

ANNUAL REPORT – FY 2009-10

Information

Innovation

Education

Research

Board of Directors

- Mr. Ashok Jha, IAS, (Retd.), Chairman
- Mr. Jignesh Shah, Vice Chairman
- Mr. Joseph Massey, Managing Director & CEO
- Dr. Nitish Sengupta, IAS, (Retd.)
- Mr. Atul Rai
- Mr. Vepa Kamesam
- Mr. S. S. Thakur
- Mr. C. M. Maniar
- Mr. B. D. Sumitra
- Mr. V. Hariharan
- Mr. C. VR. Rajendran
- Mr. V. K. Khanna
- Mr. Shahzaad S. Dalal
- Mr. A. A. Badshah
- Mr. P. K. Chhokra
- Mr. U. Venkataraman – CEO- Currency Derivatives Segment

Expert Advisory Board

- Mr. Venkat Chary
- Mr. G.N. Bajpai
- Mr. Jamal Mecklai
- Mr. Ganesh Rao
- Mr. Naresh Deshpande
- Mr. A.V. Rajwade
- Mr. Paul Joseph
- Dr. L.C.Gupta

Company Secretary

Mr. S. Sarat Chandran

Statutory Auditors

M/s B S R and Company, Chartered Accountants

Registered Office

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

Report of the Directors

TO THE MEMBERS OF MCX STOCK EXCHANGE LIMITED

Your Directors have pleasure in presenting their Second Annual Report and the Audited Statement of Accounts and Auditors' Report for the period commencing from April 1, 2009 to March 31, 2010.

1. Financial Results

	(Rs. in crores)	
	Period ended March 31, 2010	Period ended March 31, 2009
Total Income	29.52	7.58
Less: Expenditure	85.73	37.33
Loss Before Tax	56.21	29.75
Less: Provision For Tax	-	0.12
Loss After Tax carried to Balance Sheet	56.21	29.87

During the year under review, the Company has registered a Total Income of Rs. 29.52 crore as against Rs. 7.58 crore for the previous year. The loss after tax for the year under review was Rs. 56.21 crore as compared to Rs. 29.87 crore for the previous year.

The loss has been mainly due to lack of any operational revenue streams in the Currency Derivatives Segment of the Exchange, which is its only currently operational trading segment. This has arisen out of an inability of the Exchange to charge any transaction fee which is the mainstay revenue of any stock exchange. This was in turn caused by the abuse of a superdominant position of the Exchange's main competitor by adoption of a predatory zero pricing policy in its Currency Derivatives Segment alone, which has now continued for more than 20 months.

The Company has approached the Competition Commission of India for relief and the Commission has found a prima facie case against the competitor and initiated investigations. The Exchange has also applied to SEBI for approvals to commence other trading segments, post compliance with the Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006. Granting of relief by the competition regulator in the CD Segment and commencement of other segments would open up operational revenue streams for the Company as it is unlikely that the competitor will implement a predatory zero pricing policy in those segments.

In view of the above, your Directors are confident that the Company could perform better in the next year.

2. Corporate and Business Background

MCX Stock Exchange Ltd India's New Stock Exchange was granted recognition by the Securities and Exchange Board of India (SEBI) under the Securities Contracts (Regulation) Act, 1956. It commenced trading in the Currency Derivatives Segment on October 7, 2008, under the regulatory framework of Securities and Exchange Board of India (SEBI) and Reserve Bank of India (RBI).

Within a year of its launch, MCX-SX has proved its mettle as the thought leader and innovator of the industry by introducing innovative services and pioneering market development initiatives.

Currently the Exchange provides trading platform only in Currency Derivatives Segment for trading in currency futures contracts in four currency pairs – USDINR, EURINR, GBPINR and JPYINR. The Exchange is poised to extend the offer to Interest Rate Futures (IRF), Equities (Cash & F&O), Indices and ETF, Debt and SME products, subject to regulatory approvals.

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, providing continuous availability. MCX-SX trading system is an order driven system. The identities of buyers and sellers are not disclosed as 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.

Among hosts of benefits, this state-of-the-art transparent national trading platform offers to a wide range of financial market participants -- hedgers (i.e. exporters, importers, corporates and banks), investors and arbitrageurs -- price discovery and price risk management are of foremost importance.

GROWTH

The Exchange has witnessed an impressive growth since its inception which continued during the financial year 2009-10. Average daily turnover increased from Rs. 2366.13 crore in April 2009 to Rs. 18167.24 crores in March 2010.

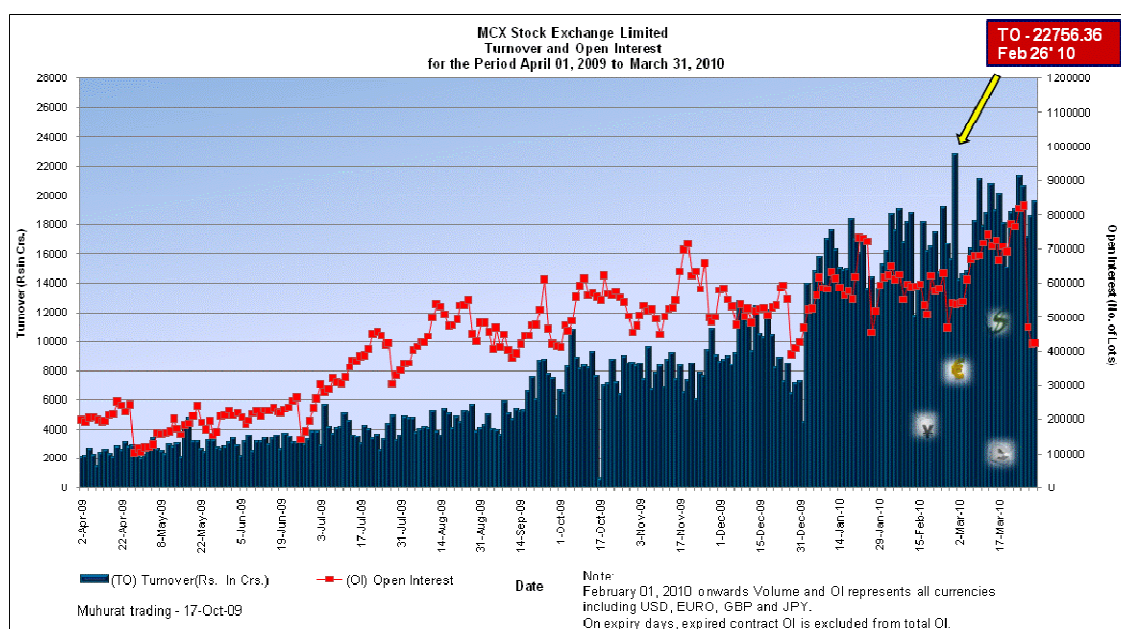
As on June 30, 2010 the Exchange had 672 members participating through 4132 users spread across 501 centers. The Exchange is the **No.1** Currency Futures Exchange in India with a market share of 54.05% (May 2010).

The Exchange achieved the highest turnover of Rs. 25523.33 crores with 5,510,862 contracts across all exchanges in Currency Derivatives on May 11, 2010.

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

Performance	April 2009	March 2010
Approved no of members (Registered with SEBI)	545	658
Centers participating across India	451	498
Average daily turnover (Rs in Crs.)	2366.13	18,167.24
Highest turnover (Rs in Crs.)	3912.08	22,756.36
Average daily volume (no. of contracts)	471,695	3824,972
Highest no of contracts (no. of contracts)	775,953	4771,129

The turnover and open interest for the period April 01, 2009 to March 31, 2010 are reflected in the graph below:



MONTHLY TRADING STATISTICS

Currency Futures Segment at MCX-SX

Month/ Year	No. of Contracts Traded	Trading Value (Rs. Cr)	Average Daily Trading Value (Rs.Cr)	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
June – 10	8,88,14,522	425,087.62	19,322.16	8,32,531

2008-09 (Aug-Mar)	2,98,47,569	148,825.98
2009-10 (Apr-Mar)	40,81,66,278	1,944,654.11
2010-11 (Apr-June)	26,01,73,649	1,221,534.30

Data across all underlying

MEMBERSHIP

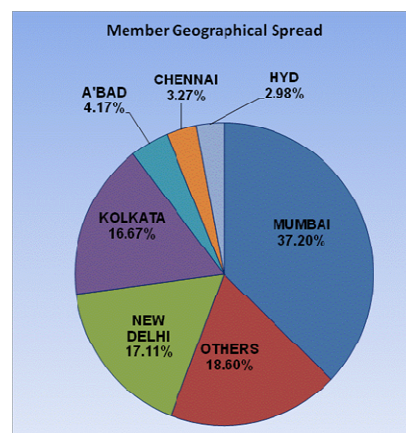
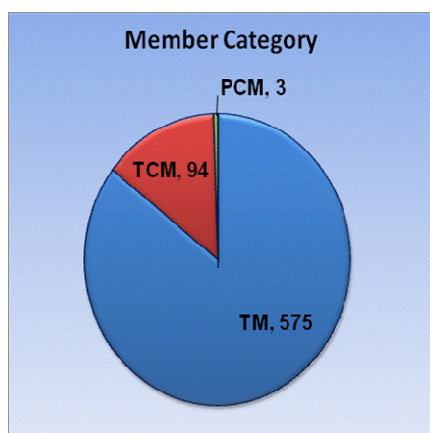
Membership on MCX Stock Exchange Ltd. is of three types:

Trading Members (TM): Can trade on their own account and also their clients, but cannot clear the trades. They have to clear the trades through a clearing member by becoming its constituent.

Trading-cum-Clearing Members (TCM): Can trade and clear the trades on their own account and also on account of their clients.

