

ANNUAL REPORT 2013-14



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Corporate Information

Board of Directors

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

Statutory Auditors

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

Registered Office

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

CIN: U67120MH2008PLC188032

Clearing Banks

Axis Bank Ltd.

Bank of India

Canara Bank

Central Bank of India

HDFC Bank Ltd

ICICI Bank Ltd.

IDBI Bank

Indusind Bank Ltd.

Kotak Mahindra Bank Ltd.

State Bank of India

Union Bank of India

Yes Bank Ltd

Directors' Report

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

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

1. FINANCIAL RESULTS

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

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

2. REVIEW OF OPERATIONS

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

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

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

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

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

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

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

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

Table 1 - Monthly statistics of settlements - Currency Derivatives Segment

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

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

b) Clearing and Settlement – Equity Cash Market:

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

Table 2 - Monthly statistics of settlements – Equity Cash Market

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

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

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

c) Clearing and Settlement - Equity Derivatives Segment:

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

Table 3 - Monthly statistics of settlements - Equity Derivatives Segment

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

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

d) Clearing and Settlement - Debt Market Segment:

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

Table 4 - Monthly statistics of settlements - Debt Market Segment

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

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

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

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

B) New Initiatives and Developments

a) **Qualified Central Counter Party Status**

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

b) **Introduction of Debt Segment**

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

c) **Introduction of Interest Rate Futures**

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

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

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

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

e) Enhancement of Insurance Cover

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

f) Application to ESMA

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

g) Renewal of ISO certification

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

Approved Intermediary under Securities Lending Scheme, 1997

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

Debt Market Segment

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

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

3. REGULATORY UPDATES:

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

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

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

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

- **Net-worth and Shareholding**

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

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

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

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

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

- **Statutory Committees**

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

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

- **Key Management Personnel**

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

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

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

- **Corporate Governance**

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

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

- **Agreement with Stock Exchange**

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

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

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

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

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

- **SEBI's Risk Management Committee**

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

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

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

4. DIVIDEND AND RESERVES

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

5. OUTLOOK FOR THE CURRENT YEAR

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

6. SHARE CAPITAL

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

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

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

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

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

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

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

The said Order has been upheld by the Securities Appellate Tribunal (SAT) by its order dated July 09, 2014. Accordingly the SAT directed FTIL to divest shares of the relevant entities in four weeks' time. As on date the FTIL continues to hold its stake in the Company.

Further the SAT vide its order dated August 21, 2014 advised the FTIL to apply to the SEBI for extension of time. The FTIL in accordance with the SAT order dated August 21, 2014, has vide its letter dated August 26, 2014 to the SEBI (a copy of the same was marked to the Company) has sought an extension of six months to complete the divestment from relevant entities.

7. DIRECTORS

As per the SECC Regulations, the governing board of a clearing corporation will comprise of i) shareholder directors; ii) public interest directors (PIDs) and iii) managing director. Further the number of public interest directors of a recognized clearing corporation shall not be less than two-third, and shareholder directors shall not exceed one-third of its governing board strength. The managing director shall be an ex-officio director on the governing board and shall not be included in either the category of the public interest directors or shareholder directors.

To comply with above regulations, your company made application to the SEBI for nomination of public interest directors. In response to the same the SEBI vide its letter dated June 20, 2013 approved Mr. Vepa Kamesam (DIN 00542329), Dr. M.Y. Khan (DIN 03185713), Mr. V.K. Khanna (DIN 01627707), Mr. Jayant Deo (DIN 00568381), Mr. P.K. Chhokra (DIN 03107873) and Mrs. Asha Das (DIN 01835370) as public interest directors on governing board of the Company.

The two Independent Directors viz. Mr. P.R. Barpande (DIN 00016214) and Dr. Prakash Apte (DIN 00045798) resigned from the Board w.e.f. July 25, 2013 in view of the appointment of public interest directors by the SEBI. Mr. Jayant Deo, public interest director resigned w.e.f. September 29, 2013, Mrs. Asha Das, public interest director resigned w.e.f. October 5, 2013, Mr. Joseph Massey (DIN 00043586), shareholder director resigned w.e.f. October 9, 2013 and Mr. Paras Ajmera (DIN 01381915), shareholder director resigned on December 30, 2013.

Further, the Board had vide circular resolution dated April 05, 2014 approved appointment of Mr. Saurabh Sarkar, MD & CEO of the MCX-SX, as shareholder director on the Board of the Company which was duly approved by the shareholders in their EGM held on July 24 2014. The SEBI's approval on the candidature of Mr. Sarkar has been obtained vide letter no. MRD/DRMNP/OW/25889/2014 dated September 3, 2014. At present the Company's

governing board consists of four public interest directors, a shareholder director and managing director & CEO.

Considering that Mr. Saurabh Sarkar (DIN 06390729) has been recently appointed by the shareholders at their Extraordinary General Meeting held on July 24, 2014 and the SEBI's approval has been obtained on September 3, 2014, the matter with respect to the Director retiring by rotation at the ensuing Annual General Meeting is not being considered.

8. MANAGEMENT

Mr. U. Venkataraman (DIN: 02546911), was appointed as the Managing Director and CEO of the Company w.e.f. April 3, 2013 as per the approval received from the SEBI. Mr. Balu Nair heads the operations of the company.

9. HUMAN RESOURCES

During the financial year 2013-14, emphasis was given to Human Resource Planning with the objective of optimum utilization of existing manpower. The total strength as on March 31, 2014 was 38 employees.

10. AUDITORS

M/s. Deloitte Haskins and Sells (Firm Registration No. 105215 W), Statutory Auditors of the Company retire at the ensuing Annual General Meeting of the Company and have intimated about not seeking re-appointment as the Statutory Auditors of the Company for the financial year 2014-15. The Board of Directors at their meeting held on July 31, 2014, on the recommendation of the Audit Committee, recommended the appointment of M/s. Kirtane & Pandit, Chartered Accountants, Mumbai (Firm registration number 105215 W) at the ensuing Annual General Meeting by the shareholders.

However on the same date, the Ministry of Corporate Affairs (MCA) issued a circular clarifying the doubts arising out of the applicability of section 139(5) and 139(7) of the Companies Act, 2013 with respect to appointment of auditors by Comptroller and Auditor General of India (C&AG) to 'deemed Government companies' referred to in section 619B of the Companies Act, 1956.

MCA has clarified that "any other Company owned or controlled, directly or indirectly...by the Central Government and partly by one or more State Governments" appearing in Section 139(5) and (7) of the Companies Act, 2013 are to be read with the definition of 'control' in section 2(27) of the Companies Act, 2013.

It may be noted that the MCX-SX, holding Company of the MCX-SXCCL, is a 'deemed Government company' hence the MCX-SXCCL is also covered by the ambit of 'deemed Government company'. It has also been clarified that it will primarily be the responsibility of the concerned Company to intimate to the C&AG and the government concerned.

Considering the above, your Company will submit necessary application to C&AG about the proposal to appoint M/s. Kirtane & Pandit, Chartered Accountants, Mumbai as the Statutory Auditors of the Company in accordance with the provisions of the Companies Act,

2013, on account of their consent for appointment and recommendation by the Board of Directors had taken place on 31st July, 2014, the date on which MCA had issued clarification as explained above.

11. AUDITORS' REPORT

With respect to Point No. 2(e) under the heading 'Report on other Legal and Regulatory Requirements' of the Auditors' Report, stating the non-submission of declaration under Section 274 (1)(g) of the Companies Act, 1956, by Mr. V. K. Khanna the Directors submit the following:

"On account of the health conditions, Mr. V.K. Khanna, Public Interest Director (DIN:01627707), couldn't provide his declaration under Section 274 (1)(g) of the Companies Act, 1956. Further, as per the 'MCA Website', Mr. Khanna is a Director only with the MCX-SXCCL and in no other Company.

12. AUDIT COMMITTEE

As per Section 292A of the Companies Act, 1956, the Company had constituted an Audit Committee of the Board on April 17, 2009. In view of appointment of Public Interest Directors by the SEBI and resignation of Dr. Prakash Apte and Mr. P.R. Barpande the Committee was reconstituted on July 25, 2013 comprising of three directors of which two are Public Interest Directors (Independent Directors) and one Non-Executive/Shareholder Director.

After the resignation of Mr. Joseph Massey on October 9, 2013, the Audit Committee was reconstituted by inducting the MD & CEO vide circular resolution of the Board of Directors on October 15, 2013. Considering the ill condition of Mr. V.K. Khanna, Dr. M.Y. Khan, Public Interest Director was inducted in the committee vide circular resolution of the Board of Directors on October 24, 2013. The current composition of the reconstituted Audit Committee is as follows:

- Mr. V.K. Khanna, Public Interest Director
- Dr. M.Y. Khan, Public Interest Director
- Mr. P.K. Chhokra, Public Interest Director
- Mr. U. Venkataraman, Managing Director & CEO

The Audit Committee met four times during the Financial Year 2013-14 to transact the business.

13. DEPOSITS

During the last financial year, the Company has not accepted any deposit within the meaning of Section 73 of the Companies Act, 2013 and the Rules made thereunder.

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

A) Conservation of Energy, Technology Absorption

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

At the MCX-SX CCL, a conscious effort is undertaken to minimise the negative effects of its footprint on the environment. The Company strives to optimise energy usage and reduce its wastage. The main office building which is occupied on lease and license basis is aligned with the best global practices for conserving energy. Certified for Energy Management System ISO 14001:2004, the holding company MCX-SX has well-defined environment and e-waste policies, wherein it has tied up with certified e-waste recycling enterprises for disposal of its office e-waste in a safe and environment-friendly manner.

B) Foreign Exchange earnings and outgo during the year under review

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

15. PARTICULARS OF EMPLOYEES

The details of the employees of the Company who fall within the purview of sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as also with regulation 27(5) of the SECC Regulations are annexed as Annexure-A.

In order to minimize the expenses incurred in the light of present turbulence and rough business phase being faced by the Company, Mr. U. Venkataraman, managing director and CEO voluntarily offered to take a reduction of 33.33% on his current remuneration since June 01, 2014.

16. SWEAT EQUITY SHARES

The Company did not issue any sweat equity shares and hence the requirements of Rule 8 of the Companies (Share Capital and Debentures) Rules, 2014 are not applicable to the Company.

17. CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In terms of Clause 49 of the listing agreement, the Corporate Governance Report alongwith certificate issued by M/s. S. Anantha & Co., Company Secretaries, Mumbai, thereon and Management Discussion and Analysis Report are attached and form part of this report.

18. DIRECTORS' RESPONSIBILITY STATEMENT

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

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation with respect to material departures, if any;
- ii. they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii. they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- iv. they have prepared the annual accounts on a going concern basis.

19. BUY-BACK OF SHARES

As during the last financial year your Company did not have any scheme of buyback of shares, the requirements specified in section 217(2B) read with section 77A of the Companies Act, 1956/Rule 17 of the Companies (Share Capital and Debentures) Rules, 2014 are not applicable to the Company.

20. ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors

sd/-

Dr. M.Y. Khan
Public Interest Director
(DIN:03185713)

sd/-

U.Venkataraman
MD and CEO
(DIN: 02546911)

Date: September 08, 2014

**Place: Exchange Square, CTS No. 255,
Suren Road, Andheri (East),
Mumbai - 400 093**

Annexure A to the Directors' Report

Statement pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and Regulation 27 (5) of the SECC Regulations.

Sr. No	Name	Age in yrs	Designation/ Nature of Duties	Remuneration Received (inRs.)	Experience (No. of yrs)	Qualification	Date of commencement of employment	Previous employment
1.	Mr. U. Venkataraman	60	MD & CEO	7,920,396	38	BBA, Certified Associate of Indian Institute of Banking and Finance	17 th April, 2009*	IDBI Bank Ltd.
2.	Mr. Balu Nair	36	Vice President - Market Operations	4,477,000	13.2	BBA, MBA-Finance	18 th February, 2009	National Stock Exchange of India Ltd.
3.	Mr. Fardeen Siddiqui	32	Senior Manager - Operations	1,870,000	10.2	B.com, Master of Management Studies	02 nd April, 2012	DBOI Global Services Pvt Ltd
4.	Mr. Partha Sarathi Sen	42	Senior Manager - Finance & Accounts	1,825,000	15.3	B.com, ACA, Grad CWA	01 st November, 2009	ICICI Bank Ltd.
5.	Mr. Anandprasad Date**	33	Company Secretary & Compliance Officer	108,333	8.4	BA, ACS	4-Jun-12	RSM Astute Consulting Pvt. Ltd.
6.	Mr. Ameya Paranjape	34	Company Secretary & Compliance Officer	1,650,000	10	B.Com, LLB, ACS	30 th April, 2013	Aegis Limited

Notes:

1. * Mr. U. Venkataraman was a Whole Time Director & CEO of the MCX-SXCCL from April 17, 2009. Further he has been appointed as the Managing Director & CEO and the same has been approved by the SEBI with effect from April 03, 2013.
2. ** Mr. Anandprasad Date resigned as the Company Secretary and Compliance Officer of the Company with effect from April 30, 2013. Subsequent to his resignation, the Company appointed Mr. Ameya Paranjape as the Company Secretary and Compliance Officer of the Company with effect from April 30, 2013. Mr. Ameya Paranjape had since resigned as the Company Secretary and Compliance Officer of the Company with effect from July 15, 2014.
3. All other employees listed above are/were in permanent employment of the Company in accordance with terms and conditions of employment agreed with them and the service rules of the company.
4. None of the employees is holding any equity shares in the Company within the meaning of sub-clause (iii) of clause (a) of sub-section (2A) of Section 217 of the Companies Act, 1956.
5. None of the above employees were related to any Director of the Company.

