



## ANNUAL REPORT 2010-11





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

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

# Table of Content

## MCX-SX CCL

▶	Corporate Information.....	<b>1</b>
▶	Director's Report.....	<b>2</b>
▶	Auditors' Report .....	<b>10</b>
▶	Financial Statements	
▶	Balance Sheet .....	<b>14</b>
▶	Profit & loss Account .....	<b>15</b>
▶	Cash flow statement .....	<b>16</b>
▶	Schedules to financial statement.....	<b>18</b>
▶	Balance sheet abstract .....	<b>31</b>

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

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

## KEY ASSOCIATES

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

## CLEARING BANKS

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

## REGISTERED OFFICE

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

# DIRECTOR'S REPORT

To

The Members,

## MCX SX CLEARING CORPORATION LIMITED

Your Directors are pleased to present their Third 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, 2011.

### 1. REVIEW OF OPERATIONS

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

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

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

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

During the financial year 2010-11, the Clearing Corporation has successfully carried out 249 settlements amounting to ₹ 2086.73 crore without any delay and shortages. On account of its robust risk management practices, SGF has never been put to use. Quantum of transactions cleared by the clearing corporation significantly increased in the current financial year as compared to the previous year as given below.

Financial Year	No of trades	No of contracts traded	Trade Value in ₹ crore
2009-10	10,740,635	408,166,278	1944654.10
2010-11	18,279,691	903,185,639	4194017.48
Growth (%)	70.19%	121.28%	115.67%

Monthly statistics of transactions and settlements:

Month	No of Trades	No of Contracts Traded	Trade Value (in ₹ Crs.)	Daily Settlement (in ₹ Crs.)	Final Settlement (in ₹ Crs.)	Total Settlement (in ₹ Crs.)
10-Apr	1290128	81607363	373371.63	71.81	2.04	73.85
10-May	1696840	89751764	423075.05	325.61	9.71	335.32
10-Jun	1827641	88814522	425087.62	217.57	4.16	221.74
10-Jul	1574831	66415185	320015.51	177.78	3.53	181.31
10-Aug	1581895	60967200	291018.49	98.02	0.39	98.41
10-Sep	1526141	78807686	366194.76	164.19	6.71	170.9
10-Oct	1504439	80026906	358428.74	198.77	5.27	204.04
10-Nov	1380513	72963218	332252.82	175.9	6.59	182.49
10-Dec	1275583	60388799	276019.3	212.52	1.04	213.56
11-Jan	1470816	74071176	341912.84	112.01	6.47	118.47
11-Feb	1296639	61249728	282742.21	140.94	6.22	147.16
11-Mar	1854225	88122092	403898.5	134.68	4.83	139.5
<b>2010-11</b>	<b>18279691</b>	<b>903185639</b>	<b>4194017.48</b>	<b>2029.78</b>	<b>56.96</b>	<b>2086.73</b>

The transaction volumes cleared through the company has remained consistent and strong throughout the review period. Highest trade value was observed on March 29, 2011 (₹ 26,741.38 crore) and highest settlement value was observed on May 28, 2010 (₹ 53.11 crore)

## B) Risk Management - Currency

### Derivatives Segment:

The robust risk management framework implemented at MCX-SXCCL acts as its backbone to effectively assume the role of the central counterparty and guarantee settlements. The Clearing Corporation has adopted internationally acclaimed SPAN® (SPAN® is a registered trademark of Chicago Mercantile Exchange used herein under License) methodology for computing margin requirement for client portfolios, in terms of regulatory prescriptions. SPAN® estimates potential losses at 16 different

scenarios of price and volatility movements and applies the worst case loss on the portfolio as initial margins. Portfolio level margins are aggregated at Trading Member level and clearing member level and compared against the prudential limits on a real-time basis to ensure that clearing corporation is insulated from losses arising out of member defaults.

Risk parameters used in SPAN® are computed based on Exponentially Weighted Moving Average (EWMA) methodology as prescribed by the RBI-SEBI Standing Technical Committee on Exchange Traded Currency Futures. Collection of margins based on the above methodology cover potential losses based on 99% value at risk over a one day time horizon. Risk parameters used in SPAN® are revised 5 times a day as per extant regulatory prescriptions to account for the intraday price fluctuations of the contract.

The Clearing Corporation charges extreme loss margins over and above SPAN® margins to cover the risk arising out of unprecedented price movements and volatility. Additionally, Clearing Corporation has put in place a mechanism to monitor MTM losses on a real time basis to proactively pre-empt settlement defaults.

On violating the prescribed limits, members are automatically put in the 'square off mode' after which they can reduce open positions and are not allowed to take fresh positions. Members will be brought into the 'normal mode' of trading only after the member reduces its open position below the allowable limits.

Following table depicts the underlying wise average annualized volatility of near month futures contracts, underlying wise open interest and corpus of the Settlement Guarantee Fund (SGF) as on last working day of the month

Month	Open interest in contracts				Annualized volatility (%)			
	USD-INR	EUR-INR	GBP-INR	JPY-INR	USD-INR	EUR-INR	GBP-INR	JPY-INR
10-Apr	520257	16869	11769	5644	5.16	9.22	9.96	14.82
10-May	521660	19737	10757	5729	8.59	10.44	11.07	18.7
10-Jun	799143	17556	10378	5454	11.63	10.74	12.05	20.61
10-Jul	746195	15811	8527	9656	8.18	10.41	11.19	15.41
10-Aug	751075	18221	6107	18191	6.45	9.43	8.77	12.09
10-Sep	872122	14475	4325	9529	5.03	8.18	7.78	11.6
10-Oct	777735	13757	5955	11965	7.12	8.02	7.71	9.17
10-Nov	876440	19947	4914	7258	6.99	9.33	7.62	8.84
10-Dec	771627	17688	14648	10407	7.94	8.85	7.65	8.58
11-Jan	791237	43072	18000	15192	6.8	10.79	8.58	8.03
11-Feb	689875	32974	16558	16645	5.35	10.03	7.82	8.34
11-Mar	716238	52234	12186	14130	4.78	8.49	7.83	14.37


The SGF had grown from Rs. 372.35 crore as on March 31, 2010 to Rs. 622.02 crore as on March 31, 2011. The growth in SGF is commensurate with the growth in transaction volumes and open interest.

