

ANNUAL REPORT 2010-11



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MCX-SX

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Ashok Jha, IAS, (Retd.), Chairman
Mr. Jignesh Shah, Vice Chairman
Mr. Joseph Massey, Managing Director & CEO
Mr. S.U. Kamdar, Justice (Ex)
Dr. Nitish Sengupta, IAS, (Retd.)
Mr. S. S. Thakur
Mr. C. M. Maniar
Mr. P.R. Barpande
Prof. (Mrs.) Ashima Goyal
Mr. Vepa Kamesam
Mr. B. D. Sumitra
Mr. Atul Rai
Mr. V. Hariharan
Mr. C. VR. Rajendran
Mr. V. K. Khanna
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
Dr. L.C. Gupta

COMPANY SECRETARY

Mr. S. Sarat Chandran

STATUTORY AUDITORS

M/s. Chaturvedi & Shah, Chartered Accountants

REGISTERED OFFICE

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

DIRECTOR'S REPORT

Ashok Jha, IAS (Retd.)
Chairman, MCX-SX



TO THE MEMBERS OF MCX STOCK EXCHANGE LIMITED

Your Directors have pleasure in presenting their Third Annual Report and the Audited Statement of Accounts and Auditors' Report for the period commencing from April 1, 2010 to March 31, 2011.

1. FINANCIAL RESULTS

(₹ in crore)

Particulars	Period ended March 31, 2011	Period ended March 31, 2010
Total Income	39.15	29.52
Less: Expenditure	96.95	85.73
Loss Before Tax	57.80	56.21
Less: Provision For Tax	—	—
Loss After Tax carried to Balance Sheet	57.80	56.21

During the year under review, the Company registered a Total Income of ₹ 39.15 crore as against ₹ 29.52 crore during the previous year. The loss after tax for the year under review was ₹ 57.80 crore as compared to ₹ 56.21 crore in the previous year.

The loss, which has been continuing from the previous years, has been incurred due to lack of any operational revenue streams in the Currency Derivatives (CD) segment of the Exchange, which is currently, its only 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 by the Exchange's main competitor through adoption of a predatory zero pricing policy in its CD segment alone, which has now continued for more than two and a half years.

The Company had approached the Competition Commission of India for relief against the anticompetitive practices of the competitor and the Commission has now passed an order dated June 23, 2011, finding the competitor to be in contravention of several clauses of section 4 of the Competition Act, 2002 and inter alia directing under Section 27 of the Act as under –

- a) directing the competitor to cease and desist from unfair pricing, exclusionary conduct and unfairly using its dominant position in other market/s to protect the CD market;
- b) directing the competitor to maintain separate accounts for each segment from April 1, 2012;
- c) directing the competitor to modify its zero price policy and ensure that appropriate transaction costs are levied – to be implemented within 60 days of the order;
- d) imposing a penalty of ₹ 55.5 crore on the competitor;

Your Company hopes to do much better in the next year as conditions of free and fair competition are expected to be restored in the stock exchange services market in view of the above order.

The Exchange's applications for grant of regulatory approvals for commencement of trading in other segments and products have been rejected by an order dated September 23, 2010 passed by the Securities and Exchange Board of India (SEBI). The Exchange has challenged the said order by way of a writ petition filed before the Hon'ble High Court of Bombay, which is pending admission. Granting of relief by the competition regulator in the CD segment and commencement of other segments, subject to outcome of the proceedings before the Hon'ble High Court, would open up operational revenue streams for the Company.

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 CD segment on October 7, 2008, under the regulatory framework of 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 a trading platform only for the CD segment. It offers 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 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 it is 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.

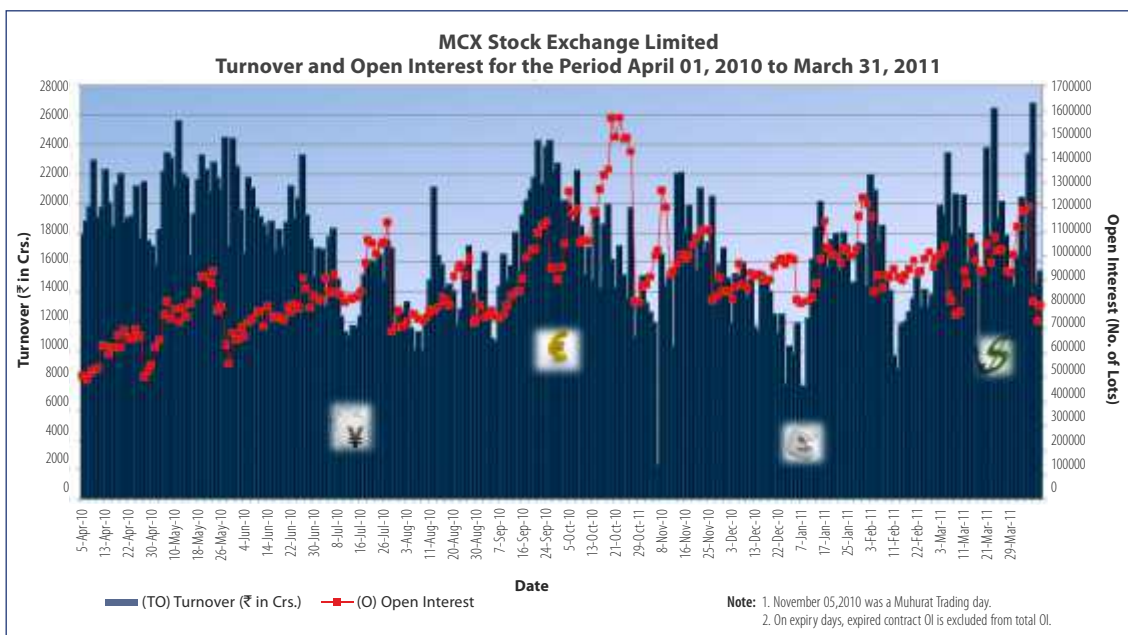
TURNOVER AND MEMBERSHIP GROWTH

It was observed that the Average Daily Turnover in the Currency Futures segment has shown a marginal decrease from April 2010 to March 2011 i.e. the Average Daily Turnover which was at ₹19651.14 crore in April 2010 fell to ₹18359.02 crore in March 2011. The reduction in the turnover of Currency Futures volume was also experienced by the other major exchanges operating in the market. As USD/INR options

has been included in the CD segment as per extant guidelines, the overall volumes of Currency Futures contract exclusively has shown a moderate decline.

However, as on March 2011, the Exchange had 734 members through 4556 users spread across 555 centers, as against 658 members through 4473 users spread across 498 centers as on March 2010. As such the number of users have increased, indicating broad based participation in the Currency Futures platform.

The turnover and open interest for the period April 01, 2010 to March 31, 2011 is reflected in the graph below



MARKET STATISTICS OF MCX-SX FOR THE PERIOD

Performance	March 2011	March 2010
Approved no. of members (Registered with SEBI)	734.00	658.00
Centers participating across India	555.00	498.00
Average daily turnover (₹ in cr.)	18,359.02	18,167.24
Highest turnover (₹ in cr.)	26,741.38	22,756.36
Average daily volume (no. of contracts)	4,005,549	3,824,972
Highest no of contracts (no. of contracts)	5,865,789	4,771,129

MONTHLY TRADING STATISTICS

Currency Futures Segment at MCX-SX

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

Period	No. of Contracts Traded	Trading Value (₹ In Crs.)
2008-09 (Oct-Mar)	2,98,47,569	148,825.98
2009-10 (Apr-Mar)	40,81,66,278	1,944,654.11
2010-11 (Apr-Mar)	90,31,85,639	4,194,017.48
2011-12 (Apr-May)	13,72,31,699	627,865.20