For and on behalf of the Board of Directors
sd/- sd/-

Dr. M.Y. Khan
Public Interest Director
(DIN:03185713)

U.Venkataraman
MD and CEO
(DIN: 02546911)

Date: September 08, 2014

**Place: Exchange Square, CTS No. 255,
Suren Road, Andheri (East),
Mumbai – 400 093**

Corporate Governance Report

I. Company's Philosophy on Corporate Governance:

The Company's philosophy on Corporate Governance is founded upon a legacy of fair, ethical and transparent governance practices inherited from its parent company, the MCX Stock Exchange Limited.

The Company has been guided by universal business principles of transparency, integrity, professionalism, comprehensive disclosures, and structured accountability. These principles, with fair and transparent disclosures and governance practices, guide your Company's management to serve and protect long-term interests of all its stakeholders and help in sustaining its stakeholder's confidence including shareholders, employees, corporation/company and the communities in which it operates.

The corporate governance is an ongoing process at the MCX-SX Clearing Corporation Limited. To keep pace with an evolving global environment, your Company continuously adapts best governance practices for carrying its business in ethical and transparent manner.

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

II. Board of Directors:

(A) Composition of the Board:

Your Company being a Clearing Corporation is regulated by the SEBI and is required to comply with Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 and circulars and instructions issued by the SEBI from time to time ("SECC Regulations"), Securities Contracts (Regulation) Act, 1956 ("SCRA") and Securities Contracts (Regulations) Rules, 1957 ("SCRR") (collectively hereinafter referred to as "SEBI Regulations") besides the Companies Act, 1956 (including amended Companies Act, 2013) and the rules made thereunder ("the Act").

The SEBI vide its letter dated April 03, 2013 had granted your Company an in-principle recognition to act as a Clearing Corporation for a period of one year subject to fulfillment of certain conditions. Further vide letter dated April 1, 2014 the SEBI extended the validity of in-principle approval granted to Clearing Corporation for a further period of six months in terms of Regulation 7(5) of SECC Regulations, 2012, subject to compliance with some conditions mentioned therein. The Clearing Corporation has already taken steps to comply with said conditions.

The present Board of the Company comprises of 6 Directors viz. 4 public interest directors, a shareholder director and a managing director & CEO. The SECC Regulations require the public interest directors to constitute a minimum of two-third of the total board strength and number of shareholder directors not to exceed one-third of the board's strength. One of the conditions of aforesaid SEBI letter dated April 1, 2014 was that the Clearing Corporation will appoint shareholder director as per the requirement. Accordingly, the SEBI approved the

appointment of Mr. Saurabh Sarkar as a shareholder director on the governing board of the Company vide its letter dated September 3, 2014.

(B) Meetings of the Board

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

During the Financial Year 2013-14, the Board of Directors met five (5) times on May 9, 2013, July 25, 2013, September 14, 2013, October 24, 2013 and January 28, 2014. The Company Secretary prepares the agenda and the explanatory notes, in consultation with the Managing Director & Chief Executive officer (MD&CEO) and circulates the same in advance to the Directors. Every Director is free to suggest inclusion of items in the agenda. The Board meets at least once every quarter inter alia to review the quarterly results. Additional Meetings are held, as and when necessary. The Minutes of the proceedings of the Meetings of the Board of Directors are noted and the draft Minutes are circulated amongst the members of the Board for their perusal. Comments, if any, received from the Directors are also incorporated in the Minutes, in consultation with the Chairman. The Minutes are approved by the members of the Board at the next Meeting. The Senior Management Personnel are invited to provide additional inputs for the items being discussed by the Board of Directors as and when necessary. The important decisions taken at the Board/Committee meetings are communicated to the concerned departments promptly.

The Board of Directors also passed resolutions by circulation on April 4, 2013, October 8, 2013, October 15, 2013 and November 20, 2013 and the same have been noted in the following Board meetings of the Company.

The Board of Directors has complete access to the information within the Company subject to protection of trading data and other confidential information in terms of SEBI guidelines.

The Board's composition and in respect of each director, the nature of directorship, the number of meetings attended, directorship in other companies, chairmanship and membership of committees of the Board of other companies as at March 31, 2014 is given below:

Table 1 – Details of Directors' Attendance in Meetings^{^^}

Name of the Director	Nature of Directorship	Board Meetings		Attendance at the last AGM	Directorship in other companies (^)	Chairmanship and membership of committees of Board of the other companies (**)	
		Held [#]	Attended			Chairman	Member
Mr. Joseph Massey@@	Non Executive –	5	2	Absent	-	-	-

Name of the Director	Nature of Directorship	Board Meetings		Attendance at the last AGM	Directorship in other companies (^)	Chairmanship and membership of committees of Board of the other companies (**)	
		Held#	Attended			Chairman	Member
(DIN 00043586)	Director/ Shareholder Director						
Mr. U. Venkataraman\$ (DIN 02546911)	Managing Director and CEO	5	5	Present	1	-	-
Mr. Paras Ajmera!! (DIN 01381915)	Non Executive Director/Shareholder Director	5	1	Absent	-	-	-
Dr. Prakash Apte## (DIN 00045798)	Non Executive Independent Director	5	2	Absent	-	-	-
Mr. P.R. Barpande## (DIN 00016214)	Non Executive Independent Director	5	2	Absent	-	-	-
Mr. Vepa Kamesam* (DIN 00542329)	Public Interest Director	5	3	Present	2	-	1
Dr. M.Y. Khan* (DIN 03185713)	Public Interest Director	5	4	Present	-	-	-
Mr. P.K. Chhokra* (DIN 03107873)	Public Interest Director	5	3	Present	1	-	-
Mr. V.K. Khanna* (DIN 01627707)	Public Interest Director	5	2	Present @@@	-	-	-
Mr. Jayant Deo\$\$ (DIN 00568381)	Public Interest Director	5	1	Absent	-	-	-
Mrs. Asha Das*** (DIN	Public Interest Director	5	2	Absent	-	-	-

Name of the Director	Nature of Directorship	Board Meetings		Attendance at the last AGM	Directorship in other companies (^)	Chairmanship and membership of committees of Board of the other companies (**)	
		Held#	Attended			Chairman	Member
01835370)							

^ Meetings include board meetings, AGM and the table also includes directorship in other companies as well as chairmanship and membership of committees of the Board of the other companies.

No. of meetings held during the year.

^ Excludes directorship(s) in Indian Private Companies, Foreign Companies, Section 25 Companies and Alternate Directorships

** Only Audit Committee and Shareholders' Grievance Committee of Indian Public Limited companies have been considered.

@@ Mr. Joseph Massey, Non-Executive Director of the Company had resigned with effect from October 9, 2013.

\$ Appointed as the Managing Director & CEO of the Company w. e. f. April 3, 2013.

!! Mr. Paras Ajmera, Non-Executive Director of the Company has resigned with effect from December 30, 2013

Dr. Prakash Apte and Mr. P.R. Barpande, Non-Executive Independent Directors of the Company had resigned with effect from July 25, 2013.

* Appointed as Public Interest Director of the Company with effect from June 20, 2013.

\$\$ Mr. Jayant Deo was Public Interest Director during the period June 20, 2013 to September 29, 2013.

*** Mrs. Asha Das was Public Interest Director during the period June 20, 2013 to October 5, 2013.

@@@ Chairman of the Audit Committee.

Note:

- None of the Directors listed above is related inter-se.**
- None of the Directors holds the office of Director in more than the permissible number of companies under the Companies Act, 1956.**
- The Committee Chairmanships / Memberships are within the limits laid down in Clause 49 of the Listing Agreement.**

III. Board Committees

i. Audit Committee:

The Audit Committee plays a vital role in ensuring high level of governance standards by overseeing, monitoring and advising the Company's management and auditors in conducting audits and preparation of financial statements.

a) Terms of Reference

Subsequent to notification of Section 177 of the Companies Act, 2013, the Board at its meeting held on May 21, 2014 had amended terms of reference. The role and functioning of the Audit Committee are in conformity with Section 177 of the Companies Act, 2013, Clause 49 of the Listing Agreement and the requirements of the SEBI. The role of the Audit Committee includes the following:

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

b) Composition, meetings and attendance during the year

At the beginning of the year the members of the Audit Committee were:

- Mr. P. R. Barpande, Independent Director, Chairman
- Dr. Prakash Apte, Independent Director
- Mr. Joseph Massey, Non-executive/Shareholder Director

In view of appointment of public interest directors by the SEBI and resignation of Dr. Prakash Apte and Mr. P.R. Barpande, the Audit Committee was reconstituted in the Board Meeting on July 25, 2013 comprising of three directors viz.

- Mr. V. K. Khanna, Public Interest Director, Chairman
- Mr. P.K. Chhokra, Public Interest Director
- Mr. Joseph Massey, Non-executive/Shareholder Director

After the resignation of Mr. Joseph Massey on October 9, 2013 the Audit Committee was again reconstituted by inducting Mr. U. Venkataraman, MD & CEO vide circular resolution of the Board of Directors on October 15, 2013. Consequently, the composition of the reconstituted Audit Committee stands as follows: Mr. V. K. Khanna, Public Interest Director, Chairman

- Mr. P.K. Chhokra, Public Interest Director
- Mr. U. Venkataraman, MD & CEO

Considering the ill health of Mr. V.K. Khanna, the Committee inducted Dr. M.Y. Khan, Public Interest Director in the committee vide circular resolution passed by the Board of Directors on October 15, 2013. Consequently, the composition of the reconstituted Audit Committee stands as follows:

- Mr. V.K. Khanna, Public Interest Director, Chairman
- Dr. M.Y. Khan, Public Interest Director
- Mr. P.K. Chhokra, Public Interest Director
- Mr. U. Venkataraman, Managing Director & CEO

During the financial year 2013-14, the Audit Committee met 4 (four) times on May 9, 2013, July 25, 2013, October 24, 2013 and January 28, 2014.

Table 2 – Details of Attendance at the Audit Committee Meetings

Member	Category	Meetings Held	Meetings Attended
Mr. P.R. Barpande*	Non-Executive, Independent Director	4	2
Mr. Joseph Massey!	Non-Executive Director/Shareholder Director	4	2
Dr. Prakash Apte*	Non-Executive, Independent Director	4	2
Dr. M.Y. Khan@	Public Interest Director	4	2
Mr. V.K. Khanna**	Public Interest Director	4	0

Mr. P.K. Chhokra**	Public Interest Director	4	2
Mr. U. Venkataraman@	MD&CEO	4	2

* Ceased as member of the Committee with effect from July 25, 2013.

! Ceased as member of the Committee w.e.f. October 9, 2013

** Appointed as member of the Committee with effect from July 25, 2013.

@ Appointed as member of the Committee with effect from October 15, 2013

All the members of the Audit Committee are financially literate and have accounting or related financial management expertise. The Company Secretary is the Secretary of the Committee.

ii. Nomination and Remuneration cum Compensation Committee

The Board constituted a 'Remuneration Committee' at its meeting held on April 17, 2009 as per the provisions of Companies Act, 1956, the nomenclature of the Committee had been further changed to 'Compensation Committee' in terms of SECC Regulations on September 7, 2012. Further on July 25, 2013 the Board changed the nomenclature to 'Remuneration cum Compensation Committee' to comply with the SECC Regulations read with SEBI circular dated December 13, 2012 as well as Companies Act, 1956. Further the Board at its meeting held on May 21, 2014 changed the nomenclature of the Committee as 'Nomination and Remuneration cum Compensation Committee' in order to comply with provisions of Section 178 of the Companies Act, 2013. The terms of reference of the Committee is expanded to align the same with the requirements of Section 178 of the Companies Act, 2013. The Committee is delegated powers to decide/recommend remuneration of Directors and KMPs in compliance with the Act and SECC Regulations besides formulating the compensation policy for KMPs.

a) Composition, meetings and attendance during the year:

At the beginning of the year, the members of the Committee were:

- Mr. P. R. Barpande, Independent Director
- Dr. Prakash Apte, Independent Director

In view of appointment of public interest directors by the SEBI and resignation of Dr. Prakash Apte and Mr. P.R. Barpande, the Compensation Committee was reconstituted and the nomenclature of the Committee was also changed to 'Remuneration cum Compensation Committee', in the Board Meeting held on July 25, 2013 comprising of three directors viz.

