

## ANNUAL REPORT 2013-14





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## CORPORATE INFORMATION

### Board of Directors

- **Mr. Thomas Mathew T**- Chairman & Public Interest Director
- **Prof. (Mrs.) Ashima Goyal** – Public Interest Director
- **Mr. D R Dogra** – Public Interest Director
- **Mr. Saurabh Sarkar**- Managing Director & CEO

### Company Secretary

- **Mr. S. Sarat Chandran**

### Statutory Auditors

- **M/s. Chaturvedi & Shah** – Chartered Accountants\*

### Registered Office

4th floor, Vibgyor Towers, Plot No C 62, G Block,  
Bandra Kurla Complex, Bandra (E), Mumbai – 400098  
Tel:- 022 6112 9000 Fax: - 022 2652 5419  
CIN No:- U65999MH2008PLC185856

### Registrar and Share Transfer Agents

Karvy Computershare Private Limited  
Plot No.17-24, Vittalrao Nagar  
Madhapur, Hyderabad 500 081, India  
Tel: 040 44655201

*\*Appointed by the Office of Comptroller and Auditor General of India for FY 2013-14*

## DIRECTORS REPORT

### TO THE MEMBERS OF MCX STOCK EXCHANGE LIMITED

Your Directors have pleasure in presenting their Sixth Annual Report and the Audited Statement of Accounts and Auditors' Report for the period commencing from April 1, 2013 to March 31, 2014.

#### 1. Financial Results

Particulars	(Rs. in Crore)	
	Period ended March 31, 2014	Period ended March 31, 2013
Revenue from operations (Net after Service tax)	91.83	155.23
Other Income	19.73	32.07
Operating expenditure	103.81	57.02
Other expenditure	137.26	92.89
Depreciation and amortisation	22.17	10.27
Profit/Loss before exceptional item and tax	(151.68)	27.12
Exceptional items	2.85	5.70
Profit/Loss before tax	(154.53)	21.42
Provision for tax	-	-
Profit/Loss for the year	(154.53)	21.42
Balance brought forward from previous year	(125.38)	-
Amount available for appropriation	(279.91)	21.42
Appropriations	-	-
General reserve	346.09	-
Balance carried to balance sheet	66.17	21.42

During the year under review, the Company has incurred a loss of Rs. 154.53 crore as against profit of Rs. 21.42 crore earned in the previous year. This was occasioned on account of the commencement of new segments and fall in volumes in the Currency Derivatives Segment (CD Segment) *inter alia* on account of regulatory stipulations. The sentimental fallout of the defaults in another Exchange floated by the erstwhile promoter and introduction of zero pricing by competitor among other events leading to negative publicity also contributed to the fall in volumes. With the management and Board level changes as well as relaxations in the regulatory regime for CD Segment, your Directors feel the Company would be able to see better volumes in the CD Segment and consequently improve its financial performance in the coming years.

## **2. Corporate and Business Background**

### **A. Regulatory Updates**

#### **Regulatory restrictions in CD Segment**

In the wake of unprecedented volatility in the Indian Rupee, RBI and SEBI had imposed certain restrictions in the CD segment, which include:

- Doubling of margins
- Barring banks from proprietary trades
- Reduction in position limits by putting an absolute cap

In light of the stability in the rupee later during the year, the regulators have progressively lifted the restrictions and also further relaxed the regulatory regime by providing higher position limits for hedgers as well as permitting FPIs to participate in the segment, subject to certain conditions.

#### **Introduction of cash settled Interest Rate Derivatives**

SEBI had by a Circular dated December 05, 2013 introduced a regulatory structure for exchange traded interest rate futures in the CD Segment of stock exchanges, with a better product design which includes cash settlement of the contracts. MCX-SX was the first to launch the new product which was from January 20, 2014.

### **B. Business Updates**

Your Company, besides providing trading systems for Currency Derivatives Segment (USDINR, EURINR, GBPINR and JPYINR and Currency Options contracts on USD-INR spot rate), has introduced trading in Capital Market and Futures & Options Segments including Futures & Options on flagship index of the Exchange, SX40. Your Company had also launched trading in Debt Segment and Interest Rate Futures and had sought approval from SEBI for launching SME platform.

#### **i. Turnover and Membership – Operations & Membership department**

##### **Turnover**

The Average Daily Turnover in the Currency Derivatives Segment has shown a decrease from Rs. 16,789.69 crore in FY 2012 -2013 to Rs. 9,927.91 crore in FY 2013 -2014. During the year, the market share of the Exchange in Currency Derivatives Segment stood at 34.53% in FY 2013 -2014 as against 37.87% in the previous FY. The fall is attributable to several reasons indicated above.

##### **Membership**

The Exchange had initiated a Composite Membership Drive in September 2012 for offering membership in Currency Derivatives, Capital Market and Futures & Options Segments.



Following is the details of Segment wise members count registered with SEBI as on March 31, 2014:

Currency Derivatives	Capital Markets	Futures & Options	Debt
830	534	535	13

## ii. Market Statistics of MCX-SX in Currency Derivatives Segment

Particulars	FY 2013 -2014	FY 2012 - 2013
Approved no. of members (Registered with SEBI)**	834	844
Centers participating across India**	880*	766*
Average daily turnover (Rs. in crore)	9,927.91	16,789.69
Highest turnover (Rs. in crore)	38,494.27	27,165.19
Average daily volume (no. of contracts)	1,633,544	3,031,201
Highest no of contracts (no. of contracts)	6,360,470	4,947,675

\* Data includes cities of active and inactive users / dealers.

\*\*As on last day of FY 2013- 2014 & FY 2012-2013

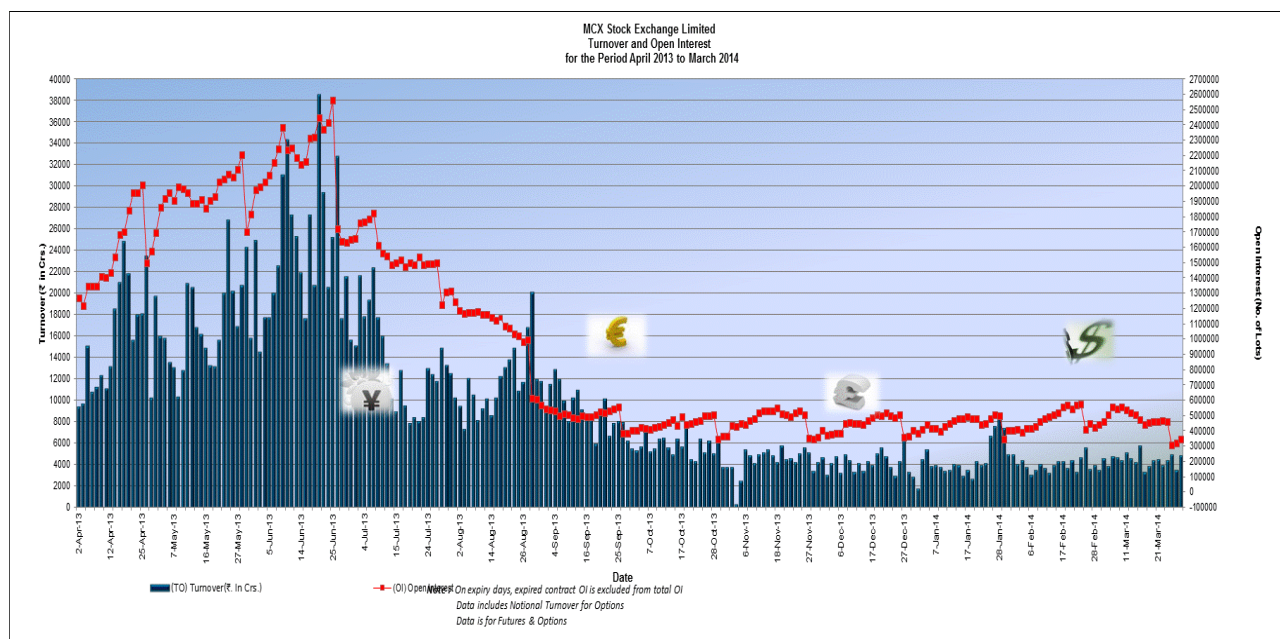
## iii. Market Statistics of MCX-SX in Interest Rate Derivatives Segment

Particulars	FY 2013 -2014
Average daily turnover (Rs. in crore)	152.99
Highest turnover (Rs. in crore)	928.39
Average daily volume (no. of contracts)	7,586
Highest no of contracts (no. of contracts)	45,642

**Note:** Trading in IRF on MCX-SX started from January 20, 2014



The turnover and open interest for the period April 01, 2013 to March 31, 2014 in Currency Derivatives Segment are reflected in the graph below:



**Note :** On expiry days, expired contract OI is excluded from total OI  
Data includes Notional Turnover for Options introduced w.e.f. Aug 10, 2012  
Data is for Futures & Options

#### Period-wise breakup of Number of Contracts Traded and Trading Value in Currency Derivative Segment.

Period	No. of Contracts Traded	Trading Value ((Rs. in crore)
2008-09 (Oct-Mar)	29,847,569	148,825.98
2009-10 (Apr-Mar)	408,166,278	1,944,654.11
2010-11 (Apr-Mar)	903,185,639	4,194,017.48
2011-12 (Apr-Mar)	770,325,229	3,732,445.72
2012-13 (Apr-Mar)	597,310,766	3,303,178.72
2013-14 (Apr-Mar)	398,584,890	2,422,410.20

#### iv. Period-wise breakup of Number of Contracts Traded and Trading Value in Interest Rate Derivatives Segment.

Period	No. of Contracts Traded	Trading Value ((Rs. in crore)
2013-14 (Apr-Mar)	356,555	7,190.82

**Note:** Trading in IRF on MCX-SX started from January 20, 2014

## v. Technology – Technology department

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, firewall with IPS and a hybrid network (nationwide satellite network, point of presence (POP), 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-art data center that is designed to support mission critical operations. The data center and all its components are monitored 24 x 7 x 365.

Your Company maintains a Disaster Recovery Site (DRS) at a different seismic zone at New Delhi and a Near Site near its Primary Site. SAN base database replication is done on a real-time basis from Primary Site in Mumbai to the Near Site as well as DR Site. Data synchronization between Primary Site, Near Site and DR Site is done as a part of daily routine operations. Data synchronization between Primary Site and Near Site is synchronous & between Primary Site to DR site is asynchronous. Periodic mock tests are done to ensure proper functioning of DR systems.

The robust technology infrastructure enables the Exchange to operate efficiently, and also facilitate fast order routing, immediate trade execution, trade reporting, market data dissemination, risk management and market surveillance. The systems and processes of the Exchange are designed to safeguard market integrity and to enhance transparency in operations. The technology platform enables our members to undertake uninterrupted dealing even during sun outage time.

## vi. Certifications - Technology

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

Certificate	Purpose / Scope	Certificate Date	Validity
ISO 9001:2008	Quality Management System (QMS)	16-09-2012	15-09-2015
ISO/IEC 27001:2005	Information Security Management System (ISMS)	16-09-2012	15-09-2015
ISO 14001:2004	Environment Management System	16-09-2012	15-09-2015

**vii. Index**

The Exchange had introduced its flagship Index SX40 during the year. The logo of the Index was launched by the Hon'ble Former Union Finance Minister at a function held on February 9, 2013. SX40 is a free float based index of 40 large cap - liquid stocks representing diversified sectors of the economy. SX40 is designed to measure the economic performance with better representation of various industries and sectors based on ICB®, leading global Industry Classification system from FTSE. The Index is devised to offer cost-effective support for investment and structured products such as Index Futures & Options, Index portfolio, Exchange Traded Funds, Index funds, etc.

**viii. The Way Forward**

With the relaxation in the regulatory requirements applicable to CD Segment and the possible discontinuation of zero pricing by the other competitor, the volumes in the CD Segment could see an improvement. The Exchange is taking necessary steps for recapitalization, in which many prominent investors have evinced interest, and has submitted a scheme for recapitalization and business revival to SEBI. Upon recapitalization, the Company would focus on improving business in the other segments by taking appropriate measures.

**ix. Discontinuation of Liquidity Enhancement Scheme**

The Board vide its circular resolution dated March 27, 2014 had discontinued the Liquidity Enhancement Scheme effective from April 10, 2014 in Capital Market and Futures and Options segments as volumes in the Capital Market and F&O Segments were very low and in order to conserve resources. The Exchange proposes to introduce a new Scheme after its recapitalisation.

**3. Dividend**

As the Company has reported losses for the year ended March 31, 2014, the Board of Directors do not recommended any dividend on the equity capital of the Company. For the same reason, no amounts are available for carrying to reserves.

**4. Share Capital, Shareholding pattern and Networth**

The Authorised Share Capital of the Company is Rs. 350,00,00,000/- divided into 350,00,00,000 equity shares of Re.1/- each.

Based on definition of Promoter as given in Section 2(69) of the Companies Act, 2013 the Board at its meeting held on February 13, 2014 noted that Multi Commodity Exchange of India Ltd. (MCX) & Financial Technologies (India) Ltd. (FTIL) are not promoters of the Exchange and decided that they should not be classified as promoters or promoter group in future filings of the Exchange. Since then accordingly MCX and FTIL are not classified under Promoter and Promoters Group and their shareholdings are not classified under the head 'Promoters and Promoter Group Shareholding' and are classified under the head 'public shareholding'.



The shareholding pattern of the Exchange as on March 31, 2014 is as under:

Category of Shareholder	No. of shares held	Percentage of shareholding
Banks	38,45,00,000	70.59%
Financial Institutions	71875000	13.20%
Bodies Corporate	8,14,95,000	14.96%
MCX Stock Exchange ESOP Trust + shares issued under ESOP Scheme	6176400	1.13%
Non-Institutions - Individuals	639000	0.12%
<b>Total</b>	<b>54,46,85,400</b>	<b>100.00%</b>

A total of 1,19,66,30,000 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. The said warrants are to be disposed-off within a period of 3 years from the date of notification of SECC Regulations i.e. by June 20, 2015. After perusing a legal opinion taken in the matter, the Board of Directors had at their meeting held on August 14, 2014 decided to treat the warrants held by FTIL as extinguished and of no effect whatsoever, on account of their continuance to hold the same post lapse of time limits specified by SEBI/SAT.

In terms of SEBI's letter dated July 10, 2012, the erstwhile promoters Multi Commodity Exchange of India Ltd. (MCX) and Financial Technologies (India) Ltd. (FTIL) were required to bring down their joint shareholding in the Company within 5% limit as mentioned in the SECC Regulations within 18 months from the date of the letter. The deadline for the same has since passed and the erstwhile promoters together continue to hold shares above this limit. In the meantime SEBI had vide order dated March 19, 2014 declared FTIL as not fit and proper person to acquire or hold any equity share or any instrument that provide for entitlement for equity shares or rights over equity shares at any future date in a recognized stock exchange or clearing corporation either directly or indirectly.

Further vide same order SEBI had directed inter-alia that:

- FTIL shall divest the equity shares and/or any instrument that provide for entitlement for equity shares or rights over equity shares at any future date held by it directly or indirectly inter alia in MCX-SX and MCX-SX CCL within 90 days from the date of this order through sale of shares and/or instruments and
- FTIL and entities through whom it indirectly holds equity shares or any instrument entitling voting rights inter alia in MCX Stock Exchange Ltd. (MCX-SX) and MCX-SX Clearing Corporation Ltd. (MCX-SX CCL) shall cease to be entitled to exercise voting rights in respect of those shares or instruments with immediate effect.

The said Order has been upheld by the Securities Appellate Tribunal (SAT) by its order dated July 09, 2014. As on date FTIL continue to hold its stake in the Company and its subsidiary. The Company is in touch with the regulators and the shareholders to achieve the necessary compliance with regulatory restrictions.



The Company during the year had floated a rights issue of equity shares offering 1,08,93,70,800 (One Hundred and Eight Crore Ninety Three Lakhs Seventy Thousand Eight Hundred) Equity Shares of Re. 1/- (Rupee One Only) each ("Rights Shares") in the ratio of 2 (Two) Equity Shares for every 1 (One) Equity Share held by the existing equity shareholders of the Company on the Record Date at a premium of Rs. 4/- (Rupees Four Only) per Equity Share.

The Issue was being made (i) to maintain a minimum net-worth of Rs. 100 crore under the SECC Regulations, (ii) for raising capital for meeting working capital requirement and (iii) for capital infusion in MCX-SX CCL.

The Company had received a total subscription for 8,43,55,000 equity shares. Pursuant to the regulatory norms on the shareholding and subject to the approval received from SEBI, the Management Committee at its meeting held on June 13, 2014 allotted 1,36,98,376 shares at an issue of Rs. 5/- each to the subscriber shareholders. Accordingly as on June 30, 2014 the paid up equity share capital of the Company consist of 55,83,83,776 shares of Re. 1/- each.

The net worth of the Company in terms of the audited financial statements as on March 31, 2014 stood at Rs. 107.30 crore. The shareholders are informed that the auditors have expressed their qualification that the Company continued to prepare its Financial Statements on going concern basis, even though its networth substantially eroded due to huge losses as a result of dampened market sentiments. The Company's comments on the qualification is explained later in the report. The Company has submitted a scheme for recapitalization and business revival to the regulator as mentioned earlier.

## 5. Directors

Your Board currently comprises of four Directors which includes three Public Interest Directors and a Managing Director & CEO. The composition of the Board continues to be in compliance with the regulatory requirements of SEBI as laid down in the SECC Regulations. Mr. Saurabh Sarkar was appointed as MD&CEO of the Exchange for a period of three years with effect from February 1, 2014 subsequent to resignation of Mr. Joseph Massey as MD&CEO earlier during the year.

During the year Mr. M.V. Nair, Mr. D.R. Dogra, Mr. Thomas Mathew T. and Mr. G.K. Pillai were appointed as Public Interest Directors pursuant to the SEBI's approval w.e.f. July 08, 2013, July 08, 2013, October 8, 2013 and October 14, 2013. Mr. M.V. Nair and Mr. G.K. Pillai tendered their resignation as PID w.e.f. August 28, 2013 and March 14, 2014.

Further during the year under review Mr. Ashok Jha, Shareholder Director, Mr. B.D. Sumitra, Shareholder Director, Mr. Joseph Massey, MD&CEO, Mr. Jignesh Shah, Shareholder Director, Mr. S.U. Kamdar, Public Interest Director and Mr. S.S. Thakur, Public Interest Director had resigned as director with effect from September 12, 2013, September 28, 2013, October 9, 2013, October 9, 2013, December 10, 2013 and July 8, 2013 respectively.

Further as per the requirement of SEBI letter dated November 28, 2013, Mr. U. Venkataraman, Whole time Director resigned from the Board of the Exchange as CEO-Debt Segment and Whole-time Director with effect from February 14, 2014 in view of the assuming of office of Mr. Saurabh Sarkar as the new MD & CEO.

In terms of Regulation 24(3) of the SECC Regulations, PIDs shall be nominated for a fixed term of three years or such extended period as may be approved by SEBI. The term of Prof. Ashima Goyal who was appointed prior to SECC regulations was expiring at the forthcoming AGM. In view of the same, a circular resolution was passed by the Board of Directors to recommend to SEBI for extension of term of Prof. Goyal as PID and waiver of cooling period. SEBI vide letter dated August 05, 2014 approved the extension of term of Prof. Goyal for another block of three years and waived the cooling period. The extension shall come into force from the date of the forthcoming AGM.

Prof. (Mrs) Ashima Goyal was appointed as PID prior to notification of the SECC Regulations and held office liable to retire by rotation. Her retirement is due at this AGM. However, in terms of relevant provisions of SECC Regulations read with SEBI's Circular dated December 13, 2012 and pursuant to SEBI's waiver of cooling period and extension of term, she will continue as PID holding office not liable to retire by rotation.

## **6. Management**

Mr. Joseph Massey, erstwhile Managing Director & CEO was heading the Management of the Company and was in overall charge of the affairs of the Company, subject to the superintendence and oversight of the Governing Board. Subsequent to resignation of Mr. Joseph Massey, with the consent of the shareholders as an interim arrangement a special Committee of Public Interest Directors comprising Mr. Thomas Mathew T., Prof. (Mrs.) Ashima Goyal and Mr. D. R. Dogra was constituted for carrying out the functions of the Exchange and Mr. U. Venkataraman, Whole-time Director was directed to assist the said Committee. Subsequent to the assuming of office by Mr. Saurabh Sarkar as the MD&CEO of the Exchange the said Committee was dissolved and Mr. U. Venkataraman, Whole time Director resigned from the Board of the Exchange as CEO-Debt Segment & Whole-time Director. He continues as the MD & CEO of MCX-SXCCL.

The Company's senior management team constitutes of highly experienced and effective professionals. The senior management team leads different departments of the Exchange, which report to the Managing Director & CEO.

In terms of the section 203 of the Companies Act, 2013 the Board has noted Mr. Saurabh Sarkar, MD & CEO and Mr. S. Sarat Chandran, Head-Legal & Company Secretary as the Key Managerial Personnel of the Exchange.

## **7. Human Resources and Particulars of Employees**

The employee count stood at 244 as on March 31, 2014 as against 285 as on March 31, 2013. 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 Regulation 27(5) of SECC Regulations forms part of this Report and is provided as Annexure "A" to this Report.

## 8. Subsidiary

Your Company has two subsidiaries i.e. MCX-SX Clearing Corporation Limited (MCX-SX CCL) and MCX-SX KYC Registration Agency Limited (MCX-SX KRA). MCX-SX CCL undertakes clearing and settlement of the trades transacted on the Exchange platforms.

MCX-SX KRA is a wholly owned subsidiary (WOS) of your company incorporated to undertake the business of KYC (Know Your Customer) Registration Agency and allied activities, subject to registration with SEBI under SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011. As its application for in-principle approval to act as KYC Registration Agency is under consideration with SEBI, MCX-SX KRA is yet to commence its operations.

The Annual Reports of subsidiaries are attached to this report.

## 9. Deposits

The Company has not accepted any public deposit during the financial year under review.

## 10. Auditors

As the Public Sector Banks hold more than 51% of the paid-up capital of the Exchange, the Statutory Auditors of the Company are appointed by the Office of the Comptroller and Auditor General of India (CAG) in terms of provisions of Section 139(5) of the Companies Act, 2013. M/s. Chaturvedi & Shah, Chartered Accountants, Mumbai were appointed by the said Office as Statutory Auditors for the financial year 2013-14 under erstwhile section 619B of the Companies Act, 1956. A new auditor M/s T.R. Chaddha & Co., Chartered Accountants, Mumbai, have been appointed by the said Office for the financial year 2014-15.

## 11. Awards and Accolades

During the year, your Company has been awarded at the 'FOW awards for Asia 2013' as the 'Indian Exchange of the Year' and the flagship index 'SX40' has won the 'Golden peacock Eco-Innovation award 2013'.

## 12. Committees of the Board

Your Company in compliance with the provisions of the Companies Act, 1956 read with the Companies Act, 2013, SECC Regulations and the Listing Agreement to the extent applicable and has constituted various mandatory Committees under the said regulatory provisions. Please refer the report on Corporate Governance for Committee details.

## 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, 2014.

The foreign exchange outgo during the year ended March 31, 2014 cumulatively amounted to Rs.10,791,012/- as compared to Rs. 15,898,456/- in the year ended March 31, 2013 mainly on account of Legal and Professional charges and Membership drive.

The Company does not directly contribute to export growth, as it is not allowed to export its services. However, the Company provides a platform to the Small and Medium Enterprises (SMEs) and resident Indians, who hitherto did not have easy access to the currency market and takes the necessary initiative to educate these potential users on the benefits of risk management using currency futures through seminars and events. By providing a hedging mechanism, it indirectly encourages exports.

#### **14. Corporate Governance Report and Management Discussion and Analysis Report**

In terms of Regulation 35 of SECC regulations and Clause 49 of the Listing Agreement, the Corporate Governance Report and Management Discussion and Analysis Report are attached to and forms part of this Report.

#### **15. Directors' Responsibility Statement:**

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

- i. in the preparation of the annual accounts for the year 2013-14, 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 2013-14 and of the profit of the Company for that period;
- iii. they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- iv. they have prepared the annual accounts on a going concern basis (Auditors Qualification and the Director's explanation on the same given at section 16 below may be seen).



**16. Explanation on the Auditors' qualifications and remarks:**

The Auditors of the Company have expressed their qualifications and made an adverse remark on the audited financials statements of the Company for the year ended March 31, 2014. The Board of Directors submit their explanations on the qualifications and the adverse remark as under:

- a) The auditors have remarked that during the year the Company has not provided infrastructure and software support expenses aggregating to Rs. 1,071.20 lakhs, payable pursuant to various long term contracts executed with Financial Technologies (India) Ltd. (FTIL), erstwhile promoter of the Company. Accordingly, to that extent fundamental accounting assumption of accrual has not been followed. Had such expenses been provided there would have been Net Loss of Rs. 16,524.41 lakhs as against reported amount of Rs.15,453.21 lakhs and Reserve & Surplus would have been Rs 5546.26 lakhs as against reported amount of Rs. 6617.46 lakhs. The management of the Company has decided to review all such contracts to ensure that charges paid for infrastructure, software and software support services are comparable to those paid by other exchanges in similar line of business. This is based on a legal opinion received by MCX-SX, which raises concern on the arm's length nature of these contracts.
- b) The auditors have remarked that the Company continued to prepare its Financial Statements on going concern basis, even though its networth substantially eroded due to losses as a result of dampened market sentiments. The impact of the same is not readily quantifiable. The Company believes that the going concern assumption is justified on account of the following:

The Board of the Exchange has been recast with eminent persons to spearhead the revival of growth at the Exchange and provide a strong vision for implementing an alternative development model for the Indian securities market.

- The Company has made rights issue to augment the fresh capital.
  - Steps have been taken to reduce the operating cost by discontinuing the Liquidity Enhancement Scheme with effect from April 10, 2014, reviewing the contracts to ensure that charges paid for infrastructure, software and software support are comparable to those paid by other exchanges in similar line of business and taking steps to reduce other administrative costs.
  - The Exchange has arrested the decline of its market share in Currency Derivative segment and with regulators implementing industry friendly policies the Exchange is expected to see sizable growth in its turnover and in turn in its operating revenue.
  - The Company has submitted a detailed scheme for recapitalization and business revival to SEBI, which upon implementation is expected to facilitate boosting of its networth.
- c) The Auditors have remarked that the Exchange, in the current year and earlier years, entered into various contracts with few parties mentioned in the Register maintained under Section 301 of the Companies Act, 1956, the management is in the process of reviewing such contracts/charges to establish their reasonableness for similar line of business. The adjustments, if any, that will be arising out of such review, are not readily

quantifiable. This qualification has also arisen on account of review of contracts as mentioned above.

- d) The Auditors have in their Annexure to Auditors Report (CARO Report) mentioned that the management had not represented to them as regards existence or otherwise of fraud in earlier contracts. The Directors have taken note that the new management has expressed its inability to make a representation on the existence or otherwise of fraud in view of the review of contracts mentioned above.

### **17. Employees Stock Option Plan**

During the financial year under review, your Company had allotted 99,000 equity shares of Rs. 1/- each to MCX Stock Exchange ESOP Trust. The requisite disclosures in terms of Clause 12 of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 are provided in Annexure "B" to this Report.

### **18. Acknowledgements:**

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

The Directors also wish to convey their appreciation to the Company's employees for their enormous personal efforts as well as their collective contribution which enabled the Company to meet the challenges set before it, including the fierce competition in the sector.

The Board also acknowledges the contributions of the agencies, professional institutions such as ICAI, ICSI, ICWAI, Doordarshan, Delhi University to name a few, who have inked Memoranda of Understanding with the Company to work towards the goal of "Financial Literacy for Financial Inclusion".

**For and on behalf of the Board of Directors**

**Thomas Mathew T**  
**Chairman**

**Date: August 14, 2014**  
**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 and Regulation 27 (5) of the SECC Regulations.

Name & Qualifications	Age	Designation/ Nature of Duties	Remuneration received (Gross Rs.)	Experience (No of years)	Date of commencement of employment	Previous employment
Saurabh Sarkar, B Tech, PGDBM (MBA)*	45	MD & CEO	28,90,070	18.10	1-Feb-14	United Stock Exchange Limited
Sanjit Prasad BA, PGDRM	43	Director - Business Development	1,02,48,473	18.4	9-Jan-04	Stock Holding Corporation of India Ltd.
Setu K Shah B.Com, MBA	36	Sr. Vice President- Communications & CSR	57,82,237	15	21-Aug-06	Publicis Ambience
Narendra Kumar Ahlawat BV. Sc & AH, PGDRM, CFA*	52	Head - Technology & CSQ	49,83,258	27.02	21-Jul-08	National Stock Exchange Of India Ltd
Harihar TS, B.Com, M.Com, CFA*	46	Head - Business Development (FIG)	55,15,501	21.09	12-Jun-13	ICICI Securities Ltd
Joseph Massey MA, MBA*	52	MD & CEO	1,35,89,163	25	2-Apr-03	Inter Connected Stock Exchange of India Ltd.
Suniel Vichare B.Com, Diploma in Computer Software & Application	53	President - Membership & Inspection	42,96,141	28	18-Jun-12	Universal Commodity Exchange
Ghanashyam Vishwanath Rao	46	Vice President - Finance & Accounts	32,59,892	24	15-Oct-05	Electrowatt Engineering



Name & Qualifications	Age	Designation/ Nature of Duties	Remuneration received (Gross Rs.)	Experience (No of years)	Date of commencement of employment	Previous employment
B.Com, DMS, MBA						
Rajesh Bagwe B.Sc, Masters of Labour Management , LLB	49	Vice President - Human Resources	40,40,799	24	28-Apr-08	Siemens Ltd
S Sarat Chandran B.A, M. L., CS	37	Head - Legal and Company Secretary	41,69,154	15	10-Nov-08	Eight Capital Advisory Services
Saji Cherian B.Com, MBA*	52	Head - Listing	14,06,783	27	4-Jan-10	Bombay Stock Exchange Ltd
Sanjay Golecha B.Com, FCA	48	Vice President - Listing & Compliance	34,35,598	24	1-Nov-12	Practise and Management Consultant
Himanshu Ashar B.Com, CFA	42	Vice President - Market Operations	31,12,186	20	21-Jan-08	Bombay Stock Exchange Ltd.
Venkatachalam Shunmugam B.Sc, M.Sc, PhD*	44	Chief Economist - Research & Product Development	37,83,016	16	27-Mar-06	US Embassy
Ravi Narayan M.Com, CS, PGDBA, PGDHRM*	50	Assistant Vice President - Investor Grievance & Arbitration	8,07,197	26	1-Oct-12	Deutsche Investor Service Pvt Ltd
Atul Bapna BE, MBA	39	Vice President - Membership & Inspection	39,73,192	16	23-Oct-12	Nomura Financial Advisory and Securities India Pvt Ltd

\* KMPs was only for the part of the year.

#### Notes:

- Subsequent to resignation of Mr. Joseph Massey w.e.f. October 9, 2013, SEBI vide its letter dated December 18, 2013 had given approval for appointment of Mr. Saurabh Sarkar as MD&CEO. Accordingly Mr. Saurabh Sarkar joined office as MD &CEO w.e.f. February 1, 2014.



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

**Thomas Mathew T**  
**Chairman**

**Date: August 14, 2014**  
**Place: Mumbai**

## Annexure B to the Directors' Report

Disclosures of the Employee Stock Option Scheme, 2009 (ESOP Scheme 2009) under the provisions of Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

Sr. No.	Particulars	Round I	Round II	Round III	Round IV
a.	Options granted	11,25,000 (on November 27, 2009)	40,55,100 (on March 20, 2012)	5,53,250 (on November 1, 2012)	1,45,800 (on March 12, 2013)
b.	The pricing formula	Based on the fair price of the shares on the date of grant.			
c.	Options vested	11,25,000	40,55,100	5,53,250	1,45,800
d.	Options exercised	7,05,000	99,000	NIL	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, 2014)	4,20,000	22,41,864	20,291	83,650
g.	Variation of terms of options (as at March 31, 2014)	None			
h.	Money realized by exercise of options	Rs. 7,05,000	Rs. 2,07,900	NIL	NIL
i.	Total number of options (vested and unvested) in force (as at March 31, 2014)	Nil	17,14,236	5,32,959	62,150
j.	Employee wise details of options granted to				
	i) senior managerial personnel	NIL	Mr. Joseph Massey - 10 lakh Mr. U. Venkataraman - 2.5 lakh	NIL	NIL
	ii) any other employee who receives a grant in any one year of option amounting	As the grant was made to a total of 8 non-executive,	Mr. KRCV Seshachalam# - 2.5 lakh Mr. Sanjit Prasad - 2.5	Mr. Suniel Vichare - 2.5 lakh Mr. Chandresh	Mr. Nimesh Shukla - 60,000

Sr. No.	Particulars	Round I	Round II	Round III	Round IV
	to 5% or more of option granted during that year	non-promoter directors during 2009-10, all of the grants were in excess of 5% of the total options granted in that year.	lakh	Bhatt - 44,000 Mr. Rajesh Bagwe - 48,000 Mr. Sanjay Golecha - 40,000 Mr. Atul Bapna - 40,000	
	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			

# Resigned from the service of the Company w.e.f. March 31, 2012.

Note: SEBI vide its circular dated December 13, 2012 has prohibited ESOPs to form part of compensation of Key Management Personnel (KMP). Pursuant to said circular, the concerned Senior Managerial Personnel and KMPs have undertaken not to exercise the vested options which were granted/vested to them before the notification of the aforesaid SEBI circular, in contravention of the SECC Regulations and circulars or instruction issued thereunder from time to time.

Sr. No.	Particulars	Round I	Round II	Round III	Round IV
a.	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, 2013)	Rs.(2.87)			
b.	i) Method of calculation of employee compensation cost	As per intrinsic value method.			



Sr. No.	Particulars	Round I	Round II	Round III	Round IV
	ii) Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the Options	Rs. 34,667/- (Rupees Seventy Seven Thousand Eight Hundred and Forty One only)			
	iii) The impact of this difference on profits and on EPS of the Company	Loss would have been greater by Rs. 34,667/- There would have been no material impact on the EPS.			
c.	Weighted average exercise price and Weighted average fair value	Not Applicable			
d.	Fair value of options	Rs. 0.15/-	Rs. 0.25/-	Rs. 0.003/-	NIL
	Assumptions	<ul style="list-style-type: none"> <li>• Risk Free Rate is based upon Govt. Securities</li> <li>• Dividends are not considered</li> <li>• Standard Deviation and Variance are not considered</li> <li>• There was no Transaction and Tax cost</li> </ul>			
	Risk Free rate	8.00%	8.75%	9.00%	9.00%
	Expected life of options	Average time for expiry of option is taken as 2 years			
	Expected Volatility	1%			
	Expected Dividends	The Company has made losses in this financial year and does not intend to propose any dividend for the financial year 2013-14.			
	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 1% and fair value of the Option has been considered as Rs. 1/- being the face value.

**For and on behalf of the Board of Directors**

**Thomas Mathew T**  
**Chairman**

**Date: August 14, 2014**  
**Place: Mumbai**

# Corporate Governance Report

## 1. Company's Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance is to follow fair, ethical and transparent governance practices of highest order so as to be a role model for all listed companies. The Company is also committed to contribute to "triple bottom line" and aspires to meet the aspirations of the broader stakeholders and the societal expectations.

As an integral part of its Corporate Governance philosophy, the Company is also committed to fair and equitable treatment of all its members and other participants in the Exchange systems.

Being a new generation Stock Exchange, the Company is uniquely positioned to realize the above philosophy. At MCX Stock Exchange Limited, Corporate Governance is an ongoing process. To keep pace with an evolving global environment, the Company continuously adapts to best governance practices for carrying its business in ethical and transparent manner.

The Company always endeavors to adopt highest corporate ethical standards in all its actions thereby reinforcing that the Company's Management is the trustee of its shareholders' capital and not the owner of it.

## 2. Board of Directors

### A. Composition of the Board

The Company being a Stock Exchange is regulated by SEBI and is required to comply with Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 and circulars and instructions issued by SEBI from time to time ("SECC Regulations"), Securities Contracts (Regulation) Act, 1956 ("SCRA") and Securities Contracts (Regulation) Rules, 1957 ("SCRR") (collectively hereinafter referred to as "SEBI Regulations") besides the Companies Act, 1956 and the rules made thereunder ("the Act").

As on March 31, 2014, the Company has four Directors, comprising three Public Interest Directors (PIDs), and a Managing Director. The day-to-day management is under the supervision of the Managing Director & CEO (MD & CEO). who is assisted by a team of Key Management Personnels (KMPs) and other executives. The Chairman of the Board is a Public Interest Director.

The Company treats PIDs and such of the Shareholder Directors who fulfill criteria of independence as laid down in Clause 49 of the Listing Agreement as Independent Directors. As on March 31, 2014 the Company does not have any shareholder director.

## B. Meetings and Attendance

As mentioned earlier, the Company is required to adhere to SEBI Regulations and the Act. All items required to be placed before the Board in compliance of SEBI Regulations, Act and Listing Agreement (to the extent applicable) are necessarily discussed at every Board meeting, as are strategic issues, issue of policy nature and issues involving the public interest. The Board also considers matters which in their discretion are necessary to be discussed at the meeting. The Board meetings are always chaired by the Chairman who is PID or in his absence, by another PID

The Agenda papers are prepared by the Company Secretary in consultation with the Managing Director & CEO and circulated to the Board well in advance. At the meetings, discussion on each matter is encouraged especially from PIDs. The Board also requests the Management to provide additional information, if required. The minutes of the meeting of the Board of Directors are circulated to all members of the Board for suggestions. The comments received from the Board members are incorporated in the minutes in consultation with the Chairman of the Board/meeting. The minutes of the meeting are confirmed at the next meeting upon approval of the Board. The procedure has been modified from F.Y. 2014-15 in light of Companies Act, 2013.

During the financial year 2013-14, ten Board Meetings were held and the gap between two meetings did not exceed three months. The said Board meetings were held on May 28, 2013, August 12, 2013, September 14, 2013, October 24, 2013, November 14, 2013, December 7, 2013, January 3, 2014, January 13, 2014, February 13, 2014 and March 14, 2014.

The details of the Board's composition with the Directors names, their attendance at the Board meeting held during the year, the nature of their directorship, their directorships, chairmanships and memberships of committees of the Board of other companies are given herein below:

Name of the Director	Nature of Directorship	Board Meetings held during the tenure	Board Meetings attended during the tenure		Directors hip in other public companies (*)	No. of Committee positions held in other companies (**)		Remarks
						Chairman	Member	
Mt. Thomas Mathew T.	ID / PID	7	7		2	-	-	Appointed with effect from October 08, 2013
Prof. (Mrs.) Ashima Goyal	ID / PID	10	9			-	-	-
Mr. Ashok Jha	ID / SD	2	2		3	-	2	Resigned with effect from September 12, 2013
Mr. B D Sumitra	ID / SD	3	3		-	-	-	Retired at the Annual General Meeting of the Company held on September 28, 2013
Mr. D.R. Dogra	ID / PID	9	7		1	-	1	Appointed with effect from July 08, 2013



Name of the Director	Nature of Directors hip	Board Meetings held during the tenure	Board Meetings attended during the tenure		Directors hip in other public companies (*)	No. of Committee positions held in other companies (**)		Remarks
						Chairman	Member	
Mr.G.K.Pillai	ID / PID	7	7		3			Appointed with effect from October 14, 2013 and resigned with effect from March 14, 2014
Mr. Jignesh Shah	NED/ SD	3	1		5	-	-	Resigned with effect from October 09, 2013
Mr. Joseph Massey	MD & CEO	3	3		1	-	1	Resigned with effect from October 09, 2013
Mr. M.V. Nair	ID / PID	1	0		4	1	1	Appointed with effect from July 08, 2013 and resigned with effect from August 28, 2013
Mr. Saurabh Sarkar	MD & CEO	2	2		-	-	-	Joined office with effect from February 01, 2014
Mr. S.S. Thakur	ID / PID	1	1		6	-	-	Ceased office with effect from July 08, 2013
Mr. S. U. Kamdar	ID / PID	6	3		-	-	-	Resigned with effect from December 10, 2013
Mr. U Venkataraman	WTD	9	9		2	-	2	Resigned with effect from February 14, 2014

NED – Non-Executive Director; ID – Independent Director; PID – Public Interest Director; SD – Shareholder Director; MD&CEO – Managing Director & Chief Executive Officer; WTD – Whole-time Director.

\* Excludes directorship in Private Companies, Foreign Companies, Section 25 Companies and Alternate Directorships. .

\*\* Includes only Audit Committee and Shareholders' Grievance Committee of Indian Public Limited Companies.

#### Notes:

- The Fifth Annual General Meeting of the Company was attended by Mr. Joseph Massey, MD & CEO, Mr. B D Sumitra, Chairman of the Audit Committee, Mr. S. U. Kamdar, Public interest Director and Mr. U Venkataraman, Whole Time Director.
- None of the Directors listed above are related.
- None of the Directors hold the office of Director in more than the permissible number of companies under the Companies Act, 1956.
- The Committee Chairmanships / Memberships are within the limits laid down in Clause 49 of the Listing Agreement.

### C. Board committees and other committees constituted to comply with provisions of SEBI Regulations, the Act and the Listing Agreement to the extent applicable to the Exchange:

#### I. Board Committees

##### 1. Audit Committee

The Audit Committee of the Company is constituted pursuant to Section 292A of the Act read with the SECC Regulations and the Listing Agreement. The terms of the reference of

the Audit Committee has been expanded in accordance with the requirement of section 177 (4) of the Companies Act, 2013 by the Board at its meeting held on May 26, 2014.

#### **A. Terms of Reference (TOR):**

- a) To oversee the Company's financial reporting process and the disclosure of its financial statements to ensure that the financial statement is correct, sufficient and credible and review the same before submission to the Board;
- b) To recommend the appointment and removal of the auditors, remuneration and their terms of appointment;
- c) To review with the management, the annual financial statements before submission to the Board, focusing primarily on:
  - i. Any changes in accounting policies and practices;
  - ii. Major accounting entries based on exercise of judgement by the management;
  - iii. Significant adjustments arising out of audit findings;
  - iv. The going concern assumption;
  - v. Compliance with accounting standards;
  - vi. Compliance with legal requirements concerning financial statements;
  - vii. Any related party transactions i.e., transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interest of Company at large.
- d) To review with the management, external and internal auditors, the adequacy of internal financial control and risk management systems and evaluate the same;
- e) To review the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the Department, reporting structure coverage and frequency of internal audit.
- f) To discuss with internal auditors any significant findings and follow up thereon;
- g) To review the findings of internal investigations into matters where there is suspected fraud or irregularity or failure of internal control system of a material nature and report to Board;
- h) To discuss with the external auditors before the audit commences, nature and the scope of audit as well as have post-audit discussion to ascertain any area of concern;
- i) To review Company's financial risk management policies.
- j) To investigate any activity/matter as may be required by the Board of Directors;
- k) To seek any information from any employees and/or records of the Company;
- l) To obtain outside legal or other professional advice; and
- m) To secure attendance of outsiders with relevant expertise, as may be considered necessary.
- n) To examine the financial statement and the auditor's report thereon.
- o) To approve entering into or any subsequent modification of transactions of the Company with related parties.
- p) To scrutinize inter corporate loans and investments.
- q) To undertake valuation of undertakings or assets of the Company wherever it is necessary.
- r) To monitor end use of funds raised through public offers and related matters.

## B. Composition, meetings and attendance:

The Committee met four times on May 28, 2013, August 12, 2013, November 14, 2013 and February 13, 2014. The previous Annual General Meeting of the Company was held on September 28, 2013 and was attended by Mr. B D Sumitra the then Chairman of the Audit Committee. Mr. S. Sarat Chandran, Head - Legal and Company Secretary is the Secretary of the Committee.

Member	Category	Meetings held during the tenure	Meetings Attended During The Tenure	Remarks
Mr. Thomas Mathew T. (Chairman) -	ID, PID	2	2	Admitted as a member and designated as Chairman of the Committee with effect from October 24, 2013
Prof. (Mrs.) Ashima Goyal	ID, PID	4	4	-
Mr. B D Sumitra (Ex-Chairman)	ID, SD	2	2	Retired at the AGM held on September 28, 2013
Mr. Joseph Massey	MD & CEO	2	1	Resigned with effect from October 09, 2013
Mr. U Venkataraman	WTD, SD	2	2	Ceased to be member w.e.f. February 14, 2014
Mr. Saurabh Sarkar	MD&CEO	1	-	Appointed as member w.e.f. February 13, 2014

ID – Independent Director; PID – Public Interest Director; SD Shareholder Director, MD & CEO – Managing Director & Chief Executive Officer, WTD – Whole-time Director

## 2. Nomination and Remuneration cum Compensation Committee

The Remuneration Committee has been constituted by the Board in accordance with the provisions of the Act and SECC Regulations read with Listing Agreement. The role of the said Committee is to determine the remuneration payable to the senior management in an objective manner considering the various factors in the interest of the Company. The remuneration paid to the senior management is in accordance with the SECC Regulations.

The Compensation Committee of the Board is constituted in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the SEBI Regulations. The primary role of the Committee is to administer the implementation of the ESOS Scheme of the Company including grant of



options under the Scheme, identify Key Management Personnel (KMP) and determine compensation policy as well as actual compensation of KMPs.

In light of the SECC Regulations read with SEBI circular dated December 13, 2012 and the Companies Act, 1956, the TOR of aforesaid both Committees were overlapping, particularly as the 'Managerial Personnel' under Schedule XIII of the Companies Act, 1956 were also KMPs in terms of SECC Regulations. Accordingly, both the Committees were merged to form a single Remuneration & Compensation (R&C) Committee vide Board resolution dated May 28, 2013.

Pursuant to Section 178 of the Companies Act, 2013 the terms of the reference was further expanded to comply with the requirement of the said section and the name of the Committee accordingly has been redesignated as Nomination and Remuneration cum Compensation Committee and the revised terms of reference are as follows::

#### **A. Terms of Reference (TOR):**

- a) To decide the remuneration to be paid to any member or prospective member of the Senior Management, as may be referred to it by the Board or the Management Committee of the Board, in mutual consultation with such member or prospective member and in an objective manner, having regard to the interests of the Company and of its shareholders.
- b) To formulate the compensation policy in line with the directions of SEBI;
- c) To identify the Key Management Personnel (KMPs) within the meaning of the SECC Regulations;
- d) To determine the employment terms and compensation of the KMPs as directed by SEBI;
- e) To report such activities to the Board on periodic basis.
- f) To finalize and administer the scheme in consultation with a Merchant Banker appointed by them for the purpose.
- g) To settle all questions of interpretation of said Scheme (the Committee's decision shall be final and binding on all parties concerned).
- h) To determine the detailed terms and conditions for grant of Options to each eligible employee or class of employees, including but not limited to:
  - i. The eligibility criteria and the specific employees to whom the options would be granted;
  - ii. The quantum of employee stock options to be granted under the Scheme per employee or class of employees and the basis of such allotment and the aggregate thereof, subject to the maximum ceiling as specified hereinabove.
- i) To devise a procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issues, splitting/sub-division of shares, bonus issues, merger, sale of division and others.
- j) To devise the procedure for cashless exercise of options, in accordance with applicable laws.
- k) To determine the terms and conditions of re-issue of options which have lapsed on account of non-exercise of the options vested within the specified period, or on account of non-acceptance of the options which have been granted to the employee, or on account of any other reason, in accordance with applicable laws.