MEMBERSHIP

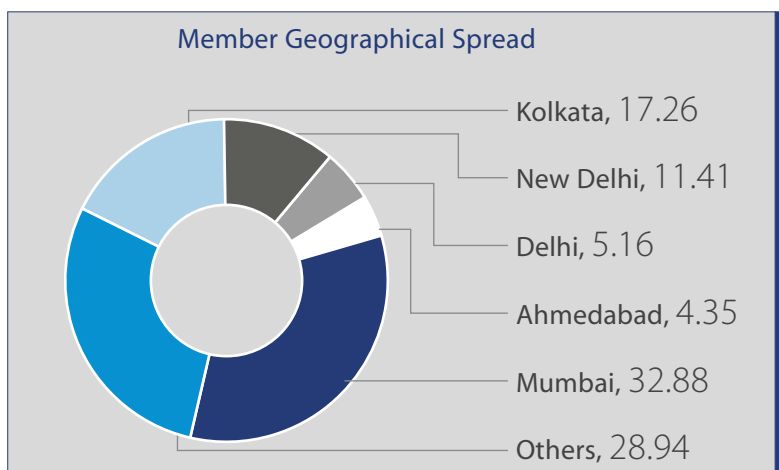
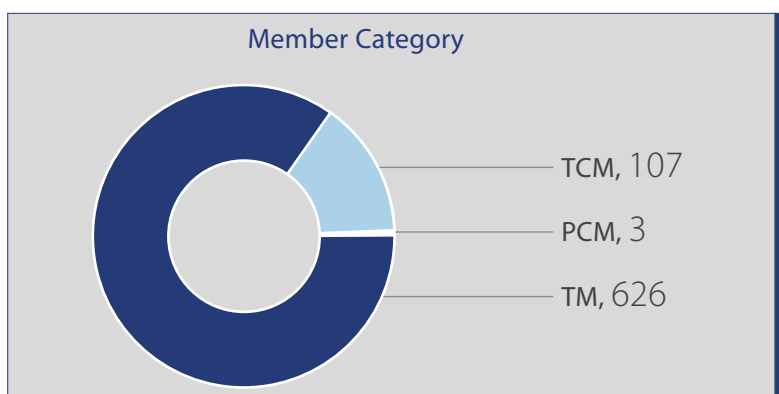
Membership on MCX Stock Exchange Ltd. is of three types:

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. They cannot trade either on their own account or clients.

The Exchange had 736 members registered with SEBI as on May 31, 2011.



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.

CERTIFICATIONS

In continuation with its commitment to provide quality-driven services to members, MCX-SX has successfully cleared the ISO 9001:2008 Surveillance Audit and has been recommended for continuation of this certification. Further, information security being a crucial aspect of day to day business

processes, MCX-SX continues to retain the ISO/IEC 27001:2005 certification for its effective Information Security Management System. As a step towards demonstrating its dedication towards sustaining the Environment, MCX-SX has also cleared the Surveillance Audit for ISO 14001:2004, and continues to hold the certification for the same.

Sr. No.	Certificate	Purpose / Scope	Certificate Date	Validity
1.	ISO 9001:2008	Quality Management System (QMS)	16-09-2009	15-09-2012
2.	ISO/IEC 27001:2005	Information Security Management System (ISMS)	16-09-2009	15-09-2012
3.	ISO 14001:2004	Environmental Management System	16-09-2009	15-09-2012

NEW INITIATIVES

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

- Communique – Monthly Exchange Newsletter giving important developments across various Exchanges of the world.
- Market Update - Encompasses the happenings around the Global Financial Markets & Macro view on Indian Financial Markets.
- Conduct of Training & Seminars across the length and breadth of the country continued during the last year also.

THE WAY FORWARD

The Exchange is fully committed to introduce trading in new asset classes under the extant regulatory framework subject to necessary regulatory approvals. The Company was not allowed to commence operations in other segments or products by an order dated 23rd September, 2010, passed by SEBI. The Company has challenged the above mentioned order of SEBI before the Hon'ble High Court of Bombay by way of writ petition and the matter is pending for admission.

The introduction of other asset classes and products would be done subject to necessary regulatory approvals with best research and enhanced dissemination of Financial Literacy by educating the market participants about the usefulness as well as the risk involved in various asset classes.

The finances of the company would improve with the order of the Competition Commission of India mentioned above and the Company hopes to play a more fulfilling role in the Indian economy & securities market.

4. SHARE CAPITAL

The Authorised Share Capital of the Company is ₹ 250,00,00,000/- divided into 250,00,00,000 equity shares of ₹ 1/- each.

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

The Paid up Capital of the Company is ₹ 54,33,03,000/- divided into 54,33,03,000 equity shares of ₹ 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%

A total of 119,66,30,000 transferable warrants issued under the scheme of reduction cum arrangement which was sanctioned by the

Hon'ble High Court of Bombay are presently held by two shareholders.

5. DIRECTORS

With a view to meet the requirements of the Board composition as specified by the SEBI and after obtaining requisite approvals from it, three Additional Directors Mr. S.U. Kamdar, Mr. P.R. Barpande and Prof. (Mrs.) Ashima Goyal, were appointed as Public Interest Directors in the Board Meeting held on March 12, 2011. With their appointment, the strength of the Board has risen to 18, which is the maximum sanctioned strength under Articles of the Company.

The three Additional Directors, Mr. S.U. Kamdar, Mr. P. R. Barpande and Prof. (Mrs.) Ashima Goyal will cease to hold office at the Third Annual General Meeting of the Company and are eligible for appointment as Directors. The Company has received a notice in writing together with requisite

deposit from a Member under Section 257 of the Companies Act, 1956 proposing their candidature for the office of Directors of the Company. Your Board recommend their appointment as Directors of the Company.

Mr. A. A. Badshah (representing Bank of India), Mr. V.K. Khanna (representing Union Bank of India), Mr. C. VR. Rajendran (representing Corporation Bank) and Mr. P.K. Chhokra (representing Punjab National Bank) were appointed as Directors at the last Annual General Meeting till the third Annual General Meeting in accordance with a rotational representation policy. However, having regard to the current status of the Exchange, it is proposed for the sake of continuity that the same directors may continue. The Company has received a notice in writing from a Member under Section 257 of the Companies Act, 1956 proposing candidature of Mr. A.A. Badshah, Mr. V.K. Khanna, Mr. C. VR. Rajendran and Mr. P.K.

Chhokra for the office of Directors of the Company. Your Directors recommend their appointment as Directors of the Company.

Mr. B.D. Sumitra, Mr. C.M. Maniar, Dr. Nitish Sengupta and Mr. Atul Rai are liable to retire by rotation at the ensuing Annual General Meeting and being eligible 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 CD 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 personnel leading different Departments of the Exchange, which reports to the Managing Director and the Whole-time Director.

7. HUMAN RESOURCES AND PARTICULARS OF EMPLOYEES

During the period under review, emphasis was placed on Human Resource Planning with the objective of optimum utilization of existing manpower. Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the period ended March 31, 2011, is given in Annexure A to this Report.

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. MCX-SXCCL 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 CD segment of MCX-SX.

During the financial year 2010-11, the subsidiary has registered a total income of ₹ 121,086,568/- as against ₹ 120,575,406/- during the previous year. The profit after tax for the year under review was

₹ 9,963,090/- compared to ₹ 11,390,067 /- in the previous year.

During the financial year, the MCX-SXCCL had successfully carried out 249 settlements amounting to

₹ 2086.73 crore without any delay and shortages. On account of its robust risk management practices, Settlement Guarantee Fund has never been put to use. Some other highlights of the year are:-

- a) Based on an assessment carried out by reputed consulting agency, Deloitte Touche Tohmatsu India Private Limited ("DTTIPL"), MCX-SXCCL observes CPSS-IOSCO recommendations for Securities Settlement Systems - an international benchmark for central counterparties.
- b) MCX-SXCCL has retained LAAA (SO) by ICRA, indicating the highest level of safety of collaterals parked with a Clearing Corporation.

- c) MCX-SXCCL 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.
- d) During the financial year, MCX-SXCCL has empanelled IDBI Bank as a clearing bank, and Stock Holding Corporation of India Limited as a custodian of collaterals to provide wider choice to members at competitive terms.
- e) MCX-SXCCL has implemented Risk Analysis & Management System (RAMS) to strengthen its Risk Management Capabilities. RAMS system provides for simulation of margins considering various scenarios of prices and volatility. A dedicated module for collateral management was introduced during the year. MCX-SXCCL has also introduced Secured FTP, an interface which offers high level of security for transfer of files with various clearing intermediaries.

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

9. COMPLIANCES

The Company is recognized as a stock exchange by SEBI 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 RBI from time to time. The Company follows an internal policy of comprehensive compliance reporting.

10. DEPOSITS

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

11. AUDITORS

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

Consequently, as per the provisions of Section 619B of the Companies Act, 1956 the auditors of the Company for the current financial year, M/s Chaturvedi & Shah, Chartered Accountants, Mumbai were appointed by the Comptroller and Auditor General of India (CAG). In view of continuance of the same shareholding pattern, the auditors for the FY 2011-12 would also be appointed by the CAG.