- Mr. Vepa Kamesam, Public Interest Director, Chairman
- Mrs. Asha Das, Public Interest Director
- Mr. Joseph Massey, Non-executive/Shareholder Director

After the resignation of Mrs. Asha Das, the Board inducted Dr. M.Y. Khan as a member of the Committee vide Circular resolution passed on October 8, 2013. The constitution of the Nomination and Remuneration cum Compensation Committee was changed to:

- Mr. Vepa Kamesam, Public Interest Director, Chairman
- Dr. M.Y. Khan, Public Interest Director
- Mr. Joseph Massey, Non-executive/Shareholder Director

After the resignation of Mr. Joseph Massey on October 9, 2013 the Remuneration cum Compensation Committee was again reconstituted by inducting Mr. P.K. Chhokra, Public

Interest Director in the meeting of the Board of Directors held on October 24, 2013. The constitution of the Remuneration cum Compensation Committee was changed as follows:

- Mr. Vepa Kamesam, Public Interest Director, Chairman
- Dr. M.Y. Khan, Public Interest Director
- Mr. P.K. Chhokra, Public Interest Director

The Board of Directors in the Board Meeting held on May 21, 2014, changed the nomenclature of the Committee to 'Nomination and Remuneration cum Compensation Committee' in order to comply with provisions of Section 178 of the Companies Act, 2013.

During the financial year 2013-14, the Nomination and Remuneration cum Compensation Committee met three times on May 9, 2013, October 9, 2013 and January 28, 2014.

Table 3 – Details of Attendance at the Nomination and Remuneration cum Compensation Committee Meetings

Member	Category	Meetings held	Meetings Attended
Mr. P.R. Barpande*	Non-Executive, Independent director	3	1
Dr. Prakash Apte*	Non-Executive, Independent director	3	1
Mr. Joseph Massey**	Non-Executive/Shareholder director	3	1
Mr. Vepa Kamesam@	Public Interest Director	3	2
Dr. M.Y. Khan@@	Public Interest Director	3	2
Mr. P.K. Chhokra @@@	Public Interest Director	3	1

* Ceased as member of the committee w.e.f. July 25, 2013.

** Mr. Joseph Massey was member of the committee during the period July 25, 2013 to October 9, 2013.

@ Appointed as member of the committee with effect from July 25, 2013

@@ Appointed as member of the committee with effect from October 8, 2013

@@@ Appointed as member of the committee with effect from October 24, 2013.

The Company Secretary is the Secretary of the committee.

b) Details of Remuneration to Directors:

▪ Remuneration of the Managing Director and his Shareholding

Mr. U. Venkataraman has been appointed as MD & CEO of the Company w. e. f. April 3, 2013 pursuant to approval received from the SEBI. The Board at its meeting held on May 9, 2013 approved the remuneration payable to Mr. U. Venkataraman, MD&CEO in the range of Rs.1.08 crore p.a. to Rs.1.75 crore p.a. which was approved by the SEBI starting with remuneration of Rs.1.08 crore p.a. Thereafter based on the appraisal of performance in terms of Compensation Policy of the Company, an annual increment of 10% was given to Mr. U. Venkataraman, MD & CEO effective from April 3, 2013.

Detailed break-up of the same is given in table 4

Table 4 – Break-up of Salary of the MD & CEO

Sr. No.	Components	Amount in INR
1	Basic	49,89,600
2	HRA	24,94,800
3	Other Allowance	5,98,752
4	Special Allowance	22,34,603
5	Food Coupons	14,400
6	Medical Reimbursement	15,000
7	LTA Reimbursement	4,15,800
8	Other Entitlements or Reimbursement	5,64,000
A	Total Cash Component	1,13,26,955
Benefits		
1	Annual Gratuity	2,39,885
2	Annual Personal Accident Policy	1,410
3	Annual Mediclaim	25,000
4	Annual Car Eligibility	2,80,000
5	Annual Group Insurance	6,750
B	Total benefits	5,53,045
(A+B)	Gross Cash and Non-cash salary	1,18,80,000
	Notice Period	6 months
	Severance fees	Nil except notice pay

Managing Director and CEO is not holding any shares in the Company.

Further, in light of the difficult and rough business phase being faced by the Company, Mr. U. Venkataraman, MD & CEO voluntarily offered to take a reduction of 33.33% on his current CTC.

The Nomination and Remuneration cum Compensation Committee at its meeting held on June 4, 2014 approved the voluntary offer given by Mr. U. Venkataraman and recommended the same to the Board for approval. The Board at its meeting held on June 4, 2014 had approved payment of remuneration of INR 79,20,396/- p.a. all inclusive on Cost to Company basis to Mr. U. Venkataraman, MD & CEO of the Clearing Corporation with effect from June 1, 2014 subject to the approval of the SEBI and Shareholders.

Detailed break-up of the same is given– in table 5

Table 5 – Break-up of Revised Salary of the MD & CEO

Sr. No.	Components	Amount in INR
1	Basic	44,90,640
2	HRA	13,47,192
3	Other Allowance	2,69,438
4	Special Allowance	3,16,450
5	Food Coupons	14,400
6	Medical Reimbursement	15,000
7	LTA Reimbursement	3,74,220
8	Other Entitlements or Reimbursement	5,64,000
A	Total Cash Component	73,91,340
Benefits		
1	Annual Gratuity	2,15,896
2	Annual Car Eligibility	2,80,000
3	Annual Group Insurance	33,160
B	Total benefits	5,29,056
(A+B)	Gross Cash and Non-cash salary	79,20,396
	Notice Period	6 months
	Severance fees	Nil except notice pay

- **Sitting fees of the Non-Executive Directors and their shareholding as on 31.03.2014 is given in table 6**

Table 6 – Details of Sitting Fees of the Non-Executive Directors and their Shareholdings as on March 31, 2014

Name of the Director	Sitting Fees (Amount in INR)		Shareholding in the Company as on 31.03.2014 (in Nos.)
	Board Meetings	Committee Meetings	
Dr. Prakash Apte	20,000	1,10,000	NIL
Mr. P.R. Barpande	20,000	1,50,000	NIL
Mr. Joseph Massey*	NIL	NIL	NIL
Mr. Paras Ajmera*	NIL	NIL	NIL
Mr. Vepa Kamesam	40,000	2,50,000	NIL
Dr. M.Y. Khan	60,000	3,30,000	NIL
Mr. P.K. Chhokra	40,000	1,60,000	NIL
Mr. V.K. Khanna	20,000	80,000	NIL
Mr. Jayant Deo	10,000	20,000	NIL
Mrs. Asha Das	20,000	30,000	NIL

* Sitting fees had been waived off by Mr. Joseph Massey and Mr. Paras Ajmera.

iii. Shareholders' Grievance Committee

The Company has constituted Shareholders Grievance Committee primarily with the objective of redressing shareholders' and investors' grievances.

a) Terms of reference

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

b) Composition, meetings and attendance during the year

At the beginning of the year the members of the Shareholders' Grievance Committee were:

- Mr. Joseph Massey, Non-executive/Shareholder Director
- Mr. P. R. Barpande, Independent Director
- Mr. U. Venkataraman, Managing Director & CEO

In view of the appointment of the public interest directors by the SEBI and resignation of Mr. P.R. Barpande, the Shareholders' Grievance Committee was reconstituted in the Board Meeting held on July 25, 2013 comprising of three directors viz.

- Mrs. Asha Das, Public Interest Director
- Mr. P.K. Chhokra, Public Interest Director
- Mr. Joseph Massey, Non-executive/Shareholder Director

After the resignation of Mrs. Asha Das on October 05, 2013 and Mr. Joseph Massey on October 09, 2013, the Shareholders' Grievance Committee was again reconstituted by inducting Mr. U. Venkataraman, Managing Director & CEO, and Dr. M.Y. Khan in the meeting of the Board of Directors held on October 24, 2013. Consequently, constitution of the Shareholders' Grievance Committee stands as follows:

- Dr. M.Y. Khan, Public Interest Director
- Mr. P.K. Chhokra, Public Interest Director.
- Mr. U. Venkataraman, Managing Director & CEO

During the financial year 2013-14, the Shareholders' Grievance Committee met four times on May 9, 2013, September 20, 2013, December 6, 2013 and March 6, 2014. The details of attendance are given in table 7

Table 7 – Details of Attendance of the Meetings of the Members of the Shareholders' Grievance Committee

Member	Category	Meetings held	Meetings Attended
Mr. Joseph Massey*	Non-Executive Director/Shareholder Director	4	1
Mr. P. R. Barpande@	Non-Executive, Independent Director	4	1
Mr. U. Venkataraman	Managing Director and CEO	4	4
Mrs. Asha Das!	Public Interest Director	4	1##
Mr. P.K. Chhokra!	Public Interest Director	4	3
Dr. M.Y. Khan#	Public Interest Director	4	2

*Ceased as member of the Committee with effect from October 9, 2013

@ Ceased as member of the Committee with effect from July 25, 2013

Appointed as member of the Committee with effect from October 24, 2013

! Appointed as member of the Committee with effect from July 25, 2013

Attended the meeting through teleconference

The Company Secretary of the Company acts as the Secretary of the Committee.

During the financial year 2013-14, the Company has not received any complaint from its shareholders and there are no unresolved complaints at the end of the period.

Details of requests /complaints received and redressed during the year 2013-14 are given in table 8

Table 8 – Details of Request / Complaints received and Redressed during the year

Sr. No.	Particulars	Opening	Additions	Resolved	Outstanding
1.	Shareholders Complaints	NIL	NIL	NIL	NIL
2.	Demat Requests received	NIL	NIL	NIL	NIL
3.	Remat Requests received	NIL	NIL	NIL	NIL
4.	Transfer Requests received	NIL	1	1	NIL
5.	Transmission Requests received	NIL	NIL	NIL	NIL
6.	Requests received for Duplicate Share Certificate(s)	NIL	NIL	NIL	NIL
7.	Any other request from the shareholder	NIL	NIL	NIL	NIL

No complaints were pending as on March 31, 2014.

IV. OTHER BOARD COMMITTEES

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

Pursuant to the SEBI Regulations, the Company has constituted various other committees on the terms of reference defined therein by the SEBI:

Table 9 – Details of Other Board Committees

Sr. No.	Name of the Committee
1	Advisory Committee
2	Defaulters Committee
3	Clearing and Settlement Oversight Committee
4	Member Regulation Oversight Committee
5	Disciplinary Action Committee
6	Ethics Committee
7	Executive Committee – Currency Derivatives Segment
8	Executive Committee – Capital Market Segment
9	Executive Committee – Futures and Options Segment
10	Investors Service Committee
11	Risk Management Committee
12	Membership Selection Committee
13	Grievance Redressal Committee
14	Standing Committee on Technology
15	Committee to monitor compliance with SEBI inspection report
16	Public Interest Directors Committee

The SEBI vide letter no. MRD/DSA/OW/23153/2013 dated September 12, 2013 has renewed the recognition of the MCX Stock Exchange Limited (MCX-SX), holding company for a further period of one year. Vide the same letter, the SEBI directed the MCX-SX and the Company to constitute a Committee to oversee following functions-

- a. All financial transactions related to investment, lending, and borrowing of funds and related party transactions as defined in AS-18.
- b. Appointment of Key management personnel.
- c. All facility / infrastructure sharing arrangements
- d. All major capital expenditures

and advise the Board on all the major policy matters. Further the said letter also directed that in case of the Company, the Committee shall also oversee the Clearing and Settlement function in addition to functions mentioned above.

Accordingly the Board at its meeting held on September 14, 2013 constituted Committee in terms of paragraph i of the SEBI letter No. MRD/DSA/OW/23153/2013 dated September 12, 2013. The Committee duly served the purpose for which it was constituted and report in this regard was submitted to the SEBI vide letter dated October 11, 2013.

(V) Compliance reports of applicable laws:

The Board periodically reviews compliance reports of all laws applicable to the Company, prepared by the Company as well as the steps taken by it to rectify the instances of non-compliances, if any, and define process to avoid future non-compliances.

(VI) Code of Conduct:

The Company has formulated and implemented a comprehensive Code of Conduct for directors, key management personnel and employees of the Company. The Code of Conduct has been posted on the website of the MCX Stock Exchange Limited, parent Company - www.mcx-sx.com under the section MCX-SXCCL.

