

**M**ETROPOLITAN  
CLEAR >>>>

**METROPOLITAN CLEARING CORPORATION  
OF INDIA LIMITED**

**ANNUAL REPORT**  
**2015 - 16**

[www.mclear.in](http://www.mclear.in)

(Formerly known as MCX-SX Clearing Corporation Limited)

# Metropolitan Clearing Corporation of India Limited

(Formerly known as MCX-SX Clearing Corporation Limited)

ANNUAL REPORT 2015 - 16

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## **Corporate Information**

### **Name of the Company**

**Metropolitan Clearing Corporation of India Limited (MCCIL)**

(Formerly known as MCX-SX Clearing Corporation Limited)

CIN: U67120MH2008PLC188032

LEI number: 335800QRNLKAHGA1BL68

Website: [www.mclear.in](http://www.mclear.in)

### **Board of Directors**

Mr. Vepa Kamesam – Chairman and Public Interest Director

Dr. M.Y. Khan – Public Interest Director

Mr. P.K. Chhokra – Public Interest Director

Mr. Udai Kumar – Shareholder Director

Mr. Balu Nair – Managing Director

### **Key Managerial Personnel**

Mr. Krishna Wagle – Chief Financial Officer

Ms. Avni Patel – Company Secretary

Mr. Sageer Khan – Compliance Officer

### **Statutory Auditor**

M/s. Kirtane & Pandit LLP, Chartered Accountants

### **Internal Auditor**

M/s. M. M. Nissim & Co., Chartered Accountants

### **Registered Office**

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

### **Corporate Office**

4th floor, Vibgyor Towers, Bandra Kurla Complex, Mumbai - 400098

### **Registrar and Share Transfer Agents**

Karvy Computershare Pvt. Ltd.

Selenium Tower B, Plot number 31 & 32, Financial District

Gachibowli, Hyderabad- 500 032, Telangana

Phone: 040 67161525

[www.karvycomputershare.com](http://www.karvycomputershare.com)

## Directors' Report

To

**The Members**

**Metropolitan Clearing Corporation of India Limited (MCCIL)**

(Formerly known as MCX-SX Clearing Corporation Limited)

Your Directors are pleased to present their Eighth Report on the business and operations of your Company together with the Audited Statements of Accounts and the Auditors' Report for the financial year ended March 31, 2016.

The year 2015-16 has witnessed exemplary stability in Indian equity market though global headwinds in the form of the Greece Crisis, Chinese currency depression in commodity market and US Fed rate hike kept the global market under pressure. The executive actions from the Indian government across the infrastructure sector, defense, insurance, banking, etc. kept the market optimistic due to government's intent for improving the business scenario. The positive action from the government and falling energy prices helped the Indian economy to build stability in growth during the year. Although the rising NPAs in the banking system and strong headwinds in the global economy did have an impact on Indian economy, it was largely steady with positive expectation when compared to its peers. The year 2015-16 reflected the government's ability to push critical reforms and apex banks' monetary policy stance to support the growth.

### 1. FINANCIAL RESULTS FOR 2015-16

**Table 1: Summary of Financials**

(Amount in INR)

Items	As on March 31, 2016	As on March 31, 2015
Total Income	133,346,732	175,142,415
Less: Expenditure	125,915,921	164,760,104
Profit Before Tax	7,430,811	13,766,961
Less: Provision For Tax	N.A	-
Profit After Tax	7,430,811	13,766,961
Balance carried to Balance Sheet	7,430,811	13,766,961

#### **Note:**

During the financial, 2015-16 the Company earned total income of INR 133,346,732 as against INR 175,142,415/- in the previous year. The profit after tax of the company for the year under review amounted to INR 7,430,811 as compared to INR 13,766,961/- for the previous year. A substantial fall in profit before tax was due to decrease in the volume of business handled by the corporation on account of fall in business flow during 2015-16 from the parent company. The company made a number of efforts to keep the cost under control like cost of staff and executives.

**Table 2: Percentage share of cost in total income of the MCCIL**

Particulars	FY 2015-16	FY 2014-15
Technology cost	63%	65%
Employees benefits expense	16%	18%
Depreciation and amortization expense	1%	1%
Other expenses	14%	9%
<b>Total expenses</b>	<b>94%</b>	<b>92%</b>

Analyzing the financial performance of the Company, we may look at relationship between income and expenditure. It would be observed that technology cost is the highest cost incurred by the Company forming 63% of the Total Income in the FY 2015-16 (Table 2). Employees benefit expenses stood at 16% followed by other expenses at 14%. However, the technology cost declined from 65% of the total income in the FY 2014-15 to 63% of the total income in the FY 2015-16. Employee cost was lower at 16% of the total income in the FY 2015-16 than 18% in the FY 2014-15. The other expenses have shown sharp increase from 9% of the total income in the FY 2014-15 to 14% in the FY 2015-16. This is due to onetime ROC expenses incurred to raise the authorized capital of the company in the FY 2015-16. The Total expenses rose from 92% in the FY 2014-15 to 94% in the FY 2015-16. The Company is on course of reducing its expenses to economize on the operations cost. The net profit for the current year under reference stood at 6% of the total income for the FY 2015-16.

## 2. OUTLOOK FOR THE CURRENT YEAR

The outlook for the corporation will be determined by the performance of parent company which supplies the business to it which in turn depends on various external factors such as GDP growth of the country, domestic saving rate, FII investment inflows into the country and number of other natural factors. The better than adequate monsoon rainfalls and corporate as well as agricultural sector so far are expected to perform at a higher level during the remaining months of FY 2016-17. The perceptions are forming that private consumption will increase with a bigger role in boosting growth due to higher wages, rural spending, public capital spending due to fiscal targets while private sector participation may remain weak. More importantly, there are two drivers of growth – rise in public sector wages and pensions that will provide push to domestic demand. The pay rise in government sector is likely not only to increase the consumption demand but also saving rate. These all factors will put GDP growth at a higher trajectory having indirectly favorable impact on flow of investment to stocks market resulting in higher business for bourses as well as Clearing Corporations. Union Government financial reforms are also a source of promoting the capital market and the activities therein. If our expectations are matched with the actual trends in future, the investment in stock market is bound to increase and this will provide business avenues for the parent exchange (MSEI) leading to higher level of business for the corporation. So far our business and performance particularly for the first quarter of 2016-17 has not been disappointing. One can expect in this scenario that the parent company and Clearing Corporation will successfully improve their business as well as profits. Metropolitan Clearing Corporation records its gratitude for guidance and promotional benevolence of the SEBI, RBI, ROC etc. to the Board of Corporation on critical times.

### 3. REVIEW OF OPERATIONS

Your Company is a subsidiary of the Metropolitan Stock Exchange of India Limited (MSEI) (Formerly known as MCX Stock Exchange Limited). The MCCIL was incorporated in November, 2008 with the main objective to act as central counterparty to provide novation and clearing & settlement services to MSEI.

On September 29, 2014, the SEBI granted recognition to the MCCIL as a Clearing Corporation under the Regulation 4 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012. The MCCIL is also designated as a Qualified Central Counter Party (QCCP) by the SEBI. The Company is registered with both the depositories (i.e. NSDL & CDSL) as a Clearing Corporation as well as a SEBI registered Depository Participant. The MCCIL is also authorized by the RBI and the SEBI to settle OTC deals in Corporate Bonds, Structured Debt Instruments, CPs and CDs reported in RBI approved reporting platforms. The MCCIL is also authorized by the RBI under section 10 of FEMA to carry out Clearing & Settlement activities for currency derivatives contracts.

The MCCIL has adopted best practices in the industry to make sure transactions are managed efficiently and completed seamlessly which include transparency in its functions, capital adequacy norms for membership and dedicated settlement guarantee funds. The company has been using globally accepted strategies for margining open positions, online monitoring of members' position by applying prudential limit norms, automatic trading restriction on breach of prudential limits, multilateral netting for obligation computation and periodic back testing of margins.

#### A. Clearing and Settlement Operations:

The MCCIL is providing the clearing and settlement services to the MSEI in respect of all the four segments namely; Currency Derivatives, Equity Derivatives, Equity Cash Market & Debt Segment and settlement of OTC deals on corporate bonds, certificate of deposits, commercial paper and structured debt instruments.

On the strength of its state of art risk management techniques and competent management, all clearings and settlements undertaken by the Clearing Corporation during the financial year 2015-16 were executed without defaults and delay. Additionally, it may be noted that all settlements undertaken by the Clearing Corporation during the period from the date of commencement of its operations from February 16, 2009 till throughout the financial year 2015-16 have been completed in a timely manner without defaults.

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The settlement volumes in various segments during the financial year 2015-16 were as follows:

## a. Currency Derivatives Segment:

Monthly settlement statistics in the currency derivatives segment for the financial year 2015-16 are as provided in Table 3.

**Table 3 - Currency Derivatives Segment (CDS)**

Amount in INR crore					
Month	Futures Daily Settlement	Futures Final Settlement	Premium Settlement	Options Exercise Settlement	Total
(1)	(2)	(3)	(4)	(5)	(6)= (2)+(3)+(4) +(5)
Apr-15	122.01	2.92	1.77	0.21	126.90
May-15	125.86	1.01	1.85	0.15	128.87
Jun-15	106.87	0.29	2.82	1.74	111.72
Jul-15	135.41	0.36	2.14	0.13	138.04
Aug-15	154.07	2.48	4.83	4.87	166.25
Sep-15	55.79	0.76	2.89	0.52	59.96
Oct-15	82.44	1.11	2.20	0.89	86.64
Nov-15	63.70	3.25	6.29	2.26	75.51
Dec-15	53.54	2.17	3.23	2.84	61.78
Jan-16	78.50	3.40	2.30	2.22	86.42
Feb-16	82.97	0.56	2.94	0.95	87.42
Mar-16	62.72	0.24	3.91	0.67	67.53
<b>Total</b>	<b>1123.88</b>	<b>18.56</b>	<b>37.16</b>	<b>17.45</b>	<b>1197.04</b>

During the financial year 2015-16, the MCCIL successfully carried out all settlements in the currency derivatives segment without reporting any members' default and delay in settlements. However, the aggregate value of settlements declined from INR 1605.40 crores in FY 2014-15 to INR 1197.04 crores in FY 2015-16. The decline was mainly on account of the reduction in the open interest and trading volumes in MSEI in the currency derivatives segment.

## b. Equity Cash Market:

Monthly settlement statistics in the equity cash market for the financial year 2015-16 are as provided in Table 4.