12. COMPOSITION OF AUDIT COMMITTEE

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

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

The Audit Committee met five times during the financial year 2010-11 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 Rules 2B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, concerning conservation of energy and technology absorptions are not applicable to the Company.

There was no foreign exchange earnings during the period ended March 31, 2011. The foreign exchange outgo during the year ended March 31, 2011 cumulatively amounted to ₹ 1,88,57,790/- as compared to ₹ 29,78,895/- in



the year ended March 31, 2010.

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 necessary initiatives 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 on risk management of volatility in foreign currency.

14. DIRECTORS' RESPONSIBILITY STATEMENT

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

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

accounts on a going concern basis.

15. BUY-BACK OF SHARES

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

16. EMPLOYEES STOCK OPTION PLAN

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

17. ACKNOWLEDGEMENTS

The Directors would like to place on record their gratitude for the valuable guidance and support received from the Government of India, particularly Ministry of Finance and Ministry of Corporate Affairs, Securities and Exchange Board of India, Reserve Bank of India, participating banks, clearing banks, NSDL, CDSL, FEDAI, FIMMDA, FIEO, CII, FICCI, ASSOCHAM, IMC, IOSCO, SAFE, IGIDR, ICRIER, WFE, FIA, TIE, FISME and various other international, national and regional chambers of commerce, trade associations and all other broker-members, 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".

For and on behalf of the Board of Directors

Ashok Jha
Chairman

Date: June 30, 2011
Place: Mumbai

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

S. No.	Name and Qualification	Age in yrs	Designation/ Nature of Duties	Remuneration Received (₹)	Experience (No. of yrs)	Date of commencement of employment	Previous employment
1.	Mr. Joseph Massey MA, MBA	49	Managing Director & CEO	1,80,00,000	23	June 1, 2009	MD & CEO - Multi Commodity Exchange of India Ltd.
2.	Mr. U Venkataraman BBA, CAIIB	57	CEO- Currency Derivatives Segment	90,00,000	35	November 13, 2008	Head-Treasury - IDBI Bank Ltd.
3.	Ms. Latika Kundu B.Com, MBA	40	Head - Market Operations	60,00,000	18	October 1, 2008	Vice President - Lehman Brothers
4.	Mr. Sanjit Prasad BA, PGDRM	41	Director – Business Development	60,00,000	15	December 19, 2008	Assistant Manager - Stock Holding Corporation of India Ltd
5.	Mr. KRCV Seshachalam BA, LLB, B.Ed	48	Director - Legal & Secretarial, Investor Grievances	60,00,000	23	December 1, 2008	Deputy Legal Advisor - SEBI

Notes:

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

For and on behalf of the Board of Directors

Ashok Jha
Chairman

Date: June 30, 2011
Place: Mumbai

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 are presently intended to be offered through Trust
f.	Options lapsed (as at March 31, 2011)	2,50,000
g.	Variation of terms of options (as at March 31, 2011)	None
h.	Money realized by exercise of options	Not Applicable
i.	Total number of options in force (as at March 31, 2011)	8,75,000
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 2009-10, all of the grants were in excess of 5% of the total options granted in that 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, 2011)	₹ (1.07)/-

Sl. No.	Particulars	Employees Stock Option Scheme – 2009 (Grant I)
I.	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	₹ 83,585/-
	iii) The impact of this difference on profits and on EPS of the Company	Loss would have been greater by Rs. 83,585/- There would have been no material impact on the EPS.
m.	Weighted average exercise price and Weighted average fair value	Not Applicable
n.	Fair value of options based on Black Scholes methodology	₹ 1/-
	Assumptions	<ul style="list-style-type: none"> • 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 were offered through the Trust. Future options are presently intended to be offered through one or more trusts.
- The shares of the Company are not listed on any Stock Exchange. Therefore, Expected Volatility has been considered as Zero and Fair Value of the Option has been considered as ₹ 1/- being the Face Value.

For and on behalf of the Board of Directors

Ashok Jha
Chairman

Date: June 30, 2011
Place: Mumbai

AUDITORS' REPORT

To The Members of

MCX STOCK EXCHANGE LIMITED

1. We have audited the attached Balance Sheet of **MCX Stock Exchange Limited** as at March 31, 2011, the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Without qualifying our opinion, we draw attention to the note No. 1 in notes to accounts in Schedule 17 about the preparation of financial statements on going concern basis, provision for impairment of fixed assets and work – in – progress and utilization of outstanding service tax credits, for the reasons explained therein.
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of those books;
 - c) The Balance Sheet, 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 Section 211(3C) of the Companies Act 1956;
 - e) On the basis of written representations received from the Directors as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and

other notes thereon give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;

- (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 the Cash Flow Statement, of the cash flows for the year ended on that date.

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

R. Koria
Partner
Membership No.35629

Date: June 30, 2011
Place: Mumbai

ANNEXURE

TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

1. In respect of its fixed assets:

- a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) As explained to us, fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to size of the Company and nature of its assets. No material discrepancies were noticed on such verification.
- c) In our opinion and according to the information and explanations given to us, the Company has not disposed off substantial part of its fixed assets during the year and the going concern status of the Company is not affected.

2. The activities of the Company and the nature of business do not involve the use of inventories. Accordingly, provisions of Clause (ii) of Paragraph 4 of the Order are not applicable to the company.

3. The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, provisions of Clause (iii) of Paragraph 4 of the Order are not applicable to the company.

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of

the Company and the nature of its business with regard to the purchase of fixed assets and also for sale of services. In our opinion and according to the information and explanations given to us, we have not observed any continuing failure to correct major weaknesses in internal control system.

5. In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956:

- a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.

- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts / arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of ₹ 5,00,000 in respect of each party during the year have been made at prices which appear reasonable as per information available with the Company except for purchase of certain information technology related services which are for the company's specialized requirements and for which suitable alternative source are not available to obtain comparable quotations.

6. According to the information and explanations given to us, the Company has not accepted any deposits from the public. Therefore, the provisions of Clause (vi) of paragraph 4 of the Order are not applicable to the Company.

7. In our opinion, the Company has an internal audit system commensurate with the size

and nature of its business.

8. To the best of our knowledge and according to the information and explanations provided to us, the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of any services rendered by the Company.
9. In respect of statutory dues:
 - a) According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Customs Duty, Cess and any other statutory dues as applicable, have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2011 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 441 of the Companies Act, 1956, 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, Sales-tax, Service Tax, Customs Duty, Wealth Tax, Cess which have not been deposited with the appropriate authorities on account of any dispute.
10. The Company has not completed five years since incorporation and hence the provisions of Clause (X) of paragraph 4 of the Order are not applicable to the Company.
11. The Company did not have any outstanding dues to any financial institutions, banks and Debenture holders during the year. Therefore the question of default will not arise.
12. In our opinion and according to the explanations given to us and based on the information available, no loans and advances have been granted on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
14. The Company has maintained proper records of the transactions and contracts in respect of securities and other investments and timely entries have been made therein. All shares, securities and other investments have been held by the Company in its own name except to the extent of the exemptions granted under Section 49 of the Companies Act, 1956.
15. The Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company did not have any term loan outstanding during the year.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that there are no funds raised on short term basis used for long term investments.
18. The Company has not made any preferential allotment of shares during the year under audit to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any monies by way of public issue during the year.
21. In our opinion and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

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

R. Koria
Partner
Membership No.35629

Date: June 30, 2011
Place: Mumbai

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF MCX STOCK EXCHANGE LIMITED FOR THE YEAR ENDED 31ST MARCH 2011.

The preparation of financial statements of MCX Stock Exchange Limited for the year ended 31st March, 2011 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 30 June 2011.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditor on the accounts of MCX Stock Exchange Limited for the year ended 31 March, 2011 and as such have no comments to make under Section 619(4) of the Companies Act, 1956.