The board members and the senior management personnel affirm compliance with the Code of Conduct on an annual basis. The necessary declaration by the managing director & chief executive officer under Clause 49 of the Listing Agreement regarding adherence to the Code of Conduct has been obtained for the financial year 2013-14 and forms part of the Annual Report.

(VII) General Body Meetings-

Table 10 – Details of the General Body Meetings and Special Resolutions passed therein during the previous three Financial Years

Date	Time	Category	Venue of the meeting	Particulars of special resolution passed
August 04, 2011	11.00 A.M.	AGM for the F.Y. 2010-2011	Exchange Square, CTS No. 255, Suren Road, Chakala, Andheri (East), Mumbai - 400093	Nil
September 25, 2012	11.00 A.M.	AGM for the F.Y. 2011-2012	Exchange Square, CTS No. 255, Suren Road, Chakala, Andheri (East), Mumbai - 400093	i) Reappointment of Mr. U. Venkataraman as a CEO & Whole-Time Director. ii) Alteration of the Articles of Association.
March 11, 2013	10.30 A.M.	EGM	Exchange Square, CTS No. 255, Suren Road, Chakala, Andheri (East), Mumbai - 400093	Alteration of the Articles of Association.
September 20, 2013	4.00 P.M.	AGM for the F.Y. 2012-13	Exchange Square, CTS No. 255, Suren Road, Chakala, Andheri (East), Mumbai - 400093	Appointment of Mr. U. Venkataraman as MD & CEO
October 9, 2013	5 P.M.	EGM	Exchange Square, CTS No. 255, Suren Road, Chakala, Andheri (East), Mumbai - 400093	Nil

(B) Postal Ballot:

The Company has not passed any resolution by way of postal ballot.

(VIII) Disclosures:

(A) Disclosures on Materially Significant Related Party Transactions

The Company has not entered into any materially significant related party transactions with the directors or management or their relatives that may have potential conflict with the interests of the Company. Nonetheless, the details of the related parties transactions as required under AS-18 have been disclosed in the Notes to Accounts and forms part of the Annual Report.

(B) Penalties Imposed by the Stock Exchanges, the SEBI or any Statutory Authority, on any matter related to the Capital Markets during the last three years: Nil.

(C) Disclosure Relating to the Whistle Blower Policy and Affirmation that no Personnel have been Denied Access to the Audit Committee

The Company has adopted a Code for Key Management Personnel and Employees which includes a Whistle Blower Policy. No personnel have been denied access to the Audit Committee.

(D) Risk Management Policy

The Company has devised a formal risk management policy and follows a well-established and detailed risk assessment and minimization procedure. The Board has constituted a separate Risk Management Committee which periodically reviews the functioning of risk management policy and apprises the Board on regular intervals of its implementation or deviations, if any.

(E) Management Discussions and Analysis

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

(F) CEO/CFO Certification:

The certification received under clause 49 of the Listing Agreement from Mr. U. Venkataraman, MD and CEO and Mr. Partha Sarathi Sen, - Senior Manager - Finance and Accounts on the financial statements of the Company for the year ended March 31, 2014 is annexed to this report.

(G) Certificate on Corporate Governance:

The Certificate regarding the compliance of conditions of Corporate Governance under clause 49 of the listing agreement is annexed to the Directors Report obtained from M/s. S. Anantha & Co. Company Secretaries, a firm of practicing company secretaries.

(H) Compliance with Clause 49:

Mandatory Requirements:

As per the regulation 35 of SECC Regulations, 2012 the disclosure requirements and corporate governance norms as applicable to a listed company are mutatis mutandis applicable to a recognized clearing corporation.

The SEBI vide its letter dated April 3, 2013 granted in-principle recognition to your Company to act as a Clearing Corporation for a period of one year subject to the fulfillment of certain

terms and conditions. Further the SEBI had vide its letter dated April 01, 2014 extended the validity for a further period of six months.

In view of the same, the Company has started complying with all the mandatory requirements of clause 49 of Listing Agreement to the extent practicable and applicable.

Non Mandatory Requirements:

- i) The Company has constituted Remuneration Committee which was re-designated as Compensation Committee by the Board at its meeting held on September 7, 2012. The Committee has been further re-designated as Remuneration cum Compensation Committee on July 25, 2013 to comply with the SECC Regulations read with the SEBI circular dated December 13, 2012 as well as the Companies Act, 1956. Further the Board at its meeting held on May 21, 2014 re-designated the Committee as 'Nomination and Remuneration cum Compensation Committee' in order to comply with the provisions of Section 178 of the Companies Act, 2013.
- ii) The financial statements of the Company are unqualified.
- iii) The Company has adopted a code for key management personnel and employees which includes a Whistle Blower Policy. This policy enables an employee to report any actual or possible violation of the code of conduct. This policy ensures confidentiality and protection to the employee against retaliation.

(I) Means of Communication:

The SEBI vide its letter dated April 3, 2013 granted in-principle recognition to your Company to act as a Clearing Corporation for a period of one year subject to the fulfillment of certain terms and conditions. As per the regulation 35 of SECC Regulations, 2012 the disclosure requirements and corporate governance norms as applicable to a listed company are mutatis mutandis applicable to a recognized clearing corporation. Further the SEBI vide its letter dated April 01, 2014 extended the validity to the MCX-SXCCL for a further period of six months.

In view of the same, the Company has started publishing the quarterly results from the end of first quarter of financial year 2013-14. The Company publishes its results in one English newspaper having circulation in the whole or substantially the whole of India and in one Marathi newspaper. However, considering the nature of the Company, it has written a representation on June 13, 2013, to SEBI seeking certain clarification.

The Company has posted significant events for Financial Year 2013-14 under the section MCX-SX CCL on the website of the MCX Stock Exchange Limited, parent Company www.mcx-sx.com.

Table 11 - General Shareholder Information

I.	Annual General Meeting (F.Y. 2013-14)	
II.	Day, Date, Time and Venue	Tuesday, September 30, 2014 11.00 a.m. 4th Floor, Vibgyor Towers, Opp. Trident Hotel, Bandra Kurla Complex (BKC), Mumbai - 400 098
III.	Financial year	April 01, 2013- March 31, 2014

I.	Annual General Meeting (F.Y. 2013-14)	
IV.	Quarterly results will be declared as per the following tentative schedule. June 30, 2014 September 30, 2014 December 31, 2014 March 31, 2015	On or before August 14, 2014 On or before November 14, 2014 On or before February 14, 2015 On or before May 30, 2015
V.	Book Closure date	Not Applicable
VI.	Dividend payment date	Not Applicable
VII.	Mode of payment of dividend	Not Applicable
VIII.	Listing on Stock Exchanges	Your Company is not listed.
IX.	Corporate Identification Number (CIN)	U67120MH2008PLC188032
X.	Scrip Code/Symbol	Not Applicable
XI.	Name and designation of Compliance officer	Mr. Prayag Vijay, Company Secretary and Compliance Officer till August 28, 2014.
XII.	Registrars & Transfer Agents (RTA)	Karvy Computershare Private Limited Plot No. 17-24, Vittalrao Nagar, Madhapur, Hyderabad – 500 081.
XIII.	Share Transfer system	Authority has been delegated to the Management Committee of the Board to approve share transfers and the Shareholders Grievance Committee reviews disposal of transfer requests if any from time to time. The Company has also appointed Karvy Computershare Private Limited as its RTA who periodically receives from the Depositories, the beneficial holdings of the Company.
XIV.	Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity	Your Company do not have any outstanding GDRs/ADRs/Warrants or any Convertible instruments
XV.	The Company's operations are located at	4th Floor, Vibgyor Towers, Opp. Trident Hotel, Bandra Kurla Complex (BKC), Mumbai - 400 098
XVI.	Address for Correspondence	<u>Registered Office</u> <u>MCX-SX Clearing Corporation Limited</u> Exchange Square, CTS No. 255, Chakala, Suren Road, Andheri (East), Mumbai - 400 093. India. Tel:67319000 Website: www.mcx-sx.com/mcxsxcl

I.	Annual General Meeting (F.Y. 2013-14)	
XVII.	Email	shareholdergrievance@mcx-sxccl.com

Plant Locations: Your Company is engaged in the business of providing clearing and settlements of the securities traded on the trading platform of its parent Company i.e. the MCX-SX. Therefore this section is not applicable.

Dematerialization of Shares:

Most of the shares of the Company are under dematerialised (electronic) form as required under the SECC regulations except for four equity shares of INR 10 each which are held by individuals as nominees of the MCX Stock Exchange Limited, the Multi Commodity Exchange of India Limited and the Financial Technologies (India) Limited. The securities of the Company are admitted for dematerialization with Central Depository Services (India) Limited (CDSL).

ISIN of the Company's equity shares is INE831N01013.

As on March 31, 2014, a total of 2,49,99,996 equity shares of the Company were in dematerialized form.

Stock Market data – Not Applicable as the Company is not listed on any Stock Exchange.

Share price performance to broad based indices: Not Applicable as the Company is not listed on any Stock Exchange.

Distribution of Shareholding & Shareholding pattern (As on March 31, 2014) is given in table 12. There are three shareholders in the Company.

Table 12 - Distribution of Shareholding

Sr. no	Category (Amount)	Shareholders		Shares held	
		No. of holders	% of Total	No. of shares	% of Total
1	up to 5000	-	-	-	-
2	5001 - 10000	-	-	-	-
3	10001 - 20000	-	-	-	-
4	20001 - 30000	-	-	-	-
5	30001 - 40000	-	-	-	-
6	40001 - 50000	-	-	-	-
7	50001 - 100000	-	-	-	-
8	100001 & above	3	100	25000000	100
	Total	3	100	25000000	100

Table 13 - Shareholding Pattern

Sr. No	Category	No. of shareholders	No. of shares held	% of shareholding
(A)	PROMOTER AND PROMOTER GROUP			
(1)	INDIAN			
	Bodies Corporate	1	1,27,50,000	51
	Sub-Total A(1)	1	1,27,50,000	51
(2)	FOREIGN	0	0	0.00
	Sub-Total A(2)	0	0	0.00
	Total A=A(1)+A(2)	1	1,27,50,000	51
(B)	PUBLIC SHAREHOLDING			
(1)	INSTITUTIONS			
(a)	Mutual Funds /UTI	0	0	0.00
(b)	Financial Institutions /Banks	0	0	0.00
(c)	Venture Capital Funds	0	0	0.00
(d)	Foreign Institutional Investors	0	0	0.00
(e)	Foreign Bodies Corporate	0	0	0.00
	Sub-Total B(1)	0	0	0.00
(2)	NON-INSTITUTIONS			
(a)	Bodies Corporate	2	1,22,50,000	49
(b)	Individuals	0	0	0
(c)	Others	0	0	0.00
	Trusts	0	0	0.00
	Non-Resident Indian	0	0	0.00
	Clearing Members	0	0	0.00
	Sub-Total B(2)	2	1,22,50,000	49
	Total B=B(1)+B(2)	2	1,22,50,000	49
	Total (A+B)	3	2,50,00,000	100

Note:

The above figures include holdings of four nominee shareholders of the above shareholders who hold one share each as allowed u/s 187 (1) of the Companies Act, 1956.

Based on the definition of promoter as mentioned in Section 2(69) of the Companies Act, 2013 and in the light of the fact that the Multi Commodity Exchange of India Limited (MCX) and the Financial Technologies (India) Limited (FTIL) did not have any Board representation on the Clearing Corporation nor did they exercise any control over the Clearing Corporation. The Board at its meeting held on May 21, 2014 noted that the MCX and the FTIL are not promoters of the Company and decided not to classify them as promoter in any future filings.

In terms of Regulation 18 of the SECC Regulations, any person holding equity shares in a recognised clearing corporation in excess of the limits specified in this regulation on the date of commencement of these regulations shall comply with the conditions specified in this regulation within a period of three years from the date of such commencement. Accordingly, the MCX and the FTIL have to reduce their shareholdings to 5% of the paid up capital latest by June 20, 2015. In the meantime, the SEBI had vide order dated March 19, 2014 declared

the FTIL as not a “fit and proper person” to acquire or hold any equity share or any instrument that provide for entitlement for equity shares or rights over equity shares at any future date in a recognized stock exchange or clearing corporation either directly or indirectly.

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

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

The said Order has been upheld by the Securities Appellate Tribunal (SAT) by its order dated July 09, 2014. Accordingly the SAT has given the FTIL four weeks’ time to divest shares of the relevant entities. As on date the FTIL continue to hold its stake in the Company.

Further SAT vide its order dated 21st August, 2014 advised the FTIL to apply to the SEBI for extension of time. The FTIL in accordance with the SAT order dated August 21, 2014, has vide its letter to the SEBI (a copy of the same was marked to the Company) dated August 26, 2014 sought an extension of six months to complete the divestment from relevant entities.

