b>		<b>6,862,446</b>	<b>9,963,090</b>
<b>Earnings Per Share</b>			
	<b>19</b>		
Basic		0.27	0.40
Diluted		0.27	0.40
<b>Face Value per Share</b>		<b>10/-</b>	<b>10/-</b>

**Significant accounting policies** **1**

**Other notes forming part of the financial statement** **22**

The accompanying notes are an integral part of the financial statements.  
As per our attached report of even date

For **V. Sankar Aiyar & Co.,**

Firm Reg. No.: 109208W

Chartered Accountants

For and on behalf of the Board

**MCX-SX Clearing Corporation Ltd.**

**G. Sankar**

Partner

(M.No.46050)

**Joseph Massey**

Director

**U.Venkataraman**

Director

Place : Mumbai

Date : April 27, 2012

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

	Year ended 31.03.2012		Year ended 31.03.2011	
	₹	₹	₹	₹
<b>A. Cash Flow from Operating Activities</b>				
Net Profit Before Tax		6,862,446		9,963,090
<b>Adjustments for</b>				
Interest Expenses	28,197		7,823	
Depreciation/Amortisation (Net)	206,356		178,344	
Dividend from Investment	(21,908,776)		(23,858,881)	
Interest Income	(47,118,317)		(18,811,704)	
Profit on Sale of Investment (Net)	(160,383)		(328,648)	
Provision for Gratuity and Leave Encashment	642,901		(542,183)	
	(68,310,022)		(43,355,249)	
<b>Operating profit/(loss) before working capital changes</b>		<b>(61,447,576)</b>		<b>(33,392,159)</b>
<b>Adjustments for</b>				
Decrease/ (increase) in short term Loans and Advances	(5,065,800)		(1,499,590)	
Increase / (decrease) in long term provisions	(506,267)		(507,749)	
Increase / (decrease) in trade payables	7,135,637		(919,515)	
Increase / (decrease) in other current liabilities	109,440,790		10,372,690	
Increase / (decrease) in short term provisions	(222,088)		(871,672)	
Decrease/ (increase) in other non current assets	100,545,564		(100,545,564)	
		211,327,836		(93,971,400)
<b>Cash used from / (in) Operating Activities</b>		<b>149,880,260</b>		<b>(127,363,559)</b>
Less: Advance Taxes refund / (paid) Including Tax Deducted at Source		(5,521,516)		(8,911,430)
<b>Net Cash used from / (in) Operating Activities</b>		<b>144,358,744</b>		<b>(136,274,989)</b>
<b>B. Cash Flow from Investing Activities</b>				
(Purchase)/Sale of Current Investments		238,903,799		89,045,036
Purchase of Fixed Assets		(142,183)		(468,239)
Dividend Income		21,908,776		23,858,881
Interest Income (other than accrued)		27,016,839		8,685,966
Fixed deposit (placed with banks)/matured (having maturity more than three months)		(447,294,407)		26,159,807
<b>Net Cash used (in) / from Investing Activities</b>		<b>(159,607,176)</b>		<b>147,281,451</b>
<b>C. Cash Flow from Financing Activities</b>				
Interest Expenses		(28,197)		(7,823)
<b>Net Cash provided/(used in) Financing Activities</b>		<b>(28,197)</b>		<b>(7,823)</b>
<b>Net Cash Flow during the year</b>		<b>(15,276,629)</b>		<b>10,998,639</b>
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>		<b>(15,276,629)</b>		<b>10,998,639</b>
Cash and Cash Equivalents (Opening Balance)		24,170,317		13,171,678
Cash and Cash Equivalents (Closing Balance)		<b>8,893,688</b>		<b>24,170,317</b>

## CASH FLOW STATEMENT

### Notes to Cash Flow Statement:

1. The Cash Flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard (AS 3) "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.