**Table 4 - Equity Cash Market (ECM)**

Month	Quantity in Lakhs			Value in INR Crores		
	Traded	Deliverable	Delivery %	Traded	Deliverable	Delivery %
(1)	(2)	(3)	(4) = (3)/(2)	(5)	(6)	(7) = (6)/(5)
Apr-15	0.0146	0.0146	100	0.0934	0.0934	100
May-15	0.1924	0.1924	100	1.2186	1.2186	100
Jun-15	0.3382	0.3382	100	2.4436	2.4436	100
Jul-15	1.0777	1.0777	100	7.9515	7.9515	100
Aug-15	170.7252	1.3999	0.81	116.7110	9.0129	7.72
Sep-15	1.5297	1.5297	100	9.6197	9.6197	100
Oct-15	6.3839	6.3839	100	8.5902	8.5902	100
Nov-15	2.3579	2.3579	100	2.9105	2.9105	100
Dec-15	9.6305	9.3555	97.14	9.3878	9.1881	97.87
Jan-16	6.9767	6.9767	100	6.4157	6.4157	100
Feb-16	12.7822	12.7822	100	12.9879	12.9879	100
Mar-16	28.6954	28.6954	100	27.2216	27.2216	100
<b>Total</b>	<b>240.7044</b>	<b>71.1041</b>	<b>29.54</b>	<b>205.5515</b>	<b>97.6537</b>	<b>47.51</b>

During the financial year 2015-16, the MCCIL successfully carried out all settlements in the equity cash market without reporting any default and delay. The aggregate value of securities traded and delivered increased from INR 5.0324 crores and INR 0.0861 crores in FY 2014-15 to INR 205.5515 crores and INR 97.6537 crores respectively in FY 2015-16. One of the main reasons for the abovementioned increase of traded value was the bulk deals which took place in the month of August 2015. The regular trading activity in the securities exclusively listed on the MSEI is another major factor which contributed to increase in trading and delivery in the equity cash market.

## c. Clearing and Settlement – Equity Derivatives Segment:

During the financial year 2015-16, there was no settlement in the Equity Derivatives Segments as there was no trade in this segment of the MSEI.

## d. Clearing and Settlement – Debt Market Segment:

During the financial year 2015-16, the Clearing Corporation did not receive any trade for settlement in Debt Market Segment.



## B. Core Settlement Guarantee Fund & Liquid Assets Deposited by Clearing Members

### a. Core Settlement Guarantee Fund (Core SGF)

In line with the SEBI guidelines, vide circular CIR/MRD/DRMNP/25/2014 dated August 27, 2014, the Company constituted Core SGF, for each segment of the exchange with effect from December 1, 2014 against which no exposure is given and which is readily and unconditionally available to meet settlement obligations of clearing corporation in case of clearing member(s) failure to honor settlement obligation. In the event of a clearing member (member) failing to honor settlement commitments, the Core SGF will be used to fulfill the obligations of that member and complete the settlement without affecting the normal settlement process. The corpus of the Core SGF consists of contribution from the Clearing Corporation (at least 50%), the Exchange (at least 25%) and the clearing members (not more than 25%). The Core SGF also includes penalties levied by the Clearing Corporation and accruals from investment of the Core SGF.

Accordingly, an amount of Rs. 41.65 crore was contributed as the Minimum Required Contribution (MRC) of Core SGF in Currency Derivatives Segment comprising of Rs. 20.83 crore contributed by the MCCIL, Rs. 10.41 crore contributed by MSEI and Rs. 10.41 crore (Rs. 1.63 crore in Cash & Rs. 8.78 crore as FD) contributed by the Clearing Members. Further, in accordance with the directions received from the SEBI, the MCCIL contributed an amount of Rs. 25 lakh each in Equity Derivative Segment, Equity Cash Market and Debt Market Segment as the minimum corpus of Core SGF with effect from February 2, 2015.

The composition and aggregate value of the Core SGF maintained with the MCCIL along with its segment-wise breakup as on March 31, 2016 (accumulated till March 31, 2016) and March 31, 2015 (accumulated till March 31, 2015) are as furnished in Table 5:

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**Table 5: Core Settlement Guarantee Fund (SGF)**

Amount in INR

Particulars	As on 31-Mar-16	As on 31-Mar-15
<b>A. All Segments:</b>		
MCCIL Contribution	230,374,066.00	179,621,101.00
MSEI Contribution	108,197,834.00	86,060,550.00
Members' Contribution	104,713,728.00	86,060,550.00
- Cash with MCCIL	16,872,646.00	28,238,718.00
- FDR	87,841,082.00	57,821,832.00
Penalties	9,214.00	7,699.00
Interest on Fixed Deposits	33,886,093.00	7,803,610.00
Dividend from Mutual Fund	1,783,478.00	567,969.00
<b>Total (A) = B+C+D+E</b>	<b>478,964,413.00</b>	<b>360,121,480.00</b>
<b>B. Currency Derivatives Segment:</b>		
MCCIL Contribution	222,244,624.00	172,121,101.00
MSEI Contribution	108,197,834.00	86,060,550.00
Members' Contribution	104,713,728.00	86,060,550.00
- Cash with MCCIL	16,872,646.00	28,238,718.00
- FDR	87,841,082.00	57,821,832.00
Interest on Fixed Deposits	33,085,306.00	7,692,985.00
Dividend from Mutual Fund	1,783,478.00	567,969.00
<b>Total (B)</b>	<b>470,024,970.00</b>	<b>352,503,155.00</b>
<b>C. Equity Cash Market:</b>		
MCCIL Contribution	2,709,814.00	2,500,000.00
Penalties	9,214.00	7,699.00
Interest on Fixed Deposits	266,929.00	36,875.00
<b>Total (C)</b>	<b>2,985,957.00</b>	<b>2,544,574.00</b>
<b>D. Equity Derivatives Segment:</b>		
MCCIL Contribution	2,709,814.00	2,500,000.00
Interest on Fixed Deposits	266,929.00	36,875.00
<b>Total (D)</b>	<b>2,976,743.00</b>	<b>2,536,875.00</b>
<b>E. Debt Market Segment:</b>		
MCCIL Contribution	2,709,814.00	2,500,000.00
Interest on Fixed Deposits	266,929.00	36,875.00
<b>Total (E)</b>	<b>2,976,743.00</b>	<b>2,536,875.00</b>

The Core SGF maintained by the MCCIL has increased from INR 360,121,480 as on March 31, 2015 to INR 478,964,413 as on March 31, 2016. This increase was mainly on account of rise in the MRC computed on the basis of stress tests and income from investment of the Core SGF funds. Since inception of the Clearing Corporation, Core SGF was never put to use.

## b. Liquid Assets Deposited by the Clearing Members

The Clearing members are required to maintain liquid assets in the prescribed forms with the Clearing Corporation to meet their base minimum capital requirement, minimum liquid net worth requirement, core settlement guarantee fund (Core SGF) contribution requirement, membership requirement and margin requirements. The total value of liquid assets (cash and non-cash) maintained by the Clearing Members including their Core SGF Contribution as on March 31, 2016 are presented in Table 6:

**Table 6: Liquid Assets Maintained by the Clearing Members as on March 31, 2016**

Segment	Cash Deposits		Non-Cash Deposits (MCCIL)				Total Liquid Assets
	with MSEI	with MCCIL	BG	FDR	G-Secs	App. Sec.	
1	2	3	4	5	6	7	8=2+3+4+5+6+7
ECM	27.40	6.73	0.43	1.05	0.00	0.55	36.16
EDS	0.00	13.19	2.50	8.91	0.00	0.00	24.60
DMS	0.00	0.30	0.00	0.00	0.00	0.00	0.30
CDS	0.00	28.34	47.36	199.53	202.27	24.52	502.02
<b>Total</b>	<b>27.40</b>	<b>48.56</b>	<b>0.29</b>	<b>209.49</b>	<b>202.27</b>	<b>25.08</b>	<b>563.08</b>
<i>ECM – Equity Cash Market</i>			<i>DMS – Debt Market Segment</i>				
<i>EDS – Equity Derivatives Segment</i>			<i>CDS – Currency Derivatives Segment</i>				

## A. New Initiatives and Developments

### a. Increase in authorized capital and paid up capital

In the EGM held on July 1, 2015, shareholders of the MCCIL passed a special resolution unanimously to increase the Authorized Share Capital of the Company from existing Rs.25,00,00,000 (Rupees Twenty Five Crore) divided into 2,50,00,000 (Two Crore Fifty Lacs) Equity shares of Rs.10 (Rupees Ten) each to Rs.100,00,00,000 (Rupees One Hundred Crore) divided into 10,00,00,000 (Ten Crore) Equity shares of Rs. 10 (Rupees Ten) each ranking pari-passu in all respect with the existing Equity Shares of the Company.

In the same EGM held on July 1, 2015, a special resolution was passed by shareholders of the Company for issue of Equity Shares of the face value of Rs.10 each for cash at par, in one or more tranches, to Metropolitan Stock Exchange of India Limited (MSEI) aggregating to Rs.75 crore through preferential allotment. This was done with the objective to achieve net worth of Rs.100 crores to fulfill the condition stipulated by SEBI in its letter dated September 29, 2014 granting recognition to Clearing Corporation.

Pursuant to abovementioned shareholders' resolution dated July 1, 2015, the Board of Directors of the Company held emergency board meeting on July 2, 2015 for allotment of 2,00,00,000 Equity Shares of Rs. 10 each for cash at par

aggregating to Rs.20 crore (Rs. Twenty crore), to the MSEI, in the first tranche, against money received in a separate bank account under preferential allotment on private placement basis.

Further, in the second tranche an allotment of 2,50,00,000 equity shares of Rs. 10 each for cash at par was made to the MSEI on a preferential basis on October 1, 2015. With this the paid-up share capital of the Company increased to Rs.70,00,00,000/- divided into 7,00,00,000 Equity shares of Rs.10/- each.

## **b. Renewal of the Recognition**

Subsequent to the infusion of Rs. 45 crore as equity capital into the Company by the Metropolitan Stock Exchange of India Limited (MSEI) during the FY 2015-16, the SEBI granted renewal of recognition of the MCCIL for one year from October 3, 2015 to October 2, 2016 subject to certain compliances, one of which being the Company to achieve a net worth of Rs. 100 crore within six month from the date of grant of renewal of the recognition (i.e. by April 2, 2016).

The Company is making efforts to raise an amount of Rs. 25 crore either from the existing shareholders or other investors to meet the net worth requirement as stipulated by the SEBI. The Company requested the SEBI to grant forbearance in the aforesaid requirement for another six months coterminous with the current term of recognition of the Company (i.e. up to October 2, 2016). On July 1, 2016, the MCCIL has submitted application to the SEBI to extend the recognition.