For and on behalf of the Board of Directors
Sd/-

U. Venkataraman
Managing Director & CEO
DIN: 02546911

Date: September 08, 2014

Place: Mumbai

Registered Office:

Exchange Square, CTS No. 255, Suren Road
Andheri (East), Mumbai - 400 093.

Practicing Company Secretary's Certificate on Corporate Governance

To
The Members of
MCX-SX CLEARING CORPORATION LIMITED

Corporate Governance Certificate

We have examined the compliance of conditions of Corporate Governance by **MCX-SX CLEARING CORPORATION LIMITED** ("Company") for the year ended March 31, 2014, as stipulated in regulation 35 of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 read with Clause 49 of the Listing Agreement, to the extent applicable to the Company.

We have conducted our examination on the basis of the relevant records and documents maintained by the Company and furnished to us for the purpose of the review and the information and explanations given to us by the Company during the course of such review.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representation made by the Directors and the Management, read with note (VIII) (H) of the Corporate Governance Report, we certify that the Company has in all material respects complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

**Sd/- (For S. Anantha & CO.)
Company Secretaries**

**Date: 08th September, 2014
Place: Mumbai**

**(Anantha Rama Subramanian)
Proprietor
C.P. No.1925**

Receipt of Affirmations on Compliance with the Code of Conduct

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

U. Venkataraman
Managing Director & CEO

September 08, 2014

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

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

To
The Board of Directors
MCX-SX Clearing Corporation Limited

Dear Sirs,

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

- a)
 - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;
 - (ii) These statements present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's codes of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any of which we are aware and steps taken or proposed to be taken for rectifying these deficiencies. In our opinion there are adequate internal controls over financial reporting.
- d) We have indicated to the Auditors and the Audit Committee:
 - (i) Significant changes in internal control over financial reporting during the year;
 - (ii) Significant changes in accounting policies made during the year and that the same have been disclosed suitably in the notes to the financial statements; and
 - (iii) That there have been no instances of significant fraud of which we have become aware.

Yours Sincerely,

Sd
U. Venkataraman
Managing Director & CEO

Sd
Partha Sarathi Sen
Senior Manager - Finance &
Accounts

Management Discussion and Analysis Report

Economic Scenario

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

Growth in the Indian economy remained below 5.0% for the second consecutive year, along with subdued investment activity and consumer demand. Uncertainties regarding the global recovery, concerns over domestic growth and volatility in financial markets were the key features of the economic environment in fiscal 2014.

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

Trends in Capital Market and Policy

Capital inflows improved towards the later part of fiscal 2014. With a view to attract US dollar inflows and provide support to the currency, in September 2013 RBI opened a swap facility for banks for incremental foreign currency non-resident (bank) (FCNR (B)) US dollar deposits at a fixed rate of 3.5% per annum.

The securities market, which observed gains during the early part of the year, got disrupted owing to global headwinds. However, as normalcy returned, the Indian stock markets recovered with benchmark indices, BSE Sensex and NSE Nifty registering their all-time high. The BSE Sensex knocked a new peak to close at 22,386 on March 31, 2014, breaching the 20,000 mark touched during 2012-13. Nifty, too, crossed the 6,000 mark of 2012-13 and logged to a new lifetime high by closing at 6,704 on March 31, 2014. On a point to point basis, Sensex observed a growth of 18.8 percent, while Nifty recorded a growth of 18.0

percent over the previous year. The SX40 index of MCX-SX closed at 13,298 on March 31, 2014.

As per the Securities and Exchange Board of India, India received a total FII net investments of INR 51,649 crore during 2013-14 compared to INR 1,68,367 crore in 2012-13, showing a decline of 69.3 percent. The foreign investments in India contributed by the FIIs/SAs stood at INR 15,93,869 crore in 2013-14, an increase of 19.3 percent over the previous year. On the same lines, FDI investments also witnessed a rise of 22.5 percent and assets under custody valued at INR 2,94,945 crore in 2013-14.

Opportunities and Threats

Your Company foresees the vast untapped potential of the Indian securities market as a major opportunity. It believes that it would be able to create new market in untouched geographical areas and social sectors through its program of financial inclusion and financial literacy. Being a new generation Clearing Corporation, your Company is uniquely positioned to bring innovation in its services to utilize these opportunities. Your Company is one of the three Clearing Corporations in India to have clearing settlement services with nationwide electronic connective.

The competitive structure of Stock Exchanges and Clearing Corporations in India presents a threat to the business of the Company. The dominant player which is enjoying near monopoly presently has unmatched liquidity in its Capital Market and Futures & Options platforms. Consequently, consumer dependency on the dominant competitor is very high. The other competitor is currently carrying on a zero pricing program coupled with various free offerings in the Currency Derivatives Segment, which poses risk for the earning potential of the Company, unless there is timely intervention by the regulator. However it has proposed now to reverse zero pricing policy.

The Company is on its path to achieve the requisite shareholding structure as stipulated by the regulator and plans to increase the networth of its subsidiary and Clearing Corporation to the regulatory requirement of minimum of Rs.300 crores within the regulatory timelines, while maintaining its minimum networth. To achieve this, the Company would require infusion of funds. Given the performance of the economy and the sentimental fallout of the defaults at a company associated with its erstwhile promoter (from which the Company is nevertheless ringfenced), raising of the requisite funds could be challenging.

Segment wise performance

The Clearing Corporation currently provides clearing and settlement services for four trading platforms which may be considered as different lines of business within the same business segment. Accordingly, the Clearing Corporation has only one reportable segment within the meaning of "Accounting Standard 17 - Segment Reporting".

a) Clearing and Settlement - Currency Derivatives Segment:

During the financial year 2013-14, the Clearing Corporation has successfully carried out all settlements in Currency Derivatives Segment without default and delay.

Monthly settlement statistics in Currency Derivatives Segment is summarized in Table 1

Table 1 - Monthly statistics of settlements - Currency Derivatives Segment

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

On account of its robust risk management practices, Settlement Guarantee Fund (SGF) has never been put to use. However, on account of decline in transaction volumes and open interest, there was a reduction in member margin deposits and consequently the SGF also declined from INR 1078.04 crores as on March 31, 2013 to INR 721.90 crores as on March 31, 2014.

b) Clearing and Settlement - Equity Cash Market:

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

Table 2 - Monthly statistics of settlements - Equity Cash Market

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

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

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

c) Clearing and Settlement - Equity Derivatives Segment:

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

Table 3 - Monthly statistics of settlements - Equity Derivatives Segment

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

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

d) Clearing and Settlement - Debt Market Segment:

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

Table 4 - Monthly statistics of settlements - Debt Market Segment

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

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

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

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

B) New Initiatives and Developments

a) Qualified Central Counter Party Status

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

b) Introduction of Debt Segment

The MCX-SXCCL has commenced Clearing and Settlement of transactions executed in MCX-SX in the newly launched Debt Market segment from June 10, 2013. MCX-SXCCL is also authorized by the RBI and the SEBI to carry out settlement of OTC deals in Corporate Bonds, Securitized Debt Instruments, Commercial Papers and Certificate of Deposits reported in the OTC deal reporting platforms of FIMMDA and MCX-SX.

c) Introduction of Interest Rate Futures

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

d) Introduction of Risk Reduction Mode in Currency Derivatives Segment

The MCX-SXCCL has enhanced its risk management capabilities by introducing the functionality of Risk Reduction Mode in currency derivatives segment from February 10, 2014. The Risk Reduction Mode triggers pre-trade check for adequacy of margin deposits when the member's margin utilization in currency derivatives segment reaches 95% of eligible deposits.

e) Enhancement of Insurance Cover

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

f) Application to ESMA

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

g) Renewal of ISO certification

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

Approved Intermediary under Securities Lending Scheme, 1997

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

Debt Market Segment

Your Company sees vast potential for the development of Exchange traded Debt segment in India. The new guidelines issued by the SEBI's vide their Circular No. CIR/MRD/DP/03/2013 dated January 24, 2013 providing for setting up of

dedicated Debt segment in Stock Exchanges, is a welcome step to realize this potential.

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

Risks and Concerns

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

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

Internal Control Systems and their Adequacy

The Exchange has implemented effective control systems to ensure that all its assets, interests and information are safeguarded with proper checks and balances. The Exchange has appointed Internal Auditors and System Auditors to ensure that the financial transactions, operational mechanism and technological infrastructure are error free. The Statutory Auditors are appointed by the Comptroller and Auditor General of India which lends credibility to the whole process being followed at the Exchange. The Audit Committee is in overall supervision of the internal controls and reports are being made to the Board in a periodic manner.

Financial performance with respect to Operational Performance

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

Financial Highlights	2013-14 (Amount in Rs. Cr)	2012-13 (Amount in Rs. Cr)
Revenue from operations	32.18	16.86
Profit before Interest, Depreciation, Tax and Exceptional Items	0.21	0.13
Profit before tax	0.13	0.10
Cash profit		
Net profit	0.13	0.10

2. Revenue and operating expenses

The Company earned total revenues of INR 32.18 crore from operations during the year ended March, 2014 as against INR 16.86 crore in the year ended March, 2013. The increase in revenue was mainly due to increase in clearing and settlement fees received on turnover generated in Currency Derivative Segment of MCX-SX.

3. Operating profit before depreciation and amortization and exceptional items

The Company earned EBITDA of INR 0.21 crore for the year ended March, 2014 as compared to INR 0.13 crore during the previous year ended March, 2013. The EBITDA margin for the year 2013 - 2014 was 0.56% as against 0.65% for the year 2012-13.

4. Depreciation and Amortisation

The depreciation and amortization charges were INR 0.08 crore for the year ended March, 2014 as against INR 0.03 crore for the year ended March, 2013. This was primarily due to procurement of hardware and software for the new segments operationalized during the financial year.

5. Profit after tax

The profit after tax stood at INR 0.13 crore for the year 2013 - 2014 as compared to a profit of INR 0.10 crore for the year 2012 - 2013.

6. Balance Sheet

As on March 31, 2014, the Company had total assets of INR 128.79 crore and shareholders' funds at INR 28.19 crore. The Company is debt-free as on March 31, 2014.

Material developments in Human Resources

The Exchange had expended significant resources in launching the new segments in 2013 and it is trying to sustain volumes therein. It is actively pursuing alternatives to raise capital. The certain events leading to adverse publicity have impacted business. In view of the need to conserve resources at this juncture, the Exchange has rationalized its manpower during the year. Our headcount as at March 31, 2014 stood at 38.

Disclaimer

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

Business Responsibility Report

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

Section A: General Information about the Company

1. Corporate Identity Number (CIN) of the Company
U67120MH2008PLC188032
2. Name of the Company:
MCX-SX Clearing Corporation Limited
3. Registered address
MCX-SX Clearing Corporation Limited, Exchange Square, Suren Road,
Chakala, Andheri (East), Mumbai, 400093
4. Website
www.mcx-sx.com
5. E-mail id
communications@mcx-sx.com; csr@mcx-sx.com
6. Financial Year reported
2013-2014
7. Sector(s) that the Company is engaged in (industrial activity code-wise)
Clearing and Settlement (Financial Sector)
8. List three key products/services that the Company manufactures/provides (as in balance sheet)
Not applicable
9. Total number of locations where business activity is undertaken by the Company
 - i. Number of International Locations (Provide details of major 5)
None
 - ii. Number of National Locations
Please refer to the Annual Report
10. Markets served by the Company – Local/State/National/International/
National level

Section B: Financial Details of the Company (As on March 31, 2014)

1. Paid up Capital
INR 250000000
2. Total profit after taxes INR 1,277,071

3. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)
There has been no spending on CSR activities in the current fiscal year. The Clearing Corporation has voluntarily chosen to publish the Business Responsibility Report (BRR) for 2013-14 while working towards the goal of responsible and sustainable development. MCX-SXCCL shall be participating with the holding Company MCX-SX in their BR activities.
4. List of activities in which expenditure in 4 above has been incurred:-
Not Applicable

Section C: Other Details

1. Does the Company have any Subsidiary Company/ Companies?
No
2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)

Not Applicable
3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]

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

Section D: BR Information

1. **Details of Director/Directors responsible for BR**
 - a) Details of the Director/Director responsible for implementation of the BR policy/policies
 - DIN Number - 02546911
 - Name - Mr. U. Venkataraman
 - Designation – MD & CEO