As per our attached report of even date

For **V. Sankar Aiyar & Co.,**

Firm Reg. No.: 109208W

Chartered Accountants

**G. Sankar**

Partner

(M.No.46050)

Place : Mumbai

Date : April 27, 2012

For and on behalf of the Board

**MCX-SX Clearing Corporation Ltd.**

**Joseph Massey**

Director

**U.Venkataraman**

Director

## Notes to Financial Statements for the year ended March 31, 2012

**1. SIGNIFICANT ACCOUNTING POLICIES****A. Basis of preparation of financial statements**

The accompanying financial statements have been prepared under the historical cost convention in accordance with Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

**B. Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between actual results and estimates are recognized in the year in which the results are known/materialize.

**C. Revenue Recognition**

- a) Revenue is recognized when no significant uncertainty as to measurement and realization exists.
- b) Dividend income is recognized when the Company's right to receive dividend is established.
- c) Interest income is recognized on time proportion basis.
- d) Clearing and Settlement fees are recognized at the end of the year based on expenses incurred less total income plus mark-up of 15% based on agreed terms with MCX-SX.

**D. Employee Benefits****a) Post-employment benefits and other long term benefits:****i. Defined contribution plan:**

Company's contribution for the year paid/payable to defined contribution retirement benefit schemes are charged to Profit and Loss Account.

**ii. Defined benefit plan and other long term benefits:**

Company's liabilities towards defined benefit plans and other long term benefits (compensated absences) are determined using the 'Projected Unit Credit Method' based on actuarial valuations as at the balance sheet date. Actuarial gains and losses are recognised in the Profit and Loss account in the period of occurrence of such gains and losses Past service cost is recognised immediately to the extent benefits are vested, otherwise it is amortised on straight-line basis over the remaining average period until the benefits become vested.

**b) Short-term employee benefits**

Short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized undiscounted during the period employee renders services.

**E. Fixed assets and depreciation/amortisation**

Fixed assets are stated at cost of acquisition less accumulated depreciation/ amortisation. Cost includes all expenses incidental to the acquisition of the fixed assets and any attributable cost of bringing the asset to its working condition for its intended use. Depreciation is charged over the estimated useful life of a fixed asset on a straight line basis in accordance with the rates prescribed in Schedule XIV to the Companies Act 1956.

Intangible assets comprising software purchased and licensing costs are amortised on straight line basis over the useful life of the software up to a maximum of five years commencing from the month in which such software is ready for use.

Notes to Financial Statements for the year ended March 31, 2012

Assets individually costing ₹5,000 or less are fully depreciated in the year of purchase/acquisition.

The Company provides pro-rata depreciation from the day the asset is ready to use and for any asset sold, till the date of sale.

### **F. Investments**

Current investments are carried at lower of cost and fair value. The difference between the carrying average amount of the investment and sale proceeds, net of expenses, is recognized as profit/ loss on sale of investments.

### **G. Income taxes**

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

Deferred Tax, which is computed on the basis of enacted/substantively enacted rates, is recognized, on timing differences, being the difference between taxable incomes and accounting income that originate in one year and are capable of reversal in one or more subsequent years. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Other deferred tax assets are recognized only to the extent there is reasonable certainty of realization in future.

### **H. Provisions, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized, but are disclosed in the notes forming part of accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

### **I. Impairment of assets**

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

Notes to Financial Statements for the year ended March 31, 2012

## 2. SHARE CAPITAL

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
<b>Authorised:</b> 25,000,000 equity shares of ₹10/- each		250,000,000		250,000,000
<b>Issued, Subscribed and Paid up:</b> 25,000,000 equity shares (Previous Year 25,000,000 equity shares) of ₹10/- each fully paid		250,000,000		250,000,000
<b>TOTAL</b>		<b>250,000,000</b>		<b>250,000,000</b>

a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period.