- l) To formulate criteria for determining qualifications, positive attributes and independence of director.
- m) To recommend to the Board policy relating to remuneration for directors, KMPs and other employees
- n) To identify person who are qualified to become director, recommend their appointment and removal to the Board
- o) To evaluate every directors performance
- p) To perform any other function as may be delegated by the Board.

#### **B. Composition, meetings and attendance:**

The Committee met four times during the year on June 26, 2013, October 9, 2013, December 7, 2013 and March 31, 2014. Mr. Thomas Mathew T. is the Chairman of the Committee.

Member	Category	Meetings held during the tenure	Meetings Attended during the tenure	Remarks
Mr. Thomas Mathew T.	ID / PID	2	2	Admitted as a member of the Committee with effect from December 07, 2013.
Prof Ashima Goyal	ID / PID	4	4	-
Mr. B D Sumitra	ID / SD	1	1	Retired at the AGM held on September 28, 2013.
Mr. D. R Dogra	ID / PID	3	2	Admitted as members of the Committee with effect from September 14, 2013. Mr.
Mr. G K Pillai	ID / PID	1	1	Admitted as a member of the Committee with effect from December 07, 2013 and resigned with effect from March 14, 2014.
Mr. M.V. Nair	ID / PID	0	0	Admitted as a member of the Committee with effect from August 12, 2013 and resigned with effect from August 28, 2013
Mr. S S Thakur	ID / PID	1	1	Ceased office with effect from July 08,

Member	Category	Meetings held during the tenure	Meetings Attended during the tenure	Remarks
				2013
Mr. S U Kamdar	ID / PID	2	2	Admitted as members of the Committee with effect from September 14, 2013. Mr. S.U.Kamdar resigned with effect from December 10, 2013.

ID – Independent Director; PID – Public Interest Director; SD Shareholder Director.

#### A. Details of remuneration paid / payable to the Directors

##### a) Executive Directors (MD & CEO and WTD)

Particulars	Mr. Saurabh Sarkar (Amount in Rs.)	Mr. U. Venkataraman (Amount in Rs.)	Mr. Joseph Massey (Amount in Rs.)
<b>Fixed Component :</b>			
Salary	28,83,331 (2 months)	NIL	1,34,36,289
Allowances and perquisites	6739 (1 month)	NIL	1,52,874
Bonuses %	NIL	NIL	NIL
<b>Total **</b>	<b>28,90,070</b>	<b>NIL</b>	<b>1,35,89,163</b>
<b>Directors Sitting Fees</b>	N.A.	N.A.	N.A.
<b>ESOP – 2009 (in Nos.)</b>			
Opening Balance	N.A.	2,50,000	10,00,000
Options granted *			
Options exercised	-	-	-
Options Lapsed	-	2,50,000	10,00,000
<b>Shareholding as on March 31, 2014</b>	Nil	Nil	Nil
<b>Period of Service contracts</b>	For a period of three years commencing on and from February 01, 2014.	For a period of three years commencing on and from February 16, 2012.	For a period of three years commencing on and from June 1, 2012.
<b>Notice Period</b>	Six months	Six months	Six months



Particulars	Mr. Saurabh Sarkar (Amount in Rs.)	Mr. U. Venkataraman (Amount in Rs.)	Mr. Joseph Massey (Amount in Rs.)
Severance fees	Nil except notice pay	Nil except notice pay	Nil except notice pay

\* SEBI vide its circular dated December 13, 2012 has prohibited ESOPs to form part of compensation of Key Management Personnel (KMP). Pursuant to said circular, the Executive Directors have undertaken not to exercise the vested options in contravention of the SECC Regulations and circulars or instruction issued thereunder from time to time, which were granted/vested to them before the notification of the aforesaid SEBI circular. However pursuant to the resignation of Mr. Joseph Massey his options had lapsed.

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

% The Performance Linked Incentives are paid on achievement of the targets set and as may be agreed upon by the Remuneration Committee / Board.

Note: Mr. Saurabh Sarkar joined as the Managing Director & Chief Executive Officer (CEO) w.e.f. February 01, 2014, for a period of three years from the date of his joining.

Mr. U. Venkataraman resigned as CEO-Debt Segment and Whole time director w.e.f. February 14, 2014.

Mr. Joseph Massey resigned as the Managing Director & CEO w.e.f. October 09, 2013.

SEBI has approved remuneration to be paid to Mr. Saurabh Sarkar, MD&CEO.

## b) Non-Executive Directors

The following Non-Executive Directors are being paid only sitting fees for attending the meetings of the Board and Committees thereof.

Name of the Director	Sitting Fees paid (Amount in Rs.)	
	Board	Committee
Mr. S S Thakur	20,000	5,30,000
Mr. S U Kamdar	60,000	1,70,000
Prof. (Mrs.) Ashima Goyal	1,76,000	9,50,000
Mr. Ashok Jha	40,000	-
Mr. B D Sumitra	60,000	1,50,000
Mr. D.R. Dogra	1,36,000	5,99,000
Mr. G.K.Pillai	1,36,000	2,16,000
Thomas Mathew T.	1,36,000	8,86,000

The details of the ESOP granted and exercised to the Board Members are as follows:-

Name of the Director	ESOP - 2009			No of shares held	% to the paid-up capital
	Granted	Exercised	Returned		
Mr. S S Thakur	1,25,000	82,500	*82500	0	-
Mr. S U Kamdar	1,25,000	-	-	-	-
Prof. (Mrs.) Ashima Goyal	1,25,000	-	-	-	-
Mr. Ashok Jha	2,50,000	2,50,000	-	2,50,000	0.05
Mr. B D Sumitra	1,25,000	1,25,000	-	1,25,000	0.02
Mr. D.R. Dogra	-	-	-	-	-
Mr. G.K.Pillai	-	-	-	-	-
Thomas Mathew T.	-	-	-	-	-

\* He had subsequently returned the 82500 shares in order to comply with Securities Contract Regulation (Stock Exchanges and Clearing Corporations) Regulations, 2012

### 3. Shareholders Grievance Committee

The Shareholders' Grievance Committee of the Company is constituted in Clause 49(IV)(G)(iii) of the Listing Agreement. The Committee is constituted primarily with the objective of redressing shareholders' and investors' grievances. Mr. Thomas Mathew T. is the Chairman of the Committee. Mr. S. Sarat Chandran, Head - Legal and Company Secretary is the Compliance Officer of the Company for the purposes of Listing Agreement.

#### A. Terms of reference

- Handling and redressal of various shareholders' complaints;
- Noting and approval of dematerialisation, rematerialization, share transfer, transposition of names, transmission requests, etc.
- Issue of duplicate share certificates in case of torn or loss of share certificate;
- Any other specific shareholder matters as may be specified by the Board from time to time.

#### B. Composition, meetings and attendance

The Committee met four times during the year on April 26, 2013, July 03, 2013, November 22, 2013 and January 29, 2014.

Member	Category	Meetings held during the tenure	Meetings Attended during the tenure	Remarks
Mr. Thomas Mathew T.	ID, PID	2	2	Admitted as a member of the Committee with effect from October 24, 2013.
Mr. B D	ID, SD	2	2	Retired at the AGM held on September

Sumitra				28, 2013.
Mr. D.R.Dogra	ID, PID	0	0	Admitted as a members of the Committee with effect from February 13, 2014
Mr. Saurabh Sarkar	MD&CEO	0	0	Admitted as a members of the Committee with effect from February 13, 2014
Mr. S U Kamdar	ID, PID	3	2	Resigned with effect from December 10, 2013.
Mr. U Venkataraman	WTD,SD	4	4	Resigned with effect from February 14, 2014.

ID – Independent Director; PID – Public Interest Director; SD Shareholder Director, WTD – Whole-time Director. MD & CEO – Managing Director and Chief Executive Officer.

### C. Summary of requests /complaints received and redressed during the year

Complaints / Requests	Opening	Additions	Resolved	Outstanding
Shareholders Complaints	NIL	NIL	NIL	NIL
Demat	NIL	NIL	NIL	NIL
Remat	NIL	NIL	NIL	NIL
Transfers	NIL	NIL	NIL	NIL
Transmission	NIL	NIL	NIL	NIL
Duplicate Share Certificate(s)	NIL	NIL	NIL	NIL
Other requests	NIL	NIL	NIL	NIL

## II. OTHER COMMITTEES

The Company is regulated by SEBI and is required to comply with the requirements of SEBI Regulations. Other than the Audit Committee, Shareholders' Grievance Committee and Nomination and Remuneration cum Compensation Committee constituted by the Company under the provisions of Companies Act, 2013 and Listing Agreement, the Company is additionally required to constitute Committees which are mandated by SEBI for stock exchanges. The Board has also constituted certain other Committees for operational convenience.

Pursuant to SEBI Regulations, the Company has constituted various other committees on the terms of reference defined therein by SEBI or in light of requirements of SEBI or the business exigencies:

- Executive Committee – Currency Derivatives Segment
- Executive Committee – Futures & Options Segment
- Executive Committee – Capital Market Segment
- Advisory Committee
- Arbitration Committee



- Investor Service Committee
- Membership Committee
- Committee for monitoring compliance of SEBI Inspection Report
- Defaulters Committee
- Disciplinary Action Committee
- Ethics Committee
- Listing Regulation Oversight Committee
- Systems Committee
- Member Regulation Oversight Committee
- Project Implementation Committee (since dissolved)
- Trading & Surveillance Oversight Committee
- Public Interest Directors Committee
- Investment Committee
- Management Committee
- Committee in terms of SEBI letter no. MRDDSAOW231532013 dated September 12, 2013.(since dissolved)
- Investment Committee
- Investor Protection Fund
- Investor Service Committee
- Selection Committee
- Special Committee of PIDs

SEBI vide letter no. MRD/DSA/OW/23153/2013 dated September 12, 2013 had renewed recognition of the Exchange for a further period of one year commencing from September 16, 2013 to September 15, 2014. Pursuant to said letter the Exchange had constituted a Committee comprising of two Public Interest Directors and three nominees from institutional investors to oversee certain functions as mentioned in that letter.

Since the Committee had already fulfilled its purpose by reporting to shareholders about report of M/s. M.M. Nissim & Co, Chartered Accountant, Mumbai, the Exchange vide its letter dated November 1, 2013 had requested SEBI to accord its approval on dissolution of the said Committee.

On resignation of the erstwhile Managing Director & CEO, Mr. Joseph Massey, with the consent of the shareholders a Special Committee of PIDs under the assistance of Mr. U. Venkataraman, Whole-time Director was constituted to carry out the routine functions of the Exchange. The Special Committee was dissolved subsequent to the joining of Mr. Saurabh Sarkar as the Managing Director & CEO.

### 3. Representation on Board of Subsidiaries

The Company holds 51% of the paid-up capital of MCX-SX Clearing Corporation Limited (MCX- SX CCL) and 100% of MCX-SX KYC Registration Agency Limited (MCX-SX KRA). Both are non- material unlisted subsidiaries of the Company.

The minutes of the Board meetings of the subsidiary Companies are placed before the Board meeting of the Company.

## 4. Code of Conduct

The Company has formulated and implemented a comprehensive Code of Conduct for Directors, Key Management Personnel and employees of the Company. The Code of Conduct is hosted on the website of the Company - [www.mcx-sx.com](http://www.mcx-sx.com).

The Board Members and the Senior Management Personnel affirm compliance with the Code of Conduct on an annual basis. The necessary declaration by the Managing Director & Chief Executive Officer under Clause 49 of the Listing Agreement regarding adherence to the Code of Conduct has been obtained for the financial year 2013-14 and forms part of the Annual Report.

## 5. General Meetings:

### (A) Details of Annual General Meetings

Date & Time	Category	Venue of the meeting	Special resolution(s) passed for
September 28, 2013 at 11.00 a.m.	AGM (for FY-2012-2013)	The Orchid Hotel, Chancery I, Nehru Road, Adjacent to Domestic Airport, Vile Parle (East), Mumbai - 400 099	i) Amendments to the Articles of Association. ii) Modification to the Employee Stock Option Scheme, 2009 (ESOS 2009) of the Company. iii) Authorization for issuance of shares to the directors and employees of the Exchange under ESOP scheme upto 2% of post issue paid up equity capital of the Company or 1,50,00,000 equity shares of Re. 1/- whichever is less. iv) Authorization for issuance of shares to the directors and employees of the subsidiaries under ESOP scheme upto 2% of post issue paid up equity capital of the Company or 1,50,00,000 equity shares of Re. 1/- whichever is less.
September 20, 2012 at 3.30 p.m.	AGM (for FY-2011-2012)	6 <sup>th</sup> floor Board Room, Exchange Square, Suren Road, Chakala, Andheri (East), Mumbai - 400093	i) Amendments to the Articles of Association. ii) Authorization for issuance of shares under ESOP scheme upto 2% of post issue paid up equity capital of the Company or 1,50,00,000 equity shares of Re. 1/- whichever is less. iii) Authorisation under Section 372A of the Companies Act for Investment in securities of MCX-SX Clearing

			Corporation Limited upto a limit of Rs. 300 crore.
September 27, 2011 at 3.30 p.m.	AGM (for FY-2010-2011)	6th floor, Exchange Square, Suren Road, Chakala, Andheri (East), Mumbai - 400093	i) Authorization for issuance of shares under section 81 (1A) of Companies Act, 1956. ii) Authorization for issuance of shares under ESOP Scheme upto 2% of post issue paid up equity capital of the Company or 1,50,00,000 equity shares of Re. 1/- whichever is less.

### B. Details of Extraordinary General Meeting

At the Extraordinary General Meeting convened on October 9, 2013 the shareholders examined the status on conflict of interest and compliance with Securities Contracts (Stock Exchanges and Clearing Corporations) Regulations, 2012 (SECC Regulations 2012) by the directors and the key management personnel and approved the same.

Date & Time	Venue of the meeting	Special resolution(s) passed for
October 9, 2013 at 4.00 9.m.	Exchange Square, Suren Road, Chakala, Andheri (East), Mumbai - 400093	Took note of the resignation of the earlier MD&CEO and a shareholder director. Examined and approved the status on conflict of interest and compliance with Securities Contracts (Stock Exchanges and Clearing Corporations) Regulations, 2012 (SECC Regulations 2012) by the directors and the key management personnel including Managing Director of the Exchange pursuant to SEBI's directions vide letter no. MRD/DSA/OW/23153/2013 dated September 12, 2013.
March 14, 2014 at 3.30 p.m.	Exchange Square, Suren Road, Chakala, Andheri (East), Mumbai - 400093	i) Approved appointment of Mr. Saurabh Sarkar as the MD & CEO of the Exchange and fixed his remuneration. ii) Amendments to the Articles of Association. iii) Approved and ratified the increase in the authorized share capital from Rs. 250,00,00,000/- (Rupees two hundred and fifty crore) divided into 250,00,00,000 equity shares of Re.1/- (Rupee one) each to Rs. 350,00,00,000/- (Rupees three hundred and fifty crore) divided into 350,00,00,000 equity shares of Re.1/- (Rupee one).



### C. Postal Ballot

The Company has not passed any resolution by way of postal ballot as provisions of Section 192A of the Companies Act, 1956 relating to postal ballot is not applicable to the Company.

## 6. Disclosures

### A. Disclosures on materially significant related party transactions

The Company has not entered into any materially significant related party transactions that may have potential conflict with the interests of the Company at large. Nonetheless, transactions with related parties as required to be reported under "Accounting Standard 18 - Related Party Disclosure" has been disclosed in the Financial Statements in the Annual Report.

### Additional Information

It is for shareholders information that Financial Technologies (India) Ltd. (FTIL) and Multi Commodity Exchange of India Ltd. (MCX) hold significant number of warrants in the Company besides their shareholding. FTIL was also having a Director on the Board for part of the year. The Company has certain contracts relating to technology, infrastructure and support services and leave & license respectively FTIL and MCX. As disclosed in the financial statements, the management of the Company has decided to review all such contracts with FTIL to ensure that charges paid for infrastructure, software and software support services are comparable to those paid by other exchanges in similar line of business. This is based on a legal opinion received by MCX-SX, which raises concern on the arm's length nature of these contracts.

### B. Penalties or strictures imposed by Stock Exchanges, SEBI or any statutory authority, on any matter related to the capital markets during the last three years: Nil

### C. Disclosure of accounting treatment

During the year the Company has not provided infrastructure, software and software support expenses aggregating to Rs. 10.71 crore, payable, as explained in note no. 3 on the financial statements, pursuant to various long term contracts executed with erstwhile promoter of the company which is not in accordance with fundamental accounting assumption of accrual. Had the above expenses been provided, the net loss for the year would have been higher by Rs. 10.71 crore. Except for the above, the Company has followed Accounting Standards and Generally Accepted Accounting Principles in India.

### D. Risk management policy

The Company has devised a formal risk management policy and follows detailed risk assessment and minimization procedure. The Exchange has appointed a Chartered accountant firm to undertake the Operational Risk Assessment (ORA) for the Company. The

Board periodically reviews the risk assessment and minimization procedures to ensure proper implementation of the policy.

**E. Disclosure relating to Whistle Blower Policy and affirmation that no personnel have been denied access to the Audit Committee**

The Company has adopted a Code for Key Management Personnel and Employees which includes a Whistle Blower Policy. This policy enables an employee to report any actual or possible violation of the code of conduct. This policy ensures confidentiality and protection to the employee against retaliation. The Board in its meeting held on May 26, 2014 has formalized a Whistle Blower policy which has come into effect from May 26, 2014.

No personnel was denied access to the Audit Committee during FY 2013-14 to the knowledge of the then Compliance Officer, Mr. Sarat Chandran S.

**F. Management discussions and analysis**

The Management Discussion and Analysis is covered separately in the Annual Report.

**G. CEO/CFO certification**

The certification received under clause 49 of the Listing Agreement from Mr. Saurabh Sarkar, Managing Director and CEO and Mr. Ghanashyam Rao, Head – Finance & Accounts on the financial statements of the Company for the year ended March 31, 2014 is annexed to this report.

**H. Auditors' Certificate on corporate governance**

The Auditors' certificate regarding the compliance of conditions of Corporate Governance under Clause 49 of the Listing Agreement is annexed to the Directors' Report.

**I. Compliance with Clause 49**

**a. Mandatory Requirements:**

As per regulation 35 of SECC Regulations, 2012, the disclosure requirements and corporate governance norms as applicable to a listed entity are mutatis mutandis applicable to a recognized stock exchange. The Company has complied with the applicable mandatory requirements of Clause 49 of the Listing Agreement unless stated otherwise.

**b. Non Mandatory Requirements:**

- i. The present Chairman of the Board is a Public Interest Director approved by SEBI. A Chairman's office was maintained at Company's expense for the erstwhile Chairman, Mr. S.S. Thakur who resigned during the reporting financial year. The Chairman has the requisite qualifications and experience which is of use to the Company and which, in our opinion, enables him to contribute effectively to the Company in his capacity as an Independent Director.

- ii. The Company has constituted a Remuneration Committee, meeting the requirement of Companies Act, 1956. Pursuant to Section 178 of the Companies Act, 2013 the terms of the reference was further expanded to comply with the requirement of the said section and the name of the Committee accordingly has been redesignated as Nomination and Remuneration cum Compensation Committee.
- iii. The financial statements of the Company are qualified for the reporting financial year. Please refer point no. 3 of Basis of Qualified Opinion of the Auditors Report dated July 14, 2014. The explanation of the Board on the qualification is disclosed in the Directors Report.
- iv. The Company has adopted a Code for Key Management Personnel and Employees which includes a Whistle Blower Policy. This policy enables an employee to report any actual or possible violation of the code of conduct. This policy ensures confidentiality and protection to the employee against retaliation. The Board subsequently in its meeting held on May 26, 2014 has formalized a Whistle Blower policy which has come into effect from May 26, 2014.

## 7. Means of Communication

The quarterly results are published except for the quarter ended on March 31, 2014 in one English newspaper having circulation in the whole or substantially the whole of India and in one Marathi newspaper having circulation in Mumbai. Letter dated June 26, 2014 has been sent to SEBI, proposing of not publishing results in newspaper. The financials results, shareholding pattern, press releases, Annual Reports etc. appear on the Company's website [www.mcx-sx.com](http://www.mcx-sx.com).

Significant events during the financial year are also posted on the website of the Company [www.mcx-sx.com](http://www.mcx-sx.com) from time-to-time. The Company's website gives information on Exchange Rules and Bye-laws, schemes, products, membership of the exchange, news, events etc.

## 8. General Shareholder Information

<b>Annual General Meeting (2013-14)</b>	September 30, 2014 4 <sup>th</sup> Floor, Vibgyor Tower, C62, Bandra Kurla Complex, Bandra (East), Mumbai- 400098
<b>Financial year</b>	April 01, 2013 - March 31, 2014
<b>Record date &amp; Book Closure date</b>	Not Applicable
<b>Dividend payment date</b>	Not Applicable
<b>Mode of payment of dividend</b>	Not Applicable
<b>Listing on Stock Exchanges</b>	The Company is not listed on any stock exchange.
<b>Stock Market Code</b>	Not Applicable



<b>Name and Designation of Compliance Officer</b>	<ul style="list-style-type: none"> <li>Mr. S Sarat Chandran, Head – Legal &amp; Company Secretary acted as the Compliance officer upto May 05, 2014.</li> <li>Mr. A. Sebastin, Vice President - Investor Grievance, Arbitration, Compliance is appointed as the Compliance Officer w.e.f. May 06, 2014</li> </ul>
<b>Registrars &amp; Transfer Agents</b>	Karvy Computershare Private Limited Plot No. 17-24, Vittalrao Nagar, Madhapur, Hyderabad – 500 081.
<b>Share Transfer system</b>	The authority has been delegated to the Management Committee of the Board to approve share transfers. The Shareholders' Grievance Committee notes transfers of shares, if any, from time to time.
<b>Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity</b>	<p>As at March 31, 2014, the Company has 1,196,630,000 outstanding Warrants, 2309345 Options granted under the ESOP Scheme.</p> <p>The details on the warrants conversion are reported in the Directors Report.</p>
<b>Exchange operations are located at</b>	Exchange Square, Chakala, Suren Road, Andheri (East), Mumbai - 400 093.
<b>Address for Correspondence</b>	<p>Registered Office: Exchange Square, Chakala, Suren Road, Andheri (East), Mumbai - 400 093. Tel: 6731 9000 Email id: shareholdergrievance@mcx-sx.com Website: www.mcx-sx.com</p>

## 9. Dematerialisation of Shares and Liquidity

As required under SEBI Regulations, the entire share capital (54,46,85,400 equity shares) of the Company are under dematerialized (electronic) form. The equity shares of the Company have been admitted for dematerialisation with both the depositories, viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

ISIN of the equity shares of the Company is INE312K01010.

## 10. Stock Market Data

Not Applicable as the Company is not listed on any stock exchange.

## 11. Share Price Performance to Broad Based Indices

Not Applicable as the Company is not listed on any stock exchange.

## 12. Distribution of Shareholding & Shareholding pattern (As on March 31, 2014):

### Distribution of Shareholding

Sr no	Category ( Amount)	Shareholders		Shares held	
		No. of holders	% of Total	No. of shares	% of Total
1	up to 50000	3	10.00	99000	0.02
2	50001 - 100000	2	6.67	1,65,000	0.03
3	100001 & above	25	83.33	54,44,21,400	99.95
	<b>Total</b>	<b>30</b>	<b>100.00</b>	<b>54,46,85,400</b>	<b>100.00</b>

### Shareholding Pattern

Sr. No	Category	No. of shares held	% of shareholding
(A)	<b>PROMOTER AND PROMOTER GROUP</b>		
(1)	INDIAN		
	Bodies Corporate	-	-
	Sub-Total A(1)	-	-
(2)	FOREIGN	-	-
	Sub-Total A(2)	-	-
	<b>Total A=A(1)+A(2)</b>	-	-
(B)	<b>PUBLIC SHAREHOLDING</b>		
(1)	INSTITUTIONS	-	-
(a)	Mutual Funds / UTI	-	-
(b)	Financial Institutions / Banks	45,63,75,000	83.79
(c)	Venture Capital Funds	-	-
(d)	Foreign Institutional Investors	-	-
(e)	Foreign Bodies Corporate	-	-
	<b>Sub-Total B(1)</b>	<b>45,63,75,000</b>	<b>83.79</b>
(2)	Non-Institutions		
(a)	Bodies Corporate	8,14,95,000	14.96
(b)	Individuals		
(c)	Others	6,39,000	0.12
(d)	Trusts	61,76,400	1.13
(e)	Non-Resident Indian	-	-
(f)	Clearing Members	-	-
	<b>Sub-Total B(2)</b>	<b>8,83,10,400</b>	<b>16.21</b>

Sr. No	Category	No. of shares held	% of shareholding
	<b>Total B=B(1)+B(2)</b>	<b>54,46,85,400</b>	<b>100.00</b>
	<b>Total (A+B)</b>	<b>54,46,85,400</b>	<b>100.00</b>

The Board vide circular resolution dated February 17, 2014 approved rights issue in the ratio of 2 shares for every one share held. As on March 31, 2014 the share application money pending allotment was Rs. 271650000/-.

As per regulation 35 of SECC Regulations, 2012, the disclosure requirements and corporate governance norms as applicable to a listed entity are mutatis mutandis applicable to a recognized stock exchange. The Company has complied with the applicable mandatory requirements of Clause 49 of the Listing Agreement unless stated otherwise.

Place:- Mumbai  
Date:- September 4, 2014

Sd/-  
Saurabh Sarkar  
Managing Director & CEO



## Auditors Certificate on Corporate Governance

### TO THE MEMBERS

### MCX STOCK EXCHANGE LIMITED

As per regulation 35 of the Stock Exchanges and Clearing Corporations(SECC) Regulations, 2012, the disclosure requirements and corporate governance norms as specified for listed companies shall mutatis mutandis apply to a recognized stock exchange.

Accordingly, we have examined the compliance of conditions of Corporate Governance by MCX Stock Exchange Limited, for the year ended on 31st March 2014, as stipulated in Clause 49 of the Listing Agreement.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement except Chief Executive Officer (CEO) / Chief Financial Officer (CFO) certificate which is not in line with requirement of clause 49 (V) of the listing agreement as the signatories have not certified the following:

- i. that there are no transactions entered into by the Company during the year which are fraudulent , illegal or violative of the company's code of conduct to the best of their knowledge and belief as specified in Clause 49(V)(b) of Listing Agreement.
- ii. that they have not indicated to the auditors and the Audit Committee instances of significant fraud of which they have become aware and the involvement therein, if any of the management or an employee having a significant role in the Company's internal control system over financial reporting as per Clause 49(V)(d)(iii) of Listing Agreement.

We state that such compliance is neither an assurance as to future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Chaturvedi & Shah  
Chartered Accountants  
(Firm Reg. No. 101720W)

Sandesh Ladha  
Membership Number - 47841

Place: Mumbai  
Date: September 05, 2014

## Receipt of Affirmations on Compliance with the Code of Conduct

I hereby declare that all the Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the financial year 2013- 14 as adopted by the Board of Directors.

**Saurabh Sarkar**  
**Managing Director & CEO**

**August 14, 2014**

## Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

**(Issued in accordance with the provisions of Regulation 35 of SECC regulations read with Clause 49 of the Listing Agreement)**

To the Board of Directors of MCX Stock Exchange Limited

Dear Sirs,

We have reviewed the financial statements and cash flow statement of MCX Stock Exchange Limited for the financial year ended March 31, 2014 and to the best of our knowledge and belief, we hereby certify that:

- a) (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;
- (ii) These statements present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations, except as disclosed in the notes to the financial statements.
- b) We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any of which we are aware and steps taken or proposed to be taken for rectifying these deficiencies. In our opinion there are adequate internal controls over financial reporting.
- c) We have indicated to the Auditors and the Audit Committee:
  - (i) that there are no significant changes in internal control over financial reporting during the year;
  - (ii) that there are no significant changes in accounting policies made during the year except as disclosed in the notes to the financial statements.

Yours Sincerely,

Sd/-  
**Saurabh Sarkar**  
Managing Director & CEO

Sd/-  
**Ghanashyam Rao**  
Head - Finance and Accounts



# Management Discussion and Analysis Report

## Economic Scenario

Global economic growth remained subdued during the fiscal 2014 while global financial markets witnessed volatility in response to the commencement of withdrawal of quantitative easing by the US Federal Reserve. Going forward, global growth is likely to strengthen in the rest of the year, with a very low probability of risk on the downside. Five Six years after the financial crisis hit, the advanced world, particularly the US, is beginning to see signs of economic recovery.

Growth in the Indian economy remained below 5.0% for the second consecutive year, along with subdued investment activity and consumer demand. Uncertainties regarding the global recovery, concerns over domestic growth and volatility in financial markets were the key features of the economic environment in fiscal 2014. The scenario- though still nascent, seems to have taken a dramatic turn for the better with the election of the first absolute majority government in over 30 years. The new government has promised to be more growth oriented and investment friendly.

India's Gross Domestic Product (GDP) grew by 4.6% during the first nine months of fiscal 2014 compared to a growth of 4.5% in the corresponding period of fiscal 2013. Growth was moderate due to a slowdown in industry and services sectors. Growth in the industrial sector was 0.6% during the first nine months of fiscal 2014, similar to the corresponding period of fiscal 2013. The services sector grew by 6.7% during the first nine months of fiscal 2014, compared to 7.2% in the corresponding period of fiscal 2013. Private consumption recorded a growth of 2.5% while investments, as measured by gross fixed capital formation, declined by 1.0% during the first nine months of fiscal 2014, compared to a growth of 6.2% in private consumption and a decline of 0.1% in investments during the first nine months of fiscal 2013.

## Industry Structure and Developments

Capital inflows improved towards the later part of fiscal 2014. There has been a strong start to capital inflows in the current ongoing fiscal year with renewed optimism in the potential for growth in the Indian economy- First quarter GDP growth came in at 5.7%- the highest in over 2 years. The trend for inflows is expected to continue even though there are some inherent structural rigidities that remain in the economy- notably the high NPAs most public sector banks seem to carry. Though this is a legacy of a period of decelerating growth it will dampen future credit offtake unless the government comes up with a re-capitalization plan.

Indian equity markets improved during fiscal 2014, though there were periods of high volatility during the year. The benchmark equity index, the BSE Sensex, increased by 18.8%

during fiscal 2014, moving from 18,836 at March 31, 2013 to a low of 17,906 on August 21, 2013 and subsequently rising to 22,386 at March 31, 2014. As per the Securities and Exchange Board of India, foreign institutional investment (FII) flows were significantly lower in fiscal 2014 with net inflows of around US\$ 9.07 billion compared to net inflows of US\$ 27.58 billion

during fiscal 2013. There were net inflows of US\$ 13.69 billion in equity and net outflows of US\$ 4.62 billion in debt markets during fiscal 2014. Foreign direct investments improved marginally to US\$ 20.98 billion and external commercial borrowings to US\$ 5.81 billion during the first nine months of fiscal 2014, compared to US\$ 19.78 billion and US\$ 4.47 billion, respectively, during the corresponding period of fiscal 2013.

Coming specifically to the exchange traded currency derivatives sector: in July, 2013 there were some restrictions introduced by the regulators in view of the sudden dramatic surge in volatility of the Indian Rupee. The run against the INR reflected a fall in confidence in the Indian economy after the Federal Reserve announced the likely withdrawal of their quantitative easing measures. The RBI quickly clamped down on market participants, restricting position limits of banks, prohibiting proprietary trading by banks on the exchanges and doubling of margins on currency derivatives on exchanges. Post completion of the financial year 2013-14, the regulators have generally relaxed the restrictions regarding the exchange traded currency derivatives segment, in view of the stability achieved in the value of the Indian rupee. Some of the more important relaxations are as under:

#### **Domestic participants:**

1. Domestic participants shall be allowed to take a long (bought) or short (sold) position **up to USD 10 million** per exchange *without* having to establish the existence of any underlying exposure.
2. Domestic participants who want to take a position **exceeding USD 10 million, will have to establish the existence of an underlying exposure.**
  - a. For exporters or importers, the eligible limit up to which they can take appropriate hedging positions will be determined as
    - i. For **exporters higher of the**
      1. average of the last three years' export turnover, **or**
      2. previous year's export turnover,
    - ii. For **importers higher of fifty per cent of**
      1. average of their last three years' imports turnover **or**
      2. the previous year's turnover

#### **Bank participants (AD Cat-I):**

1. May undertake **proprietary trading** positions in the ETCD market within their **Net Open Position Limit (NOPL)** and any limit that may be imposed by the exchanges for the purpose of risk management and preserving market integrity.
2. May also net / offset their positions in the ETCD market against the positions in the OTC derivatives markets.

**FPI (Foreign Portfolio Investors participants):**

1. FPIs will be allowed access to the currency futures or exchange traded currency options **for the purpose of hedging**, equity and Debt exposure
2. Can participate through any registered / recognised trading member
3. Can take position – both long( bought) as well as short(sold) – in foreign currency up to USD 10 million or equivalent per exchange without having to establish existence of any underlying exposure. The limit will be both day-end as well as intra-day.
4. Cannot take a short position beyond USD 10 million at any time.
5. Can take a long position beyond USD 10 million in any exchange, but with an underlying exposure

**Opportunities and Threats**

Your Company sees the vast yet to be tapped potential of the Indian securities market as a major opportunity. It believes that it would be able to expand into new markets in untouched geographical areas and social sectors through its program of financial inclusion through financial literacy. There is also a big potential for under-developed markets such as those for debt securities and securities of SMEs to pick up in India and your Company sees these areas also as a big opportunity. Being a new generation Exchange, your Company is uniquely positioned to bring innovation in its services to utilize these opportunities. Your Company is one of the three stock exchanges in India to have all trading segments with nationwide electronic connectivity and also one of the three stock exchanges to have its own clearing corporation.

The competitive structure of Stock Exchange industry in India presents a challenge to the business of the Company. The dominant player which has a near monopoly position presently has unmatched liquidity in its Capital Market and Futures & Options platforms. Consequently, consumer dependency on the dominant competitor is very high. The other competitor is currently offering a near-zero pricing program coupled with various free offerings in the Currency Derivatives Segment, which poses a large risk for the earning potential of the Company, unless there is timely intervention by the regulator.

The other threat faced by the Company is regulatory in nature. The Company is on its path to achieve the requisite shareholding structure as stipulated by the regulator and plans to increase the net worth of its subsidiary and Clearing Corporation to the regulatory requirement of minimum of Rs.300 crores within the regulatory timelines, while maintaining its minimum net worth, which requires infusion of funds. Given the performance of the economy and the sentimental fallout of the defaults at a company associated with its erstwhile promoter (from which the Company is nevertheless ringfenced), raising of the requisite funds could appear challenging, but is nevertheless achievable in the view of the management.



## Segment wise performance

The Exchange currently operates four trading platforms which may be considered as different lines of business within the same business segment. Accordingly, the Exchange has only one reportable segment within the meaning of "Accounting Standard 17 - Segment Reporting".

### A. Currency Derivatives Segment

Currency Derivatives - Average Daily		
Financial Year	ADV Volume (in lots)	ADV Turnover (Rs. in Cr)
2012-13	2,458,069	13,593
2013-14	1,633,544	9,927.91

Currency Derivatives - Segment Volume Trend (Currency Lots)				
FY	USD	EUR	GBP	YEN
2012-13	573,412,123	11,821,868	5,292,909	6,784,205
2013-14	369,654,535	12,192,225	9,173,707	7,564,423

Currency Derivatives Segment Turnover Trend (Rs. In Cr)				
FY	USD	EUR	GBP	YEN
2012-13	3,130,784.12	83,418.99	45,494.42	43,481.16
2013-14	2,190,560.07	98,238.46	88,577.01	45,034.65

### B. Capital Market Segment

The Company commenced trading in Capital Market from February 11, 2013 onwards. 80 securities were traded on MCX-SX platform during the FY 2013-14. Total volume i.e. traded quantity on MCX-SX platform in the Capital Market Segment was 19,69,59,963 and the total value traded being Rs. 11185.07 crore.

The Exchange introduced Liquidity Enhancement Scheme (LES) in Capital Market and Futures & Options Segments with effect from March 6, 2013 which has been discontinued with effect from April 10, 2014 in order to conserve resources. The Exchange plans to reintroduce the same after proper evaluation and raising fresh capital.

### C. Futures & Options Segment

MCX-SX commenced trading F&O Segment from February 11, 2013. MCX-SX has 69 stocks being traded in the Futures & Options segment. Total volume (in terms of numbers of contracts) traded on Futures & Options was 50,30,177 and total value of derivative contracts traded was Rs.144728.83 crore.

The Exchange introduced Liquidity Enhancement Scheme (LES) in Capital Market and Futures & Options Segments with effect from March 6, 2013 which has been discontinued

with effect from April 10, 2014 in order to conserve resources. The Exchange plans to reintroduce the same after proper evaluation and raising fresh capital.

## Outlook

Your Company is a new entrant in the equity and equity derivatives space, having commenced trading operations from February 11, 2013. The initial volumes of trades undertaken on the Exchange are low as compared to the dominant exchange, showing that it would not be easy to overcome the network externalities of established liquidity on the dominant platform. Your Company aims to create sustainable liquidity on its new platform through reintroduction of LES in due course as permitted by SEBI in the short term and through wider penetration of the market to hitherto untouched geographical areas and social sectors.

The existing Currency Derivatives Segment of the Exchange has witnessed growth especially in the traded volumes in Currency Options. The initial setback which the Exchange had suffered from the dominant competitors, on account of late introduction of Currency Options and consequently lesser quantum of open interest is slowly being overcome. The further setback occasioned on account of regulatory restrictions introduced in the CD market in July 2013 are also being slowly overcome in the wake of the recent relaxation of the restrictions by the regulators.

## Risks and Concerns

Macro-economic conditions do affect the Company's operations. Low demand, economic slowdown, political instability, higher inflation, natural calamities may affect the business. Business therefore cannot be risk free. What is therefore important is to correctly assess the risk area-wise and to take steps to mitigate the risk before it becomes a potential threat. General risk areas are statutory compliances, economy, financial, changing government regulations and policies, market related, operational, products and technology, intellectual property etc.

The Exchange has implemented an Enterprise Risk Management Policy with the aid of its internal auditors, which would cover all aspects of our business. This policy would enable us to mitigate risks identified by us. The implementation and reporting of this policy is under the supervision of the Audit Committee and the Board.

## Internal Control Systems and their Adequacy

The Exchange has implemented effective control systems to ensure that all its assets, interests and information are safeguarded with a proper checks and balances. The Exchange has appointed Internal Auditors and System Auditors to ensure that the financial transactions, operational mechanism and technological infrastructure are error free. The

Statutory Auditors are appointed by the Comptroller and Auditor General of India which lends credibility to the whole process being followed at the Exchange. The Audit Committee is in overall supervision of the internal controls and reports are being made to the Board in a periodic manner.

## Financial performance with respect to Operational Performance

### 1. Discussion on stand-alone financial performance with respect to operational performance

Financial Highlights	2013-14 (Amount in Rs. Cr)	2012-13 (Amount in Rs. Cr)
Revenue from operations	103.13	174.37
Profit before Interest, Depreciation, Tax and Exceptional Items	(129.46)	37.39
Profit before tax	(154.53)	21.42
Cash profit/(Loss)	(132.36)	31.69
Net profit/(Loss)	(154.53)	21.42

### 2. Revenue and operating expenses

The Company earned total revenues of Rs. 103.13 crore as against Rs. 174.37 crore in the previous year. The decrease in revenue is mainly attributed to a drop in member's admission fees; Rs.1.23 crore received towards composite membership application as against Rs. 73.90 crore received in the previous year. It is also attributed to drop in Transaction income to Rs. 54.10 crore from Rs. 75.70 crore in the previous year as a direct result of drop in average daily volume in Currency Derivative Segment to Rs. 9,928 crore from Rs. 13,593 crore in the previous year.

The Net Loss recorded by the Company was Rs. 154.53 crore as against a profit of Rs. 21.42 crore in the previous year. Our total operating expenditure stood at Rs. 103.80 crore as against Rs. 61.89 crore in the previous year. The increase was mainly attributable to increase in technology expenditure towards fully functional new segments viz. Capital Markets, Futures and Options and Debt Segments. We expect the spend on technology to be significantly lower going forward with an aggressive re-negotiation of existing contracts in the current period.

The total of other expenses stood at Rs. 162.28 crore as against Rs 103.97 crore in the previous year.

### 3. Operating profit before depreciation and amortization and exceptional items

The Company had EBITDA Loss of Rs. 129.50 crore as compared to EBITDA of Rs. 37.39 crore in the previous year. The EBITDA margin for the year was -116% as against 20% in the previous year.



#### **4. Depreciation and Amortisation**

The depreciation and amortization charges were Rs. 21.17 crore as against 10.27 crore in the previous year. This was primarily due to additional depreciation for full year on newly acquired hardware and software for the new segments operationalized during the financial year.

#### **5. Profit after tax**

The loss for the year stood at Rs. 154.53 crore as compared to a profit after tax of Rs.21.42 crore in the previous year.

#### **6. Balance Sheet**

As on March 31, 2014, the Company had total assets of Rs. 366.11 crore and shareholders' funds amounting to Rs. 239.76 crore. The Company is debt-free on as on March 31, 2014.

### **Material developments in Human Resources**

The Exchange had expended significant resources in launching the new segments in 2013 and trying to sustain volumes therein. It is actively pursuing alternatives to raise capital. Certain events leading to adverse publicity has impacted business. In view of the need to conserve resources at this juncture, the Exchange has rationalized its manpower during the year. Our headcount as at March 31, 2014 stood at 244 as against 285 as on March 31, 2013. The attrition rate stood at 39% as on March 31, 2014. We believe that the judicious induction of key new talent and management will help the company stay competitive with leaner resources.

### **Disclaimer on Forward Looking Statements**

Certain statements made in the management discussion and analysis report relating to the Company's objectives, projections, outlook, expectations, estimates and others may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such expectations, projections and so on whether express or implied. Several factors could make significant difference to the Company's operations. These include and economic conditions affecting demand and supply, government regulations and taxation, international scenario, macro-economic developments, natural calamities and so on over which the Company does not have any direct control.

## Business Responsibility Report

In line with the National Voluntary Guidelines (NVG) on Social, Environmental and Economic Responsibilities of Business

### Section A: General Information about the Company

- 1. Corporate Identity Number (CIN) of the Company:**  
U65999MH2008PLC185856
- 2. Name of the Company:**  
MCX Stock Exchange Limited
- 3. Registered address:**  
MCX Stock Exchange Limited (MCX-SX), 2nd floor, Exchange Square, Suren Road, Andheri (East), Mumbai- 400 093, India.
- 4. Website:**  
[www.mcx-sx.com](http://www.mcx-sx.com)
- 5. E-mail id:**  
[communications@mcx-sx.com](mailto:communications@mcx-sx.com); [csr@mcx-sx.com](mailto:csr@mcx-sx.com)
- 6. Financial Year reported**  
2013-2014
- 7. Sector(s) that the Company is engaged in (industrial activity code-wise):**  
Stock Exchange (Financial Sector)
- 8. List three key products/services that the Company manufactures/provides (as in balance sheet):**  
Not applicable
- 9. Total number of locations where business activity is undertaken by the Company:**
  - i. Number of International Locations (Provide details of major 5)**  
None
  - ii. Number of National Locations**  
Please refer to the Annual Report
- 10. Markets served by the Company - Local/State/National/International:**  
National level

**Section B: Financial Details of the Company (As on March 31, 2014)****1. Paid up Capital (INR)**

Rs. 54,46,85,400

**2. Total Turnover (INR)**

Total revenue from operations was Rs. 91.83 crore.

**3. Total loss after taxes (INR)**

Total loss after taxes was Rs. 154.53 crore.

**4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)**

There has been no spending on CSR activities in the current fiscal year as the Exchange did not earn any profits. The Exchange has voluntarily chosen to publish the Business Responsibility Report (BRR) for 2013-14 while working towards the goal of responsible and sustainable development. A CSR policy and the roadmap for the next financial year is being developed. The Exchange has already constituted a CSR committee in 2013-2014. The primary focus areas of the initiatives will be on financial literacy & inclusion.

**5. List of activities in which expenditure in 4 above has been incurred:-**

-NA-

**Section C: Other Details****1. Does the Company have any Subsidiary Company/ Companies?**

Yes, MCX-SX Clearing Corporation Limited and MCX-SX KYC Registration Agency Limited

**2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)**

This is for the first time that the BR Report has been compiled. Going forward, MCX-SX Clearing Corporation Limited and MCX-SX KYC Registration Agency Limited will participate in the BR initiatives of the parent company, subject to them making adequate profits.

**3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]**

No BR activities have been undertaken as mentioned above. Upon commencement of the same, MCX-SX may consider to support and encourage its suppliers and other stake holders to participate in the company's BR initiatives.

## Section D: BR Information

### 1. Details of Director/Directors responsible for BR

a) Details of the Director/Director responsible for implementation of the BR policy/policies

- DIN Number - 06390729
- Name - Mr. Saurabh Sarkar
- Designation - Managing Director & CEO

b) Details of the BR head

Sr. No	Particulars	Details
1	DIN Number (if applicable)	NA
2	Name	Mr. Setu Shah
3	Designation	Sr. Vice President – Communications & CSR
4	Telephone number	022 - 67319000
5	e-mail id	<a href="mailto:communications@mcx-sx.com">communications@mcx-sx.com</a> ; <a href="mailto:csr@mcx-sx.com">csr@mcx-sx.com</a>

### 2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

Sr. No	Questions	P	P	P	P	P	P	P	P	P
		1	2	3	4	5	6	7	8	9
1	Do you have a policy / policies for....	Y	N	Y	N	N	N	N	N	N
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	N	Y	N	N	N	N	N	N
3	Does the policy conform to any national / international standards? If yes, specify? (50 words)	N	N	N	N	N	N	N	N	N
4	Has the policy being approved by the Board? Is yes, has it been signed by MD /owner /CEO /appropriate Board Director?	Y	N	Y	N	N	N	N	N	N
5	Does the company have a specified committee of the Board/ Director/Official to oversee the Implementation of the policy?	Y	N	Y	N	N	N	N	N	N
6	Indicate the link for the policy to be viewed online?	Y	N	N	N	N	N	N	N	N
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	N	N	N	N	N	N	N	N



8	Does the company have in-house structure to Implement the policy / policies.	Y	N	Y	N	N	N	N	N	N
9	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy / policies?	Y	N	N	N	N	N	N	N	N
10	Has the company carried out independent Audit /evaluation of the working of this policy by an internal or external agency?	N	N	N	N	N	N	N	N	N

**2a. If answer to S. No. 1 against any principle, is 'No', please explain why: (Tick up to 2 options)**

Sr. No	Questions	P	P	P	P	P	P	P	P	P
		1	2	3	4	5	6	7	8	9
1	The company has not understood the Principles									
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles		✓		✓	✓	✓	✓	✓	✓
3	The company does not have financial or manpower resources available for the task									
4	It is planned to be done within next 6 months									
5	It is planned to be done within the next 1 year.			✓		✓	✓	✓	✓	
6	Any other reason (please specify)									

### 3. Governance related to BR

- Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year

The Exchange has chosen to comply and submit the BRR from FY 2013-14. Henceforth, the board will review the BR performance on an annual basis.

- Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

This is for the first time that the BR Report has been compiled. The Exchange will publish this Report annually. The Report for this year can be viewed on the website of the Exchange - [www.mcx-sx.com](http://www.mcx-sx.com)

## Section E: Principle-wise performance

### Principle 1: ETHICS, TRANSPARENCY & ACCOUNTABILITY

**Businesses should conduct and govern themselves with Ethics, Transparency and Accountability**

1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes / No. Does it extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

No.

MCX-SX policy on *Code for KMPs & employees* which is the policy relating to ethics, brings within its ambit the key management personal, employees and directors. There is a similar policy for MCX-SX CCL employees also. MCX-SX KRA does not have any operations and employees as of now.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

No complaints were received in the reporting period with regards to ethics, bribery and corruption.

### Principle 2: PRODUCT LIFE CYCLE SUSTAINABILITY

**Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle**

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

MCX-SX, being a Securities infrastructure institution, provides services to the financial sector and is not resource intensive in terms of material inputs. The Exchange operates in a paper-less environment since it provides a robust electronic platform to members.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):

- i. Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?

Not applicable

- ii. Reduction during usage by consumers (energy, water) has been achieved since the previous year?

Not applicable

3. Does the company have procedures in place for sustainable sourcing (including transportation)?

- i. If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

It would not be possible to ascertain the percentage of inputs that are sourced sustainably due to the reasons mentioned above.

**4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?**

**If yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

Yes, the Exchange has taken several initiatives for the development of local suppliers of goods and services and hence uses services of local vendors for regular office supplies etc.

**5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.**

No, the Exchange currently does not have a formal policy to recycle products and waste.

**Principle 3: EMPLOYEE WELL BEING**

**Businesses should promote the wellbeing of all employees**

**1. Please indicate the Total number of employees.**

MCX-SX - 248 (including Permanent + Consultants + Contract)

*As on March 31, 2014*

**2. Please indicate the Total number of employees hired on temporary / contractual /casual basis.**

**MCX-SX**

Consultants: 3

Contract: 5

*As on March 31, 2014*

**3. Please indicate the Number of permanent women employees.**

MCX-SX- 65

*As on March 31, 2014*

**4. Please indicate the Number of permanent employees with disabilities**

One

**5. Do you have an employee association that is recognized by management?**

MCX-SX does not have either an association or an employee union

**6. What percentage of your permanent employees is members of this recognized employee association?**

Not applicable. Employee association / union does not exist/ was never formed

**7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.**

<b>Sr. No</b>	<b>Category</b>	<b>No of complaints filed during the financial year</b>	<b>No of complaints pending as on end of the financial year</b>
1	Child Labour / forced Labour / involuntary labour	<b>The Company does not hire Child Labour, Forced Labour or Involuntary Labour.</b>	<b>Nil</b>
2	Sexual harassment	<b>No Reported Case.</b>	<b>Nil</b>
3	Discriminatory employment	<b>We do not discriminate in the recruitment process and we have a fairly diverse employee base. No Reported Case</b>	<b>Nil</b>

**8. What percentage of your under mentioned employees were given safety & skill upgradation training in the last year?**

- Permanent Employees - 17 %
- Permanent Women Employees - 14%
- Casual/Temporary/Contractual Employees - Nil
- Employees with Disabilities - Nil

**Overview**

**We take great pride in our robust and diverse employee community that has contributed significantly to our success over the years. We have several systems and initiatives in place to protect the interests of our employees and to keep them connected and empowered. Key highlights of the initiatives for employees are:**

**1. Enabling policies, benefits and rewards**

- The Sexual Harassment Policy suggests non-tolerance towards any kind of sexual harassment in the workplace. A Women's committee is in place to settle and resolve all complaints
- Our insurance policies take care of the welfare of our employees and their families, and the benefits covered by these are well above the minimum statutory requirement. Mediclaim insurance policy, voluntary policy for dependent parents, personal accident insurance scheme, term life insurance cover and group gratuity are some of the benefits that we have for our employees in addition to emergency medical help.
- Our Employee Stock Ownership Plans (ESOPs) give employees an opportunity to have a share in our business growth and thereby create wealth for themselves. MCX-SX uses ESOPs to reward employees for their contribution to its success.



- We have systems to continuously manage employee performance, both in terms of work and other parameters such as inter-personal skills and leadership qualities. Our performance management system (PMS) is aligned with the organisational growth commitment (OGC) programme. Employees are rewarded with performance-linked variable pay, which is consistent with industry standards.

## 2. Equal remuneration and equal opportunity

At MCX-SX, we endorse a work environment which is fair, equitable, safe and encourages team work. Our strategy is defined by recruitment of people with diverse skills, knowledge and experience, and by ensuring the right fit between roles and profiles.

### Principle 4: STAKEHOLDER ENGAGEMENT

**Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized**

1. **Has the company mapped its internal and external stakeholders? Yes/No**  
Yes. Please refer to the table below
2. **Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders.**  
Not Applicable
3. **Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.**  
Not Applicable

### Overview Stakeholder Engagement Map

Key Stakeholders	Mode of engagement	Frequency of engagement	Who is responsible
Policy Makers and Regulators	Company regulatory filings, compliance statements, meetings, inspections/audit letters, emails	As per regulatory requirements and need base	Cross functional team
Shareholders	Emails, letters, investor grievance cell, media, general meetings company website	Annually at the AGM, Extra Ordinary General meetings (EGM) and on a need basis.	Secretarial team, Investor Relations team.
Members (Banks,	Regular one on one	As per need basis, in	Business

Brokers, FIIs), End User (retail), Listed corporates	interaction, meetings, mails, letters	- house events	Development team
Trade Bodies like CII, FICCI	Meetings, emails, papers on important industry issues, partnerships / support in relevant forums	Ongoing and need basis	Communications and CSR team
Academia & alliance partners	Strategic tie ups, MoU signing for joint initiatives, emails.	As per need basis	Communications and CSR team, Research team
Media	One on one media interactions, interviews, responses, strategic tie ups, meetings, emails	Ongoing and need basis	Communications and CSR team
Employees	Employee engagement programmes, induction, emails, intranet, meetings, rewards and recognition programmes, surveys, grievance cell, voluntary initiatives	Ongoing and need basis	Human Resources team and Communications and CSR team.
Vendors	Regular one on one interaction, meetings, mails, letters	Ongoing and need basis	Technology team, Admin team, Communications Team

## Principle 5: HUMAN RIGHTS

### Businesses should respect and promote human rights

1. Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

The Company and its subsidiaries do not have a stated human rights policy. However, most of the aspects are covered in the manner in which the company conducts its business as well as in its human resources practices.

MCX-SX respects human rights and upholds the dignity of every individual associated with the Exchange, directly or indirectly. Our 'people' practices are aimed to provide a non-discriminatory and harassment-free workplace while enabling all

employees and contract staff to report any incidents of discrimination and harassment. The Exchange does not employ child labour and its recruitment policies ensure that all employees are free to choose to be associated with the Exchange.

2. **How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

Nil

## **Principle 6: ENVIRONMENTAL PROTECTION**

**Business should respect, protect, and make efforts to restore the environment**

1. **Does the policy related to Principle 6 cover only the company or extends to the Group /Joint ventures/Suppliers/Contractors/NGOs/others.**

Not Applicable

2. **Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.**

No. However, the company discourages waste of paper in any form and has automated many processes including secure member interface.

3. **Does the company identify and assess potential environmental risks? Y/N**

No

4. **Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?**

No

5. **Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.**

No

6. **Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

Not applicable

7. **Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.**

Not applicable

## **Principle 7: PUBLIC POLICY ADVOCACY**

**Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner**



1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:

MCX Stock Exchange is a member of the below listed domestic and international trade associations, as on date.

#### Domestic Trade Associations

Name of Association	Category of membership	Year of Joining
The Associated Chambers of Commerce and Industry (Assocham)	Patron Membership	2012
Confederation of Indian Industry (CII)	Primary Membership	2012
Federation of Indian Chambers of Commerce and Industry (FICCI)	Corporate Membership	2011
Indian Merchants' Chamber (IMC)	Life Membership	2009
Indo American Society (IAS)	Corporate Membership	2010
Federation Of Indian Export Organisations (FIEO)	Associate Member Service provider	2009

#### International Trade Associations

Name of Association	Category of membership	Year of Joining
South Asian Federation of Exchanges (SAFE)	Primary member	2009

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas ( drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)  
No

#### Principle 8: INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT Businesses should support inclusive growth and equitable development

1. Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.

Yes, MCX-SX believes in creating well-developed financial markets that are integrated with the ecosystem and encouraging broad-based participation. In adherence with its mission of *Financial Literacy-For-Financial Inclusion*™, MCX-SX has ensured effective use of technology innovations in financial literacy and investor outreach efforts, besides implementing global best practices within its systems and processes.

**2. Are the programmes/projects undertaken through in-house team/own Foundation /external NGO/government structures/any other organization?**

These programs have been organized by MCX-SX either independently (in-house) or with various partners such as media, educational institutions, and trade bodies.

**3. Have you done any impact assessment of your initiative?**

Not applicable

**4. What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?**

Not applicable

**5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**

No, not applicable

**Principle 9: CUSTOMER VALUE**

**Business should engage with and provide value to their customers and consumers in a responsible manner**

**1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.**

NIL

**2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks (additional information)**

Not applicable

**3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.**

NIL

**4. Did your company carry out any consumer survey/ consumer satisfaction trends?**

No

# Independent Auditors' Report

## To the Members of MCX Stock Exchange Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of **MCX Stock Exchange Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit & Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Basis for Qualified Opinion**

1. As mentioned in note # 3 on the Financial Statements, during the year the Company has not provided infrastructure and software support expenses aggregating to Rs. 10.71 crore, payable pursuant to various long term contracts executed with erstwhile promoter of the company. Accordingly, to that extent fundamental accounting assumption of accrual has not been followed. Had the above expenses been provided there would have been Net Loss of Rs. 165.24 crore as against reported amount of Rs. 154.53 crore, Reserve & Surplus would have been Rs. 55.46 crore as against reported amount of Rs. 66.17 crore, Trade Payable would have been Rs. 24.27 crore as against reported amount of Rs. 13.56 crore and the Company's Networth as reported in Note # 2 on the Financial Statements would have been lower by Rs 10.71crore.
2. As mentioned in note # 2 on the Financial Statements the company continue to prepare its Financial Statements on going concern basis, even though its networth have been substantially eroded due to losses for the reasons explained therein.
3. The Company ,in the current year and earlier years, entered in to various contracts with few parties mentioned in the Register maintained under Section 301 of the Companies Act,1956 to whom Rs 94.32 crore have been paid as Infrastructure, software and software support charges during the year in respect of which no alternative quotations are/were provided to us as reported in para 5(b) of Annexure to our Report. As informed by the Management, they are in the process of reviewing such contracts/charges to establish their reasonableness for similar line of business. We are unable to comment on the adjustments, if any, that will be arising out of such review, if any.

**Qualified Opinion**

In our opinion and to the best of our information and according to the explanations given to us, except for the effect of the matter specified in the Basis for Qualified Opinion, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) In the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**Emphasis of Matter**

We draw attention to the note # 40 on the Financial Statements regarding Securities and Exchange Board of India (SEBI) letter dated December 26, 2013 requiring the Company to transfer 25% of its profit to every year to the Settlement Guarantee Fund (SGF) of the recognised clearing corporation(s) which clears and settle trades executed on that exchange in accordance with clause 33 of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations), Regulations, 2012. In respect of which the Company had made a



representation to SEBI and accordingly Rs. 5.36 crore in respect of financial year 2012-13 continues to be not provided in the Financial Statements pending final reply from SEBI. Our opinion is not qualified in respect of this matter.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
  - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d. In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
  - e. On the basis of the written representations received from the directors as on March 31, 2014, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of Section 274(1)(g) of the Act.

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

**Sandesh Ladha**  
Partner  
Membership No.47841

Place: Mumbai  
Date: 14<sup>th</sup> July, 2014

## Annexure to Independent Auditors' Report

### Referred to in Paragraph 1 under the heading of "Report on Other Legal and Regulatory Requirements" 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 respect of the transactions made in pursuance of contracts / arrangements entered in the Register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs. 5,00,000 in respect of each party during the year, mainly for purchase of*

*fixed assets and services and sale of fixed assets, alternative quotations are not obtained to determine the prevailing market prices and hence we are unable to comment upon the reasonableness of Prices.*

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, 2014 for a period of more than six months from the date they became payable.
  - b) According to the information and explanations given to us, there are no dues of Income-tax, Sales-tax, Service Tax, Customs Duty, Wealth Tax and Cess which have not been deposited with the appropriate authorities on account of any dispute.
10. *The Company has accumulated losses at the end of the financial year which is more than fifty percent of its networth. The company has incurred cash loss in the financial year covered by the audit however the company has not incurred cash loss in the immediately preceding financial year.*
11. The Company did not have any outstanding dues to any financial institutions, banks and Debenture holders during the year. Therefore the question of default does not arise.
12. In our opinion and according to the explanations given to us and based on the information available, no loans and advances have been granted on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund/nidhi/mutual benefit fund/ society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
14. The Company has maintained proper records of the transactions and contracts in respect of securities and other investments and timely entries have been made

therein. All shares, securities and other investments have been held by the Company in its own name.

15. The Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company did not have any term loan outstanding during the year.
17. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, *prima facie*, not been used during the year for long-term investment.
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. The Company has not reported any fraud to Board of Directors and any of their committees. However, the management has not represented to us as regards existence or otherwise of fraud.

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

**Sandesh Ladha**  
Partner  
Membership No.47841  
Place: Mumbai  
Date: 14<sup>th</sup> July, 2014



## **COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF MCX STOCK EXCHANGE LIMITED FOR THE YEAR ENDED 31 MARCH 2014**

The preparation of financial statements of MCX Stock Exchange Limited for the year ended 31 March 2014 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 Standards on Auditing as 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 14 July 2014.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619 (3)(b) of the Companies Act, 1956 of the financial statements of MCX Stock Exchange Limited for the year ended 31 March 2014. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditor's report under Section 619(4) of the Companies Act, 1956.

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

(Y. N. Thakare)  
Principal Director of Commercial Audit &  
Ex-officio Member, Audit Board – I, Mumbai

Place: Mumbai  
Date: 20 August 2014.

**Audited Balance sheet as at March 31, 2014**

Amount in Rs.

	Note	As at March 31, 2014	As at March 31, 2013
<b>Equity and Liabilities</b>			
<b>Shareholders' Fund</b>			
Share capital	7	539,252,400	539,252,400
Reserves and surplus	8	661,745,885	2,207,066,624
Non Refundable Interest Free Deposits Against Warrants	9	1,196,630,000	1,196,630,000
		2,397,628,285	3,942,949,024
<b>Share application money pending allotment</b>		271,650,000	-
<b>Non-Current Liabilities</b>			
Other long-term liabilities	10	138,600,000	173,512,000
<b>Current Liabilities</b>			
Trade payables	11	134,082,670	163,055,248
Other current liabilities	12	708,432,574	999,910,220
Short term provisions	13	10,788,642	13,302,088
		853,303,886	1,176,267,556
<b>Total</b>		<b>3,661,182,171</b>	<b>5,292,728,580</b>
<b>Assets</b>			
<b>Non-Current Assets</b>			
<b>Fixed Assets</b>			
Tangible assets	14	250,965,093	274,870,850
Intangible assets		654,711,990	611,005,958
Intangible asset under development		7,138,256	212,449,121
Capital work in progress		16,147,624	-
Non-current investments	15	128,000,000	128,000,000
Long term loans and advances	16	411,558,961	264,570,288
		1,468,521,924	1,490,896,217
<b>Current Assets</b>			
Current investments	17	185,092,293	120,091,973
Trade receivables	18	65,813,506	117,134,797
Cash and bank balances	19	1,330,803,236	3,011,992,473
Short term loans and advances	20	525,694,646	433,740,538
Other current assets	21	85,256,566	118,872,582
		2,192,660,247	3,801,832,363
<b>Total</b>		<b>3,661,182,171</b>	<b>5,292,728,580</b>

**Notes on Financial Statements**

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As per our report of even date

For Chaturvedi & Shah  
Chartered AccountantsSandesh Ladha  
PartnerMumbai  
Dated : June 13, 2014For and on Behalf of the Board of Directors of  
MCX Stock Exchange LimitedThomas Mathew T.  
ChairmanSarat Chandran  
Company SecretarySaurabh Sarkar  
Managing Director &  
Chief executive officerGhanashyam V. Rao  
Head- Finance & Accounts

**Audited Statement of Profit and Loss for the year ended March 31, 2014**

Amount in Rs.

	Note	2013-14	2012-13
<b>Income</b>			
Gross Revenue from operations	22	1,031,341,236	1,743,716,813
Less : Service tax		113,072,430	191,395,661
Net Revenue from operations		918,268,806	1,552,321,152
Other income	23	197,304,530	320,665,213
<b>Total Revenue</b>		<b>1,115,573,336</b>	<b>1,872,986,365</b>
<b>Expenditure</b>			
Operating expenses	24	1,038,091,900	618,977,683
Employee benefits expense	25	304,047,710	236,341,443
Finance costs	26	471,147	101,498
Advertisement and Business Promotion Expenses	27	557,940,209	283,252,981
Depreciation and amortisation expense	14	221,723,692	102,677,477
Other expenses	28	510,119,417	360,410,299
<b>Total Expenses</b>		<b>2,632,394,075</b>	<b>1,601,761,381</b>
<b>Profit / (Loss) before exceptional items and tax</b>		<b>(1,516,820,739)</b>	<b>271,224,984</b>
<b>Exceptional items</b>	29	<b>28,500,000</b>	<b>57,000,000</b>
<b>Profit / (Loss) before tax</b>		<b>(1,545,320,739)</b>	<b>214,224,984</b>
<b>Less : Provision for taxation</b>			
- Income Tax as per MAT		-	19,901,599
- Less :- MAT credit entitlement		-	(19,901,599)
<b>Profit / (Loss) for the year</b>		<b>(1,545,320,739)</b>	<b>214,224,984</b>
<b>Earnings per equity share of face value of Re.1 each</b>	30		
Basic (in Re.)		(2.87)	0.40
Diluted (in Re.)		(2.87)	0.12

**Notes on Financial Statements**

1 - 43

As per our report of even date

For Chaturvedi & Shah  
Chartered Accountants**Sandesh Ladha**  
PartnerMumbai  
Dated : June 13, 2014**For and on Behalf of the Board of Directors of**  
MCX Stock Exchange Limited**Thomas Mathew T.**  
Chairman**Saurabh Sarkar**  
Managing Director &  
Chief executive officerSarat Chandran  
Company SecretaryGhanashyam V. Rao  
Head- Finance & Accounts

## Cash Flow Statement for the year 2013-14

Amount in Rs.

## A. Cash flow from Operating Activities

Net Profit / (Loss) before tax as per Statement of Profit and Loss

## Adjustments for

Depreciation/ Amortisation  
Dividend from Investments  
Net Prior Year Adjustments  
Unrealised Exchange Rate fluctuation  
Interest Income  
Finance Costs  
Loss on sale of Fixed Asset (net)  
Provision for doubtful debts

## Operating profit/ (loss) before working capital changes

## Adjustments for

Trade and other receivables  
Trade and other payables

## Cash generated from/(used in) operations

Net Prior Year Adjustments

Less: Taxes paid

## Net cash generated from/(used in) operating activities

## B. Cash flow from Investing Activities

Purchase of Fixed Assets (including Capital Work In Progress)

Sale of Fixed Assets

Purchase of current investments

Sale of current investments

Fixed deposit placed with banks (having maturity of more than 3 months)

Fixed deposit matured (having maturity of more than 3 months)

Interest received (net of accrued interest)

## Net cash generated from/(used in) Investing Activities

## C. Cash flow from Financing Activities

Finance Costs

Share application money pending allotment

Proceeds from issuance of shares to ESOP trust

## Net Cash Generated from Financing Activities

## Net Increase in Cash and Cash Equivalents

Cash and Cash Equivalents at Beginning of the Year  
(Refer note 19 )Cash and Cash Equivalents at End of the Year  
(Refer note 19 )

Add : Fixed Deposits held for more than three months

Closing Cash and Bank Balance as per Note 19

2013-14		2012-13	
	(1,545,320,739)		214,224,984
221,723,692		102,677,477	
(15,568,149)		(17,735,019)	
6,403,844		-	
1,192		(1,904)	
(178,068,581)		(299,629,521)	
471,147		-	
535,495		275,177	
358,573		-	
	(1,509,463,526)		(188,806)
(141,766,312)		(269,027,180)	
(171,565,186)		1,004,568,649	
	(313,331,498)		735,541,469
	(1,822,795,024)		735,352,664
	(6,403,844)		-
	(46,140,885)		(134,261,391)
	(1,875,339,754)		601,091,273
	(242,826,273)		(710,824,699)
	3,618,377		356,262
	(2,668,199,938)		(4,762,164,981)
	2,618,767,767		4,674,811,700
	(563,594,596)		(3,021,088,184)
	1,890,130,689		3,158,683,224
	211,611,731		336,690,755
	1,249,507,757		(323,535,923)
	(471,147)		-
	271,650,000		
	-		127,500
	271,178,853		127,500
	(354,653,143)		277,682,850
	950,861,774		673,178,924
	596,208,630		950,861,774
	734,594,606		2,061,130,699
	1,330,803,236		3,011,992,473

## Notes to Cash Flow Statement:

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

- Figures in brackets represent cash outflows.

As per our report of even date

For Chaturvedi & Shah  
Chartered Accountants

Sandesh Ladha  
Partner

Place : Mumbai  
Dated : June 13, 2014

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

Thomas Mathew T.  
Chairman

Sarat Chandran  
Company Secretary

Saurabh Sarkar  
Managing Director &  
Chief Executive Officer

Ghanashyam V. Rao  
Head- Finance & Accounts



## 1. Significant Accounting Policies

### a) Basis of preparation of financial statements

The financial statements have been prepared under the historical-cost convention, in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under section 211 (3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act / 2013 Act.

### b) Use of estimates

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

### c) Fixed assets

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

### d) Intangible assets

Intangible assets are 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.

### e) Depreciation

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

Leasehold improvement are depreciated over the period of lease.

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

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

#### **f) Impairment of assets**

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

#### **g) Foreign currency transactions**

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

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

#### **h) Revenue recognition**

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

- I. Transaction fees are charged to members at the applicable rates based on the volume of transactions entered into by the members through the exchange. These are accrued when orders placed by members on the network are matched and confirmed.
- II. Admission fees collected from new members for joining the exchange are recognized when received and the member is approved by membership committee.
- III. Processing and other fees collected from members are recognized on receipt basis.
- IV. Recoveries from members towards VSAT connectivity are apportioned over the period of connectivity (three years) on a pro rata basis from the date of activation of connectivity
- V. Dividend income is recognized when the company's right to receive dividend is established.
- VI. Interest income is recognized on time proportion basis.
- VII. Income from Listing Fees is recognized on time proportion basis.

**i) Employee benefits**

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

Long-term employee benefits, viz., gratuity and leave encashment are 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 Statement of Profit & Loss. The present value is determined using the market yields of government bonds, at the balance sheet date, as the discounting rate.

**j) Investments**

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

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

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

**k) Income Tax**

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

*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.



**l) Operating leases**

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

**m) Provisions, contingent liabilities and contingent assets**

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

**n) Earnings per share**

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

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

2. MCX Stock Exchange Limited is a recognized stock exchange under Section 4 of the Securities Contracts Regulation Act, 1956 (SCRA). The Company's income mainly consists of transaction charges on the volume generated on the exchange, membership & subscription fees, interest on fixed deposits and other investments. During the year, the revenue from the Currency Derivatives segment on account of regulatory restrictions and dampened market sentiment has been adversely effected resulting into substantial losses for the year ended March 31, 2014 and networth of the Company has been eroded to Rs 107.30 crore as per the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (SECC Regulations). Further, the recognition as stock exchange under SCRA is due for renewal in September 15, 2014. The Company continued to prepare its financials statement on going concern basis in view of the following reasons:



- The Board of the Exchange has been recast with eminent persons to spearhead the revival of growth at the Exchange and provide a strong vision for implementing an alternative development model for the Indian securities market.
- The Company has made rights issue in which allotment shall be made shortly to augment the fresh capital.
- Steps have been taken to reduce the operating cost by discontinuing the Liquidity Enhancement Scheme with effect from April 10, 2014 and reviewing all such contracts to ensure that charges paid for infrastructure, software and software support contracts are comparable to those paid by other exchanges in similar line of business. This is based on a legal opinion received by the Company, which raises concern on the arm's length nature of these contracts. Steps have been taken also to ensure reduction in other administrative costs.
- The Exchange has arrested the decline of its market share in Currency Derivative segment and with regulators implementing industry friendly policies the Exchange will see sizable growth in its turnover and in turn in its operating revenue.

All the above measures will help the Company in achieving the financial stability, increased cash flow and to meet SEBI minimum networth requirement of Rs. 100 crore.

3. In the earlier years the Company entered into various one-sided long-term infrastructure, software and software support contracts exclusively with Financials Technologies (India) Limited (FTIL) (erstwhile promoter). During the March quarter, the new management of the Company has decided to review all such contracts to ensure that charges paid for infrastructure, software and software support contracts are comparable to those paid by other exchanges in similar line of business. This is based on a legal opinion received by the Company, which raises concern on the arm's length nature of these contracts. Accordingly the expense towards technology cost and support services aggregating to Rs. 9.39 crore has not been recognized in the financial statement. Further certain rent agreements with FTIL were expired on March 31, 2013 and not renewed and accordingly rent and utilities expenses amounting to Rs. 1.32 crore for the year ended March 31, 2014 has not been provided for. In view of the above, expenses are lower by Rs. 10.71 crore.
4. In the previous year the Company recognized MAT credit entitlement under section 115 JB of Income Tax, Act 1961 amounting to Rs. 1.86 crore. In view of various measures taken by the management as listed in note # 2 above, the Company is of the view that it will be under normal income tax in future years and will be in the position to utilize this credit, it continued to carry the above MAT credit entitlement as an asset good for recovery.
5. The Company could not in some earlier years charge transaction fee in its Currency Derivatives Segment as its dominant competitor, National Stock Exchange of India Ltd., was not charging the same. On the complaint of the Company, the Competition Commission of India (CCI) had passed an order dated June 23, 2011 directing NSE to cease and desist from carrying on its unfair pricing policy. NSE had appealed against

the said order before the Competition Appellate Tribunal, which has reserved its orders on the same after completion of arguments. The Company intends to claim compensation from NSE in respect of losses and damages suffered on account of the unfair pricing practices under the Competition Act, 2002.

6. During the year, the Company has commenced trading in Debt Market from June 10, 2013 and in Interest Rate Futures from January 20, 2014.

## 7. Share Capital

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
<b>Authorised :</b> 2,500,000,000 (Previous Year: 2,500,000,000) Equity Shares of Re.1/- each		2,500,000,000		2,500,000,000
<b>Issued, Subscribed and Paid-up :</b> 544,685,400 (previous year: 544,685,400) equity shares of Re 1/- each, <b>Less :-</b> Amount recoverable from MCX Stock Exchange ESOP Trust (Refer Note 7.5) [ 5,433,000 (Previous Year Rs.5,433,000) equity shares of Re 1/- each fully paid allotted to the MCX Stock Exchange ESOP Trust ]	544,685,400		544,685,400	
	5,433,000		5,433,000	
		539,252,400		539,252,400
<b>Total</b>		539,252,400		539,252,400

### 7.1 Reconciliation of the shares outstanding at the beginning and at the

	As at March 31, 2014		As at March 31, 2013	
	No. of Shares	Rupees	No. of Shares	Rupees
<b>Equity shares</b>				
At the beginning of the Year	544,685,400	544,685,400	544,557,900	544,557,900
Issued during the Year	-	-	127,500	127,500
Outstanding at the end of the Year	544,685,400	544,685,400	544,685,400	544,685,400

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

	As at March 31, 2014		As at March 31, 2013	
	No. of Shares	% holding	No. of Shares	% holding
<b>Equity shares of Re.1/- each fully paid-up</b>				
IFCI Limited	71,875,000	13.20%	71,875,000	13.20%
Union Bank of India	62,500,000	11.48%	62,500,000	11.48%
Punjab National Bank	50,000,000	9.18%	50,000,000	9.18%

### 7.3 Rights of equity share holders

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

### 7.4 Shares reserved for issue under options

- i) The Convertible share warrant holders have the option to convert their share warrant into 1,196,630,000 (Previous Year 1,196,630,000) equity shares of Re.1 each at the terms and conditions mentioned in note no.9.

- ii) 3,979,308 (Previous Year 4,078,308) equity shares of Re.1 each have been reserved to be allotted to the ESOP trust under ESOP Scheme.

#### 7.5 Loan to ESOP Trust

The Company's ESOP is administered through an ESOP Trust, which subscribes to shares of the Company and holds them until issuance thereof based on vesting and exercise of options by employees. At the time of formation of the trust the Company has provided an interest free loan amounting to Rs. 6,000,000 to the Trust to subscribe to 5,433,000 shares issued at Re. 1 per share 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 [Rs. 5,433,000] has been deducted from share capital account and the balance part of the loan representing the amount of [Rs. 567,000] has been added to short term loans and advances in note no.20. The balance of such loan as at March 31, 2014 is Rs. 6,000,000. The repayment of the loan is primarily dependent upon the exercise of options by the employees, the price at which fresh or reissued options are granted and dividend income earned thereon till exercise of options. The Company believes that the options would be exercised by the employees and the Trust would be able to repay the loan based on the price received by the Trust there against. On that basis, the loan to the Trust is considered as good of recovery.

#### 7.6 Authorised Share Capital

The shareholders had at the Extraordinary General Meeting held on March 14, 2014 passed a resolution increasing the authorized capital from Rs. 250,00,00,000/- divided into 250,00,00,000 equity shares of Re. 1/- each to Rs. 350,00,00,000/- divided into 350,00,00,000 equity shares of Re. 1/- each. The same has not been given effect to in the financial statements as the relevant proceedings are not completed with the Ministry of Corporate Affairs.

### 8. Reserve and Surplus

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
<b>Securities Premium Account</b>				
As per last Balance Sheet	3,460,872,570		3,460,872,570	
Add :- Received on Issue of Shares	-		-	
		3,460,872,570		3,460,872,570
		3,460,872,570		3,460,872,570
<b>Surplus / (deficit) in statement of Profit and Loss</b>				
As per last financial statements	(1,253,805,946)		(1,468,030,930)	
Add / (Less) :- Profit / (Loss) for the year	(1,545,320,739)		214,224,984	
		(2,799,126,685)		(1,253,805,946)
		(2,799,126,685)		(1,253,805,946)
<b>Total</b>		661,745,885		2,207,066,624



**9. Non Refundable Interest Free Deposits Against Warrants**

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
At the end of the year		1,196,630,000		1,196,630,000
Total		1,196,630,000		1,196,630,000

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 Re. 1 was required to be maintained against each warrant as non-refundable interest free deposit. Accordingly, the Company holds an amount of Rs. 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 Re. 1 each subject to conditions. The exercise of warrants would always be subject to the Securities Contracts (Regulation) ( Stock exchanges and Clearing Corporations ) Regulations, 2012 or any such regulation which is in force and other conditions. Upon exercise of the option, the proportionate non-refundable interest free deposit will be adjusted against the moneys receivable in respect of the equity shares so issued. The Equity Shares arising out of the exercise of Warrants will rank pari passu with the existing equity shares in all respects. The warrants do not carry any voting rights.

**10. Other long-term liabilities**

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
Amount received from members and applicants towards : - Deposits		138,600,000		173,512,000
Total		138,600,000		173,512,000

**11. Trade Payables**

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
Micro, Small and Medium Enterprises (Refer note no.39)		147,059		121,084
Others		133,935,611		162,934,164
Total		134,082,670		163,055,248



## 12. Other Current Liabilities

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
Unearned Income towards :				
- Vsat connectivity charges	1,844,856		3,041,120	
- Other connectivity charges	22,054		735,481	
- Admission fees	950,000		16,750,000	
- Income received in advance	8,480,376		45,405,776	
- Transaction Charges	325,840		50,000	
- Others	-		8,005,236	
		11,623,126		73,987,613
Deposits from members		623,365,054		562,866,858
Sundry Creditors for Capital Expenditure (Refer note no.39) %		18,700,681		205,012,356
Investor service fund # [ Including interest earned of Rs.190,390		4,972,659		3,471,137
Sebi Regulatory Fees		20,000,000		20,000,000
TDS Payable		10,914,232		91,894,322
Other Liabilities *		18,856,822		42,677,934
#	Investor Service Fund 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 Rs. 4,972,659 (Previous year Rs.3,471,137) as at March 31, 2014 represents the total contribution amount of Rs. 4,000,000 (Previous year Rs.3,000,000) and interest earned thereon.			
*	Mainly includes Statutory Liabilities			
%	Includes MSMED vendor balance of Rs.18,542,077 (P.Y. Nil)			
		708,432,574		999,910,220

## 13. Short Term Provisions

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
Provision for Gratuity (Refer Note 32)		2,682,487		3,277,746
Provision for Leave Encashment		7,937,490		9,904,253
Provision for Wealth Tax		168,665		120,089
<b>Total</b>		<b>10,788,642</b>		<b>13,302,088</b>

## 14. Fixed Assets

(Amount in Rupees)									
Particulars	Gross Block			Depreciation/Amortisation			Net Block		
	As at April 01, 2013	Additions during the year	Deductions/ Adjustments	As at March 31, 2014	Upto March 31, 2013	For the year	Deductions/ Adjustments	Upto March 31, 2014	As at March 31, 2014
<b>TANGIBLE ASSETS</b>									
<b>OWN ASSETS</b>									
Office Equipments	15,912,339	1,373,353	69,259	17,216,433	468,589	810,696	3,088	1,276,197	15,940,236
Computer Hardware	277,756,741	29,246,334	125,237	306,877,838	43,809,253	48,412,373	79,175	92,142,451	214,735,387
Furniture & Fixtures	3,499,432	14,533	-	3,513,965	198,090	214,125		412,215	3,101,749
Vehicles	12,374,629	2,537,564	5,114,740	9,797,453	1,886,440	1,126,475	1,073,101	1,939,814	7,857,639
<b>LEASED ASSETS</b>									
Leasehold Improvements	11,800,000	-	-	11,800,000	109,918	2,360,000	-	2,469,918	9,330,082
Total (A)	321,343,141	33,171,784	5,309,236	349,205,689	46,472,290	52,923,669	1,155,364	98,240,595	250,965,093
Previous Year	62,474,090	259,663,949	794,900	321,343,140	22,970,344	23,665,407	163,461	46,472,291	274,870,850
<b>INTANGIBLE ASSETS</b>									
Computer Software (Other than internally generated)	769,990,579	212,506,055	-	982,496,634	158,984,621	168,800,023		327,784,644	654,711,990
Total (B)	769,990,579	212,506,055	-	982,496,634	158,984,621	168,800,023	-	327,784,644	611,005,958
Previous Year	224,766,594	545,223,985	-	769,990,579	79,972,551	79,012,070	-	158,984,621	611,005,958
<b>TOTAL (A + B)</b>	<b>1,091,333,720</b>	<b>245,677,839</b>	<b>5,309,236</b>	<b>1,331,702,323</b>	<b>205,456,911</b>	<b>221,723,692</b>	<b>1,155,364</b>	<b>426,025,240</b>	<b>905,677,084</b>
Previous Year	287,240,684	804,887,934	794,900	1,091,333,719	102,942,895	102,677,477	163,461	205,456,912	885,876,808
Intangible asset under development									7,138,256
Capital work in progress									16,147,624
									212,449,121

**15. Non-Current Investments**

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
<b>Trade, Unquoted (at cost)</b>				
In Equity Shares of Subsidiary Companies				
12,750,000 Equity Shares (Previous Year 12,750,000 ) of MCX-SX Clearing Corporation Limited of Rs.10 each fully paid-up.	127,500,000		127,500,000	
50,000 Equity Shares (Previous Year 50,000 ) of MCX-SX KYC Registration Agency Ltd. of Rs.10 each fully paid-up.	500,000		500,000	
		128,000,000		128,000,000
<b>Total</b>		<b>128,000,000</b>		<b>128,000,000</b>

**16. Long term loans and advances**

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
(Unsecured, considered good)				
Capital advances	-		1,672,274	
Balance with Central Excise and Service Tax authorities	64,535,715		-	
Prepaid expenses	2,436,002		3,426,432	
Sundry Deposits	52,980,381		12,753,916	
Advance Income Tax (net)	288,910,145		242,769,260	
Loans and advances to employees	2,696,718		3,948,406	
		411,558,961		264,570,288
<b>Total</b>		<b>411,558,961</b>		<b>264,570,288</b>

**17. Current investments**

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
<b>Non-trade unquoted (at lower of cost or realisable value, whichever is lower)</b>				
<b>In units of Mutual Funds, fully paid-up</b>				
540,606.208 (Previous Year NIL) of Rs.100/- each in ICICI Liquid Fund Super IP Dir Daily Dividend Reinvest	54,089,926		-	
54,061.560 (Previous Year NIL) of Rs.1000/- each in Reliance Liquidity Fund Dir Daily Dividend Reinvest	54,089,132		-	
8,009.352 (Previous Year NIL) of Rs.1000/- each in Religare Liquid Fund - Dir Daily Dividend Reinvest	8,015,680		-	
52,685.460 (Previous Year 119,702.938) of Rs.1000/- each in SBI Premier Liquid Fund - Direct Daily Dividend Reinvest	52,856,689		120,091,973	
16,023.647 (Previous Year NIL) of Rs.1000/- each in Templeton India TMA - Dir Daily Dividend Reinvest	16,040,866		-	
		185,092,293		120,091,973
<b>Total</b>		<b>185,092,293</b>		<b>120,091,973</b>

## 18. Trade receivables

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
(Unsecured and Considered Good unless otherwise stated )				
Debts Outstanding for a period exceeding six months	636,742		-	
Other Debts	65,535,337		117,134,797	
Less :- Provisions for doubtful debts	358,573	65,813,506		117,134,797
<b>Total</b>		65,813,506		117,134,797

## 19. Cash and bank balances

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
<b>Cash and cash equivalent -</b>				
Balance with Banks				
- In current accounts	295,897,511		24,248,880	
- Fixed Deposit with banks having maturity less than 3 months	300,000,000		909,800,000	
Cheques in hand	39,340		16,776,398	
Cash on Hand	271,779		36,496	
		596,208,630		950,861,774
<b>Other Bank Balances *</b>		734,594,606		2,061,130,699
* Includes :				
(A) Rs.4,594,606 (Previous Year Rs.3,331,211) earmarked towards the Investor Service Fund.				
(B) Under lien with Banks for Bank Guarantee- Rs.250,000,000 (Previous Year Rs.250,000,000)				
(C) Deposits of Rs.Nil (Previous Year Rs.320,000,000) with maturity of more than 12 months.				
<b>Total</b>		1,330,803,236		3,011,992,473

## 20. Short term loans and advances

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
(Unsecured, considered good, unless otherwise stated)				
Balance with Central Excise and Service Tax authorities	252,266,521		214,407,274	
Advances to vendors	5,446,684		4,693,833	
Prepaid expenses	265,747,786		213,875,526	
Sundry Deposits	26,112		-	
Loans and advances to employees	1,464,919		328,233	
Others #	742,624		435,672	
		525,694,646		433,740,538
[ # includes				
(a) Rs.567,000 (Previous Year Rs.567,000) balance with MCX Stock Exchange ESOP Trust ] { Refer note 7.5}				
(b) Advances include Rs. 20,000/- (Previous Year Rs.Nil) standing against a Director, in respect of sitting fees wrongly paid twice. The said amount has since been recovered.				
<b>Total</b>		525,694,646		433,740,538

## 21. Other Current Assets

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
Interest accrued on Fixed Deposits		84,949,263		118,492,412
Others		307,303		380,170
<b>Total</b>		85,256,566		118,872,582



**22. Revenue from operations**

	2013-14		2012-13	
	Rupees	Rupees	Rupees	Rupees
<b>Revenue from operations - Gross</b>				
<b>Sale of services -</b>				
Transaction Fees	541,014,021		757,835,187	
<b>Other operating revenue -</b>				
Membership Admission Fees	12,359,600		739,047,900	
Processing Fees	547,485		7,752,840	
Listing Fees	729,989		-	
Annual Subscription Fees	20,936,417		-	
Vsat connectivity income	5,013,126		4,472,193	
Other connectivity charges	73,805,975		29,208,102	
Data Feed Charges	6,722,094		6,544,987	
Shared service cost recovered	356,421,906		188,757,353	
RSA Hardware Token	1,472,110		2,070,735	
Examination Fees	1,971,214		1,741,836	
Others	10,347,299		6,285,680	
<b>Total</b>		1,031,341,236		1,743,716,813
		1,031,341,236		1,743,716,813

**23. Other income**

	2013-14		2012-13	
	Rupees	Rupees	Rupees	Rupees
Dividend from Non Trade Current Investments		15,568,149		17,735,019
Interest on Bank Deposits		171,921,548		299,400,256
Interest Income Others		6,147,033		229,265
Rent		3,252,312		3,252,312
Exchange Difference		333,300		-
Miscellaneous Income		82,188		48,361
<b>Total</b>		197,304,530		320,665,213

**24. Operating expenses**

	2013-14		2012-13	
	Rupees	Rupees	Rupees	Rupees
Clearing and Settlement Charges		239,160,310		107,711,776
Technology Cost		708,758,077		462,568,150
Sebi Regulatory Fees		20,065,625		20,000,000
Vsat Connectivity Expenses		480,467		3,787,971
Internet Connectivity Charges		8,564,944		7,704,234
Co-Location Charges		61,062,477		17,205,552
<b>Total</b>		1,038,091,900		618,977,683

## 25. Employee benefits expense

	2013-14		2012-13	
	Rupees	Rupees	Rupees	Rupees
Salaries, Allowances and Bonus	287,496,926		220,221,854	
Contribution to Provident Fund and other funds	14,099,552		14,648,916	
Staff Welfare and Other Amenities	2,451,232	304,047,710	1,470,673	236,341,443
<b>Total</b>		<b>304,047,710</b>		<b>236,341,443</b>

## 26. Finance costs

	2013-14		2012-13	
	Rupees	Rupees	Rupees	Rupees
Interest expenses		471,147		101,498
<b>Total</b>		<b>471,147</b>		<b>101,498</b>

## 27. Advertisement and Business Promotion Expenses

	2013-14		2012-13	
	Rupees	Rupees	Rupees	Rupees
Advertisement		127,971,177		179,302,555
Business Promotion Expenses		18,040,804		23,059,467
Incentive for Liquidity Enhancement Scheme		401,888,483		30,721,270
Sponsorships and Seminar		10,039,745		50,169,689
		<b>557,940,209</b>		<b>283,252,981</b>

## 28. Other expenses

	2013-14		2012-13	
	Rupees	Rupees	Rupees	Rupees
Rent		119,336,254		59,438,338
Repairs and Maintenance - Others		11,041,695		14,113,206
Insurance		4,644,298		3,002,410
Travelling and Conveyance		10,341,051		16,370,459
Communication Expenses		139,271,657		63,666,413
Legal and Professional Charges		115,749,421		114,600,844
Shared Service Cost		15,000,000		18,680,600
Membership and Subscription Fees		60,529,598		48,807,916
Directors Sitting Fees		4,245,000		2,230,000
<u>Payment to Auditors :</u>				
- Audit Fees	1,500,000		1,500,000	
- Other matters (Certification)	650,000		1,900,000	
- Reimbursement	-	2,150,000	100,000	3,500,000
Loss on Sale of Fixed Asset (net)		535,495		275,177
Wealth Tax		48,576		74,882
Exchange Rate Fluctuation (net)		-		164,059
Miscellaneous Expenses		27,226,372		15,485,995
<b>Total</b>		<b>510,119,417</b>		<b>360,410,299</b>

**29. Exceptional Items**

	2013-14		2012-13	
	Rupees	Rupees	Rupees	Rupees
Contribution to funds :				
- Contribution to Settlement Gurantee Fund	25,000,000		50,000,000	
- Contribution to Investor Protection Fund	2,500,000		5,000,000	
- Contribution to Investor Services Fund	1,000,000	28,500,000	2,000,000	57,000,000
		28,500,000		57,000,000

**29.1 Settlement Guarantee Fund**

During the year, the Company has contributed Rs. 25,000,000 (Previous Year Rs.50,000,000) towards Debt Segment as per "Comprehensive guidelines for Investor Protection fund at Stock Exchanges" dated 28 October 2004 issued by SEBI.

**29.2 Investor Service Fund**

During the year, the Company has contributed Rs. 1,000,000 (Previous Year Rs.2,000,000) towards Debt Segment .This 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 investor.

**29.3 Investor Protection Fund**

During the year, the Company has contributed Rs. 2,500,000 (Previous Year Rs.5,000,000) towards Debt Segment based on the 'Comprehensive guidelines for Investor Protection Fund at Stock Exchanges' dated 28 October 2004 issued by SEBI.

**30 Earnings per share ('EPS')**

(Amount in Rs., Except for number of Shares)

Particulars	2013-14	2012-13
Profit/(Loss) after tax as per statement of profit and loss attributable to equity share holders	(1,545,320,739)	214,224,984
Weighted average number of equity shares outstanding during the year for basic EPS	539,252,400	539,139,222
Add-Shares Issued to ESOP Trust	5,433,000	5,433,000
Add- Shares on conversion of warrants	1,196,630,000	1,196,630,000
Weighted average number of equity shares outstanding during the year for diluted EPS	1,741,315,400	1,741,202,222
Basic earnings per share of face value Re. 1 each	(2.87)	0.40
Diluted earnings per share of face value Re. 1 each	(2.87)	0.12

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.

### 31 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.

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

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

Each option entitles the holder to exercise the right to apply and seek allotment of one equity share of Re. 1 each at par. Exercise period for each option is as stated above.

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

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



Each option entitles the holder to exercise the right to apply and seek allotment of one equity share of Re. 1 each at Rs. 2.10. Exercise period for each option is as stated above. The maximum exercise period for 1,950,000 options granted to twelve employees is being extended to five years from the date of vesting. Same was approved by shareholders at Annual General Meeting held on September 28, 2013.