**C) New Initiatives and Developments**

Many initiatives had been taken by MCX-SXCCL to bring efficiency in clearing and settlement operations as well as to provide better services to its business partners.

Deloitte Touche Tohmatsu India Private Limited ("DTTIPL"), an external agency, was appointed to review the systems and procedures followed by MCX-SXCCL and its compliance to the recommendations jointly issued by IOSCO and Bank of International Settlement (BIS). These recommendations are known as CPSS-IOSCO recommendations for Securities Settlement Systems, and considered international benchmarks for Central Counter Parties (CCP) and Central

**1) Compliance to CPSS-IOSCO recommendations for Securities Settlement Systems**



Security Depositories (CSD). Based on DTTIPL review report, the systems and procedures followed by MCX-SXCCL are in compliance with the CPSS-IOSCO recommendations for Securities Settlement Systems.

## **2) LAAA (SO) rating from ICRA:**

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

## **3) ISO Certification:**

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.

## **4) New Clearing Banks:**

MCX-SXCCL has empanelled IDBI Bank as Clearing Bank in the month of November 2010. Currently MCX-SXCCL has ten banks functioning as its clearing banks. Other existing clearing banks are viz, HDFC Bank, ICICI Bank, Axis Bank, State Bank of India, Union Bank of India, Kotak Mahindra Bank, Indusind Bank, Yes Bank and Bank of India. MCX-SXCCL is in the process of adding more banks to the league of clearing banks to provide wide choice to the clearing members.

## **5) New Custodian for Collaterals:**

Stock Holding Corporation of India Limited (SHCIL) was empanelled as an approved custodian for acceptance of collaterals in the form of equity shares and exchange traded funds from Clearing Members. HDFC Bank and IL&FS Securities Services Limited (ISSL) are the other empanelled custodians. However ISSL is yet to commence its operations as a custodian.

## **6) Introduction of new systems**

### **a. Risk Analysis & Management System (RAMS)**

Clearing Corporation has implemented RAMS to strengthen its Risk Management Capabilities. RAMS system provides for simulation of margins considering various scenarios of prices and volatility. It has capabilities to identify illiquid contracts, compute theoretical prices for illiquid contracts and generate risk parameter files for SPAN® at scheduled time intervals.

### **b. Secured FTP (SFTP)**

Clearing Corporation has introduced Secured FTP to facilitate transfer of electronic files between the Clearing Corporation and various intermediaries including Clearing Banks, Custodians and Members. While SFTP ensure higher level of security using multiple layers of user authentication and password complexities, it provides flexibility to members to access the FTP server through internet.

### **c. New system for Collateral Management**

A new system for management of collaterals was introduced in December 2010. The system provides distinct features for entry of various forms of collaterals ensuring better control and operational convenience.



**2. FINANCIAL RESULTS**

(Amount in ₹)

	Period ended March 31, 2011	Period ended March 31, 2010
Total Income	121,086,568	120,575,406
Less: Expenditure	111,123,478	109,185,339
Profit Before Tax	9,963,090	11,390,067
Less: Provision For Tax	-	-
<b>Profit After Tax</b>	<b>9,963,090</b>	<b>11,390,067</b>

During the year under review, the Company has registered a total income of ₹ 121,086,568/- as against ₹120,575,406/- for the previous year. The profit after tax for the year under review is ₹ 9,963,090/- as compared to ₹ 11,390,067/- for the previous year.

**3. PERFORMANCE**

There has been an impressive growth in the market parameters, the volumes and number of contracts cleared and settled and also in the open interest. This has resulted in correspondingly enhanced profitability for the Clearing Corporation.

**4. DIVIDEND AND RESERVES**

No dividend is recommended by the Board in view of the Company being in its initial stages. For the same reason, no amounts are proposed to be carried to the reserves for the year ended March 31, 2011.

**5. OUTLOOK FOR THE CURRENT YEAR**

The applications of MCX-SX, the holding company of the Clearing Corporation seeking regulatory approvals for commencement of trading in other segments and products was turned down by the Securities and Exchange Board of India (SEBI) by an Order dated September 23, 2010. MCX-SX has

challenged the same by way of a writ petition before the Hon'ble High Court of Bombay, which is pending decision. Upon commencement of trading in the new asset classes at MCX-SX post regulatory approvals, the said asset classes would also be introduced in the different clearing segments of MCX-SXCCL.

Your company has been constrained in the matter of charging fees for its services on account of the fact that its sole customer and holding company, MCX-SX was unable to charge any transaction fee or earn other operational income on services provided by it to its customers. This was on account of the relentless predatory zero pricing practices adopted by its superdominant competitor ever since commencement of its operations. The Company had approached the Competition Commission of India for relief against the anticompetitive practices of the competitor and the Commission has now passed an order dated June 23, 2011, finding the competitor to be in contravention of several clauses of section 4 of the Competition Act, 2002 and inter alia directing under Section 27 of the Act as under –

- a) directing the competitor to cease and desist from unfair pricing, exclusionary conduct and unfairly using its dominant position in other market/s to protect the CD market with immediate effect;
- b) directing the competitor to maintain separate accounts for each segment from April 1, 2012;

- c) directing the competitor to modify its zero price policy and ensure that appropriate transaction costs are levied – to be implemented within 60 days of the order;
- d) imposing a penalty of ₹ 55.5 crore on the competitor;

Your company hopes to do much better in the next year as conditions of free and fair competition are expected to be restored in the stock exchange services market in view of the above order, which will then allow MCX-SX to earn operational income, which would in turn enable your Company to have a more realistic business model.

## 6. SHARE CAPITAL

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

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

## 7. DIRECTORS

Mr. Paras Ajmera and Prof. (Mrs.) Ashima Goyal retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

## 8. MANAGEMENT

The Management of the Company is headed by Mr. U. Venkataraman, the CEO and Whole-time Director of the Clearing Corporation.