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

(Alka R. Bhardwaj)

Principal Director of Commercial Audit and
Ex- Officio Member, Audit Board – I, Mumbai

Place: Mumbai
Date: 12 August 2011

BALANCE SHEET AS AT MARCH 31, 2011

As at		As at		As at		(Amount in ₹)	
March 31, 2010	Liabilities	Schedules	March 31, 2011	Assets	Schedules	March 31, 2011	As at March 31, 2011
53,78,70,000	Share Capital	1	53,78,70,000	Fixed Assets	5		
				Gross block		18,07,02,910	
3,46,05,00,000	Reserves and Surplus	2	3,46,05,00,000	Less: Depreciation /			
				Amortisation to date		6,94,27,875	
				Net Block		11,12,75,035	
1,19,66,30,000	Non Refundable		1,19,66,30,000	Capital Work-In-Progress		10,00,00,000	
	Interest Free Deposits (Warrants)						21,12,75,035
	(Refer Note No.4 of Schedule 17)						
	Current Liabilities and			Investments	6		13,75,02,285
	Provisions			Current Assets, Loans and			
15,84,44,277	Current Liabilities	3	10,72,20,036	Advances			
				Current Assets			
67,46,886	Provisions	4	1,16,24,468	Sundry Debtors	7		6,70,484
				Cash and Bank Balances	8		3,15,30,18,140
				Other Current Assets	9		12,18,60,478
				Loans and Advances	10		25,07,30,991
				Profit and Loss Account			1,43,87,87,091
5,36,01,91,163		Total	5,31,38,44,504	Total			5,31,38,44,504

Significant Accounting Policies
Notes to the Accounts

As per our report of even date

For **Chaturvedi & Shah**
Chartered Accountants**R.Koria**
PartnerFor and on Behalf of the Board of Directors of
MCX Stock Exchange Limited**Joseph Massey**
Managing Director & Chief Executive Officer**Sarat Chandran**
Company SecretaryPlace : Mumbai
Date : June 30, 2011**U.Venkataraman**
Whole-time Director**Ghanashyam V. Rao**
Vice President Finance & Accounts

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

		(Amount in ₹)			
2009-10	Expenditure	Schedules	2010-11	2009-10	Income
29,85,96,651	Operating Expenses	13	27,85,91,981	1,36,94,189	Income from Operations
15,25,36,621	Personnel Costs	14	20,89,23,197	28,15,43,680	Other Income
38,01,35,181	Establishments and Other Expenses	15	45,06,37,577		
22,122	Interest Others		39,689		
2,60,20,309	Depreciation / Amortisation	5	3,12,76,931		
-	Provision for taxes		-	56,20,73,015	Loss for the year carried down
85,73,10,884	Total		96,94,69,375	85,73,10,884	Total
29,87,42,319	Balance as per last Balance sheet		86,08,15,334		
56,20,73,015	Loss for the year brought down		57,79,71,757	86,08,15,334	Balance carried to Balance Sheet
86,08,15,334	Total		1,43,87,87,091	86,08,15,334	Total
					96,94,69,375
					1,43,87,87,091

(0.36) Basic and Diluted Earnings Per Equity Share of (1.07)

Face Value of Re.1 each (Refer note 10 of Schedule 17)

Significant Accounting Policies
Notes to the Accounts

17

The schedules referred to above form an integral part of this profit and loss account.
As per our report of even date

For **Chaturvedi & Shah**
Chartered Accountants

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

R.Koria
Partner

Place : Mumbai
Date : June 30, 2011

Joseph Massey
Managing Director &
Chief Executive Officer

Sarat Chandran
Company Secretary

Place : Mumbai
Date : June 30, 2011

U.Venkataraman
Whole-time Director

Ghanashyam V. Rao
Vice President Finance & Accounts

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Amount in ₹)

	2010-11	2009-10
A. Cash flow from Operating Activities		
Net loss before tax	(57,79,71,757)	(56,20,73,015)
Adjustments for		
Depreciation/Amortisation	3,12,76,931	2,60,20,309
Dividend from Investment	(43,70,388)	(3,13,66,224)
Net Prior Year Adjustments	5,91,247	-
Unrealised Exchange Rate fluctuation	3,127	-
Interest Income	(25,73,72,071)	(16,52,87,280)
Loss on sale of asset	1,60,950	-
Profit on sale of investments (net)	(1,96,83,980)	(12,83,981)
Depletion in value of investments	-	12,65,380
Operating profit/ (loss) before working capital changes	(82,73,65,941)	(73,27,24,811)
Adjustments for		
Trade & other receivables	(4,99,79,576)	(8,79,56,043)
Other current assets	88,442	(5,88,620)
Trade payables	(4,76,12,039)	(9,75,03,173)
Cash generated from operations	(92,48,69,114)	(1,09,35,98,239)
Net Prior Year Adjustments	(5,91,247)	-
Less: Taxes paid	(2,96,44,484)	(2,50,72,629)
Net cash generated from (used in) operating activities	(95,51,04,845)	(1,11,86,70,868)
B. Cash flow from Investing Activities		
Purchase of fixed assets	(2,28,45,571)	(12,73,18,253)
Sale of asset	6,58,411	-
Purchase of current investments	(2,37,20,00,011)	(13,75,43,81,964)
Sale of current investments	2,89,20,68,462	14,03,33,28,005
Fixed deposit placed with banks (Refer note 3 of Cash Flow Statement)	(3,45,71,95,265)	(3,34,02,81,724)
Fixed deposit matured (Refer note 3 of Cash Flow Statement and note 14 of Schedule 17)	3,67,02,81,724	49,85,00,000
Purchase of equity shares in subsidiary company	-	(10,20,00,000)
Interest received	24,99,35,271	6,74,04,833
Net cash generated from (used in) Investing Activities	96,09,03,021	(2,72,47,49,103)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011 (Continued)

(Amount in ₹)

	2010-11	2009-10
C. Cash flow from Financing Activities		
Proceeds from issuance of shares	-	38,45,00,000
Secuity premium collected	-	3,46,05,00,000
Net Cash Generated from Financing Activities	-	3,84,50,00,000
Net Increase in Cash and Cash Equivalents	57,98,176	15,80,029
Cash and Cash Equivalents at Beginning of the Year (Refer note 2 of Cash Flow Statement)	2,00,24,699	1,84,44,670
Cash and Cash Equivalents at End of the Year (Refer note 2 of Cash Flow Statement)	2,58,22,875	2,00,24,699
Add : Fixed Deposits held for more than three months	3,12,71,95,265	3,34,02,81,724
Closing Cash and Bank Balance as per Schedule 8	3,15,30,18,140	3,36,03,06,423

Notes to Cash Flow Statement:

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

(Amount in ₹)

	2010-11	2009-10
Cash on Hand	24,247	27,639
Bank Balances: - In Current Accounts	2,57,98,628	1,99,97,060
	2,58,22,875	2,00,24,699

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.
4. Fixed deposits included Rs.300,000,000 (Previous Year Nil) under lien with banks for Bank Guarantee and ₹ 1,153,700 (Previous Year ₹ 1,091,023) earmarked towards Investor Service Fund.
5. Figures in brackets represent cash outflows.

As per our report of even date

For **Chaturvedi & Shah**
Chartered Accountants

R.Koria
Partner

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

Joseph Massey
Managing Director & Chief Executive Officer

Sarat Chandran
Company Secretary

Place : Mumbai
Date : June 30, 2011

U.Venkataraman
Whole-time Director

Ghanashyam V. Rao
Vice President Finance & Accounts

SCHEDULES TO THE FINANCIAL STATEMENTS

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in ₹)