Professional Clearing Members (PCM): Can only clear the trades of other members. Cannot trade either on their own account or clients.

The Exchange had 672 members registered with SEBI as on June 30, 2010.



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) 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 24x7x365.

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

TRADING APPLICATION

Financial Information Exchange ("FIX") Protocol: MCX-SX was the first Stock Exchange to provide this facility in India w.e.f February 5, 2009.

The Financial Information eXchange ("FIX") Protocol is a series of messaging specifications for the electronic communication of trade-related messages. FIX is a specification around which software developers can create commercial or open-source software.

MCX-SX supports trading using CTCL/IBT solutions (through FIX Gateway) developed using FIX API provided by the exchange. Exchange supports version 4.2 of the FIX protocol.

CERTIFICATIONS

1. **ISO 9001:2008** -- The ISO 9001 standard addresses continual improvement in the performance of the organization. It emphasizes on enhancing Customer satisfaction and strengthening processes that would provide measurable results.
2. **ISO/ IEC 27001:2005** – The ISO 27001 assists an organization in defining its Information Security management Systems (ISMS).The Standard provides guidelines to set up adequate and proportionate security controls, which protect Information assets of the organization, and give confidence to interested parties.
3. **ISO 14001:2004** – “The ISO 14001 standard addresses “Environmental management “. It defines steps taken by the organization to minimize harmful effects on the environment, caused by its activities, and to achieve continual improvement of its environmental performance.

NEW INITIATIVES

The stock exchange has taken various pioneering initiatives to spread knowledge and awareness about the financial markets and to encourage participation by making processes simpler, more efficient and access to price information easier. Some of the key initiatives taken by the exchange are:

- Enabling price information of currency futures via SMS
- Reducing the gap of collections of mark-to-market (M2M) margins to the same day
- Deployment of superior technology for continued operation during sun outage
- Joining hands with various partners for Financial Literacy for Financial Inclusion
- Releasing the 1st handbook and CD on currency futures and interest rate futures

THE WAY FORWARD

The Exchange is committed to continuously expand its menu of offerings by introducing trading in new asset classes under the extant regulatory framework. To begin with, the Exchange will introduce trades in Equity, Debt, Interest Rates, Index and Exchange Traded Funds, subject to regulatory approvals. After achieving compliance with the Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006 through the scheme of reduction cum arrangement as explained subsequently, the Exchange had applied to SEBI for such regulatory approvals. In view of there being no further progress in the matter, the Exchange has filed a writ petition in the Hon'ble High Court of Bombay seeking a direction to SEBI to grant the regulatory approvals.

The introduction of all the stated assets and their variants would be done with best research and education, product innovation and enhanced dissemination of financial literacy for financial inclusion.

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 Rs. 250,00,00,000/- divided into 250,00,00,000 equity shares of Re. 1/- each. The Paid up Capital of the Company is Rs. 54,33,03,000/- divided into 54,33,03,000 equity shares of Re. 1/- each. The shareholding pattern is under:

Sr. No.	Category of Shareholder	No. of shares held	Percentage of shareholding
1.	Promoters	5,43,30,000	10.00%
2.	Banks	38,45,00,000	70.77%
3.	Financial Institutions	9,90,40,000	18.23%
4.	MCX Stock Exchange ESOP Trust	54,33,000	1.00%
	Total	54,33,03,000	100.00%

In order to comply with the shareholding restrictions laid down in Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006 (the "MIMPS Regulations"), the Company had, with the unanimous approval of its Board and shareholders and after sanction of the Hon'ble High Court of Bombay, implemented a Scheme of Reduction cum Arrangement under Sections 100-104 and 391-393 of the Companies Act, 1956, whereby the shares held by shareholders in excess of the permissible limits were cancelled and extinguished and warrants were issued to the said shareholders.

Consequent upon implementation of the Scheme, the total shareholding of banks increased to 89% and that of Financial Technologies (India) Ltd. and Multi Commodity Exchange of India Ltd. got reduced to 5% each with the ESOP Trust holding 1%. In all 119,66,30,000 shares were reduced and cancelled. There was no cash outflow from the Company under the Scheme and the reducing shareholders were allotted an equivalent number of warrants (119,66,30,000 warrants) in terms of the Scheme.

5. Directors

Pursuant to approval of its shareholders, the Company had, during the Financial Year 2009-10, amended its Articles of Association to increase the strength of its Board of Directors from 12 to 18 to include representation from a larger number of stakeholders and persons representing public interest, after obtaining requisite approvals from the Securities and Exchange Board of India (SEBI) and the Central Government.

In view of implementation of the Scheme of Reduction cum Arrangement, it was decided to provide Directorships on rotational basis to Banks and Financial Institutions who were holding equity shareholdings in the Company, in order to benefit from their experience in financial market for period of one year each.

Mr. P. G. Kakodkar resigned from the Board w.e.f December 19, 2009. The Board appointed Mr. Atul Rai, CEO & MD of IFCI Ltd. as a Director in the casual vacancy caused upon the resignation as per Section 262 of the Companies Act, 1956.

Dr. S. A. Dave and Mr. S. Rajendran had tendered their resignations and ceased to be Directors of the Company from March 31, 2010 and June 22, 2010 respectively.

In pursuance of Section 260 of the Companies Act, 1956, Mr. C. VR. Rajendran (representing Corporation Bank), Mr. A. A. Badshah (representing Bank of India) and Mr. Shahzaad Dalal (representing IL&FS Financial Services Ltd.) were appointed as Additional Directors of the Company by the Board on April 30, 2010. Mr. P. K. Chhokra (representing Punjab National Bank) and Mr. V.K. Khanna (representing Union Bank of India) was appointed as Additional Directors of the Company by the Board on June 23, 2010, in replacement of Mr. S. Rajendran (who earlier represented Union Bank of India), as desired by the Bank. All of them will cease to hold office at the Second Annual General Meeting of the Company and are eligible for appointment as Directors. It is proposed that they may be appointed as Directors for a period of one year till the next Annual General Meeting, as they could not complete their full year due to their recent appointments.

The Company has received notices in writing from Members under Section 257 of the Companies Act, 1956 proposing their candidature for the office of Directors of the Company. Your Directors recommend their appointment as Directors of the Company, for a period of one year. Upon their ceasing to hold office at the end of one year, directorships shall be offered to other shareholders in accordance with the policy of rotation.

Mr. Vepa Kamesam and Mr. V. Hariharan are liable to retire by rotation at the ensuing Annual General Meeting. Being eligible, Mr. Vepa Kamesam and Mr. V. Hariharan offer themselves for re-appointment.

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

During the period under review, emphasis was placed to Human Resource Planning with the objective of optimum utilization of existing manpower. The total strength of employees of the Company as on March 31, 2010 was 164.

8. Subsidiary

The Company's subsidiary, MCX-SX Clearing Corporation Limited (MCX-SXCCL), was jointly promoted by your Company, Multi-Commodity Exchange of India Ltd. (MCX) and Financial Technologies India Ltd. (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 subsidiary 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. The subsidiary commenced its operations on February 16, 2009 after completion of requisite formalities including opening of accounts and execution of agreements with participants. The subsidiary currently clears the deals entered in the Currency Derivatives Segment of MCX-SX.

During the financial year 2009-10, the Company has registered the total income of Rs. 12,05,75,406/- as against Rs. 1,58,26,458/- for the previous year. The Profit after tax for the year under review was Rs. 1,13,90,067/- as compared to Rs. 14,42,659/- for the previous year.

During the financial year, the Clearing Corporation had successfully carried out 240 settlements amounting to Rs. 937.53 Crores without any delay and shortages. On account of its robust risk management practices, SGF has never been put to use. Some other highlights during the year are:-

- a) MCX-SX CCL was rated LAAA (SO) by ICRA, indicating the highest level of safety of collaterals parked with the Clearing Corporation.
- b) MCX-SX CCL became the first Indian Clearing Corporation to obtain ISO certifications for quality management system (ISO 9001-2008) and information security management system (ISO 27001-2005) in its first year of operations.
- c) MCX-SX was the first in India to start collection of MTM pay-in prior to start of next day trading in the currency derivatives market, which is being implemented by MCX-SX CCL since the transfer of clearing and settlement functions to it.
- d) With effect from February 01, 2010, MCX-SX CCL started clearing and settlement services on the three newly introduced currency pairs viz, EUR-INR, GBP-INR and JPY-INR, after putting in place all requisite changes in the systems.
- e) MCX-SX CCL had initiated an innovative method called BGS (Bank Gateway System) for accepting cash collateral from the clearing members through the clearing banks.

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). The Company being a stock exchange adheres to SEBI Act, 1992 and SCRA, 1956 and also the various circulars as prescribed by the SEBI and Reserve Bank of India from time to time.

10. Deposits

The Company has not accepted any Public deposits during the Financial Year ended March 31, 2010.

11. Auditors

Consequent upon implementation of the scheme of reduction cum arrangement, as mentioned above, the shareholding pattern of the Company had undergone a change whereby about 67% of the company's equity capital is now held by public sector banks.

Consequently, the provisions of section 619B of the Companies Act, 1956 have been attracted to the Company, whereby the auditors of the Company for the current financial year would have to be appointed by the Comptroller and Auditor General of India (CAG).

The Exchange is shortly writing to CAG for appointing an auditor under section 619B read with 619 of the Companies Act, 1956.

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 three directors of which two are independent, non-executive directors. The composition of the Audit Committee is as follows:

1. Mr. C.M. Maniar – Chairman
2. Mr. B. D. Sumitra - Member
3. Mr. Joseph Massey – Member

The Audit Committee met four times during the Financial Year 2009-10 to transact business.

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, Rules 2A and 2B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, concerning conservation of energy, technology absorption and foreign exchange earnings outgo, respectively, are not applicable to the Company.