- c) On November 1, 2012 a total of 553,250 stock options (ESOP Round - III) have been granted under the scheme. Details of the Options granted by the ESOP trust are as under:

Grant Date	No. of Options granted	Exercise Price	Vesting Date	Exercise period
November 1, 2012	182,571	2.35	November 1, 2013	Upto November 1, 2014
	182,574	2.35	November 1, 2014	Upto November 1, 2015
	188,105	2.35	November 1, 2015	Upto November 1, 2016

Each option entitles the holder to exercise the right to apply and seek allotment of one equity share of Re. 1/- each at Rs. 2.35/-. Exercise period for each option is as stated above. The maximum exercise period for 403,000 options granted to five employees is being extended to five years from the date of vesting which was approved by shareholders at Annual General Meeting held on September 28, 2013.

- d) On March 12, 2013 a total of 145,800 stock options (ESOP Round - IV) have been granted under the scheme. Details of the Options granted by the ESOP trust are as under:

Grant Date	No. of Options granted	Exercise Price	Vesting Date	Exercise period
March 12, 2013	48,113	3.95	March 12, 2014	Upto March 12, 2015
	48,115	3.95	March 12, 2015	Upto March 12, 2016
	49,572	3.95	March 12, 2016	Upto March 12, 2017

Each option entitles the holder to exercise the right to apply and seek allotment of one equity share of Re. 1/- each at an exercise price of Rs. 3.95/-. Exercise period for each option is as stated above.

Particulars	ESOP 2009 Round-I (Nos.)	ESOP 2009 Round-II (Nos.)	ESOP 2009 Round-III (Nos.)	ESOP 2009 Round-IV (Nos.)
Outstanding at the start of the year	42,500	37,70,300	5,53,250	1,45,800
Granted during the year	NIL	NIL	NIL	NIL
Forfeited/Lapsed during the year	42,500	19,57,064	20,291	83,650
Exercised during the year	NIL	99,000	NIL	NIL
Outstanding at the end of the year	NIL	17,14,236	5,32,959	62,150
Exercisable / vested at the end of the year	NIL	1,338,183	182,571	48,113

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

#### Other disclosures

Particulars	ESOP 2009 Round-I	ESOP 2009 Round -II	ESOP 2009 Round-III	ESOP 2009 Round -IV
The intrinsic value per option	NIL	NIL	NIL	NIL
The estimated fair value per share	1.15	1.55	1.79	1.79
The estimated fair value per option	0.15	0.25	0.003	0
Date of option granted	November 27,2009	March 20,2012	November 1, 2012	March 12, 2013

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

Particulars	ESOP 2009 (Round-I)	ESOP 2009 (Round-II)	ESOP 2009 (Round-III)	ESOP 2009 (Round-IV)
(i) Fair Value of share at grant date	Re.1	Rs. 1.55	1.79	1.79
(ii) Exercise price	Re.1	Rs.2.10	2.35	3.95
(iii) Expected volatility	1%	1%	1%	1%
(iv) Option Life	2 Years	2 Years	2 Years	2 Years
(v) Expected Dividends	Expected Dividends have not been taken into consideration since the company has commenced operations in August 2008 and has been incurring losses ever since.	Expected Dividends have not been taken into consideration since the company has commenced operations in August 2008 and has been incurring losses ever since.	The Company has made loss in this financial year and does not intend to propose any dividend for the financial year 2013-14.	The Company has made loss in this financial year and does not intend to propose any dividend for the financial year 2013-14.
(vi) Risk free interest rate	8.00%	8.75%	9.00%	9.00%
(vii) To allow for the effects of early exercise, it is assumed that the employee would exercise the options after vesting date.				

The loss of the Company for the year would have been higher by Rs. 34,667 (and Previous Year profit would have been lower by Rs. 77,841) had the Company accounted the employee share-based payment using the fair value method. There is no material impact on the earnings per share.

### 32 Employee Benefits

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

Defined Contribution Plan:

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

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

(Amount in Rs.)		
Particulars	2013-14	2012-13
Employer's Contribution to Provident Fund	11,923,799	7,667,176

## Defined benefit plan:

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

The scheme is funded with an insurance company in the form of qualifying insurance policy. The most recent actuarial valuation of the present value of the defined benefit obligation for gratuity was carried out as at March 31, 2014 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, 2014.

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

Particulars	(Amount in Rs.) Gratuity	
	2013-14 (Funded)	2012-13 (Funded)
Defined Benefit Obligation at the beginning of the year	19,938,071	12,483,708
Current Service cost	4,450,967	2,609,313
Interest Cost	16,44,891	1,061,115
Liability transfer in	64,696	683,086
Liability transfer out	(876,828)	(250,239)
Actuarial (gain) / loss	(26,09,910)	4,223,900
Benefits paid	(68,15,813)	(872,812)
Defined Benefit obligation at the end of the year	1,57,96,074	19,938,071

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

Particulars	2013-14	2012-13
Fair Value of Plan Assets at the beginning of the year	16,660,325	7,616,648
Expected Return On Plan Assets	1,449,448	655,032
Contribution during the year	2,697,352	7,693,418
Transfer From Other Company	64,696	683,086
Transfer To Other Company	(876,828)	(250,239)
Benefit Paid From The Fund	(6,815,813)	-
Actuarial Gains/(Losses) On Plan Assets	(65,592)	262,380
Fair Value of Plan Assets at the end of the year	13,113,588	16,660,325



## III. The amount recognized in the statement of Profit &amp; Loss is as follows:-

Particulars	(Amount in Rs.)	
	Gratuity	
	2013-14 (Funded)	2012-13 (Funded)
Current service cost	4,450,967	2,609,313
Interest Cost	1,644,891	1,061,115
Expected return on plan assets	(1,449,448)	(655,032)
Actuarial (gain) / loss	(2,544,318)	3,961,520
Net expenses	2,102,092	6,976,916

## IV. Experience Adjustments in Actuarial (gain) / loss

Particulars	(Amount in Rs.)				
	2013-14	2012-13	2011-12	2010-11	2009-10
Gratuity					
Plan Assets	(1,050,453)	262,380	3,978	-	-
Plan Liabilities	(65,592)	3,668,404	1,049,773	1,234,055	2,191,170

V. Reconciliation of fair value of assets and obligation  
Gratuity

Particulars	(Amount in Rs.)				
	As at				
	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
Fair value of Plan assets	13,113,588	16,660,325	7,616,648	-	-
Present Value of obligation	15,796,074	19,938,071	12,483,708	6,647,324	3,957,234
(Asset) / Liability recognized in Balance sheet	2,682,486	3,277,746	4,867,060	6,647,324	3,957,234

## VI. Principal actuarial assumptions at the Balance sheet date:

Particulars	(Amount in Rs.)	
	Gratuity As at	
	March 31, 2014	March 31, 2013
Mortality Table(LIC)	1994-96 ( ultimate)	1994-96 ( ultimate)
Discount rate (per annum)	9.31%	8.50%
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.

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

**33 Segment reporting****Primary segment**

The Company considers business segment (business of facilitating trading in currency, equity cash, equity derivatives, debt, interest rate futures 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.

**34 Related party information****a) Names of related parties and nature of relationship:**

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

**(i) Subsidiary**

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

- MCX-SX KYC Registration Agency Limited(MCX-SX KYC)
- (ii) Key Management Personnel (KMP)
  - Mr. Joseph Massey (MD & CEO) upto October 09, 2013
  - Mr. U. Venkataraman (Whole time director) resigned w.e.f. February 14, 2014.
  - Mr. Saurabh Sarkar (MD & CEO) w.e.f. February 01, 2014.
- (iii) Others
  - MCX-SX ESOP Trust

**b) Details of transactions with related parties**

(Amount in Rs.)

Nature of Transaction	MCX-SX KYC (Subsidiary)	MCX-SX Clear (Subsidiary)	ESOP Trust (Others)
Clearing and settlement charges	- (-)	239,160,310 (107,711,776)	- (-)
Rent income	- (-)	3,252,312 (3,252,312)	- (-)
Shared service cost recovered	- (-)	317,214,226 (167,993,372)	- (-)
Shares allotted to ESOP Trust	- (-)	- (-)	- (127,500)
Investments in equity shares	- (-)	- (-)	- (-)
Sale of fixed assets	- (-)	1,114,345 (287,149)	- (-)
Purchase of Fixed assets	- (-)	- (370,835)	- (-)
Advance recoverable in cash or in kind for value to be received	- (-)	45,411,851 (36,432,134)	- (-)
Closing Balance of Investments in equity shares	500,000 (500,000)	127,500,000 (127,500,000)	- (-)
Contribution towards settlement guarantee fund (SGF)	- (-)	25,000,000 (50,000,000)	- (-)
Closing Balance of Loan to ESOP Trust	- (-)	- (-)	6,000,000 (6,000,000)

## c) Transactions with KMP:

Sr. No.	Nature of transactions	Amount (Rs.)
1.	Salary & allowances*: Mr. Joseph Massey	13,589,163 (22,973,686)
	Mr. U. Venkataraman	- (10,317,695)
	Mr. Saurabh Sarkar	2,890,070 (-)
2.	Car deposit received from Mr. U. Venkataraman	- (134,497)
3.	ESOP Granted <u>Mr. Joseph Massey</u> Opening balance	Nos. 1,000,000 (1,000,000)
	Add: Options granted	- (-)
	Less: Exercised during the year	- (-)
	Less: Lapsed during the year	1,000,000 (-)
	Closing Balance	- (1,000,000)
	<u>Mr. U. Venkataraman</u> Opening balance	250,000 (250,000)
	Add: Options granted	- (-)
	Less: Exercised during the year	- (-)
	Less: Lapsed during the year	250,000 (-)
	Closing Balance	- (25,0000)

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

- (i) Related party relationship is as identified by the Company and relied upon by the auditors.
- (ii) There are no amounts written off or written back in the year in respect of debts due from or to related parties.



- (iii) Figures in bracket represent previous year's amounts.
- (iv) The transactions with the related parties are disclosed only till the relation exists.
- (v) Transaction charges collected by MCX-SX Clearing Corporation Limited on behalf of the company and paid to the company have not been considered for the aforesaid disclosure.

### 35 Operating lease

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

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

(Amount in Rs.)

Particulars	As at	
	March 31, 2014	March 31, 2013
Future minimum lease payments		
Not later than one year	75,322,880	117,115,260
Later than one year and not later than five years	176,226,117	251,548,997
Later than five years	-	-

- b) Total future minimum sub-lease payments expected to be received under subleases is Rs. 1,355,130 (Previous Year Rs. 3,252,312).
- c) Lease payments recognised in the statement of Profit & Loss is Rs. 119,336,254 (Previous year Rs. 59,406,008).
- d) Sub-lease payment received and recognised in the statement of Profit & Loss is Rs 3,252,312 (Previous Year Rs. 3,252,312).

### 36 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 Rs.)

Particulars	As at	
	March 31, 2014	March 31, 2013
<u>Deferred Tax Assets</u>		
Disallowance under the Income Tax Act, 1961	3,281,573	5,020,381
Unabsorbed depreciation	199,677,872	62,125,503
<u>Deferred Tax Liability</u>		
Related to fixed assets	157,845,904	62,780,176
Net Deferred tax asset/(liability)	45,113,541	4,365,708

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".

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

(Amount in Rs.)

Particulars	2013-14	2012-13
<b>Prior Period Expenses:</b>		
Office Rent	2,719,062	-
Electricity Charges	914,508	-
Software Support Charges	27,70,274	-
<b>Total Prior Period Expenses</b>	<b>6,403,844</b>	<b>-</b>

- 38 Expenditure in foreign currency

(Amount in Rs.)

Particulars	2013-14	2012-13
Travelling, Lodging & boarding	-	417,039
Legal and professional charges	9,256,914	9,183,216
Sponsorship expenses	902,412	557,340
Membership	89,908	4,837,327
Others	541,778	903,534

- 39 Details of dues to micro, small and medium enterprises

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

Sr. No	Particulars	As at March 31, 2014	As at March 31, 2013
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	-	-

- 40 The Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (SECC Regulations) requires every recognized stock exchange to credit 25% of its profits every year to the settlement guarantee fund (SGF) of the recognised clearing corporation(s) which clears and settle trades executed on that exchange. In response to SEBI's letter dated December 26, 2013 requiring the Company to comply with the same, the Company had made a representation to SEBI

vide its letter dated January 3, 2014 requesting for set off of previously accumulated loss prior to transferring portion of profits to the SGF. The amount of Rs. 5.36 crore in respect of previous financial year 2012-13 continues to be not provided in the financial results pending final reply from SEBI

- 41 The Board at its meeting held on February 13, 2014 took note of the fact that Multi Commodity Exchange of India Ltd & FTIL were not promoters of the Exchange and decided that they should not be classified as promoters or promoter group in future filings of the Exchange.
- 42 In terms of SEBI's letter dated July 10, 2012, the erstwhile promoters Multi Commodity Exchange of India Ltd. (MCX) and Financial Technologies (India) Ltd. (FTIL) were required to bring down their joint shareholding in the Company within 5% limit as mentioned in the SECC Regulations within 18 months from the date of the letter. The deadline for the same has since passed and the erstwhile promoters together continue to hold shares above this limit. The Company is in touch with them to achieve the compliance at the earliest possible occasion and is also considering alternative courses of action.

In the meantime SEBI had vide order no. WTM/RKA/MRD-DSA/11/2014 dated March 19, 2014 declared FTIL as not fit and proper person to acquire or hold any equity share or any instrument that provide for entitlement for equity shares or rights over equity shares at any future date in a recognized stock exchange or clearing corporation either directly or indirectly.

Further vide same order SEBI had directed inter-alia that -

- FTIL shall divest the equity shares and/or any instrument that provide for entitlement for equity shares or rights over equity shares at any future date held by it directly or indirectly inter alia in MCX-SX within 90 days from the date of this order through sale of shares and/or instruments and
- FTIL and entities through whom it indirectly holds equity shares or any instrument entitling voting rights inter alia in MCX-SX shall cease to be entitled to exercise voting rights in respect of those shares or instruments with immediate effect.

The Company vide its letter dated March 27, 2014 informed FTIL to comply with aforesaid SEBI order.

MCX vide its letter dated April 04, 2014 informed SEBI citing reasons inter alia change in management that FTIL and MCX should no longer be treated as acting in concert and has further requested SEBI to clarify that its Order dated March 19, 2014 against FTIL, does not include MCX within the ambit of the said order.

As on date FTIL has not divested its stake in the Company.

- 43 The previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary.

**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**

**Sandesh Ladha  
Partner**

**Thomas Mathew T.  
Chairman**

**Saurabh Sarkar  
Managing  
Director & CEO**

**Sarat Chandran  
(Company Secretary)**

**Ghanashyam V. Rao  
(Head - Finance &  
Accounts)**

**Place: Mumbai  
Date: June 13, 2014**



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

<b>1</b>	Name of the subsidiary	MCX-SX Clearing Corporation Limited	MCX-SX KYC Registration Agency Limited
<b>2</b>	Financial Year of the subsidiary company ended on	March 31,2014	March 31,2014
<b>3</b>	Holding Company Interest		
	(i) Number of Shares	12,750,000	500,000
	(ii) Extent of Holding	51%	100%
<b>4</b>	The Net Aggregate amount of the subsidiary Profit/(Loss) so far as it concerns members of the holding company and is not dealt with In Holding Company's account		
	(i) for the financial year of the company	Rs. 651,306	Rs. (19,672)
	(ii) for the previous financial year of the Subsidiary since it became the holding Company's subsidiary	Rs. NIL	Rs. NIL
<b>5</b>	Net aggregate amount of the Profit/(Loss) of the Subsidiary dealt with in the company's account		
	(i) for the financial year of the subsidiary	Rs. NIL	Rs. NIL
	(ii) for the previous financial years of the subsidiary Since it became the subsidiary of the holding Company.	Rs. NIL	Rs. NIL

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

**Thomas Mathew T.  
Chairman**

**Saurabh Sarkar  
Managing Director & CEO**

**Sarat Chandran  
Company Secretary**

**Ghanashyam V. Rao  
Head - Finance & Accounts**

**Place: Mumbai  
Date: June 13, 2014**

# Independent Auditors' Report

To The Board of Directors of  
MCX Stock Exchange Limited

## Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of **MCX Stock Exchange Limited** (the "Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2014, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.  
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Basis for Qualified Opinion

5. *As mentioned in note # 4 on the Consolidated Financial Statements, during the year the Company has not provided infrastructure and software support expenses aggregating to Rs. 10.71 crore, payable pursuant to various long term contracts executed with erstwhile promoter of the company. Accordingly, to that extent fundamental accounting assumption of accrual has not been followed. Had the above expenses been provided there would have been Net Loss of Rs. 165.12 crore as against reported amount of Rs. 154.41 crore, Reserve & Surplus would have been Rs. 67.58 crore as against reported amount of Rs. 78.29 crore, Trade Payable would have been Rs. 24.26 crore as against reported amount of Rs. 13.55 crore and the Company's Networth as reported in Note # 3 on the Financial Statements would have been lower by Rs 10.71crore.*
6. *As mentioned in note # 3 on the Financial Statements the company continue to prepare its Financial Statements on going concern basis, even though its networth have been substantially eroded due to losses for the reasons explained therein.*
7. *The Company ,in the current year and earlier years, entered in to various contracts with few parties listed in the Register maintained under Section 301 of the Companies Act,1956 to whom Rs 94.32 crore have been paid as Infrastructure, software and software support charges during the year in respect of which no alternative quotations are/were provided to us. As informed by the Management, they are in the process of reviewing such contracts/charges to establish their reasonableness for similar line of business. We are unable to comment on the adjustments, if any, that will be arising out of such review, if any.*

## Qualified Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, except for the effect of the matters specified in the Basis for Qualified Opinion and based on consideration of the reports of the other auditors on the financial statements of the subsidiaries as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2014;
  - (b) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date and
  - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

## Other Matters

9. We did not audit the financial statements of two subsidiaries which reflect total assets (net) of Rs. 124.28 crore as at March 31, 2014, total revenue (net) of Rs. 5.30 crore and net cash flows amounting to Rs. (89.88) crore for the year then ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us

and our opinion is based solely on the reports of the other auditors. Our opinion is not qualified in respect of other matters.

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

**Sandesh Ladha**  
Partner  
Membership No.47841  
Place: Mumbai  
Date: 14<sup>th</sup> July, 2014



**Consolidated Balance sheet as at March 31, 2014**

(Amount in Rupees)

	Note	As at March 31,2014	As at March 31,2013
<b>Equity and Liabilities</b>			
<b>Shareholders' Fund</b>			
Share capital	8	539,252,400	539,252,400
Reserves and surplus	9	782,903,114	2,301,082,997
Non Refundable Interest Free Deposits Against Warrants	10	1,196,630,000	1,196,630,000
		2,518,785,514	4,036,965,397
<b>Share application money pending allotment</b>		271,650,000	-
Minority Interest		138,141,233	137,515,467
<b>Non-Current Liabilities</b>			
Other long-term liabilities	11	138,600,000	173,512,000
<b>Current Liabilities</b>			
Trade payables	12	135,479,102	163,820,403
Other current liabilities	13	1,559,883,806	2,263,989,573
Short term provisions	14	13,474,456	15,489,823
		1,708,837,364	2,443,299,799
<b>Total</b>		<b>4,776,014,111</b>	<b>6,791,292,663</b>
<b>Assets</b>			
<b>Non-Current Assets</b>			
<b>Fixed Assets</b>			
	15		
Tangible assets		254,898,462	277,819,741
Intangible assets		655,161,606	611,057,638
Intangible asset under development		7,138,256	212,449,121
Capital work in progress		16,147,624	-
Long term loans and advances	16	469,118,156	302,621,993
		1,402,464,104	1,403,948,493
<b>Current Assets</b>			
Current investments	17	495,331,645	775,291,842
Trade receivables	18	20,401,655	79,357,693
Cash and bank balances	19	2,173,622,104	3,930,537,175
Short term loans and advances	20	553,847,103	450,922,096
Other current assets	21	130,347,500	151,235,364
		3,373,550,007	5,387,344,170
<b>Total</b>		<b>4,776,014,111</b>	<b>6,791,292,663</b>

**Notes on Financial Statements**

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As per our report of even date

For Chaturvedi & Shah  
Chartered Accountants**Sandesh Ladha**  
PartnerMumbai  
Dated : June 13, 2014For and on Behalf of the Board of Directors of  
MCX Stock Exchange Limited**Thomas Mathew T.**  
Chairman**Sarat Chandran**  
Company Secretary**Saurabh Sarkar**  
Managing Director &  
Chief executive officer**Ghanashyam V. Rao**  
Head- Finance & Accounts

**Consolidated Profit and Loss for the year ended March 31, 2014**

(Amount in Rupees)

	Note	2013-14	2012-13
<b>Income</b>			
Gross Revenue from operations	22	675,069,330	1,554,959,460
Less : Service tax		73,864,751	170,631,680
Net Revenue from operations		601,204,578	1,384,327,780
Other income	23	329,358,408	410,678,430
<b>Total Revenue</b>		<b>930,562,986</b>	<b>1,795,006,210</b>
<b>Expenditure</b>			
Operating expenses	24	798,931,590	462,441,499
Employee benefits expense	25	344,049,629	255,828,393
Finance costs	26	471,147	-
Advertisement and Business Promotion Expenses	27	557,940,209	283,252,981
Depreciation and amortisation expense	15	222,560,038	102,996,977
Other expenses	28	522,173,714	418,303,599
<b>Total Expenses</b>		<b>2,446,126,326</b>	<b>1,522,823,449</b>
<b>Profit/ (Loss) before exceptional items and tax</b>		<b>(1,515,563,340)</b>	<b>272,182,761</b>
<b>Exceptional items</b>	29	<b>28,500,000</b>	<b>57,000,000</b>
<b>Profit/ (Loss) before tax</b>		<b>(1,544,063,340)</b>	<b>215,182,761</b>
<b>Less : Provision for taxation</b>			
- Income Tax as per MAT		-	19,901,599
- Less :- MAT credit entitlement		-	(19,901,599)
<b>Profit/ (Loss) for the year (before adjustments for minority interest)</b>		<b>(1,544,063,340)</b>	<b>215,182,761</b>
<b>Less : Minority Interest in income / (loss)</b>		<b>625,765</b>	<b>482,920</b>
<b>Profit/ (Loss) for the year after Minority Interest</b>		<b>(1,544,689,104)</b>	<b>214,699,840</b>
<b>Earnings per equity share of face value of Re.1 each</b>	30		
Basic (in Re.)		(2.86)	0.40
Diluted (in Re.)		(2.86)	0.12

**Notes on Financial Statements**

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As per our report of even date

For Chaturvedi & Shah  
Chartered Accountants**Sandesh Ladha**  
PartnerMumbai  
Dated : June 13, 2014**For and on Behalf of the Board of Directors of**  
MCX Stock Exchange Limited**Thomas Mathew T.**  
Chairman**Sarat Chandran**  
Company Secretary**Saurabh Sarkar**  
Managing Director &  
Chief executive officer**Ghanashyam V. Rao**  
Head- Finance & Accounts

## Consolidated Cash Flow Statement for the year 2013-14

(Amount in Rupees)			
2013-14		2012-13	
<b>A. Cash flow from Operating Activities</b>			
Net Profit / (Loss) before tax as per Statement of Profit and Loss	(1,544,063,340)		215,182,761
<b>Adjustments for</b>			
Depreciation/ Amortisation	222,560,038	102,996,977	
Dividend from Investments	(58,442,304)	(36,506,322)	
Net Prior Year Adjustments	6,403,844	-	
Unrealised Exchange Rate fluctuation	1,192	(1,904)	
Interest Income	(266,584,114)	(374,123,493)	
Finance Costs	471,147	-	
Loss on sale of Fixed Asset (net)	535,495	287,494	
Provision for doubtful debts	358,573		
Profit on sale of investments (net)	(3,349,395)	(254)	
Excess Provision for Gratuity Written Back	(216,705)	-	
Excess Provision for Bonus Written Back	(350,401)	-	
Contribution towards funds and interest accrued thereon (Refer Note 29)	26,509,221	52,191,326	
<b>Operating profit/ (loss) before working capital changes</b>	(1,616,166,750)		(39,973,415)
<b>Adjustments for</b>			
Trade and other receivables	(145,102,463)	(246,153,623)	
Trade and other payables	(582,496,846)	1,738,749,295	
	(727,599,309)		1,492,595,672
<b>Cash generated from/(used in) operations</b>	(2,343,766,059)		1,452,622,257
Net Prior Year Adjustments	(6,403,844)		-
Less: Taxes paid	(65,648,375)		(144,303,366)
<b>Net cash generated from/(used in) operating activities</b>	(2,415,818,278)		1,308,318,891
<b>B. Cash flow from Investing Activities</b>			
Purchase of Fixed Assets (including Capital Work In Progress)	(245,045,033)		(713,571,944)
Sale of Fixed Assets	3,618,377		734,621
Purchase of current investments	(2,625,325,780)		(5,358,083,376)
Sale of current investments	2,967,077,680		4,674,811,700
Fixed deposit placed with banks (having maturity of more than 3 months)	(563,594,597)		(3,148,337,684)
Fixed deposit matured (having maturity of more than 3 months)	1,919,350,633		3,158,683,224
Investment in subsidiary company	-		-
Profit on sale of investments (net)	-		-
Dividend from investment	-		-
Interest received (net of accrued interest)	287,399,112		411,901,432
<b>Net cash generated from/(used in) Investing Activities</b>	1,743,480,391		(973,862,027)
<b>C. Cash flow from Financing Activities</b>			
Finance Costs	(471,147)		-
Share application money pending allotment	271,650,000		127,500
Proceeds from issuance of shares to ESOP trust	-		-
Security premium collected	-		-
<b>Net Cash Generated from Financing Activities</b>	271,178,853		127,500
<b>Net Increase in Cash and Cash Equivalents</b>	(401,159,034)		334,584,364
Cash and Cash Equivalents at Beginning of the Year (Refer note 19)	1,017,156,976		682,572,612
<b>Cash and Cash Equivalents at End of the Year</b> (Refer note 19)	615,997,942		1,017,156,976
Add : Fixed Deposits held for more than three months	1,557,624,162		2,913,380,199
<b>Closing Cash and Bank Balance as per Note 19</b>	2,173,622,104		3,930,537,175

## Notes to Cash Flow Statement:

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

2 Figures in brackets represent cash outflows.

As per our report of even date

For **Chaturvedi & Shah**  
Chartered Accountants

**Sandesh Ladha**  
Partner

Place : Mumbai  
Dated : June 13, 2014

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

**Thomas Mathew T.**  
Chairman

**Sarat Chandran**  
Company Secretary

**Saurabh Sarkar**  
Managing Director &  
Chief Executive Officer

**Ghanashyam V. Rao**  
Head- Finance & Accounts

**Notes to Consolidated Financial Statements****1. Significant Accounting Policies****a) Principles of Consolidation**

The consolidated financial statements relate to MCX – Stock Exchange Ltd. ('the Company') and its subsidiaries MCX – SX Clearing Corporation Ltd. and MCX – SX KYC Registration Agency Ltd. The consolidated financial statements have been prepared on the following basis:

- The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 – "Consolidated Financial Statements"
- The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve as the case may be.
- The difference between the proceeds from disposal of investment in subsidiaries and the carrying amount of its assets less liabilities as of the date of disposal is recognized in the consolidated Statement of Profit and Loss being the profit or loss on disposal of investment in subsidiaries.
- Minority Interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.
- Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.

**b) Basis of preparation of financial statements**

The accompanying financial statements are prepared and presented under the historical cost convention, on the accrual basis of accounting in accordance with the generally accepted accounting principle in India and comply with the Accounting Standards notified under section 211 (3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act / 2013 Act.



**c) 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 year. 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.

**d) 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.

**e) 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.

**f) 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.

Leasehold improvements are depreciated over the period of lease.

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.

**g) 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 Statement of Profit & Loss. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

**h) Foreign currency transactions**

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

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

**i) Revenue recognition**

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

- a) Transaction fees are charged to members based on the volume of transactions entered into by the members through the exchange. These are accrued when orders placed by members on the network are matched and confirmed.
- b) Admission fees collected from new members for joining the exchange are recognized when received and the member is approved by Membership Committee.
- c) Processing and other fees collected from members are recognized on receipt basis.
- d) Recoveries from members towards VSAT connectivity, Data feed charges and other connectivity charges are apportioned over the period of connectivity on a pro rata basis.
- e) Dividend income is recognized when the company's right to receive dividend is established.
- f) Interest income is recognized on time proportion basis.
- g) Income from Listing Fees is recognized on time proportion basis.

**j) Employee benefits**

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

Long-term employee benefits, viz., gratuity and leave encashment are 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 Statement of Profit & Loss. The present value is determined using the market yields of government bonds, at the balance sheet date, as the discounting rate.

**k) 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.

**l) 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 in such cases 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 reasonably / virtually certain (as the case may be) to be realised.

**m) 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 Statement of Profit & Loss in accordance with Accounting Standard 19 - Leases.

**n) 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.

**o) 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.

**2. The subsidiary companies considered in the consolidated Financial Statements are:-**

<b>Name of Subsidiary</b>	<b>Country of Incorporation</b>	<b>Proportion of Ownership Interest</b>
<b>a) MCX – SX Clearing Corporation Limited.</b>	India	51%
<b>b) MCX – SX KYC Registration Agency Limited.</b>	India	100%



3. MCX Stock Exchange Limited is a recognized stock exchange under Section 4 of the Securities Contracts Regulation Act, 1956 (SCRA). The Company's income mainly consists of transaction charges on the volume generated on the exchange, membership & subscription fees, interest on fixed deposits and other investments. During the year the revenue from the Currency Derivatives segment on account of regulatory restrictions and dampened market sentiment has been adversely effected resulting into substantial losses for the year ended March 31, 2014 and networth of the Company has been eroded to Rs 107.30 crore as per the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (SECC Regulations). Further, the recognition as stock exchange under SCRA is due for renewal in September 15, 2014. The Company continued to prepare its financials statement on going concern basis in view of the following reasons:

- The Board of the Exchange has been recast with eminent persons to spearhead the revival of growth at the Exchange and provide a strong vision for implementing an alternative development model for the Indian securities market.
- The Company has made rights issue in which allotment shall be made shortly to augment the fresh capital.
- Steps have been taken to reduce the operating cost by discontinuing the Liquidity Enhancement Scheme with effect from April 10, 2014 and reviewing all such contracts to ensure that charges paid for infrastructure, software and software support contracts are comparable to those paid by other exchanges in similar line of business. This is based on a legal opinion received by the Company, which raises concern on the arm's length nature of these contracts. Steps have been taken also to ensure reduction in other administrative costs.
- The Exchange has arrested the decline of its market share in Currency Derivative segment and with regulators implementing industry friendly policies the Exchange will see sizable growth in its turnover and in turn in its operating revenue.

All the above measures will help the Company in achieving the financial stability, increased cash flow and to meet SEBI minimum networth requirement of Rs. 100 crore.

4. In the earlier years the Company entered into various one-sided long-term infrastructure software and software support contracts exclusively with FTIL (erstwhile promoter). During the quarter the new management of the Company has decided to review all such contracts to ensure that charges paid for infrastructure, software and software support contracts are comparable to those paid by other exchanges in similar line of business. This is based on a legal opinion received by the Company, which raises concern on the arm's length nature of these contracts. Accordingly the expense towards technology cost and support services aggregating to Rs. 9.39 crore has not been recognized in the

financial statement. Further certain rent agreements with FTIL were expired on March 31, 2013 and not renewed and accordingly rent and utilities expenses amounting to Rs. 1.32 crore for the year ended March 31, 2014 has not been provided for. In view of the above, expenses are lower by Rs. 10.71 crore.

5. In the previous year the Company recognized MAT credit entitlement under section 115 JB of Income Tax, Act 1961 amounting to Rs. 1.86 crore. In view of various measures taken by the management as listed in note 3 on financial statement above, the Company is of the view that it will be under normal income tax in future years and will be in the position to utilize this credit, it continued to carry the above MAT credit entitlement as an asset good for recovery.
6. The Company could not in some earlier years charge transaction fee in its Currency Derivatives Segment as its dominant competitor, National Stock Exchange of India Ltd., was not charging the same. On the complaint of the Company, the Competition Commission of India (CCI) had passed an order dated June 23, 2011 directing NSE to cease and desist from carrying on its unfair pricing policy. NSE had appealed against the said order before the Competition Appellate Tribunal, which has reserved its orders on the same after completion of arguments. The Company intends to claim compensation from NSE in respect of losses and damages suffered on account of the unfair pricing practices under the Competition Act, 2002.
7. The Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (SECC Regulations) requires every recognized stock exchange to credit 25% of its profits every year to the settlement guarantee fund (SGF) of the recognised clearing corporation(s) which clears and settle trades executed on that exchange. In response to SEBI's letter dated December 26, 2013 requiring the Company to comply with the same, the Company had made a representation to SEBI vide its letter dated January 3, 2014 requesting for set off of previously accumulated loss prior to transferring portion of profits to the SGF. The amount of Rs. 5.36 crore in respect of previous financial year 2012-13 continues to be not provided in the financial results pending final reply from SEBI.

## 8. Share Capital

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
<b>Authorised :</b> Shares of Re.1/- each		2,500,000,000		2,500,000,000
<b>Issued, Subscribed and Paid-up :</b> 544,685,400 (previous year: 544,685,400) equity shares of	544,685,400		544,685,400	
<b>Less :-</b> Amount recoverable from MCX Stock Exchange ESOP Trust (Refer Note 8.5 [5,433,000 (Previous Year Rs.5,433,000) equity shares of Re 1/- each fully paid allotted to the MCX Stock Exchange ESOP Trust ]	5,433,000		5,433,000	
		539,252,400		539,252,400
<b>Total</b>		539,252,400		539,252,400

**8.1** Reconciliation of the shares outstanding at the beginning and at the end of year.

	As at March 31, 2014		As at March 31, 2013	
	No. of Shares	Rupees	No. of Shares	Rupees
<b>Equity shares</b>				
At the beginning of the Year	544,685,400	544,685,400	544,557,900	544,557,900
Issued during the Year			127,500	127,500
Outstanding at the end of the Year	544,685,400	544,685,400	544,685,400	544,685,400

**8.2** Details of shareholders holding more than 5% shares in the company

	As at March 31, 2014		As at March 31, 2013	
	No. of Shares	% holding	No. of Shares	% holding
<b>Equity shares of Re.1/- each fully paid-up</b>				
IFCI Limited	71,875,000	13.20%	71,875,000	13.20%
Union Bank of India	62,500,000	11.48%	62,500,000	11.48%
Punjab National Bank	50,000,000	9.18%	50,000,000	9.18%

**8.3** Rights of equity share holders

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

**8.4** Shares reserved for issue under options

- i) The Convertible share warrant holders have the option to convert their share warrant into 1,196,630,000 (Previous Year 1,196,630,000) equity shares of Re.1 each at the terms and conditions mentioned in note no.10.
- ii) 3,979,308 (Previous Year 4,078,308) equity shares of Re.1 each have been reserved to be allotted to the ESOP trust under ESOP Scheme.

**8.5** Loan to ESOP Trust

The Company's ESOP is administered through an ESOP Trust, which subscribes to shares of the Company and holds them until issuance thereof based on vesting and exercise of options by employees. At the time of formation of the trust the Company has provided an interest free loan amounting to Rs. 6,000,000 to the Trust to subscribe to 5,433,000 shares issued at Re. 1 per share 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 [Rs. 5,433,000] has been deducted from share capital account and the balance part of the loan representing the amount of [Rs. 567,000] has been added to short term loans and advances in note no.20. The balance of such loan as at March 31, 2014 is Rs. 6,000,000. The repayment of the loan is primarily dependent upon the exercise of options by the employees, the price at which fresh or reissued options are granted and dividend income earned thereon till exercise of options. The Company believes that the options would be exercised by the employees and the Trust would be able to repay the loan based on the price received by the Trust there against. On that basis, the loan to the Trust is considered as good of recovery.

**8.6**

The shareholders had at the Extraordinary General Meeting held on March 14, 2014 passed a resolution increasing the authorized capital from Rs. 250,00,00,000/- divided



into 250,00,00,000 equity shares of Re. 1/- each to Rs. 350,00,00,000/- divided into 350,00,00,000 equity shares of Re. 1/- each. The same has not been given effect to in the financial statements as the relevant proceedings are not completed with the Ministry of Corporate Affairs.

## 9. Reserve and Surplus

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
<b>Securities Premium Account</b>				
As per last Balance Sheet		3,460,872,570		3,460,872,570
<b>Surplus / (deficit) in statement of Profit and Loss</b>				
As per last financial statements	(1,238,260,711)		(1,452,960,551)	
Add / (Less) :- Profit / (Loss) for the year	(1,544,689,104)		214,699,840	
		(2,782,949,815)		(1,238,260,711)
<b>Settlement Guarantee Fund</b>				
As per last Balance Sheet	75,000,000		25,000,000	
Add :- Contribution/Interest Accrued during the year	25,007,699		50,000,000	
		100,007,699		75,000,000
<b>Investor Service Fund#</b>				
As per last Balance Sheet	3,471,137		1,279,811	
Add :- Contribution/Interest Accrued during the year	1,501,522		2,191,326	
		4,972,659		3,471,137
# Investor Service Fund 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 Rs. 4,972,669 (Previous year Rs.3,471,137) as at March 31, 2014 represents the total contribution amount of Rs. 4,000,000 (Previous Year Rs.3,000,000) and interest earned thereon.				
		(2,677,969,457)		(1,159,789,574)
<b>Total</b>		<b>782,903,114</b>		<b>2,301,082,996</b>

## 10 Non Refundable Interest Free Deposits Against Warrants

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
At the end of the year		1,196,630,000		1,196,630,000
<b>Total</b>		<b>1,196,630,000</b>		<b>1,196,630,000</b>

A total of 1,196,630,000 warrants were allotted to certain shareholders under the Scheme of Capital Reduction cum Arrangement implemented from March 19, 2010 post sanction of the Hon'ble High Court of Bombay under Sections 100-104 and 391-393 of the Companies Act, 1956. Under the Scheme, an amount of Re. 1 was required to be maintained against each warrant as non-refundable interest free deposit. Accordingly, the Company holds an amount of Rs. 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 Re. 1 each subject to conditions. The exercise of warrants would always be subject to the Securities Contracts (Regulation) ( Stock exchanges and Clearing Corporations ) Regulations, 2012 or any such regulation which is in force and other conditions. Upon exercise of the option, the proportionate non-refundable interest free deposit will be adjusted against the moneys receivable in respect of the equity shares so



issued. The Equity Shares arising out of the exercise of Warrants will rank pari passu with the existing equity shares in all respects. The warrants do not carry any voting rights.

## 11 Other long-term liabilities

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
Amount received from members and applicants towards : - Deposits		138,600,000		173,512,000
<b>Total</b>		<b>138,600,000</b>		<b>173,512,000</b>

## 12 Trade Payables

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees		
Micro, Small and Medium Enterprises (Refer note no. 42 on Financial Statements)		147,059		121,084
Others		135,332,043		163,699,319
<b>Total</b>		<b>135,479,102</b>		<b>163,820,403</b>

## 13 Other Current Liabilities

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
Unearned Income towards :				
- Vsat connectivity charges	1,844,856		3,041,120	
- Other connectivity charges	22,054		735,481	
- Admission fees	950,000		16,750,000	
- Income received in advance	8,480,376		45,405,776	
- Transaction Charges	325,840		50,000	
- Others	-		8,005,236	
		11,623,126		73,987,613
Settlement Banks Deposits		220,000,000		290,000,000
Deposits from members		1,250,334,447		1,532,752,208
Sundry Creditors for Capital Expenditure% (Refer note no.42)		18,700,681		205,012,356
Sebi Regulatory Fees		20,000,000		20,000,000
TDS Payable		17,514,952		99,276,688
Other Liabilities *		21,710,600		42,960,707
* Mainly includes Statutory Liabilities				
% Includes MSMED vendor balance of Rs.18,542,077 (P.Y. Nil)				
		1,559,883,806		2,263,989,573

## 14 Short Term Provisions

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
Provision for Gratuity		3,300,754		4,257,445
Provision for Leave Encashment		10,005,037		11,112,289
Provision for Wealth Tax		168,665		120,089
<b>Total</b>		<b>13,474,456</b>		<b>15,489,823</b>

[illegible]

**16 Long term loans and advances**

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
(Unsecured, considered good)				
Capital advances	-		1,672,274	
Balance with Central Excise and Service Tax authorities	64,535,715		-	
Prepaid expenses	2,436,002		3,426,432	
Sundry Deposits	52,980,381		12,753,916	
Advance Income Tax (net)	346,469,340		280,820,965	
Loans and advances to employees	2,696,718		3,948,406	
		469,118,156		302,621,993
<b>Total</b>		<b>469,118,156</b>		<b>302,621,993</b>

**17 Current investments**

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
<b>Non-trade, unquoted (at lower of cost or realisable value, whichever is lower)</b>				
<b>In units of Mutual Funds, fully paid-up</b>				
540,606.208 (Previous Year NIL) of Rs.100/- each in ICICI Liquid Fund Super IP Dir Daily Dividend Reinvest	54,089,926		-	
34,123.328 (Previous Year 60,042.141 units) of Rs.1,000/- each in Axis Liquid Fund - Daily Dividend Reinvestment	34,127,353		60,048,787	
44,952.530 (Previous Year NIL) of Rs.1,000/- each in BOI AXA Liquid Fund -Daily Dividend Reinvestment	45,071,579		-	
340,081.095 (Previous Year 1,138,596.650 units) of Rs.100/- each in DWS Insta Cash Plus Fund - Daily Dividend Reinvestment	34,111,495		114,205,798	
59,923.990 (Previous Year 20,427.157) of Rs.1000/- each in Reliance Liquidity Fund Dir Daily Dividend Reinvest	63,051,264		31,227,815	
8,009.352 (Previous Year NIL) of Rs.1000/- each in Religare Liquid Fund - Dir Daily Dividend Reinvest	8,015,680		-	
199,437.735 (Previous Year 340,161.068) of Rs.1000/- each in SBI Premier Liquid Fund - Direct Daily Dividend Reinvest	200,085,910		341,266,591	
3,388,458.012 (Previous Year 7,429,763.527 units) of Rs.10/- each in Sundaram Money Fund Daily Dividend Reinvestment Plan	34,231,898		75,059,186	
6,501.443 (Previous Year NIL) of Rs.1,000/- each in Union KBC Liquid Fund Daily Dividend Reinvestment Plan	6,505,674		-	
16,023.647 (Previous Year NIL) of Rs.1000/- each in Templeton India TMA - Dir Daily Dividend Reinvest	16,040,866		-	
NIL (Previous Year 74,982.589) of Rs.1,000/- each in Morgan Stanley Liquid Fund Daily Dividend Reinvestment Plan	-		75,019,863	
NIL (Previous Year 7,840,186.447) of Rs.10/- each in JPMorgan India Liquid Fund Daily Dividend Reinvestment Plan	-		78,463,802	
		495,331,645		775,291,842
<b>Total</b>		<b>495,331,645</b>		<b>775,291,842</b>

**18 Trade receivables**

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
( Unsecured and Considered Good unless otherwise stated )				
Debts Outstanding for a period exceeding six months	636,742		-	
Other Debts	20,123,486		79,357,693	
Less :- Provision for doubtful debts	358,573	20,401,655	-	79,357,693
<b>Total</b>		<b>20,401,655</b>		<b>79,357,693</b>

**19 Cash and bank balances**

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
<b>Cash and cash equivalent -</b>				
<b>Balance with Banks</b>				
- In current accounts	315,677,319		48,534,578	
- Fixed Deposit with banks having maturity less than 3 months	300,000,000		951,800,000	
Cheques in hand	39,340		16,776,398	
Cash on Hand	281,283		46,000	
		615,997,942		1,017,156,976
<b>Other Bank Balances</b>		1,557,624,162		2,913,380,199
<b>Total</b>		<b>2,173,622,104</b>		<b>3,930,537,175</b>

- 19.1 Balance in Current Account includes Rs.1,57,01,405 (P.Y. Rs.2,10,43,281) towards Clearing & Settlement Obligation.
- 19.2 Fixed Deposits aggregating to Rs.10,00,00,000 (P.Y. Rs.7,50,00,000) earmarked towards Settlement Guarantee Fund.
- 19.3 Fixed Deposits under lien with Bank for Bank Guarantee Rs.25,00,00,000 (P.Y. 25,00,00,000)
- 19.4 Balance in cash and cash equivalents, other bank balances and investment in mutual funds also includes amount received from members as deposit towards security and margin and the same is deposited/ invested in bank deposits / mutual funds.
- 19.5 Fixed Deposit of Rs.Nil (P.Y. Rs.117,22,49,500) with maturity of more than 12 months.