## 9. HUMAN RESOURCES

During financial year 2010-11, emphasis was given to Human Resource Planning with the objective of optimum utilization of existing manpower. The total strength of employees as on March 31, 2011 was 9.

## 10. AUDITORS

The retiring auditors, M/s V. Sankar Aiyar & Co., Chartered Accountants, Mumbai, have given a letter confirming that if re-appointed, they will be in compliance with the limits provided in section 224(1B) of the Companies Act, 1956. Your Directors recommend their reappointment.

## 11. AUDIT COMMITTEE

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

1. Mr. P.R. Barpande – Independent Chairman
2. Prof. (Mrs.) Ashima Goyal – Member (Independent Director)
3. Mr. Joseph Massey – Member (Non-executive Director)

The Audit Committee met five times during Financial Year 2010-11 to transact business.

**12. DEPOSITS**

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

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

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

**14. PARTICULARS OF EMPLOYEES**

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

**15. 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.

**16. DIRECTORS' RESPONSIBILITY STATEMENT**

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


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

**17. BUY-BACK OF SHARES**

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

**18. ACKNOWLEDGEMENTS**

The Directors wish to convey their appreciation to the Company's employees for their enormous personal efforts as well as their collective contribution to enable the



Company to meet the challenges set before it. The Directors would also like to place on record their gratitude for the valuable guidance and support received from Securities and Exchange Board of

India, Reserve Bank of India and clearing members, banks, clearing banks, technology providers and all other business associates and for the confidence reposed by them in your Company's Management.

For and on behalf of the Board of Directors

**Joseph Massey**  
Chairman


Place : Mumbai  
Date: June 30, 2011

# AUDITOR'S REPORT

## TO THE SHAREHOLDERS OF

### MCX-SX CLEARING CORPORATION LIMITED

1. We have audited the attached Balance Sheet of MCX-SX Clearing Corporation Limited as at 31st March 2011 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 and read together with the Companies (Auditor's Report) Amendment Order, 2004 (hereinafter referred to as the Order) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of those books;
  - (iii) The Company's Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable.
  - (v) On the basis of written representations received from the Directors as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;



(vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts and read with the Significant Accounting Policies and other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011,
- (b) In the case of the Profit and Loss Account, of the profit for the year ended on that date, and
- © In the case of the Cash Flow Statement of the cash flows for the year ended on that date.

For **V. Sankar Aiyar & Co**  
Chartered Accountants  
Firm Reg. No. 109208W

**[G. Sankar]**  
Partner  
Membership No. 46050

Place : Mumbai  
Date: April 28, 2011

**ANNEXURE REFERRED TO IN  
PARAGRAPH 3 OF AUDITOR'S REPORT TO  
THE SHAREHOLDERS OF MCX-SX  
CLEARING CORPORATION LIMITED ON  
THE ACCOUNTS FOR THE YEAR ENDED  
31st March 2011.**

- i. The company has maintained proper records showing, full particulars including quantitative details and situation of fixed assets.

All the assets have been physically verified by the management during the year and in our opinion, the verification program is reasonable having regard to the size of the company and the nature of the assets. No material discrepancy was noticed on such verification.

Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.

- ii. The activities of the Company and the nature of its business do not involve the use of inventories. Accordingly, clause 4(ii) of the Order is not applicable to the company.
- iii. The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanation given to us, there exists adequate internal control system commensurate with the size of company and the nature of its business with regard to purchase of fixed assets and sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the company.
- v. According to the information and explanations given to us, the Company has not entered into any contract or

arrangement during the year with parties, which needs to be entered in the register maintained under section 301 of the Companies Act, 1956. Consequently, clause (v)(a) and (v)(b) of paragraph 4 of the Order are not applicable.

- vi. The company has not accepted any deposits from the public within the meaning of the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules made thereunder.
- vii. In our opinion, the internal audit function carried out during the year by a firm of Chartered Accountant appointed by the management is commensurate with the size and nature of the Company and nature of the business.
- viii. According to information and explanation given to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub section (1) section 209 of the Act. Accordingly, clause 4(viii) of the Order is not applicable to the Company.
- ix.
- (a) According to the records of the company, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues that are required to be deposited regularly with authorities, have been regularly deposited with the appropriate authorities.
- According to the information and explanations given to us, no undisputed amounts in respect of the aforesaid statutory dues were in arrears, as at 31st March, 2011, for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us and the records of the company, there are no dues of sales tax / income tax / customs duty / wealth tax / service tax / excise duty / cess which have not been deposited on account of disputes.

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

For **V. Sankar Aiyar & Co**  
Chartered Accountants  
Firm Reg. No. 109208W

**[G. Sankar]**  
Partner  
Membership No. 46050

Place : Mumbai  
Date: April 28, 2011



## BALANCE SHEET AS AT MARCH 31, 2011

Schedule No.		As at 31.03.2011 ₹	As at 31.03.2010 ₹
<b>I. SOURCES OF FUNDS</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	1	250,000,000	250,000,000
(b) Reserves and Surplus	2	22,795,816	12,832,726
(c) Deferred Tax Liability		180,002	56,490
Less: Deferred Tax Asset (Refer Note 5 (a))		180,002	56,490
	<b>TOTAL</b>	<b>272,795,816</b>	<b>262,832,726</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>(1) Fixed Assets</b>			
(a) Gross Block	3	1,255,539	729,182
(b) Less : Depreciation		227,865	49,521
(c) Net Block		1,027,674	679,661
(d) Capital work in progress		-	58,118
		1,027,674	737,779
<b>(2) Investments</b>	4	279,253,335	367,969,723
<b>(3) Current Assets, Loans and Advances</b>			
(a) Cash and Bank Balances	5	401,875,910	317,037,078
(b) Other Current Assets	6	13,523,573	2,852,271
(c) Loans and Advances	7	27,401,286	16,990,267
	(a)	442,800,769	336,879,616
<b>Less: Current Liabilities and Provisions :</b>			
(a) Current Liabilities	8	449,639,157	441,418,635
(b) Provisions	9	646,805	1,335,757
	(b)	450,285,962	442,754,392
Net Current Assets	(a)-(b)	(7,485,193)	(105,874,776)
	<b>TOTAL</b>	<b>272,795,816</b>	<b>262,832,726</b>