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.

There were no foreign exchange earnings during the period ended March 31, 2010. The foreign exchange outgo during the period ended March 31, 2010 cumulatively amounted to Rs. 2,978,895/- as compared to Rs. 694,801/- in the period ended March 31, 2009.

14. Particulars Of Employees

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 period ended March 31, 2010, is given in Annexure A to this Report.

15. 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.

16. 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.

17. 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.

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 B to this Report.

18. 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, NSDL, CDSL, FEDAI, FIMMDA, FIEO, CII, FICCI, ASSOCHAM, IMC, IOSCO, SAFE, IGIDR, ICRIER, WFE, FIA and various other international, national and regional chambers of commerce, trade associations and all other broker-members, 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, such as FTKMC, ICAI, ICSI, ICWAI, Door Darshan, Delhi University etc., who have inked Memoranda of Understanding with the Company to work towards the goal of "Financial Literacy and Financial Inclusion".

On behalf of the Board of Directors

Ashok Jha
Chairman

Mumbai, July 17, 2010

Annexure A to the Directors' Report

Statement pursuant to section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975

Sl. No.	Name and Qualification	Age in yrs	Designation/ Nature of Duties	Remuneration Received (Rs.)	Experience (No. of yrs)	Date of commencement of employment	Previous employment
1.	Mr. Joseph Massey MA, MBA	48	Managing Director & CEO	1,25,00,000	23	June 1, 2009	MD & CEO, Multi Commodity Exchange of India Ltd.
2.	Mr. U Venkataraman BBA	56	CEO- Currency Derivatives Segment	75,00,000	34	November 13, 2008	Head-Treasury, IDBI Bank Ltd.
3.	Mr. G Sankaranaryanan B. Sc.	57	Sr. Vice President Marketing & Business Development	26,25,000	35	November 1, 2008	Sr. Vice President & Chief Advisor, Indian Banks Association
4.	Mr. Parag Jain B. E. M. Sc.	44	Sr. Vice President and Chief Membership and Inspection	5,13,333	20	February 1, 2010	Sr. Vice President, Multi Commodity Exchange of India Ltd.
5.	Mr. Ranjan Chakravarty BA, MA, Ph.D	49	Sr. Vice President- Research & Product Development	36,00,000	17	August 1, 2009	Vice President, L&T Infrastructure Finance Co. Ltd.
6.	Mr. Saji Cherian B.Com, MBA	49	Head- Corporate Services & Market Development	7,50,000	24	January 1, 2010	General Manager, Bombay Stock Exchange Ltd.
7.	Mr. Parveen K Singhal* B.Com , MBA	55	Sr. Vice President-Marketing & Business Development	21,33,333	33	January 15, 2009	Director, Forward Markets Commission
8.	Ms. Vaishali Kariya B. Com, C.A.	40	Sr. Vice President-Investor Relations	15,00,000	16	November 1, 2009	Sr. Vice President, Financial Technologies (India) Ltd.
9.	Ms. Latika Kundu B.Com, MBA	40	Head - Market Operations	39, 00,000	16	October 1, 2008	Vice President, Lehman Brothers
10.	Mr. Uday Nadkarni* B.E.	56	Head - Technology Operations	2,75,000	32	November 1, 2008	Head-Managed Services, Financial Technologies (India) Ltd.
11.	Mr. Sandeep Batra* B.Com, PGDM	38	Vice President-Marketing & Business Development	17,50,000	17	February 2, 2009	Vice President, HSBC Ltd.

Sl. No.	Name and Qualification	Age in yrs	Designation/ Nature of Duties	Remuneration Received (Rs.)	Experience (No. of yrs)	Date of commencement of employment	Previous employment
12.	Mr. Gaurav Nautiyal* BSC & PGDF	31	Asst. Vice President- Marketing & Business Development	12,00,000	9	October 10, 2008	Dealer, Societe Generale
13.	Mr. Saket Bhansali B.Com, PGDM	32	Sr. Manager- Corporate Services & Market Development	25,00,000	9	April 1, 2009	Asst. Manager, National Stock Exchange of India Ltd.

Notes:

1. Employees whose names have been marked with an (*) were employed with the company for part of the year and their remuneration includes final settlement payments, where applicable.
2. Mr. Joseph Massey was appointed as Managing Director & CEO for a period of three years from June 1, 2009.
3. Mr. U. Venkataraman was appointed as CEO-CD Segment & Whole-time Director for a period of three years from February 16, 2009.
4. 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.
5. 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.

Annexure B 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,

Sl. No.	Particulars	Employees Stock Option Scheme – 2009 (Grant I)
a.	Options granted	11,25,000 (on November 27, 2009)
b.	The pricing formula	Based on the fair price of the shares on the date of grant.
c.	Options vested	NIL
d.	Options exercised	NIL
e.	The total number of shares arising as a result of exercise of options	Not Applicable, as ESOPs will be offered through Trust
f.	Options lapsed (as at March 31, 2010)	NIL
g.	Variation of terms of options (as at March 31, 2010)	None
h.	Money realized by exercise of options	Not Applicable
i.	Total number of options in force (as at March 31, 2010)	11,25,000
j.	Employee wise details of options granted to	
	i) senior managerial personnel	NIL
	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 the year, all of the grants were in excess of 5% of the total options granted during the year.
	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
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, 2010)	Rs. (0.55)
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	(Rs. 35,157/-)
	iii) The impact of this difference on profits and on EPS of the Company	Loss would have been greater by Rs. 35,157/- There would have been no material impact on the EPS.

Sl. No.	Particulars	Employees Stock Option Scheme – 2009 (Grant I)
m.	Weighted average exercise price and Weighted average fair value	Not Applicable
n.	Fair value of options based on Black Scholes methodology	Re. 1/-
	Assumptions	<ul style="list-style-type: none"> • Risk Free Rate is based upon Govt. Securities • Dividends are not considered • Standard Deviation and Variance are not considered • There was no Transaction and Tax cost
	Risk Free rate	8.00 %
	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:-

- Options under the ESOP Scheme are offered through the Trust.
- 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 Re. 1/- being the Face Value.

Auditors' Report

To the Members of MCX Stock Exchange Limited

We have audited the attached balance sheet of MCX Stock Exchange Limited ('the Company') as at 31 March 2010 and the profit and loss account and the 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in 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.

As required by the Companies (Auditors' Report) Order, 2003 and amendments thereto (together referred to 'the Order') issued by the Central Government of India in terms of sub-section 4A of section 227 of the Companies Act, 1956, ('the Act') we enclose in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.

Further to our comments in the Annexure referred to 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 purpose of our audit;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- (d) 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 Act;
- (e) on the basis of written representations received from the directors of the Company as at 31 March 2010 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31 March 2010 from being appointed as Director in terms of clause (g) of sub-section (1) of section 274 of the Act;

Auditors' Report (Continued)**MCX Stock Exchange Limited**

- (f) in our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Act, 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, the state of affairs of the Company as at 31 March 2010;
 - (ii) in the case of the profit and loss account, of the loss of the Company for the year ended on that date; and
 - (iii) in the case of cash flow statement, of the cash flows of the Company for the year ended on that date.

For **B S R and Company**
Chartered Accountants
Firm's Registration No: 128900W

Akeel Master
Partner
Membership No: 046768

17 July 2010

MCX Stock Exchange Limited

Annexure to Auditors' Report – 31 March 2010

(Referred to in our report of even date)

- 1)
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noted on such verification.
 - (c) There were no fixed assets disposed off during the year, and therefore, do not affect the going concern assumption.
- 2) The activities of the Company and the nature of its business do not involve the use of inventories. Accordingly, paragraph 4(ii) of the Order is not applicable.
- 3) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- 4) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of intangibles/software are for the Company's specialized requirements and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system.
- 5)
 - (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
 - (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements referred to in point (a) above with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time except for purchase of software and information technology related services which are for the Company's specialized requirements and for which suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.

- 6) The Company has not accepted any deposits from the public.
- 7) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- 8) The Central Government has not prescribed the maintenance of cost records under section 209(1) (d) of the Act for any of the services rendered by the Company.
- 9) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company was generally regular in depositing amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Cess and other material statutory dues by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund, Customs duty and Excise duty.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues were in arrears as at 31 March 2010 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 on account of Cess under section 441A of the Act, since the date from which the aforesaid section comes into force has not yet been made effective by the Central Government.
- (c) According to the information and explanations given to us, there are no dues of Income tax, Wealth tax, Service 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 provisions of paragraph 10 of the Order are not applicable to the Company.
- 11) The Company did not have any outstanding dues to any financial institution, banks or debenture holders during the year.
- 12) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.

MCX Stock Exchange Limited

Annexure to Auditors' Report - 31 March 2010 (*Continued*)

- 14) According to the information and explanations given to us, in respect of dealing and trading in securities, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The securities have been held by the Company in its own name.
- 15) According to the information and explanations given to us, 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 loans 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 the funds raised on short- term basis have not been used for long-term investment.
- 18) The Company has not made any preferential allotment of shares to companies/ firms/ parties covered in the register maintained under Section 301 of the Act.
- 19) The Company did not have any outstanding debentures during the year.
- 20) The Company has not raised any money by public issues during the year.
- 21) 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 **B S R and Company**
Chartered Accountants
Firm's Registration No: 128900W

Akeel Master
Partner
Membership No: 046768

17 July 2010

Balance sheet

(Currency : Indian rupees)

Liabilities		Schedule	31 March 2010	31 March 2009	Assets		Schedule	31 March 2010	31 March 2009
Share capital	3		537,870,000	1,350,000,000	Fixed assets		5		
					Gross block			157,762,611	131,468,654
Reserves and surplus	4		3,460,500,000	-	Accumulated depreciation / amortisation			38,261,151	12,240,842
					Net block			119,501,460	119,227,812
Non refundable interest free deposits (warrants)			1,196,630,000	-	Capital work in progress			101,024,296	-
(Refer Note No. 16.13 of Schedule 16)									
Current liabilities and provisions					Investments		6	632,250,988	777,812,204
Current liabilities	10		154,304,066	435,755,527	Current assets, loans and advances				
					Current assets				
Provisions	11		6,746,886	1,764,402	Cash and bank balances		7	3,360,883,423	516,944,670
					Other current assets		8	114,512,120	16,041,054
					Loans and advances		9	167,063,331	58,751,870
					Profit and loss account			860,815,334	298,742,319
			5,356,050,952	1,787,519,929				5,356,050,952	1,787,519,929

Significant accounting policies

Notes to the accounts

The schedules referred to above form an integral part of this balance sheet.