## **c. Live Operations from Disaster Recovery site:**

The Clearing Corporation carried out all intraday and post trade live operations including settlements in all the segments from the DR site in Delhi on February 17, February 18 and February 19, 2016. The operations were switched over from the primary site to DR site without prior intimation to members to demonstrate the capability and readiness of the DR site setup. The operations were carried out from the DR site smoothly and no issue was reported related to connectivity, performance and availability of systems. The switch over from live site to DR site and vice versa was conducted as also faultless.

## **d. Allotment of Legal Entity Identifier (LEI) number**

The LEI is a globally compatible 20-character unique identity code assigned to entities which are parties to a financial transaction. The Legal Entity Identifier India Limited (LEIL) acts as a Local Operating Unit (LOU) for issuing LEIs in India. The use of the LEI numbers is likely to be mandated for OTC derivative transactions and large borrowers in a phased manner to begin with. Based on the company's application for LEI number, LEIL allotted the LEI number '335800QRNLKAHGA1BL68' to the Metropolitan Clearing Corporation of India Limited.

## e. Renewal of ISO certification

The MCCIL follows well defined operating procedures and clearly defined service standards to provide qualitative and timely services to members. Considering the sensitive nature of its business, the company adheres to stringent information security standards. The MCCIL is the only Indian Clearing Corporation to have obtained ISO certifications for quality management system (ISO 9001-2008) and information security management system (ISO 27001-2005/2013) from the first year of operations. The above certification was renewed for one more year in the month of September 2015.

## f. Special Contingency Insurance Cover for default risk

The Clearing Corporation has renewed the special contingency insurance cover for risks arising out of default of clearing member resulting in pecuniary loss to the Settlement Guarantee Fund. The annual limit of the insurance cover was increased in FY 2015-16 from Rs. 25 crores to Rs. 40 crores.

The abovementioned insurance cover form part of the default waterfall mechanism adopted by the Company. On account of the sound risk management framework, there was no default in settlements and therefore the insurance cover was never put to use.

## g. Readiness for new products

On March 09, 2016, the SEBI vide Circular SEBI/HO/MRD/DP/CIR/P/2016/0000000038 issued guidelines for the introduction of exchange traded derivatives contracts on cross currency pairs EUR-USD, GBP-USD & USD-JPY and exchange traded option contracts on EUR-INR, GBP-INR & JPY-INR.

MCCIL has completed the testing of systems for clearing and settlement of these contracts as and when introduced by the MSEI. The MSEI and the MCCIL are currently awaiting the SEBI approval for the launch of the abovementioned products.

## 4. REGULATORY UPDATES

### A. Merger of the FMC with the SEBI

In the Union Budget for 2015-16, the Hon'ble Union Finance Minister had proposed merger of Forward Markets Commission (FMC) with the Securities and Exchange Board of India (SEBI) "to strengthen regulation of commodity forward market and to reduce wild speculation". To enable the same, the Finance Act, 2015 provided for amending the Securities Contracts (Regulation) Act, 1956 (SCRA) and the Forward Contracts (Regulation) Act, 1952 (FCRA). The Hon'ble Union Finance Minister, unveiled the historic merger of the Forward Market Commission (FMC) with the Securities and

Exchange Board of India (SEBI) on September 28, 2015 and the new regulations that were notified consequently.

Government repealed Forward Contracts (Regulation) Act, 1952 (FCRA) w.e.f. September 29, 2015 paving the way for the merger of the Forward Market Commission with the Securities and Exchange Board of India. The merger of the two regulators had been recommended by various committees including Financial Sector Legislative Reforms Commission (FSLRC) to gain economies of scale and scope and make the regulation of commodities market more effective.

The SEBI in order to effect the merger, amended the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporation) Regulations, 2012 (SECC Regulations) and SEBI (Stock Broker and Sub-Broker) Regulation, 1992 and SEBI (Regulatory Fee on Stock Exchanges) on September 09, 2015. These regulations enabled the functioning of the commodities derivatives exchanges and their brokers under SEBI norms and integration of commodities derivatives trading and securities trading in an orderly manner.

The SEBI has also created a separate Commodity Derivatives Market Regulation Department for the regulation of commodity derivatives including exchange administration, market policies, risk management and financial instruments and handling of inspections, complaints etc. Additional divisions for intermediary as registration, surveillance, investigation, enforcement, regulatory assistance and research of commodity markets have been created within existing Departments of the SEBI which will aid the convergence of both the markets and build the capacity.

## **B. Investment Policy, Liquid Assets for the purpose of Calculation of Net Worth of a Clearing Corporation and Transfer of Profits.**

The SEBI issued a circular on May 04, 2016 on Investment Policy, Liquid Assets for the purpose of Calculation of Net Worth of a Clearing Corporation and Transfer of Profits. The circular was issued by the SEBI based on the recommendations of an expert Committee constituted by the SEBI to examine, inter-alia, the issues pertaining to (a) Investment Policy of a Clearing Corporation, (b) Liquid assets for calculation of Net worth of a Clearing Corporation, and (c) Regulation 33 of SECC Regulations on 'Transfer of Profits'.

The abovementioned SEBI circular stated that the investment policy of the Clearing Corporation should be built on the premise of highest degree of safety and least market risk. Further, the SEBI has specified the following w.r.t. investments by the clearing corporations.

The investments shall be broadly in

- Fixed deposits with banks which has a net worth of more than INR 500 crore and are rated A1 (or A1+) or equivalent
- Central Government Securities; and
- Liquid schemes of debt mutual funds.

- Investment in liquid scheme of debt mutual funds shall not exceed a limit of ten per cent of the total investible resources held by the clearing corporations at any point in time.
- In case the Clearing Corporation has investments in mutual funds beyond the limits specified above, then such excess investment will be liquidated by the Clearing Corporation within six months from the date of issuance of this circular. Fresh investments by the Clearing Corporation beyond the threshold limit prescribed above are not permitted.

The Metropolitan Clearing Corporation has modified its investment policy as per the above mentioned SEBI guidelines.

With regard to the liquid assets for the purpose of calculation of net worth of the Clearing Corporation, the abovementioned SEBI circular clarified that liquid assets are fixed deposits, central government securities and liquid schemes of debt mutual funds to the extent permissible and other instruments as may be specified by the SEBI from time to time, and cash and bank balance.

The aforesaid SEBI circular stipulated the following w.r.t. 'Transfer of Profits' under Regulation 33 of SECC Regulations 2012:

- The provisions made by stock exchanges in their books of accounts towards the requirement of 'Transfer of Profits' under Regulation 33 of SECC Regulations 2012 from the date the SECC Regulations, 2012 came into effect till March 31, 2015, shall be transferred to the Core SGF maintained by Clearing Corporations within one month from the date of issuance of the aforesaid circular.
- Twenty five per cent of profits for the period April 01, 2015 till the date of amendment of Regulation 33 of SECC Regulations, 2012, shall be transferred by the stock exchange to the Core SGF maintained by the Clearing Corporation within such time as may be specified by the SEBI.
- After such transfer of funds from the stock exchange to the Core SGF maintained by the Clearing Corporation, the contribution by the Clearing Member(s), if any, to the Core SGF maintained by the clearing corporations, shall be refunded to such clearing member(s).
- The stock exchanges and clearing corporations shall make good the shortfall in the Core SGF at any point in time.
- The unutilized portion of contribution made by the stock exchange towards the Core SGF, for any segment(s), maintained by the Clearing Corporation, as available with the clearing corporations, shall be refunded to the stock exchange, in case the stock exchange decides to close down its business or decides to avail the clearing and settlement services of another clearing corporation for that segment(s), subject to 'it meeting all dues of the clearing corporation'.

The MSEI and the MCCIL are already in compliance with the above requirement as the contribution made by the MSEI to the Core SGF is more than the profit linked contribution required from the MSEI.



## C. Review of the capacity planning framework of stock exchanges and Clearing Corporations

The SEBI through its circular CIR/MRD/DP/17/2015 dated October 08, 2015 revised the capacity planning framework of stock exchanges and Clearing Corporations. The SEBI circular inter alia specified the following:

- The per-half-hour capacity of the computers and the network should be at least 4 to 5 times of the anticipated peak load in any half hour or of the actual peak load seen in any half-hour during the preceding six months.
- The installed capacity shall be at least 1.5 times (1.5x) of the projected peak load.
- The projected peak load shall be calculated for the next 60 days based on the per-second peak load trend of the past 180 days.
- All systems in trading, clearing and settlement ecosystem shall be considered in this process including all technical components such as network, hardware, software, etc., and shall be adequately sized to meet the capacity requirements.
- In case the actual capacity utilization exceeds 75% of the installed capacity, immediate action shall be taken to enhance the capacity.

The abovementioned guidelines recommended by the SEBI, have been implemented by the MCCIL.

## D. Review of framework of position limits for currency derivatives contracts

With the view to ease trading requirements in the currency derivatives segment, the SEBI vide circular no. SEBI/HO/MRD/DP/CIR/P/2016/60 dated June 22, 2016 revised the framework of position limits for currency derivatives contracts. The aforesaid circular clarified that the position limit linked to open interest shall be applicable at the time of opening a position and such positions shall not be required to be unwound in the event of a drop of total open interest in a currency pair at the stock exchange.

However, in the aforementioned scenario, the eligible market participants shall not be allowed to increase their existing positions or create new positions in the currency pair till they comply with the applicable position limits. However, in view of the risk management or surveillance concerns with regard to such positions of the market participants, stock exchanges may direct the market participants to bring down their positions to comply with the applicable position limit within the time period prescribed by the stock exchange.

## 5. DIVIDEND AND RESERVES

As per the regulation 14(4) of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012, a recognized clearing corporation shall not distribute profits in any manner to its shareholders until it achieves a minimum net worth of Rs. 300 crore (Rupees three hundred crore) within a period of three years from the date of recognition granted under the regulations.



## 6. SHARE CAPITAL

The paid up Share Capital of the Company as on March 31, 2016 was Rs.70,00,00,000/- divided into 7,00,00,000 Equity shares of Rs.10/- each. The shareholding pattern as on March 31, 2016 is provided in Table 7:

**Table 7:**

Sr. No.	Name of Shareholder	No. of shares of Rs. 10/- each	Percentage
1.	Metropolitan Stock Exchange Ltd.	5,77,50,000	82.50%
2.	Multi Commodity Exchange of India Ltd.	65,00,000	9.29%
3.	Financial Technologies (India) Ltd.	57,50,000	8.21%
	<b>Total</b>	<b>7,00,00,000</b>	<b>100%</b>

*Vide order dated March 19, 2014 SEBI has directed FTIL inter-alia to divest equity shares held in the MCCIL directly or indirectly within 90 days of order. Further, vide same order the SEBI stated that the FTIL and entities through whom it indirectly hold equity shares or any instrument entitling voting rights in the MCCIL shall cease to be entitled to exercise voting rights in respect of those shares or instrument with immediate effect. The Securities Appellate Tribunal (SAT) has since its order dated July 09, 2014 upheld the decision of SEBI.*

In the Extra Ordinary General Meeting (EGM) held on June 16, 2015, shareholders of the Metropolitan Clearing Corporation of India Limited (MCCIL) passed a special resolution unanimously to amend the Articles of Association of the Company to include provisions for certain restrictions on shareholding and divestment of shareholding, of such persons held to be 'not fit and proper persons' by any competent court or regulatory authorities and/ or holding shares in excess of the percentage that they are entitled to hold as per the SECC Regulations, by insertion of new articles.