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

Sr. No	Questions	P	P	P	P	P	P	P	P	P
		1	2	3	4	5	6	7	8	9
1	Do you have a policy / policies for....	Y	N	Y	N	N	N	N	N	N
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	N	Y	N	N	N	N	N	N
3	Does the policy conform to any national / international standards? If yes, specify? (50 words)	N	N	N	N	N	N	N	N	N
4	Has the policy being approved by the Board? Is yes, has it been signed by MD /owner /CEO /appropriate Board Director?	Y	N	Y	N	N	N	N	N	N
5	Does the company have a specified committee of the Board/ Director/Official to oversee the Implementation of the policy?	Y	N	Y	N	N	N	N	N	N
6	Indicate the link for the policy to be viewed online?	Y	N	N	N	N	N	N	N	N
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	N	N	N	N	N	N	N	N
8	Does the company have in-house structure to Implement the policy / policies.	Y	N	Y	N	N	N	N	N	N
9	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy / policies?	Y	N	N	N	N	N	N	N	N
10	Has the company carried out independent Audit /evaluation of the working of this policy by an internal or external agency?	N	N	N	N	N	N	N	N	N

Y = Yes; N = No

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

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

3. **Governance related to BR**

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

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

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

This is for the first time that the BR Report has been compiled. The Clearing Corporation shall publish this Report annually. The Report for this year can be viewed on the website of the Exchange - www.mcx-sx.com

Section E: Principle-wise performance

Principle 1: ETHICS, TRANSPARENCY & ACCOUNTABILITY

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

1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes / No. Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others?
No.
MCX-SXCCL policy on 'Code of for KMPs and Employees' which is the policy relating to ethics, brings within its ambit the key management personal, employees and directors. There is a similar policy for MCX-SX CCL employees also.
2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? *If so, provide details thereof, in about 50 words or so.*

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

Principle 2: PRODUCT LIFE CYCLE SUSTAINABILITY

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

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

MCX-SXCCL, being a securities infrastructure institution, provides services to the financial sector and is not resource intensive in terms of material inputs. The Clearing Corporation operates in a paper-less environment since it provides a robust electronic platform to members.
2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):
 - i. Reduction in sourcing/production/ distribution achieved since the previous year throughout the value chain?
Not applicable
 - ii. Reduction during usage by consumers (energy, water) has been achieved since the previous _____ year?
Not applicable
3. Does the company have procedures in place for sustainable sourcing (including transportation)?
If yes, what percentage of your inputs was sourced sustainably? *Also, provide details thereof, in about 50 words or so.*

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

4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?
If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

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

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

No, the Clearing Corporation currently does not have a formal policy to recycle products and waste. However, the Clearing Corporation is in the process of adopting an e-waste Management Policy with the specific aim of minimizing and responsible disposal of the entire quantum of e-waste generated throughout our operations. Additionally, all recyclable waste collected at our premises are separated (dry and wet waste); the waste is then handed over to an authorized waste processor.

Principle 3: EMPLOYEE WELL BEING

Businesses should promote the wellbeing of all employees

1. Please indicate the Total number of employees.
MCX-SXCCL - 38 (including Permanent + Consultants + Contract)

As on March 31, 2014

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

MCX-SX CCL has not hired staff on temporary / contractual /casual basis
As on March 31

3. Please indicate the Number of permanent women employees.

MCX-SX CCL - 10
As on March 31, 2014

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

5. Do you have an employee association that is recognized by the management?
MCX-SXCCL does not have either an association or an employee union

6. What percentage of your permanent employees is member of this recognized employee association?
 Not applicable. Employee association / union does not exist/ was never formed
7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

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

8. What percentage of your under mentioned employees were given safety & skill upgradation training in the last year?
- Permanent Employees - 17 %
 - Permanent Women Employees – 14%
 - Casual/Temporary/Contractual Employees – Nil
 - Employees with Disabilities - Nil

Overview

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

Enabling policies, benefits and rewards

- Our insurance policies take care of the welfare of our employees and their families, and the benefits covered by these are well above the minimum statutory requirement. Mediclaim insurance policy, voluntary policy for dependent parents, personal accident insurance scheme, term life insurance cover and group gratuity are some of the benefits that we have for our employees in addition to emergency medical help.
- Our Employee Stock Ownership Plans (ESOPs) give employees an opportunity to have a share in our business growth and thereby create wealth for themselves. MCX-SX uses ESOPs to reward employees of MCX-SXCCL also (other than KMPs) for their contribution to its success.

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

1. Equal remuneration and equal opportunity

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

Principle 4: STAKEHOLDER ENGAGEMENT

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

1. Has the company mapped its internal and external stakeholders? Yes/No
Yes. Please refer to the table below
2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders.

Not Applicable
3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.

Not Applicable

Overview

Stakeholder Engagement Map

Key Stakeholders	Mode of engagement	Frequency of engagement	Who is responsible
Policy Makers and Regulators	Company regulatory filings, compliance statements, meetings, inspections / audits, letters, emails	As per regulatory requirements and need base	Cross functional team
Shareholders	Emails, letters, investor grievance cell, media, general meetings, company website	Annually at the AGM, Extra Ordinary General meetings (EGM) and on a need basis.	Secretarial team, top management.
Members (Banks, Brokers, FIIs), End User (retail), Listed corporates	Regular one on one interaction, meetings, mails, letters	As per need basis, in – house events	Business Development team of MCX-SX
Trade Bodies like CII, FICCI	Meetings, emails, papers on important industry issues, partnerships / support in relevant forums	Ongoing and need basis	Communications and CSR team of MCX-SX
Academia & alliance partners	Strategic tie ups, MoU signing for joint initiatives, emails.	As per need basis	Communications and CSR team, Research team of MCX-SX
Media	One on one media interactions, interviews, responses, strategic tie ups, meetings, emails	Ongoing and need basis	Communications and CSR team of MCX-SX
Employees	Employee engagement programmes, induction, emails, intranet, meetings, rewards and recognition programmes, surveys, grievance cell, voluntary initiatives	Ongoing and need basis	Human Resources team and Communications and CSR team of MCX-SX
Vendors	Regular one on one interaction, meetings, mails, letters	Ongoing and need basis	Technology team, Admin team, Communications Team of MCX-SX

Principle 5: HUMAN RIGHTS

Businesses should respect and promote human rights

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

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

MCX-SXCCL respects human rights and upholds the dignity of every individual associated with the Exchange, directly or indirectly. Our 'people' practices are aimed to provide a non-discriminatory and harassment-free workplace while enabling all employees to report any incidents of discrimination and harassment. The Exchange does not employ child labor and its recruitment policies ensure that all employees are free to choose to be associated with the Exchange.

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

Nil

Principle 6: ENVIRONMENTAL PROTECTION

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

1. Does the policy related to Principle 6 cover only the company or extends to the Group /Joint ventures/Suppliers/Contractors/NGOs/others.
Not Applicable

2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.
No. However, the Company discourages waste of paper in any form and has automated many processes intending secure member interface.

3. Does the company identify and assess potential environmental risks? Y/N
No

4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?
No

5. Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.
No

6. Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?
Not applicable
7. Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.
Not applicable

Principle 7: PUBLIC POLICY ADVOCACY

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

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

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

No

Principle 8: INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

Businesses should support inclusive growth and equitable development

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

Yes, MCX-SXCCL believes in creating well-developed financial markets that are integrated with the ecosystem and encouraging broad-based participation. In adherence with its mission of **Financial Literacy-For-Financial Inclusion**™, MCX-SX and MCX-SXCCL has jointly ensured effective use of technology innovations in financial literacy and investor outreach efforts, besides implementing global best practices within its systems and processes.
2. Are the programmes/projects undertaken through in-house team/own Foundation /external NGO/government structures/any other organization?

No. However the holding company organizes the same and we participate in the same on need basis.
3. Have you done any impact assessment of your initiative?

Not applicable

4. What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken.
Not applicable
5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.
No, not applicable

Principle 9: CUSTOMER VALUE

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

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

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

Not applicable
3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.

The Clearing Corporation has not come across any issue involving possible public or product liability claim of substantial nature, including any judgement or order which has passed strictures on the conduct of the Clearing Corporation or taken an adverse view regarding another enterprise that can have negative implications on the Clearing Corporation. However it would be pertinent to note that National Spot Exchange Ltd. (NSEL), subsidiary of one of the promoters, Financial Technologies (India) Ltd (FTIL) has been asked to stop trading in spot contracts from July 31, 2013 by the Ministry of Consumer Affairs. FTIL has been held to be not a 'fit & proper person' by Forward Markets Commission vide their order dated December 17, 2013 in connection with the NSEL episode and the SEBI has issued them a show cause notice under SECC Regulations on basis of the FMC order inter-alia in respect of their shareholding in the Clearing Corporation. It is seen that FTIL has challenged the FMC order before the Hon'ble High Court of Bombay. The SEBI has also issued show cause notice to FTIL u/s 12A of Securities Contracts (regulation) Act, 1956, Section 11 & 11B of SEBI Act, 1992 and Regulation 49 of SECC Regulations regarding its shareholding in MCX Stock Exchange Limited (MCX-SX), holding company and the Clearing Corporation. Currently, it can be seen that the Economic Offences Wing, Mumbai is investigating the matter. During the course, one Writ petition and one PIL has been filed against NSEL in the Bombay High Court where the holding Company MCX-SX has been made a party. Any adverse comments against MCX-SX may affect the Clearing Corporation.

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

No

Independent Auditors' Report

To the Members of
MCX-SX Clearing Corporation
Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

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

Report on Other Legal and Regulatory Requirements

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

Khanna, we are unable to comment as to whether he is disqualified from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 117364W)

Abhijit A. Damle
Partner
(Membership No. 102912)

MUMBAI, 21st May, 2014

Annexure to the Independent Auditor's report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/results during the year, clauses (ii), (iii), (v), (vi), (viii), (x), (xi), (xii), (xiii), (xv), (xvi), (xviii), (xix) and (xx) of paragraph 4 of the Order are not applicable to Company.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
 - (c) The Company has not disposed off fixed assets during the year, hence question of commenting on impact of disposal on the going concern status of the Company does not arise.
- (iii) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and sale of services. The Company being a service Company does not purchase inventory or sell goods. During the course of our audit, we have not observed any major weakness in such internal control system.
- (iv) In our opinion, the internal audit function carried out during the year by a firm of Chartered Accountants appointed by the Management has been commensurate with the size of the Company and the nature of its business.
- (v) According to the information and explanations given to us, in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

- (b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2014 for a period of more than six months from the date they became payable.
- (c) There are no cases of non-deposit with appropriate authorities of disputed dues of Income Tax, Service Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty and Cess.
- (vi) Based on our examination of the records and evaluation of the related internal controls, the Company has maintained proper records of the transactions and contracts in respect of its dealings in securities and other investments and timely entries have been made therein. The aforesaid securities have been held by the Company in its own name.
- (vii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, *prima facie*, not been used during the year for long-term investment.
- (viii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For Deloitte Haskins & Sells
Chartered Accountants
(Firm's Registration No. 117364W)

Abhijit A. Damle
Partner
(Membership No. 102912)

MUMBAI, 21st May, 2014

Balance Sheet as at March 31, 2014

	Note No.	As at 31.03.2014		As at 31.03.2013	
		Rupees	Rupees	Rupees	Rupees
Equity and Liabilities					
Shareholder's Funds					
Share Capital	2	250,000,000		250,000,000	
Reserves and Surplus	3	31,920,884	281,920,884	30,643,813	280,643,813
Non-Current Liabilities					
Other Long-Term Liabilities	6	326,742,196		371,000,000	
Long Term Provisions	4	928,708	327,670,904	1,133,617	372,133,617
Current Liabilities					
Trade Payables	5	46,785,711		37,197,290	
Other Current Liabilities	6	630,307,661		973,852,687	
Short Term Provisions	4	1,138,839	678,232,211	74,419	1,011,124,396
	TOTAL		1,287,823,999		1,663,901,826
Assets					
Non-Current Assets					
Fixed Assets	7				
Tangible Assets		3,933,369		2,948,891	
Intangible Assets		449,616		51,680	
Long Term Loans and Advances	10	57,559,713	61,942,698	38,052,223	41,052,794
Current Assets					
Current Investments	8	310,239,352		655,199,870	
Cash and Bank Balances	9	842,399,077		918,105,375	
Short-Term Loans and Advances	10	28,151,938		17,181,005	
Other Current Assets	11	45,090,934	1,225,881,301	32,362,782	1,622,849,032
	TOTAL		1,287,823,999		1,663,901,826
See accompanying notes to the financial statements					

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Abhijit A. Damle
Partner

Place : Mumbai
Date : May 21, 2014

For and on behalf of the Board
MCX-SX Clearing Corporation Limited

Vepa Kamesam **U. Venkataraman**
Chairman MD & CEO

Ameya Paranjape
Company Secretary

Statement of Profit and Loss for the year ended 31st March 2014

	Note No.	Year ended 31.03.2014 Rupees	Year ended 31.03.2013 Rupees
REVENUE			
Revenue from Operations	12	321,814,065	168,652,853
Other Income	13	52,802,434	32,324,453
TOTAL		374,616,499	200,977,306
EXPENSES			
Employee Benefits Expense	14	40,001,919	19,486,950
Depreciation and Amortisation Expense	7	836,346	319,500
Other Expenses	15	332,501,163	180,185,305
TOTAL		373,339,428	199,991,755
Profit for the year		1,277,071	985,551
Earnings Per Share	16		
Basic / Diluted		0.05	0.04
Face Value Per Share		10/-	10/-
See accompanying notes to the financial statements			