As per our report of even date attached

For B S R and Company

Chartered Accountants

Firm's Registration No: 128900W

Akeel Master

Partner

Membership No: 046768

Mumbai

17 July 2010

Joseph Massey

Managing Director & Chief executive officer

U. Venkataraman

Whole-time Director

Sarat Chandran

Company Secretary

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

MCX Stock Exchange Limited

Profit and loss account for the year ended

(Currency : Indian rupees)

Expenditure		Income				
	Schedule	31 March 2010	31 March 2009	Schedule	31 March 2010	31 March 2009
Personnel costs	14	152,532,445	44,056,750	Operating income	12	6,430,272
Other operating expenses	15	678,757,492	317,050,491	Other income	13	288,806,959
Depreciation / amortisation	5	26,020,309	12,240,842			
Provision for fringe benefit tax		-	1,210,426	Loss for the year carried down		562,073,015
		857,310,246	374,558,509		857,310,246	374,558,509
Loss brought forward from previous year		298,742,319	-			
Loss for the year brought down		562,073,015	298,742,319		860,815,334	298,742,319
				Loss carried forward to balance sheet		
Balance carried to balance sheet		860,815,334	298,742,319		860,815,334	298,742,319

Earnings per share

16.8

Basic	(0.36)	(0.28)
Diluted	(0.36)	(0.28)

Significant accounting policies

Notes to the accounts

2

16

The schedules referred to above form an integral part of this profit and loss account.

As per our attached report of even date

For B S R and Company

Chartered Accountants

Firm's Registration No: 128900W

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

Akeel Master

Partner

Membership No: 046768

Mumbai

17 July 2010

Joseph Massey

Managing Director & Chief executive officer

Mumbai

17 July 2010

U. Venkataraman

Whole-time Director

Sarat Chandran

Company Secretary

MCX Stock Exchange Limited

Schedules to financial statements (Continued)

as at

(Currency : Indian rupees)

	31 March 2010	31 March 2009
3 Share Capital:		
Authorised:		
2,500,000,000 (previous year: 1,500,000,000) equity shares of Re.1 each	<u>2,500,000,000</u>	<u>1,500,000,000</u>
Issued, subscribed and fully paid-up capital		
543,303,000 (previous year: 1,350,000,000) equity shares of Re. 1 each (<i>refer note 16.13 of Schedule 16</i>)	543,303,000	1,350,000,000
Less : Amount recoverable from MCX Stock Exchange ESOP Trust (<i>Refer Note 16.15 of Schedule 16</i>) (5,433,000 (previous year nil) equity shares of Re. 1 each fully paid allotted to the MCX Stock Exchange ESOP Trust)	<u>5,433,000</u>	<u>-</u>
	<u>537,870,000</u>	<u>1,350,000,000</u>
	<u>537,870,000</u>	<u>1,350,000,000</u>
4 Reserve and surplus:		
Securities premium account	-	-
At the commencement of the year	-	-
Add : Received on issue of shares	3,460,500,000	-
	<u>3,460,500,000</u>	<u>-</u>
	<u>3,460,500,000</u>	<u>-</u>

MCX Stock Exchange Limited

Schedules to financial statements (*Continued*)
as at

(Currency : Indian rupees)

Fixed assets

Particulars	Gross block				Depreciation/Amortisation			Net block	
	As at 1 April 2009	Additions during the year	Deductions	As at 31 March 2010	As at 1 April 2009	For the year	Deductions	As at 31 March 2010	As at 31 March 2009
Office equipments	95,966	2,416,996	-	2,512,962	51,638	63,429	-	115,067	2,397,895
Computer hardware	27,31,09,943	6,073,325	-	33,384,268	2,002,364	4,891,078	-	6,893,442	26,490,826
Furniture and fixtures	19,125	5,118,956	-	5,138,081	274	156,723	-	156,997	4,981,084
Vehicles	81,00,050	2,345,930	-	3,155,980	2,952	195,253	-	198,205	2,957,775
Computer software	103,23,25,570	10,338,750	-	113,571,320	10,183,614	20,713,826	-	30,897,440	82,673,880
TOTAL	131,46,8,654	26,29,3,957	-	157,76,2,611	12,24,0,842	26,02,0,309	-	38,26,1,151	119,50,1,460
Previous Year	-	131,46,8,654	-	131,46,8,654	-	12,24,0,842	-	12,24,0,842	119,22,7,812
Capital work in progress								101,02,4,296	-

MCX Stock Exchange Limited

Schedules to financial statements (Continued)
as at

(Currency : Indian rupees)

	31 March 2010	31 March 2009
6 Investments		
<i>a) Long term investments</i>		
<i>Unquoted, trade (Cost less provision for diminution in value)</i>		
Investment in subsidiary company		
12,750,000 equity shares (previous year 2,550,000) of MCX-SX Clearing Corporation Limited of Rs.10 each fully paid.	127,500,000	25,500,000
In units of mutual funds		
<i>Unquoted, non trade (Cost less provision for diminution in value)</i>		
6,555,741.069 Units (Previous Year NIL) of Rs.12.203 each in Reliance Regular Savings Fund Debt Plan Institutional Growth Plan	80,000,000	-
20,000,000 Units (Previous Year NIL) of Rs.10/- each in HDFC FMP 13M Oct, 2009 GR Series XI	200,000,000	-
	280,000,000	-
<i>b) Current investments</i>		
<i>Unquoted, non trade [at lower of cost and fair value]</i>		
NIL (Previous Year 10,004,562.90 Units) of Rs.10/- each in Baroda Pioneer Liquid Fund - Institutional Daily Dividend Plan	-	100,108,658
5,001,125.395 Units (Previous Year NIL) of Rs.10/- each in Canara Robeco Dynamic Bond Fund - Institutional - Dividend	50,011,254	-
NIL (Previous Year 16,749,362.03 Units) of Rs.10/- each in DWS Money Plus Fund - IP Daily Dividend.	-	167,631,470
NIL (Previous Year 22,745,290.40 Units) of Rs.10/- each in LIC MF Savings Plus Fund Dividend Plan	-	227,452,904
NIL (Previous Year 4,906,815.47 Units) of Rs.15/- each in Reliance Liquid Fund - TP - IP Dividend	-	75,011,470
518.91 Units (Previous Year NIL) of Rs.10.0031 each in Reliance Liquidity Fund -Daily Dividend Reinvest	5,191	-
NIL (Previous Year 2,994,709.60 Units) of Rs.17/- each in Reliance Medium Term Fund Dividend	-	51,196,058
5,013,390.113 Units (Previous Year NIL) of Rs.10.6267 each in Reliance Short Term Fund - Retail Plan - Dividend Plan	53,275,668	-
NIL (Previous Year 7,430,215.28 Units) of Rs.10/- each in SBNPP Money Fund Super Institutional.Daily Dividend Reinvest	-	75,010,252
4,372,251.05 Units (Previous Year NIL) of Rs.10.0519 each in Sundaram Flexible Fund - ST Inst - Daily Dividend Reinvest	43,949,430	-
27,509.17 Units (Previous Year NIL) of Rs.1000.01 each in Taurus Liquid Fund - Super Institutional- Daily Dividend Reinvest	27,509,445	-
49,926.169 Units (Previous Year NIL) of Rs.1001.4788 each in Taurus Ultra Short Term Bond Fund Super Institutional Daily Dividend	50,000,000	-
NIL (Previous Year 5,583,662.17 Units) of Rs.10/- each in Templeton India Ultra Short Bond Fund Super Institutional Plan - Daily Dividend	-	55,901,392
	224,750,988	752,312,204
	224,750,988	752,312,204
Total investments	632,250,988	777,812,204

MCX Stock Exchange Limited

Schedules to financial statements (Continued)

as at

(Currency : Indian rupees)