**Significant accounting policies and Notes to the accounts** 13

The schedules referred to above form an integral part of this balance sheet.  
As per our attached report of even date

For **V. Sankar Aiyar & Co.,**  
Firm Reg. No.: 109208W  
Chartered Accountants

For and on behalf of the Board  
**MCX-SX Clearing Corporation Ltd.**

**G. Sankar**  
Partner  
(M.No.46050)

**Joseph Massey**  
Director

**U.Venkataraman**  
Director

Place : Mumbai  
Date : April 28, 2011

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

	Schedule No.	Year ended 31.03.2011 ₹	Year ended 31.03.2010 ₹
<b>INCOME</b>			
Operational Income	10	76,383,688	87,323,846
Other Income	11	44,702,880	33,251,560
	<b>TOTAL</b>	<b>121,086,568</b>	<b>120,575,406</b>
<b>EXPENDITURE</b>			
Operating and Other Expenses	12	110,933,105	109,135,818
Interest (Bank)		7,823	-
Depreciation/Amortisation	3	182,550	49,521
	<b>TOTAL</b>	<b>111,123,478</b>	<b>109,185,339</b>
Profit Before Tax		9,963,090	11,390,067
Less : Provision for Taxation (Refer note 5 (b))		-	-
Profit After Tax		9,963,090	11,390,067
Balance brought forward from previous year		12,832,726	1,442,659
<b>Profit After Tax Carried forward to Balance Sheet</b>		<b>22,795,816</b>	<b>12,832,726</b>
<b>Earnings Per Share (Refer note 8 of Schedule 13)</b>			
Basic		0.40	0.48
Diluted		0.40	0.48
<b>Face Value per Share</b>		<b>10/-</b>	<b>10/-</b>

### Significant accounting policies and Notes to the accounts

13

The schedules referred to above form an integral part of this balance sheet.  
As per our attached report of even date

For **V. Sankar Aiyar & Co.,**  
Firm Reg.No.: 109208W  
Chartered Accountants

For and on behalf of the Board  
**MCX-SX Clearing Corporation Ltd.**

**G. Sankar**  
Partner  
(M.No.46050)

**Joseph Massey**  
Director

**U.Venkataraman**  
Director

Place : Mumbai  
Date : April 28, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	Year ended 31.03.2011	Year ended 31.03.2010
	₹	₹
<b>A. Cash Flow from Operating Activities</b>		
Net Profit Before Tax	9,963,090	11,390,067
<b>Adjustments for</b>		
Interest Expenses	7,823	-
Depreciation/Amortisation (Net)	178,344	49,521
Dividend from Investment	(23,858,881)	(21,029,044)
Interest Income	(18,811,704)	(11,905,217)
Profit on Sale of Investment (Net)	(328,648)	(33,496)
Provision for Gratuity and Leave Encashment	(542,183)	922,433
	(43,355,249)	(31,995,803)
<b>Operating loss before working capital changes</b>	<b>(33,392,159)</b>	<b>(20,605,736)</b>
<b>Adjustments for</b>		
Loans and Advances	(1,499,590)	201,954,137
Current Liabilities and Provisions	8,073,753	6,574,163
	6,574,163	28,347,425
	230,301,562	
<b>Cash from Operations</b>	<b>(26,817,996)</b>	<b>209,695,826</b>
Less: Advance Taxes Paid Including		
Tax Deducted at Source	(8,911,430)	(12,211,920)
<b>Net Cash used in Operating Activities</b>	<b>(35,729,426)</b>	<b>197,483,906</b>
<b>B. Cash Flow from Investing Activities</b>		
(Purchase)/Sale of Investments	89,045,036	(131,168,703)
Purchase of Fixed Assets	(468,239)	(787,300)
Dividend Income	23,858,881	21,029,044
Interest Income (other than accrued)	8,140,402	9,052,946
Fixed deposit (placed with banks)/matured	(73,840,192)	(303,865,400)
<b>Net Cash Used from Investing Activities</b>	<b>46,735,888</b>	<b>(405,739,413)</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from issue of Equity Shares	-	200,000,000
Interest Expenses	(7,823)	-
<b>Net Cash provided/(used in) Financing Activities</b>	<b>(7,823)</b>	<b>200,000,000</b>
<b>Net Cash Flow during the year</b>	<b>10,998,639</b>	<b>(8,255,507)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>10,998,639</b>	<b>(8,255,507)</b>
Cash and Cash Equivalents (Opening Balance)	13,171,678	21,427,185
Cash and Cash Equivalents (Closing Balance)	24,170,317	13,171,678

### Notes to Cash Flow Statement:

1. Cash and cash equivalents include cash and bank balances in current account.
2. The Cash Flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard (AS 3)  
"Cash Flow Statement" issued by the Institute of Chartered Accountants of India.
3. Closing Balance of Cash and Cash Equivalents consists of:

	Current Period ₹	Previous Period ₹
Cash and Cheques on Hand	17,104	18,104
Bank Balances:		
- In Current Accounts	24,153,213	13,153,574
	<b>24,170,317</b>	<b>13,171,678</b>