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Abhijit A.Damle
Partner

Place : Mumbai
Date : May 21, 2014

For and on behalf of the Board
MCX-SX Clearing Corporation Limited

Vepa Kamesam
Chairman

Ameya Paranjape
Company Secretary

U.Venkataraman
MD & CEO

Cash Flow Statement for the Year Ended March 31, 2014

	Year ended 31.03.2014		Year ended 31.03.2013	
	Rupees	Rupees	Rupees	Rupees
A. Cash Flow from Operating Activities				
Net Profit Before Tax		1,277,071		985,551
Adjustments for				
Depreciation and Amortisation Expense	836,346		319,500	
Dividend from Current Investments	(1,243,535)		(1,534,799)	
Interest Income	(46,514,061)		(30,057,527)	
Profit on Sale of Current Investment (Net)	(3,349,395)		(254)	
Excess Provision for Gratuity Written Back	(216,705)		-	
Excess Provision for Bonus Written Back	(350,401)		-	
Loss on Sale of Fixed Asset	-		12,317	
		(50,837,751)		(31,260,763)
Operating loss before working capital changes		(49,560,680)		(30,275,212)
Working Capital Changes				
(Increase) in Loans and Advances	(10,970,933)		(7,202,650)	
Decrease / (Increase) in Fixed Deposits	29,219,944		(127,249,500)	
(Decrease) / Increase in Liabilities and Provisions	(386,376,213)		787,145,084	
(Decrease) / Increase in Trade Payables	9,588,421	(358,538,781)	29,340,168	682,033,102
Cash (used in) / generated from Operating Activities		(408,099,461)		651,757,890
Taxes (paid)		(19,507,490)		(10,046,150)
Net Cash (used in) / generated from Operating Activities		(427,606,951)		641,711,740
B. Cash Flow from Investing Activities				
Sale / (Purchase) of Current Investments (Net)		348,309,913		(614,689,698)
Purchase of Fixed Assets		(2,218,760)		(2,747,245)
Proceeds from Sale of Fixed Assets		-		378,359
Dividend Income		1,243,535		1,534,799
Interest Income		33,785,909		30,774,232
Net Cash generated from / (used in) Investing Activities		381,120,597		(584,749,553)
Net (Decrease) / Increase in Cash and Cash Equivalents		(46,486,354)		56,962,187
Cash and Cash Equivalents at the beginning of the year		65,855,875		8,893,688
Cash and Cash Equivalents at the end of the year (Refer Note 9)		19,369,521		65,855,875
Net (Decrease) / Increase in Cash and Cash Equivalents as disclosed above		(46,486,354)		56,962,187

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants**Abhijit A. Damle**
PartnerPlace : Mumbai
Date : May 21, 2014For and on behalf of the Board
MCX-SX Clearing Corporation Limited**Vepa Kamesam** **U. Venkataraman**
Chairman MD & CEO**Ameya Paranjape**
Company Secretary

Notes to financial statements

1. Significant Accounting Policies

A. Basis of preparation of financial statements

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

B. Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported amounts of income and expenses during the year. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

C. Revenue Recognition

- a) Revenue is recognized when no significant uncertainty as to measurement and realization exists.
- b) Dividend income is recognized when the Company's right to receive dividend is established.
- c) Interest income is recognized on time proportion basis.
- d) Clearing and Settlement fees are recognized in accordance with the terms of Agreement with MCX- SX.

D. Employee Benefits

Employee benefits costs are expensed to revenue, as incurred.

Provident Fund and Family Pension Fund, defined contribution plans:

The Company contributes towards Provident Fund and Family Pension Fund. Liability in respect thereof is determined on the basis of contribution as required under the Statute/ Rules.

Gratuity, a defined benefit plan:

The Company has taken a group gratuity cum life assurance policy from Life Insurance Corporation of India. The premium payable under the policy is charged to the Statement of Profit and Loss. Additionally, the shortfall, if any, between the balance of the fund with the

Life Insurance Corporation of India and the obligations determined by the actuarial valuation is charged to the Statement of Profit and Loss.

Compensated absences, other long term employee benefits

Provision is made to based upon actuarial valuation done at the end of every financial year.

E. Fixed assets and depreciation/amortisation

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

Intangible Assets are stated at cost less accumulated amortisation and impairment loss, if any. Computer Software is amortised over a period of five years.

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

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

F. Impairment Loss

Impairment loss is provided to the extent the carrying amounts of assets exceed their recoverable amounts. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

G. Investments

Current investments are stated at the lower of cost and fair value. Long Term investments are stated at cost. Provision is made to recognize a decline, other than temporary, in the value of Long Term investments. Any reduction in the carrying amount of investments and any reversals of such reductions are charged or credited to the Statement of Profit and Loss.

H. Income tax

Current tax is measured at the amount expected to be paid to taxation authorities, using the applicable tax rates and tax laws. The tax effect of the timing differences between taxable income and accounting income that are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations. The carrying amount of deferred tax asset at each balance sheet date is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realized.

Notes to financial statements

I. Provisions and Contingencies

Provisions are recognized when the Company has a legal and constructive obligation because of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognized nor disclosed.

2 Share Capital:

	As at 31.03.2014		As at 31.03.2013	
		Rupees		Rupees
Authorised 25,000,000 equity shares of Rs.10/- each		250,000,000		250,000,000
Issued and Subscribed 25,000,000 equity shares of Rs.10/- each fully paid		250,000,000		250,000,000
TOTAL		250,000,000		250,000,000

2.1 Shareholding pattern in respect of Equity Shares

	As at 31.03.2014		As at 31.03.2013	
	Numbers	% holding	Numbers	% holding
MCX Stock Exchange Limited - Holding Company	12,750,000	51.00%	12,750,000	51.00%
Multi Commodity Exchange of India Limited	6,500,000	26.00%	6,500,000	26.00%
Financial Technologies (India) Limited	5,750,000	23.00%	5,750,000	23.00%
TOTAL	25,000,000	100.00%	25,000,000	100.00%

2.2 The Equity Shares of the Company have face value of Rs.10 per share. Shareholders are eligible for one vote per share held. Shareholders are entitled to residual assets after payment of all liabilities in the event of liquidation of the Company.

2.3 In case of shares held by Financials Technologies (India) Limited, refer note 24.

3 Reserves and Surplus:

	As at 31.03.2014		As at 31.03.2013	
	Rupees	Rupees	Rupees	Rupees
Surplus in Statement of Profit and Loss Balance as per last Balance Sheet	30,643,813		29,658,262	
Add : Profit for the year	1,277,071	31,920,884	985,551	30,643,813
TOTAL		31,920,884		30,643,813

4 Provisions

	As at 31.03.2014		As at 31.03.2013	
	Current	Non current	Current	Non current
	Rupees	Rupees	Rupees	Rupees
For Employee Benefits: Compensated Absences	1,138,839	928,708	74,419	1,133,617
TOTAL	1,138,839	928,708	74,419	1,133,617

Notes to financial statements

5 Trade Payables

	As at 31.03.2014		As at 31.03.2013	
		Rupees		Rupees
Total outstanding dues of creditors other than micro, small and medium enterprises		- 46,785,711		- 37,197,290
TOTAL		46,785,711		37,197,290
5.1 There are no dues to Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006. Hence, disclosures, if any, relating to amounts unpaid as at the year end and together with the interest paid/payable as required under the said Act have not been given.				

6 Other Liabilities

	As at 31.03.2014		As at 31.03.2013	
	Current	Non current	Current	Non current
	Rupees	Rupees	Rupees	Rupees
Settlement Banks Deposits	-	220,000,000	-	290,000,000
Members Margin and Deposits	620,204,896	-	963,844,802	-
MCX-SX Contribution to Settlement Guarantee Fund	-	100,007,699	-	75,000,000
Other Deposits	30,000	6,734,497	40,548	6,000,000
Other Payables :				
For Expenses	2,853,778	-	1,605,271	-
For Gratuity (Refer Note 18)	618,267	-	979,699	-
For Statutory Dues	6,600,720	-	7,382,367	-
TOTAL	630,307,661	326,742,196	973,852,687	371,000,000

7 Fixed Assets : Current Year

TANGIBLE ASSETS:

(Rupees)

PARTICULARS	GROSS BLOCK		DEPRECIATION		NET BLOCK		
	As at 01.04.2013	Additions	As at 31.03.2014	Upto 31.03.2013	For the year	Upto 31.03.2014	As at 31.03.2014
Office Equipments	262,148	-	262,148	2,851	12,452	15,303	246,845
Computer Hardware	3,334,834	599,703	3,934,537	645,240	611,835	1,257,075	2,677,462
Vehicles	-	1,114,345	1,114,345	-	105,283	105,283	1,009,062
TOTAL	3,596,982	1,714,048	5,311,030	648,091	729,570	1,377,661	3,933,369

INTANGIBLE ASSETS (Acquired):

PARTICULARS	GROSS BLOCK		AMORTISATION		NET BLOCK		
	As at 01.04.2013	Additions	As at 31.03.2014	Upto 31.03.2013	For the year	Upto 31.03.2014	As at 31.03.2014
Computer Software	123,195	504,712	627,907	71,515	106,776	178,291	449,616
TOTAL	123,195	504,712	627,907	71,515	106,776	178,291	449,616

7 Fixed Assets : Previous Year

TANGIBLE ASSETS:

(Rupees)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01.04.2012	Additions	Deletions	As at 31.03.2013	Upto 31.03.2012	For the year	Upto 31.03.2013	As at 31.03.2013
Office Equipments	13,500	248,648	-	262,148	1,342	1,509	2,851	259,297
Computer Hardware	1,261,028	2,498,597	424,791	3,334,834	386,003	293,352	645,240	2,689,594
TOTAL	1,274,528	2,747,245	424,791	3,596,982	387,345	294,861	648,091	2,948,891

INTANGIBLE ASSETS (Acquired):

PARTICULARS	GROSS BLOCK			AMORTISATION			NET BLOCK	
	As at 01.04.2012	Additions	Deletions	As at 31.03.2013	Upto 31.03.2012	For the year	Upto 31.03.2013	As at 31.03.2013
Computer Software	123,195	-	-	123,195	46,876	24,639	71,515	51,680
TOTAL	123,195	-	-	123,195	46,876	24,639	71,515	51,680

Notes to financial statements

8 Current Investments

	As at 31.03.2014		As at 31.03.2013	
		Rupees		Rupees
In units of Mutual Funds (Quoted, Non Trade) : (at lower of cost and market value)				
34,123.328 (Previous Year 60,042.141 units) of Rs.1,000/- each in Axis Liquid Fund - Daily Dividend Reinvestment		34,127,353		60,048,787
44,952.530 (Previous Year NIL) of Rs.1,000/- each in BOI AXA Liquid Fund -Daily Dividend Reinvestment		45,071,579		-
340,081.095 (Previous Year 1,138,596.650 units) of Rs.100/- each in DWS Insta Cash Plus Fund - Daily Dividend Reinvestment		34,111,495		114,205,798
NIL (Previous Year 7,840,186.447 units) of Rs.10/- each in JPMorgan India Liquid Fund - Daily Dividend Reinvestment		-		78,463,802
NIL (Previous Year 74,982.589) of Rs.10/- each in Morgan Stanley Liquid Fund - Daily Dividend Reinvestment		-		75,019,863
5,862.430 (Previous Year 20,427.157 units) of Rs.1,000/- each in Reliance Liquid Fund - Daily Dividend Reinvestment		8,962,132		31,227,815
146,752.275 (Previous Year 220,458.130 units) of Rs.1,000/- each in SBI Premier Liquid Fund - Daily Dividend Reinvestment Plan		147,229,221		221,174,619
3,388,458.012 (Previous Year 7,429,763.527 units) of Rs.10/- each in Sundaram Money Fund Daily Dividend Reinvestment Plan		34,231,898		75,059,186
6,501.443 (Previous Year NIL) of Rs.1,000/- each in Union KBC Liquid Fund Daily Dividend Reinvestment Plan		6,505,674		-
TOTAL		310,239,352		655,199,870
Aggregate Book Value / Aggregate Market Value		310,239,352		655,199,870