	31 March 2010	31 March 2009
6 Investments (Continued)		
Notes:		
1 Aggregate book value of unquoted investments	632,250,988	777,812,204
2 Mutual fund purchased and redeemed during the year*		
	Purchased units	Redeemed units
Scheme		
AIG India Liquid Fund Super IP Daily Dividend	99,909	99,909
AIG India Treasury Fund - Super IP - Daily	10,038,946	10,038,946
Baroda Pioneer Liquid Fund - Institutional Daily Dividend Plan	17,002,798	27,007,361
Birla Sun Life Cash Plus - Institutional Premium Plan - Daily Dividend Reinvest	28,508,842	28,508,842
Birla Sun Life Savings Fund - IP - Daily Dividend Reinvest	15,128,224	15,128,224
Canara Robeco Dynamic Bond Fund - Institutional - Dividend	5,099,455	98,329
Canara Robeco Liquid Super Institutional Premium Plan - Daily Dividend Reinvest	42,342,550	42,342,550
DBS Chola F I - S T F - I P - Daily Dividend Reinvest	4,935,390	4,935,390
DBS Chola Liquid Institutional Fund - Daily Dividend Reinvest	4,948,939	4,948,939
DSP BlackRock Cash Manager Fund - Institutional Premium Plan - Daily Dividend Reinvest	215,926	215,926
DSP Floating Rate Fund - IP - Daily Dividend Reinvest	100,815	100,815
DWS Cash Opportunities Fund - Reg - Daily Dividend Reinvest	8,011,792	8,011,792
DWS Insta Cash Plus Fund - Super IP - Daily Dividend Reinvest	48,400,224	48,400,224
DWS Money Plus Fund - IP - Daily Dividend Reinvest	28,247	16,777,609
DWS Short Maturity Fund - IP - Wkly Dividend	16,685,678	16,685,678
Fortis Money Plus IP Fund - Daily Dividend Reinvest	67,992,074	67,992,074
Fortis Overnight Fund - Insti Plus Plan - Daily Dividend Reinvest	98,020,727	98,020,727
ICICI Prudential Flexible Income Plan - Premium - Daily Dividend Reinvest	7,125,945	7,125,945
ICICI Prudential Liquid - Super IP - Daily Dividend Reinvest	23,506,361	23,506,361
Kotak Flexi Debt Fund - IP - Daily Dividend	9,978,525	9,978,525
Kotak Liquid - Inst Premium Plan - Daily Dividend Reinvest	8,178,741	8,178,741
Morgan Stanley Short Term Bond Fund - IP Plus - Wkly Dividend	5,050,128	5,050,128
PRINCIPAL Cash Mgmt Fund LO- Inst Prem. Plan - Daily Dividend Reinvest	50,506,325	50,506,325
PRINCIPAL Floating Rate Fund - FMP - IP -Daily Dividend Reinvest	2,997,794	2,997,794
Principal Ultra Short Term Fund - Reg - Daily Dividend Reinvest	27,477,197	27,477,197
Reliance Liquid Fund - TP - IP -Daily Dividend Reinvest	5,262,129	10,168,944

MCX Stock Exchange Limited

Schedules to financial statements (Continued)

as at

(Currency : Indian rupees)

	31 March 2010	31 March 2009
6 Investments (Continued)		
Reliance Medium Term Fund -Daily Dividend Reinvest	8,322	3,003,031
Reliance Regular Savings Fund Debt Plan Institutional Growth Plan	6,555,741	-
Reliance Short Term Fund - Retail Plan - Dividend Plan	5,013,390	-
Reliance Liquidity Fund -Daily Dividend Reinvest	53,018,411	53,017,892
Religare Liquid Fund - Super IP - Daily Dividend Reinvest	42,983,193	42,983,193
Religare Ultra Short Term Fund - IP - Daily Dividend Reinvest	25,006,747	25,006,747
SBI Magnum Insta Cash - Daily Dividend Reinvest	67,191,235	67,191,235
Sundaram Flexible Fund - ST Inst - Daily Dividend Reinvest	20,321,632	15,949,381
Sundaram BNP Paribas Money Fund - Super IP - Daily Dividend Reinvest	42,628,112	50,058,327
Sundaram BNP Paribas Ultra Short Term - Super IP -Daily Dividend Reinvest	15,011,828	15,011,828
Templeton India TMA - Super IP - Daily Dividend Reinvest	330,276	330,276
Templeton Ultra Short Bond Fund - Super IP - Dividend	53,112	5,636,774
LIC MF Income Plus Fund - Daily Dividend	12,534,468	12,534,468
LIC MF Liquid Fund - Daily Dividend Reinvest	327,757,742	327,757,742
LIC MF Savings Plus Fund - Daily Dividend	41,864,093	64,609,384
HDFC FMP 13M Oct, 2009 GR Series XI	20,000,000	-
Taurus Liquid Fund - Super Institutional- Daily Dividend Reinvest	172,536	145,027
Taurus Ultra Short Term Fund Super Institutional Daily Dividend Reinvest	49,926	-
	1,188,144,445	1,217,538,600

*Purchases includes dividend re-invested in units.

MCX Stock Exchange Limited

Schedules to financial statements (Continued)

as at

(Currency : Indian rupees)

	31 March 2010	31 March 2009
7 Cash and bank balances		
Cash in hand	27,639	4,317
Balance with scheduled banks		
- In current accounts*	20,574,060	18,440,353
- In deposit accounts**	3,340,281,724	498,500,000
(* includes Rs.577,000 (previous year nil) balance with MCX Stock Exchange ESOP Trust (Refer note 16.15 of Schedule 16))		
(** includes fixed deposit of Rs.2,721,427 (previous year Rs.2,500,000) earmarked towards the Investor Protection Fund and Rs.1,091,023 (previous year Rs.1,000,000) earmarked towards the Investor Service Fund (Refer notes 16.11 and 16.12 of Schedule 16.))		
	<u>3,360,883,423</u>	<u>516,944,670</u>
8 Other current assets		
Interest accrued on fixed deposits	113,923,500	16,041,054
Others	588,620	-
	<u>114,512,120</u>	<u>16,041,054</u>
9 Loans and advances		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received #	123,441,169	52,907,337
Security deposits	13,207,000	502,000
Advance tax including tax deducted at source	<u>30,415,162</u>	<u>5,342,533</u>
	167,063,331	58,751,870
(# Includes amount held in trust by the director Rs.nil (previous year Rs.881,741), maximum amount outstanding during the year Rs.881,741 (previous year Rs.881,741))		
	<u>167,063,331</u>	<u>58,751,870</u>

MCX Stock Exchange Limited

Schedules to financial statements (Continued)

as at

(Currency : Indian rupees)

	31 March 2010	31 March 2009
Sundry creditors		
Total outstanding dues to micro, small and medium enterprises (Refer note 16.9 of Schedule 16)	-	-
Total outstanding dues to creditors other than micro, small and medium enterprises	<u>47,655,373</u>	<u>181,643,639</u>
	47,655,373	181,643,639
Amount received from members and applicants		
- Vsat connectivity charges	5,675,943	6,575,258
- Other connectivity charges	-	556,795
- Admission fees	4,300,000	2,500,000
- Security deposit	5,000,000	-
- Refundable deposit	<u>29,300,000</u>	<u>10,800,000</u>
	44,275,943	20,432,053
Investor protection fund (includes interest accrued of Rs.55,920 (previous year Rs.89,163) on related fixed deposit)	3,809,680	2,790,413
Investor service fund (includes interest accrued of Rs.22,418 (previous year Rs.35,665) on related fixed deposit)	<u>1,120,575</u>	<u>1,035,665</u>
	4,930,255	3,826,078
Security deposit from settlement bankers (Refer note 16.10 (c) of Schedule 16)	10,000,000	10,000,000
Other Liabilities ^{##}	47,442,495	219,853,757
(^{##} Includes Rs.Nil (Previous Year Rs.166,227,195) towards members security deposit and Rs.Nil (Previous Year Rs.25,339,041) towards settlement guarantee fund transferable to MCX-SX Clearing Corporation Limited (Refer Note 16.10 (a) and (b) of Schedule 16))		
	<u>154,304,066</u>	<u>435,755,527</u>

11 Provisions

Provision for fringe benefit tax (net of advance fringe benefit tax paid Rs nil (previous year Rs 1,100,000))	-	110,426
Provision for gratuity	3,957,234	453,816
Provision for leave encashment	2,789,652	1,200,160
	<u>6,746,886</u>	<u>1,764,402</u>

MCX Stock Exchange Limited

Schedules to financial statements (Continued)*for the year ended*

(Currency : Indian rupees)

	31 March 2010	31 March 2009
12 Operating income		
Membership admission fees	5,900,000	500,000
Application processing fees	530,272	110,000
	<u>6,430,272</u>	<u>610,000</u>
13 Other income		
Dividend from investments (Refer note 16.10(b) of Schedule 16)	31,366,224	42,926,745
Interest on bank deposits (tax deducted at source Rs.16,673,775 (previous year Rs.4,120,471))	165,287,280	19,722,623
<i>Profit on sale of investments (net)</i>		
- Current investments	1,283,981	-
<i>Recoveries from members</i>		
- Vsat connectivity income	3,112,847	1,072,368
- Other connectivity charges	2,315,296	1,198,169
- Others	<u>1,098,017</u>	<u>263,696</u>
	6,526,160	2,534,233
<i>Recoveries from subsidiary company</i>		
- Shared Service Cost	75,527,400	7,465,652
- Rent	<u>3,252,312</u>	<u>454,937</u>
	78,779,712	7,920,589
Miscellaneous income	5,563,602	2,102,000
	<u>288,806,959</u>	<u>75,206,190</u>
14 Personnel costs		
Salaries, allowances and bonus	148,650,248	42,722,102
Contribution to provident fund	3,240,047	1,046,366
Staff welfare expenses	<u>642,150</u>	<u>288,282</u>
	152,532,445	44,056,750
	<u>152,532,445</u>	<u>44,056,750</u>

MCX Stock Exchange Limited

Schedules to financial statements (Continued)*for the year ended*

(Currency : Indian rupees)