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

As per our attached report of even date

For **V. Sankar Aiyar & Co.,**  
Firm Reg. No.: 109208W  
Chartered Accountants

For and on behalf of the Board  
**MCX-SX Clearing Corporation Ltd.**

**G. Sankar**  
Partner  
(M.No.46050)

**Joseph Massey**  
Director

**U.Venkataraman**  
Director

Place : Mumbai  
Date : April 28, 2011

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	As at 31.03.2011	As at 31.03.2010
	₹	₹
<b>Schedule 1: Share Capital:</b>		
<b>Authorised:</b>		
25,000,000 equity Shares of ₹10/- each	250,000,000	250,000,000
<b>Issued, Subscribed and Paid up:</b>		
25,000,000 equity Shares (Previous Year 25,000,000 equity shares) of ₹ 10/- each fully paid	250,000,000	250,000,000
of the above :-		
12,750,000 equity shares (Previous Year 12,750,000 equity shares) of ₹10/-each are held by MCX Stock Exchange Ltd, the holding company.		
<b>TOTAL</b>	<b>250,000,000</b>	<b>250,000,000</b>
<b>Schedule 2: Reserves and Surplus:</b>		
Surplus in Profit and Loss Account	22,795,816	12,832,726
<b>TOTAL</b>	<b>22,795,816</b>	<b>12,832,726</b>

### SCHEDULE 3 : FIXED ASSETS

(Amount in ₹)

PARTICULARS	GROSS BLOCK			DEPRECIATION / AMORTISATION				NET BLOCK		
	Cost as at 01.04.2010	Additions during the year	Deletions/ Adjustments	Cost as at 31.03.2011	Upto 01.04.2010	For the year	Deletions/ Adjustments	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
<b>TANGIBLE ASSETS:</b>										
Office Equipments	13,500	-	-	13,500	60	641	-	701	12,798	13,440
Computer Hardware	715,682	502,860	99,698	1,118,844	49,461	159,672	4,206	204,927	913,918	666,221
<b>INTANGIBLE ASSETS:</b>										
Computer Software	-	123,195	-	123,195	-	22,237	-	22,237	100,958	-
<b>TOTAL</b>	<b>729,182</b>	<b>626,055</b>	<b>99,698</b>	<b>1,255,539</b>	<b>49,521</b>	<b>182,550</b>	<b>4,206</b>	<b>227,865</b>	<b>1,027,674</b>	<b>679,661</b>
Previous year	-	729,182	-	729,182	-	49,521	-	49,521	679,661	-
Capital Work in Progress	58,118	-	58,118	-	-	-	-	-	-	-

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	As at March 31, 2011 ₹	As at 31 March 2010 ₹
<b>Schedule 4: Investments</b>		
Current: (Unquoted) [At Lower of Cost and Fair Value]		
Non-trade:		
In units of mutual funds		
NIL (Previous Year 9992164.338 Units) of Rs.10.0091/- each in Baroda Treasury Advantage Fund Daily Dividend Plan	-	100,012,572
4999622.334 (Previous Year NIL) of Rs.10.003/- each in BNP Paribas Overnight Fund Daily Dividend Plan	50,011,223	-
NIL (Previous Year 89980.978 Units) of Rs.1000.3161/- each in DSP Black Rock Liquidity Fund- Daily Dividend Plan	-	90,009,421
498598.165 (Previous Year NIL) of Rs.10.05/- each in DWS Insta Cash Plus Fund - Institutional Premium Plan - Daily Dividend Reinvest	50,011,391	-
54011.334 (Previous Year NIL) of Rs.1000/- each in IDBI Liquid Fund Daily Dividend Plan	54,011,337	-
NIL (Previous Year 5547480.008 Units) of Rs.10.015/- each in IDFC Money Manager - Invest Plan - Plan B Daily Dividend Plan	-	55,558,012
NIL (Previous Year 5451687.754 Units) of Rs.10.0000/- each in LIC MF Savings Plus Fund Daily Dividend Plan	-	54,516,878
NIL (Previous Year 514517.22 Units) of Rs.15.2872/- each in Reliance Liquid Fund - TP - Institutional Plan - Daily Dividend Reinvestment	-	7,865,528
2502986.88 Units (Previous Year NIL) of Rs.10.0051/- each in Reliance Liquidity Fund- Daily Dividend Reinvestment	25,042,635	-
4166944.463 Units (Previous Year NIL) of Rs.11.9992/- each in Sundaram Select Debt - Short Term Asset Plan	50,000,000	-
50173.551 Units (Previous Year 60006.712 Units) of Rs.1000.0101/- each in Taurus Liquid Fund - Super Institutional Plan - Daily Dividend Reinvestment	50,176,749	60,007,312
	279,253,335	367,969,723
<b>TOTAL</b>	<b>279,253,335</b>	<b>367,969,723</b>

**Notes**

<b>1 Net Asset Value of the units of Mutual Funds (₹)</b>	<b>279,253,335</b>	<b>367,969,723</b>
<b>2 Purchased and sold during the year</b>	<b>Purchase Units</b>	<b>Redeemed Units</b>
<b>a) Units of Mutual Funds:</b>		
1 Axis Liquid Fund - Dly Dividend	4,153,747	4,153,747
2 Baroda Pioneer Liquid Fund - Institutional Daily Dividend Reinvest Plan	76,970,592	76,970,592
3 Baroda Treasury Advantage Fund Daily Dividend Plan	95,616	10,087,780
4 Birla Sun Life Cash Manager- Institutional Plan - Daily Dividend Reinvest	24,602,201	24,602,201
5 Birla Sun Life Cash Plus - Institutional Premium Plan - Daily Dividend Reinvest	15,970,588	15,970,588
6 Birla Sun Life Ultra Short Term Fund -Institutional Premium Plan - Daily Dividend Reinvest	8,654,635	8,654,635
7 BNP Paribas Overnight Fund Daily Dividend Reinvest	154,637,842	149,638,220
8 BNP Paribas Overnight Fund Institutional Plus Daily Dividend Reinvest	30,597,331	30,597,331
9 Canara Robeco Liquid Super Institutional Premium Plan - Daily Dividend Reinvest	330,896,177	330,896,177
10 DSP Black Rock Liquidity Fund- Daily Dividend Plan	2,143,770	2,233,751
11 DWS Insta Cash Plus Fund - Super Institutional Premium Plan - Daily Dividend Reinvest	105,148,156	104,649,558
12 ICICI Prudential Liquid - Super Institutional Premium Plan - Daily Dividend Reinvest	4,400,414	4,400,414
13 IDBI Liquid Fund Daily Dividend Reinvest	344,483,701	344,429,690
14 IDFC Money Manager - Invest Plan - Plan B - Daily Dividend Reinvest	76,379	5,623,859
15 JPMorgan India Liquid Fund - Super Institutional Daily Dividend Reinvest Plan	684,756,188	684,756,188
16 Kotak Floater - LT -Daily Dividend Reinvest	16,931,772	16,931,772
17 Kotak Liquid - Inst Premium Plan - Daily Dividend Reinvest	140,700,322	140,700,322
18 Kotak QIP Series IV - Payout	11,016,579	11,016,579
19 L&T Liquid Fund Super Institutional Daily Dividend Reinvest Plan	21,215,415	21,215,415