9 Cash and Bank Balances

	As at 31.03.2014		As at 31.03.2013	
	Rupees	Rupees	Rupees	Rupees
Cash and Cash Equivalents :				
Cash on hand	9,504		9,504	
Balances with Banks:				
- In Current Accounts	19,360,017		23,846,371	
- In Deposit Accounts	-	19,369,521	42,000,000	65,855,875
Other Bank Balances				
- Fixed Deposit with original maturity for more than 12 months		823,029,556		852,249,500
9.1 Balance in Current Account includes Rs.15,701,405/- (Previous Year Rs.21,043,281/-) towards Clearing and Settlement Obligation				
9.2 Fixed deposits aggregating Rs.100,000,000/- (Previous Year Rs.75,000,000/-) earmarked towards Settlement Guarantee Fund.				
9.3 Fixed Deposits under lien with a Bank for Bank Guarantee- Rs.250,000,000/- (Previous Year Rs.250,000,000/-)				
9.4 Fixed Deposits maturing beyond March 31, 2015 is Rs. NIL (Previous Year Rs. NIL)				
TOTAL		842,399,077		918,105,375

Notes to financial statements**10 Loans and Advances (Unsecured and considered good)**

	As at 31.03.2014		As at 31.03.2013	
	Current	Non current	Current	Non current
	Rupees	Rupees	Rupees	Rupees
Advance Payment of Income Tax	-	57,559,195	-	38,051,705
Input VAT Credit	-	518	-	518
Service Tax Input Credit	23,319,411	-	14,158,633	-
Prepaid Expenses	1,867,539	-	1,155,852	-
Advances to Vendors	368,361	-	329,901	-
Deposits	1,503,000	-	1,503,000	-
Others Receivables	1,093,627	-	33,619	-
TOTAL	28,151,938	57,559,713	17,181,005	38,052,223

11 Other Current Assets

	As at 31.03.2014		As at 31.03.2013	
		Rupees		Rupees
Accrued Interest on Bank Deposits		45,090,934		32,362,782
TOTAL		45,090,934		32,362,782

Notes to financial statements

12 Revenue from operations

	Year ended 31.03.2014		Year ended 31.03.2013	
	Rupees	Rupees	Rupees	Rupees
Sale of Services				
Clearing and Settlement Fees		239,160,310		107,711,777
Other Operating Revenues				
Interest on Deposits with Banks	40,873,135		43,704,572	
Dividend from Current Investments	41,630,620		17,236,504	
Annual Subscription Fees	150,000	82,653,755	-	60,941,076
TOTAL		321,814,065		168,652,853

13 Other Income

	Year ended 31.03.2014		Year ended 31.03.2013	
	Rupees	Rupees	Rupees	Rupees
Interest :				
On Deposits with Banks	46,514,061		30,057,527	
On Income Tax Refund	1,128,337	47,642,398	731,873	30,789,400
Dividend from Current Investments		1,243,535		1,534,799
Profit on Sale of Current Investments (net)		3,349,395		254
Excess Provision for Bonus Written Back		350,401		-
Excess Provision for Gratuity Written Back		216,705		-
TOTAL		52,802,434		32,324,453

Notes to financial statements**14 Employee Benefits Expense**

	Year ended 31.03.2014		Year ended 31.03.2013	
	Rupees	Rupees	Rupees	Rupees
Salaries and Bonus	39,174,413		18,799,876	
Contribution to Provident Fund	734,481		606,703	
Staff Welfare Expenses	93,025	40,001,919	80,371	19,486,950
TOTAL		40,001,919		19,486,950

15 Other Expenses

	Year ended 31.03.2014		Year ended 31.03.2013	
	Rupees	Rupees	Rupees	Rupees
Rent (Refer note 19)		3,252,312		3,252,312
Shared Service Cost		1,800,000		1,800,593
Technology Cost		315,414,226		166,193,372
Audit Fees				
- Statutory Audit Fees	500,000		500,000	
- Other Services (Limited Review, Certification etc.)	595,000		200,000	
- Out of Pocket Expenses	10,990	1,105,990	-	700,000
Non-Compliance Charges		-		2,861,603
Insurance		862,391		751,098
Legal and Professional Charges		2,999,377		1,594,173
Directors Sitting Fees		1,360,000		470,000
Bank Charges		1,273,282		1,248,490
Loss on Sale of Fixed Asset		-		12,317
Miscellaneous Expenses		4,433,585		1,301,347
TOTAL		332,501,163		180,185,305

16 Earnings Per Share

	Year ended 31.03.2014		Year ended 31.03.2013	
Profit for the year attributable to equity shareholders (Rs.)		1,277,071		985,551
Weighted average number of Equity Shares outstanding during the year (Nos.)		25,000,000		25,000,000
Basic /Diluted Earnings per share (Rs.)		0.05		0.04
Nominal Value of Equity Share (Rs.)		10		10

16.1 Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

16.2 There is no dilution to basic EPS as there are no outstanding dilutive potential equity shares.

Notes to financial statements

17. Related Party information

- a) Names of related parties and nature of relationship:
- i. Holding Company (Control exists)
 - a) MCX Stock Exchange Limited (MCX-SX)
 - ii. Company having significant influence over the Company
 - a) Financial Technologies (India) Limited (FTIL) (Refer Note 24)
 - b) Multi Commodity Exchange of India Limited (MCX)
 - iii. Key management Personnel (KMP)
 - a) Mr. U. Venkataraman (MD and CEO) w.e.f April 03,2013.
- b) Transactions with related parties

Sr. No.	Nature of transactions	Company whose Control Exists (MCX-SX)	(Rupees)	
			Companies having Significant Influence (MCX)	Companies having Significant Influence (FTIL)
1	Clearing and Settlement Fees	239,160,310 (107,711,777)	- (-)	- (-)
2	Purchase of Fixed Assets	1,114,345 (301,507)	- (68,355)	- (12,215)
3	Sale of Fixed Assets	- (353,173)	- (22,471)	- (-)
4	Rent Paid	3,252,312 (3,252,312)	- (-)	- (-)
5	Shared Service Cost	1,800,000 (1,800,000)	- (-)	- (593)
6	Software License Expenses	- (-)	- (-)	5,583 (4,584)
7	Technology Cost	315,414,226 (166,193,372)	- (-)	- (-)
8	Other Expenses	- (-)	- (-)	109,643 (82,519)
9	Amount received for Settlement Guarantee Fund	25,000,000 (50,000,000)	- (-)	- (-)
10	Payables (Balance at the end of the year)	(45,411,851) (36,432,134)	- (-)	(41,704) (-)
11	Bank Guarantee Given (Refer Note No 21)	250,000,000 (250,000,000)	- (-)	- (-)

Notes to financial statements

c) Transactions with KMP

Sr. No.	Nature of transactions	Amount (Rs.)
1.	Salary and allowances*:	11,321,065 (-)
2.	Payable towards Car Advance	134,497 (-)

*Excludes gratuity and long term compensated absences which are actuarially valued for the Company as a whole.

Notes:

- (i) There are no provisions for doubtful debts or amounts written back/ written off during the year in respect of debts due to/ from related parties.
- (ii) Figures in bracket are in respect of previous year.

18. Employee benefit plans**In respect of Gratuity - Funded**

Provision is made for gratuity based upon actuarial valuation done at the end of every financial year. Major drivers in actuarial assumptions, typically are years of service and employee compensation. Commitments are actuarially determined using the 'Projected Unit Credit' method. Gains or losses on changes in actuarial assumptions are accounted for in the Statement of Profit and Loss.

Notes to financial statements

	Current Year Rupees	Previous Year Rupees
I. Reconciliation of defined benefit commitments		
Liability at the start of the year	2,115,682	597,770
Interest Cost	169,255	52,305
Current Service Cost	479,698	168,469
Liability transfer in	807,692	342,144
Liability transfer out	(64,696)	-
Actuarial (gain)/ loss on obligations	(697,193)	954,994
Liability at the end of the year	2,810,438	2,115,682
II. Reconciliation of Fair value of plan assets		
Fair value of plan assets at the start of the year	1,135,983	992,803
Expected return on plan assets	98,831	85,381
Contributions	144,727	49,383
Transfer from other company	807,692	-
Transfer to other company	(64,696)	-
Actuarial gain on plan asset	69,634	8,416
Fair value of plan assets at the end of the year	2,192,171	1,135,983
III. Amount recognized in the Balance Sheet		
Fair Value of Plan Assets at the end of the year	2,192,171	1,135,983
Present Value of Benefit obligation as at the end of the year	(2,810,438)	(2,115,682)
Net (Liability) / Assets recognized in the Balance Sheet	(618,267)	(979,699)

	Current Year Rupees	Previous Year Rupees
IV. Expense recognised in the Statement of Profit and Loss		
Current service cost	479,698	168,469
Interest cost	169,255	52,305
Expected return on plan assets	(98,831)	(85,381)
Net actuarial (gain)/ loss recognized	(766,827)	946,578
Expense recognised in the Statement of Profit and Loss	(216,705)	1,081,971
V. Experience Adjustment		
On Plan Liability (gains)/losses	(375,329)	1,135,624
On Plan Asset gains/(losses)	69,634	4,169
VI. Composition of Fund		
Insurer Managed Funds (LIC)	100%	100%
VII. Actuarial Assumption		
Discount rate	9.31%	8.00%
Salary escalation	7.50%	7.50%
Mortality	Indian Assured Lives Mortality(2006-08) Ultimate	LIC 1994-96 (Ultimate)
The above information is as certified by the actuary.		

19. Operating Lease:

The Company has taken office premise on cancellable operating lease basis. The agreement is executed for period upto 36 months with a renewal clause. Operating lease rentals debited to the Statement of Profit and Loss for the year is Rs. 3,252,312/- (Previous year Rs.3,252,312/-)

Notes to financial statements

20. Deferred Tax :

	As at 31.03.2014 Rupees	As at 31.03.2013 Rupees
Deferred Tax Assets / (Liabilities) (net):		
Difference in Written Down Value of Fixed Assets	(436,034)	(377,326)
Deferred Tax (Liability)	(436,034)	(377,326)
Provision for Compensated Absences	670,816	391,947
Carry Forward business losses and Depreciation	30,823,068	18,428,568
Deferred Tax Asset	31,493,884	18,820,515
Deferred Tax Asset Recognised	436,034	377,326

Recognition of deferred tax asset is restricted to the amount of deferred tax liability in view of losses incurred during the year. Deferred tax asset has not been recognised in the absence of virtual certainty.

21. The Company has obtained a Bank Guarantee of Rs.500,000,000/- (Previous Year Rs.500,000,000/-) in favour of MCX Stock Exchange Limited (holding company) from Punjab National Bank as a fall back measure with respect to return of cash deposits collected as margin money/security deposit from the banks who are the clearing members of the Company. The Company has deposited Rs.250,000,000/- (Previous Year Rs.250,000,000/-) as fixed deposit with the bank towards the guarantees issued by the said bank.

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

(Rupees)

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

* Includes an amount of Rs 273,000,000/- lying in MCX-SX as a part of total SGF available in the eventuality of default

Notes to financial statements

(Rupees)

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

* Includes an amount of Rs 246,000,000/- lying in MCX-SX as a part of total SGF available in the eventuality of default

23. Segment Reporting:

The Company operates only in the business of clearing and settlement services of trades carried out at MCX Stock Exchange Limited within India. Consequently, there is no reportable business or geographical segments.

24. Securities and Exchange Board of India (SEBI) vide its Order no. WTM/RKA/MRD-DSA/11/2014 dated March 19, 2014 had declared Financial Technologies (India) Limited (FTIL, promoter of the Company) as not fit and proper person to acquire or hold any equity share or any instrument that provide for entitlement for equity shares or rights over equity shares at any future date in a recognized stock exchange or clearing corporation either directly or indirectly. Further, vide the same Order SEBI had directed inter-alia that FTIL shall divest the equity shares and/or any instrument that provide for entitlement for equity shares or rights over equity shares at any future date held by it directly or indirectly in the Company within 90 days from the date of the Order through sale of shares and/or instruments and FTIL and entities through whom it indirectly holds equity shares or any instrument entitling voting rights in the Company shall cease to be entitled to exercise voting rights in respect of those shares or instruments with immediate effect. SEBI vide letter reference MRD/DSA/OW/8508/2014 dated March 20, 2014, directed the Company to ensure necessary compliance therewith. In view thereof the Company, vide its letter dated March 27, 2014, intimated FTIL to comply with aforesaid order of SEBI. Currently, FTIL is yet to comply with the said Order in so far as it continues to hold 23% of the paid-up equity share capital of the Company, though these shares are not entitled for a voting right. The Board of the Company has taken a view that the voting rights of FTIL ceases.

25. Figures of the previous year have been regrouped wherever necessary to correspond with those of the current year.

Signature to Notes to Financial Statements 1 to 25

For and on behalf of the Board

Vepa Kamesam
Chairman

U. Venkataraman
MD & CEO

Ameya Paranjape
Company Secretary

Place : Mumbai
Date : May 21, 2014