31 March 2010

31 March 2009

15 Other operative expenses

Rent and services charges	47,261,809		18,338,379
Repairs and maintenance - others	888,525		57,636
Insurance	729,448		377,938
Travelling and conveyance	9,718,836		4,190,844
Communication expenses	4,262,477		945,861
Loss on sale of investments (net)	-		228,260
Legal and professional charges	75,356,610		42,237,024
Directors sitting fees	580,000		90,000
Auditors remuneration (excluding service tax):			
-Audit fees	700,000		300,000
-Out of pocket expenses	12,980		-
Advertisement	92,352,124		56,986,237
Business promotion / development expenses	2,725,310		2,700,022
Sponsorships and seminar	79,961,660		8,495,515
SEBI regulatory charges	20,000,000		5,000,000
Clearing and settlement charges	87,323,846		10,889,528
Software support charges	185,732,529		78,510,603
Contribution to Settlement Gurantee Fund (Refer note 16.10 (a) of Schedule 16)	-	25,000,000	
Contribution to Investor Protection Fund (Refer note 16.11 of Schedule 16)	-	2,500,000	
Contribution to Investor Services Fund (Refer note 16.12 of Schedule 16)	-	1,000,000	28,500,000.00
Printing and stationery	1,640,012		2,606,331
Shared service cost	42,000,000		21,000,000
Vsat connectivity expenses	4,334,046		967,269
Membership and subscription fees	13,148,447		1,785,883
Service and maintenance charges	2,861,333		-
Office expenses	1,828,120		312,188
Provision for depreciation in value of investments	1,265,380		-
Miscellaneous expenses	4,074,000		443,783
Preliminary and preoperative expenses	-		32,087,190
	678,757,492		317,050,491

MCX Stock Exchange Limited

Cash flow statement*for the year ended*

(Currency : Indian rupees)

	31 March 2010	31 March 2009
Cash flow from operating activities		
Net loss before tax	(562,073,015)	(297,531,893)
Adjustments for		
Depreciation/amortisation	26,020,309	12,240,842
Dividend from investment	(31,366,224)	(42,926,745)
Interest income	(165,287,280)	(19,722,623)
(Profit)/ Loss on sale of investments (net)	(1,283,981)	228,260
Provision for diminution in value of investments	1,265,380	-
Operating (loss) before working capital changes	(732,724,811)	(347,712,159)
Adjustments for		
(Increase) in loans and advances and other current assets	(83,827,451)	(49,727,768)
Increase/(decrease) in current liabilities and provisions	(276,468,976)	437,409,503
Cash generated from/(used in) operations	(1,093,021,239)	39,969,576
Less:Taxes paid	(25,072,629)	(6,442,533)
Net cash provided/(used in) by operating activities	(1,118,093,868)	33,527,043
Cash flow from investing activities		
Purchases of fixed assets	(26,293,957)	(131,468,654)
Advance for capital work in progress	(101,024,296)	-
Purchase of current investments	(13,785,748,188)	(15,029,120,069)
Purchase of equity shares in subsidiary company	(102,000,000)	(25,500,000)
Proceeds from sale of investments	14,033,328,005	14,276,579,605
Fixed deposit placed with banks (net)	(2,841,781,724)	(498,500,000)
Dividend received from investment	31,366,224	42,926,745
Interest received	67,404,833	-
Net cash (used in)/ from investing activities	(2,724,749,103)	(1,365,082,373)
Cash flow from financing activities		
Proceeds from issuance of share capital	384,500,000	1,350,000,000
Proceeds from securities premium	3,460,500,000	-
Net cash generated from financing activities	3,845,000,000	1,350,000,000
Net increase in cash and cash equivalents	2,157,030	18,444,670
Cash and cash equivalents at beginning of year (refer note 2 below)	18,444,670	-
Cash and cash equivalents at end of the year (refer note 2 below)	20,601,699	18,444,670

MCX Stock Exchange Limited

Cash flow statement (*Continued*)

for the year ended

(Currency : Indian rupees)

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 Companies (Accounting Standard) Rules, 2006
2. Cash and Cash Equivalents included in the cash flow statement comprises of :-

	31 March 2010	31 March 2009
Cash on Hand	27,639	4,317
Balance with scheduled banks:		
- In current accounts	20,574,060	18,440,353
	<u>20,601,699</u>	<u>18,444,670</u>

3. Fixed Deposits with bank are deposits with the maturity period of more than three months, hence classified and grouped in investing activity and not included in cash and cash equivalents.

As per our attached report of even date

For **B S R and Company**

Chartered Accountants

Firm's Registration No: 128900W

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

Akeel Master

Partner

Membership No: 046768

Joseph Massey

Managing Director & Chief executive officer

U.Venkataraman

Whole-time Director

Mumbai

17 July 2010

Mumbai

17 July 2010

Sarat Chandran

Company Secretary

MCX Stock Exchange Limited

Schedules to the financial statements
for the year ended 31 March 2010

(Currency: Indian rupees)

1 Background

MCX Stock Exchange Limited ('the Company') was incorporated on 14 August 2008 and obtained certificate of commencement of business on 19 August 2008. Pursuant to receipt of Securities Exchange Board of India ('SEBI') approval dated 18 September 2008, the Company launched operations on 7 October 2008 as an exchange facilitating trading in currency futures.

2 Significant accounting policies**2.1 Basis of preparation of financial statements**

The accompanying financial statements are prepared and presented under the historical cost convention, on the accrual basis of accounting standards and comply with the Accounting Standards prescribed by the Companies (Accounting Standards) Rules, 2006 ('the Rules') (to the extent applicable) and in accordance with the generally accepted accounting principle ('GAAP') and the provisions of the Companies Act 1956 ('the Act'), to the extent applicable.

2.2 Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles (GAAP) 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.

2.3 Fixed assets

Fixed assets are stated at cost of acquisition less accumulated depreciation. 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 fixed asset on straight line basis.

The depreciation rates prescribed in Schedule XIV to the Companies Act, 1956 are considered as minimum rates. If the management's estimate of the estimated useful life of the fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid Schedule XIV, depreciation is charged at a higher rate based on the management's estimate of the estimated useful life / remaining useful life of the fixed asset. Pursuant to this policy, depreciation is charged at the following rates:

MCX Stock Exchange Limited

Schedules to the financial statements (*Continued*)
for the year ended 31 March 2010

(Currency: Indian rupees)

2 Significant accounting policies (*Continued*)**2.3 Fixed assets (*Continued*)**

Class of assets	Rate of depreciation (%)
Furniture and fixtures	6.33%
Computers	16.21%
Office equipments	4.75%
Vehicles	9.5%

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.

Assets individually costing Rs. 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.

2.4 Intangible assets

Intangible assets are recognized 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 less accumulated amortization and impairment loss, if any.

2.5 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.

2.6 Foreign exchange transaction

Foreign exchange transactions are recorded at the rates of exchange prevailing on the date of the transactions. Exchange differences, if any, arising out of foreign exchange transactions settled during the year are recognized in the profit and loss account of the year.

Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date at the closing exchange rates on that date; the resultant exchange differences, if any, are recognized in the profit and loss account.

MCX Stock Exchange Limited

Schedules to the financial statements (*Continued*)
for the year ended 31 March 2010

(Currency: Indian rupees)

2 Significant accounting policies (*Continued*)

2.7 Revenue recognition

Revenue is recognized when no significant uncertainty as to measurement and realization exists.

- a) Admission fees collected from new members for joining the exchange are recognized when received and the member is approved by SEBI.
- b) Processing and other fees collected from members are recognized on annual basis.
- c) Dividend income is recognized when the company's right to receive dividend is established.
- d) Interest income is recognized on accrual basis.
- e) 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. Other recoveries from members are accounted annually on accrual basis.
- f) Recoveries from subsidiary company are accounted on an accrual basis in accordance with the terms of the agreement on cost sharing.

2.8 Employee benefits

Gratuity

The Company's gratuity scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value and the fair value of plan assets, if any, is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Actuarial gains and losses are recognized immediately in the profit and loss account.

Leave encashment

The Company provides for leave encashment liability based on actuarial valuation of the leave encashment liability as at the balance sheet date, carried out by an independent actuary.

Provident Fund

The Company contributes to a recognized provident fund which is a defined contribution scheme. The contributions are accounted for on an accrual basis and recognized in the profit and loss account

MCX Stock Exchange Limited

Schedules to the financial statements (*Continued*)
for the year ended 31 March 2010

(Currency: Indian rupees)

2 Significant accounting policies (*Continued*)

2.9 Stock based compensation

The compensation cost of stock options granted to employees is measured by the intrinsic value method, i.e. difference between the market price / fair value of the Company's shares on the date of grant of options and the exercise price to be paid by the option holders.

2.10 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 comprising investments in mutual funds 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.

Purchase and sale of investments are recorded on trade date. Profit or loss on sale of investments is determined on the basis of weighted average cost.

2.11 Income Tax

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law), deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period).

Current tax

Current tax expense is recognized on an annual basis under the taxes payable method, based on the estimated tax liability computed after taking credit for allowances and exemption in accordance with Indian Income Tax Act, 1961

Deferred tax

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized subject to managements' judgement that their future realisation is reasonably certain except where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized 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.

2.12 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 recognized as an expense in the profit and loss account on straight line basis in accordance with Accounting Standard 19- Leases prescribed in the Rules.

MCX Stock Exchange Limited

Schedules to the financial statements (*Continued*)
for the year ended 31 March 2010

(Currency: Indian rupees)

2 Significant accounting policies (*Continued*)

2.13 Provisions, contingent liabilities and contingent assets

Provisions comprise liabilities of uncertain timing or amount. Provisions are recognized 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.

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.

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.

Contingent assets are not recognized in the financial statements. However contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

2.14 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.

MCX Stock Exchange Limited

Schedules to the financial statements
for the year ended 31 March 2010

(Currency: Indian rupees)

16 Notes to accounts**16.1 Managerial remuneration**

Managerial remuneration has been paid in accordance with Section II Part II of Schedule XIII to the Act as per the details set out below:

Particulars	For the year ended	
	31 March 2010	31 March 2009
a) Salaries, bonus and allowances*	17,085,650	566,508
b) Perquisites	907,259	229,041
c) Other benefits	479,704	86,192
	18,472,613	881,741

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

Above remuneration was paid to Mr. U.Venkatraman (CEO of Currency derivative segment and Whole time director) and Mr. Joseph Massey (MD & CEO with effect from 1 June 2009).