This amendment has been carried out with the objective to transfer entire shareholding of Financial Technologies (India) Limited (FTIL) and excess shareholding of Multi Commodity Exchange Limited (MCX) to demat escrow account to be operated by the Board of Directors of the MCCIL, to ensure compliance with Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012.

These amendments have been published in Central and State Gazette and, thereafter, the same has been submitted to the SEBI for approval.

In the EGM held on July 1, 2015, shareholders of the MCCIL passed a special resolution unanimously to increase the Authorized Share Capital of the Company from existing Rs.25,00,00,000 (Rupees Twenty Five Crore) divided into 2,50,00,000 (Two Crore Fifty Lacs) Equity shares of Rs.10 (Rupees Ten) each to Rs.100,00,00,000 (Rupees One Hundred Crore) divided into 10,00,00,000 (Ten Crore) Equity shares of Rs. 10 (Rupees Ten) each ranking pari passu in all respect with the existing Equity Shares of the Company.

In the same EGM held on July 1, 2015, a special resolution was passed by the shareholders of the Company for issue of Equity Shares of the face value of Rs.10 each for cash at par in

one or more tranches to the Metropolitan Stock Exchange of India Limited (MSEI) aggregating to Rs.75 crore through preferential allotment. This was done with the objective to achieve net worth of Rs.100 crores to fulfill the condition stipulated by the SEBI in its letter dated September 29, 2014 granting recognition as clearing corporation.

Thereafter, further allotment of 2,00,00,000 equity shares of Rs. 10 each for cash at par in the first tranche, was made to the MSEI on a preferential basis on July 2, 2015. With this the paid up share capital of the Company increased to Rs.45,00,00,000/- divided into 4,50,00,000 Equity shares of Rs.10/- each.

Further in the second tranche an allotment of 2,50,00,000 equity shares of Rs. 10 each for cash at par in the second tranche, was made to the MSEI on a preferential basis on October 1, 2015. With this the paid up share capital of the Company increased to Rs.70,00,00,000/- divided into 7,00,00,000 Equity shares of Rs.10/- each.

## 7. DIRECTORS

As per the SECC Regulations, the Governing Board of a clearing corporation comprises of (i) public interest directors (PIDs), (ii) shareholder directors 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 ex-officio director on the governing board and shall not be included in either the category of the Public Interest directors or shareholder directors.

As on June 30, 2016, the Company's Governing Board consists of three Public Interest Directors, one Shareholder Director and the Managing Director.

### A. Public Interest Directors

Your Company is in compliance with the SECC regulations and the Governing Board currently consists of Mr. Vepa Kamesam, Dr. M.Y. Khan and Mr. P.K. Chhokra as Public Interest Directors. The abovementioned Public Interest Directors (PIDs) of the Company were appointed on the Governing Board of the Metropolitan Clearing Corporation of India Limited (MCCIL) in terms of the SEBI letter dated June 20, 2013. The abovementioned PIDs are independent directors and have given declarations that they meet the criteria of independence as laid down u/s 149(6) of the Companies Act, 2013. The appointment of PIDs as independent directors was approved by the shareholders in the EGM held on March 31, 2015.

As per the Regulation 24(3) of SECC Regulations, 2012, Public Interest Directors (PIDs) are nominated for a fixed term of three years, or for such extended period, as may be approved by the SEBI. Therefore, the first term of abovementioned PIDs was up to June 19, 2016. As the company is making efforts to mobilize Rs.25 Crores and further funding for next year besides expanding the business, the continuance of existing three PIDs is desirable. Therefore to provide continuity and stability in the functions of the Clearing Corporation, the Governing Board of the MCCIL in its meeting held on

March 23, 2016 decided to seek one year extension for the term of aforementioned three PIDs. Accordingly, the Company on March 29, 2016 applied to the SEBI for extension of the term of present Public Interest Directors by one year. Pending the approval from the SEBI, the PIDs are continuing to act as directors in line with Regulation 6.3.8. of the SEBI circular - CIR/MRD/DSA/33/2012 dated December 13, 2012 issued under Securities Contract (Regulation) (Stock Exchanges & Clearing Corporations) Regulation, 2012.

## **B. Shareholder Director**

The Company was informed by the MSEI vide letter dated March 1, 2016 that Mr. Saurabh Sarkar, former MD & CEO of MSEI had resigned and was no longer associated with the MSEI since October 10, 2015. Although, Mr. Sarkar had not submitted his resignation as Shareholder Director of the Company, as per Section 167 (1)(h) of the Companies Act, 2013, the office of a director becomes vacant in case, he, having been appointed as a director by virtue of his holding any office or other employment in the holding, subsidiary or associate company, ceases to hold such office or other employment in that Company. Accordingly, at the meeting of the Board of Directors held on May 13, 2016, the Board took MSEI's letter on record and decided that Mr. Saurabh Sarkar would cease to be Shareholder Director of the Company with effect from October 10, 2015.

Following Mr. Sarkar's resignation as Managing Director of MSEI, Mr. Udai Kumar was appointed as the Managing Director and CEO of MSEI. On February 11, 2016 The Board of Directors approved Mr. Udai Kumar's appointment as Shareholder Director of MCCIL. Mr. Udai Kumar's appointment was subsequently approved by the Shareholders of the MCCIL in the Extraordinary General Meeting held on March 3, 2016, subject to approval of the SEBI. The SEBI vide its letter no. OW/13573/1/2016 dated May 10, 2016 approved the appointment of Mr. Udai Kumar as Shareholder Director.

Mr. Udai Kumar retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment subject to compliance with applicable regulations. The Board recommends the re-appointment of Mr. Udai Kumar as Director of the Company to the shareholders at the forthcoming annual general meeting of the company subject to applicable regulations.

## **C. Managing Director**

According to the recommendation of the Selection Committee and Nomination and Remuneration cum Compensation Committee, the Board at its meeting held on March 23, 2016 approved the appointment of Mr. Balu Nair as the Managing Director of the Company and his remuneration subject to the approval of the SEBI and shareholders. The SEBI approved the appointment of Mr. Balu Nair as the MD of the company for a period of three years and his remuneration on June 14, 2016. Mr. Balu Nair was appointed as the Managing Director of the Company w.e.f. June 20, 2016. The

appointment of Mr. Nair is subject to approval of the Shareholders at the ensuing general meeting.

## 8. KEY MANAGERIAL PERSONNEL

Pursuant to the approval of the SEBI on March 19, 2015, Mr. Udai Kumar was appointed as the Managing Director of the Company w.e.f. April 6, 2015. Following his selection as the Managing Director of MSEI, Mr. Udai Kumar resigned as the Managing Director of MCCIL on January 21, 2016. Subsequent to the resignation of Mr. Udai Kumar, Mr. Balu R. Nair, then Deputy Managing Director and Chief Operating Officer was assigned with the responsibility to manage the day to day activities of the company, with effect from January 22, 2016.

Mr. Balu Nair was appointed as the Managing Director of the Company w.e.f. June 20, 2016 in terms of the SEBI's approval received on June 14, 2016.

The Company appointed Mr. Krishna Wagle as Chief Financial Officer with effect from July 10, 2015 and Ms. Avni Patel as Company Secretary with effect from July 1, 2016.

## 9. HUMAN RESOURCES

During the financial year 2015-16, emphasis was given to Human Resource Planning with the objective of optimum utilization of existing manpower. The total strength of employees as on March 31, 2016 was 21. The Company is in the process of strengthening its manpower.

## 10. AUDITORS

M/s Kirtane & Pandit LLP, Statutory Auditors of the Company were appointed as Statutory Auditors of your Company at the 6th Annual General Meeting held on September 30, 2014 for a term of five consecutive years, until the conclusion of the AGM to be held for the financial year 2018-19 (subject to ratification of the appointment by the Members at every AGM, till the tenure). As per the provisions of Section 139 of the Companies Act, 2013, the appointment of Auditors is required to be ratified by the Members at every Annual General Meeting.

The Board of Directors would recommend ratification of the appointment of M/s. Kirtane & Pandit LLP, Chartered Accountants, Mumbai at the ensuing Annual General Meeting by the shareholders for financial year 2016-17.

## 11. AUDIT COMMITTEE

As per the section 292A of the Companies Act, 1956, the Company constituted an Audit Committee of the Board on April 17, 2009 and the scope of the Committee was revised in line with the Companies Act, 2013 and the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

At the beginning of the year of 2015-16 the members of the Audit Committee were:

- Dr. M.Y.Khan, Public Interest Director - Chairman
- Mr. P.K.Chhokra, Public Interest Director - Member
- Mr. Udai Kumar, Managing Director - Member

Due to resignation of Mr. Udai Kumar, from the position of Managing Director, the Audit Committee was reconstituted and the current composition of the reconstituted Audit Committee stands as follows:

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

During the financial year 2015-16, the Audit Committee met 4 (four) times on May 18, 2015, August 6, 2015, November 11, 2015 and February 10, 2016.

All the recommendations of the audit committee were accepted by the Board during 2015-16.

## 12. NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS

The Board met 9 times during the year i.e. on April 30, 2015, May 19, 2015, July 2, 2015, August 7, 2015, August 27, 2015, November 10, 2015, January 21, 2016, February 11, 2016 and March 23, 2016.

Details of the meetings of the Stakeholders Relationship Committee and the Nomination and Remuneration Cum Compensation Committee have been given in the Corporate Governance Report.

## 13. DEPOSITS

The Company did not accept any public deposits during the financial year 2015-16.

## 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, Section 134(3) (m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 concerning conservation of energy and technology absorption, respectively, are not applicable to the Company. At MCCIL, a conscious effort is made to minimize the negative effects of its footprint on the environment. The Company strives to optimize energy usage and reduces its wastage.

## **B. Foreign Exchange earnings and outgo during the year under review**

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

## **15. CORPORATE SOCIAL RESPONSIBILITY**

As per the provisions of the Section 135 of the Companies Act, 2013 and rules made thereunder, the Company has to spend in every year 2% of the average net profit of the last 3 financial years or any part thereof, and if not there is no reason for not spending the amount.