Units of Mutual Funds:	Purchase Units	Redeemed Units
20 LIC MF Income Plus Fund - Daily Dividend Reinvest	21,569,430	21,569,430
21 LIC MF Liquid Fund - Daily Dividend Reinvest	106,172,732	106,172,732
22 LIC MF Savings Plus Fund -Daily Dividend Reinvest	7,046,619	12,498,307
23 Peerless Liquid Fund - Super Institutional Daily Dividend Reinvest Plan	147,126,894	147,126,894
24 Principal Cash Mgmt Fund Liquid Option- Institutional Daily Dividend Reinvest Plan	10,000,684	10,000,684
25 Reliance Liquid Fund - TP - Institutional Daily Dividend Reinvest Plan	7,635,446	8,149,961
26 Reliance Liquidity Fund - Daily Dividend Reinvest	56,035,565	53,532,578
27 Religare Liquid Fund - Super Institutional Daily Dividend Reinvest Plan	94,946,449	94,946,449
28 SBI Magnum Insta Cash - Cash Plan Daily Dividend Reinvest	213,528,361	213,528,361
29 SBI Premier Liquid Fund Daily Dividend Reinvest	191,365,282	191,365,282
30 SBI Premier Liquid Fund Super Institutional Daily Dividend Reinvest Plan	56,483,080	56,483,080
31 Sundaram BNP Paribas Money Fund - Super IP - Daily Dividend Reinvest	246,604,269	246,604,269
32 Sundaram Select Debt - Short Term Asset Plan - Wkly Dividend	4,166,944	-
33 Taurus Liquid Fund - Super Institutional Daily Dividend Reinvest Plan	5,095,483	5,105,316
34 Taurus Taurus Short Term Income Fund Daily Dividend Reinvest	49,109	49,109
35 Templeton India TMA - Super IP -Daily Dividend Reinvest	4,129,688	4,129,688

## SCHEDULES FORMING PART OF THE ACCOUNTS

	As at March 31, 2011 ₹	As at 31 March 2010 ₹
<b>Schedule 5 : Cash and Bank Balances</b>		
Cash on hand	17,104	18,104
Bank Balances with Scheduled Banks:		
- In Current Accounts*	24,153,213	13,153,574
- Fixed Deposit**	377,705,592	303,865,400
* Balance in Current Account includes ₹ 20,591,539 (previous year ₹ 7,120,569) towards Clearing and Settlement Obligation		
** Includes fixed deposits aggregating ₹ 25,000,000 (previous year ₹ 25,000,000) earmarked towards settlements guarantee fund.		
<b>TOTAL</b>	<b>401,875,909</b>	<b>317,037,078</b>
<b>Schedule 6 : Other Current Assets</b>		
Accrued Interest on Bank Fixed Deposits	13,523,573	2,852,271
	13,523,573	2,852,271
<b>Schedule 7: Loans and Advances (Unsecured and considered good)</b>		
Advances recoverable in cash or in kind or for value to be received	4,913,072	3,413,483
Advance Tax Paid including Tax Deducted at Source	22,488,214	13,576,784
<b>TOTAL</b>	<b>27,401,286</b>	<b>16,990,267</b>
<b>Schedule 8: Current Liabilities</b>		
Sundry Creditors		
- Total outstanding dues of micro enterprises and small enterprises	-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises*	721,484	1,641,000
* Includes ₹ 434,783 (previous year ₹ 1,246,678) Due to MCX Stock Exchange Ltd.		
Members Margin Deposit	391,152,423	208,297,696
Members Security Deposit	-	202,500,000
Security deposits from settlement bankers	30,000,000	-
Settlement Guarantee Fund	25,000,000	25,000,000
Other Liabilities	2,765,250	3,979,939
<b>TOTAL</b>	<b>449,639,157</b>	<b>441,418,635</b>



## SCHEDULES FORMING PART OF THE ACCOUNTS

	As at March 31, 2011 ₹	As at 31 March 2010 ₹
<b>Schedule 9: Provisions</b>		
Provision for Fringe Benefit Tax	4,175	4,175
Provision for Gratuity	283,665	490,769
Provision for Leave Encashment	358,965	840,814
<b>TOTAL</b>	<b>646,805</b>	<b>1,335,758</b>
<b>Schedule 10 : Operating Income</b>		
Clearing & Settlement Fees	76,383,688	87,323,846
<b>TOTAL</b>	<b>76,383,688</b>	<b>87,323,846</b>
<b>Schedule 11 : Other Income</b>		
Dividend from Non trade investments:		
- Current Investments	23,858,881	21,029,044
Interest on Fixed Deposits with Banks	18,811,704	11,905,217
(TDS is ₹ 1,851,173 (Previous Year ₹ 1,286,797))		
Interest on Loan to employee	3,452	70,856
Interest received on income tax refund	116,015	-
Non Compliance Margin	1,568,940	212,947
Miscellaneous Income	15,240	-
Profit on Sale of current investments (net)	328,648	33,496
<b>TOTAL</b>	<b>44,702,880</b>	<b>33,251,560</b>