	As at 31.03.2012		As at 31.03.2011	
	In Units	₹	₹	₹
<b>Equity shares</b>				
At the beginning of the year	25,000,000	250,000,000	25,000,000	250,000,000
Issued during the year	-	-	-	-
Outstanding at the end of the year	25,000,000	250,000,000	25,000,000	250,000,000

b) Shares held by holding company

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
<b>MCX Stock Exchange Ltd., the holding company</b> 12,750,000 (Previous year : 12,750,000) equity shares of ₹10 each fully paid		127,500,000		127,500,000

c) Details of shareholders holding more than 5% shares in the company

	As at 31.03.2012		As at 31.03.2011	
	In Units	₹	₹	₹
<b>Equity shares of ₹10 each fully paid</b>				
MCX Stock Exchange Ltd.	12,750,000	51.00%	12,750,000	51.00%
Multi Commodity Exchange of India Ltd.	6,500,000	26.00%	6,500,000	26.00%
Financial Technologies (India) Ltd.	5,750,000	23.00%	5,750,000	23.00%

## 3. RESERVES AND SURPLUS

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
<b>Surplus in statement of Profit and Loss Account</b>				
Balance as per last financial statements	22,795,816		12,832,726	
Profit for the year	6,862,446	29,658,262	9,963,090	22,795,816
<b>TOTAL</b>		<b>29,658,262</b>		<b>22,795,816</b>

## NOTE TO FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended March 31, 2012

### 4. DEFERRED TAX LIABILITIES (NET)

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
<b>Deferred tax liability</b>				
Depreciation	212,578		180,002	
<b>Less: Deferred Tax Asset</b>				
Provision for employee benefit	212,578	-	180,002	-
<b>TOTAL</b>		<b>-</b>		<b>-</b>

The deferred tax asset has been recognized only to the extent of liability and the remaining asset consisting mainly on account of unabsorbed loss would be accounted for in the subsequent year/years considering the requirements of Accounting Standard (AS) 22 "Accounting for Taxes on Income" regarding certainty/virtual certainty and the accounting policy followed by the company in this respect.

### 5. PROVISIONS

	As at 31.03.2012		As at 31.03.2011	
	Current	Non current	Current	Non current
	₹	₹	₹	₹
Provision for Gratuity	-	-	240,288	43,377
Provision for Leave Encashment	138,892	418,284	120,692	238,273
Provision for FBT	4,175	-	4,175	-
<b>TOTAL</b>	<b>143,067</b>	<b>418,284</b>	<b>365,155</b>	<b>281,650</b>

### 6. TRADE PAYABLES

	As at 31.03.2012		As at 31.03.2011	
	Current	Non current	Current	Non current
	₹	₹	₹	₹
-Total outstanding dues of micro enterprises and small enterprises	-	-	-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises*	7,857,121	-	721,484	-
* Includes ₹7,780,420 (previous year ₹434,783) Due to MCX Stock Exchange Ltd .				
<b>TOTAL</b>	<b>7,857,121</b>	<b>-</b>	<b>721,484</b>	<b>-</b>

### 7. OTHER CURRENT LIABILITIES

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
Settlement Banks Deposits		30,000,000		30,000,000
Membership Deposits		242,500,000		223,500,000
Margin Deposit		255,943,340		167,652,423
Settlement Guarantee Fund		25,000,000		25,000,000
TDS payable		4,187,233		2,200,565
Others		727,890		564,685
<b>TOTAL</b>		<b>558,358,463</b>		<b>448,917,673</b>



Notes to Financial Statements for the year ended March 31, 2012

**8. FIXED ASSETS**

PARTICULARS	GROSS BLOCK			DEPRECIATION / AMORTISATION				NET BLOCK		
	Cost as at 01.04.2011	Additions during the year	Deletions/ Adjustments	Cost as at 31.03.2012	Upto 01.04.2011	For the year	Deletions/ Adjustments	Upto 31.03.2012	As at 31.03.2012	As at 31.03.2011
<b>TANGIBLE ASSETS:</b>										
Office Equipments	13,500	-	-	13,500	701	641	-	1342	12,158	12,798
Computer Hardware	11,18,844	1,43,905	1,721	12,61,028	2,04,927	1,82,797	1,721	3,86,003	8,75,025	9,13,918
TOTAL	11,32,344	1,43,905	1,721	12,74,528	2,05,628	1,83,438	1,721	3,87,345	8,87,183	9,26,716
<b>Previous year</b>	<b>7,29,182</b>	<b>5,02,860</b>	<b>99,698</b>	<b>11,32,344</b>	<b>49,521</b>	<b>1,60,313</b>	<b>4,206</b>	<b>2,05,628</b>	<b>9,26,716</b>	<b>-</b>
<b>INTANGIBLE ASSETS:</b>										
Computer Software	1,23,195	-	-	1,23,195	22,237	24,639	-	46,876	76,319	1,00,958
TOTAL	1,23,195	-	-	1,23,195	22,237	24,639	-	46,876	76,319	1,00,958
<b>Previous year</b>	<b>-</b>	<b>123195</b>	<b>-</b>	<b>1,23,195</b>	<b>-</b>	<b>22,237</b>	<b>-</b>	<b>22,237</b>	<b>1,00,958</b>	<b>-</b>