	As at March 31, 2011	As at 31 March 2010
Schedule 1 : Share Capital:		
Authorised:		
2,500,000,000 (Previous Year: 2,500,000,000) Equity Shares of Re.1/- each	2,50,00,00,000	2,50,00,00,000
Issued, Subscribed and Paid-up:		
543,303,000 (previous year: 543,303,000) equity shares of Re 1/- each, fully paid up	54,33,03,000	54,33,03,000
Less :- Amount recoverable from MCX Stock Exchange ESOP Trust (Refer Note 2 of Schedule 17) [5,433,000 (Previous Year 5,433,000) equity shares of Re 1/- each fully paid allotted to the MCX Stock Exchange ESOP Trust]	54,33,000	54,33,000
	53,78,70,000	53,78,70,000
Schedule 2 : Reserve and Surplus:		
Securities Premium Account		
At the commencement of the year	3,46,05,00,000	-
Add :- Received on Issue of Shares	-	3,46,05,00,000
	3,46,05,00,000	3,46,05,00,000
Schedule : 3 Current Liabilities		
Sundry Creditors :		
Total Outstanding dues to Micro, Small and Medium Enterprises	-	-
Refer note 12 of Schedule 17) Total Outstanding dues to Creditors other than Micro, Small and Medium Enterprises	1,70,40,858	5,64,81,688
	1,70,40,858	5,64,81,688
Amount received from members and applicants towards :		
- Vsat connectivity charges	38,20,682	56,75,943
- Admission fees	44,50,000	43,00,000
- Deposits	4,30,00,000	3,43,00,000
	5,12,70,682	4,42,75,943
Investor protection fund [including interest earned of Rs.Nil (Previous Year Rs.55,920)]	-	38,09,680
(Refer note 14 of schedule 17)		
Investor service fund [including interest earned of Rs.27,576 (Previous Year Rs.22,418)]	11,88,410	11,20,575
(Refer note 15 of schedule 17)		
Security Deposits from Settlement Bankers	-	1,00,00,000
Sebi Regulatory Fees	2,00,00,000	2,00,00,000
Other Liabilities	1,77,20,086	2,27,56,391
	10,72,20,036	15,84,44,277
Schedule 4 : Provisions		
Provision for Gratuity	66,47,324	39,57,234
Provision for Leave Encashment	49,43,563	27,89,652
Provision for Wealth Tax	33,581	-
	1,16,24,468	67,46,886

SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTINUED)

(Amount in ₹)

PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at April 01, 2010	Additions during the year	Deletions/ Adjustments	As at March 31, 2011	Upto March 31, 2010	For the year	Deletions/ Adjustments	Upto March 31, 2011	As at March 31, 2011	As at March 31, 2010
Schedule 5 : Fixed assets										
<u>Tangible Assets</u>										
Office Equipments	25,12,962	20,21,804	28,123	45,06,643	1,15,067	2,22,786	14,499	3,23,354	41,83,289	23,97,895
Computer Hardware	3,33,84,268	1,30,02,146	91,395	4,62,95,019	68,93,442	71,81,626	15,590	1,40,59,478	3,22,35,541	2,64,90,826
Furniture & Fixtures	51,38,081	20,86,888	-	72,24,969	1,56,997	5,60,434	-	7,17,431	65,07,538	49,81,084
Vehicles	31,55,980	52,15,649	8,10,050	75,61,579	1,98,205	4,70,254	80,118	5,88,341	69,73,238	29,57,775
<u>Intangible Assets</u>										
Computer Software (Other than internally generated)	11,35,71,320	15,43,380	-	11,51,14,700	3,08,97,440	2,28,41,831	-	5,37,39,271	6,13,75,429	8,26,73,880
TOTAL	15,77,62,611	2,38,69,867	9,29,568	18,07,02,910	3,82,61,151	3,12,76,931	1,10,207	6,94,27,875	11,12,75,035	11,95,01,460
Previous Year	13,14,68,654	2,62,93,957	-	15,77,62,611	1,22,40,842	2,60,20,309	-	3,82,61,151	11,95,01,460	-

Capital Work-In-Progress

(Refer note 1 (a) of Schedule 17)

10,00,00,000 10,10,24,296

SCHEDULES TO THE FINANCIAL STATEMENTS

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in ₹)

	As at March 31, 2011	As at 31 March 2010
Schedule 6 : Investments		
A) Long Term Investments		
Unquoted, Trade		
Investment in Subsidiary Company		
12,750,000 Equity Shares (Previous Year 12,750,000) of MCX-SX Clearing Corporation Limited of Rs.10 each fully paid.	12,75,00,000	12,75,00,000
Unquoted, Non Trade		
In units of Mutual Funds		
NIL (Previous Year 6,555,741) of Rs.10/- each in Reliance Regular Savings Fund Debt Plan Institutional Growth Plan	-	8,00,00,000
NIL (Previous Year 20,000,000) of Rs.10/- each in HDFC FMP 13M Oct, 2009 GR Series XI	-	20,00,00,000
	-	28,00,00,000
B) Current investments		
Unquoted, Non Trade		
In units of Mutual Funds		
248,686 (Previous Year 5,001,125) of Rs. 10/- each in Canara Robeco Dynamic Bond Fund - Institutional - Dividend	25,00,545	5,00,11,254
204,499 (Previous Year NIL) of Rs. 10/- each in Kotak Liquid - Inst Premium Plan - Daily Dividend	25,00,636	-
NIL (Previous Year 518) of Rs.10/- each in Reliance Liquidity Fund -Daily Dividend Reinvest	-	5,191
NIL (Previous Year 5,013,390) of Rs.10/- each in Reliance Short Term Fund - Retail Plan - Dividend Plan	-	5,32,75,668
247,693 (Previous Year NIL) of Rs.10/- each in Sundaram Money Fund Super Institutional.Daily Dividend Reinvest	25,00,540	-
NIL (Previous Year 4,372,251) of Rs.10/- each in Sundaram Flexible Fund - ST Inst - Daily Dividend Reinvest	-	4,39,49,430
NIL (Previous Year 27,509) of Rs.1,000/- each in Taurus Liquid Fund - Super Institutional- Daily Dividend Reinvest	-	2,75,09,445
NIL (Previous Year 49,926) of Rs.1,000/- each in Taurus Ultra Short Term Fund Super Institutional Daily Dividend Reinvest	-	5,00,00,000
2,498 (Previous Year NIL) of Rs.1,000/- each in Templeton India Ultra Short Bond Fund Super Institutional Plan - Daily Dividend Reinvestment	25,00,564	-
	1,00,02,285	22,47,50,988
	1,00,02,285	22,47,50,988
Total Investments	13,75,02,285	63,22,50,988

(Amount in ₹)

Notes:	As at 31.03.2011		As at 31.03.2010	
	Book Value	Market Value	Book Value	Market Value
1 Aggregate value of unquoted investments	13,75,02,285	-	63,22,50,988	-
2 Investments Purchase/Sold during the year*	Face Value		No of	Cost
<u>Units of Mutual Funds</u>	₹		units	₹
Baroda Pioneer Liquid Fund - Institutional Daily Dividend Plan	10		89,95,630	9,00,12,970
Canara Robeco Liquid Super Institutional Premium Plan - Daily Dividend Reinvest	10		1,21,11,642	12,17,82,559
DWS Insta Cash Plus Fund - Super IP - Daily Dividend Reinvest	10		79,76,875	8,00,11,244
Kotak Liquid - Inst Premium Plan - Daily Dividend Reinvest	10		45,13,324	5,51,89,382
LIC MF Liquid Fund - Daily Dividend Reinvest	10		2,30,12,306	25,26,77,417

(Amount in ₹)

2 Investments Purchase/Sold during the year*	Face Value Rs.	No of units	Cost Rs.
Units of Mutual Funds			
Reliance Short Term Fund - Dividend Plan	10	87,039	9,24,422
Reliance Liquidity Fund -Daily Dividend Reinvest	10	3,19,44,627	31,96,09,192
SBI Magnum Insta Cash - Daily Dividend Reinvest	10	3,54,04,203	59,30,31,026
Sundaram Flexible Fund - ST Inst - Daily Dividend Reinvest	10	50,560	5,08,227
Sundaram Money Fund - Super IP - Daily Dividend Reinvest	10	1,02,22,564	10,31,99,854
Taurus Liquid Fund - Super Institutional- Daily Dividend Reinvest	1,000	6,98,582	69,85,94,111
Taurus Ultra Short Term Fund Super Institutional Daily Dividend Reinvest	1,000	535	5,35,330
Templeton India TMA - Super IP - Daily Dividend Reinvest	1,000	50,259	5,02,92,382

*Purchases includes dividend re-invested in units.