As the remuneration payable to them was not falling within the limits prescribed under section 198, 269 & 309 read with Part II of Schedule XIII of the Companies Act, an application was made to Central Government seeking approval for payment of remuneration to them. Central Government vide their letter dated 17 December 2009 and letter dated 26 March 2010, approved the appointment and remuneration of Mr.U.Venkatraman (CEO of Currency derivative segment and Whole time director) and Mr. Joseph Massey (MD & CEO) respectively.

16.2 Deferred tax assets

The Company had not recognized deferred tax assets as there is no virtually certainty of realization of such assets and reversal of the same.

16.3 Expenditure in foreign currency (on accrual basis)

Particulars	For the year ended	
	31 March 2010	31 March 2009
Travelling	315,419	83,247
Legal and professional charges	114,394	171,984
Software support charges	61,245	62,799
Sponsorship expenses	938,073	376,771
Advertisement	79,600	-
Membership	1,470,164	-
Total	2,978,895	694,801

MCX Stock Exchange Limited

Schedules to the financial statements
for the year ended 31 March 2010

(Currency: Indian rupees)

16 Notes to accounts (Continued)**16.4 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, 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

16.5 Operating lease

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

- a) The minimum lease rentals on non-cancellable operation leases recognized in the Profit and loss account and the future minimum lease payments under non cancellable operating leases are as follows

Particulars	For the year ended	
	31 March 2010	31 March 2009
Lease Rentals	47,261,809	18,338,379
Future minimum lease payments		
Not later than one year	42,654,790	29,776,664
Later than one year and not later than five years	21,146,897	41,326,524
Later than five years	-	-

- b)

Particulars	For the year ended	
	31 March 2010	31 March 2009
Sub-lease amount recognized in profit and loss account	3,252,312	454,937

MCX Stock Exchange Limited

Schedules to the financial statements
for the year ended 31 March 2010

(Currency: Indian rupees)

16 Notes to accounts (Continued)

16.6 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) Company whose control exists
 - Multi Commodity Exchange of India Limited (MCX), Holding company (upto 20 May 2009)
- (ii) Companies having significant influence over the Company
 - Financial Technologies (India) Limited (FTIL), (upto 18 March 2010)
 - Multi Commodity Exchange of India Limited (MCX), (from 21 May 2009 to 18 March 2010)
- (iii) Subsidiary
 - MCX-SX Clearing Corporation Limited (MCX-SX Clear)
- (iv) Fellow Subsidiary
 - MCX Clearing Corporation Limited (MCX- Clear) (upto 20 May 2009)
- (v) Key Management Personnel (KMP)
 - Mr. U. Venkatraman (CEO of Currency derivative segment and Whole time director)
 - Mr. Joseph Massey (MD & CEO with effect from 1 June 2009)
- (vi) Others
 - MCX-SX ESOP Trust

MCX Stock Exchange Limited

Schedules to the financial statements
for the year ended 31 March 2010

(Currency: Indian rupees)

16 Notes to accounts (Continued)**16.6 Related party information (Continued)****b) Details of transactions with related parties**

Nature of Transaction	Control	Significant Influence	Subsidiary	Others
Rent paid	3,999,341	27,419,043	-	-
	(17,016,804)	(-)	(-)	(-)
Deputation Charges	5,789,731	39,818,785	-	-
	(13,283,372)	(3,546,155)	(-)	(-)
Shared service charges	-	40,532,258	-	-
	(-)	(21,000,000)	(-)	(-)
Software support charges	-	176,817,447	-	-
	(-)	(89,741,640)	(-)	(-)
Clearing and settlement charges	-	-	87,323,846	-
	(-)	(-)	(10,889,528)	(-)
Legal and professional charges	238,213	11,670,862	-	-
	(-)	(3,369,815)	(-)	(-)
Vsat connectivity charges	530,843	2,203,706	-	-
	(967,269)	(-)	(-)	(-)
Re-imbursements charged to the Company	97,645	6,076,518	16,750	-
	(12,182,087)	(1,375,138)	(1,200)	(-)
Re-imbursement of payments – Advertisement expenses	-	16,184,382	-	-
	(-)	(-)	(-)	(-)
Re-imbursements charged by the Company	94,488	85,683	2,500	-
	(23,950)	(-)	(1,074,323)	(-)
Loan given	-	-	-	6,000,000
	(-)	(-)	(-)	(-)
Rent income	-	-	3,252,312	-
	(-)	(-)	(454,937)	(-)
Shared service cost recovered	-	-	75,527,400	-
	(-)	(-)	(7,465,652)	(-)
Purchase of capital assets	-	103,689,784	-	-
	(-)	(129,699,897)	(-)	(-)
Issue of share capital	-	-	-	-
	(688,500,000)	(661,500,000)	(-)	(-)
Investments in equity shares	-	-	102,000,000	-
	(-)	(-)	(25,500,000)	(-)
Sundry creditors	-	9,135,697	-	-
	(12,638,361)	(138,902,646)	(191,458,870)	(-)
Advance recoverable in cash or in kind for value to be received	-	-	1,246,677	-
	(-)	(-)	(-)	(-)

MCX Stock Exchange Limited

Schedules to the financial statements
for the year ended 31 March 2010

(Currency: Indian rupees)

16 Notes to accounts (Continued)**16.6 Related party information (Continued)****c) Transactions with KMP :**

Sr. No.	Nature of transactions	Amount (Rs.)
1.	Salary & allowances*: Joseph Massey	11,901,890 (-)
	U. Venkataraman	6,570,723 (1,974,423)
2.	Amount held in trust by the director	- (881,741)

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

d) 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	Amount (Rs.)
1	Rent paid to MCX	31,418,384
2	Deputation Charges paid to MCX	44,217,506
3	Shared service charges paid to FTIL	40,532,258
4	Software support charges paid to FTIL	176,817,447
5	Clearing and settlement charges paid to MCX-SX Clear	87,323,846
6	Legal and professional charges paid to FTIL	10,834,531
7	Vsat connectivity charges paid to MCX	2,734,549
8	Re-imbursements charged to the Company by MCX	3,329,407
	FTIL	2,844,756
9	Re-imbursements charged by the Company to MCX	180,171
10	Rent income from MCX-SX Clear	3,252,312
11	Shared service cost recovered from MCX-SX Clear	75,527,400
12	Purchase of assets from FTIL	103,689,784
13	Investment in Equity shares of MCX-SX Clear	102,000,000
14	Receivable outstanding from MCX-SX Clear	1,246,677
15	Loan given to MCX-SX ESOP Trust	6,000,000
16	Sundry creditors MCX	7,233,019
	FTIL	1,902,678

Notes:

(a) Transactions with MCX and FTIL have been disclosed upto 18 March 2010.

(b) Previous year comparatives have not been disclosed in (d) above since there was only one party under each related party category in the previous year.

MCX Stock Exchange Limited

Schedules to the financial statements
for the year ended 31 March 2010

(Currency: Indian rupees)

16 Notes to accounts (Continued)**16.6 Related party information (Continued)**

Notes:

- (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) Previous year's figures are given in brackets.

16.7 Employee benefits – Provision for gratuity

	31 March 2010	31 March 2009
I. Amount recognized in the balance sheet:		
Present value of unfunded obligation	3,957,234	453,816
Fair value of plan assets	-	-
Unrecognized past service cost	-	-
Net liability recognized in the balance sheet	3,957,234	453,816
II. Expense recognized in the profit and loss account:		
Current service cost	1,278,696	453,816
Interest on defined benefit obligation	36,305	-
Expected return on plan assets	-	-
Net actuarial (gains)/losses recognized	2,217,201	-
Past service cost	-	-
Expense recognized in profit and loss account	3,532,202	453,816
III. Actuarial assumptions:		
Discount rate	7.50%	8.00%
Expected rate of return on plan assets	NA	NA
Salary escalation	7.50%	8.00%
<i>Salary escalation rate:</i>		
The estimates of future salary increases considered in actuarial valuation takes into account the inflation, seniority, promotion and other relevant factors.		

MCX Stock Exchange Limited

Schedules to the financial statements
for the year ended 31 March 2010

(Currency: Indian rupees)

16 Notes to accounts (Continued)**16.7 Employee benefits – Provision for gratuity (Continued)**

	31 March 2010	31 March 2009
IV. Reconciliation of defined benefit obligation for the period:		
Opening defined benefit obligation	453,806	-
Current service cost	1,278,696	453,816
Interest cost	36,305	-
Actuarial losses / (gains)	2,217,201	-
Past service cost	-	-
Benefits paid	(28,774)	-
Closing defined benefit obligation	3,957,234	453,816
V. Reconciliation of plan assets for the period:		
Opening fair value of plan assets	-	-
Expected return on plan assets	-	-
Actuarial gains /(losses)	-	-
Assets distributed on settlements	-	-
Contributions by employer	-	-
Benefits paid	-	-
Closing fair value of plan assets	-	-
VI. Asset information:		
The Company does not fund the provisions and the employees are paid out of internal accruals, accordingly the Company does not have investments in any Government or other securities.		

16.8 Earnings per share ('EPS')

Particulars	31 March 2010	31 March 2009
Loss after tax	(562,073,015)	(298,742,319)
Weighted average number of equity shares outstanding during the period	1,561,839,633	1,060,491,150
Basic and diluted Loss per share of face value Re. 1 each	(0.36)	(0.28)

The effect of conversion of warrants into equity shares is anti-dilutive and accordingly not considered for the computation of diluted loss per share.