(Amount in ₹)

## NOTE TO FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended March 31, 2012

### 9. OTHER ASSETS

	As at 31.03.2012		As at 31.03.2011	
	Current	Non current	Current	Non current
	₹	₹	₹	₹
Other Bank Balances				
- Fixed Deposit with original maturity for more than 12 months.	-	-	-	100,000,000
- Accrued Interest on Bank Fixed Deposits	33,079,487	-	12,978,009	545,564
<b>TOTAL</b>	<b>33,079,487</b>	<b>-</b>	<b>12,978,009</b>	<b>100,545,564</b>

### 10. CURRENT INVESTMENTS

	As at March 31, 2012		As at 31 March 2011	
	₹	₹	₹	₹
<b>Unquoted Mutual Fund (At Lower of Cost and Fair Value)</b>				
Non-trade:				
NIL (Previous Year 4999622.334 Units) of ₹10.003- each in BNP Paribas Overnight Fund Daily Dividend Plan	-		50,011,223	
NIL (Previous Year 498598.165 Units) of ₹10.05 each in DWS Insta Cash Plus Fund - Institutional Premium Plan - Daily Dividend Reinvest	-		50,011,391	
NIL(Previous Year 54011.334 Units) of ₹1000/- each in IDBI Liquid Fund Daily Dividend Plan	-		54,011,337	
NIL (Previous Year 2502986.881Units) of ₹10.0051 each in Reliance Liquidity Fund- Daily Dividend Reinvestment	-		25,042,635	
40,478.146 Units (Previous Year NIL) of ₹10/- each in Religare Liquid Fund - Super IP - Daily Dividend Reinvestment	40,509,918		-	
NIL (Previous Year 4166944.463 Units) of ₹11.9992 each in Sundaram Sundaram Select Debt - Short Term Asset Plan - Wkly Div	-		50,000,000	
NIL (Previous Year 50173.551 Units) of ₹ 1000.0101 each in Taurus Liquid Fund - Super Institutional Plan - Daily Dividend Reinvestment	-		50,176,749	
		40,509,918		279,253,335
<b>TOTAL</b>		<b>40,509,918</b>		<b>279,253,335</b>

### 11. CASH AND CASH EQUIVALENTS

	As at March 31, 2012		As at 31 March 2011	
	₹	₹	₹	₹
Cash on hand	15,204		17,104	
<b>Balances with Banks:</b>				
- In Current Accounts*	8,878,484	8,893,688	24,153,213	24,170,317
<b>Other Bank Balances</b>				
- Fixed Deposit with original maturity for more than 3 months but less than 12 months**		725,000,000		277,705,593
* Balance in Current Account includes ₹8,010,695 (previous year ₹20,591,539) towards Clearing and Settlement Obligation				
**Includes				
A)Fixed deposits aggregating ₹25,000,000 (previous year ₹25,000,000) earmarked towards settlements guarantee fund.				
B) Fixed Deposits under lien with a Bank for Bank Guarantee- ₹250,000,000 (Previous Year ₹200,000,000)				
<b>TOTAL</b>		<b>733,893,688</b>		<b>301,875,910</b>

## NOTE TO FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended March 31, 2012

### 12. SHORT-TERM LOANS AND ADVANCES (UNSECURED AND CONSIDERED GOOD)

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
Advances recoverable in cash or in kind or for value to be received		9,978,872		4,913,072
Advance Tax Paid including Tax Deducted at Source		28,009,730		22,488,214
<b>TOTAL</b>		<b>37,988,602</b>		<b>27,401,286</b>