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in ₹)

	As at March 31, 2011	As at 31 March 2010
Schedule 7 : Sundry Debtors		
Unsecured		
Debts Outstanding for a period exceeding six months		
Considered Good	1,85,394	-
Considered Doubtful	-	-
	1,85,394	-
Other Debts- Considered Good #	4,85,090	19,23,600
# Includes Rs.434,783 (Previous Year Rs.1,246,677) due from MCX-SX Clearing Corporation Ltd (Subsidiary Company)		
	6,70,484	19,23,600
Schedule 8 : Cash and Bank Balances		
Cash on Hand	24,247	27,639
Balance with Scheduled Banks		
- In Current Account	2,57,98,628	1,99,97,060
- Fixed Deposit *	3,12,71,95,265	3,34,02,81,724
* Includes :		
(A) Fixed Deposit of Rs.Nil (Previous Year Rs.2,721,427) earmarked towards the Investor Protection Fund and Rs.1,153,700 (Previous Year Rs.1,091,023) earmarked towards the Investor Service Fund.		
(B) Fixed Deposits under lien with Banks for Bank Guarantee- Rs.300,000,000 (Previous Year Nil)		
	3,15,30,18,140	3,36,03,06,423
Schedule 9 : Other Current Assets		
Interest Accrued on Fixed Deposits	12,13,60,300	11,39,23,500
[Includes Rs.Nil (Previous Year Rs.55,920) earmarked towards Investor Protection Fund and Rs. 24,818 (Previous Year Rs.22,418) earmarked towards Investor Service Fund]		
Others	5,00,178	5,88,620
	12,18,60,478	11,45,12,120
Schedule 10 : Loans and Advances		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received **	1,97,81,322	2,68,59,741
Sundry Deposits	2,06,99,916	1,32,07,000
Advance Income Tax (Net of Provision)	6,00,59,646	3,04,15,162
Balance with Central Excise and Service Tax authorities	15,01,90,107	9,93,75,039
	25,07,30,991	16,98,56,942
	25,07,30,991	16,98,56,942

SCHEDULES TO THE FINANCIAL STATEMENTS

** includes Rs.567,000 (Previous Year Rs.577,000) balance with MCX Stock Exchange ESOP Trust (Refer note 2 of Schedule 17) and Rs.519,727 (Previous Year Rs.Nil) recoverable from Managing Director as travelling advance and excess remuneration (Refer note 5 of Schedule 17) [Maximum balance outstanding Rs.519,727 (Previous Year Rs.48,536)]

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(Amount in ₹)

	As at March 31, 2011		As at 31 March 2010	
Schedule 11 : Income from operations				
Transaction Fees	-		-	
Membership Admission Fees	35,00,000		59,00,000	
Processing Fees	16,40,000		5,30,272	
Vsat connectivity income	35,48,800		31,12,847	
Others	55,84,011		18,35,774	
	<u>1,57,14,478</u>		<u>1,36,94,189</u>	
Schedule 12 : Other income				
Dividend from Non Trade Current Investments	43,70,388		3,13,66,224	
Interest from Bank Deposits	25,69,67,311		16,52,87,280	
[Tax Deducted at Source Rs.25,167,261 (Previous Year Rs.16,673,775)]				
Interest Income Others	4,04,760		21,266	
<u>Profit/Loss on sale of Investments (Net)</u>				
- Current Investments	54,569		12,83,981	
- Long Term Investments	<u>1,96,29,411</u>	<u>1,96,83,980</u>	-	<u>12,83,981</u>
Shared service cost recovered	8,98,72,872		7,55,27,400	
Rent	32,52,312		32,52,312	
Miscellaneous Income	<u>12,31,517</u>	<u>48,05,217</u>		
	<u>37,57,83,140</u>		<u>28,15,43,680</u>	
Schedule 13 : Operating expenses				
Clearing and Settlement Charges	7,63,83,688		8,73,23,846	
Technology Cost	17,38,58,912		18,57,32,529	
Sebi Regulatory Fees	2,00,00,000		2,00,00,000	
Vsat Connectivity Expenses	39,21,123		43,34,046	
Others	44,28,258		12,06,230	
	<u>27,85,91,981</u>		<u>29,85,96,651</u>	
Schedule 14 : Personnel costs (Including Seconded Employees)				
Salaries, Allowances, Bonus and Gratuity	20,28,00,402		14,86,54,424	
Contribution to Provident Fund	53,72,345		32,40,047	
Staff Welfare and Other Amenities	<u>7,50,450</u>	<u>20,89,23,197</u>	<u>6,42,150</u>	<u>15,25,36,621</u>
		<u>20,89,23,197</u>		<u>15,25,36,621</u>
Schedule 15 : Establishments and other expenses				
Rent	6,80,75,491		5,01,23,142	
Repairs and Maintenance - Others	52,03,450		8,88,525	
Insurance	9,89,962		7,29,448	
Travelling and Conveyance	1,36,93,968		97,18,836	
Communication Expenses	74,20,862		30,56,247	
Legal and Professional Charges	9,58,72,111		7,53,46,560	
Shared Service Cost	4,20,00,000		4,20,00,000	
Membership and Subscription Fees	1,60,61,718		1,31,48,447	
Advertisement	9,36,80,520		9,23,52,124	
Business Promotion Expenses	63,94,061		27,25,310	
Sponsorships and Seminar	9,01,64,669		7,99,61,660	
Directors Sitting Fees	16,10,000		5,80,000	
<u>Payment to Auditors :</u>				
- Audit Fees	9,00,000		7,00,000	
- Reimbursement	-		12,980	
Depletion in Value of Investments	-		12,65,380	
Loss on Sale of Fixed Assets	1,60,950		-	
Exchange Rate Fluctuation	7,226		26,104	
Wealth Tax	33,581		-	
Miscellaneous Expenses	<u>83,69,008</u>	<u>75,00,418</u>		
	<u>45,06,37,577</u>		<u>38,01,35,181</u>	

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Schedule 16

1 Basis of preparation of financial statements

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

2 Use of estimates

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

3 Fixed assets

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

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 net of recoverable taxes less accumulated amortization and impairment loss, if any.

5 Depreciation

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

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

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

6 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 & 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.

7 Foreign currency transactions

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

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

8 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 receipt basis.
- c) 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
- d) Dividend income is recognized when the company's right to receive dividend is established.
- e) Interest income is recognized on time proportion basis.

9 Employee benefits

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

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

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 are stated at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each individual investment.

Profit or Loss on sale of investments is determined on the basis of weighted average cost.


11 Income Tax

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

Current tax

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

Deferred tax



The deferred tax charge or credit and the corresponding deferred tax liabilities or assets resulting from “timing difference” between taxable and accounting income 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’ judgment that their future realisation is reasonably certain except where there is unabsorbed depreciation or carried

forward loss under taxation laws, deferred tax assets are 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.

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 & Loss Account in accordance with Accounting Standard 19 - Leases.

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.

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

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

Contingent assets are neither recognized nor disclosed in the financial statements.

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.

SCHEDULE 17

NOTES TO ACCOUNTS

- 1 (a) MCX Stock Exchange Limited is a recognized stock exchange under Section 4 of the Securities Contracts Regulation Act, 1956. The company suffered a loss of ₹ 57.80 crore for the year and cumulative losses as on March 31, 2011 are ₹ 143.88 crore. The Company's income mainly consists of interest on fixed deposits and investments. The Company is not able to charge transaction fees in respect of currency futures trading in its Currency Derivatives Segment (CD Segment), in view of predatory zero pricing by its main competitor, National Stock Exchange of India Ltd (NSE). Further, the Company's application seeking regulatory approvals to commence operations in other segments and products was rejected by an order dated September 23, 2010 passed by Securities and Exchange Board of India (SEBI).

The Company continues to have positive networth and the present networth is in excess of the regulatory minimum requirement laid down by Reserve Bank of India (RBI) and SEBI which is ₹ 100 crore. The Company has challenged the abovementioned order dated September 23, 2010 of SEBI before the Hon'ble High Court of Bombay by way of a writ petition and the matter is pending for admission. The Company has been advised that it has all reasons to succeed in the matter. Further, the Company had approached the Competition Commission of India (CCI) for relief against anticompetitive practices of a main competitor. The CCI had by an order dated May 25, 2011 found the

competitor in contravention of several clauses of Section 4 of the Competition Act, 2002. CCI passed a further order dated June 23, 2011 under Section 27 of the Competition Act, 2002 inter alia directing NSE to cease and desist from unfair pricing, exclusionary conduct and unfairly using its dominant position in other market/s to protect the relevant CD market with immediate effect. The CCI also directed NSE to modify its zero price policy and ensuring levy of appropriate transaction costs within 60 days. It is therefore expected that the predatory practices of NSE would come to an end in the near future, and that conditions of free and fair competition would be restored in the stock exchange services market. The Company would then be able to charge transaction fees and also open up its other operational revenue streams. This would result in consequential improvement in the revenue earning model of the Company, which would improve the Company's financial performance and net worth position significantly. In view of the said orders of CCI, the Company also has a right to seek compensation for losses and damages suffered by it due to the unfair and anticompetitive practices of NSE under section 53N of the Competition Act, 2002. In light thereof, the Company proposes to recover the losses suffered by it so far on account of such practices, which will further boost its financial position and networth. In view of the above, the financial statements have been prepared on a going concern basis and no provision has been considered necessary for impairment of fixed assets and capital work in progress.