As your Company does not fall within the prescribed limits set under the aforesaid Section, the Company is, therefore, not obliged to contribute towards as per the limits prescribed under the said Section for Corporate social responsibility.

## **16. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

During the year, your Company did not provide any loan, guarantees or made any investments as per Section 186 of the Companies Act, 2013.

## **17. RISK AND INTERNAL ADEQUACY OF CONTROLS**

### **A. Risks and Concerns**

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

The Company 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 internal auditors. The implementation and reporting of this policy is under the supervision of the Audit Committee and the Board.

### **B. Internal Control Systems and their Adequacy**

The Company has implemented effective control systems to ensure that all its assets, interests and information are safeguarded with proper checks and balances. The Company 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 Company as per the extant regulatory guidelines. The Company has carried out an evaluation of internal control mechanism and prepared the Risk Control Matrices with the help of external experts. Statutory Auditors have ascertained the adequacy of the internal financial controls system in place and the operating effectiveness of such controls based on the Risk Control Matrices.

The Audit Committee is in overall supervision of the internal controls and reports are being made to the Board in a periodic manner.

## **18. MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY AND THE DATE OF THE REPORT**

No such material change or commitment affecting financial position of the company which occurred between the end of the financial year of the company and the date of the report.

## **19. EXPLANATIONS OR COMMENTS ON THE QUALIFICATION, RESERVATION OR ADVERSE REMARK OR DISCLAIMER MADE BY THE AUDITORS IN THEIR REPORT**

There is no qualification, reservation or adverse remarks or disclaimer made by the statutory Auditors in their reports. The observations by the Secretarial Auditor are covered under the head 'Secretarial Audit'.

## **20. EMPLOYEES STOCK OPTION PLAN**

The Company has not issued any Employee Stock Options. However, the Parent Exchange, MSEIL had granted stock options to the employees of the MCCIL to subscribe to MSEIL equity shares under its Employees Stock Options, 2009.

## **21. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES**

There are no new transactions entered with any Related Party. All the transactions are under the pre-existing arrangements. The transactions with related party are in ordinary course of the business and on arm's length basis. Accordingly, the disclosure of Related Party Transactions as required under Section 134(3)(h) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 in Form AOC 2 is set out in the Annexure I to the Directors' Report.

## **22. POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION**

The Company has to comply with the SEBI (Securities Contract and Clearing Corporation Regulation), 2012 for appointment of directors on the governing board. Further the remuneration payable to the Executive Directors is also governed by the SECC Regulations. The Board periodically evaluates the need for change in its composition and size taking into account financial strength of the company.



The Company has a policy on Director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of Director, and also remuneration for key managerial personnel and other employees

## 23. DECLARATION BY INDEPENDENT DIRECTORS

Every independent Director, at the first meeting of the Board in every financial year has to give declaration or whenever there is a change in the circumstances which may affect his status as an independent director give a declaration that he meets the criteria of Independence. The Company has received necessary declaration from each independent director that he/she meets the criteria of independence laid down in Section 149(6) of the Companies Act, 2013.

## 24. EVALUATION OF DIRECTORS AND THE BOARD

As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, independent directors will hold at least one meeting in a year, without the presence of non-independent directors and members of the management in order to (a) review the performance of non-independent directors and the board of directors as a whole; (b) review the performance of the chairperson, taking into account the views of executive directors and non-executive directors; (c) assess the quality, quantity and timeliness of flow of information between the management and the board of directors whatever is necessary for the board of directors to effectively and reasonably perform their duties.

Accordingly, a meeting of independent directors was conducted on March 31, 2016 wherein all the independent directors were present to evaluate the performance of the non-independent directors, board of directors as a whole & the chairperson, and effectiveness of the mechanism for obtaining the desired information from the management of the Company.

## 25. SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies' Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company appointed Mr. A. Sekar, a practicing company secretary to undertake the secretarial audit of the Company. The Secretarial Audit Report is annexed as Annexure IIA to this report. The Board's responses to the qualifications in the Secretarial Audit Report are annexed as Annexure IIB to this report.

## 26. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report is annexed separately to this report.

## 27. VIGIL MECHANISM

Your Company has a well-established vigil mechanism in place which is managed by the compliance and ethics team.



## 28. LITIGATIONS

During the year, no significant and material orders were passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.

## 29. PARTICULARS OF EMPLOYEES

No employee of the Company fall within the purview of Section 134(3) of the Companies' Act, 2013, read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The list of key managerial personnel as required under regulation 27(5) of the SECC Regulations 2012 is annexed as Annexure III.

## 30. EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in form MGT 9 is annexed as Annexure IV.

## 31. CORPORATE GOVERNANCE REPORT

In terms of Regulation 17(7) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Corporate Governance Report along with certificate issued by M/s. Kirtane & Pandit LLP, Chartered Accountants is attached and forms part of this report.

## 32. DIRECTORS' RESPONSIBILITY STATEMENT

**Pursuant to Section 134(3) (c) of the Companies Act, 2013, your Directors, to the best of their knowledge and belief, make following statements that:-**

- (i) The applicable Accounting Standards have been followed in the preparation of the annual accounts along with the proper explanation relating to material departure, if any.
- (ii) Such accounting policies have been selected and applied consistently and such judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company in the Balance Sheet as at March 31, 2016 and the Statement of Profit and Loss for the said financial year ended March 31, 2016.
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The annual accounts have been prepared on a going concern basis.
- (v) The proper internal financial controls were in place and that such internal financial controls are adequate and were operating effectively.
- (vi) The systems to ensure compliance with the provisions of all applicable laws were in place and such systems were adequate and operating effectively.

### 33. 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 the Companies Act, 2013.

### 34. POLICY TO DEAL WITH SEXUAL HARASSMENT OF WOMEN AT WORK PLACE

The Company has implemented a sexual harassment policy in line with the requirement of Sexual Harassments of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee has been set up to redress complaints received regarding sexual harassment, and on-going training is provided to employees. During the financial year 2015-16 the Company has not received any complaints regarding sexual harassment.

### 35. ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors

**Date:** July 18, 2016

**Place:** Mumbai

Sd/-

**Dr. M. Y. Khan**

Public Interest Director

DIN: 03185713

Sd/-

**Balu Nair**

Managing Director

DIN: 07027100

## Management Discussion and Analysis Report

### 1. Trends in Capital Market

Though, during the calendar year 2015 benchmark indices closed down nearly 4 percent to bearish level, but their midcap and small cap counterparts witnessed resilience. Domestic investors showed confidence in the Indian economy and poured a record Rs. 67,586 crores in Indian equities while FIIs withdrew Rs. 20,373 Crs during the calendar year 2015.

Finally, the regulatory authority remained in command of functioning of securities markets and as a result Indian financial system of capital market reflected the absorbing capacity to overcome the turmoil caused by Greece and other European nations.

While there has been considerable improvement in macro variables, the same has favorably impacted the corporate earnings owing to slight up surge in rural demand and some in the revival of investment cycle. A pick up in corporate earnings with full transmission of interest rate and impact of lower commodity prices translated into lower input cost for corporate sector.

### 2. Opportunities and Threats

The Hon'ble Union Finance Minister unveiled the historic merger of the Forward Markets Commission (FMC) with the Securities and Exchange Board of India (SEBI) on September 28, 2015 and released the new regulations that were notified consequently. Union Government repealed Forward Contracts (Regulation) Act, 1952 (FCRA) w.e.f. September 29, 2015 paving the way for the merger of the Forward Market Commission with the Securities and Exchange Board of India. The merger of the two regulators had been recommended by various committees including FSLRC to gain economies of scale and scope for expansion and make the regulation of commodities market more effective.

The SEBI in order to effect the merger, has amended Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (SECC Regulations) and SEBI (Stock Broker and Sub-Broker) Regulations, 1992 and SEBI (Regulatory Fee on Stock Exchanges) on September 09, 2015. These regulations enabled functioning of the commodities derivatives exchanges and its brokers under SEBI norms and integration of commodities derivatives and securities trading in an orderly manner.

Among other things, the aforesaid regulations require commodity exchanges to avail services of a clearing corporation in 3 years from the date of merger. This would open up possibilities to the Clearing Corporation for partnering with the existing commodity exchanges to offer clearing and settlement services.

Nevertheless, to tap such opportunities as stated above, the clearing corporation may have to comply with minimum net worth requirement and shareholding requirements as per SECC Regulations, 2012. The Company is on its path to achieve the requisite shareholding structure as stipulated by the regulator and has increased its net worth in

the FY 2015-16. However, it requires further infusion of funds, in order to achieve net worth as stipulated by the regulator. The present net worth of the company as per the audited financial statements for the year ended 31st March, 2016 is Rs.75.29 Crores. As per the SEBI recognition conditions, the company was required to achieve minimum net worth of Rs. 100 Crores before March 31, 2016. The Company is making efforts to raise an amount of Rs. 25 crore either from the promoters or other investors to meet the net worth requirement as stipulated by the SEBI. The Company vide its letter dated April 6, 2016, requested the SEBI to grant forbearance in the aforesaid requirement for another six months coterminous with the current term of recognition of the Company (i.e. up to October 2, 2016).

### 3. Risks and Concerns

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

The Company 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.

### 4. Internal Control Systems and their Adequacy

The Company has implemented effective control systems to ensure that all its assets, interests and information are safeguarded with proper checks and balances. The Company 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 Company as per the extant regulatory guidelines. The Company has carried out an evaluation internal control mechanism and prepared the Risk Control Matrices with the help of external experts. Statutory Auditors have ascertained the adequacy of the internal financial controls system in place and the operating effectiveness of such controls based on the Risk Control Matrices.

The Audit Committee is in overall command of supervision of the internal controls and reports are being made to the Board in a periodic manner.

## 5. Financial performance with respect to Operational Performance

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

Financial Highlights	Amount in Rs. crores	
	2015-16	2014-15
Revenue from operations	10.21	14.80
Profit before Interest, Depreciation, Tax and Exceptional Items	0.86	1.20
Profit before tax	0.74	1.38
Cash profit	0.86	1.53
Net profit	0.74	1.38

### B. Revenue and operating expenses

The Company earned total revenues of INR 10.21 crore from operations during the year ended March, 2016 as against INR 14.80 crore in the year ended March, 2015. The decrease in revenue was mainly due to decrease in clearing and settlement fees received on turnover generated in Currency Derivative Segment of the MSEI.

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

The Company earned EBITDA of INR 0.86 crore for the year ended March, 2016 as compared to INR 1.20 crore during the previous year ended March, 2015. The EBITDA margin for the year 2015 - 2016 was 6.42% as against 6.83% for the year 2014-15.