### 13. REVENUE FROM OPERATIONS

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
Clearing & Settlement Fees		94,315,706		76,383,688
<b>TOTAL</b>		<b>94,315,706</b>		<b>76,383,688</b>

### 14. OTHER INCOME

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
<b>Dividend from Non trade investments:</b>				
- Current Investments		21,908,776		23,858,881
Interest on Fixed Deposits with Banks		47,118,317		18,811,704
Profit on Sale of current investments (net)		160,383		328,648
Interest on Loan to employee		-		3,452
Interest received on income tax refund		842,773		116,015
Margin Non Compliance recovery		1,331,116		1,568,940
Miscellaneous Income		476		15,240
<b>TOTAL</b>		<b>71,361,841</b>		<b>44,702,880</b>

### 15. EMPLOYEE BENEFIT EXPENSES

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
Salaries and Bonus	11,225,064		12,914,563	
Contribution to Provident Fund	469,596		366,854	
Staff Welfare Expenses	14,166	11,708,826	9,348	13,290,765
<b>TOTAL</b>		<b>11,708,826</b>		<b>13,290,765</b>

### 16. FINANCE COST

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
Bank Interest		28,197		7,823
<b>TOTAL</b>		<b>28,197</b>		<b>7,823</b>

## NOTE TO FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended March 31, 2012

### 17. DEPRECIATION AND AMORTIZATION

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
Depreciation	183,438		160,313	
Amortisation	24,639	208,077	22,237	182,550
		<b>208,077</b>		<b>182,550</b>

### 18. OPERATING AND OTHER EXPENSES

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
Rent		3,252,312		3,252,312
Shared Service Cost		1,801,773		4,200,000
Technology Cost		137,802,405		85,672,872
Audit Fees				
- Statutory Audit Fees	75,000		75,000	
- Interim Audit Fees	150,000	225,000	50,000	125,000
Insurance		402,106		458,621
Bank Charges		1,732,786		2,031,352
Miscellaneous Expenses		1,653,619		1,902,184
<b>TOTAL</b>		<b>146,870,001</b>		<b>97,642,340</b>

### 19. EARNING PER SHARE

	As at 31.03.2012		As at 31.03.2011	
	₹	₹	₹	₹
Net Profit after tax		6,862,446		9,963,090
Weighted average number of Equity Shares Basic/Diluted (Nos.)		25,000,000		25,000,000
Basic /Diluted Earnings per share		0.27		0.40
Nominal value of equity share		10		10

### 20. RELATED PARTY INFORMATION

#### a) Names of related parties and nature of relationship:

##### i. Company whose control exists:

a) MCX Stock Exchange Limited

##### ii. Company having significant influence over the Company

a) MCX Stock Exchange Limited (MCX-SX)

b) Financial Technologies (India) Limited (FTIL)

c) Multi Commodity Exchange of India Limited (MCX)

##### iii. Key Managerial Personnel:

a) Mr. U. Venkataraman – CEO & Whole Time Director.

– Appointment made on April 17, 2009.

b) Transactions with related parties

## NOTE TO FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended March 31, 2012

(Amount in ₹)

Sr. No.	Nature of transactions	Company whose Control Exists (MCX-SX)	Companies having Significant Influence (MCX)	Companies having Significant Influence (FTIL)
1	Clearing & Settlement Fees	94,315,706 (76,383,688)	- (-)	- (-)
2	Purchase of Fixed Assets	134,450 (32,486)	- (113,632)	9,454 (57,410)
3	Rent Paid	3,252,312 (3,252,312)	- (-)	- (-)
4	Sale of Fixed Assets	- (-)	- (-)	- (100,266)
5	Reimbursement of Expenses			
	- Preliminary Expenses	- (-)	- (-)	- (-)
	- Shared Service Cost	1,800,000 (4,200,000)	- (-)	1773 (-)
	- Technology Cost	137,802,406 (85,672,872)	- (-)	- (-)
	- Deputation Charges	- (-)	- (1,848,221)	- (-)
	- Other Expenses	31,566 (5,159)	6,996 (9,464)	22,910 (113,289)
6	Advances Given			
	- Balance at the start of the year	- (-)	- (-)	- (-)
	- Given / Debited during the year-	- (-)	- (-)	- (-)
	- Repaid/Adjusted during the year	- (-)	- (-)	- (-)
	- Balance as at the end of the year	- (-)	- (-)	- (-)
7	Sundry Debtors (Balance at the end of the year)	- (-)	- (-)	- (-)
8	Sundry Creditors (Balance at the end of the year)	7,698,957 (434,783)	- (-)	- (-)
9	Bank Guarantee Given (Refer Note No 22(iii))	500,000,000 (500,000,000)	- (-)	- (-)