**20 Short term loans and advances**

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
(Unsecured, considered good)				
Balance with Central Excise and Service Tax authorities	275,585,932		228,565,908	
Advances to vendors	5,815,045		5,023,734	
Prepaid expenses	267,615,325		215,031,414	
Sundry Deposits	1,529,630		-	
Loans and advances to employees	1,464,919		328,233	
Others #	1,836,251		1,972,808	
		553,847,103		450,922,096
[ # includes				
(a) Rs.567,000 (Previous Year Rs.567,000) balance with MCX Stock Exchange ESOP Trust ] [ Refer note 8.5]				
(b) Advances include Rs. 20,000 (P.Y. Rs. Nil) standing against a Director, in respect of sitting fees wrongly paid twice. The said amount has since been recovered.				
<b>Total</b>		<b>553,847,103</b>		<b>450,922,096</b>

**21 Other Current Assets**

	As at March 31, 2014		As at March 31, 2013	
	Rupees	Rupees	Rupees	Rupees
Interest accrued on Fixed Deposits		130,040,197		150,855,194
Others		307,304		380,170
<b>Total</b>		<b>130,347,500</b>		<b>151,235,364</b>

**22 Revenue from operations**

	2013-14		2012-13	
	Rupees	Rupees	Rupees	Rupees
<b>Revenue from operations - Gross</b>				
<b>Sale of services -</b>				
Transaction Fees	541,014,021		757,835,187	
<b>Other operating revenue -</b>				
Membership Admission Fees	12,359,600		739,047,900	
Processing Fees	547,485		7,752,840	
Listing Fees	729,989		-	
Annual Subscription Fees	21,086,417		-	
Vsat connectivity income	5,013,126		4,472,193	
Other connectivity charges	73,805,975		29,208,102	
Data Feed Charges	6,722,094		6,544,987	
RSA Hardware Token	1,472,110		2,070,735	
Examination Fees	1,971,214		1,741,836	
Others	10,347,300		6,285,680	
		675,069,330		1,554,959,460
<b>Total</b>		<b>675,069,330</b>		<b>1,554,959,460</b>

**23 Other income**

	2013-14		2012-13	
	Rupees	Rupees	Rupees	Rupees
Dividend from Non Trade Current Investments		58,442,304		36,506,322
Interest on Bank Deposits		259,308,744		373,162,355
Interest Income Others		6,147,033		229,265
Interest received on Income Tax Refund		1,128,337		731,873
Profit on sale of Current Investments (Net)		3,349,395		254
Exchange Difference		333,300		-
Miscellaneous Income		82,188		48,361
Excess Provision for Bonus Written Back		350,401		-
Excess Provision for Gratuity Written Back		216,705		-
<b>Total</b>		<b>329,358,408</b>		<b>410,678,430</b>

**24 Operating expenses**

	2013-14		2012-13	
	Rupees	Rupees	Rupees	Rupees
Technology Cost		708,758,077		413,743,150
Sebi Regulatory Fees		20,065,625		20,000,000
Vsat Connectivity Expenses		480,467		3,787,971
Internet Connectivity Charges		8,564,944		7,704,233
Co-Location Charges		61,062,477		17,205,552
Shared Service Cost		-		593
<b>Total</b>		<b>798,931,590</b>		<b>462,441,499</b>

**25 Employee benefits expense**

	2013-14		2012-13	
	Rupees	Rupees	Rupees	Rupees
Salaries, Allowances and Bonus	326,671,339		239,021,730	
Contribution to Provident Fund and other funds	14,834,033		15,255,619	
Staff Welfare and Other Amenities	2,544,257	344,049,629	1,551,044	255,828,393
<b>Total</b>		<b>344,049,629</b>		<b>255,828,393</b>

**26 Finance costs**

	2013-14		2012-13	
	Rupees	Rupees	Rupees	Rupees
Interest expenses		471,147		-
<b>Total</b>		<b>471,147</b>		<b>-</b>

**27 Advertisement and Business Promotion Expenses**

	2013-14		2012-13	
	Rupees	Rupees	Rupees	Rupees
Advertisement		127,971,177		179,302,554
Business Promotion Expenses		18,040,804		23,059,468
Incentive for Liquidity Enhancement Scheme		401,888,483		30,721,270
Sponsorships and Seminar		10,039,745		50,169,689
		557,940,209		283,252,981

**28 Other expenses**

	2013-14		2012-13	
	Rupees	Rupees	Rupees	Rupees
Rent		119,336,254		59,438,338
Repairs and Maintenance - Others		11,041,695		14,113,206
Insurance		5,506,689		3,753,508
Travelling and Conveyance		10,341,051		16,510,367
Communication Expenses		139,271,657		63,666,413
Legal and Professional Charges		118,757,234		165,022,511
Shared Service Cost		15,000,000		18,680,600
Membership and Subscription Fees		60,529,598		48,807,916
Directors Sitting Fees		5,605,000		2,700,000
<u>Payment to Auditors :</u>				
- Audit Fees	2,011,236		2,011,236	
- Other matters (Certification)	1,245,000		2,114,045	
- Reimbursement	10,990	3,267,226	100,000	4,225,281
Non-Compliance Charges		-		2,861,603
Loss on Sale of Fixed Asset (net)		535,495		287,494
Wealth Tax		48,576		74,882
Exchange Rate Fluctuation (net)		-		164,059
Bank Charges		1,273,282		1,248,490
Miscellaneous Expenses		31,659,958		16,748,931
<b>Total</b>		<b>522,173,714</b>		<b>418,303,599</b>

**29 Exceptional Items**

	2013-14		2012-13	
	Rupees	Rupees	Rupees	Rupees
Contribution to funds :				
- Contribution to Settlement Guarantee Fund	25,000,000		50,000,000	
- Contribution to Investor Protection Fund	2,500,000		5,000,000	
- Contribution to Investor Services Fund	1,000,000	28,500,000	2,000,000	57,000,000
		28,500,000		57,000,000

**29.1 Settlement Guarantee Fund**

During the year, the Company has contributed Rs. 25,000,000 (Previous Year Rs.50,000,000) towards Debt Segment as per "Comprehensive guidelines for Investor Protection fund at Stock Exchanges" dated 28 October 2004 issued by SEBI.

**29.2 Investor Service Fund**

During the year, the Company has contributed Rs. 1,000,000 (Previous Year Rs.2,000,000) towards Debt Segment. This 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 investor.

**29.3 Investor Protection Fund**

During the year, the Company has contributed Rs. 2,500,000 (Previous Year Rs.5,000,000) towards Debt Segment based on the 'Comprehensive guidelines for Investor Protection Fund at Stock Exchanges' dated 28 October 2004 issued by SEBI.

**30 Earnings per share ('EPS')**

Particulars	(Amount in Rs.)	
	2013-14	2012-13
Profit/(Loss) after tax as per statement of profit and loss attributable to equity share holders	(1,544,689,104)	214,699,840
Weighted average number of equity shares outstanding during the year for basic EPS	539,252,400	539,139,222
Add-Shares Issued to ESOP Trust	5,433,000	5,433,000
Add- Shares on conversion of warrants	1,196,630,000	1,196,630,000
Weighted average number of equity shares outstanding during the year for diluted EPS	1,741,315,400	1,741,202,222
Basic earnings per share of face value Re. 1 each	(2.86)	0.40
Diluted earnings per share of face value Re. 1 each	(2.86)	0.12

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.

- 31** During the year, the Company has commenced trading in Debt Market from June 10, 2013 and in Interest Rate Futures from January 20, 2014.

**32 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.

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

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

Each option entitles the holder to exercise the right to apply and seek allotment of one equity share of Re. 1 each at par. Exercise period for each option is as stated above.

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

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

Each option entitles the holder to exercise the right to apply and seek allotment of one equity share of Re. 1 each at Rs. 2.10. Exercise period for each option is as stated above. The maximum exercise period for 1,950,000 options granted to twelve employees is being extended to five years from the date of vesting. Same was approved by shareholders at Annual General Meeting held on September 28, 2013.

- c) On November 1, 2012 a total of 553,250 stock options (ESOP Round - III) have been granted under the scheme. Details of the Options granted by the ESOP trust are as under:

Grant Date	No. of Options granted	Exercise Price	Vesting Date	Exercise period
November 1, 2012	182,571	2.35	November 1, 2013	Upto November 1, 2014
	182,574	2.35	November 1, 2014	Upto November 1, 2015
	188,105	2.35	November 1, 2015	Upto November 1, 2016

Each option entitles the holder to exercise the right to apply and seek allotment of one equity share of Re. 1/- each at Rs. 2.35/-. Exercise period for each option is as stated above. The maximum exercise period for 403,000 options granted to five employees is being extended to five years from the date of vesting which was approved by shareholders at Annual General Meeting held on September 28, 2013.

- d) On March 12, 2013 a total of 145,800 stock options (ESOP Round – IV) have been granted under the scheme. Details of the Options granted by the ESOP trust are as under:

Grant Date	No. of Options granted	Exercise Price	Vesting Date	Exercise period
March 12, 2013	48,113	3.95	March 12, 2014	Upto March 12, 2015
	48,115	3.95	March 12, 2015	Upto March 12, 2016
	49,572	3.95	March 12, 2016	Upto March 12, 2017

Each option entitles the holder to exercise the right to apply and seek allotment of one equity share of Re. 1/- each at an exercise price of Rs. 3.95/-. Exercise period for each option is as stated above.

Particulars	ESOP 2009 Round-I (Nos.)	ESOP 2009 Round-II (Nos.)	ESOP 2009 Round-III (Nos.)	ESOP 2009 Round-IV (Nos.)
Outstanding at the start of the year	42,500	37,70,300	5,53,250	1,45,800
Granted during the year	NIL	NIL	NIL	NIL
Forfeited/Lapsed during the year	42,500	19,57,064	20,291	83,650
Exercised during the year	NIL	99,000	NIL	NIL
Outstanding at the end of the year	NIL	17,14,236	5,32,959	62,150
Exercisable / vested at the end of the year	NIL	1,338,183	182,571	48,113

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

### Other disclosures

Particulars	ESOP 2009 Round-I	ESOP 2009 Round -II	ESOP 2009 Round-III	ESOP 2009 Round -IV
The intrinsic value per option	NIL	NIL	NIL	NIL
The estimated fair value per share	1.15	1.55	1.79	1.79
The estimated fair value per option	0.15	0.25	0.003	0
Date of option granted	November 27,2009	March 20,2012	November 1, 2012	March 12, 2013

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

Particulars	ESOP 2009 (Round-I)	ESOP 2009 (Round-II)	ESOP 2009 (Round-III)	ESOP 2009 (Round-IV)
(i) Fair Value of share at grant date	Re.1	Rs. 1.55	1.79	1.79
(ii) Exercise price	Re.1	Rs.2.10	2.35	3.95
(iii) Expected volatility	1%	1%	1%	1%
(iv) Option Life	2 Years	2 Years	2 Years	2 Years
(v) Expected Dividends	Expected Dividends have not been taken into consideration since the company has commenced operations in August 2008 and has been incurring losses ever since.	Expected Dividends have not been taken into consideration since the company has commenced operations in August 2008 and has been incurring losses ever since.	The Company has made loss in this financial year and does not intend to propose any dividend for the financial year 2013-14.	The Company has made loss in this financial year and does not intend to propose any dividend for the financial year 2013-14.
(vi) Risk free interest rate	8.00%	8.75%	9.00%	9.00%
(vii) To allow for the effects of early exercise, it is assumed that the employee would exercise the options after vesting date.				

The loss of the Company for the year would have been higher by Rs. 34,667 (and Previous Year profit would have been lower by Rs. 77,841) had the Company accounted the employee share-based payment using the fair value method. There is no material impact on the earnings per share.

### 33 Segment reporting

During the year, the Company has two reportable segments, Trading Services and Clearing Services. Segments have been identified and reported taking into account nature of services, management structure and system of financial reporting. The accounting policies adopted for segment reporting are in line with the accounting policy of the company with following additional policies for segment reporting.

Revenues and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenues and expenses which relate to enterprise as a whole and are not allocable to a segment on reasonable basis have been disclosed as "Unallocable."

Segment assets and segment liabilities represent assets and liabilities in respective segments. Assets and Liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as "Unallocable".



**33 Segment Reporting: Primary Segment**

Business Segments :

Particulars	Trading Services		Clearing Services		Unallocable		Total	Total
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013		
<b>REVENUE :</b>								
External Revenue	601,054,578	1,384,327,780	150,000				601,204,578	1,384,327,780
Inter-segment Revenue	317,214,228	167,993,373	239,160,310	107,711,777				
<b>GROSS REVENUE</b>	918,268,806	1,552,321,153	239,310,310	107,711,777			601,204,578	1,384,327,780
<b>TOTAL REVENUE</b>	918,268,806	1,552,321,153	239,310,310	107,711,777			601,204,578	1,384,327,780
<b>SEGMENT RESULT :</b>								
Profit / (Loss) Before Interest	(1,738,486,321)	(103,139,555)	(133,462,013)	(92,279,977)	61,772,027	36,478,800	(1,810,176,306)	(158,940,732)
Less : Interest Expense					471,147		471,147	
Add : Interest Income					266,584,114	374,123,493	266,584,114	374,123,493
Profit / (Loss) After Interest	(1,738,486,321)	(103,139,555)	(133,462,013)	(92,279,977)	327,884,995	410,602,293	(1,544,063,338)	215,182,761
Less : Minority Interest		-	625,765	482,290	-	-	625,765	482,290
Profit / (Loss) for the Year	(1,738,486,321)	(103,139,555)	(134,087,778)	(92,762,267)	327,884,995	410,602,293	(1,544,689,103)	214,700,471
<b>OTHER INFORMATION</b>								
Segment Assets	1,894,224,004	1,674,667,131	51,904,963	44,037,969	2,829,885,144	5,072,587,564	4,776,014,111	6,791,292,664
Segment Liabilities	1,258,412,563	1,348,314,497	860,483,565	1,268,354,742	191,237	142,561	2,119,087,365	2,616,811,800
Segment Capital Expenditure	56,514,598	915,837,055	2,218,760	2,747,245	-	-	58,733,358	918,584,300
Depreciation / Amortisation	221,723,629	102,677,477	836,346	319,500	-	-	222,559,975	102,996,977

**Secondary Segment**

Since all the activities of the company are predominantly conducted in India, there are no separate reportable geographical segments.

### 34 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) Associate Companies (Significant Influence)

- Financial Technologies (India) Limited (FTIL)
- Multi Commodity Exchange of India Limited (MCX)

##### (ii) Key Management Personnel (KMP)

- Mr. Joseph Massey (MD & CEO) upto October 09, 2013
- Mr. U. Venkataraman (Whole time director) resigned w.e.f February 14, 2014.
- Mr. Saurabh Sarkar (MD & CEO) w.e.f February 01, 2014.

##### (iii) Others

- MCX-SX ESOP Trust

#### b) Details of transactions with related parties

(Amount in Rs.)

Sr. No.	Nature of transactions	Companies having Significant Influence (MCX)	Companies having Significant Influence (FTIL)	ESOP Trust (Others)
1	Purchase of Fixed Assets	- (68,355)	- (12,215)	- (-)
2	Sale of Fixed Assets	- (22,471)	- (-)	- (-)
3	Shared Service Cost	- (-)	(593)	- (-)
4	Software License Expenses	- (-)	5,583 (4,584)	- (-)
5	Other Expenses	- (-)	1,09,643 (82,519)	- (-)
6	Shares allotted to ESOP Trust	- (-)	- (-)	- (127,500)
7	Closing balance of Loan to ESOP Trust	- (-)	- (-)	6,000,000 (6,000,000)
8	Payables (Balance at the end of the year)	- (-)	(41,704) (-)	- (-)

**c) Transactions with KMP:**

Sr. No.	Nature of transactions	Amount (Rs.)
1.	Salary & allowances*: Mr. Joseph Massey	13,589,163 (22,973,686)
	Mr. U. Venkataraman	11,321,065 (10,317,695)
	Mr. Saurabh Sarkar	2,890,070 (-)
2.	Car deposit received from Mr. U. Venkataraman	134,497 (134,497)
3.	ESOP Granted <b><u>Mr. Joseph Massey</u></b> Opening balance	Nos. 1,000,000 (1,000,000)
	Add- options granted	- (-)
	Less- Exercised during the year	- (-)
	Less- Lapsed during the year	1,000,000 (-)
	Closing Balance	- (1,000,000)
	<b><u>Mr. U. Venkataraman</u></b> Opening balance	250,000 (250,000)
	Add- options granted	- (-)
	Less- Exercised during the year	- (-)
	Less- Lapsed during the year	250,000 (-)
	Closing Balance	- (250,000)

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

- (i) Related party relationship is as identified by the Company and relied upon by the auditors.
- (ii) There are no amounts written off or written back in the year in respect of debts due from or to related parties.
- (iii) Figures in bracket represent previous year's amounts.

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

### 35 Operating lease

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

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

(Amount in Rs.)

Particulars	As at	
	March 31, 2014	March 31, 2013
Future minimum lease payments		
Not later than one year	75,322,880	117,115,260
Later than one year and not later than five years	176,226,117	251,548,997
Later than five years	-	-

- b) Lease payments recognised in the statement of Profit & Loss is Rs.1,19,336,254/- (Previous year Rs. 59,406,008/-).

### 36 Deferred Tax Asset/Liability

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

Particulars	As at	
	March 31, 2014	March 31, 2013
<b>Deferred Tax Assets</b>		
Disallowance under the Income Tax Act, 1961	3,952,389	5,412,328
Unabsorbed depreciation	200,471,128	62,629,220
<b>Deferred Tax Liability</b>		
Related to fixed assets	158,281,938	63,157,502
Net Deferred tax asset/(liability)	46,141,579	4,884,046

- 37 Subsidiary of the Company, MCX-SX Clearing Corporation Limited (MCX-SX CCL), has obtained a Bank Guarantee of Rs.50 crore (Previous Year Rs.50 crore) as a fall back measure in respect to return of cash deposits collected as margin money/security deposit from the banks who are the clearing members of the Company. It has deposited Rs.25 crore (Previous Year Rs.25 crore) as fixed deposit with the bank towards the guarantees issued by the said bank.



- 38 Subsidiary of the Company, MCX-SX Clearing Corporation Limited, has set up a Settlement Guarantee Fund, the details of which are provided hereunder. Besides this the risk management process includes an insurance coverage of Rs. 250,000,000/- (Previous Year Rs. 100,000,000/-)

Sr No	As on March 31, 2014	Total SGF	Exchange Contribution	Member Deposits				
				Cash Deposits	Non Cash deposits			
					Bank Guarantee	Fixed Deposit Receipts	Govt. Securities	Other Approved Securities
1	Equity Cash Market	440,005,092	25,000,000	319,821,565	29,400,000	63,482,058	-	2,293,770
2	Equity Derivatives Segment	662,202,585	25,000,000	181,725,010	105,500,000	347,000,000	-	2,977,575
3	Currency Derivative Segment	7,219,023,964	25,000,000	383,658,321	2,155,375,000	2,729,896,177	1,470,484,980	-
4	Debt Market Segment	33,000,000	25,000,000	8,000,000	-	-	-	454,609,485
		<b>8,354,231,641</b>	<b>100,000,000</b>	<b>893,204,896</b>	<b>2,290,275,000</b>	<b>3,140,378,235</b>	<b>1,470,484,980</b>	<b>459,880,830</b>

Sr No	As on March 31, 2013	Total SGF	Exchange Contribution	Member Deposits				
				Cash Deposits	Non Cash deposits			
					Bank Guarantee	Fixed Deposit Receipts	Govt. Securities	Other Approved Securities
1	Equity Cash Market	571,512,478	25,000,000	344,862,464	95,550,000	106,100,000	-	14
2	Equity Derivatives Segment	1,887,359,475	25,000,000	272,550,010	627,500,000	907,200,000	-	55,109,465
3	Currency Derivative Segment	10,780,419,845	25,000,000	592,432,328	2,946,000,000	4,192,527,168	2,270,931,651	753,528,698
		<b>13,239,291,798</b>	<b>75,000,000</b>	<b>1,209,844,802</b>	<b>3,669,050,000</b>	<b>5,205,827,168</b>	<b>2,270,931,651</b>	<b>808,638,177</b>

- 39 The Board at its meeting held on February 13, 2014 took note of the fact that MCX & FTIL were not promoters of the Exchange and decided that they should not be classified as promoters or promoter group in future filings of the Exchange. Since then FTIL & MCX are not being classified under the head 'promoter and promoter group.

- 40 In terms of SEBI's letter dated July 10, 2012, the erstwhile promoters Multi Commodity Exchange of India Ltd. (MCX) and Financial Technologies (India) Ltd. (FTIL) were required to bring down their joint shareholding in the Company within 5% limit as mentioned in the SECC Regulations within 18 months from the date of the letter. The deadline for the same has since passed and the erstwhile promoters together continue to hold shares above this limit. The Company is in touch with them

to achieve the compliance at the earliest possible occasion and is also considering alternative courses of action.

In the meantime SEBI had vide order no. WTM/RKA/MRD-DSA/11/2014 dated March 19, 2014 declared FTIL as not fit and proper person to acquire or hold any equity share or any instrument that provide for entitlement for equity shares or rights over equity shares at any future date in a recognized stock exchange or clearing corporation either directly or indirectly.

Further vide same order SEBI had directed inter-alia that -

- FTIL shall divest the equity shares and/or any instrument that provide for entitlement for equity shares or rights over equity shares at any future date held by it directly or indirectly inter alia in MCX-SX within 90 days from the date of this order through sale of shares and/or instruments and
- FTIL and entities through whom it indirectly holds equity shares or any instrument entitling voting rights inter alia in MCX-SX shall cease to be entitled to exercise voting rights in respect of those shares or instruments with immediate effect.

The Company vide its letter dated March 27, 2014 informed to FTIL to comply with aforesaid SEBI order.

MCX vide its letter dated April 04, 2014 informed SEBI citing reasons inter alia change in management that FTIL and MCX should no longer be treated as acting in concert and has further requested SEBI to clarify that its Order dated March 19, 2014 against FTIL, does not include MCX within the ambit of the said order.

As on date FTIL has not divested its stake in the Company.

- 41** Securities and Exchange Board of India (SEBI) vide its Order no. WTM/RKA/MRD-DSA/11/2014 dated March 19, 2014 had declared Financial Technologies (India) Limited (FTIL, promoter of MCX-SX CCL) as not fit and proper person to acquire or hold any equity share or any instrument that provide for entitlement for equity shares or rights over equity shares at any future date in a recognized stock exchange or clearing corporation either directly or indirectly. Further, vide the same Order SEBI had directed inter-alia that FTIL shall divest the equity shares and/or any instrument that provide for entitlement for equity shares or rights over equity shares at any future date held by it directly or indirectly in MCX-SX CCL within 90 days from the date of the Order through sale of shares and/or instruments and FTIL and entities through whom it indirectly holds equity shares or any instrument entitling voting rights in MCX-SX CCL shall cease to be entitled to exercise voting rights in respect of those shares or instruments with immediate effect. SEBI vide letter reference MRD/DSA/OW/8508/2014 dated March 20, 2014, directed MCX-SX CCL to ensure necessary compliance therewith. In view thereof MCX-SX CCL, vide its letter dated March 27, 2014, intimated FTIL to comply with aforesaid order of SEBI. Currently,

FTIL is yet to comply with the said Order in so far as it continues to hold 23% of the paid-up equity share capital of MCX-SX CCL, though these shares are not entitled for a voting right. The Board of MCX-SX CCL has taken a view that the voting rights of FTIL ceases.

#### 42 Details of dues to micro, small and medium enterprises

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

Sr. No	Particulars	As at March 31, 2014	As at March 31, 2013
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	-	-

43 The previous year figures have been regrouped / reclassified, wherever necessary to conform to the current year presentation.

For Chaturvedi & Shah  
Chartered Accountants

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

**Sandesh Ladha**  
Partner  
Membership No.047841

**Thomas Mathew T.**  
Chairman

**Saurabh Sarkar**  
Managing Director & CEO

Place : Mumbai  
Date : June 13, 2014

**Sarat Chandran**  
Company Secretary

**Ghanashyam V. Rao**  
Head - Finance & Accounts



## ANNUAL REPORT 2013-14





## Corporate Information

### Board of Directors

- Mr. Vepa Kamesam – Chairman and Public Interest Director
- Dr. M.Y. Khan – Public Interest Director
- Mr. V.K. Khanna – Public Interest Director
- Mr. P.K. Chhokra – Public Interest Director
- Mr. Saurabh Sarkar – Shareholder Director
- Mr. U Venkataraman – MD and CEO

### Statutory Auditors

M/s. Deloitte Haskins and Sells, Chartered Accountants (FY 2013-14)

### Registered Office

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

CIN: U67120MH2008PLC188032

### Clearing Banks

Axis Bank Ltd.

Bank of India

Canara Bank

Central Bank of India

HDFC Bank Ltd

ICICI Bank Ltd.

IDBI Bank

Indusind Bank Ltd.

Kotak Mahindra Bank Ltd.

State Bank of India

Union Bank of India

Yes Bank Ltd

## Directors' Report

### To The Members, MCX-SX Clearing Corporation Limited

Your Directors are pleased to present their Sixth Report on the business and operations of your Company together with the Audited Statement of Accounts and the Auditors' Report for the financial year ended March 31, 2014.

#### 1. FINANCIAL RESULTS

Particulars	(Amount in INR)	
	Year ended March 31, 2014	Year ended March 31, 2013
Total Income	374,616,499	200,977,306
Less: Expenditure	373,339,428	199,991,755
Profit Before Tax	1,277,071	985,551
Less: Provision For Tax	-	-
	1,277,071	
Profit After Tax		985,551
Less: Transfer to Reserves	NIL	NIL
Balance carried to Balance Sheet	1,277,071	985,551

During the year under review, the Company has registered a total income of INR 374,616,499/-as against INR 200,977,306/- in the previous year. The profit after tax for the year under review is INR 1,277,071/-as compared to INR 985,551/-for the previous year.

#### 2. REVIEW OF OPERATIONS

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

Your Company was incorporated on November 7, 2008 and commenced its operations on February 16, 2009 on receipt of regulatory approvals and after completion of requisite formalities including opening of accounts and execution of agreements with participants.

Your Company, received authorization from the RBI under Section 10 of Foreign Exchange Management Act, 1999 on August 3, 2012 to undertake the activities relating to clearing and settlement of currency options contracts. It commenced clearing and settlement of currency options contracts dealt on the MCX-SX from August 10, 2012. The MCX-SX received permission from the SEBI to commence trading in Interest Rate Derivatives, Equity, Futures & Options on Equity and Whole-sale Debt segments on July 10, 2012. Accordingly, the MCX-SX commenced its operations in the equity Capital Market and Futures & Options segment from February 11, 2013. Your Company has successfully carried out the clearing and settlement of the above trades executed on the MCX-SX. Further, pursuant to the approval received from the SEBI, the MCX-SX has commenced trading in Index futures and options on SX 40, flagship Index of the MCX-SX w.e.f. May 15, 2013. Your Company has carried out clearing and settlement of the above trades as well.

The SEBI vide its Circular dated December 05, 2013 introduced a regulatory structure for the exchange traded interest rate futures in the CD Segment of stock exchanges with a better product design which included cash settlement of the contracts. The MCX-SX was the first to launch the new product which was from January 20, 2014. Your Company has carried out the clearing and settlement of the above trades, thus the company currently clears and settles the deals entered in the Capital Market, Futures & Options, Currency Derivatives and Debt Market Segments of the MCX-SX.

Your Company received an in-principle recognition from the SEBI on April 3, 2013 to act as a Clearing Corporation for a period of one year subject to the fulfillment of conditions stipulated in the recognition letter. Further the SEBI vide its letter dated April 1, 2014 extended the validity of in-principle approval to act as a Clearing Corporation for a further period of six months. The Company is in the process of complying with the conditions specified in the recognition letter of the SEBI.

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

**A) Segment wise details:****a) Clearing and Settlement - Currency Derivatives Segment:**

During the financial year 2013-14, Clearing Corporation successfully carried out all settlements in Currency Derivatives Segment without default and delay. Monthly settlement statistics in Currency Derivatives Segment is summarized in Table 1

**Table 1 - Monthly statistics of settlements - Currency Derivatives Segment**

Amount in INR crores					
Month	Futures		Options		Total
	Daily Settlement	Final Settlement	Premium Settlement	Exercise Settlement	
(1)	(2)	(3)	(4)	(5)	(6) = (2)+(3)+(4)+(5)
Apr-13	183.79	3.13	17.20	1.67	205.79
May-13	208.32	6.10	28.45	9.06	251.93
Jun-13	494.45	3.60	50.93	25.96	574.95
Jul-13	318.14	3.79	39.41	4.84	366.19
Aug-13	388.50	23.25	28.88	18.05	458.69
Sep-13	197.09	1.76	4.74	4.19	207.77
Oct-13	77.95	0.57	5.14	0.66	84.32
Nov-13	85.85	1.00	4.62	0.86	92.33
Dec-13	62.16	0.32	8.30	1.94	72.73
Jan-14	64.85	3.09	7.29	0.83	76.07
Feb-14	52.09	0.80	2.75	0.64	56.28
Mar-14	64.75	2.16	3.40	1.26	71.57
<b>Total</b>	<b>2197.94</b>	<b>49.57</b>	<b>201.13</b>	<b>69.98</b>	<b>2518.62</b>

It would be observed from Table 1 that total settlements suffered sharp decline from INR 574.95 crores in June, 2013 to INR 56.28 crores in January, 2014 and then reflected marginal increase to INR 71.57 crores in March, 2014. However, for the year April, 2013 – March, 2014 as a whole settlement amounts stood as INR 2,518.62 crores. On account of its robust risk management practices, Settlement Guarantee Fund (SGF) has never been put to use. However, on account of decline in transaction volumes and open interest, there was a reduction on member margin deposits and consequently the SGF had declined from INR 1078.04 crores as on March 31, 2013 to INR 721.90 crores as on March 31, 2014.



**b) Clearing and Settlement – Equity Cash Market:**

During the financial year 2013-14, Clearing Corporation successfully carried out all settlements in Equity Cash Market without default and delay. Monthly settlement statistics in Equity Cash Market is summarized in Table 2.

**Table 2 - Monthly statistics of settlements – Equity Cash Market**

Month	Quantity			Value in INR crores		
	Traded	Deliverable	Delivery %	Traded	Deliverable	Delivery %
(1)	(2)	(3)	(4) = (3)/(2)	(5)	(6)	(7) = (6)/(5)
Apr-13	376,761	54,807	14.55	25.08	6.09	24.26
May-13	20,277,851	385,801	1.90	1,782.57	4.50	1.37
Jun-13	44,070,000	874,204	1.98	3,267.32	48.67	1.49
Jul-13	45,645,000	1,013,000	2.22	1,037.00	48.42	4.67
Aug-13	22,356,597	560,878	2.51	1,041.04	28.79	2.77
Sep-13	21,006,710	389,450	1.85	1,047.75	21.58	2.06
Oct-13	19,178,855	401,991	2.10	1,089.96	19.36	1.78
Nov-13	9,190,190	330,100	3.59	748.23	20.83	2.78
Dec-13	3,115,850	243,140	7.80	251.93	14.15	5.62
Jan-14	3,612,010	178,260	4.94	265.01	11.73	4.43
Feb-14	3,109,148	109,553	3.52	244.90	6.94	2.83
Mar-14	5,812,105	282,290	4.86	439.44	18.90	4.30
<b>Total</b>	<b>197,751,077</b>	<b>4,823,474</b>	<b>2.44</b>	<b>11,240.23</b>	<b>269.96</b>	<b>2.40</b>

Note: Details are provided for the settlements completed in the relevant period

The quantity delivered and the value there of have subsistently come down after July, 2013. However there was marginal improvement in March, 2014 compared to February, 2014. The SGF in Equity Cash Market as on March 31, 2014 was INR 44 crores.

**c) Clearing and Settlement – Equity Derivatives Segment:**

During the financial year 2013-14, Clearing Corporation successfully carried out all settlements in Equity Derivatives Segment without any default and delay. Monthly settlement statistics in Equity Derivatives Segment is summarized in Table 3.

**Table 3 - Monthly statistics of settlements - Equity Derivatives Segment**

Amount in INR crores					
Month	Futures		Options		Total
	Daily Settlement	Final Settlement	Premium Settlement	Exercise Settlement	
(1)	(2)	(3)	(4)	(5)	(6) = (2)+(3)+(4)+(5)
Apr-13	5.90	0.76	0.54	0.06	7.26
May-13	6.84	0.10	0.25	0.25	7.44
Jun-13	8.48	0.31	0.14	0.12	9.06
Jul-13	4.13	0.31	3.27	0.24	7.95
Aug-13	7.46	0.75	4.99	0.83	14.03
Sep-13	2.25	0.03	0.23	0.11	2.62
Oct-13	1.82	0.05	0.46	0.09	2.42
Nov-13	0.95	0.03	0.25	0.02	1.25
Dec-13	1.19	0.02	0.26	0.00	1.47
Jan-14	1.68	0.07	0.30	0.02	2.06
Feb-14	1.01	0.07	0.14	0.03	1.26
Mar-14	1.59	0.05	0.01	0.05	1.70
Total	43.29	2.55	10.84	1.83	58.52

The daily settlement and the final settlement which are related to the overall traded volume in the segment have shown a declining trend except during the month of June, 2013 and a strong recovery in August, 2013. The SGF in Equity Derivatives Segment as on March 31, 2014 was INR 66.22 crores.

**d) Clearing and Settlement – Debt Market Segment:**

Your Company had commenced clearing and settlement of transactions executed in Debt Market Segment of MCX-SX, w.e.f. June 10, 2013. During the financial year 2013-14, it carried out all settlements in a timely manner without any default. Monthly settlement statistics in Debt Market Segment is presented in Table 4.

**Table 4 - Monthly statistics of settlements - Debt Market Segment**

Amount in INR crores			
Month	Exchange Traded	OTC Reporting Platform	Total
(1)	(2)	(3)	(4) = (2)+(3)
Jun-13	176.37	0.00	176.37
Jul-13	50.34	2006.46	2056.8
Aug-13	0.00	4684.12	4684.12
Sep-13	0.00	6010.66	6010.66
Oct-13	0.00	3594.84	3594.84
Nov-13	0.00	5245.64	5245.64
Dec-13	0.00	9468.50	9468.50
Jan-14	0.00	7702.40	7702.40
Feb-14	0.00	9774.87	9774.87
Mar-14	0.00	14,984.75	14,984.75
<b>Total</b>	<b>226.71</b>	<b>63,472.24</b>	<b>63,698.95</b>

The amount under OTC reporting platform settled through the Clearing Corporation has shown consistent improvement during the period from June, 2013 to March, 2014 with an exception in October, 2013 and January, 2014. The SGF in Debt Market Segment as on March 31, 2014 was INR 3.30 crores.

Table 5 – Details of SGF as on March 31, 2014.

Amount in INR crores										
Sr. No.	Segment	Total SGF	MCX-SX Contribution	Member Deposits						Fines & Penalties
				Cash	Cash		Non-Cash Deposits (MCX-SXCCL)			
			MCX-SX		MCX-SX CCL	BG	FDR	G-Secs	App. Sec.	
1	Equity Cash Market	44.00	2.50	27.30	4.68	2.94	6.35	0.00	0.23	0.00
2	Equity Derivatives Segment	66.22	2.50	0.00	18.17	10.55	34.70	0.00	0.30	0.00
3	Debt Market Segment	3.30	2.50	0.00	0.80	0.00	0.00	0.00	0.00	0.00
4	Currency Derivative Segment	721.90	2.50	0.00	38.37	215.54	272.99	147.05	45.46	0.00
	Total	835.42	10.00	27.30	62.02	229.03	314.04	147.05	45.99	0.00

**B) New Initiatives and Developments****a) Qualified Central Counter Party Status**

The SEBI has designated MCX-SX CCL as a Qualified Central Counter Party (QCCP). The press statement to this effect was issued by the SEBI on January 03, 2014. Consequently, the MCX-SXCCL is subject to the SEBI's regulatory framework which is consistent with CPSS-IOSCO Principles for Financial Market Infrastructures.

**b) Introduction of Debt Segment**

The MCX-SX CCL has commenced clearing and settlement of transactions executed in MCX-SX in a newly launched Debt Market Segment from June 10, 2013. The MCX-SXCCL is also authorized by the RBI and the SEBI to carry out settlement of OTC deals in corporate bonds, securitized debt instruments, commercial papers and certificate of deposits reported in the OTC deal reporting platforms of FIMMDA and the MCX-SX.

**c) Introduction of Interest Rate Futures**

The Clearing Corporation has extended its clearing and settlement services in the Currency Derivative Segment by adding interest rate futures to the portfolio of cleared products with the launch of Interest Rate Futures by the MCX-SX on January 20, 2014 in the Currency Derivatives Segment.

**d) Introduction of Risk Reduction Mode in Currency Derivatives Segment**

The MCX-SXCCL has enhanced its risk management capabilities by introducing the functionality of Risk Reduction Mode in the currency derivatives segment from February 10, 2014. Risk Reduction Mode triggers pre-trade check for adequacy of margin deposits when



the member's margin utilization in the currency derivatives segment reaches 95% of eligible deposits.

**e) Enhancement of Insurance Cover**

The Clearing Corporation enhanced the Special Contingency Insurance cover from existing INR 10 crores to INR 25 crores up to December 6, 2014. The insurance cover was enhanced to provide for the risks arising out of default, if any, of Clearing Members which can result in pecuniary loss to the Settlement Guarantee Fund of the Corporation.

**f) Application to ESMA**

The MCX-SXCCL has applied to the European Securities and Markets Authority (ESMA) for its recognition as a Third Country CCP under European Market Infrastructure Regulation (EMIR). As per the EMIR, European Union (EU) entities participating in the third country CCPs which are not recognized by the ESMA are required to make higher risk capital provisioning. Though the MCX-SX and the MCX-SXCCL do not have EU entities as direct participants, Indian branches and subsidiaries of certain EU entities participate in the Indian Exchange Traded markets.

**g) Renewal of ISO certification**

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

**Approved Intermediary under Securities Lending Scheme, 1997**

The SEBI vide its letter dated May 28, 2013 has approved registration of the MCX-SX CCL as an Approved Intermediary under the SEBI's Securities Lending Scheme, 1997 for a period of three years from June 1, 2013 to May 31, 2016.

**Debt Market Segment**

Your Company has seen vast potential for the development of Exchange traded Debt segment in India. The SEBI's new guidelines issued vide Circular No. CIR/MRD/DP/03/2013 dated January 24, 2013 providing for setting up of dedicated Debt segment in Stock Exchanges, has been a welcome step to realize this potential.

Your Company, in partnership with the MCX-SX is committed to contribute its best to the development of a vibrant debt market in India and accordingly has started providing services both in Institutional and Retail Market from June 10, 2013. The Company has also been recognized as an eligible entity for settlement of OTC transactions in Corporate bonds, certificate of deposits and commercial papers.

**3. REGULATORY UPDATES:**

The SEBI has brought about far reaching changes in the regulatory regime pertaining to Clearing Corporations through Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 notified on June 20, 2012 ("SECC Regulations")

and the subsequent circular issued on December 13, 2012. Some of the important changes are given below:

- **In-principle recognition of a Clearing Corporation**

The most important change brought about by the SECC Regulations is that clearing corporations have to be recognized by the SEBI for acting as such. The regulations further provide that existing person who clears and settles trades of a Stock Exchange as on date of the regulations may continue to do so for a period of three months. Your Company accordingly made an application to the SEBI for seeking recognition as clearing corporation on September 18, 2012. The Company received in-principle recognition from the SEBI on April 3, 2013 to act as a Clearing Corporation for a period of one year subject to fulfillment of conditions stipulated in the recognition letter. Further, the SEBI vide its letter dated April 1, 2014 approved extension of validity of in-principle approval to act as a clearing corporation for a further period of six months in terms of Regulation 7 (5) of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 subject to fulfillment of certain conditions. The Company is in the process of complying with all the conditions stipulated in the extension letter.

- **Net-worth and Shareholding**

Regulation 14(3) of the SECC regulations has prescribed a minimum net-worth of INR 300 crores to operate as a clearing corporation. The existing clearing corporations have been given a time limit of three years from the date of recognition granted by the SEBI to achieve the net-worth. Further as per para 3 (b) of the SEBI circular dated December 13, 2012 a clearing corporation which has made application for recognition in terms of second proviso of regulation 3 of the SECC regulations and has a net-worth of less than INR 300 crores shall submit its plan duly approved by its shareholders to the SEBI within 90 days from the date of the circular.

Regulation 18 of the SECC regulations provides that at least 51% of the share capital of a clearing corporation shall be held by one or more recognized Stock Exchanges. A person, directly or indirectly either individually or with persons acting in concert, can hold upto 5% of the paid-up share capital of clearing corporation. However, a depository, bank, insurance company, public financial institution can hold upto 15% of paid up equity share capital.

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

The Company accordingly submitted an action plan to the SEBI on March 11, 2013, for achieving minimum net-worth of INR 300 crores to comply with the above shareholding requirements, duly approved by the Board and the shareholders,.

While submitting the action plan for achieving the minimum net-worth, the Company had submitted that it shall ensure that the MCX-SX will continue to hold at least 51% of the paid-up share capital of the Company.

- **Statutory Committees**

As per para 7.1 and 7.2 of the SEBI circular dated December 13, 2012, certain Committees are required to be statutorily constituted by a recognized clearing corporation.

Your Company at present has constituted following committees viz. Nomination and Remuneration cum Compensation Committee (formerly known as Remuneration cum Compensation Committee), Ethics Committee, Member Regulation Oversight Committee, Risk Management Committee, Advisory Committee, Defaulters Committee, Investors Services Committee, Disciplinary Action Committee, Membership Selection Committee, Grievance Redressal Committee, Standing Committee on Technology, Committee to monitor compliance with SEBI Inspection report, Public Interest Directors Committee, Member Regulation Oversight Committee, Shareholders Grievance Committee.

- **Key Management Personnel**

Para 8 of Circular read with Regulation 27 (5) of SECC regulations lays down extensive requirements in respect of Compensation Policy for Key Management personnel (KMPs). The Compensation Committee of the Company has identified department heads and senior executives of the Company as Key Management Personnel. The personnel have been identified as KMPs having regard to the SECC Regulations, Circular issued by the SEBI on December 13, 2012 and the responsibilities and functions handled by them. The details pertaining to the same are annexed at **Annexure-A**.

Mr. Anandprasad Date resigned as the Company Secretary and Compliance Officer of the Company with effect from April 30, 2013. Subsequent to his resignation, the Company appointed Mr. Ameya Paranjape as the Company Secretary and Compliance Officer of the Company with effect from April 30, 2013. Mr. Ameya Paranjape had since resigned as the Company Secretary and Compliance Officer of the Company with effect from July 15, 2014. Subsequent to his resignation, the Board had appointed Mr. Prayag Vijay as the Company Secretary and Compliance Officer of the Company w.e.f. July 17, 2014. Mr. Prayag Vijay has also resigned as the Company Secretary and Compliance Officer of the Company w.e.f. August 28, 2014.

The Company has initiated the process of appointing Chief Financial Officer and Company Secretary in due course in terms of the requirements under Section 203 of the Companies Act, 2013.

- **Corporate Governance**

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

Your Company is committed to maintaining the highest standards of Corporate Governance. Your Directors adhere to the “Code of conduct for Directors and Committee Members” and the Corporate Governance practices as applicable to the Company. Your Company’s Corporate Governance Compliance certificate dated September 8, 2014 is in line with Clause 49 of the Listing Agreement and is annexed to this Annual Report.

- **Agreement with Stock Exchange**

As per the Regulation 37 of the SECC regulations, a recognized stock exchange shall avail the service of a recognized clearing corporation pursuant to an agreement in writing between them stipulating their rights and obligations, the conditions for admission of securities for clearing and settlement, risk management measures, charges for clearing and settlement and other incidental and consequential matters.



Your Company had executed an agreement with the MCX-SX stipulating their rights and obligations, the conditions for admission of securities for clearing and settlement, risk management measures, charges for clearing and settlement and other incidental and consequential matters.

The MCX-SX has extended its arbitration mechanism for settlement of disputes or claims arising out of clearing and settlement of trades executed on it.

- **Prohibition of listing of securities of Clearing Corporations and dematerialization**

The SECC Regulations provide that securities of clearing corporations cannot be listed on any Stock Exchange. They also provide that securities of clearing corporations have to be in a dematerialized form. Accordingly the shares held by majority of the shareholders are in demat form whereas the shares held by the nominee shareholders are in physical form.

- **SEBI's Risk Management Committee**

The SEBI constituted an Expert Committee Chaired by Prof. J. R. Varma to review and recommend changes in the risk management framework for cash and derivatives Segment. The Committee suggested various changes in the risk management framework which includes order level checks, dynamic price bands and introduction of risk reduction mode. The Committee is also reviewing the Settlement Guarantee Fund (SGF) & stress testing norms and measures for facilitating segregation and protection of client collaterals.

- **SEBI's Committee on Clearing Corporations**

The SEBI constituted a Committee chaired by Mr. K.V. Kamath to study the viability of interoperability and single clearing corporation. The Committee also reviewed the requirements for transfer of profits by recognized stock exchanges to the SGF maintained by the clearing corporations. The Committee held discussions with exchanges and clearing corporations on the above mentioned matters and findings in this regard are awaited.



#### 4. DIVIDEND AND RESERVES

No dividend is recommended by the Board in view of the Company being in its initial stages and for setting up the new segments. For the same reason, no amount is proposed to be carried to the general reserves for the year ended March 31, 2014.

#### 5. OUTLOOK FOR THE CURRENT YEAR

Your Company started Clearing & Settlement of trades in the newly launched equity capital market, futures & Options segment of the MCX-SX from February 11, 2013 and in the debt market segment on June 10, 2013. The Company is optimistic on performance of these segments. The Financial year 2013-14 has seen vibrant trading in the existing currency derivatives segment of the MCX-SX and the same is expected to continue in the coming years. On 20th June 2014, the SEBI and the RBI opened up the Currency Derivative Segments for the Foreign Portfolio Investors, (FPIs) and relaxed the position limits. The RBI also permitted the banks to trade in the Currency Derivatives Segment. The revised measures were applicable from 27th June 2014.

#### 6. SHARE CAPITAL

The paid up Share Capital of the Company is INR 25,00,00,000/- divided into 2,50,00,000 equity shares of INR 10/- each. The shareholding pattern is given in table 6:

Table 6 – Distribution Pattern of Share Capital of the MCX-SXCCL

Sr. No.	Name of Shareholder	No. of shares of INR10/- each	Percentage
1.	MCX Stock Exchange Ltd.	1,27,50,000	51%
2.	Multi Commodity Exchange of India Ltd.	65,00,000	26%
3.	Financial Technologies (India) Ltd.	57,50,000	23%
	<b>Total</b>	<b>2,50,00,000</b>	<b>100%</b>

In the extra-ordinary general meeting of the Company held on March 11, 2013, the Company approved the action plan for achieving the net-worth of INR 300 crores within the period stipulated by the SEBI.

In terms of Regulation 18 of the SECC Regulations, any person holding equity shares in a recognised clearing corporation in excess of the limits specified in this regulation on the date of commencement of these regulations shall comply with the conditions specified in this regulation within a period of three years from the date of such commencement. Accordingly, the MCX and the FTIL have to reduce their shareholdings to 5% of the paid up capital latest by June 20, 2015. In the meantime, the SEBI had vide order dated March 19, 2014 declared FTIL as not a “fit and proper person” to acquire or hold any equity share or any instrument that provide for entitlement for equity shares or rights over equity shares at any future date in a recognized stock exchange or clearing corporation either directly or indirectly.

Further vide same order the SEBI had directed inter-alia that:

- FTIL shall divest the equity shares and/or any instrument that provide for entitlement for equity shares or rights over equity shares at any future date held by it directly or indirectly inter alia in MCX-SX and MCX-SX CCL within 90 days from the date of this order through sale of shares and/or instruments and
- FTIL and entities through whom it indirectly holds equity shares or any instrument entitling voting rights inter alia in MCX Stock Exchange Ltd. (MCX-SX) and MCX-SX Clearing Corporation Ltd. (MCX-SX CCL) shall cease to be entitled to exercise voting rights in respect of those shares or instruments with immediate effect.

The said Order has been upheld by the Securities Appellate Tribunal (SAT) by its order dated July 09, 2014. Accordingly the SAT directed FTIL to divest shares of the relevant entities in four weeks' time. As on date the FTIL continues to hold its stake in the Company.

Further the SAT vide its order dated August 21, 2014 advised the FTIL to apply to the SEBI for extension of time. The FTIL in accordance with the SAT order dated August 21, 2014, has vide its letter dated August 26, 2014 to the SEBI (a copy of the same was marked to the Company) has sought an extension of six months to complete the divestment from relevant entities.

## 7. DIRECTORS

As per the SECC Regulations, the governing board of a clearing corporation will comprise of i) shareholder directors; ii) public interest directors (PIDs) and iii) managing director. Further the number of public interest directors of a recognized clearing corporation shall not be less than two-third, and shareholder directors shall not exceed one-third of its governing board strength. The managing director shall be an ex-officio director on the governing board and shall not be included in either the category of the public interest directors or shareholder directors.

To comply with above regulations, your company made application to the SEBI for nomination of public interest directors. In response to the same the SEBI vide its letter dated June 20, 2013 approved Mr. Vepa Kamesam (DIN 00542329), Dr. M.Y. Khan (DIN 03185713), Mr. V.K. Khanna (DIN 01627707), Mr. Jayant Deo (DIN 00568381), Mr. P.K. Chhokra (DIN 03107873) and Mrs. Asha Das (DIN 01835370) as public interest directors on governing board of the Company.