## SCHEDULES FORMING PART OF THE ACCOUNTS

	Year ended 31.03.2011		Year ended 31.03.2010	
	₹		₹	
<b>Schedule 12: Operating and Other Expenses</b>				
Payment to and Provisions for Employees:				
Salaries and Bonus	12,914,563		23,920,093	
Contribution to Provident Fund	366,854		703,295	
Staff Welfare Expenses	9,348	13,290,765	3,622	24,627,010
Rent		3,252,312		3,252,312
Shared Service Cost		4,200,000		4,200,000
Software & Hardware Support Charges		85,672,872		71,327,400
Audit Fees:				
- Statutory Audit Fees	75,000		75,000	
- Interim Audit Fees	50,000	125,000	110,000	185,000
Sales Promotion Expenses		4,778		14,006
Legal & Professional Charges		993,254		1,246,050
Directors Sitting Fees		180,000		220,000
Bank Charges		2,031,352		1,530,650
Miscellaneous Expenses*		1,182,772		2,533,390
* Miscellaneous Expenses includes Corporate Professional Tax ₹ 2,040 (Previous Year ₹ 2,040), Insurance Charges ₹ 458,621 (Previous Year ₹ 563,630), Travelling & Conveyance ₹ 57,347 (Previous Year ₹ 189,034), Stamp Duty ₹ Nil (Previous Year ₹ 1,015,430) and Interest others Rs. Nil ( Previous Year ₹ 14,726) etc.				
<b>TOTAL</b>		<b>110,933,105</b>		<b>109,135,818</b>

## 1.1 Schedule 13

### I. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of preparation of financial statements

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

#### B. Use of estimates

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

#### C. Revenue Recognition

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

### D. Employee Benefits

#### a) Post-employment benefits and other long term benefits:

##### i. Defined contribution plan:

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

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

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

#### b) Short-term employee benefits

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

### E. Fixed assets and depreciation/ amortisation

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

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

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. Investments**

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

#### **G. Income taxes**

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

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

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

Provisions involving substantial degree of estimation in measurement are

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

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

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

#### **II. NOTES FORMING PART OF ACCOUNTS**

- 1) The Company utilizes hardware and software purchased or leased by the holding company viz., M/s. MCX Stock Exchange Limited (MCX-SX). For this, MCX-SX charges the Company towards Software & Hardware support charges.
- 2) Collaterals in the form of Bank Guarantees, Fixed Deposits, Securities and G-Secs aggregating ₹ 624.67 crore (at the value based on risk parameters followed by the company) (Rs. 330.77 crore as on March 31, 2010) received from members do not form a part of the Balance Sheet.
- 3) The Company has obtained a Bank Guarantee of ₹ 50 crore (Previous Year Rs. 40 crore) in favour of MCX-SX Ltd (holding company) as a fall back measure in respect

to return of cash deposits collected as margin money/security deposit from the banks who are the clearing members of the Company. The Company has deposited ₹ 20 crore (Previous Year ₹ 22 crore) as fixed deposit with the bank towards the guarantees issued by the said bank. The risk management is further supported by a Settlement Guarantee Fund (SGF) of ₹ 622.02 crore as on March 31, 2011 (₹ 372.35 cores as on March 31, 2010) and an SGF insurance of ₹ 2.50 crore (Previous Year ₹ 2.50 crore).

**4) Segment Reporting:**

- a. The Company considers business segment (business of facilitating clearing and settlement of trading in currency futures of MCX Stock Exchange Limited and incidental activities thereto) as its primary segment considering the risks and rewards of the services offered, nature of services, management structure and system of financial reporting. In the opinion of the management, the Company has only one reportable business segment, the results of which are disclosed in the financial statements.
- b. During the year ended March 31, 2011, the Company had no reportable geographical segment and on that basis, no secondary segment information is furnished.

5) a) Breakup of the deferred tax assets/liabilities as accounted, is as under:

Particulars	For the year ended March 31, 2011 (₹)	Previous year ended March 31, 2010 (₹)
(a) Deferred tax liability:		
Depreciation	(180,002)	(56,490)
(b) Deferred tax asset:		
Provision for employee benefit	180,002	56,490
<b>Total</b>	<b>Nil</b>	<b>Nil</b>

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

and the accounting policy followed by the company in this respect.

- b) No provision for Income Tax is required to be made in view of the deductions available under the provisions of Income Tax Act, 1961 including carry forward of losses.

## 6) Related Party information:

- a) Names of related parties and nature of relationship:
- i. Company whose control exists:
    - a) MCX Stock Exchange Limited
  - ii. Company having significant influence over the Company
    - a) MCX Stock Exchange Limited (MCX-SX)
    - b) Financial Technologies (India) Limited (FTIL)
    - c) Multi Commodity Exchange of India Limited (MCX)
  - iii. Key Managerial Personnel:
    - a) Mr. U. Venkataraman – CEO & Whole Time Director.  
– Appointment made on April 17, 2009.

### b) Transactions with related parties

(Amount in ₹)

Sr. No.	Nature of transactions	Company whose Control Exists (MCX-SX)	Companies having Significant Influence (MCX)	Companies having Significant Influence (FTIL)
1	Clearing & Settlement Fees	76,383,688 (87,323,846)	- (-)	- (-)
2	Purchase of Fixed Assets	32,486 (-)	113,632 (-)	57,410 (-)
3	Rent Paid	3,252,312 (3,252,312)	- (-)	- (-)
4	Sale of Fixed Assets	- (-)	- (-)	100,266 (-)
5	Reimbursement of Expenses			
	- Preliminary Expenses	- (-)	- (-)	- (-)
	- Shared Service Cost	4,200,000 (4,200,000)	- (-)	- (-)
	- Software & Hardware Support Charges	85,672,872 (71,327,400)	- (-)	- (-)
	- Deputation Charges	- (-)	1,848,221 (3,489,117)	- (-)
	- Other Expenses	5,159 (-)	9,464 (47,302)	113,289 (168,383)

## SCHEDULES TO THE FINANCIAL STATEMENTS

(Amount in ₹)