(b) The Company has unutilized service tax credit of ₹ 14.98 crore as at March 31, 2011 (previous year ₹ 9.52 crore). As mentioned in note 1 (a) above the Company expects improved revenue earnings in the future years and hence is of the view that the unutilized service tax credit will be fully utilized and the same is considered as good for recovery.

2 Loan to ESOP Trust

The Company's ESOP is administered through an ESOP Trust, which subscribes to shares of the Company and holds them until issuance thereof based on vesting and exercise of options by employees. At the time of formation of the trust the Company has provided an interest free loan amounting to ₹ 6,000,000 to the Trust to subscribe to 5,433,000 shares issued at ₹ 1 per share and were allotted on November 20, 2009.

As per the Guidance Note on Accounting for Employee Share Based payments issued by the Institute of Chartered Accountants of India, the amount of loan equivalent to the face value of securities subscribed [₹5,433,000] has been deducted from share capital account and the balance part of the loan representing the amount of [₹ 567,000] has been added to Advances recoverable in cash or in kind or for value to be received.

The balance of such loan as at March 31, 2011 is ₹ 6,000,000. The repayment of the loan is primarily dependent upon the exercise of options by the employees, the price at which fresh or reissued options are granted and dividend income earned thereon till exercise of options. The Company believes that the options would be exercised by the employees and the Trust would be able to repay the loan based on the price received by the Trust there against. On that basis, the loan, to the Trust is considered as good of recovery.

3 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.

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

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

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

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

Particulars	ESOP 2009 (Nos.)
Outstanding at start of the year	1,125,000
Granted during the year	NIL
Forfeited/Lapsed during the year	NIL
Exercised during the year	NIL
Outstanding at end of the year	1,125,000
Exercisable / vested at end of the 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 ₹ 1.15 of which premium amount is ₹ 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	₹ 1
(ii) Exercise price	₹ 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 ₹ 83,585 (Previous Year ₹ 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.

4 Non-refundable interest free deposit (warrants):

A total of 1,196,630,000 warrants were allotted to certain shareholders under the Scheme of Capital Reduction cum Arrangement implemented from March 19, 2010 post sanction of the Hon'ble High Court of Bombay under Sections 100-104 and 391-393 of the Companies Act, 1956. Under the Scheme, an amount of ₹ 1 was required to be maintained against each warrant as non-refundable interest free deposit. Accordingly, the Company holds an amount of ₹ 1,196,630,000 as interest free non-refundable deposit. Each warrant holder

can exercise in one or more installments, its option to subscribe to the fully paid up equity shares of the Company of the face value of ₹ 1 each subject to conditions. The exercise of warrants would always be subject to the Securities Contracts (Regulation) (Manner of Increasing and maintaining Public Shareholding in Recognised Stock Exchange) Regulation, 2006 and other conditions. Upon exercise of the option, the proportionate non-refundable interest free deposit will be adjusted against the moneys receivable in respect of the equity shares so issued. The Equity Shares arising out of the exercise of Warrants will rank pari passu with the existing equity shares in all respects. The warrants do not carry any voting rights.

5 Managerial remuneration

Managerial remuneration has been paid to MD and CEO-Currency Derivative Segment (Whole-time Director) as below:

(Amounts in ₹)

Particulars	For the year ended	
	March 31, 2011	March 31, 2010
a) Salaries and allowances*	24,233,827	17,085,650
b) Perquisites & Other benefits	1,686,256	1,386,963
Total	25,920,083	18,472,613

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

During the months of April and May, 2010 the Company paid an amount of ₹ 4.85 lakhs to the Managing Director which was in excess of the remuneration approved by the Central Government. An application made by the Company for waiver of recovery of the said amount was rejected by the Central Government due to non-submission of a Board resolution. The Company now intends to make a fresh application with the Board resolution in this regard. The Company has in

the meantime debited the said amount to the account of the Managing Director and disclosed under the head 'Loans and Advances' in Schedule 10 to the Balance Sheet which has since been recovered. For the period from June, 2010 to March, 2011 the Company has, on an application made by it, received a letter from the Central Government stating that approval is no longer necessary for unlisted companies in view of amendments to Schedule XIII of the Companies Act, 1956.

6 Employee Benefits

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

Defined Contribution Plan:

Provident Fund - The Company makes

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

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

(Amount in ₹)

Particulars	2010-11	2009-10
Employer's Contribution to Provident Fund	5,372,345	3,240,047

Defined benefit plan:

Gratuity: The gratuity is payable to all members at the rate of 15 days salary for each year of service.

The most recent actuarial valuation of the present value of the defined benefit

obligation for gratuity was carried out as at March 31, 2011 by an actuary. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The following table sets out the status of the gratuity plan and the amounts recognized in the Company's financial statements as at March 31, 2011.

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

Particulars	Gratuity (Unfunded)	
	2010-11	2009-10
Defined Benefit Obligation at the beginning of the year	3,957,234	4,53,806
Current Service cost	1,777,753	1,278,696
Interest Cost	2,96,793	36,305
Actuarial (gain) / loss	6,15,545	2,217,201
Benefits paid	-	(28,774)
Defined Benefit obligation at the end of the year	6,647,324	3,957,234

II. The amount recognized in the statement of Profit & Loss Account is as follows:-

(Amount in ₹)

Particulars	Gratuity (Unfunded)	
	2010-11	2009-10
Current service cost	1,777,753	1,278,696
Interest Cost	2,96,793	36,305
Expected return on plan assets	-	-
Actuarial (gain) / loss	615,545	2,217,201
Net expenses	2,690,090	3,532,202

III. Experience Adjustments in Actuarial (gain) / loss

(Amount in ₹)

Particulars	2010-11	2009-10	2008-09
Gratuity (Unfunded)			
Plan Assets	-	-	Not Applicable
Plan Liabilities	1,234,055	2,191,170	Not Applicable

IV. Reconciliation of fair value of assets and obligation

Gratuity (Unfunded)

(Amount in ₹)

Particulars	As at		
	March 31, 2011	March 31, 2010	March 31, 2009
Fair value of Plan assets	-	-	-
Present Value of obligation	6,647,324	3,957,234	4,53,806
(Asset) / Liability recognized in Balance sheet	6,647,324	3,957,234	4,53,806

V. Principal actuarial assumptions at the Balance sheet date:

(Amount in ₹)

Particulars	Gratuity (Unfunded) As at	
	March 31, 2011	March 31, 2010
Mortality Table(LIC)	1994-96(ultimate)	1994-96(ultimate)
Discount rate (per annum)	8.25%	7.50%
Rate of escalation in salary (per annum)	7.50%	7.50%

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

7 Segment reporting

Primary segment

The Company considers business segment (business of facilitating trading in currency and incidental activities thereto) as its primary segment considering the risks and rewards of the services offered, nature of services, management structure and system of financial reporting. In the opinion of the

management, the Company has only one reportable business segment, in accordance with requirements of AS-17 "Segment Reporting", the results of which are disclosed in the financial statements.

