



**Annual Report  
2011-12**



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

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

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

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

## STATUTORY AUDITORS

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

## CLEARING BANKS

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

## REGISTERED OFFICE

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

# DIRECTORS' REPORT

To  
THE MEMBERS OF  
MCX-SX CLEARING CORPORATION LIMITED

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

## 1. FINANCIAL RESULTS

(Amount in ₹)

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

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

## 2. PERFORMANCE

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

## 3. REVIEW OF OPERATIONS

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

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

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

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

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

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

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

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

## Monthly statistics of transactions and settlements:

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

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

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

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

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

## **B) New Initiatives and Developments:**

### **New Clearing Banks:**

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

### **Introduction of 'My>Exchange':**

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

## **C) Renewal of Certification and Rating**

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

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

### ISO Certification:

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

## 4. REGULATORY UPDATES

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

- **Clearing corporations to be recognized**

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

- **Networth and Shareholding**

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

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

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

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

- **Board of Directors:**

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

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

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

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



- **Oversight and Advisory Committees:**

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

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

- **Key Management Personnel**

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

- **Corporate Governance:**

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

- **Agreement with Stock Exchanges**

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

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

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

## **5. DIVIDEND AND RESERVES**

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

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

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

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

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

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

## 7. SHARE CAPITAL

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

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

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

## 8. DIRECTORS

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

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

## 9. MANAGEMENT

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

## 10. HUMAN RESOURCES

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

## 11. AUDITORS

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

## 12. AUDIT COMMITTEE

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

executive directors.

The composition of the Audit Committee is as follows:

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

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

### **13. DEPOSITS**

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

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

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

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

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

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

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

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

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

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

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

### 18. BUY-BACK OF SHARES

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

### 19. ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors

**Joseph Massey**  
Chairman

Place : Mumbai  
Date: August 24, 2012

# AUDITORS' REPORT

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

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

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

For **V. Sankar Aiyar & Co**

Chartered Accountants  
Firm Reg. No. 109208W

**[G. Sankar]**

Partner  
Membership No. 46050

Place : Mumbai  
Date: April 27, 2012

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

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

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

For **V. Sankar Aiyar & Co**

Chartered Accountants  
Firm Reg. No. 109208W

**[G. Sankar]**

Partner  
Membership No. 46050

Place : Mumbai  
Date: April 27, 2012



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

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

**Significant accounting policies** 1

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

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

As per our attached report of even date

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

Firm Reg. No.: 109208W

Chartered Accountants

For and on behalf of the Board

**MCX-SX Clearing Corporation Ltd.**

**G. Sankar**

Partner

(M.No.46050)

**Joseph Massey**

Director

**U.Venkataraman**

Director

Place : Mumbai

Date : April 27, 2012

# PROFIT AND LOSS STATEMENT

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

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

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

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

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

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

Firm Reg. No.: 109208W

Chartered Accountants

For and on behalf of the Board

**MCX-SX Clearing Corporation Ltd.**

**G. Sankar**

Partner

(M.No.46050)

**Joseph Massey**

Director

**U.Venkataraman**

Director

Place : Mumbai

Date : April 27, 2012

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

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

## CASH FLOW STATEMENT

### Notes to Cash Flow Statement:

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

As per our attached report of even date

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

Firm Reg. No.: 109208W

Chartered Accountants

**G. Sankar**

Partner

(M.No.46050)

For and on behalf of the Board

**MCX-SX Clearing Corporation Ltd.**

**Joseph Massey**

Director

**U.Venkataraman**

Director

Place : Mumbai

Date : April 27, 2012

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

### 1. SIGNIFICANT ACCOUNTING POLICIES

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

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

#### B. Use of estimates

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

#### C. Revenue Recognition

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

#### D. Employee Benefits

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

##### i. Defined contribution plan:

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

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

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

##### b) Short-term employee benefits

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

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

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

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

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

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

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

### **F. Investments**

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

### **G. Income taxes**

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

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

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

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

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

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

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

## 2. SHARE CAPITAL

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

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

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

b) Shares held by holding company

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

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

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

## 3. RESERVES AND SURPLUS

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

## NOTES TO FINANCIAL STATEMENTS

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

### 4. DEFERRED TAX LIABILITIES (NET)

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

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

### 5. PROVISIONS

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

### 6. TRADE PAYABLES

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

### 7. OTHER CURRENT LIABILITIES

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



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

**8. FIXED ASSETS**

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

(Amount in ₹)

## NOTES TO FINANCIAL STATEMENTS

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

### 9. OTHER ASSETS

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

### 10. CURRENT INVESTMENTS

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

### 11. CASH AND CASH EQUIVALENTS

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

### 13. REVENUE FROM OPERATIONS

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

### 14. OTHER INCOME

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

### 15. EMPLOYEE BENEFIT EXPENSES

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

### 16. FINANCE COST

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

## NOTES TO FINANCIAL STATEMENTS

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

### 17. DEPRECIATION AND AMORTIZATION

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

### 18. OPERATING AND OTHER EXPENSES

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

### 19. EARNING PER SHARE

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

### 20. RELATED PARTY INFORMATION

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

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

a) MCX Stock Exchange Limited

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

a) MCX Stock Exchange Limited (MCX-SX)

b) Financial Technologies (India) Limited (FTIL)

c) Multi Commodity Exchange of India Limited (MCX)

##### iii. Key Managerial Personnel:

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

– Appointment made on April 17, 2009.

b) Transactions with related parties

## NOTES TO FINANCIAL STATEMENTS

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

(Amount in ₹)

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

Notes:

- (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 2012 in respect of debts due from or to related parties.

### 21. EMPLOYEE BENEFIT PLANS

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

Post-employment defined benefit plan:

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

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

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

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

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

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

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

As per our report of even date

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

Firm Reg. No.: 109208W

Chartered Accountants

**G. Sankar**

Partner

(M.No.46050)

For and on behalf of the Board

**MCX-SX Clearing Corporation Ltd.**

**Joseph Massey**

Director

**U.Venkataraman**

Director

Place : Mumbai

Date : April 27, 2012



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