## NOTE TO FINANCIAL STATEMENTS

Notes to Financial Statements for the year ended March 31, 2012

Out of the above items, transactions with related parties in excess of 10% of the total related party transactions are:

Sr. No.	Transactions with related parties	Rupees
1	Clearing & Settlement Fees – MCX-SX	94,315,706 (76,383,688)
2	Shared Service Cost and Technology Cost – MCX-SX	139,602,406 (89,872,872)

Notes:

- Related party relationship is as identified by the Company and relied upon by the auditors.
- There are no amounts written off or written back in the year ended 31st March 2012 in respect of debts due from or to related parties.

### 21. EMPLOYEE BENEFIT PLANS

Defined contribution plans: Amounts recognized as expenses towards contributions to provident fund by the Company are ₹4,69,596 (Previous year ₹366,854)

Post-employment defined benefit plan:

	Gratuity (Funded)	Leave Encashment (Non Funded)
<b>I. Change in benefit obligation:</b>		
Projected benefit obligation at the beginning of the year	283,665 (490,769)	358,965 (840,814)
Interest Cost	23,402 (36,808)	22,644 (40,961)
Current Service Cost	149,222 (442,090)	68,974 (204,344)
Benefit Paid	-240,288 (Nil)	-120,692 (-146,770)
Actuarial (gain) / loss on obligations	381,769 (-686,002)	227,285 (-580,384)
Projected benefit obligation at the end of the year	<b>597,770</b> <b>(283,665)</b>	<b>557,176</b> <b>(358,965)</b>
<b>II. Change in plan assets</b>		
Fair value of the plan asset at the beginning of the year	Nil (Nil)	Nil (Nil)
Expected return on plan assets	Nil (Nil)	Nil (Nil)
Contributions	969,932 (Nil)	120,692 (Nil)
Benefits paid	Nil (Nil)	-120,692 (Nil)
Actuarial gain/(loss) on plan assets	22,871 (686,002)	(227,285) (580,384)

Notes to Financial Statements for the year ended March 31, 2012

	<b>Gratuity (Funded)</b>	<b>Leave Encashment (Non Funded)</b>
Fair value of plan assets at the end of the year	992,803 (Nil)	Nil (Nil)
<b>Total Actuarial Gain/(Loss) to be recognised</b>	<b>(358,898)</b> <b>(686,002)</b>	<b>(227,285)</b> <b>(580,384)</b>
<b>III. Expense for the year ended 31-03-2012</b>		
Current service cost	149,222 (442,090)	68,974 (204,344)
Interest cost	23,402 (36,808)	22,644 (40,961)
Expected return on plan assets	Nil (Nil)	Nil (Nil)
Net (gain)/loss recognized	358,898 (-686,002)	227,285 (-580,384)
Gratuity/Leave encashment cost	<b>531,522</b> <b>(-207,104)</b>	<b>318,903</b> <b>(-335,079)</b>
<b>IV Assumptions</b>		
Discount rate	8.75% (8.25 %)	8.75% (8.25%)
Salary escalation rate	7.50% (7.50%)	7.50% (7.50%)