### D. Depreciation and Amortization

The depreciation and amortization charges were INR 0.11 crore for the year ended March, 2016 as against INR 0.16 crore for the year ended March, 2015.

### E. Profit after tax

The profit after tax stood at INR 0.74 crore for the year 2015 - 2016 as compared to a profit of INR 1.38 crore for the year 2014 - 2015.

### F. Balance Sheet

As on March 31, 2016, the Company had total assets of INR 161.24 crore and shareholders' funds at INR 75.30 crore. The Company is debt-free as on March 31, 2016.

## 6. Material Developments in Human Resources

The Company had rationalized its manpower during the year and headcount as at March 31, 2016 stood at 21. The Company is in the process of strengthening its manpower.

For and on behalf of the Board of Directors

**Date:** July 18, 2016

**Place:** Mumbai

Sd/-

**Dr. M. Y. Khan**

Public Interest Director

DIN: 03185713

Sd/-

**Balu Nair**

Managing Director

DIN: 07027100

### **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.*

## Annexures to Directors Report

### Annexure – I

#### Form No. AOC – 2

(Pursuant to clause (h) sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014.

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of Section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

#### 1. Details of contracts or arrangements or transactions not at arm`s length basis

Sl. No.	Name(s) of the related party and nature of relationship	Nature of contracts arrangements transactions	Duration of contracts/ arrangements transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Justification for entering into such contract or arrangements or transactions	Date of the approval of the Board	Amount paid as advance if any	Date on which special resolution was passed in general meeting as required u/s. 188
NIL								

#### 2. Details of contracts or arrangements or transactions at arm`s length basis

MSEI	Nature of contracts/ arrangements / transactions	Duration of the contracts / arrangement /transactions	Salient terms of the contracts or arrangements or transactions including the value for the year	Date(s) of approval by the Board, if any	Amount paid as advances, if any
1. Metropolitan Stock Exchange of India Limited (formerly known as MCX-SX Stock Exchange Limited) (hereinafter referred	Agreement for providing Clearing & Settlement Services	Ongoing since October 1, 2012	Clearing and settlement income aggregating Rs. 6,51,46,896/- earned by the MCCIL from the MSEI for clearing and settling of trades done on the Exchange.	May 13, 2016	Nil
	Agreement for sharing resources entered between MCCIL and MSEIL	Ongoing since January 2, 2013	Installation, maintenance and support of Software and networking infrastructure aggregating Rs. 8,38,41,749/- paid to the MSEI, including balance payable at the end of the year Rs.1,56,29,664/-.	May 13, 2016	Nil

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MSEI	Nature of contracts/ arrangements / transactions	Duration of the contracts / arrangement / transactions	Salient terms of the contracts or arrangements or transactions including the value for the year	Date(s) of approval by the Board, if any	Amount paid as advances, if any
to MSEI) (Holding Company)	Sub-License Agreement for office premises entered between MCCIL and MSEI	From September 1, 2014 to March 14, 2018	To occupy and use office premises a rent of Rs. 38,68,980/- was paid	May 13, 2016	Nil
	Tripartite Agreement between MSEI, MCCIL and FTIL	Ongoing since April 15, 2010	Agreement to call upon the MCCIL to pay amounts under the agreements dated 25th August 2008 and 15th September 2008, in case of default by MSEI	May 13, 2016	Nil
	Allotment of equity shares of Rs.10/- each to MSEI	-	Rs.45,00,00,000/-	July 2, 2015 and October 1, 2015	Nil
2. Key Management Personnel	Remuneration paid to Key Management Personnel	Ongoing	Salary and allowances (excludes gratuity and long term compensated absences which are actuarially valued for the Company as a whole) Rs. 5,476,769/-	May 13, 2016	Nil



## **SECRETARIAL AUDIT REPORT** **FOR THE YEAR ENDED MARCH 31, 2016**

To

The Members

**Metropolitan Clearing Corporation of India Limited**

(formerly known as MCX-SX Clearing Corporation Limited)

CIN :U67120MH2008PLC188032

Exchange Square, CTS No.255, Suren Road

Chakala, Andheri (East)

Mumbai - 400093

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Metropolitan Clearing Corporation of India Limited**, (formerly known as MCX-SX Clearing Corporation Limited and hereinafter called the Company). Secretarial Audit was conducted in the manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representative during the conduct of secretarial audit, I hereby report that in my opinion the Company has during the period covering April 1, 2015 to March 31, 2016, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the period April 1, 2015 to March 31, 2016 according to the provision of:

- (i) The Companies Act, 2013 ( the Act) and the rules made thereunder;
- (ii) The Securities Contract (Regulation) Act, 1956 ("SCRA") and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ("SEBI Act"):
  - a) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992
  - b) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations 1993 regarding the Companies Act and dealing with client;

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- (v) The following regulations / laws which on the basis of the nature of business operations carried on by the company are specifically applicable to the company:-
- a) Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (SECC) Regulations, 2012, (SECC Regulations, 2012).
  - b) Securities and Exchange Board of India Act, 1992
  - c) Securities Contracts (Regulation) Act, 1956
  - d) Rules, Regulations, Circulars, Orders, Notification and Directives issued under the above statutes to the extent applicable.

For the year under review, the provisions of the following Acts / Regulations were not applicable to the company:-

- a) Foreign Exchange Management Act, 1999 and the rules made thereunder;
- b) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- c) The Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998;
- d) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- f) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- g) The Securities and Exchange Board of India (Share Based Employee Payments Regulations), 2014.

I have also examined the compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India,
- (ii) The provisions of the Standard Listing Agreements under Clause 49 relating to Corporate Governance and the regulations under the SEBI Listing (Obligations and Disclosure) Regulations, 2015 in so far as the provisions mutatis mutandis apply to the company.

During the period under review, the Company has complied with the provisions of the Acts, Rules, Regulations, Guidelines, Standards, etc., mentioned above, except the observations as detailed in Annexure "A":

## **I further report that**

The Board of Directors of the Company is duly constituted with proper balance of Public Interest Directors, Managing Director and Shareholders' director except to the extent stated in Paragraph 1 of Annexure A. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

The company has formulated a Compliance Management System to monitor and ensure compliance with applicable laws, rules, regulations and guidelines, which in my opinion are prima facie commensurate with the size and operations of the company. The systems and processes in the company for compliance management are continuously reviewed by the Management so as to ensure that they are at any point of time commensurate with the size and operations of the company with respect to monitoring the compliance with applicable laws, rules, regulations and guidelines.

**I further report that** during the audit period, the company has not undertaken any action having a major bearing on the company's affairs in pursuance of the above referred laws other than the following :-

Preferential Issue of 4,50,00,000 Equity Shares to Metropolitan Stock Exchange of India Ltd.

- a) Amendment of Articles of Association at the Extra Ordinary General Meeting held on June 16, 2015 providing for certain restrictions on shareholding and divestment of shareholding of such persons who were held to be "not fit and proper person" pursuant to SECC Regulations, 2012.
- b) Change of Name of the Company from MCX-SX Clearing Corporation Limited to its present name.

**Place :** Mumbai

**Date :** July 18, 2016

Sd/-

**A SEKAR**

COMPANY SECRETARY

ACS 8649 CP 2450

This report is to be read with our letter of even date which is annexed as Annexure B and forms an integral part of this report.

## Annexure "A"

### Observations on the compliance of the provisions of the Acts, Rules, Regulations, Guidelines, Standards, etc.

1. The Board of Directors consisted of 3 public interest directors (PID's), one shareholder director and one Managing Director, all of whom were appointed after receiving requisite approval of SEBI. Further, these appointments were with the approval of the members at the relevant extra-ordinary general meeting in compliance of SECC Regulations, 2012. As per the provisions of sub-section 6 of Section 152, office of not less than two-thirds of all directors of a public company shall be directors whose period of office is liable to determination by retirement of directors by rotation. Accordingly, one director other than the PIDs should have retired and offered for re-appointment at the Annual General Meeting held during the year under review.
2. Section 184 of the Companies Act, 2013 requires that the disclosure of interest of directors shall be made by the directors in the first meeting of the Board held in the financial year.

Based on information and explanations furnished to me,

- a) a meeting of the Board of Directors was scheduled on 19<sup>th</sup> May, 2015 for consideration of this matter among other agenda items and
- b) meanwhile, an urgent meeting was scheduled before this meeting at a short notice with the consent of directors on 30<sup>th</sup> April, 2015 purely to transact the business for which this meeting was convened.

The disclosure of interest pursuant to the said section was taken note of by the Board of Directors in the Meeting held on 19<sup>th</sup> May, 2015.

3. The Company did not have a whole time company secretary during the year under review, as borne out by the records of the company, as required by Section 203 of the Companies Act, 2013. It has been explained that the company could not appoint a Whole Time Secretary due to non-availability of a suitably qualified and experienced person despite best efforts including advertisements. Accordingly, the Assistant Company Secretary, who is an Associate Member of the Institute of Company Secretaries of India was entrusted with the functions and duties of whole time secretary, but in respect of whom no forms were filed with the Registrar of Companies. However, subsequent to the end of the year under review, the company has appointed a Whole Time Secretary.

## 'Annexure B'

1. Maintenance of secretarial record is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, followed by me provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records, Books of Accounts and records pertaining to direct and indirect taxation of the company, which I believe are the domain of other professionals on whom the responsibility is entrusted by the provisions of the Companies Act, 2013.
4. Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

**Place :** Mumbai  
**Date :** July 18, 2016

Sd/-  
**A SEKAR**  
COMPANY SECRETARY  
ACS 8649 CP 2450

## **The Board's responses to the qualifications in the Secretarial Audit Report**

The Secretarial Auditor has qualified their opinion in relation to the following matters appearing in the Secretarial Audit report. The Board's responses to the qualifications by the Auditors are given below:

### **Observation 1:**

The Board of Directors consisted of 3 public interest directors (PID's), one shareholder director and one Managing Director, all of whom were appointed after receiving requisite approval of the SEBI. Further, these appointments were with the approval of the members at the relevant extra-ordinary general meeting in compliance of SECC Regulations, 2012. As per the provisions of sub-section 6 of Section 152, office of not less than two-thirds of all directors of a public company shall be directors whose period of office is liable to determination by retirement of directors by rotation. Accordingly, one director other than the PIDs should have retired and offered for re-appointment at the Annual General Meeting held during the year under review.