The two Independent Directors viz. Mr. P.R. Barpande (DIN 00016214) and Dr. Prakash Apte (DIN 00045798) resigned from the Board w.e.f. July 25, 2013 in view of the appointment of public interest directors by the SEBI. Mr. Jayant Deo, public interest director resigned w.e.f. September 29, 2013, Mrs. Asha Das, public interest director resigned w.e.f. October 5, 2013, Mr. Joseph Massey (DIN 00043586), shareholder director resigned w.e.f. October 9, 2013 and Mr. Paras Ajmera (DIN 01381915), shareholder director resigned on December 30, 2013.

Further, the Board had vide circular resolution dated April 05, 2014 approved appointment of Mr. Saurabh Sarkar, MD & CEO of the MCX-SX, as shareholder director on the Board of the Company which was duly approved by the shareholders in their EGM held on July 24 2014. The SEBI's approval on the candidature of Mr. Sarkar has been obtained vide letter no. MRD/DRMNP/OW/25889/2014 dated September 3, 2014. At present the Company's

governing board consists of four public interest directors, a shareholder director and managing director & CEO.

Considering that Mr. Saurabh Sarkar (DIN 06390729) has been recently appointed by the shareholders at their Extraordinary General Meeting held on July 24, 2014 and the SEBI's approval has been obtained on September 3, 2014, the matter with respect to the Director retiring by rotation at the ensuing Annual General Meeting is not being considered.

## **8. MANAGEMENT**

Mr. U. Venkataraman (DIN: 02546911), was appointed as the Managing Director and CEO of the Company w.e.f. April 3, 2013 as per the approval received from the SEBI. Mr. Balu Nair heads the operations of the company.

## **9. HUMAN RESOURCES**

During the financial year 2013-14, emphasis was given to Human Resource Planning with the objective of optimum utilization of existing manpower. The total strength as on March 31, 2014 was 38 employees.

## **10. AUDITORS**

M/s. Deloitte Haskins and Sells (Firm Registration No. 105215 W), Statutory Auditors of the Company retire at the ensuing Annual General Meeting of the Company and have intimated about not seeking re-appointment as the Statutory Auditors of the Company for the financial year 2014-15. The Board of Directors at their meeting held on July 31, 2014, on the recommendation of the Audit Committee, recommended the appointment of M/s. Kirtane & Pandit, Chartered Accountants, Mumbai (Firm registration number 105215 W) at the ensuing Annual General Meeting by the shareholders.

However on the same date, the Ministry of Corporate Affairs (MCA) issued a circular clarifying the doubts arising out of the applicability of section 139(5) and 139(7) of the Companies Act, 2013 with respect to appointment of auditors by Comptroller and Auditor General of India (C&AG) to 'deemed Government companies' referred to in section 619B of the Companies Act, 1956.

MCA has clarified that "any other Company owned or controlled, directly or indirectly...by the Central Government and partly by one or more State Governments" appearing in Section 139(5) and (7) of the Companies Act, 2013 are to be read with the definition of 'control' in section 2(27) of the Companies Act, 2013.

It may be noted that the MCX-SX, holding Company of the MCX-SXCCL, is a 'deemed Government company' hence the MCX-SXCCL is also covered by the ambit of 'deemed Government company'. It has also been clarified that it will primarily be the responsibility of the concerned Company to intimate to the C&AG and the government concerned.

Considering the above, your Company will submit necessary application to C&AG about the proposal to appoint M/s. Kirtane & Pandit, Chartered Accountants, Mumbai as the Statutory Auditors of the Company in accordance with the provisions of the Companies Act,



2013, on account of their consent for appointment and recommendation by the Board of Directors had taken place on 31<sup>st</sup> July, 2014, the date on which MCA had issued clarification as explained above.

## **11. AUDITORS' REPORT**

With respect to Point No. 2(e) under the heading 'Report on other Legal and Regulatory Requirements' of the Auditors' Report, stating the non-submission of declaration under Section 274 (1)(g) of the Companies Act, 1956, by Mr. V. K. Khanna the Directors submit the following:

"On account of the health conditions, Mr. V.K. Khanna, Public Interest Director (DIN:01627707), couldn't provide his declaration under Section 274 (1)(g) of the Companies Act, 1956. Further, as per the 'MCA Website', Mr. Khanna is a Director only with the MCX-SXCCL and in no other Company.

## **12. AUDIT COMMITTEE**

As per Section 292A of the Companies Act, 1956, the Company had constituted an Audit Committee of the Board on April 17, 2009. In view of appointment of Public Interest Directors by the SEBI and resignation of Dr. Prakash Apte and Mr. P.R. Barpande the Committee was reconstituted on July 25, 2013 comprising of three directors of which two are Public Interest Directors (Independent Directors) and one Non-Executive/Shareholder Director.

After the resignation of Mr. Joseph Massey on October 9, 2013, the Audit Committee was reconstituted by inducing the MD & CEO vide circular resolution of the Board of Directors on October 15, 2013. Considering the ill condition of Mr. V.K. Khanna, Dr. M.Y. Khan, Public Interest Director was inducted in the committee vide circular resolution of the Board of Directors on October 24, 2013. The current composition of the reconstituted Audit Committee is as follows:

- Mr. V.K. Khanna, Public Interest Director
- Dr. M.Y. Khan, Public Interest Director
- Mr. P.K. Chhokra, Public Interest Director
- Mr. U. Venkataraman, Managing Director & CEO

The Audit Committee met four times during the Financial Year 2013-14 to transact the business.

## **13. DEPOSITS**

During the last financial year, the Company has not accepted any deposit within the meaning of Section 73 of the Companies Act, 2013 and the Rules made thereunder.



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

### **A) Conservation of Energy, Technology Absorption**

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

At the MCX-SX CCL, a conscious effort is undertaken to minimise the negative effects of its footprint on the environment. The Company strives to optimise energy usage and reduce its wastage. The main office building which is occupied on lease and license basis is aligned with the best global practices for conserving energy. Certified for Energy Management System ISO 14001:2004, the holding company MCX-SX has well-defined environment and e-waste policies, wherein it has tied up with certified e-waste recycling enterprises for disposal of its office e-waste in a safe and environment-friendly manner.

### **B) Foreign Exchange earnings and outgo during the year under review**

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

## **15. PARTICULARS OF EMPLOYEES**

The details of the employees of the Company who fall within the purview of sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as also with regulation 27(5) of the SECC Regulations are annexed as Annexure-A.

In order to minimize the expenses incurred in the light of present turbulence and rough business phase being faced by the Company, Mr. U. Venkataraman, managing director and CEO voluntarily offered to take a reduction of 33.33% on his current remuneration since June 01, 2014.

## **16. SWEAT EQUITY SHARES**

The Company did not issue any sweat equity shares and hence the requirements of Rule 8 of the Companies (Share Capital and Debentures) Rules, 2014 are not applicable to the Company.

## **17. CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

In terms of Clause 49 of the listing agreement, the Corporate Governance Report alongwith certificate issued by M/s. S. Anantha & Co., Company Secretaries, Mumbai, thereon and Management Discussion and Analysis Report are attached and form part of this report.

## 18. DIRECTORS' RESPONSIBILITY STATEMENT

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

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation with respect to material departures, if any;
- ii. they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii. they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- iv. they have prepared the annual accounts on a going concern basis.

## 19. 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/Rule 17 of the Companies (Share Capital and Debentures) Rules, 2014 are not applicable to the Company.

## 20. ACKNOWLEDGEMENTS

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

**For and on behalf of the Board of Directors**

sd/-

**Dr. M.Y. Khan**  
Public Interest Director  
(DIN:03185713)

sd/-

**U.Venkataraman**  
MD and CEO  
(DIN: 02546911)

**Date: September 08, 2014**

**Place: Exchange Square, CTS No. 255,  
Suren Road, Andheri (East),  
Mumbai - 400 093**

## 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 and Regulation 27 (5) of the SECC Regulations.**

Sr. No	Name	Age in yrs	Designation/ Nature of Duties	Remuneration Received (inRs.)	Experience (No. of yrs)	Qualification	Date of commencement of employment	Previous employment
1.	Mr. U. Venkata raman	60	MD & CEO	7,920,396	38	BBA, Certified Associate of Indian Institute of Banking and Finance	17 <sup>th</sup> April, 2009*	IDBI Bank Ltd.
2.	Mr. Balu Nair	36	Vice President - Market Operations	4,477,000	13.2	BBA, MBA-Finance	18 <sup>th</sup> February, 2009	National Stock Exchange of India Ltd.
3.	Mr. Fardeen Siddiqui	32	Senior Manager - Operations	1,870,000	10.2	B.com, Master of Management Studies	02 <sup>nd</sup> April , 2012	DBOI Global Services Pvt Ltd
4.	Mr. Partha Sarathi Sen	42	Senior Manager - Finance & Accounts	1,825,000	15.3	B.com, ACA, Grad CWA	01 <sup>st</sup> November, 2009	ICICI Bank Ltd.
5.	Mr. Anandprasad Date**	33	Company Secretary & Compliance Officer	108,333	8.4	BA, ACS	4-Jun-12	RSM Astute Consulting Pvt. Ltd.
6.	Mr. Ameya Paranjape	34	Company Secretary & Compliance Officer	1,650,000	10	B.Com, LLB, ACS	30 <sup>th</sup> April, 2013	Aegis Limited

**Notes:**

1. \* Mr. U. Venkataraman was a Whole Time Director & CEO of the MCX-SXCCL from April 17, 2009. Further he has been appointed as the Managing Director & CEO and the same has been approved by the SEBI with effect from April 03, 2013.
2. \*\* Mr. Anandprasad Date resigned as the Company Secretary and Compliance Officer of the Company with effect from April 30, 2013. Subsequent to his resignation, the Company appointed Mr. Ameya Paranjape as the Company Secretary and Compliance Officer of the Company with effect from April 30, 2013. Mr. Ameya Paranjape had since resigned as the Company Secretary and Compliance Officer of the Company with effect from July 15, 2014.
3. All other employees listed above are/were in permanent employment of the Company in accordance with terms and conditions of employment agreed with them and the service rules of the company.
4. None of the employees is 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 were related to any Director of the Company.

**For and on behalf of the Board of Directors**  
sd/-      sd/-

**Dr. M.Y. Khan**  
**Public Interest Director**  
(DIN:03185713)

**U.Venkataraman**  
**MD and CEO**  
(DIN: 02546911)

**Date: September 08, 2014**

**Place: Exchange Square, CTS No. 255,  
Suren Road, Andheri (East),  
Mumbai – 400 093**



## Corporate Governance Report

### **I. Company's Philosophy on Corporate Governance:**

The Company's philosophy on Corporate Governance is founded upon a legacy of fair, ethical and transparent governance practices inherited from its parent company, the MCX Stock Exchange Limited.

The Company has been guided by universal business principles of transparency, integrity, professionalism, comprehensive disclosures, and structured accountability. These principles, with fair and transparent disclosures and governance practices, guide your Company's management to serve and protect long-term interests of all its stakeholders and help in sustaining its stakeholder's confidence including shareholders, employees, corporation/company and the communities in which it operates.

The corporate governance is an ongoing process at the MCX-SX Clearing Corporation Limited. To keep pace with an evolving global environment, your Company continuously adapts best governance practices for carrying its business in ethical and transparent manner.

Your Company always endeavors to adopt highest corporate ethical standards in all of its actions thereby evidencing that your Company's Management is the trustee of its shareholders' capital and not the owner of it.

### **II. Board of Directors:**

#### **(A) Composition of the Board:**

Your Company being a Clearing Corporation is regulated by the SEBI and is required to comply with Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 and circulars and instructions issued by the SEBI from time to time ("SECC Regulations"), Securities Contracts (Regulation) Act, 1956 ("SCRA") and Securities Contracts (Regulations) Rules, 1957 ("SCRR") (collectively hereinafter referred to as "SEBI Regulations") besides the Companies Act, 1956 (including amended Companies Act, 2013) and the rules made thereunder ("the Act").

The SEBI vide its letter dated April 03, 2013 had granted your Company an in-principle recognition to act as a Clearing Corporation for a period of one year subject to fulfillment of certain conditions. Further vide letter dated April 1, 2014 the SEBI extended the validity of in-principle approval granted to Clearing Corporation for a further period of six months in terms of Regulation 7(5) of SECC Regulations, 2012, subject to compliance with some conditions mentioned therein. The Clearing Corporation has already taken steps to comply with said conditions.

The present Board of the Company comprises of 6 Directors viz. 4 public interest directors, a shareholder director and a managing director & CEO. The SECC Regulations require the public interest directors to constitute a minimum of two-third of the total board strength and number of shareholder directors not to exceed one-third of the board's strength. One of the conditions of aforesaid SEBI letter dated April 1, 2014 was that the Clearing Corporation will appoint shareholder director as per the requirement. Accordingly, the SEBI approved the

appointment of Mr. Saurabh Sarkar as a shareholder director on the governing board of the Company vide its letter dated September 3, 2014.

## (B) Meetings of the Board

As mentioned earlier, your Company is required to adhere to the SEBI Regulations and the Companies Act. All items required to be placed before the Board in compliance of the SEBI Regulations, the Companies Act and Listing Agreement (to the extent applicable) are necessarily discussed at every Board meeting, as are strategic issues, issue of policy nature and issues involving the public interest. The Board also considers matters which in their discretion are necessary to be discussed at the meeting.

During the Financial Year 2013-14, the Board of Directors met five (5) times on May 9, 2013, July 25, 2013, September 14, 2013, October 24, 2013 and January 28, 2014. The Company Secretary prepares the agenda and the explanatory notes, in consultation with the Managing Director & Chief Executive officer (MD&CEO) and circulates the same in advance to the Directors. Every Director is free to suggest inclusion of items in the agenda. The Board meets at least once every quarter inter alia to review the quarterly results. Additional Meetings are held, as and when necessary. The Minutes of the proceedings of the Meetings of the Board of Directors are noted and the draft Minutes are circulated amongst the members of the Board for their perusal. Comments, if any, received from the Directors are also incorporated in the Minutes, in consultation with the Chairman. The Minutes are approved by the members of the Board at the next Meeting. The Senior Management Personnel are invited to provide additional inputs for the items being discussed by the Board of Directors as and when necessary. The important decisions taken at the Board/Committee meetings are communicated to the concerned departments promptly.

The Board of Directors also passed resolutions by circulation on April 4, 2013, October 8, 2013, October 15, 2013 and November 20, 2013 and the same have been noted in the following Board meetings of the Company.

The Board of Directors has complete access to the information within the Company subject to protection of trading data and other confidential information in terms of SEBI guidelines.

The Board's composition and in respect of each director, the nature of directorship, the number of meetings attended, directorship in other companies, chairmanship and membership of committees of the Board of other companies as at March 31, 2014 is given below:

Table 1 – Details of Directors' Attendance in Meetings<sup>^^</sup>

Name of the Director	Nature of Directorship	Board Meetings		Attendance at the last AGM	Directorship in other companies (^)	Chairmanship and membership of committees of Board of the other companies (**)	
		Held <sup>#</sup>	Attended			Chairman	Member
Mr. Joseph Massey@@	Non Executive –	5	2	Absent	-	-	-

Name of the Director	Nature of Directorship	Board Meetings		Attendance at the last AGM	Directorship in other companies (^)	Chairmanship and membership of committees of Board of the other companies (**)	
		Held#	Attended			Chairman	Member
(DIN 00043586)	Director/ Shareholder Director						
Mr. U. Venkataraman\$ (DIN 02546911)	Managing Director and CEO	5	5	Present	1	-	-
Mr. Paras Ajmera!! (DIN 01381915)	Non – Executive Director/Shareholder Director	5	1	Absent	-	-	-
Dr. Prakash Apte## (DIN 00045798)	Non – Executive Independent Director	5	2	Absent	-	-	-
Mr. P.R. Barpande## (DIN 00016214)	Non – Executive Independent Director	5	2	Absent	-	-	-
Mr. Vepa Kamesam* (DIN 00542329)	Public Interest Director	5	3	Present	2	-	1
Dr. M.Y. Khan* (DIN 03185713)	Public Interest Director	5	4	Present	-	-	-
Mr. P.K. Chhokra* (DIN 03107873)	Public Interest Director	5	3	Present	1	-	-
Mr. V.K. Khanna* (DIN 01627707)	Public Interest Director	5	2	Present @@@	-	-	-
Mr. Jayant Deo\$\$ (DIN 00568381)	Public Interest Director	5	1	Absent	-	-	-
Mrs. Asha Das*** (DIN	Public Interest Director	5	2	Absent	-	-	-



Name of the Director	Nature of Directorship	Board Meetings		Attendance at the last AGM	Directorship in other companies (^)	Chairmanship and membership of committees of Board of the other companies (**)	
		Held <sup>#</sup>	Attended			Chairman	Member
01835370)							

<sup>^</sup> Meetings include board meetings, AGM and the table also includes directorship in other companies as well as chairmanship and membership of committees of the Board of the other companies.

<sup>#</sup> No. of meetings held during the year.

<sup>^</sup> Excludes directorship(s) in Indian Private Companies, Foreign Companies, Section 25 Companies and Alternate Directorships

<sup>\*\*</sup> Only Audit Committee and Shareholders' Grievance Committee of Indian Public Limited companies have been considered.

@ Mr. Joseph Massey, Non-Executive Director of the Company had resigned with effect from October 9, 2013.

\$ Appointed as the Managing Director & CEO of the Company w. e. f. April 3, 2013.

!! Mr. Paras Ajmera, Non-Executive Director of the Company has resigned with effect from December 30, 2013

## Dr. Prakash Apte and Mr. P.R. Barpande, Non-Executive Independent Directors of the Company had resigned with effect from July 25, 2013.

\* Appointed as Public Interest Director of the Company with effect from June 20, 2013.

\$\$ Mr. Jayant Deo was Public Interest Director during the period June 20, 2013 to September 29, 2013.

\*\*\* Mrs. Asha Das was Public Interest Director during the period June 20, 2013 to October 5, 2013.

@@@ Chairman of the Audit Committee.

Note:

a) None of the Directors listed above is related inter-se.

b) None of the Directors holds the office of Director in more than the permissible number of companies under the Companies Act, 1956.

c) The Committee Chairmanships / Memberships are within the limits laid down in Clause 49 of the Listing Agreement.

### III. Board Committees

#### i. Audit Committee:

The Audit Committee plays a vital role in ensuring high level of governance standards by overseeing, monitoring and advising the Company's management and auditors in conducting audits and preparation of financial statements.



## a) Terms of Reference

Subsequent to notification of Section 177 of the Companies Act, 2013, the Board at its meeting held on May 21, 2014 had amended terms of reference. The role and functioning of the Audit Committee are in conformity with Section 177 of the Companies Act, 2013, Clause 49 of the Listing Agreement and the requirements of the SEBI. The role of the Audit Committee includes the following:

- a) To oversee the Company's financial reporting process and the disclosure of its financial statements to ensure that the financial statement is correct, sufficient and credible;
- b) To recommend the appointment and removal of external auditors, fixation of audit fee and approval for payment to any other services;
- c) To review with the management, the annual financial statements before submission to the Board, focusing primarily on:
  - i. Any changes in accounting policies and practices;
  - ii. Major accounting entries based on exercise of judgment by the management;
  - iii. Significant adjustments arising out of audit findings;
  - iv. The going concern assumption;
  - v. Compliance with accounting standards;
  - vi. Compliance with legal requirements concerning financial statements;
  - vii. Any related party transactions i.e., transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interest of Company at large.
- d) To review with the management, external and internal auditors, the adequacy of internal control systems;
- e) To review the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the Department, reporting structure coverage and frequency of internal audit.
- f) To discuss with internal auditors any significant findings and follow up thereon;
- g) To review the findings of internal investigations into matters where there is suspected fraud or irregularity or failure of internal control system of a material nature and report to Board;
- h) To discuss with the statutory auditors before the audit commences, nature and the scope of audit as well as have post-audit discussion to ascertain any area of concern;
- i) To review financial statements before submissions to the Board;
- j) To review Company's financial risk management policies.
- k) To recommend for appointment, remuneration and terms of appointment of auditors of the Company
- l) To review and monitor the auditors independence and performance and effectiveness of audit process.
- m) To examine financial statement and the auditor's report thereon.
- n) To approve entering into or any subsequent modification of transactions of the Company with related parties.
- o) To scrutinize inter corporate loans and investments.
- p) To undertake valuation of undertakings or assets of the Company wherever it is necessary.
- q) To evaluate internal financial control and risk management systems.
- r) To monitor end use of funds raised through public offers and related matters.

**b) Composition, meetings and attendance during the year**

At the beginning of the year the members of the Audit Committee were:

- Mr. P. R. Barpande, Independent Director, Chairman
- Dr. Prakash Apte, Independent Director
- Mr. Joseph Massey, Non-executive/Shareholder Director

In view of appointment of public interest directors by the SEBI and resignation of Dr. Prakash Apte and Mr. P.R. Barpande, the Audit Committee was reconstituted in the Board Meeting on July 25, 2013 comprising of three directors viz.

- Mr. V. K. Khanna, Public Interest Director, Chairman
- Mr. P.K. Chhokra, Public Interest Director
- Mr. Joseph Massey, Non-executive/Shareholder Director

After the resignation of Mr. Joseph Massey on October 9, 2013 the Audit Committee was again reconstituted by inducting Mr. U. Venkataraman, MD & CEO vide circular resolution of the Board of Directors on October 15, 2013. Consequently, the composition of the reconstituted Audit Committee stands as follows: Mr. V. K. Khanna, Public Interest Director, Chairman

- Mr. P.K. Chhokra, Public Interest Director
- Mr. U. Venkataraman, MD & CEO

Considering the ill health of Mr. V.K. Khanna, the Committee inducted Dr. M.Y. Khan, Public Interest Director in the committee vide circular resolution passed by the Board of Directors on October 15, 2013. Consequently, the composition of the reconstituted Audit Committee stands as follows:

- Mr. V.K. Khanna, Public Interest Director, Chairman
- Dr. M.Y. Khan, Public Interest Director
- Mr. P.K. Chhokra, Public Interest Director
- Mr. U. Venkataraman, Managing Director & CEO

During the financial year 2013-14, the Audit Committee met 4 (four) times on May 9, 2013, July 25, 2013, October 24, 2013 and January 28, 2014.

Table 2 – Details of Attendance at the Audit Committee Meetings

Member	Category	Meetings Held	Meetings Attended
Mr. P.R. Barpande*	Non-Executive, Independent Director	4	2
Mr. Joseph Massey!	Non-Executive Director/Shareholder Director	4	2
Dr. Prakash Apte*	Non-Executive, Independent Director	4	2
Dr. M.Y. Khan@	Public Interest Director	4	2
Mr. V.K. Khanna**	Public Interest Director	4	0

Mr. P.K. Chhokra**	Public Interest Director	4	2
Mr. U. Venkataraman@	MD&CEO	4	2

\* Ceased as member of the Committee with effect from July 25, 2013.

! Ceased as member of the Committee w.e.f. October 9, 2013

\*\* Appointed as member of the Committee with effect from July 25, 2013.

@ Appointed as member of the Committee with effect from October 15, 2013

All the members of the Audit Committee are financially literate and have accounting or related financial management expertise. The Company Secretary is the Secretary of the Committee.

## ii. Nomination and Remuneration cum Compensation Committee

The Board constituted a 'Remuneration Committee' at its meeting held on April 17, 2009 as per the provisions of Companies Act, 1956, the nomenclature of the Committee had been further changed to 'Compensation Committee' in terms of SECC Regulations on September 7, 2012. Further on July 25, 2013 the Board changed the nomenclature to 'Remuneration cum Compensation Committee' to comply with the SECC Regulations read with SEBI circular dated December 13, 2012 as well as Companies Act, 1956. Further the Board at its meeting held on May 21, 2014 changed the nomenclature of the Committee as 'Nomination and Remuneration cum Compensation Committee' in order to comply with provisions of Section 178 of the Companies Act, 2013. The terms of reference of the Committee is expanded to align the same with the requirements of Section 178 of the Companies Act, 2013. The Committee is delegated powers to decide/recommend remuneration of Directors and KMPs in compliance with the Act and SECC Regulations besides formulating the compensation policy for KMPs.

### a) Composition, meetings and attendance during the year:

At the beginning of the year, the members of the Committee were:

- Mr. P. R. Barpande, Independent Director
- Dr. Prakash Apte, Independent Director

In view of appointment of public interest directors by the SEBI and resignation of Dr. Prakash Apte and Mr. P.R. Barpande, the Compensation Committee was reconstituted and the nomenclature of the Committee was also changed to 'Remuneration cum Compensation Committee', in the Board Meeting held on July 25, 2013 comprising of three directors viz.

- Mr. Vepa Kamesam, Public Interest Director, Chairman
- Mrs. Asha Das, Public Interest Director
- Mr. Joseph Massey, Non-executive/Shareholder Director

After the resignation of Mrs. Asha Das, the Board inducted Dr. M.Y. Khan as a member of the Committee vide Circular resolution passed on October 8, 2013. The constitution of the Nomination and Remuneration cum Compensation Committee was changed to:

- Mr. Vepa Kamesam, Public Interest Director, Chairman
- Dr. M.Y. Khan, Public Interest Director
- Mr. Joseph Massey, Non-executive/Shareholder Director

After the resignation of Mr. Joseph Massey on October 9, 2013 the Remuneration cum Compensation Committee was again reconstituted by inducting Mr. P.K. Chhokra, Public



Interest Director in the meeting of the Board of Directors held on October 24, 2013. The constitution of the Remuneration cum Compensation Committee was changed as follows:

- Mr. Vepa Kamesam, Public Interest Director, Chairman
- Dr. M.Y. Khan, Public Interest Director
- Mr. P.K. Chhokra, Public Interest Director

The Board of Directors in the Board Meeting held on May 21, 2014, changed the nomenclature of the Committee to 'Nomination and Remuneration cum Compensation Committee' in order to comply with provisions of Section 178 of the Companies Act, 2013.

During the financial year 2013-14, the Nomination and Remuneration cum Compensation Committee met three times on May 9, 2013, October 9, 2013 and January 28, 2014.

Table 3 – Details of Attendance at the Nomination and Remuneration cum Compensation Committee Meetings

Member	Category	Meetings held	Meetings Attended
Mr. P.R. Barpande*	Non-Executive, Independent director	3	1
Dr. Prakash Apte*	Non-Executive, Independent director	3	1
Mr. Joseph Massey**	Non-Executive/Shareholder director	3	1
Mr. Vepa Kamesam@	Public Interest Director	3	2
Dr. M.Y. Khan@@	Public Interest Director	3	2
Mr. P.K. Chhokra @@@	Public Interest Director	3	1

\* Ceased as member of the committee w.e.f. July 25, 2013.

\*\* Mr. Joseph Massey was member of the committee during the period July 25, 2013 to October 9, 2013.

@ Appointed as member of the committee with effect from July 25, 2013

@@ Appointed as member of the committee with effect from October 8, 2013

@@@ Appointed as member of the committee with effect from October 24, 2013.

The Company Secretary is the Secretary of the committee.

#### b) Details of Remuneration to Directors:

##### ▪ Remuneration of the Managing Director and his Shareholding

Mr. U. Venkataraman has been appointed as MD & CEO of the Company w. e. f. April 3, 2013 pursuant to approval received from the SEBI. The Board at its meeting held on May 9, 2013 approved the remuneration payable to Mr. U. Venkataraman, MD&CEO in the range of Rs.1.08 crore p.a. to Rs.1.75 crore p.a. which was approved by the SEBI starting with remuneration of Rs.1.08 crore p.a. Thereafter based on the appraisal of performance in terms of Compensation Policy of the Company, an annual increment of 10% was given to Mr. U. Venkataraman, MD & CEO effective from April 3, 2013.

Detailed break-up of the same is given in table 4



Table 4 – Break-up of Salary of the MD &amp; CEO

Sr. No.	Components	Amount in INR
1	Basic	49,89,600
2	HRA	24,94,800
3	Other Allowance	5,98,752
4	Special Allowance	22,34,603
5	Food Coupons	14,400
6	Medical Reimbursement	15,000
7	LTA Reimbursement	4,15,800
8	Other Entitlements or Reimbursement	5,64,000
<b>A</b>	<b>Total Cash Component</b>	<b>1,13,26,955</b>
<b>Benefits</b>		
1	Annual Gratuity	2,39,885
2	Annual Personal Accident Policy	1,410
3	Annual Mediclaim	25,000
4	Annual Car Eligibility	2,80,000
5	Annual Group Insurance	6,750
<b>B</b>	<b>Total benefits</b>	<b>5,53,045</b>
<b>(A+B)</b>	<b>Gross Cash and Non-cash salary</b>	<b>1,18,80,000</b>
	<b>Notice Period</b>	<b>6 months</b>
	<b>Severance fees</b>	<b>Nil except notice pay</b>

Managing Director and CEO is not holding any shares in the Company.

Further, in light of the difficult and rough business phase being faced by the Company, Mr. U. Venkataraman, MD & CEO voluntarily offered to take a reduction of 33.33% on his current CTC.

The Nomination and Remuneration cum Compensation Committee at its meeting held on June 4, 2014 approved the voluntary offer given by Mr. U. Venkataraman and recommended the same to the Board for approval. The Board at its meeting held on June 4, 2014 had approved payment of remuneration of INR 79,20,396/- p.a. all inclusive on Cost to Company basis to Mr. U. Venkataraman, MD & CEO of the Clearing Corporation with effect from June 1, 2014 subject to the approval of the SEBI and Shareholders.

Detailed break-up of the same is given– in table 5

Table 5 – Break-up of Revised Salary of the MD & CEO

Sr. No.	Components	Amount in INR
1	Basic	44,90,640
2	HRA	13,47,192
3	Other Allowance	2,69,438
4	Special Allowance	3,16,450
5	Food Coupons	14,400
6	Medical Reimbursement	15,000
7	LTA Reimbursement	3,74,220
8	Other Entitlements or Reimbursement	5,64,000
<b>A</b>	<b>Total Cash Component</b>	<b>73,91,340</b>
<b>Benefits</b>		
1	Annual Gratuity	2,15,896
2	Annual Car Eligibility	2,80,000
3	Annual Group Insurance	33,160
<b>B</b>	<b>Total benefits</b>	<b>5,29,056</b>
<b>(A+B)</b>	<b>Gross Cash and Non-cash salary</b>	<b>79,20,396</b>
	<b>Notice Period</b>	<b>6 months</b>
	<b>Severance fees</b>	<b>Nil except notice pay</b>

- **Sitting fees of the Non-Executive Directors and their shareholding as on 31.03.2014 is given in table 6**

Table 6 – Details of Sitting Fees of the Non-Executive Directors and their Shareholdings as on March 31, 2014

Name of the Director	Sitting Fees (Amount in INR)		Shareholding in the Company as on 31.03.2014 (in Nos.)
	Board Meetings	Committee Meetings	
Dr. Prakash Apte	20,000	1,10,000	NIL
Mr. P.R. Barpande	20,000	1,50,000	NIL
Mr. Joseph Massey*	NIL	NIL	NIL
Mr. Paras Ajmera*	NIL	NIL	NIL
Mr. Vepa Kamesam	40,000	2,50,000	NIL
Dr. M.Y. Khan	60,000	3,30,000	NIL
Mr. P.K. Chhokra	40,000	1,60,000	NIL
Mr. V.K. Khanna	20,000	80,000	NIL
Mr. Jayant Deo	10,000	20,000	NIL
Mrs. Asha Das	20,000	30,000	NIL

\* Sitting fees had been waived off by Mr. Joseph Massey and Mr. Paras Ajmera.

### iii. Shareholders' Grievance Committee

The Company has constituted Shareholders Grievance Committee primarily with the objective of redressing shareholders' and investors' grievances.

#### a) Terms of reference

- Handling and redressal of various shareholders' complaints;
- Noting of dematerialization, rematerialization, share transfer, transposition of names, transmission requests, etc.;
- Issue of duplicate share certificates in case of torn or loss of share certificate;
- Any other specific shareholder matters as may be specified by the Board from time to time

#### b) Composition, meetings and attendance during the year

At the beginning of the year the members of the Shareholders' Grievance Committee were:

- Mr. Joseph Massey, Non-executive/Shareholder Director
- Mr. P. R. Barpande, Independent Director
- Mr. U. Venkataraman, Managing Director & CEO

In view of the appointment of the public interest directors by the SEBI and resignation of Mr. P.R. Barpande, the Shareholders' Grievance Committee was reconstituted in the Board Meeting held on July 25, 2013 comprising of three directors viz.

- Mrs. Asha Das, Public Interest Director
- Mr. P.K. Chhokra, Public Interest Director
- Mr. Joseph Massey, Non-executive/Shareholder Director

After the resignation of Mrs. Asha Das on October 05, 2013 and Mr. Joseph Massey on October 09, 2013, the Shareholders' Grievance Committee was again reconstituted by inducting Mr. U. Venkataraman, Managing Director & CEO, and Dr. M.Y. Khan in the meeting of the Board of Directors held on October 24, 2013. Consequently, constitution of the Shareholders' Grievance Committee stands as follows:

- Dr. M.Y. Khan, Public Interest Director
- Mr. P.K. Chhokra, Public Interest Director.
- Mr. U. Venkataraman, Managing Director & CEO

During the financial year 2013-14, the Shareholders' Grievance Committee met four times on May 9, 2013, September 20, 2013, December 6, 2013 and March 6, 2014. The details of attendance are given in table 7

Table 7 – Details of Attendance of the Meetings of the Members of the Shareholders' Grievance Committee

Member	Category	Meetings held	Meetings Attended
Mr. Joseph Massey*	Non-Executive Director/Shareholder Director	4	1
Mr. P. R. Barpande@	Non-Executive, Independent Director	4	1
Mr. U. Venkataraman	Managing Director and CEO	4	4
Mrs. Asha Das!	Public Interest Director	4	1##
Mr. P.K. Chhokra!	Public Interest Director	4	3
Dr. M.Y. Khan#	Public Interest Director	4	2

\*Ceased as member of the Committee with effect from October 9, 2013

@ Ceased as member of the Committee with effect from July 25, 2013

# Appointed as member of the Committee with effect from October 24, 2013

! Appointed as member of the Committee with effect from July 25, 2013

## Attended the meeting through teleconference

The Company Secretary of the Company acts as the Secretary of the Committee.

During the financial year 2013-14, the Company has not received any complaint from its shareholders and there are no unresolved complaints at the end of the period.

Details of requests /complaints received and redressed during the year 2013-14 are given in table 8



Table 8 – Details of Request / Complaints received and Redressed during the year

<b>Sr. No.</b>	<b>Particulars</b>	<b>Opening</b>	<b>Additions</b>	<b>Resolved</b>	<b>Outstanding</b>
1.	Shareholders Complaints	NIL	NIL	NIL	NIL
2.	Demat Requests received	NIL	NIL	NIL	NIL
3.	Remat Requests received	NIL	NIL	NIL	NIL
4.	Transfer Requests received	NIL	1	1	NIL
5.	Transmission Requests received	NIL	NIL	NIL	NIL
6.	Requests received for Duplicate Share Certificate(s)	NIL	NIL	NIL	NIL
7.	Any other request from the shareholder	NIL	NIL	NIL	NIL

No complaints were pending as on March 31, 2014.

#### **IV. OTHER BOARD COMMITTEES**

Your Company is regulated by the SEBI and is required to comply with the requirements of the SEBI Regulations. Other than the Audit Committee, Shareholders Grievance Committee and Nomination and Remuneration cum Compensation Committee constituted by the Company under the provisions of the Companies Act, 2013 and the Listing Agreement, your Company is additionally required to constitute Committees which are mandated by the SEBI for clearing corporations. The Board has also constituted certain other Committees for operational convenience.

Pursuant to the SEBI Regulations, the Company has constituted various other committees on the terms of reference defined therein by the SEBI:

Table 9 – Details of Other Board Committees

Sr. No.	Name of the Committee
1	Advisory Committee
2	Defaulters Committee
3	Clearing and Settlement Oversight Committee
4	Member Regulation Oversight Committee
5	Disciplinary Action Committee
6	Ethics Committee
7	Executive Committee – Currency Derivatives Segment
8	Executive Committee – Capital Market Segment
9	Executive Committee – Futures and Options Segment
10	Investors Service Committee
11	Risk Management Committee
12	Membership Selection Committee
13	Grievance Redressal Committee
14	Standing Committee on Technology
15	Committee to monitor compliance with SEBI inspection report
16	Public Interest Directors Committee

The SEBI vide letter no. MRD/DSA/OW/23153/2013 dated September 12, 2013 has renewed the recognition of the MCX Stock Exchange Limited (MCX-SX), holding company for a further period of one year. Vide the same letter, the SEBI directed the MCX-SX and the Company to constitute a Committee to oversee following functions-

- a. All financial transactions related to investment, lending, and borrowing of funds and related party transactions as defined in AS-18.
- b. Appointment of Key management personnel.
- c. All facility / infrastructure sharing arrangements
- d. All major capital expenditures

and advise the Board on all the major policy matters. Further the said letter also directed that in case of the Company, the Committee shall also oversee the Clearing and Settlement function in addition to functions mentioned above.

Accordingly the Board at its meeting held on September 14, 2013 constituted Committee in terms of paragraph i of the SEBI letter No. MRD/DSA/OW/23153/2013 dated September 12, 2013. The Committee duly served the purpose for which it was constituted and report in this regard was submitted to the SEBI vide letter dated October 11, 2013.

#### **(V) Compliance reports of applicable laws:**

The Board periodically reviews compliance reports of all laws applicable to the Company, prepared by the Company as well as the steps taken by it to rectify the instances of non-compliances, if any, and define process to avoid future non-compliances.

#### **(VI) Code of Conduct:**

The Company has formulated and implemented a comprehensive Code of Conduct for directors, key management personnel and employees of the Company. The Code of Conduct has been posted on the website of the MCX Stock Exchange Limited, parent Company - [www.mcx-sx.com](http://www.mcx-sx.com) under the section MCX-SXCCL.

The board members and the senior management personnel affirm compliance with the Code of Conduct on an annual basis. The necessary declaration by the managing director & chief executive officer under Clause 49 of the Listing Agreement regarding adherence to the Code of Conduct has been obtained for the financial year 2013-14 and forms part of the Annual Report.

### (VII) General Body Meetings-

Table 10 – Details of the General Body Meetings and Special Resolutions passed therein during the previous three Financial Years

Date	Time	Category	Venue of the meeting	Particulars of special resolution passed
August 04, 2011	11.00 A.M.	AGM for the F.Y. 2010-2011	Exchange Square, CTS No. 255, Suren Road, Chakala, Andheri (East), Mumbai - 400093	Nil
September 25, 2012	11.00 A.M.	AGM for the F.Y. 2011-2012	Exchange Square, CTS No. 255, Suren Road, Chakala, Andheri (East), Mumbai - 400093	i) Reappointment of Mr. U. Venkataraman as a CEO & Whole-Time Director. ii) Alteration of the Articles of Association.
March 11, 2013	10.30 A.M.	EGM	Exchange Square, CTS No. 255, Suren Road, Chakala, Andheri (East), Mumbai - 400093	Alteration of the Articles of Association.
September 20, 2013	4.00 P.M.	AGM for the F.Y. 2012-13	Exchange Square, CTS No. 255, Suren Road, Chakala, Andheri (East), Mumbai - 400093	Appointment of Mr. U. Venkataraman as MD & CEO
October 9, 2013	5 P.M.	EGM	Exchange Square, CTS No. 255, Suren Road, Chakala, Andheri (East), Mumbai - 400093	Nil

### (B) Postal Ballot:

The Company has not passed any resolution by way of postal ballot.

## **(VIII) Disclosures:**

### **(A) Disclosures on Materially Significant Related Party Transactions**

The Company has not entered into any materially significant related party transactions with the directors or management or their relatives that may have potential conflict with the interests of the Company. Nonetheless, the details of the related parties transactions as required under AS-18 have been disclosed in the Notes to Accounts and forms part of the Annual Report.

### **(B) Penalties Imposed by the Stock Exchanges, the SEBI or any Statutory Authority, on any matter related to the Capital Markets during the last three years: Nil.**

### **(C) Disclosure Relating to the Whistle Blower Policy and Affirmation that no Personnel have been Denied Access to the Audit Committee**

The Company has adopted a Code for Key Management Personnel and Employees which includes a Whistle Blower Policy. No personnel have been denied access to the Audit Committee.

### **(D) Risk Management Policy**

The Company has devised a formal risk management policy and follows a well-established and detailed risk assessment and minimization procedure. The Board has constituted a separate Risk Management Committee which periodically reviews the functioning of risk management policy and apprises the Board on regular intervals of its implementation or deviations, if any.

### **(E) Management Discussions and Analysis**

The Management Discussion and Analysis is covered separately in this Annual Report.

### **(F) CEO/CFO Certification:**

The certification received under clause 49 of the Listing Agreement from Mr. U. Venkataraman, MD and CEO and Mr. Partha Sarathi Sen, - Senior Manager - Finance and Accounts on the financial statements of the Company for the year ended March 31, 2014 is annexed to this report.

### **(G) Certificate on Corporate Governance:**

The Certificate regarding the compliance of conditions of Corporate Governance under clause 49 of the listing agreement is annexed to the Directors Report obtained from M/s. S. Anantha & Co. Company Secretaries, a firm of practicing company secretaries.

### **(H) Compliance with Clause 49:**

#### **Mandatory Requirements:**

As per the regulation 35 of SECC Regulations, 2012 the disclosure requirements and corporate governance norms as applicable to a listed company are mutatis mutandis applicable to a recognized clearing corporation.

The SEBI vide its letter dated April 3, 2013 granted in-principle recognition to your Company to act as a Clearing Corporation for a period of one year subject to the fulfillment of certain



terms and conditions. Further the SEBI had vide its letter dated April 01, 2014 extended the validity for a further period of six months.

In view of the same, the Company has started complying with all the mandatory requirements of clause 49 of Listing Agreement to the extent practicable and applicable.

#### **Non Mandatory Requirements:**

- i) The Company has constituted Remuneration Committee which was re-designated as Compensation Committee by the Board at its meeting held on September 7, 2012. The Committee has been further re-designated as Remuneration cum Compensation Committee on July 25, 2013 to comply with the SECC Regulations read with the SEBI circular dated December 13, 2012 as well as the Companies Act, 1956. Further the Board at its meeting held on May 21, 2014 re-designated the Committee as 'Nomination and Remuneration cum Compensation Committee' in order to comply with the provisions of Section 178 of the Companies Act, 2013.
- ii) The financial statements of the Company are unqualified.
- iii) The Company has adopted a code for key management personnel and employees which includes a Whistle Blower Policy. This policy enables an employee to report any actual or possible violation of the code of conduct. This policy ensures confidentiality and protection to the employee against retaliation.

#### **(I) Means of Communication:**

The SEBI vide its letter dated April 3, 2013 granted in-principle recognition to your Company to act as a Clearing Corporation for a period of one year subject to the fulfillment of certain terms and conditions. As per the regulation 35 of SECC Regulations, 2012 the disclosure requirements and corporate governance norms as applicable to a listed company are mutatis mutandis applicable to a recognized clearing corporation. Further the SEBI vide its letter dated April 01, 2014 extended the validity to the MCX-SXCCL for a further period of six months.

In view of the same, the Company has started publishing the quarterly results from the end of first quarter of financial year 2013-14. The Company publishes its results in one English newspaper having circulation in the whole or substantially the whole of India and in one Marathi newspaper. However, considering the nature of the Company, it has written a representation on June 13, 2013, to SEBI seeking certain clarification.

The Company has posted significant events for Financial Year 2013-14 under the section MCX-SX CCL on the website of the MCX Stock Exchange Limited, parent Company [www.mcx-sx.com](http://www.mcx-sx.com).

**Table 11 - General Shareholder Information**

<b>I.</b>	<b>Annual General Meeting (F.Y. 2013-14)</b>	
<b>II.</b>	<b>Day, Date, Time and Venue</b>	Tuesday, September 30, 2014 11.00 a.m.  4th Floor, Vibgyor Towers, Opp. Trident Hotel, Bandra Kurla Complex (BKC), Mumbai - 400 098
<b>III.</b>	<b>Financial year</b>	April 01, 2013- March 31, 2014

<b>I.</b>	<b>Annual General Meeting (F.Y. 2013-14)</b>	
<b>IV.</b>	<p><b>Quarterly results will be declared as per the following tentative schedule.</b>  <b>June 30, 2014</b></p> <p><b>September 30, 2014</b></p> <p><b>December 31, 2014</b></p> <p><b>March 31, 2015</b></p>	<p>On or before August 14, 2014</p> <p>On or before November 14, 2014</p> <p>On or before February 14, 2015</p> <p>On or before May 30, 2015</p>
<b>V.</b>	<b>Book Closure date</b>	Not Applicable
<b>VI.</b>	<b>Dividend payment date</b>	Not Applicable
<b>VII.</b>	<b>Mode of payment of dividend</b>	Not Applicable
<b>VIII.</b>	<b>Listing on Stock Exchanges</b>	Your Company is not listed.
<b>IX.</b>	<b>Corporate Identification Number (CIN)</b>	U67120MH2008PLC188032
<b>X.</b>	<b>Scrip Code/Symbol</b>	Not Applicable
<b>XI.</b>	<b>Name and designation of Compliance officer</b>	Mr. Prayag Vijay, Company Secretary and Compliance Officer till August 28, 2014.
<b>XII.</b>	<b>Registrars &amp; Transfer Agents (RTA)</b>	Karvy Computershare Private Limited Plot No. 17-24, Vittalrao Nagar, Madhapur, Hyderabad – 500 081.
<b>XIII.</b>	<b>Share Transfer system</b>	<p>Authority has been delegated to the Management Committee of the Board to approve share transfers and the Shareholders Grievance Committee reviews disposal of transfer requests if any from time to time.</p> <p>The Company has also appointed Karvy Computershare Private Limited as its RTA who periodically receives from the Depositories, the beneficial holdings of the Company.</p>
<b>XIV.</b>	<b>Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity</b>	Your Company do not have any outstanding GDRs/ADRs/Warrants or any Convertible instruments
<b>XV.</b>	<b>The Company's operations are located at</b>	4th Floor, Vibgyor Towers, Opp. Trident Hotel, Bandra Kurla Complex (BKC), Mumbai - 400 098
<b>XVI.</b>	<b>Address for Correspondence</b>	<p><u>Registered Office</u>  <u>MCX-SX Clearing Corporation Limited</u>  Exchange Square, CTS No. 255, Chakala, Suren Road, Andheri (East), Mumbai - 400 093. India. Tel:67319000  Website: <a href="http://www.mcx-sx.com/mcx-sxccl">www.mcx-sx.com/mcx-sxccl</a></p>

I.	Annual General Meeting (F.Y. 2013-14)	
XVII.	Email	shareholdergrievance@mcx-sxccl.com

**Plant Locations:** Your Company is engaged in the business of providing clearing and settlements of the securities traded on the trading platform of its parent Company i.e. the MCX-SX. Therefore this section is not applicable.