**22. OTHER NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

- i. The Company utilizes hardware and software purchased or leased by the holding company viz., M/s. MCX Stock Exchange Limited (MCX-SX). For this, MCX-SX charges the Company towards Software & Hardware support charges.
- ii. Collaterals in the form of Bank Guarantees, Fixed Deposits, Securities and G-Secs aggregating ₹822.82 crore (at the value based on risk parameters followed by the company) (₹624.67 crore as on March 31, 2011) received from members do not form a part of the Balance Sheet.
- iii. The Company has obtained a Bank Guarantee of ₹50 crore (Previous Year ₹50 crore) in favour of MCX-SX Ltd (holding company) as a fall back measure in respect to return of cash deposits collected as margin money/security deposit from the banks who are the clearing members of the Company. The Company has deposited ₹25 crore (Previous Year ₹20 Crore) as fixed deposit with the bank towards the guarantees issued by the said bank. The risk management is further supported by a Settlement Guarantee Fund (SGF) of ₹875.16 crore as on March 31, 2012 (₹622.02 cores as on March 31, 2011) and an SGF insurance of ₹2.50 crore (Previous Year ₹2.50 crore).
- iv. Balances in cash and cash equivalents, other bank balances and investment in mutual funds also includes amount received from members as deposit towards security and margin and the same is deposited /invested in bank deposits / mutual funds.
- v. Segment Reporting:
  - a. The Company considers business segment (business of facilitating clearing and

settlement of trading in currency futures of MCX Stock Exchange Limited and incidental activities thereto) as its primary segment considering the risks and rewards of the services offered, nature of services, management structure and system of financial reporting. In the opinion of the management, the Company has only one reportable business segment, the results of which are disclosed in the financial statements.

- b. During the year ended March 31, 2012, the Company had no reportable geographical segment and on that basis, no secondary segment information is furnished.
- vi. No provision for Income Tax is required to be made in view of the deductions available under the provisions of Income Tax Act, 1961 including carry forward of losses.
- vii. During the year ended March 31, 2012, the revised schedule VI notified under the Companies Act 1956 has become applicable to the company, for preparation and presentation of its financial statements. Accordingly the financial statements have been prepared. The company has reclassified the previous year's figures in accordance with requirements applicable in the current year. Amounts in '( )' pertain to previous year.

As per our report of even date

For **V. Sankar Aiyar & Co.,**

Firm Reg. No.: 109208W

Chartered Accountants

**G. Sankar**

Partner

(M.No.46050)