### **Management Response:**

The Company has appointed all the Directors including the Shareholder Directors after receiving prior approval from SEBI. Further, only one Shareholder Director would have been eligible to retire by rotation. Prior to receipt of SEBI's approval, the Company had obtained approval of the Shareholders at the Extra-Ordinary General Meeting held on July 24, 2014 for the appointment of the concerned Shareholder Director. The appointment of the concerned Shareholder Director was entirely in compliance with the Securities Contracts Regulation (Stock Exchange & Clearing Corporation) Regulations, 2012 and Clause 6.4.1 of SEBI circular CIR/MRD/DSA/33/2012 dated December 13, 2012 which reads as follows:

6.4.1 The names of persons to be appointed as shareholder directors shall first be approved by the governing board of the stock exchange/ clearing corporation, followed by shareholders' approval before submitting the same to SEBI for approval.

Although, in terms of SECC Regulations, 2012, the Company obtains prior approval from the Shareholders for the appointment of a Shareholder Director, additionally, the Company shall once again seek further approval from the Shareholders for the said appointment in line with section 152 of the Companies Act, 2013.

### **Observation 2:**

Section 184 of the Companies Act, 2013 requires that the disclosure of interest of directors shall be made by the directors in the first meeting of the Board held in the financial year.

Based on information and explanations furnished to me,

- a meeting of the Board of Directors was scheduled on 19th May, 2015 for consideration of this matter among other agenda items and

- meanwhile, an urgent meeting was scheduled before this meeting at a short notice with the consent of directors on 30th April, 2015 purely to transact the business for which this meeting was convened.

The disclosure of interest pursuant to the said section was taken note of by the Board of Directors in the Meeting held on 19th May, 2015.

### **Management Response:**

The aforesaid observation is self-explanatory, that in line with Section 184 of the Companies Act, 2013 the Company had proposed to place the disclosure of interest of directors in the first meeting of the Board held in the financial year. However, on account of a Regulatory exigency an urgent meeting was scheduled before the aforesaid meeting at a short notice on 30<sup>th</sup> April, 2015 purely to transact the business for which this meeting was convened. Adequate care shall be taken in future in this regard.

### **Observation 3:**

The Company did not have a whole time company secretary during the year under review, as borne out by the records of the company, as required by Section 203 of the Companies Act, 2013. It has been explained that the company could not appoint a Whole Time Secretary due to non-availability of a suitably qualified and experienced person despite best efforts including advertisements. Accordingly, the Assistant Company Secretary, who is an Associate Member of the Institute of Company Secretaries of India was entrusted with the functions and duties of whole time secretary, but in respect of whom no forms were filed with the Registrar of Companies. However, subsequent to the end of the year under review, the company has appointed a Whole Time Secretary.

### **Management Response:**

The Company had initiated the process of identifying a Company Secretary who has the necessary qualification and experience required for this position. Accordingly, the Company issued several advertisements and interviewed several candidates for the said post. In the interim, the Board appointed an Assistant Company Secretary, who was an Associate Member of the Institute of Company Secretaries of India and he was entrusted with the functions and duties of whole time secretary. As on date, the Company has a Whole time Company Secretary.

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

**Date:** July 18, 2016

**Place:** Mumbai

Sd/-

**Dr. M. Y. Khan**  
Public Interest Director  
DIN: 03185713

Sd/-

**Balu Nair**  
Managing Director  
DIN: 07027100

# Metropolitan Clearing Corporation of India Limited

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## Annexure – III

**Statement pursuant to Regulation 27(5) of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 for the period from April 1, 2015 to March 31, 2016**

Sr. No.	Name	Age in Yrs.	Designation	Remuneration received (Gross Rs.)	Qualifications	Experience no. of years	Date of commencement of employment	Last employment held before joining the company
1	Udai Kumar <sup>1</sup>	56	MD	40,19,174	B.Sc, M.Sc, MBA	30	06.04.2015	Inter-connected Stock Exchange of India Ltd.
2	Balu Nair <sup>2</sup>	38	DMD & COO	39,92,815	BBM / BBA, MBA	15	18.02.2009	National Stock Exchange of India Ltd.
3	Partha Sarathi Sen <sup>3</sup>	45	CFO	5,10,551	B.Com, ICWA, CA	16	01.11.2009	MCX Ltd.
4	Krishna Wagle <sup>4</sup>	41	CFO	9,47,044	B.Com, MBA-Finance	20	10.07.2015	Inter-connected Stock Exchange of India Ltd.

### Notes:

<sup>1</sup>Mr. Udai Kumar resigned and relieved from the services w.e.f. January 21, 2016 as the Managing Director

<sup>2</sup> Mr. Balu R. Nair was appointed as the Managing Director of the company w.e.f. June 20, 2016

<sup>3</sup>Mr. Partha Sarathi Sen resigned and relieved from the services w.e.f. July 15, 2015 as the Chief Financial Officer

<sup>4</sup>Mr. Krishna Wagle was appointed as the Chief Financial Officer w.e.f. July 10, 2015.

- All employees listed above are/were in employment of the Company in accordance with terms and conditions of employment agreed with them and the service rules of the company.
- The above remuneration excludes gratuity and long term compensated absences which are actuarially valued for the Company as a whole.



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- None of the employees are holding any equity shares in the Company within the meaning of clause (iii) of sub-rule 2 of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.
- None of the above employees were related to any Director of the Company.

## For and on behalf of the Board of Directors

**Date:** July 18, 2016

**Place:** Mumbai

Sd/-

**Dr. M. Y. Khan**

Public Interest Director

DIN: 03185713

Sd/-

**Balu Nair**

Managing Director

DIN: 07027100

## Annexure – IV

### Form No. MGT-9

#### **EXTRACT OF ANNUAL RETURNS ON THE FINANCIAL YEAR ENDED ON MARCH 31, 2016**

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

#### I. REGISTRATION AND OTHER DETAILS:

CIN	U67120MH2008PLC188032
Registration Date	November 7, 2008
Name of the Company	Metropolitan Clearing Corporation of India Limited
Category / Sub-Category of the Company	Public Company/ Limited by shares
Address of the Registered office and contact details	Exchange Square, Suren Road, Chakala, Andheri (East) – 400093 Tel- 022-6112900
Whether listed company	No
Name, Address and Contact details of Registrar and Transfer Agent, if any	Karvy Computershare Pvt. Ltd. Selenium Tower B, Plot number 31 & 32, Financial District Gachibowli, Hyderabad- 500 032, Telangana.

#### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
Processing & Clearing services of Securities Transactions	6619	49%

#### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Name And Address Of The Company	CIN/GLN	Holding/ Subsidiary /Associate	% of shares held	Applicable section
Metropolitan Stock Exchange of India Limited	U65999MH2008PLC185856	Holding	82.50	2(87(ii) of the Companies Act, 2013

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## IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

### i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change in shareholding during the year
	Demat	Physical	Total	%	Demat	Physical	Total	%	
Promoter	1,27,49,998	2	1,27,50,000	51	5,77,49,998	2	5,77,50,000	82.50	31.50
Indian	--	--	--	--	--	--	--	--	--
Individual/ HUF	--	--	--	--	--	--	--	--	--
Central Govt	--	--	--	--	--	--	--	--	--
State Govt(s)	--	--	--	--	--	--	--	--	--
Bodies Corp	1,22,49,998	2	1,22,50,000	49	1,22,49,998	2	1,22,50,000	17.50	(31.50)
Banks / FI	--	--	--	--	--	--	--	--	--
Any Other	--	--	--	--	--	--	--	--	--
Sub-total(A)(1):-	2,49,99,996	4	2,50,00,000	100	6,99,99,996	4	7,00,00,000	100	--
Foreign	--	--	--	--	--	--	--	--	--
NRIs-Individuals	--	--	--	--	--	--	--	--	--
Other-Individuals	--	--	--	--	--	--	--	--	--
Bodies Corp.	--	--	--	--	--	--	--	--	--
Banks / FI	--	--	--	--	--	--	--	--	--
Any Other....	--	--	--	--	--	--	--	--	--
Sub-total (A)(2):-	--	--	--	--	--	--	--	--	--
Public Shareholding	--	--	--	--	--	--	--	--	--
Institutions	--	--	--	--	--	--	--	--	--
Mutual Funds	--	--	--	--	--	--	--	--	--
Banks / FI	--	--	--	--	--	--	--	--	--
Central Govt	--	--	--	--	--	--	--	--	--
State Govt(s)	--	--	--	--	--	--	--	--	--
Venture Capital Funds	--	--	--	--	--	--	--	--	--
Insurance Companies	--	--	--	--	--	--	--	--	--
FIs	--	--	--	--	--	--	--	--	--
Foreign Venture Capital Funds	--	--	--	--	--	--	--	--	--
Others (specify)	--	--	--	--	--	--	--	--	--
Sub-total (B)(1)	--	--	--	--	--	--	--	--	--
2.Non Institutions	--	--	--	--	--	--	--	--	--
Bodies Corp.	--	--	--	--	--	--	--	--	--
(i) Indian	--	--	--	--	--	--	--	--	--
(ii) Overseas	--	--	--	--	--	--	--	--	--
Individuals	--	--	--	--	--	--	--	--	--
(i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	--	--	--	--	--	--	--	--	--
(ii) Individual	--	--	--	--	--	--	--	--	--

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Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change in shareholding during the year
	Demat	Physical	Total	%	Demat	Physical	Total	%	
shareholders holding nominal share capital in excess of Rs 1 lakh									
Others(Specify)	--	--	--	--	--	--	--	--	--
Sub-total (B)(2)	--	--	--	--	--	--	--	--	--
Total Public Shareholding (B)=(B)(1)+(B)(2)	--	--	--	--	--	--	--	--	--
C. Shares held by Custodian for GDRs & ADRs	--	--	--	--	--	--	--	--	--
Grand Total (A+B+C)	2,49,99,996	4	2,50,00,000	100	6,99,99,996	4	7,00,00,000	100	--

## ii) Shareholding of Promoters

Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	
Metropolitan Stock Exchange of India Limited	1,27,50,000	51	-	5,77,50,000	82.50	-	31.50
Total	1,27,50,000	51	-	5,77,50,000	82.50	-	31.50

# Metropolitan Clearing Corporation of India Limited

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## iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sr. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	<b>Metropolitan Stock Exchange of India Limited</b>				
	At the beginning of the year	1,27,50,000	51		
	Preferential allotment on private placement basis on July 02, 2015	2,00,00,000	14	3,27,75,000	65
	Preferential allotment on private placement basis on October 01, 2015	2,50,00,000	17.5	5,77,50,000	82.5
	At the End of the year			5,77,50,000	82.5

## iv) Shareholding Pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Sr. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	<b>Multi Commodity Exchange of India Limited</b>				
	At the beginning of the year	65,00,000	26	65,00,000	26
	Date wise Increase/Decrease in shareholding during the year specifying the reason for increase /decrease (eg. Allotment/transfer/bonus/sweat equity shares, etc)	-	-	-	-
	At the End of the year	65,00,000	9.29	65,00,000	9.29
2.	<b>Financial Technologies (I) Limited</b>				
	At the beginning of the year	57,50,000	23	57,50,000	23
	Date wise Increase/Decrease in shareholding during the year specifying the reason for increase /decrease (eg. Allotment/transfer/bonus/sweat equity shares, etc)	-	-	-	-
	At the End of the year	57,50,000	8.21	57,50,000	8.21

# Metropolitan Clearing Corporation of India Limited

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## v) Shareholding of Directors and Key Managerial Personnel:

Sr.No	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	-	-	-	-
	Date wise Increase/Decrease in shareholding during the year specifying the reason for increase /decrease (eg. Allotment/transfer/bonus/sweat equity shares, etc)	-	-	-	-
	At the End of the year	-	-	-	-

## V. INDEBTEDNESS\*

Indebtedness of the Company including interest outstanding/accrued but not due for payment

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year	--	--	--	--
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not				
<b>Total (i+ii+iii)</b>	--	--	--	--
Change in Indebtedness during the financial year	--	--	--	--
- Addition				
- Reduction				
<b>Net Change</b>	--	--	--	--
Indebtedness at the end of the financial year	--	--	--	--
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
<b>Total (i+ii+iii)</b>	--	--	--	--

\* The Company has never borrowed.