**Dematerialization of Shares:**

Most of the shares of the Company are under dematerialised (electronic) form as required under the SECC regulations except for four equity shares of INR 10 each which are held by individuals as nominees of the MCX Stock Exchange Limited, the Multi Commodity Exchange of India Limited and the Financial Technologies (India) Limited. The securities of the Company are admitted for dematerialization with Central Depository Services (India) Limited (CDSL).

ISIN of the Company's equity shares is INE831N01013.

As on March 31, 2014, a total of 2,49,99,996 equity shares of the Company were in dematerialized form.

**Stock Market data** – Not Applicable as the Company is not listed on any Stock Exchange.

**Share price performance to broad based indices:** Not Applicable as the Company is not listed on any Stock Exchange.

**Distribution of Shareholding & Shareholding pattern (As on March 31, 2014)** is given in table 12. There are three shareholders in the Company.

**Table 12 - Distribution of Shareholding**

Sr. no	Category (Amount)	Shareholders		Shares held	
		No. of holders	% of Total	No. of shares	% of Total
1	up to 5000	-	-	-	-
2	5001 - 10000	-	-	-	-
3	10001 - 20000	-	-	-	-
4	20001 - 30000	-	-	-	-
5	30001 - 40000	-	-	-	-
6	40001 - 50000	-	-	-	-
7	50001 - 100000	-	-	-	-
8	100001 & above	3	100	25000000	100
	<b>Total</b>	<b>3</b>	<b>100</b>	<b>25000000</b>	<b>100</b>

**Table 13 - Shareholding Pattern**

<b>Sr. No</b>	<b>Category</b>	<b>No. of shareholders</b>	<b>No. of shares held</b>	<b>% of shareholding</b>
<b>(A)</b>	<b>PROMOTER AND PROMOTER GROUP</b>			
(1)	INDIAN			
	Bodies Corporate	1	1,27,50,000	51
	<b>Sub-Total A(1)</b>	<b>1</b>	<b>1,27,50,000</b>	<b>51</b>
(2)	FOREIGN	0	0	0.00
	<b>Sub-Total A(2)</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
	<b>Total A=A(1)+A(2)</b>	<b>1</b>	<b>1,27,50,000</b>	<b>51</b>
<b>(B)</b>	<b>PUBLIC SHAREHOLDING</b>			
(1)	INSTITUTIONS			
(a)	Mutual Funds /UTI	0	0	0.00
(b)	Financial Institutions /Banks	0	0	0.00
(c)	Venture Capital Funds	0	0	0.00
(d)	Foreign Institutional Investors	0	0	0.00
(e)	Foreign Bodies Corporate	0	0	0.00
	<b>Sub-Total B(1)</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
(2)	NON-INSTITUTIONS			
(a)	Bodies Corporate	2	1,22,50,000	49
(b)	Individuals	0	0	0
(c)	Others	0	0	0.00
	Trusts	0	0	0.00
	Non-Resident Indian	0	0	0.00
	Clearing Members	0	0	0.00
	<b>Sub-Total B(2)</b>	<b>2</b>	<b>1,22,50,000</b>	<b>49</b>
	<b>Total B=B(1)+B(2)</b>	<b>2</b>	<b>1,22,50,000</b>	<b>49</b>
	<b>Total (A+B)</b>	<b>3</b>	<b>2,50,00,000</b>	<b>100</b>

**Note:**

The above figures include holdings of four nominee shareholders of the above shareholders who hold one share each as allowed u/s 187 (1) of the Companies Act, 1956.

Based on the definition of promoter as mentioned in Section 2(69) of the Companies Act, 2013 and in the light of the fact that the Multi Commodity Exchange of India Limited (MCX) and the Financial Technologies (India) Limited (FTIL) did not have any Board representation on the Clearing Corporation nor did they exercise any control over the Clearing Corporation. The Board at its meeting held on May 21, 2014 noted that the MCX and the FTIL are not promoters of the Company and decided not to classify them as promoter in any future filings.

In terms of Regulation 18 of the SECC Regulations, any person holding equity shares in a recognised clearing corporation in excess of the limits specified in this regulation on the date of commencement of these regulations shall comply with the conditions specified in this regulation within a period of three years from the date of such commencement. Accordingly, the MCX and the FTIL have to reduce their shareholdings to 5% of the paid up capital latest by June 20, 2015. In the meantime, the SEBI had vide order dated March 19, 2014 declared



the FTIL as not a “fit and proper person” to acquire or hold any equity share or any instrument that provide for entitlement for equity shares or rights over equity shares at any future date in a recognized stock exchange or clearing corporation either directly or indirectly.

Further vide same order SEBI had directed inter-alia that:

- FTIL shall divest the equity shares and/or any instrument that provide for entitlement for equity shares or rights over equity shares at any future date held by it directly or indirectly inter alia in MCX-SX and MCX-SX CCL within 90 days from the date of this order through sale of shares and/or instruments and
- FTIL and entities through whom it indirectly holds equity shares or any instrument entitling voting rights inter alia in MCX Stock Exchange Ltd. (MCX-SX) and MCX-SX Clearing Corporation Ltd. (MCX-SX CCL) shall cease to be entitled to exercise voting rights in respect of those shares or instruments with immediate effect.

The said Order has been upheld by the Securities Appellate Tribunal (SAT) by its order dated July 09, 2014. Accordingly the SAT has given the FTIL four weeks’ time to divest shares of the relevant entities. As on date the FTIL continue to hold its stake in the Company.

Further SAT vide its order dated 21st August, 2014 advised the FTIL to apply to the SEBI for extension of time. The FTIL in accordance with the SAT order dated August 21, 2014, has vide its letter to the SEBI (a copy of the same was marked to the Company) dated August 26, 2014 sought an extension of six months to complete the divestment from relevant entities.

**For and on behalf of the Board of Directors**  
**Sd/-**

**U. Venkataraman**  
**Managing Director & CEO**  
DIN: 02546911

Date: September 08, 2014

Place: Mumbai

**Registered Office:**

Exchange Square, CTS No. 255, Suren Road  
Andheri (East), Mumbai – 400 093.

## Practicing Company Secretary's Certificate on Corporate Governance

To  
The Members of  
**MCX-SX CLEARING CORPORATION LIMITED**

### **Corporate Governance Certificate**

We have examined the compliance of conditions of Corporate Governance by **MCX-SX CLEARING CORPORATION LIMITED** ("Company") for the year ended March 31, 2014, as stipulated in regulation 35 of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 read with Clause 49 of the Listing Agreement, to the extent applicable to the Company.

We have conducted our examination on the basis of the relevant records and documents maintained by the Company and furnished to us for the purpose of the review and the information and explanations given to us by the Company during the course of such review.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representation made by the Directors and the Management, read with note (VIII) (H) of the Corporate Governance Report, we certify that the Company has in all material respects complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**Sd/- (For S. Anantha & CO.)  
Company Secretaries**

**Date: 08<sup>th</sup> September, 2014  
Place: Mumbai**

**(Anantha Rama Subramanian)  
Proprietor  
C.P. No.1925**

## Receipt of Affirmations on Compliance with the Code of Conduct

I hereby declare that all the Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the financial year 2013- 14 as adopted by the Board of Directors.

U. Venkataraman  
Managing Director & CEO

September 08, 2014

## Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

**(Issued in accordance with the provisions of regulation 35 of SECC regulations read with Clause 49 of the Listing Agreement)**

To  
The Board of Directors  
MCX-SX Clearing Corporation Limited

Dear Sirs,

We have reviewed the financial statements and the cash flow statement of MCX-SX Clearing Corporation Limited for the financial year ended March 31, 2014 and to the best of our knowledge and belief, we hereby certify that:

- a)
  - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;
  - (ii) These statements present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's codes of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any of which we are aware and steps taken or proposed to be taken for rectifying these deficiencies. In our opinion there are adequate internal controls over financial reporting.
- d) We have indicated to the Auditors and the Audit Committee:
  - (i) Significant changes in internal control over financial reporting during the year;
  - (ii) Significant changes in accounting policies made during the year and that the same have been disclosed suitably in the notes to the financial statements; and
  - (iii) That there have been no instances of significant fraud of which we have become aware.

Yours Sincerely,

Sd  
**U. Venkataraman**  
Managing Director & CEO

Sd  
**Partha Sarathi Sen**  
Senior Manager – Finance &  
Accounts



## Management Discussion and Analysis Report

### Economic Scenario

Global economic growth remained subdued during the fiscal 2014, while global financial markets witnessed volatility in response to the commencement of withdrawal of quantitative easing by the US Federal Reserve. Going forward, global growth is likely to strengthen in the rest of the year, with risks tilted to the downside. Five years after the financial crisis, the advanced world, particularly the US, is beginning to see signs of economic recovery.

Growth in the Indian economy remained below 5.0% for the second consecutive year, along with subdued investment activity and consumer demand. Uncertainties regarding the global recovery, concerns over domestic growth and volatility in financial markets were the key features of the economic environment in fiscal 2014.

India's Gross Domestic Product (GDP) grew by 4.6% during the first nine months of fiscal 2014 compared to a growth of 4.5% in the corresponding period of fiscal 2013. Growth was moderate due to a slowdown in industry and services sectors. Growth in the industrial sector was 0.6% during the first nine months of fiscal 2014, similar to the corresponding period of fiscal 2013. The services sector grew by 6.7% during the first nine months of fiscal 2014, compared to 7.2% in the corresponding period of fiscal 2013. Private consumption recorded a growth of 2.5% while investments, as measured by gross fixed capital formation, declined by 1.0% during the first nine months of fiscal 2014, compared to a growth of 6.2% in private consumption and a decline of 0.1% in investments during the first nine months of fiscal 2013.

### Trends in Capital Market and Policy

Capital inflows improved towards the later part of fiscal 2014. With a view to attract US dollar inflows and provide support to the currency, in September 2013 RBI opened a swap facility for banks for incremental foreign currency non-resident (bank) (FCNR (B)) US dollar deposits at a fixed rate of 3.5% per annum.

The securities market, which observed gains during the early part of the year, got disrupted owing to global headwinds. However, as normalcy returned, the Indian stock markets recovered with benchmark indices, BSE Sensex and NSE Nifty registering their all-time high. The BSE Sensex knocked a new peak to close at 22,386 on March 31, 2014, breaching the 20,000 mark touched during 2012-13. Nifty, too, crossed the 6,000 mark of 2012-13 and logged to a new lifetime high by closing at 6,704 on March 31, 2014. On a point to point basis, Sensex observed a growth of 18.8 percent, while Nifty recorded a growth of 18.0

percent over the previous year. The SX40 index of MCX-SX closed at 13,298 on March 31, 2014.

As per the Securities and Exchange Board of India, India received a total FII net investments of INR 51,649 crore during 2013-14 compared to INR 1,68,367 crore in 2012-13, showing a decline of 69.3 percent. The foreign investments in India contributed by the FIIs/SAs stood at INR 15,93,869 crore in 2013-14, an increase of 19.3 percent over the previous year. On the same lines, FDI investments also witnessed a rise of 22.5 percent and assets under custody valued at INR 2,94,945 crore in 2013-14.

## Opportunities and Threats

Your Company foresees the vast untapped potential of the Indian securities market as a major opportunity. It believes that it would be able to create new market in untouched geographical areas and social sectors through its program of financial inclusion and financial literacy. Being a new generation Clearing Corporation, your Company is uniquely positioned to bring innovation in its services to utilize these opportunities. Your Company is one of the three Clearing Corporations in India to have clearing settlement services with nationwide electronic connective.

The competitive structure of Stock Exchanges and Clearing Corporations in India presents a threat to the business of the Company. The dominant player which is enjoying near monopoly presently has unmatched liquidity in its Capital Market and Futures & Options platforms. Consequently, consumer dependency on the dominant competitor is very high. The other competitor is currently carrying on a zero pricing program coupled with various free offerings in the Currency Derivatives Segment, which poses risk for the earning potential of the Company, unless there is timely intervention by the regulator. However it has proposed now to reverse zero pricing policy.

The Company is on its path to achieve the requisite shareholding structure as stipulated by the regulator and plans to increase the network of its subsidiary and Clearing Corporation to the regulatory requirement of minimum of Rs.300 crores within the regulatory timelines, while maintaining its minimum network. To achieve this, the Company would require infusion of funds. Given the performance of the economy and the sentimental fallout of the defaults at a company associated with its erstwhile promoter (from which the Company is nevertheless ringfenced), raising of the requisite funds could be challenging.

## Segment wise performance

The Clearing Corporation currently provides clearing and settlement services for four trading platforms which may be considered as different lines of business within the same business segment. Accordingly, the Clearing Corporation has only one reportable segment within the meaning of "Accounting Standard 17 – Segment Reporting".

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

During the financial year 2013-14, the Clearing Corporation has successfully carried out all settlements in Currency Derivatives Segment without default and delay.

Monthly settlement statistics in Currency Derivatives Segment is summarized in Table 1

**Table 1 - Monthly statistics of settlements - Currency Derivatives Segment**

Amount in INR crores					
Month	Futures		Options		Total
	Daily Settlement	Final Settlement	Premium Settlement	Exercise Settlement	
(1)	(2)	(3)	(4)	(5)	(6) = (2)+(3)+(4)+(5)
Apr-13	183.79	3.13	17.20	1.67	205.79
May-13	208.32	6.10	28.45	9.06	251.93
Jun-13	494.45	3.60	50.93	25.96	574.95
Jul-13	318.14	3.79	39.41	4.84	366.19
Aug-13	388.50	23.25	28.88	18.05	458.69
Sep-13	197.09	1.76	4.74	4.19	207.77
Oct-13	77.95	0.57	5.14	0.66	84.32
Nov-13	85.85	1.00	4.62	0.86	92.33
Dec-13	62.16	0.32	8.30	1.94	72.73
Jan-14	64.85	3.09	7.29	0.83	76.07
Feb-14	52.09	0.80	2.75	0.64	56.28
Mar-14	64.75	2.16	3.40	1.26	71.57
<b>Total</b>	<b>2197.94</b>	<b>49.57</b>	<b>201.13</b>	<b>69.98</b>	<b>2518.62</b>

On account of its robust risk management practices, Settlement Guarantee Fund (SGF) has never been put to use. However, on account of decline in transaction volumes and open interest, there was a reduction in member margin deposits and consequently the SGF also declined from INR 1078.04 crores as on March 31, 2013 to INR 721.90 crores as on March 31, 2014.

**b) Clearing and Settlement – Equity Cash Market:**

During the financial year 2013-14, the Clearing Corporation has successfully carried out all settlements in Equity Cash Market without default and delay. Monthly settlement statistics in Equity Cash Market is summarized in Table 2.

**Table 2 - Monthly statistics of settlements – Equity Cash Market**

Month	Quantity			Value in INR crores		
	Traded	Deliverable	Delivery %	Traded	Deliverable	Delivery %
(1)	(2)	(3)	(4) = (3)/(2)	(5)	(6)	(7) = (6)/(5)
Apr-13	376,761	54,807	14.55	25.08	6.09	24.26
May-13	20,277,851	385,801	1.90	1,782.57	4.50	1.37
Jun-13	44,070,000	874,204	1.98	3,267.32	48.67	1.49
Jul-13	45,645,000	1,013,000	2.22	1,037.00	48.42	4.67
Aug-13	22,356,597	560,878	2.51	1,041.04	28.79	2.77
Sep-13	21,006,710	389,450	1.85	1,047.75	21.58	2.06
Oct-13	19,178,855	401,991	2.10	1,089.96	19.36	1.78
Nov-13	9,190,190	330,100	3.59	748.23	20.83	2.78
Dec-13	3,115,850	243,140	7.80	251.93	14.15	5.62
Jan-14	3,612,010	178,260	4.94	265.01	11.73	4.43
Feb-14	3,109,148	109,553	3.52	244.90	6.94	2.83
Mar-14	5,812,105	282,290	4.86	439.44	18.90	4.30
<b>Total</b>	<b>197,751,077</b>	<b>4,823,474</b>	<b>2.44</b>	<b>11,240.23</b>	<b>269.96</b>	<b>2.40</b>
Note: Details are provided for the settlements completed in the relevant period						

The quantity delivered and the value there of have come down after July, 2013. However there is marginal improvement in March, 2014 compared to February, 2014. The SGF in Equity Cash Market as on March 31, 2014 was INR 44 crores.



### c) Clearing and Settlement – Equity Derivatives Segment:

During the financial year 2013-14, the Clearing Corporation has successfully carried out all settlements in Equity Derivatives Segment without any default and delay. Monthly settlement statistics in Equity Derivatives Segment is summarized in Table 3.

**Table 3 - Monthly statistics of settlements - Equity Derivatives Segment**

Amount in INR crores					
Month	Futures		Options		Total
	Daily Settlement	Final Settlement	Premium Settlement	Exercise Settlement	
(1)	(2)	(3)	(4)	(5)	(6) = (2)+(3)+(4)+(5)
Apr-13	5.90	0.76	0.54	0.06	7.26
May-13	6.84	0.10	0.25	0.25	7.44
Jun-13	8.48	0.31	0.14	0.12	9.06
Jul-13	4.13	0.31	3.27	0.24	7.95
Aug-13	7.46	0.75	4.99	0.83	14.03
Sep-13	2.25	0.03	0.23	0.11	2.62
Oct-13	1.82	0.05	0.46	0.09	2.42
Nov-13	0.95	0.03	0.25	0.02	1.25
Dec-13	1.19	0.02	0.26	0.00	1.47
Jan-14	1.68	0.07	0.30	0.02	2.06
Feb-14	1.01	0.07	0.14	0.03	1.26
Mar-14	1.59	0.05	0.01	0.05	1.70
Total	43.29	2.55	10.84	1.83	58.52

The daily settlement and the final settlement which are related to the overall traded volume in the segment have shown a decline in trend except during the month of August, 2013. The SGF in Equity Derivatives Segment as on March 31, 2014 was INR 66.22 crores.

**d) Clearing and Settlement – Debt Market Segment:**

Your Company commenced clearing and settlement of transactions executed in Debt Market Segment of MCX-SX, w.e.f. June 10, 2013. During the financial year 2013-14, Clearing Corporation has successfully carried out all settlements in a timely manner without any defaults. Monthly settlement statistics in Debt Market Segment is summarized in Table 4.

**Table 4 - Monthly statistics of settlements - Debt Market Segment**

Amount in INR crores			
Month	Exchange Traded	OTC Reporting Platform	Total
(1)	(2)	(3)	(4) = (2)+(3)
Jun-13	176.37	0.00	176.37
Jul-13	50.34	2006.46	2056.8
Aug-13	0.00	4684.12	4684.12
Sep-13	0.00	6010.66	6010.66
Oct-13	0.00	3594.84	3594.84
Nov-13	0.00	5245.64	5245.64
Dec-13	0.00	9468.50	9468.50
Jan-14	0.00	7702.40	7702.40
Feb-14	0.00	9774.87	9774.87
Mar-14	0.00	14,984.75	14,984.75
<b>Total</b>	<b>226.71</b>	<b>63,472.24</b>	<b>63,698.95</b>

The amount of reporting under OTC reporting platform to be settled through the Clearing Corporation has shown consistent improvement during the period from June, 2013 to March, 2014 with an exception in October, 2013 and January, 2014. The SGF in Debt Market Segment as on March 31, 2014 was INR 3.30 crores.

**Table 5 - Details of SGF as on March 31, 2014.**

Amount in INR crores										
Sr. No.	Segment	Total SGF	MCX-SX Contribution	Member Deposits						Fines & Penalties
				Cash	Cash		Non-Cash Deposits (MCX-SXCCL)			
			MCX-SX		MCX-SXCCL	BG	FDR	G-Secs	App. Sec.	
1	Equity Cash Market	44.00	2.50	27.30	4.68	2.94	6.35	0.00	0.23	0.00
2	Equity Derivatives Segment	66.22	2.50	0.00	18.17	10.55	34.70	0.00	0.30	0.00
3	Debt Market Segment	3.30	2.50	0.00	0.80	0.00	0.00	0.00	0.00	0.00
4	Currency Derivative Segment	721.90	2.50	0.00	38.37	215.54	272.99	147.05	45.46	0.00
	Total	835.42	10.00	27.30	62.02	229.03	314.04	147.05	45.99	0.00

## **B) New Initiatives and Developments**

### **a) Qualified Central Counter Party Status**

The SEBI has designated MCX-SXCCL as a Qualified Central Counter Party (QCCP). The press statement to this effect was issued by the SEBI on January 03, 2014. Consequently, the MCX-SXCCL would be subject to a regulatory framework which is consistent with CPSS-IOSCO Principles for Financial Market Infrastructures.

### **b) Introduction of Debt Segment**

The MCX-SXCCL has commenced Clearing and Settlement of transactions executed in MCX-SX in the newly launched Debt Market segment from June 10, 2013. MCX-SXCCL is also authorized by the RBI and the SEBI to carry out settlement of OTC deals in Corporate Bonds, Securitized Debt Instruments, Commercial Papers and Certificate of Deposits reported in the OTC deal reporting platforms of FIMMDA and MCX-SX.

**c) Introduction of Interest Rate Futures**

The Clearing Corporation has extended its Clearing and Settlement Services in Currency Derivative Segment by adding Interest Rate Futures to the portfolio of cleared products with the launch of Interest Rate Futures by the MCX-SX on January 20, 2014 in the Currency Derivatives Segment.

**d) Introduction of Risk Reduction Mode in Currency Derivatives Segment**

The MCX-SXCCL has enhanced its risk management capabilities by introducing the functionality of Risk Reduction Mode in currency derivatives segment from February 10, 2014. The Risk Reduction Mode triggers pre-trade check for adequacy of margin deposits when the member's margin utilization in currency derivatives segment reaches 95% of eligible deposits.

**e) Enhancement of Insurance Cover**

The Clearing Corporation had enhanced the Special Contingency Insurance cover from existing INR 10 crores to INR 25 crores. The insurance cover was enhanced to provide for the risks arising out of default, if any, of Clearing Members which would result in pecuniary loss to the Settlement Guarantee Fund of the Corporation.

**f) Application to ESMA**

The MCX-SXCCL has applied to the European Securities and Markets Authority (ESMA) for its recognition as a Third Country CCP under European Market Infrastructure Regulation (EMIR). As per the EMIR, European Union (EU) entities participating in third country CCPs which are not recognized by ESMA are required to make higher risk capital provisioning. Though MMCX-SX/MCX-SXCCL does not have EU entities as direct participants, Indian branches and subsidiaries of certain EU entities participate in Indian Exchange Traded markets.

**g) Renewal of ISO certification**

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

**Approved Intermediary under Securities Lending Scheme, 1997**

The SEBI vide its letter dated May 28, 2013 has approved registration of MCX-SX CCL as an Approved Intermediary under SEBI's Securities Lending Scheme, 1997 for a period of three years from June 1, 2013 to May 31, 2016.

**Debt Market Segment**

Your Company sees vast potential for the development of Exchange traded Debt segment in India. The new guidelines issued by the SEBI's vide their Circular No. CIR/MRD/DP/03/2013 dated January 24, 2013 providing for setting up of



dedicated Debt segment in Stock Exchanges, is a welcome step to realize this potential.

Your Company, in partnership with MCX-SX is committed to contribute its best to the development of a vibrant debt market in India and accordingly has started providing services both in Institutional and Retail Market from June 10, 2013. Your Company has also been recognized as eligible entity for settlement of OTC transactions in Corporate Bonds, Certificate of Deposits and Commercial Papers.

### **Risks and Concerns**

Macro-economic conditions do affect the Company's operations. Low demand, economic slow down, political instability, higher inflation, natural calamities may affect the business. Business therefore cannot be risk free. What is therefore important is to correctly assess the risk area wise and to take steps to mitigate the risk before it becomes a potential threat. The general risk areas are statutory compliances, economy, financial, government regulations and policies, market related, operational, products and technology, intellectual property etc.

The Exchange has implemented an Enterprise Risk Management Policy with the aid of its internal auditors which would cover all aspects of our business. This policy would enable us to mitigate risks identified by us. The implementation and reporting of this policy is under the supervision of the Audit Committee and the Board.

### **Internal Control Systems and their Adequacy**

The Exchange has implemented effective control systems to ensure that all its assets, interests and information are safeguarded with proper checks and balances. The Exchange has appointed Internal Auditors and System Auditors to ensure that the financial transactions, operational mechanism and technological infrastructure are error free. The Statutory Auditors are appointed by the Comptroller and Auditor General of India which lends credibility to the whole process being followed at the Exchange. The Audit Committee is in overall supervision of the internal controls and reports are being made to the Board in a periodic manner.

## Financial performance with respect to Operational Performance

### 1. Discussion on stand-alone financial performance with respect to operational performance

Financial Highlights	2013-14 (Amount in Rs. Cr)	2012-13 (Amount in Rs. Cr)
Revenue from operations	32.18	16.86
Profit before Interest, Depreciation, Tax and Exceptional Items	0.21	0.13
Profit before tax	0.13	0.10
Cash profit		
Net profit	0.13	0.10

### 2. Revenue and operating expenses

The Company earned total revenues of INR 32.18 crore from operations during the year ended March, 2014 as against INR 16.86 crore in the year ended March, 2013. The increase in revenue was mainly due to increase in clearing and settlement fees received on turnover generated in Currency Derivative Segment of MCX-SX.

### 3. Operating profit before depreciation and amortization and exceptional items

The Company earned EBITDA of INR 0.21 crore for the year ended March, 2014 as compared to INR 0.13 crore during the previous year ended March, 2013. The EBITDA margin for the year 2013 - 2014 was 0.56% as against 0.65% for the year 2012-13.

### 4. Depreciation and Amortisation

The depreciation and amortization charges were INR 0.08 crore for the year ended March, 2014 as against INR 0.03 crore for the year ended March, 2013. This was primarily due to procurement of hardware and software for the new segments operationalized during the financial year.

### 5. Profit after tax

The profit after tax stood at INR 0.13 crore for the year 2013 - 2014 as compared to a profit of INR 0.10 crore for the year 2012 - 2013.

### 6. Balance Sheet

As on March 31, 2014, the Company had total assets of INR 128.79 crore and shareholders' funds at INR 28.19 crore. The Company is debt-free as on March 31, 2014.

### **Material developments in Human Resources**

The Exchange had expended significant resources in launching the new segments in 2013 and it is trying to sustain volumes therein. It is actively pursuing alternatives to raise capital. The certain events leading to adverse publicity have impacted business. In view of the need to conserve resources at this juncture, the Exchange has rationalized its manpower during the year. Our headcount as at March 31, 2014 stood at 38.

### **Disclaimer**

Certain statements made in the management discussion and analysis report relating to the Company's objectives, projections, outlook, expectations, estimates and others may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such expectations, projections and so on whether express or implied. Several factors could make significant difference to the Company's operations. These include and economic conditions affecting demand and supply, government regulations and taxation, international scenario, macro-economic developments, natural calamities and so on over which the Company does not have any direct control. There are certain provisional statistics used in the report.

## Business Responsibility Report

**In line with the National Voluntary Guidelines (NVG) on Social, Environmental and Economic Responsibilities of Business**

### **Section A: General Information about the Company**

1. Corporate Identity Number (CIN) of the Company  
U67120MH2008PLC188032
2. Name of the Company:  
MCX-SX Clearing Corporation Limited
3. Registered address  
MCX-SX Clearing Corporation Limited, Exchange Square, Suren Road,  
Chakala, Andheri (East), Mumbai, 400093
4. Website  
[www.mcx-sx.com](http://www.mcx-sx.com)
5. E-mail id  
[communications@mcx-sx.com](mailto:communications@mcx-sx.com); [csr@mcx-sx.com](mailto:csr@mcx-sx.com)
6. Financial Year reported  
2013-2014
7. Sector(s) that the Company is engaged in (industrial activity code-wise)  
Clearing and Settlement (Financial Sector)
8. List three key products/services that the Company manufactures/provides (as in balance sheet)  
Not applicable
9. Total number of locations where business activity is undertaken by the Company
  - i. Number of International Locations (Provide details of major 5)  
None
  - ii. Number of National Locations  
Please refer to the Annual Report
10. Markets served by the Company – Local/State/National/International/  
National level

### **Section B: Financial Details of the Company (As on March 31, 2014)**

1. Paid up Capital  
INR 250000000
2. Total profit after taxes INR 1,277,071



3. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)  
There has been no spending on CSR activities in the current fiscal year. The Clearing Corporation has voluntarily chosen to publish the Business Responsibility Report (BRR) for 2013-14 while working towards the goal of responsible and sustainable development. MCX-SXCCL shall be participating with the holding Company MCX-SX in their BR activities.
4. List of activities in which expenditure in 4 above has been incurred:-  
Not Applicable

#### **Section C: Other Details**

1. Does the Company have any Subsidiary Company/ Companies?  
No
2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)  
  
Not Applicable
3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]

No BR activities have been undertaken as mentioned above. Upon commencement of the same, MCX-SXCCL may consider to support and encourage its suppliers and other stake holders to participate in the company's BR initiatives.

#### **Section D: BR Information**

1. **Details of Director/Directors responsible for BR**
  - a) Details of the Director/Director responsible for implementation of the BR policy/policies
    - DIN Number - 02546911
    - Name - Mr. U. Venkataraman
    - Designation – MD & CEO

**2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)**

Sr. No	Questions	P	P	P	P	P	P	P	P	P
		1	2	3	4	5	6	7	8	9
1	Do you have a policy / policies for....	Y	N	Y	N	N	N	N	N	N
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	N	Y	N	N	N	N	N	N
3	Does the policy conform to any national / international standards? If yes, specify? (50 words)	N	N	N	N	N	N	N	N	N
4	Has the policy being approved by the Board? Is yes, has it been signed by MD /owner /CEO /appropriate Board Director?	Y	N	Y	N	N	N	N	N	N
5	Does the company have a specified committee of the Board/ Director/Official to oversee the Implementation of the policy?	Y	N	Y	N	N	N	N	N	N
6	Indicate the link for the policy to be viewed online?	Y	N	N	N	N	N	N	N	N
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	N	N	N	N	N	N	N	N
8	Does the company have in-house structure to Implement the policy / policies.	Y	N	Y	N	N	N	N	N	N
9	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy / policies?	Y	N	N	N	N	N	N	N	N
10	Has the company carried out independent Audit /evaluation of the working of this policy by an internal or external agency?	N	N	N	N	N	N	N	N	N

Y = Yes; N = No

2a. If answer to S. No. 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

Sr. No	Questions	P	P	P	P	P	P	P	P	P
		1	2	3	4	5	6	7	8	9
1	The company has not understood the Principles									
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles		✓		✓	✓	✓	✓	✓	✓
3	The company does not have financial or manpower resources available for the task									
4	It is planned to be done within next 6 months									
5	It is planned to be done within the next 1 year.			✓		✓	✓	✓	✓	
6	Any other reason (please specify)									

3. Governance related to BR

- Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year

The Clearing Corporation has chosen to comply and submit the BRR from FY 2013-14. Henceforth, the board will review the BR performance on an annual basis.

- Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

This is for the first time that the BR Report has been compiled. The Clearing Corporation shall publish this Report annually. The Report for this year can be viewed on the website of the Exchange - [www.mcx-sx.com](http://www.mcx-sx.com)

## Section E: Principle-wise performance

### Principle 1: ETHICS, TRANSPARENCY & ACCOUNTABILITY

#### Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes / No.  
Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others?  
No.  
MCX-SXCCL policy on 'Code of for KMPs and Employees' which is the policy relating to ethics, brings within its ambit the key management personal, employees and directors. There is a similar policy for MCX-SX CCL employees also.
2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? *If so, provide details thereof, in about 50 words or so.*

No complaints were received in the reporting period with regards to ethics, bribery and corruption.

### Principle 2: PRODUCT LIFE CYCLE SUSTAINABILITY

#### Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.  
  
MCX-SXCCL, being a securities infrastructure institution, provides services to the financial sector and is not resource intensive in terms of material inputs. The Clearing Corporation operates in a paper-less environment since it provides a robust electronic platform to members.
2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):
  - i. Reduction in sourcing/production/ distribution achieved since the previous year throughout the value chain?  
Not applicable
  - ii. Reduction during usage by consumers (energy, water) has been achieved since the previous year?  
Not applicable
3. Does the company have procedures in place for sustainable sourcing (including transportation)?  
If yes, what percentage of your inputs was sourced sustainably? *Also, provide details thereof, in about 50 words or so.*



It would not be possible to ascertain the percentage of inputs that are sourced sustainably due to the reasons mentioned above.

4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?  
If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

Yes, the Clearing Corporation has taken several initiatives for the development of local suppliers of goods and services and hence uses services of local vendors for regular office supplies etc.

5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

No, the Clearing Corporation currently does not have a formal policy to recycle products and waste. However, the Clearing Corporation is in the process of adopting an e-waste Management Policy with the specific aim of minimizing and responsible disposal of the entire quantum of e-waste generated throughout our operations. Additionally, all recyclable waste collected at our premises are separated (dry and wet waste); the waste is then handed over to an authorized waste processor.

### **Principle 3: EMPLOYEE WELL BEING**

#### **Businesses should promote the wellbeing of all employees**

1. Please indicate the Total number of employees.  
MCX-SXCCL - 38 (including Permanent + Consultants + Contract)

*As on March 31, 2014*

2. Please indicate the Total number of employees hired on temporary / contractual /casual basis.

MCX-SX CCL has not hired staff on temporary / contractual /casual basis  
*As on March 31*

3. Please indicate the Number of permanent women employees.

MCX-SX CCL - 10  
*As on March 31, 2014*

4. Please indicate the Number of permanent employees with disabilities  
NIL

5. Do you have an employee association that is recognized by the management?  
MCX-SXCCL does not have either an association or an employee union

6. What percentage of your permanent employees is member of this recognized employee association?  
Not applicable. Employee association / union does not exist/ was never formed

7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

Sr. No	Category	No of complaints filed during the financial year	No of complaints pending as on end of the financial year
1	Child Labour / forced Labour / involuntary labour	The Company does not hire Child Labour, Forced Labour or Involuntary Labour.	Nil
2	Sexual harassment	No Reported Case.	Nil
3	Discriminatory employment	We do not discriminate in the recruitment process and we have a fairly diverse employee base. No Reported Case	Nil

8. What percentage of your under mentioned employees were given safety & skill upgradation training in the last year?

- Permanent Employees - 17 %
- Permanent Women Employees – 14%
- Casual/Temporary/Contractual Employees – Nil
- Employees with Disabilities - Nil

### Overview

We take great pride in our robust and diverse employee community that has contributed significantly to our success over the years. We have several systems and initiatives in place to protect the interests of our employees and to keep them connected and empowered. Key highlights of the initiatives for employees are:

### Enabling policies, benefits and rewards

- Our insurance policies take care of the welfare of our employees and their families, and the benefits covered by these are well above the minimum statutory requirement. Mediclaim insurance policy, voluntary policy for dependent parents, personal accident insurance scheme, term life insurance cover and group gratuity are some of the benefits that we have for our employees in addition to emergency medical help.
- Our Employee Stock Ownership Plans (ESOPs) give employees an opportunity to have a share in our business growth and thereby create wealth for themselves. MCX-SX uses ESOPs to reward employees of MCX-SXCCL also (other than KMPs) for their contribution to its success.

- We have systems to continuously manage employee performance, both in terms of work and other parameters such as inter-personal skills and leadership qualities. Our performance management system (PMS) is aligned with the organisational growth commitment (OGC) programme. Employees (other than KMPs) are rewarded with performance-linked variable pay, which is consistent with industry standards.

## 1. Equal remuneration and equal opportunity

At MCX-SXCCL, we endorse a work environment which is fair, equitable, safe and encourages team work. Our strategy is defined by recruitment of people with diverse skills, knowledge and experience, and by ensuring the right fit between roles and profiles.

### Principle 4: STAKEHOLDER ENGAGEMENT

**Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized**

1. Has the company mapped its internal and external stakeholders? Yes/No  
Yes. Please refer to the table below
2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders.  
  
Not Applicable
3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.

Not Applicable

**Overview****Stakeholder Engagement Map**

<b>Key Stakeholders</b>	<b>Mode of engagement</b>	<b>Frequency of engagement</b>	<b>Who is responsible</b>
Policy Makers and Regulators	Company regulatory filings, compliance statements, meetings, inspections / audits, letters, emails	As per regulatory requirements and need base	Cross functional team
Shareholders	Emails, letters, investor grievance cell, media, general meetings, company website	Annually at the AGM, Extra Ordinary General meetings (EGM) and on a need basis.	Secretarial team, top management.
Members (Banks, Brokers, FIIs), End User (retail), Listed corporates	Regular one on one interaction, meetings, mails, letters	As per need basis, in – house events	Business Development team of MCX-SX
Trade Bodies like CII, FICCI	Meetings, emails, papers on important industry issues, partnerships / support in relevant forums	Ongoing and need basis	Communications and CSR team of MCX-SX
Academia & alliance partners	Strategic tie ups, MoU signing for joint initiatives, emails.	As per need basis	Communications and CSR team, Research team of MCX-SX
Media	One on one media interactions, interviews, responses, strategic tie ups, meetings, emails	Ongoing and need basis	Communications and CSR team of MCX-SX
Employees	Employee engagement programmes, induction, emails, intranet, meetings, rewards and recognition programmes, surveys, grievance cell, voluntary initiatives	Ongoing and need basis	Human Resources team and Communications and CSR team of MCX-SX
Vendors	Regular one on one interaction, meetings, mails, letters	Ongoing and need basis	Technology team, Admin team, Communications Team of MCX-SX



## **Principle 5: HUMAN RIGHTS**

### **Businesses should respect and promote human rights**

1. Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

The Company and its subsidiaries do not have a stated human rights policy. However, most of the aspects are covered in the manner in which the company conducts its business as well as in its human resources practices.

MCX-SXCCL respects human rights and upholds the dignity of every individual associated with the Exchange, directly or indirectly. Our 'people' practices are aimed to provide a non-discriminatory and harassment-free workplace while enabling all employees to report any incidents of discrimination and harassment. The Exchange does not employ child labor and its recruitment policies ensure that all employees are free to choose to be associated with the Exchange.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

Nil

## **Principle 6: ENVIRONMENTAL PROTECTION**

### **Business should respect, protect, and make efforts to restore the environment**

1. Does the policy related to Principle 6 cover only the company or extends to the Group /Joint ventures/Suppliers/Contractors/NGOs/others.  
Not Applicable

2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.  
No. However, the Company discourages waste of paper in any form and has automated many processes intending secure member interface.

3. Does the company identify and assess potential environmental risks? Y/N  
No

4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?  
No

5. Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.  
No

6. Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?  
Not applicable
7. Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.  
Not applicable

## **Principle 7: PUBLIC POLICY ADVOCACY**

### **Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner**

1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:  
  
No.
2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas ( drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)  
  
No

## **Principle 8: INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT**

### **Businesses should support inclusive growth and equitable development**

1. Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.  
  
Yes, MCX-SXCCL believes in creating well-developed financial markets that are integrated with the ecosystem and encouraging broad-based participation. In adherence with its mission of **Financial Literacy-For-Financial Inclusion**™, MCX-SX and MCX-SXCCL has jointly ensured effective use of technology innovations in financial literacy and investor outreach efforts, besides implementing global best practices within its systems and processes.
2. Are the programmes/projects undertaken through in-house team/own Foundation /external NGO/government structures/any other organization?  
  
No. However the holding company organizes the same and we participate in the same on need basis.
3. Have you done any impact assessment of your initiative?  
  
Not applicable

4. What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken.  
Not applicable
5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.  
No, not applicable

## Principle 9: CUSTOMER VALUE

### Business should engage with and provide value to their customers and consumers in a responsible manner

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.  
  
NIL
2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks (additional information)  
  
Not applicable
3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.

The Clearing Corporation has not come across any issue involving possible public or product liability claim of substantial nature, including any judgement or order which has passed strictures on the conduct of the Clearing Corporation or taken an adverse view regarding another enterprise that can have negative implications on the Clearing Corporation. However it would be pertinent to note that National Spot Exchange Ltd. (NSEL), subsidiary of one of the promoters, Financial Technologies (India) Ltd (FTIL) has been asked to stop trading in spot contracts from July 31, 2013 by the Ministry of Consumer Affairs. FTIL has been held to be not a 'fit & proper person' by Forward Markets Commission vide their order dated December 17, 2013 in connection with the NSEL episode and the SEBI has issued them a show cause notice under SECC Regulations on basis of the FMC order inter-alia in respect of their shareholding in the Clearing Corporation. It is seen that FTIL has challenged the FMC order before the Hon'ble High Court of Bombay. The SEBI has also issued show cause notice to FTIL u/s 12A of Securities Contracts (regulation) Act, 1956, Section 11 & 11B of SEBI Act, 1992 and Regulation 49 of SECC Regulations regarding its shareholding in MCX Stock Exchange Limited (MCX-SX), holding company and the Clearing Corporation. Currently, it can be seen that the Economic Offences Wing, Mumbai is investigating the matter. During the course, one Writ petition and one PIL has been filed against NSEL in the Bombay High Court where the holding Company MCX-SX has been made a party. Any adverse comments against MCX-SX may affect the Clearing Corporation.

4. Did your company carry out any consumer survey/ consumer satisfaction trends?  
  
No

## Independent Auditors' Report

To the Members of  
MCX-SX Clearing Corporation  
**Report on the Financial Statements**

We have audited the accompanying financial statements of **MCX-SX Clearing Corporation Limited** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, 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 it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs).
  - (e) On the basis of the written representations, other than from Mr. Vinod Kumar Khanna, received from the directors as on 31<sup>st</sup> March, 2014 taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act. In the absence of a written representation from Mr. Vinod Kumar

Khanna, we are unable to comment as to whether he is disqualified from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

**For Deloitte Haskins & Sells**  
Chartered Accountants  
(Firm's Registration No. 117364W)

**Abhijit A. Damle**  
Partner  
(Membership No. 102912)

**MUMBAI, 21<sup>st</sup> May, 2014**

## Annexure to the Independent Auditor's report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/results during the year, clauses (ii), (iii), (v), (vi), (viii), (x), (xi), (xii), (xiii), (xv), (xvi), (xviii), (xix) and (xx) of paragraph 4 of the Order are not applicable to Company.
- (ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - (c) The Company has not disposed off fixed assets during the year, hence question of commenting on impact of disposal on the going concern status of the Company does not arise.
- (iii) 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 purchases of fixed assets and sale of services. The Company being a service Company does not purchase inventory or sell goods. During the course of our audit, we have not observed any major weakness in such internal control system.
- (iv) In our opinion, the internal audit function carried out during the year by a firm of Chartered Accountants appointed by the Management has been commensurate with the size of the Company and the nature of its business.
- (v) According to the information and explanations given to us, in respect of statutory dues:
  - (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

- (b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31<sup>st</sup> March, 2014 for a period of more than six months from the date they became payable.
- (c) There are no cases of non-deposit with appropriate authorities of disputed dues of Income Tax, Service Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty and Cess.
- (vi) Based on our examination of the records and evaluation of the related internal controls, the Company has maintained proper records of the transactions and contracts in respect of its dealings in securities and other investments and timely entries have been made therein. The aforesaid securities have been held by the Company in its own name.
- (vii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, *prima facie*, not been used during the year for long-term investment.
- (viii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Firm's Registration No. 117364W)

**Abhijit A. Damle**  
Partner  
(Membership No. 102912)

**MUMBAI**, 21<sup>st</sup> May, 2014



## Balance Sheet as at March 31, 2014

	Note No.	As at 31.03.2014		As at 31.03.2013	
		Rupees	Rupees	Rupees	Rupees
<b><u>Equity and Liabilities</u></b>					
<b>Shareholder's Funds</b>					
Share Capital	2	250,000,000	281,920,884	250,000,000	280,643,813
Reserves and Surplus	3	31,920,884		30,643,813	
<b>Non-Current Liabilities</b>					
Other Long-Term Liabilities	6	326,742,196	327,670,904	371,000,000	372,133,617
Long Term Provisions	4	928,708		1,133,617	
<b>Current Liabilities</b>					
Trade Payables	5	46,785,711	678,232,211	37,197,290	1,011,124,396
Other Current Liabilities	6	630,307,661		973,852,687	
Short Term Provisions	4	1,138,839		74,419	
<b>TOTAL</b>			<b>1,287,823,999</b>		<b>1,663,901,826</b>
<b><u>Assets</u></b>					
<b>Non-Current Assets</b>					
Fixed Assets	7		61,942,698		41,052,794
Tangible Assets		3,933,369		2,948,891	
Intangible Assets		449,616		51,680	
Long Term Loans and Advances	10	57,559,713		38,052,223	
<b>Current Assets</b>					
Current Investments	8	310,239,352	1,225,881,301	655,199,870	1,622,849,032
Cash and Bank Balances	9	842,399,077		918,105,375	
Short-Term Loans and Advances	10	28,151,938		17,181,005	
Other Current Assets	11	45,090,934		32,362,782	
<b>TOTAL</b>			<b>1,287,823,999</b>		<b>1,663,901,826</b>
<b>See accompanying notes to the financial statements</b>					

In terms of our report attached

For **Deloitte Haskins & Sells**  
Chartered AccountantsFor and on behalf of the Board  
**MCX-SX Clearing Corporation Limited****Abhijit A.Damle**  
Partner**Vepa Kamesam**    **U.Venkataraman**  
Chairman                      MD & CEOPlace : Mumbai  
Date : May 21, 2014**Ameya Paranjape**  
Company Secretary

## Statement of Profit and Loss for the year ended 31st March 2014

	Note No.	Year ended 31.03.2014 Rupees	Year ended 31.03.2013 Rupees
<b>REVENUE</b>			
Revenue from Operations	12	321,814,065	168,652,853
Other Income	13	52,802,434	32,324,453
<b>TOTAL</b>		<b>374,616,499</b>	<b>200,977,306</b>
<b>EXPENSES</b>			
Employee Benefits Expense	14	40,001,919	19,486,950
Depreciation and Amortisation Expense	7	836,346	319,500
Other Expenses	15	332,501,163	180,185,305
<b>TOTAL</b>		<b>373,339,428</b>	<b>199,991,755</b>
<b>Profit for the year</b>		<b>1,277,071</b>	<b>985,551</b>
<b>Earnings Per Share</b>	16		
Basic / Diluted		0.05	0.04
<b>Face Value Per Share</b>		10/-	10/-
See accompanying notes to the financial statements			

In terms of our report attached

For **Deloitte Haskins & Sells**  
Chartered Accountants**Abhijit A.Damle**  
PartnerPlace : Mumbai  
Date : May 21, 2014For and on behalf of the Board  
**MCX-SX Clearing Corporation Limited****Vepa Kamesam**  
Chairman**Ameya Paranjape**  
Company Secretary**U.Venkataraman**  
MD & CEO

## Cash Flow Statement for the Year Ended March 31, 2014

	Year ended 31.03.2014		Year ended 31.03.2013	
	Rupees	Rupees	Rupees	Rupees
<b>A. Cash Flow from Operating Activities</b>				
Net Profit Before Tax		1,277,071		985,551
<b>Adjustments for</b>				
Depreciation and Amortisation Expense	836,346		319,500	
Dividend from Current Investments	(1,243,535)		(1,534,799)	
Interest Income	(46,514,061)		(30,057,527)	
Profit on Sale of Current Investment (Net)	(3,349,395)		(254)	
Excess Provision for Gratuity Written Back	(216,705)		-	
Excess Provision for Bonus Written Back	(350,401)		-	
Loss on Sale of Fixed Asset	-		12,317	
		(50,837,751)		(31,260,763)
<b>Operating loss before working capital changes</b>		<b>(49,560,680)</b>		<b>(30,275,212)</b>
Working Capital Changes				
(Increase) in Loans and Advances	(10,970,933)		(7,202,650)	
Decrease / (Increase) in Fixed Deposits	29,219,944		(127,249,500)	
(Decrease) / Increase in Liabilities and Provisions	(386,376,213)		787,145,084	
(Decrease) / Increase in Trade Payables	9,588,421	(358,538,781)	29,340,168	682,033,102
<b>Cash (used in) / generated from Operating Activities</b>		<b>(408,099,461)</b>		<b>651,757,890</b>
Taxes (paid)		(19,507,490)		(10,046,150)
<b>Net Cash (used in) / generated from Operating Activities</b>		<b>(427,606,951)</b>		<b>641,711,740</b>
<b>B. Cash Flow from Investing Activities</b>				
Sale / (Purchase) of Current Investments (Net)		348,309,913		(614,689,698)
Purchase of Fixed Assets		(2,218,760)		(2,747,245)
Proceeds from Sale of Fixed Assets		-		378,359
Dividend Income		1,243,535		1,534,799
Interest Income		33,785,909		30,774,232
<b>Net Cash generated from / (used in) Investing Activities</b>		<b>381,120,597</b>		<b>(584,749,553)</b>
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>		<b>(46,486,354)</b>		<b>56,962,187</b>
Cash and Cash Equivalents at the beginning of the year		65,855,875		8,893,688
Cash and Cash Equivalents at the end of the year (Refer Note 9)		19,369,521		65,855,875
<b>Net (Decrease) / Increase in Cash and Cash Equivalents as disclosed above</b>		<b>(46,486,354)</b>		<b>56,962,187</b>

In terms of our report attached

For **Deloitte Haskins & Sells**  
Chartered Accountants**Abhijit A.Damle**  
PartnerPlace : Mumbai  
Date : May 21, 2014For and on behalf of the Board  
**MCX-SX Clearing Corporation Limited****Vepa Kamesam**      **U.Venkataraman**  
Chairman                      MD & CEO**Ameya Paranjape**  
Company Secretary

# Notes to financial statements

## 1. Significant Accounting Policies

### A. Basis of preparation of financial statements

The financial statements have been prepared under the historical-cost convention, in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under section 211 (3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act / 2013 Act.