For and on behalf of the Board

**MCX-SX Clearing Corporation Ltd.**

**Joseph Massey**

Director

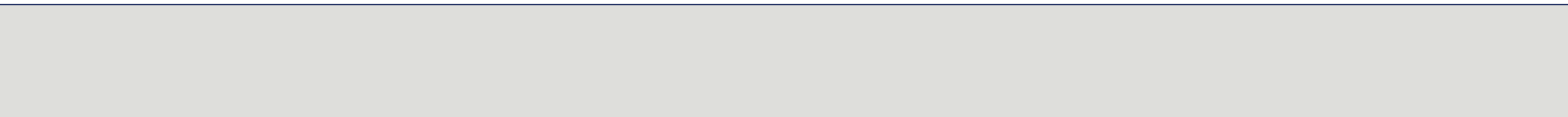
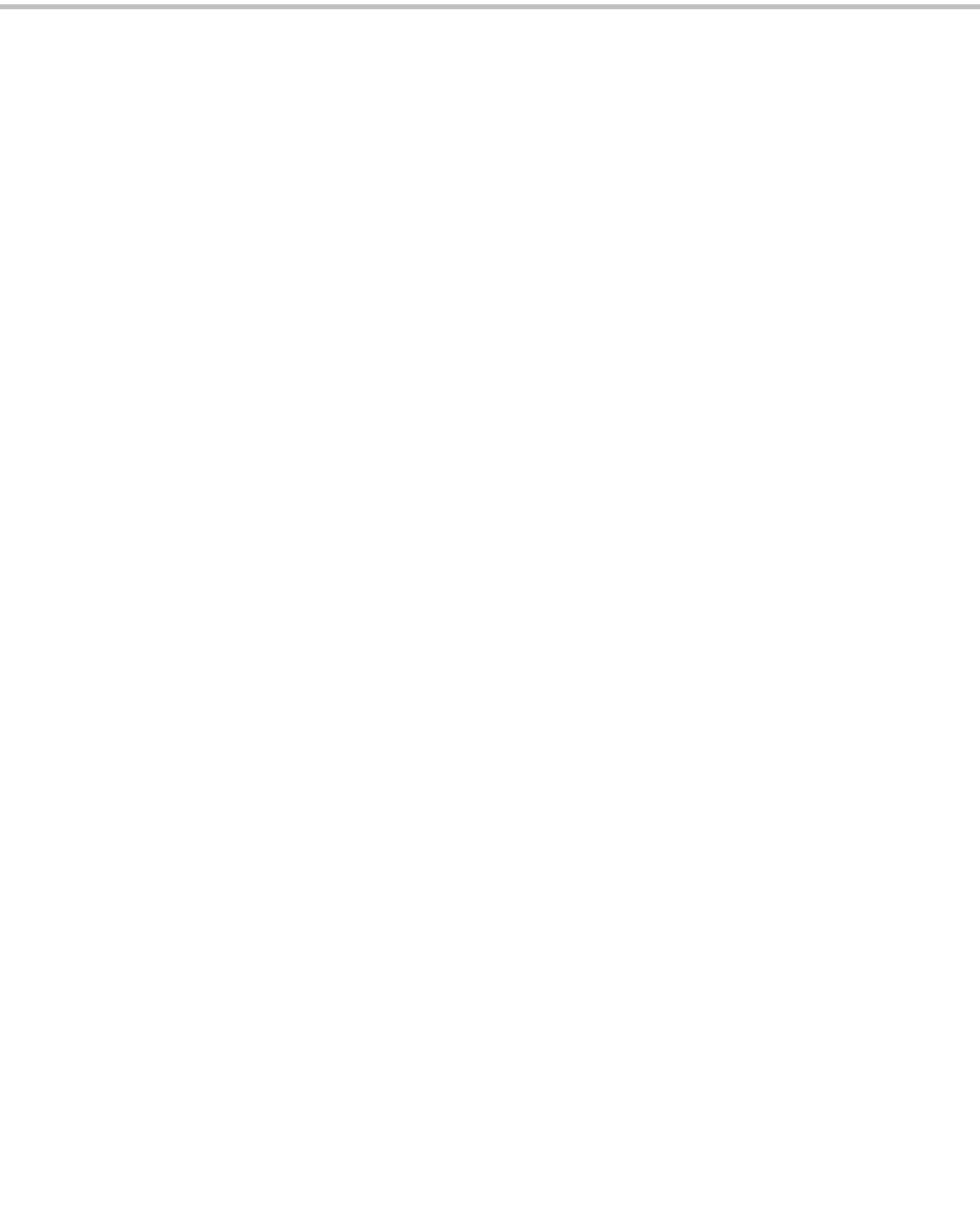
**U.Venkataraman**

Director

Place : Mumbai

Date : April 27, 2012





PERFORMANCE MARKET STATISTICS DIRECTORS CERTIFICATION  
ESOP TURNOVER KYC ISO 9001:2008 AUDIT  
MEMBERSHIP ISO/IEC 27001:2005 MEMBERSHIP ISO/IEC 27001:200  
DIVIDEND AND RESERVES DIRECTORS DIVIDEND AND RESERVES  
SURVEILLANCE AUDIT ANNEXURES SURVEILLANCE AUDIT TURNOVER  
FINANCIAL RESULTS AUDIT ESOP FINANCIAL RESULTS KYC  
AUDIT COMMITTEE TURNOVER AUDIT COMMITTEE FINANCIAL RES  
STATEMENT ISO 14001:2004 STATEMENT CERTIF  
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AUDIT COMMITTEE FINANCIAL RESULTS AUDIT COMMITTEE  
TURNOVER

**MCX'SX**

**India's New Stock Exchange**

**MCX Stock Exchange Limited**

Exchange Square, CTS No. 255, Suren Road, Chakala, Andheri (E), Mumbai - 400 093.