Sr. No.	Nature of transactions	Company whose Control Exists (MCX-SX)	Companies having Significant Influence (MCX)	Companies having Significant Influence (FTIL)
6	Advances Given			
	- Balance at the start of the year	-	-	-
		(191,597,099)	(-)	(-)
	- Given / Debited during the year	-	-	-
		(-)	(-)	(-)
	- Repaid/Adjusted during the year	-	-	-
		(191,597,099)	(-)	(-)
	- Balance as at the end of the year	-	-	-
		(-)	(-)	(-)
7	Sundry Debtors (Balance at the end of the year)	-	-	-
		(-)	(-)	(-)
8	Sundry Creditors	434,783	-	-
	(Balance at the end of the year)	(1,246,678)	(205,928)	(45,348)
9	Bank Guarantee Given	500,000,000	-	-
	(Refer Note No 3)	(400,000,000)	(-)	(-)

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

Sr. No.	Transactions with related parties	₹
1	Clearing & Settlement Fees – MCX-SX	76,383,688 (87,323,846)
2	Shared Service Cost and Software & Hardware Support Charges – MCX-SX	89,872,872 (75,527,400)

Notes:

- I. Related party relationship is as identified by the Company and relied upon by the auditors.
- II. There are no amounts written off or written back in the year ended 31st March 2011 in respect of debts due from or to related parties.

## 7) Employee benefit plans

Defined contribution plans: Amounts recognized as expenses towards contributions to provident fund by the Company are ₹ 366,854 (Previous year ₹ 703,295)

Post-employment defined benefit plan:

(Amount in ₹)

	Gratuity (Non funded)	Leave Encashment (Non Funded)
<b>I. Change in benefit obligation:</b>		
Projected benefit obligation at the beginning of the year	490,769	840,814
	(121,498)	(287,652)
Interest Cost	36,808	40,961
	(Nil)	(Nil)
Current Service Cost	442,090	204,344
	(369,271)	(553,162)
Benefit Paid	Nil	-146,770
	(Nil)	(Nil)
Actuarial (gain) / loss on obligations	-686,002	-580,384
	(Nil)	(Nil)
<b>Projected benefit obligation at the end of the year</b>	<b>283,665</b>	<b>358,965</b>
	<b>(490,769)</b>	<b>(840,814)</b>
<b>II. Change in plan assets</b>		
Fair value of the plan asset at the beginning of the year	Nil	Nil
	(Nil)	(Nil)
Expected return on plan assets	Nil	Nil
	(Nil)	(Nil)
Contributions	Nil	Nil
	(Nil)	(Nil)
Benefits paid	Nil	Nil
	(Nil)	(Nil)
Actuarial gain on plan assets	686,002	580,384
	(Nil)	(Nil)
<b>Fair value of plan assets at the end of the year</b>	<b>Nil</b>	<b>Nil</b>
	<b>(Nil)</b>	<b>(Nil)</b>
<b>Total Actuarial Gain/(Loss) to be recognised</b>	<b>686,002</b>	<b>580,384</b>
<b>III. Expense for the year ended 31-03-2011</b>		
Current service cost	442,090	204,344
	(369,271)	(553,162)
Interest cost	36,808	40,961
	(Nil)	(Nil)
Expected return on plan assets	Nil	Nil
	(Nil)	(Nil)
Net (gain)/loss recognized	-686,002	-580,384
	(Nil)	(Nil)
<b>Gratuity/Leave encashment cost</b>	<b>-207,104</b>	<b>-335,079</b>
	<b>(369,271)</b>	<b>(553,162)</b>
<b>IV Assumptions</b>		
Discount rate	8.25%	8.25%
	(7.50%)	(7.50%)
Salary escalation rate	7.50%	7.50%
	(7.50%)	(7.50%)



**8) Earning Per Share is as follows:**

Particulars	For the Year ended 31-03-2011 ₹	For the Yearended 31-03-2010 ₹
a. Net Profit after tax	9,963,090	11,390,067
b. Weighted average number of Equity Shares Basic/Diluted (Nos.)	25,000,000	25,000,000
c. Basic /Diluted Earnings per share	0.40	0.48
d. Nominal value of equity share	10	10

9) Previous year figures have been regrouped wherever necessary. Amounts in '( )' pertain to previous year.

As per our report of even date

For **V. Sankar Aiyar & Co.,**  
Firm Reg.no: 109208W  
**Chartered Accountants**

**G. Sankar**  
Partner  
(M.No.46050)

For and on behalf of the Board  
**MCX-SX Clearing Corporation Ltd.**

**Joseph Massey**  
Director

**U. Venkataraman**  
Director

Place : Mumbai  
Date : April 28, 2011

## Balance Sheet Abstract and the Company's General Business Profile:

### I. Registration Details

Registration Number	188032	State Code	11
Balance Sheet date	31-03-2011		

### II. Capital raised during the year ended March 31, 2011 (Amount in Rs.)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placements	Nil

### III. Position of Mobilisation and deployment of funds (Amounts in Rs.)

TOTAL LIABILITIES	723,081,778	TOTAL ASSETS	723,081,778
PAID-UP CAPITAL	250,000,000	RESERVES & SURPLUS	22,795,816
SECURED LOANS	Nil	UNSECURED LOANS	Nil
NET FIXED ASSETS	1,027,674	INVESTMENTS	279,253,335
NET CURRENT ASSETS	-7,485,193	DEFERRED TAX	Nil
MISC. EXPENDITURE	Nil	ACCUMULATED LOSSES	Nil

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

Turnover (Sales and Other Income)	121,086,568	Total Expenditure	111,123,478
Profit/(Loss) Before Tax	9,963,090	Profit/(Loss) After Tax	9,963,090
Earning per Share in Rs.	0.40	Dividend Rate %	Nil

### V. Generic Names of Three Principal Products / Service of Company

(as per monetary terms)	
Item Code ( ITC Code)	Product Description
N. A.	Clearing & Settlement Operation

For and on behalf of the Board  
**MCX-SX Clearing Corporation Ltd.**

**Joseph Massey**  
 Director

**U. Venkataraman**  
 Director

Place : Mumbai  
 Date : April 28, 2011



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