Secondary segment

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

8 Related party information

a) Names of related parties and nature of relationship:

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

I. Subsidiary

- MCX-SX Clearing Corporation Limited (MCX-SX Clear)

II. Key Management Personnel (KMP)

- Mr. Joseph Massey (MD & CEO)

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

III. Company whose control exists

- Multi Commodity Exchange of India Limited (MCX), Holding company (upto May 20, 2009)

IV. Companies having significant influence over the Company

- Financial Technologies (India) Limited (FTIL), (upto March 18, 2010)
- Multi Commodity Exchange of India Limited (MCX), (upto March 18, 2010)

V. Others

- MCX-SX ESOP Trust

b) Details of transactions with related parties

(Amount in ₹)

Nature of Transaction	Control	Significant Influence	Subsidiary	Others
Rent paid	- (3,999,341)	- (27,419,043)	- (-)	- (-)
Deputation Charges	- (5,789,731)	- (39,818,785)	- (-)	- (-)
Shared service charges	- (-)	- (40,532,258)	- (-)	- (-)
Software support charges	- (-)	- (176,817,447)	- (-)	- (-)
Clearing and settlement charges	- (-)	- (-)	76,383,688 (87,323,846)	- (-)
Legal and professional charges	- (238,213)	- (11,670,862)	- (-)	- (-)
Vsat connectivity charges	- (530,843)	- (2,203,706)	- (-)	- (-)
Re-imbursements charged to the Company	- (97,645)	- (6,076,518)	- (16,750)	- (-)
Re-imbursement of payments – Advertisement expenses	- (-)	- (16,184,382)	- (-)	- (-)
Re-imbursements charged by the Company	- (94,488)	- (85,683)	5,159 (2,500)	- (-)
Loan given	- (-)	- (-)	- (-)	- (6,000,000)
Rent income	- (-)	- (-)	3,252,312 (3,252,312)	- (-)
Shared service cost recovered	- (-)	- (-)	89,872,872 (75,527,400)	- (-)
Purchase of capital assets	- (-)	- (103,689,784)	- (-)	- (-)
Investments in equity shares	- (-)	- (-)	- (102,000,000)	- (-)

SCHEDULES TO THE FINANCIAL STATEMENTS

Sale of fixed assets	-	-	32,486	-
	(-)	(-)	(-)	(-)
Sundry creditors	-	-	-	-
	(-)	(9,135,697)	(-)	(-)
Advance recoverable in cash or in kind for value to be received	-	-	434,783	-
	(-)	(-)	(1,246,677)	(-)
Closing Balance of Investments in equity shares	-	-	127,500,000	-
	(-)	(-)	(127,500,000)	(-)
Closing Balance of Loan to ESOP Trust	-	-	-	6,000,000
	(-)	(-)	(-)	(6,000,000)

c) Transactions with KMP:

Sr. No.	Nature of transactions	Amount (₹)
1.	Salary & allowances*: Mr. Joseph Massey	17,194,659 (11,901,890)
	Mr. U. Venkataraman	8,725,424 (6,570,723)
2.	Car deposit received from Mr. U. Venkataraman	134,497 (134,497)
3.	Travel advance to Mr. Joseph Massey	34,327 (-)
4.	Remuneration recoverable from Mr. Joseph Massey (since recovered)	485,400 (-)

*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 (₹)
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	76,383,688 (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 (3,252,312)
11	Shared service cost recovered from MCX-SX Clear	89,872,872 (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	434,783 (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)
17	Sale of assets (including VAT) to MCX-SX Clear	32,486 (-)
18	Re-imbursements charged to MCX SX Clear	5,159 (2,500)

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) Figures in bracket represent previous year's amounts.

(iv) The transactions with the related parties are disclosed only till the relation exists

9 Operating lease

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

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

(Amount in ₹)

Particulars	As at	
	March 31, 2011	March 31, 2010
Future minimum lease payments		
Not later than one year	17,959,320	42,654,790
Later than one year and not later than five years	8,674,874	21,146,897
Later than five years	-	-

b) Total future minimum sub-lease payments expected to be received under subleases is ₹13,55,130 (Previous Year ₹ 46,07,442)

c) Lease payments recognised in Profit & Loss Account is ₹ 68,075,491 (Previous year ₹ 50,123,142)

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

10 Earnings per share ('EPS')

(Amount in ₹)

Particulars	2010-11	2009-10
Loss after tax	(577,971,757)	(562,073,015)
Weighted average number of equity shares outstanding during the year for basic EPS	537,870,000	1,559,874,822
Weighted average number of equity shares outstanding during the year for diluted EPS	1,739,933,000	2,761,937,822
Basic and diluted earnings per share of face value ₹ 1 each	(1.07)	(0.36)

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

11 Deferred Tax Asset/Liability

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

(Amount in ₹)

Particulars	As at	
	March 31, 2011	March 31, 2010
Deferred Tax Assets		
Disallowance under the Income Tax Act, 1961	4,883,912	3,966,137
Unabsorbed depreciation	46,572,554	38,233,047
Deferred Tax Liability		
Related to fixed assets	23,958,703	25,523,648
Net Deferred tax asset/(liability)	27,497,763	16,675,536

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

12 Dues to Micro, Small and Medium Enterprises

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

(Amount in ₹)

Sr. No	Particulars	As at	
		March 31, 2011	March 31, 2010
1	Principal amount due and remaining unpaid	-	-
2	Interest due on (1) above and the unpaid interest	-	-
3	Interest paid on all delayed payments under the MSMED Act	-	-
4	Payment made beyond the appointed day during the year	-	-
5	Interest due and payable for the period of delay other than (3) above	-	-
6	Interest accrued and remaining unpaid	-	-
7	Amount of further interest remaining due and payable in succeeding years	-	-

13 Following prior period expenses/incomes have been debited or credited to the respective heads of account in the Profit & Loss Account:

(Amount in ₹)

Particulars	2010-11	2009-10
Prior Period Expenses:		
Legal and Professional Charges	823,300	-
Others	131,535	-
Total	954,835	-
Prior Period Income:		
Dividend from Non Trade Current Investments	363,588	-
Total	363,588	-
Net Prior Period Expenses	591,247	-

14 Investor Protection Fund

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

The Office of Charity Commissioner had on March 17, 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. On June 22, 2010 the Company has transferred the entire amount to the Trust.

15 Investor Service Fund

Investor Service Fund of ₹ 1,000,000 was established by the Company in accordance with SEBI approval letter dated September 18, 2008. The fund is maintained to provide services to investors which include maintenance of investor grievance cell, education and awareness about securities market, price dissemination and other services that are in the interest of the investor. The balance amounting to ₹ 1,188,410 as at March 31, 2011 represents the initial amount of ₹ 1,000,000 and interest earned thereon.

16 Expenditure in foreign currency

(Amount in ₹)

Particulars	For the year ended	
	March 31, 2011	March 31, 2010
Travelling, Lodging & boarding	751,134	315,419
Legal and professional charges	21,44,431	114,394
Sponsorship expenses	12,995,485	938,073
Advertisement, Sales Promotion & Seminar	798,837	79,600
Membership	2,121,982	1,470,164
Others	45,921	61,245

17 The previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary. Amounts and other disclosures for the preceding year are included as integral part of the current year financial statements and are to be read in relation to the amounts and other disclosures relating to the current year.

18 Disclosures under Part II of Schedule VI to the Companies Act, 1956, have been made to the extent applicable to the Company.

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

Joseph Massey
Managing Director & CEO

U. Venkataraman
Whole-time Director

Sarat Chandran
Company Secretary

Ghanashyam V. Rao
V.P. Finance & Accounts

Date: June 30, 2011
Place: Mumbai

Balance Sheet abstract and Company's general business profile:

I. Registration Details

Registration No.

185856

State code

11

Balance Sheet Date

31/03/2011

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

Public issue

-

Rights issue

-

Bonus issue

-

Private placement

-

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

Total liabilities

5,313,844

Total assets

5,313,844

Source of Funds

Paid-up capital

537,870

Reserves and surplus

3,460,500

Secured loans

-

Unsecured loans

-

Note: The Non Refundable Interest Free Deposit (Warrants) of ₹ 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'.

Applications of Funds

Net fixed assets

211,275

Investments

137,502

Net current assets

3,407,436

Miscellaneous expenditure

-

Deferred tax asset

-

Accumulated losses

1,438,787

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

IV. Performance of Company (Amount in ₹ Thousands)

Total turnover (including interest income)	Total expenditure
391,498	969,469
Profit / (Loss) before tax	Profit / (Loss) after tax
-577,971	-577,971
Earning per share in Rs	Dividend rate
-1.07	—

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

Item code no (ITC code)	Service description
Not applicable	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

Ghanashyam V. Rao
V.P. Finance & Accounts

Date: June 30, 2011
Place: Mumbai

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

Sr. No.	Particular	
1	Name of the subsidiary	MCX-SX Clearing Corporation Limited
2	Financial Year of the subsidiary company ended on	March 31, 2011
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	₹5,081,176
	(ii) for the previous financial year of the Subsidiary since it became the holding Company's subsidiary	₹ 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	₹ Nil
	(ii) for the previous financial years of the subsidiary Since it became the subsidiary of the holding Company	₹ Nil

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

Joseph Massey
 Managing Director & CEO

U. Venkataraman
 Whole-time Director

Sarat Chandran
 Company Secretary

Ghanashyam V. Rao
 V.P. Finance & Accounts

Date: June 30, 2011
 Place: Mumbai



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