16.9 Dues to Micro, Small and Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2 October 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of the information and records available with the management and confirmation sought from suppliers on registration with specified authority under MSMED, principal amount, interest accrued and remaining unpaid and interest paid during the year to such enterprise is NIL.

MCX Stock Exchange Limited

Schedules to the financial statements
for the year ended 31 March 2010

(Currency: Indian rupees)

16 Notes to accounts (Continued)

16.10 Transfer of following assets / liabilities to MCX SX Clearing Corporation Limited

a) Settlement Guarantee Fund

The Settlement Guarantee Fund of Rs. 25,000,000 was established by the Company based on the 'Guidelines for Settlement Guarantee Fund at Stock Exchanges' dated 9 June 1997 issued by SEBI and in accordance with SEBI approval letter dated 18 September 2008. The amount was set aside by the Company in a bank fixed deposit of an equivalent amount. The fund balance which was maintained in the form of fixed deposits was transferable to MCX SX Clearing Corporation Limited ('MCX-SX Clear') on 16 February 2009, date of launch of operations of MCX-SX Clear.

Accordingly, the settlement guarantee fund balance maintained in the fixed deposits and interest accrued thereon was transferred to MCX-SX Clear on 2 April 2009.

b) Member's security deposit

The Company collected security deposits for clearing activities from its members and invested these deposits in liquid funds. On 16 February 2009, MCX-SX Clear started its operations; as a result these investments became due for transfer on that date.

Member's security deposits amounting to Rs.170,000,000 and the income earned on the related investments upto the date of transfer amounting to Rs.1,820,812 was transferred during the year.

c) Security deposit from settlement bankers

Security deposit from settlement banker aggregating to Rs. 10,000,000 was transferrable to MCX-SX Clear as at 31 March 2010. The same has been transferred on 14 July 2010.

16.11 Investor Protection Fund

Investor Protection Fund of Rs. 2,500,000 was established by the Company based on the 'Comprehensive guidelines for Investor Protection Fund at Stock Exchanges' dated 28 October 2004 issued by SEBI and in accordance with SEBI approval letter dated 18 September 2008.

The Office of Charity Commissioner had on 17 March 2010, granted registration to the MCX Stock Exchange Investor Protection Fund Currency Derivatives Segment Trust under the provisions of the Bombay Public Trust Act, 1950. The moneys in the IPF are maintained in a separate account with State Bank of India ('SBI'), standing in the Company's name, held on behalf of the Trust and was transferred to the Trust on 22 June 2010.

16.12 Investor Service Fund

Investor Service Fund of Rs. 1,000,000 was established by the Company in accordance with SEBI approval letter dated 18 September 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.

MCX Stock Exchange Limited

Schedules to the financial statements
for the year ended 31 March 2010

(Currency: Indian rupees)

16 Notes to accounts (Continued)

16.13 Scheme of reduction cum arrangement:

During the year, the Company implemented a Scheme of Reduction cum Arrangement ("the scheme") with the unanimous approval of its shareholders and the sanction of the Hon'ble High Court of Bombay under sections 100-104 and 391-393 of the Companies Act, 1956. The Scheme was sanctioned by the Hon'ble High Court by an order dated March 12, 2010, which was registered by the Registrar of Companies, Maharashtra, Mumbai on March 19, 2010.

The Scheme was formulated and implemented in order to ensure compliance with the Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006 ("MIMPS Regulations") as stipulated by SEBI.

Pursuant to the reduction under the sanctioned scheme, 1,196,630,000 equity shares of Re. 1 each held by certain shareholders were reduced and cancelled on 19 March, 2010 to achieve the aforesaid objective. A consideration of Re.1 per share aggregating Rs. 1,196,630,000 (being the paid up value thereof per share) was payable on reduction by the company to the reducing shareholders. In terms of the scheme, the said consideration of Re. 1 per share payable to the shareholders whose shares were cancelled and adjusted against the non refundable interest free deposit to be paid by the said shareholders towards the warrants which were subscribed by them under the scheme. Thus, the paid up equity share capital of the Company was reduced from Rs. 1,739,933,000 divided into an equal number of equity shares of Re. 1 each to Rs. 543,303,000 divided into an equal number of equity shares of Re. 1 each.

Pursuant to the arrangement, 1,196,630,000 warrants were subscribed to by the said shareholders by paying a non refundable interest free deposit of Re. 1 per warrant. The amount of Re. 1 per reduced and cancelled share as aforesaid was adjusted against the non refundable interest free deposit receivable by the Company from the said shareholders and required to be maintained in respect of the said warrants. 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 Re. 1 each subject to 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.

In terms of the scheme, the exercise of warrants would always be subject to the MIMPS Regulations and other conditions. The warrants do not carry any voting or dividend rights.

16.14 Stock based compensation:

The Company with the authorization 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.

MCX Stock Exchange Limited

Schedules to the financial statements
for the year ended 31 March 2010

(Currency: Indian rupees)

16 Notes to accounts (Continued)**16.14 Stock based compensation (Continued)**

An allotment of 5,433,000 equity shares of Re. 1 each was made by the Company to the Trust on November 20, 2009. On November 27, 2009 a total of 1,125,000 stock options have been granted under the Scheme. None of the options have vested so far. Details of the Options granted by the ESOP Trust is as under:

Grant Date	No. of Options granted	Exercise Price	Vesting Date	Exercise period
November 27, 2009	371,250	Re.1	December 1, 2010	Upto December 1, 2011
	371,250	Re.1	December 1, 2011	Upto December 1, 2012
	382,500	Re. 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 Re. 1 each. Exercise period for each option is as stated above from date of vesting.

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

	ESOP 2009 (Nos.)
Outstanding at start of year	NIL
Granted during the year	1,125,000
Forfeited/Lapsed during the year	NIL
Exercised during the year	NIL
Outstanding at end of year	1,125,000
Exercisable / vested at end of year	NIL
Expense arising from stock option plan during the year	NIL

The intrinsic value per option under the Scheme is NIL. The estimated fair value per option for ESOP 2009 is Rs. 1.15 of which premium amount is Re. 0.15 per option for options granted on November 27, 2009. The fair values have been determined using the Black-Scholes Model considering the following parameters:-

(i) Fair Value of share at grant date	Re.1
(ii) Exercise price	Re.1
(iii) Expected volatility	1%
(iv) Option Life	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.
(vi) Risk free interest rate	8.00%
(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 Rs. 35,157,, had the Company accounted the employee share-based payment using the fair value method. There is no material impact on the earnings per share.

MCX Stock Exchange Limited

Schedules to the financial statements
for the year ended 31 March 2010

(Currency: Indian rupees)

16 Notes to accounts (Continued)

16.15 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 Rs 6,000,000 to the Trust to subscribe to 5,433,000 shares issued at Re 1 per share. 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 [Rs 5,433,000] has been deducted from share capital account and the balance part of the loan representing the amount of [Rs 577,000] has been added to cash and bank balance.

The balance of such loan as at 31 March 2010 is Rs. 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.

16.16 Disclosures under Part II of Schedule VI to the Companies Act, 1956

Disclosures under Part II of Schedule VI to the Act, have been made to the extent applicable to the Company.

16.17 Prior year comparatives

Previous year's figures have been regrouped / rearranged wherever necessary to conform to current year's presentation.

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

Mumbai
17 July 2010

MCX Stock Exchange Limited

(Currency: Indian rupees)

Balance sheet abstract and Company's general business profile**I. Registration Details**

Registration No.	185856	State code	11
Balance Sheet Date	31	03	2010

**II. Capital raised during the Year
(Amount in Rs.Thousands)**

Public issue	Rights issue
-	-
Bonus issue	Private placement
-	389,933

III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Total liabilities	Total assets
5,356,051	5,356,051

Source of Funds

Paid-up capital	Reserves and surplus
537,870	3,460,500
Secured loans	Unsecured loans
-	-

Note: The Non Refundable Interest Free Deposit (Warrants) of Rs 1,196,630,000 has not been included under any of the above head since it cannot be classified therein. It is forming part of 'Total Liabilities'.

Application of Funds

Net fixed assets	Investments
220,526	632,251
Net current assets	Miscellaneous expenditure
3,481,408	-
Deferred tax asset	Accumulated losses
-	860,815

MCX Stock Exchange Limited

(Currency: Indian rupees)

Balance sheet abstract and Company's general business profile (*Continued*)

IV. Performance of Company (Amount in Rs.Thousands)

Total turnover (including interest income)	Total expenditure
295,826	857,899
Profit / (Loss) before tax	Profit / (Loss) after tax
(562,073)	(562,073)
Earning per share in Rs	Dividend rate
(0.36)	-

V. Generic names of three principal products/services of Company

Item code no (ITC code)	Not applicable
Service description	Stock exchange services

**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

Mumbai
17 July 2010

MCX Stock Exchange Limited

(Currency: Indian rupees)

Statement pursuant to section 212 of the Companies Act, 1956, relating to subsidiary company

- | | | | |
|----|--|---|-------------------------------------|
| 1. | Name of the subsidiary | : | MCX-SX Clearing Corporation Limited |
| 2. | Financial Year of the subsidiary company ended on | : | 31 st March 2010 |
| 3. | Holding Company Interest | | |
| | Number of Shares | : | 12,750,000 |
| | Extent of Holding | : | 51% |
| 4. | 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 | : | Rs.5,808,934 |
| | (ii) for the previous financial year of the Subsidiary since it became the holding Company's subsidiary | : | Rs. Nil |
| 5. | 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 | : | Rs. Nil |
| | (ii) for the previous financial years of the subsidiary Since it became the subsidiary of the holding Company. | : | Rs. Nil |

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

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Managing Director & CEO

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Whole-time Director

Sarat Chandran
Company Secretary

Mumbai
 17 July 2010