### B. Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported amounts of income and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

### C. Revenue Recognition

- a) Revenue is recognized when no significant uncertainty as to measurement and realization exists.
- b) Dividend income is recognized when the Company's right to receive dividend is established.
- c) Interest income is recognized on time proportion basis.
- d) Clearing and Settlement fees are recognized in accordance with the terms of Agreement with MCX- SX.

### D. Employee Benefits

Employee benefits costs are expensed to revenue, as incurred.

Provident Fund and Family Pension Fund, defined contribution plans:

The Company contributes towards Provident Fund and Family Pension Fund. Liability in respect thereof is determined on the basis of contribution as required under the Statute/ Rules.

Gratuity, a defined benefit plan:

The Company has taken a group gratuity cum life assurance policy from Life Insurance Corporation of India. The premium payable under the policy is charged to the Statement of Profit and Loss. Additionally, the shortfall, if any, between the balance of the fund with the



Life Insurance Corporation of India and the obligations determined by the actuarial valuation is charged to the Statement of Profit and Loss.

Compensated absences, other long term employee benefits

Provision is made to based upon actuarial valuation done at the end of every financial year.

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

Tangible 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. Depreciation is charged over the estimated useful life of a fixed asset on a straight line basis in accordance with the rates prescribed in Schedule XIV to the Companies Act, 1956.

Intangible Assets are stated at cost less accumulated amortisation and impairment loss, if any. Computer Software is amortised over a period of five years.

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

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

#### **F. Impairment Loss**

Impairment loss is provided to the extent the carrying amounts of assets exceed their recoverable amounts. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

#### **G. Investments**

Current investments are stated at the lower of cost and fair value. Long Term investments are stated at cost. Provision is made to recognize a decline, other than temporary, in the value of Long Term investments. Any reduction in the carrying amount of investments and any reversals of such reductions are charged or credited to the Statement of Profit and Loss.

#### **H. Income tax**

Current tax is measured at the amount expected to be paid to taxation authorities, using the applicable tax rates and tax laws. The tax effect of the timing differences between taxable income and accounting income that are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations. The carrying amount of deferred tax asset at each balance sheet date is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realized.

## Notes to financial statements

**I. Provisions and Contingencies**

Provisions are recognized when the Company has a legal and constructive obligation because of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognized nor disclosed.

**2 Share Capital:**

	As at 31.03.2014		As at 31.03.2013	
		Rupees		Rupees
<b>Authorised</b>				
25,000,000 equity shares of Rs.10/- each		<b>250,000,000</b>		<b>250,000,000</b>
<b>Issued and Subscribed</b>				
25,000,000 equity shares of Rs.10/- each fully paid		250,000,000		250,000,000
<b>TOTAL</b>		<b>250,000,000</b>		<b>250,000,000</b>

**2.1 Shareholding pattern in respect of Equity Shares**

	As at 31.03.2014		As at 31.03.2013	
	Numbers	% holding	Numbers	% holding
MCX Stock Exchange Limited - Holding Company	12,750,000	51.00%	12,750,000	51.00%
Multi Commodity Exchange of India Limited	6,500,000	26.00%	6,500,000	26.00%
Financial Technologies (India) Limited	5,750,000	23.00%	5,750,000	23.00%
	<b>25,000,000</b>	<b>100.00%</b>	<b>25,000,000</b>	<b>100.00%</b>

**2.2** The Equity Shares of the Company have face value of Rs.10 per share. Shareholders are eligible for one vote per share held. Shareholders are entitled to residual assets after payment of all liabilities in the event of liquidation of the Company.

**2.3** In case of shares held by Financials Technologies (India) Limited, refer note 24.

**3 Reserves and Surplus:**

	As at 31.03.2014		As at 31.03.2013	
	Rupees	Rupees	Rupees	Rupees
<b>Surplus in Statement of Profit and Loss</b>				
Balance as per last Balance Sheet	30,643,813		29,658,262	
Add : Profit for the year	1,277,071	31,920,884	985,551	30,643,813
<b>TOTAL</b>		<b>31,920,884</b>		<b>30,643,813</b>

**4 Provisions**

	As at 31.03.2014		As at 31.03.2013	
	Current	Non current	Current	Non current
	Rupees	Rupees	Rupees	Rupees
<b>For Employee Benefits:</b>				
Compensated Absences	1,138,839	928,708	74,419	1,133,617
<b>TOTAL</b>	<b>1,138,839</b>	<b>928,708</b>	<b>74,419</b>	<b>1,133,617</b>

## Notes to financial statements

## 5 Trade Payables

	As at 31.03.2014		As at 31.03.2013	
		Rupees		Rupees
Total outstanding dues of creditors other than micro, small and medium enterprises		- 46,785,711		- 37,197,290
<b>TOTAL</b>		<b>46,785,711</b>		<b>37,197,290</b>
5.1 There are no dues to Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006. Hence, disclosures, if any, relating to amounts unpaid as at the year end and together with the interest paid/payable as required under the said Act have not been given.				

## 6 Other Liabilities

	As at 31.03.2014		As at 31.03.2013	
	Current	Non current	Current	Non current
	Rupees	Rupees	Rupees	Rupees
Settlement Banks Deposits	-	220,000,000	-	290,000,000
Members Margin and Deposits	620,204,896	-	963,844,802	-
MCX-SX Contribution to Settlement Guarantee Fund	-	100,007,699	-	75,000,000
Other Deposits	30,000	6,734,497	40,548	6,000,000
<b>Other Payables :</b>				
For Expenses	2,853,778	-	1,605,271	-
For Gratuity (Refer Note 18)	618,267	-	979,699	-
For Statutory Dues	6,600,720	-	7,382,367	-
<b>TOTAL</b>	<b>630,307,661</b>	<b>326,742,196</b>	<b>973,852,687</b>	<b>371,000,000</b>

## 7 Fixed Assets : Current Year

**TANGIBLE ASSETS:****(Rupees)**

<b>PARTICULARS</b>	<b>GROSS BLOCK</b>			<b>DEPRECIATION</b>			<b>NET BLOCK</b>
	As at 01.04.2013	Additions	As at 31.03.2014	Upto 31.03.2013	For the year	Upto 31.03.2014	As at 31.03.2014
Office Equipments	262,148	-	262,148	2,851	12,452	15,303	246,845
Computer Hardware	3,334,834	599,703	3,934,537	645,240	611,835	1,257,075	2,677,462
Vehicles	-	1,114,345	1,114,345	-	105,283	105,283	1,009,062
<b>TOTAL</b>	<b>3,596,982</b>	<b>1,714,048</b>	<b>5,311,030</b>	<b>648,091</b>	<b>729,570</b>	<b>1,377,661</b>	<b>3,933,369</b>

**INTANGIBLE ASSETS (Acquired):**

<b>PARTICULARS</b>	<b>GROSS BLOCK</b>			<b>AMORTISATION</b>			<b>NET BLOCK</b>
	As at 01.04.2013	Additions	As at 31.03.2014	Upto 31.03.2013	For the year	Upto 31.03.2014	As at 31.03.2014
Computer Software	123,195	504,712	627,907	71,515	106,776	178,291	449,616
<b>TOTAL</b>	<b>123,195</b>	<b>504,712</b>	<b>627,907</b>	<b>71,515</b>	<b>106,776</b>	<b>178,291</b>	<b>449,616</b>



**7 Fixed Assets : Previous Year****TANGIBLE ASSETS:****(Rupees)**

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK
	As at 01.04.2012	Additions	Deletions	As at 31.03.2013	Upto 31.03.2012	For the year Upto 31.03.2013	As at 31.03.2013
Office Equipments	13,500	248,648	-	262,148	1,342	1,509	259,297
Computer Hardware	1,261,028	2,498,597	424,791	3,334,834	386,003	293,352	2,689,594
<b>TOTAL</b>	<b>1,274,528</b>	<b>2,747,245</b>	<b>424,791</b>	<b>3,596,982</b>	<b>387,345</b>	<b>294,861</b>	<b>2,948,891</b>

**INTANGIBLE ASSETS (Acquired):**

PARTICULARS	GROSS BLOCK			AMORTISATION			NET BLOCK
	As at 01.04.2012	Additions	Deletions	As at 31.03.2013	Upto 31.03.2012	For the year Upto 31.03.2013	As at 31.03.2013
Computer Software	123,195	-	-	123,195	46,876	24,639	51,680
<b>TOTAL</b>	<b>123,195</b>	<b>-</b>	<b>-</b>	<b>123,195</b>	<b>46,876</b>	<b>24,639</b>	<b>51,680</b>

## Notes to financial statements

## 8 Current Investments

	As at 31.03.2014		As at 31.03.2013	
		Rupees		Rupees
<b>In units of Mutual Funds (Quoted, Non Trade) :</b> (at lower of cost and market value)				
34,123.328 (Previous Year 60,042.141 units) of Rs.1,000/- each in Axis Liquid Fund - Daily Dividend Reinvestment		34,127,353		60,048,787
44,952.530 (Previous Year NIL) of Rs.1,000/- each in BOI AXA Liquid Fund -Daily Dividend Reinvestment		45,071,579		-
340,081.095 (Previous Year 1,138,596.650 units) of Rs.100/- each in DWS Insta Cash Plus Fund - Daily Dividend Reinvestment		34,111,495		114,205,798
NIL (Previous Year 7,840,186.447 units) of Rs.10/- each in JPMorgan India Liquid Fund - Daily Dividend Reinvestment		-		78,463,802
NIL (Previous Year 74,982.589) of Rs.10/- each in Morgan Stanley Liquid Fund - Daily Dividend Reinvestment		-		75,019,863
5,862.430 (Previous Year 20,427.157 units) of Rs.1,000/- each in Reliance Liquid Fund - Daily Dividend Reinvestment		8,962,132		31,227,815
146,752.275 (Previous Year 220,458.130 units) of Rs.1,000/- each in SBI Premier Liquid Fund - Daily Dividend Reinvestment Plan		147,229,221		221,174,619
3,388,458.012 (Previous Year 7,429,763.527 units) of Rs.10/- each in Sundaram Money Fund Daily Dividend Reinvestment Plan		34,231,898		75,059,186
6,501.443 (Previous Year NIL) of Rs.1,000/- each in Union KBC Liquid Fund Daily Dividend Reinvestment Plan		6,505,674		-
<b>TOTAL</b>		<b>310,239,352</b>		<b>655,199,870</b>
Aggregate Book Value / Aggregate Market Value		<b>310,239,352</b>		<b>655,199,870</b>

## 9 Cash and Bank Balances

	As at 31.03.2014		As at 31.03.2013	
	Rupees	Rupees	Rupees	Rupees
<u>Cash and Cash Equivalents :</u>				
Cash on hand	9,504		9,504	
Balances with Banks:				
- In Current Accounts	19,360,017		23,846,371	
- In Deposit Accounts	-	19,369,521	42,000,000	65,855,875
<u>Other Bank Balances</u>				
- Fixed Deposit with original maturity for more than 12 months		823,029,556		852,249,500
9.1 Balance in Current Account includes Rs.15,701,405/- (Previous Year Rs.21,043,281/-) towards Clearing and Settlement Obligation				
9.2 Fixed deposits aggregating Rs.100,000,000/- (Previous Year Rs.75,000,000/-) earmarked towards Settlement Guarantee Fund.				
9.3 Fixed Deposits under lien with a Bank for Bank Guarantee- Rs.250,000,000/- (Previous Year Rs.250,000,000/-)				
9.4 Fixed Deposits maturing beyond March 31, 2015 is Rs. NIL (Previous Year Rs. NIL)				
<b>TOTAL</b>		<b>842,399,077</b>		<b>918,105,375</b>

**Notes to financial statements****10 Loans and Advances (Unsecured and considered good)**

	As at 31.03.2014		As at 31.03.2013	
	Current	Non current	Current	Non current
	Rupees	Rupees	Rupees	Rupees
Advance Payment of Income Tax	-	57,559,195	-	38,051,705
Input VAT Credit	-	518	-	518
Service Tax Input Credit	23,319,411	-	14,158,633	-
Prepaid Expenses	1,867,539	-	1,155,852	-
Advances to Vendors	368,361	-	329,901	-
Deposits	1,503,000	-	1,503,000	-
Others Receivables	1,093,627	-	33,619	-
<b>TOTAL</b>	<b>28,151,938</b>	<b>57,559,713</b>	<b>17,181,005</b>	<b>38,052,223</b>

**11 Other Current Assets**

	As at 31.03.2014		As at 31.03.2013	
		Rupees		Rupees
Accrued Interest on Bank Deposits		45,090,934		32,362,782
<b>TOTAL</b>		<b>45,090,934</b>		<b>32,362,782</b>

## Notes to financial statements

## 12 Revenue from operations

	Year ended 31.03.2014		Year ended 31.03.2013	
	Rupees	Rupees	Rupees	Rupees
<b>Sale of Services</b>				
Clearing and Settlement Fees		239,160,310		107,711,777
<b>Other Operating Revenues</b>				
Interest on Deposits with Banks	40,873,135		43,704,572	
Dividend from Current Investments	41,630,620		17,236,504	
Annual Subscription Fees	150,000	82,653,755	-	60,941,076
<b>TOTAL</b>		<b>321,814,065</b>		<b>168,652,853</b>

## 13 Other Income

	Year ended 31.03.2014		Year ended 31.03.2013	
	Rupees	Rupees		Rupees
Interest :				
On Deposits with Banks	46,514,061		30,057,527	30,789,400
On Income Tax Refund	1,128,337	47,642,398	731,873	1,534,799
Dividend from Current Investments		1,243,535		254
Profit on Sale of Current Investments (net)		3,349,395		-
Excess Provision for Bonus Written Back		350,401		-
Excess Provision for Gratuity Written Back		216,705		-
<b>TOTAL</b>		<b>52,802,434</b>		<b>32,324,453</b>



**Notes to financial statements****14 Employee Benefits Expense**

	Year ended 31.03.2014		Year ended 31.03.2013	
	Rupees	Rupees	Rupees	Rupees
Salaries and Bonus	39,174,413		18,799,876	
Contribution to Provident Fund	734,481		606,703	
Staff Welfare Expenses	93,025	40,001,919	80,371	19,486,950
<b>TOTAL</b>		<b>40,001,919</b>		<b>19,486,950</b>

**15 Other Expenses**

	Year ended 31.03.2014		Year ended 31.03.2013	
	Rupees	Rupees	Rupees	Rupees
Rent (Refer note 19)		3,252,312		3,252,312
Shared Service Cost		1,800,000		1,800,593
Technology Cost		315,414,226		166,193,372
Audit Fees				
- Statutory Audit Fees	500,000		500,000	
- Other Services (Limited Review, Certification etc. )	595,000		200,000	
- Out of Pocket Expenses	10,990	1,105,990	-	700,000
Non-Compliance Charges		-		2,861,603
Insurance		862,391		751,098
Legal and Professional Charges		2,999,377		1,594,173
Directors Sitting Fees		1,360,000		470,000
Bank Charges		1,273,282		1,248,490
Loss on Sale of Fixed Asset		-		12,317
Miscellaneous Expenses		4,433,585		1,301,347
<b>TOTAL</b>		<b>332,501,163</b>		<b>180,185,305</b>

**16 Earnings Per Share**

	Year ended 31.03.2014		Year ended 31.03.2013	
Profit for the year attributable to equity shareholders (Rs.)		1,277,071		985,551
Weighted average number of Equity Shares outstanding during the year (Nos.)		25,000,000		25,000,000
Basic /Diluted Earnings per share (Rs.)		0.05		0.04
Nominal Value of Equity Share (Rs.)		10		10
16.1 Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.				
16.2 There is no dilution to basic EPS as there are no outstanding dilutive potential equity shares.				

## Notes to financial statements

## 17. Related Party information

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

## i. Holding Company (Control exists)

a) MCX Stock Exchange Limited (MCX-SX)

## ii. Company having significant influence over the Company

a) Financial Technologies (India) Limited (FTIL) (Refer Note 24)

b) Multi Commodity Exchange of India Limited (MCX)

## iii. Key management Personnel (KMP)

a) Mr. U. Venkataraman (MD and CEO) w.e.f April 03,2013.

## b) Transactions with related parties

Sr. No.	Nature of transactions	Company whose Control Exists (MCX-SX)	Companies having Significant Influence (MCX)	(Rupees)
				Companies having Significant Influence (FTIL)
1	Clearing and Settlement Fees	239,160,310 (107,711,777)	- (-)	- (-)
2	Purchase of Fixed Assets	1,114,345 (301,507)	- (68,355)	- (12,215)
3	Sale of Fixed Assets	- (353,173)	- (22,471)	- (-)
4	Rent Paid	3,252,312 (3,252,312)	- (-)	- (-)
5	Shared Service Cost	1,800,000 (1,800,000)	- (-)	- (593)
6	Software License Expenses	- (-)	- (-)	5,583 (4,584)
7	Technology Cost	315,414,226 (166,193,372)	- (-)	- (-)
8	Other Expenses	- (-)	- (-)	109,643 (82,519)
9	Amount received for Settlement Guarantee Fund	25,000,000 (50,000,000)	- (-)	- (-)
10	Payables (Balance at the end of the year)	(45,411,851) (36,432,134)	- (-)	(41,704) (-)
11	Bank Guarantee Given (Refer Note No 21)	250,000,000 (250,000,000)	- (-)	- (-)

**Notes to financial statements**

## c) Transactions with KMP

<b>Sr. No.</b>	<b>Nature of transactions</b>	<b>Amount (Rs.)</b>
1.	Salary and allowances*:	11,321,065 (-)
2.	Payable towards Car Advance	134,497 (-)

\*Excludes gratuity and long term compensated absences which are actuarially valued for the Company as a whole.

## Notes:

- (i) There are no provisions for doubtful debts or amounts written back/ written off during the year in respect of debts due to/ from related parties.
- (ii) Figures in bracket are in respect of previous year.

**18. Employee benefit plans****In respect of Gratuity - Funded**

Provision is made for gratuity based upon actuarial valuation done at the end of every financial year. Major drivers in actuarial assumptions, typically are years of service and employee compensation. Commitments are actuarially determined using the 'Projected Unit Credit' method. Gains or losses on changes in actuarial assumptions are accounted for in the Statement of Profit and Loss.

## Notes to financial statements

	Current Year Rupees	Previous Year Rupees
<b>I. Reconciliation of defined benefit commitments</b>		
Liability at the start of the year	2,115,682	597,770
Interest Cost	169,255	52,305
Current Service Cost	479,698	168,469
Liability transfer in	807,692	342,144
Liability transfer out	(64,696)	-
Actuarial (gain)/ loss on obligations	(697,193)	954,994
Liability at the end of the year	<b>2,810,438</b>	<b>2,115,682</b>
<b>II. Reconciliation of Fair value of plan assets</b>		
Fair value of plan assets at the start of the year	1,135,983	992,803
Expected return on plan assets	98,831	85,381
Contributions	144,727	49,383
Transfer from other company	807,692	-
Transfer to other company	(64,696)	-
Actuarial gain on plan asset	69,634	8,416
Fair value of plan assets at the end of the year	<b>2,192,171</b>	<b>1,135,983</b>
<b>III. Amount recognized in the Balance Sheet</b>		
Fair Value of Plan Assets at the end of the year	2,192,171	1,135,983
Present Value of Benefit obligation as at the end of the year	(2,810,438)	(2,115,682)
Net (Liability) / Assets recognized in the Balance Sheet	<b>(618,267)</b>	<b>(979,699)</b>



	Current Year Rupees	Previous Year Rupees
<b>IV. Expense recognised in the Statement of Profit and Loss</b>		
Current service cost	479,698	168,469
Interest cost	169,255	52,305
Expected return on plan assets	(98,831)	(85,381)
Net actuarial (gain)/ loss recognized	(766,827)	946,578
Expense recognised in the Statement of Profit and Loss	<b>(216,705)</b>	<b>1,081,971</b>
<b>V. Experience Adjustment</b>		
On Plan Liability (gains)/losses	(375,329)	1,135,624
On Plan Asset gains/(losses)	69,634	4,169
<b>VI. Composition of Fund</b>		
Insurer Managed Funds (LIC)	100%	100%
<b>VII. Actuarial Assumption</b>		
Discount rate	9.31%	8.00%
Salary escalation	7.50%	7.50%
Mortality	Indian Assured Lives Mortality(2006-08) Ultimate	LIC 1994-96 (Ultimate)
The above information is as certified by the actuary.		

**19. Operating Lease:**

The Company has taken office premise on cancellable operating lease basis. The agreement is executed for period upto 36 months with a renewal clause. Operating lease rentals debited to the Statement of Profit and Loss for the year is Rs. 3,252,312/- (Previous year Rs.3,252,312/-)

**Notes to financial statements**

**20. Deferred Tax :**

	<b>As at 31.03.2014 Rupees</b>	<b>As at 31.03.2013 Rupees</b>
Deferred Tax Assets / (Liabilities) (net):		
Difference in Written Down Value of Fixed Assets	(436,034)	(377,326)
Deferred Tax (Liability)	<b>(436,034)</b>	<b>(377,326)</b>
Provision for Compensated Absences	670,816	391,947
Carry Forward business losses and Depreciation	30,823,068	18,428,568
Deferred Tax Asset	<b>31,493,884</b>	<b>18,820,515</b>
Deferred Tax Asset Recognised	<b>436,034</b>	<b>377,326</b>

Recognition of deferred tax asset is restricted to the amount of deferred tax liability in view of losses incurred during the year. Deferred tax asset has not been recognised in the absence of virtual certainty.

21. The Company has obtained a Bank Guarantee of Rs.500,000,000/- (Previous Year Rs.500,000,000/-) in favour of MCX Stock Exchange Limited (holding company) from Punjab National Bank as a fall back measure with respect to return of cash deposits collected as margin money/security deposit from the banks who are the clearing members of the Company. The Company has deposited Rs.250,000,000/- (Previous Year Rs.250,000,000/-) as fixed deposit with the bank towards the guarantees issued by the said bank.

22. The Company has set up a Settlement Guarantee Fund, the details of which are provided hereunder. Besides this the risk management process includes an insurance coverage of Rs. 250,000,000/-(Previous Year Rs. 100,000,000/-).

(Rupees)

Sr No	As on March 31, 2014	Total SGF	Exchange Contribution	Member Deposits				
				Cash Deposits*	Non Cash deposits			
					Bank Guarantee	Fixed Deposit Receipts	Govt. Securities	Other Approved Securities
1	Equity Cash Market	440,005,092	25,000,000	319,821,565	29,400,000	63,482,058	-	2,293,770
2	Equity Derivatives Segment	662,202,585	25,000,000	181,725,010	105,500,000	347,000,000	-	2,977,575
3	Currency Derivative Segment	7,219,023,964	25,000,000	383,658,321	2,155,375,000	2,729,896,177	1,470,484,980	-
4	Debt Market Segment	33,000,000	25,000,000	8,000,000	-	-	-	454,609,485
		<b>8,354,231,641</b>	<b>100,000,000</b>	<b>893,204,896</b>	<b>2,290,275,000</b>	<b>3,140,378,235</b>	<b>1,470,484,980</b>	<b>459,880,830</b>

\* Includes an amount of Rs 273,000,000/- lying in MCX-SX as a part of total SGF available in the eventuality of default

## Notes to financial statements

(Rupees)

Sr No	As on March 31, 2013	Total SGF	Exchange Contribution	Member Deposits				
				Cash Deposits*	Non Cash deposits			
					Bank Guarantee	Fixed Deposit Receipts	Govt. Securities	Other Approved Securities
1	Equity Cash Market	571,512,478	25,000,000	344,862,464	95,550,000	106,100,000	-	14
2	Equity Derivatives Segment	1,887,359,475	25,000,000	272,550,010	627,500,000	907,200,000	-	55,109,465
3	Currency Derivative Segment	10,780,419,845	25,000,000	592,432,328	2,946,000,000	4,192,527,168	2,270,931,651	753,528,698
		13,239,291,798	75,000,000	1,209,844,802	3,669,050,000	5,205,827,168	2,270,931,651	808,638,177

\* Includes an amount of Rs 246,000,000/- lying in MCX-SX as a part of total SGF available in the eventuality of default

**23. Segment Reporting:**

The Company operates only in the business of clearing and settlement services of trades carried out at MCX Stock Exchange Limited within India. Consequently, there is no reportable business or geographical segments.

- 24. Securities and Exchange Board of India (SEBI) vide its Order no. WTM/RKA/MRD-DSA/11/2014 dated March 19, 2014 had declared Financial Technologies (India) Limited (FTIL, promoter of the Company) as not fit and proper person to acquire or hold any equity share or any instrument that provide for entitlement for equity shares or rights over equity shares at any future date in a recognized stock exchange or clearing corporation either directly or indirectly. Further, vide the same Order SEBI had directed inter-alia that FTIL shall divest the equity shares and/or any instrument that provide for entitlement for equity shares or rights over equity shares at any future date held by it directly or indirectly in the Company within 90 days from the date of the Order through sale of shares and/or instruments and FTIL and entities through whom it indirectly holds equity shares or any instrument entitling voting rights in the Company shall cease to be entitled to exercise voting rights in respect of those shares or instruments with immediate effect. SEBI vide letter reference MRD/DSA/OW/8508/2014 dated March 20, 2014, directed the Company to ensure necessary compliance therewith. In view thereof the Company, vide its letter dated March 27, 2014, intimated FTIL to comply with aforesaid order of SEBI. Currently, FTIL is yet to comply with the said Order in so far as it continues to hold 23% of the paid-up equity share capital of the Company, though these shares are not entitled for a voting right. The Board of the Company has taken a view that the voting rights of FTIL ceases.**

25. Figures of the previous year have been regrouped wherever necessary to correspond with those of the current year.

Signature to Notes to Financial Statements 1 to 25

**For and on behalf of the Board**

**Vepa Kamesam**  
Chairman

**U. Venkataraman**  
MD & CEO

**Ameya Paranjape**  
Company Secretary

Place : Mumbai  
Date : May 21, 2014



## ANNUAL REPORT 2013-14



## CORPORATE INFORMATION

### Board of Directors

- Mr. Saurabh Sarkar
- Mr. Suniel Vichare
- Mr. Sanjit Prasad

### Statutory Auditors

- M/s. V. Sankar Aiyer and Co\*

### Registered Office

- Exchange Square, CTS No. 255, Suren Road, Chakala, Andheri (E), Mumbai – 400093.

*\*Appointed for the F.Y. 13-14*

## Directors' Report

### To The Members, MCX-SX KYC Registration Agency Limited

Your Directors have pleasure in presenting their Second Annual Report and Audited Statement of Accounts and the Auditors' Report for the period commencing from April 01, 2013 to March 31, 2014.

#### 1. FINANCIAL RESULTS

	(Amount in Rs.)	
Particulars	April 01, 2013 to March 31, 2014	April 01, 2012 to March 31, 2013
Total Income	-	-
Less: Expenditure	19,672	27,775
Loss Before Tax	(19,672)	(27,775)
Less: Provision For Tax	-	-
Loss After Tax	(19,672)	(27,775)

#### 2. REVIEW OF OPERATIONS

Your Company is a wholly owned subsidiary of M/s. MCX Stock Exchange Limited ('MCX-SX'). Your Company will commence its business operations as KYC registration agency upon receipt of approval from SEBI.

#### 3. DIVIDEND AND RESERVES

No dividend is recommended by the Board as the Company is yet to commence its business operations and has not been making profits. For the same reason, no amount is available for transferring to the General Reserves for the period ended March 31, 2014.

#### 4. SHARE CAPITAL

The authorized and paid-up share capital of the Company is ₹ 5 lakh divided into 50,000 equity shares of ₹ 10/- each entirely held by MCX-SX.

#### 5. DIRECTORS

During the year Mr. U Venkataraman ceased to be Director w.e.f. April 03, 2014. Subsequently Mr. Saurabh Sarkar was appointed as an additional director of the Company



w.e.f. April 03, 2014. Mr. Saurabh Sarkar would hold office till the date of the forthcoming Annual General Meeting.

The Company has received notice in writing from a member under Section 160 of the Companies Act, 2013 along with requisite deposit, proposing the candidature of Mr. Saurabh Sarkar for the office of Director of the Company.

Your Directors recommend the appointment of Mr. Saurabh Sarkar as the Director of the Company.

## **6. HUMAN RESOURCES & PARTICULARS OF EMPLOYEES**

There are no employees in the company and accordingly no disclosure is being made under section under sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975

## **7. AUDITORS**

M/s. Mukesh P. Shah & Co., Chartered Accountants, Mumbai, Statutory Auditors of the Company resigned w.e.f. February 10, 2014 and subsequently M/s. V. Sankar Aiyer and Co, Chartered Accountants, Mumbai were appointed as Statutory Auditors of the Company in the Extra Ordinary General Meeting held on February 03, 2014 to hold office up to conclusion of ensuing Annual General Meeting of the Company.

For F.Y 2014-15, the company is examining applicability of section 139(5) of the new Companies Act, 2013 to it in view of its being a 100% subsidiary of MCX Stock Exchange Ltd which is covered by the said section and will place suitable resolution before the members.

## **8. DEPOSITS**

The Company has not accepted any public deposits during the reported period.

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

### **A. Conservation of Energy, Technology Absorption**

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

### **B. Foreign Exchange earnings/outgo during the year under review**

There were no foreign exchange earnings or expenditure during the period under review.



**10. SWEAT EQUITY SHARES**

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

**11. DIRECTORS' RESPONSIBILITY STATEMENT**

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

- i. In the preparation of the annual accounts for the period ended March 31, 2013, the applicable accounting standards have been followed and there are no material departures;
- ii. They have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii. They have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- iv. They have prepared the annual accounts on a going concern basis.

**12. BUY-BACK OF SHARES**

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.

**13. ACKNOWLEDGEMENTS**

The Directors wish to convey their appreciation to SEBI, investors, auditors, and other concerned government departments for their co-operation.

**For and on behalf of the Board of Directors**

**Saurabh Sarkar**  
**Director**

**Place: Mumbai,**  
**Date: September 09, 2014**

## Independent Auditor's Report

### To the Members of MCX-SX Registration Agency Limited.

#### Report on the Financial Statements

We have audited the accompanying financial statements of MCX-SX Registration Agency Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended (Period) and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b) In the case of the Statement of Profit and Loss, of the Loss for the period ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;

- e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

**For V. Sankar Aiyar & Co.**  
**Chartered Accountants**  
**FRN: 109208W**

**G. Sankar**  
**Partner**  
**Membership No. : 46050**

**Place: Mumbai**  
**Date: May 20, 2014**



## Annexure to Auditors' Report

### Referred to in Paragraph 3 of our report of even date

1. The Company does not have any fixed assets during the period, hence Paragraph 4 (i) (a), (b) and (c) of the order are not applicable to the Company.
2. The Company is a service company; accordingly it does not hold any physical inventories, hence, Paragraph 4 (ii) of the order is not applicable to the Company.
3. The company has not granted/taken any loans secured or unsecured to/from any party covered in the register maintained under section 301 of the Act during the year. Therefore, the requirements of Clause 4(iii) (a) to (g) of the Order are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, the company has not purchased any fixed assets nor started activities of rendering services or sales of goods, hence paragraph 4(iv) of the order is not applicable to the Company.
5. According to the information given to us, there were no transactions carried out during the year pursuant to the contracts or arrangements referred in section 301 of the act. Accordingly Paragraphs 4(v) (a) and (b) of the order are not applicable.
6. The company has not accepted any deposits from the public during the year and therefore, the provisions of Paragraph 4(vi) of the order are not applicable on the company.
7. The company has not commenced business of rendering services and hence Paragraph 4(vii) is not applicable.
8. We are informed that the Central Government has not prescribed the maintenance of cost records u/s 209 (1) (d) of the Companies Act, 1956.
9. In respect of the statutory dues:
  - a. The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including, Sales Tax, Income Tax, Service Tax, Custom and other material statutory dues. 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, 2014 for a period of more than six months from the date of becoming payable.

- b. According to the information and explanations given to us, no disputed statutory dues on account of, Service tax, Income Tax, Sales Tax and Cess were outstanding, as at March 31, 2014
10. The Company is registered for a period less than five years; hence paragraph 4(x) of the order is not applicable to the company.
11. The company did not have any outstanding dues to any financial institutions, banks or debenture holders during the year.
12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company 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. Accordingly, clause 4(xiii) of the Order does not apply.
14. In our opinion and according to the information and explanations given to us the Company is not dealing or trading in shares, securities, debentures or other investment.
15. In our opinion and according to information and explanations provided to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company has not taken Term loans during the period therefore Paragraph 4(xvi) is not applicable.
17. According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short-term basis used for making long-term investments.
18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956. Paragraph 4(xvii) of the order is not applicable to the Company.
19. The Company has not issued any debentures during the year. Accordingly, clause 4(xix) of the Order does not apply.
20. The Company has not raised any money by way of public issue during the year. Accordingly clause 4(xx) of the Order does not apply.

21. According to the information and explanations given to us, and based on audit procedures performed and representations obtained from the management, we report that no material fraud on or by the Company, has been noticed or reported during the year under audit.

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

**Chartered Accountants**

**Firm's registration number: 109208W**

**G. Sankar**

**Partner**

**Membership No. : 46050**

**Place: Mumbai**

**Date: May 20, 2014**

**BALANCE SHEET AS AT MARCH 31, 2014**

	Notes No.	31st March 2014	31st March 2013
		₹	₹
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Fund</b>			
Share capital	2	500,000	500,000
Reserve and surplus	3	(102,781)	(83,109)
		<b>397,219</b>	<b>416,891</b>
<b>Current liabilities</b>			
Trade payables	4	22,572	20,224
Other current liabilities	5	-	2,248
		<b>22,572</b>	<b>22,472</b>
		<b>419,791</b>	<b>439,363</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	6	419,791	439,327
Short term loans and advances	7	-	36
		<b>419,791</b>	<b>439,363</b>
		<b>419,791</b>	<b>439,363</b>
Summary of significant accounting policies	1		

The accompanying notes are integral part of the financial statements

As per our report of even date

**For V.Sankar Aiyar & Co.**  
Chartered Accountants

**G.Sankar**  
Partner  
Membership No.: 46050

Place : Mumbai  
Date : May 20, 2014

**For and on behalf of the Board**

**Saurabh Sarkar**   **Suniel Vichare**  
Director                      Director



**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014**

	Notes No.	Year ended 31st March 2014	Year ended 31st March 2013
		₹	₹
<b>Income</b>		-	-
<b>Total revenue</b>		-	-
<b>Expenditure</b>			
Other expenses	8	19,672	27,775
<b>Total expenses</b>		<b>19,672</b>	<b>27,775</b>
Loss before tax		<b>(19,672)</b>	<b>(27,775)</b>
Less : Provision for Taxation		-	-
<b>Loss for the year/period</b>		<b>(19,672)</b>	<b>(27,775)</b>
Earnings per equity share of face value of ₹10/- each	9		
Basic and Diluted (in ₹)		(0.39)	(0.56)
Summary of significant accounting policies	1		

The accompanying notes are integral part of the financial statements

As per our report of even date

**For V.Sankar Aiyar & Co.**  
Chartered Accountants

**G.Sankar**  
Partner  
Membership No.: 46050

Place : Mumbai  
Date : May 20, 2014

**For and on behalf of the Board**

**Saurabh Sarkar**  
Director

**Suniel Vichare**  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

Particulars	31st March 2014		31st March 2013	
	₹	₹	₹	₹
<b>A. Cash flow from Operating Activities</b>				
Net loss before tax		(19,672)		(27,775)
<b>Adjustments</b>		-		-
<b>Operating loss before working capital changes</b>		(19,672)		(27,775)
<b>Changes in working capital:</b>				
<b>Adjustments for (increase) / decrease in operating assets:</b>				
Short-term loans and advances	36		(36)	
<b>Adjustments for increase / (decrease) in operating liabilities:</b>				
Trade payables	2,348		20,224	
Other current liabilities	(2,248)		(53,086)	
		136		(32,898)
<b>Cash (used) / generated from operations</b>		(19,536)		(60,673)
Less: Taxes paid		-		-
<b>Net Cash (used) / generated from operations</b>		(19,536)		(60,673)
<b>B. Cash flow from Investing Activities</b>		-		-
<b>C. Cash flow from Financing Activities</b>				
Proceeds from issuance of shares		-		-
<b>Net Cash Generated from Financing Activities</b>		-		-
<b>Net cash flow during the year</b>		(19,536)		(60,673)
<b>Net increase in cash and cash equivalents</b>		(19,536)		(60,673)
<b>Cash and cash equivalents (opening balance)</b>		439,327		500,000
<b>Cash and cash equivalents (closing balance)</b>		419,791		439,327

## Notes to cash flow statement:

- Cash and cash equivalents include cash and bank balances in current and deposit accounts.  
Cash and cash equivalents includes:

Cash and cheques on hand  
Bank balances  
- in current account  
- in deposit account (maturing within 3 months)

Cash and cash equivalents  
- In deposit account (maturing more than 3 months)  
- Interest accrued on fixed deposits

31st March 2014	31st March 2013
-	-
419,791	439,327
-	-
419,791	439,327
-	-
-	-
419,791	439,327

- The Cash flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 (AS 3) "Cash Flow Statement" issued by the Companies (Accounting Standards) Rules, 2006.
- Previous period figures have been regrouped, rearranged and reclassified wherever necessary to make Comparable.

The schedules referred to above form an integral part of the accounts.

As per our report of even date

**For V.Sankar Aiyar & Co.**  
Chartered Accountants

**G.Sankar**  
Partner  
Membership No.: 46050  
Mumbai  
Date : May 20, 2014

**For and on behalf of the Board**

**Saurabh Sarkar**  
Director

**Suniel Vichare**  
Director

## Notes to financial statements for the year ended 31st March 2014

**1 Summary of significant accounting policies****1.1 Basis of accounting and preparation of financial statements**

The financial statements of the company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous period. All assets and liabilities are classified as current or non-current as per the company's normal operating cycle and other criteria as set out in the Revised Schedule VI to the Companies Act, 1956.

**1.2 Use of estimates**

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

**1.3 Cash and cash equivalents (for purposes of Cash Flow Statement)**

Cash comprises cash at bank. Cash equivalents are short-term balances and demand deposits with an original maturity of three months or less from the date of acquisition

**1.4 Revenue recognition**

Revenue is recognized when no significant uncertainty as to determination or realization exists.

**1.5 Taxes on income**

Income taxes are accounted for in accordance with Accounting Standard (AS-22) "Accounting for Taxes on Income". Tax expense comprises current tax, deferred tax. Current tax is the amount of tax payable on the taxable income for the year as

determined in accordance with the applicable tax laws. The company recognizes deferred tax (subject to consideration of prudence) based on the tax effect of timing differences, being differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of profit and loss using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are not recognized on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

### **1.6 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 assets. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at lower of historical cost or recoverable amount.

### **1.7 Provisions and contingencies**

The company recognizes a provision when there is a present obligation as a result of past event on which it is probable that there will be outflow of resources to settle the obligation in respect of which reliable estimates can be made.

Contingent liabilities are disclosed by way of notes to Financial Statements after careful evaluation by the management of the facts and legal aspects of the matter involved.

Contingent assets are neither recognized nor disclosed.



**2 Share Capital**

	31st March 2014		31st March 2013	
	No. of Shares	₹	No. of Shares	₹
<b>Authorised:</b>				
Equity shares of Rs.10/- each	50,000	500,000	50,000	500,000
	<b>50,000</b>	<b>500,000</b>	<b>50,000</b>	<b>500,000</b>
<b>Issued, Subscribed and Paid up:</b>				
Equity shares of Rs.10/- each fully paid up	50,000	500,000	50,000	500,000
	<b>50,000</b>	<b>500,000</b>	<b>50,000</b>	<b>500,000</b>

**(a) Reconciliation of the shares outstanding at the beginning and at the end of the period**

	31st March 2014		31st March 2013	
	No. of Shares	₹	No. of Shares	₹
<b>Equity shares</b>				
At the beginning of the year	50,000	500,000	50,000	500,000
Issued during the year/period	-	-	-	-
Outstanding at the end of the year/period	<b>50,000</b>	<b>500,000</b>	<b>50,000</b>	<b>500,000</b>

\* The company has only one class of equity shares having par value of Re 10/- each. Each holder of equity share is entitled to one vote per share. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of all preferential amounts in proportion to their shareholdings.

**(b) Shares held by Holding Company**

	31st March 2014		31st March 2013	
	No. of Shares	₹	No. of Shares	₹
MCX Stock Exchange Ltd	<b>50,000</b>	<b>500,000</b>	<b>50,000</b>	<b>500,000</b>

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

	31st March 2014		31st March 2013	
	No. of Shares	% holding	No. of Shares	% holding
MCX Stock Exchange Ltd	<b>50,000</b>	<b>100.00%</b>	<b>50,000</b>	<b>100.00%</b>

**3 Reserves and Surplus**

	31st March 2014		31st March 2013	
	₹	₹	₹	₹
<b>Surplus in statement of Profit and Loss Account</b>				
Balance as per last financial statements	(83,109)		(55,334)	
Profit for the year/period	(19,672)	(102,781)	(27,775)	(83,109)
		<b>(102,781)</b>		<b>(83,109)</b>

**4 Trade payables**

	31st March 2014	31st March 2013
	₹	₹
Trade payables (refer note 12 for details of dues to micro and small enterprises)	22,572	20,224
	<b>22,572</b>	<b>20,224</b>

**5 Other Current Liabilities**

	31st March 2014	31st March 2013
	₹	₹
<b>Statutory payables</b>		
TDS payable	-	2,248
	<b>-</b>	<b>2,248</b>

**6 Cash and Bank Balances**

	31st March 2014	31st March 2013
	₹	₹
<b>Cash and cash equivalents</b>		
Balances with banks:		
- in current accounts	419,791	439,327
	<b>419,791</b>	<b>439,327</b>

**7 Short Term Loans and Advances**

	31st March 2014	31st March 2013
	₹	₹
<b>Other loans and advances</b>		
Prepaid expenses	-	36
	<b>-</b>	<b>36</b>

**8 Other Expenses**

	Year ended 31.03.2014	Year ended 31.03.2013
	₹	₹
Professional fees	8,300	2,000
Registration and other charges	136	494
Payment to auditor (refer details below) *	11,236	25,281
	<b>19,672</b>	<b>27,775</b>
	Year ended 31.03.2014	Year ended 31.03.2013
	₹	₹
<b>Details of payment to auditors:</b>		
As auditor		
Audit fee	11,236	11,236
In other capacity		
Taxation matters	-	11,236
Other services	-	2,809
	<b>11,236</b>	<b>25,281</b>

**9. Earnings per share (EPS)**

The following reflects the profit and share data used in the basic and diluted EPS computations:

	31st March 2014	31st March 2013
Net Profit / (Loss) after tax for calculation of basic EPS	(19,672)	(27,775)
Weighted average number of equity shares basic and diluted (nos.)	50,000	50,000
Basic and diluted earnings per share	(0.39)	(0.56)
Nominal value of equity share	10/-	10/-

**10 Related party disclosures**

**Name of related parties and related party relationship :**

**A) Company whose control exists (holding company)**

**MCX Stock Exchange Ltd (since incorporation)**

**B) Details of transactions with related parties**

Nature of Transaction	31st March 2014	31st March 2013
Issue of Share Capital	-	-
Reimbursement of expenses : - charged by them	-	530

**11 Contingent liabilities and commitments**

	31st March 2014	31st March 2013
a) Estimated amount of contract to be executed in capital account and not provided for	-	-
b) For commitments relating to lease arrangements,	-	-
c) Contingent liabilities not provided for	-	-
	<b>NIL</b>	<b>NIL</b>

**12 Details of due to micro and small enterprises as defined under the MSMED Act, 2006**

	31st March 2014	31st March 2013
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
Principal amount due to micro and small enterprises	-	-
Interest due on above	-	-
	<b>NIL</b>	<b>NIL</b>

Disclosures as required under Schedule VI of the Companies Act, 1956 relating to amounts unpaid as at the year-end together with interest unpaid/payable etc. have been considered and disclosed on the basis of and to the extent replies to the company's communication received from vendors/suppliers, etc. regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006.

13 The Financial Statements are prepared and audited for the purpose of consolidation in the books of the holding company.

**As per our report of even date**

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

**For and on behalf of the Board.**

**Chartered Accountants**

**G.Sankar**  
**Partner**  
**Membership No.: 46050**  
**Place : Mumbai**  
**Date : May 20, 2014**

**Saurabh Sarkar**  
**Director**  
**Suniel Vichare**  
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**Place : Mumbai**  
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