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## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager

Particulars of Remuneration	Name of the MD Udai Kumar	Total Amount
Gross salary		
(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	39,30,863	39,30,863
(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	--	--
(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	--	--
Stock Option		
Sweat Equity		
Commission	--	--
- as % of profit		
- others, specify...		
Others, please specify	--	--
<b>Total (A)</b>	<b>39,30,863</b>	<b>39,30,863</b>

### B. Remuneration to other directors:

Particulars of Remuneration	Name of the Directors			Total Amount
	Vepa Kamesam	Dr. M.Y. Khan	P. K. Chhokra	
Independent Directors				
· Fee for attending board committee meetings	5,64,000	8,44,000	4,88,000	18,96,000
· Commission	-	-	-	-
· Others, please specify	-	-	-	-
<b>Total (1)</b>	<b>5,64,000</b>	<b>8,44,000</b>	<b>4,88,000</b>	<b>18,96,000</b>
Other Non-Executive Directors				
· Fee for attending board committee meetings	-	-	-	-
· Commission	-	-	-	-
· Others, please specify	-	-	-	-
<b>Total (2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (B)=(1+2)</b>	<b>5,64,000</b>	<b>8,44,000</b>	<b>4,88,000</b>	<b>18,96,000</b>
<b>Total Managerial Remuneration</b>	<b>5,64,000</b>	<b>8,44,000</b>	<b>4,88,000</b>	<b>18,96,000</b>
<b>Overall Ceiling as per the Act</b>	<b>1,00,000(per Director/per meeting)</b>			

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## C. Remuneration to Key Managerial Personnel Other Than MD /Manager /WTD

Particulars of Remuneration	Key Management Personnel			
	Balu Nair	Partha Sen*	Krishna Wagle#	Total
Gross salary				
(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	42,35,633	9,34,102	9,16,863	60,86,598
(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	--	--	--	--
(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	--	--	--	--
Stock Option	--	--	--	--
Sweat Equity	--	--	--	--
Commission	--	--	--	--
- as % of profit				
- others, specify...				
Others, please specify	--	--	--	--
<b>Total</b>	<b>42,35,633</b>	<b>9,34,102</b>	<b>9,16,863</b>	<b>60,86,598</b>

\*Resigned w.e.f 15/07/2015

#Appointed as CFO w.e.f 07/08/2015



## VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority[RD /NCLT/Court]	Appeal made. If any(give details)
<b>A. Company</b>					
Penalty	--	--	--	--	--
Punishment	--	--	--	--	--
Compounding	--	--	--	--	--
<b>B. Directors</b>					
Penalty	--	--	--	--	--
Punishment	--	--	--	--	--
Compounding	--	--	--	--	--
<b>C. Other Officers In Default</b>					
Penalty	--	--	--	--	--
Punishment	--	--	--	--	--
Compounding	--	--	--	--	--

For and on behalf of the Board of Directors

Date: July 18, 2016

Place: Mumbai

Sd/-

**Dr. M. Y. Khan**  
Public Interest Director  
DIN: 03185713

Sd/-

**Balu Nair**  
Managing Director  
DIN: 07027100

## Corporate Governance Report

### **1. Company's Philosophy on Corporate Governance:**

The Company's philosophy on Corporate Governance procedures is founded upon a legacy of fair, ethical and transparent governance practices inherited from internationally recognized standards.

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

The Corporate Governance is an ongoing process which is being discharged by the Metropolitan Clearing Corporation of India Limited to the best of its strength. To keep pace with an evolving global environment, your Company continuously and persistently adapts to the best governance practices for carrying its business in the highest ethical and transparent manners.

Your Company always endeavors to ensure that the highest corporate manners and behavior are extended not only to its shareholders but also to its domestic as well foreign clients, thereby evidencing that your Company's management is the trustee of its shareholders' capital and not the owners.

### **2. 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 the Securities Contracts (Regulations) (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 present Board of the Company comprises of 5 Directors viz. three Public Interest Directors, one shareholder Director and one Managing Director. 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.

Your Company is adequately complying with the provisions with regard to constitution of the Board. During the Financial Year 2015-16, Mr. Saurabh Sarkar, Shareholder

Director vacated his office with effect from October 10, 2015 and Mr. Udai Kumar, Managing Director of the Company resigned on January 21, 2016. Subsequently, Mr. Udai Kumar was appointed as Shareholder Director with effect from May 10, 2016 and Mr. Balu Nair was appointed as the Managing Director with effect from June 20, 2016 pursuant to approval received from Securities and Exchange Board of India on June 14, 2016.

## B. Meetings of the Board

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

During the Financial Year 2015-16, the Board of Directors met Nine (9) times April 30, 2015, May 19, 2015, July 2, 2015, August 7, 2015, August 27, 2015, November 10, 2015, January 21, 2016, February 11, 2016 and March 23, 2016.

The Company Secretary prepares the agenda and the explanatory notes in consultation with the Managing Director 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. The comments, if any, received from them are incorporated in the minutes in consultation with the Chairman. The minutes are confirmed by the members of the Board in 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 arrived at the Board/Committee meetings are communicated to the concerned departments promptly for action.

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 details of 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, 2016 is given in Table A:

**Table A: Details of Board's composition as on March 31, 2016**

Name of the Director	Nature of Directorship	Board Meetings		Attendance at the last AGM	Directorship in other companies (^)	Chairmanship and membership of committees of Board of the other companies (**)	
		Held <sup>#</sup>	Attended			Chairman	Member
Mr. Vepa Kamesam* (DIN 00542329)	Chairman & Public Interest Director	9	9	Present	1	-	1
Dr. M.Y. Khan* (DIN 03185713)	Public Interest Director	9	9	Present @@@	-	-	-
Mr. P.K. Chhokra* (DIN 03107873)	Public Interest Director	9	8	Absent	1	-	1

<sup>#</sup>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.

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

@@@ Chairman of the Audit Committee.

**Notes to table A:**

- 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, 2013.
- None of the Directors hold any shares of the Company
- The Committee Chairmanships / Memberships are within the limits laid down in Clause 49 of the Listing Agreement.

**C. Familiarization programs imparted to Public Interest Directors (PID):**

All PID's are introduced to our company's culture through orientation sessions. Senior management personnel provide an overview of operations to familiarize the new PIDs. They are also introduced to our organization structure, our services and Board procedures, matters reserved for the Board, and our major risks and risk management strategy.

## D. Separate meeting of Independent Directors

As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Independent Directors shall hold at least one meeting in a year, without the presence of non-independent directors and members of the management in order to (a) review the performance of non-independent directors and the board of directors as a whole; (b) review the performance of the chairperson, taking into account the views of executive directors and non-executive directors; (c) assess the quality, quantity and timeliness of flow of information between the management and the board of directors that is necessary for the board of directors to effectively and reasonably perform their duties.

Accordingly, a meeting of Independent Directors was conducted on March 31, 2016 wherein all the Independent Directors were present.

## 3. Board Committees

### A. Audit Committee:

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

#### Terms of Reference

Subsequent to notification of Section 177 of the Companies Act, 2013, the SEBI Board at its meeting held on November 3, 2014 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, remuneration and terms of appointment of auditors of the Company;
- c) To approve the payment to statutory auditors for any other services rendered by the statutory auditors.
- d) To review with the management, the annual financial statements and auditor's report thereon before submission to the Company's Board for approval, focusing primarily on:
  - i. Matters required to be included in the Director's Responsibility Statement to be included in the Company's report in terms of Section 134(3) (c) of the Companies Act, 2013
  - ii. Any changes in accounting policies and practices and reasons for the same;
  - iii. Major accounting entries involving estimates based on the exercise of judgment by the management;

- iv. Significant adjustments made in the financial statements arising out of audit findings;
  - v. Compliance with listing and other legal requirements relating to financial statements.
  - vi. The going concern assumption;
  - vii. Compliance with accounting standards;
  - viii. Compliance with legal requirements concerning financial statements;
  - ix. Disclosure of any related party transactions.
  - x. Qualifications in the draft audit report
- e) To review with the management the quarterly financial statements before submissions to the Board;
  - f) To review with the management, the statement of uses/applications of funds raised through an issue (rights issue, preferential issue etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a rights issue and making appropriate recommendations to the Board to take up steps in this matter.
  - g) To review and monitor the auditors independence and performance and effectiveness of audit process.
  - h) To grant approval or any subsequent modification of transactions of the Company with related parties.
  - i) To scrutinize inter corporate loans and investments.
  - j) To undertake valuation of undertakings or assets of the Company wherever it is necessary.
  - k) To evaluate internal financial control and risk management systems.
  - l) To review with the management, performance of statutory and internal auditors, adequacy of the internal control systems
  - m) 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.
  - n) To discuss with internal auditors any significant findings and follow up thereon;
  - o) To review the findings of internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control system of a material nature and report to Board;
  - p) To discuss with the statutory auditors before the audit commences, about the nature and the scope of audit as well as post-audit discussion to ascertain any area of concern;
  - q) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
  - r) To review Company's financial risk management policies.
  - s) To examine financial statement and the auditor's report thereon.
  - t) To review the functioning of the Whistle Blower mechanism;
  - u) To approve the appointment of Chief Financial Officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background etc. of the candidate.

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- v) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

In addition to the above, the Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

### Composition, meetings and attendance during the F.Y. 2015-16:

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

- Dr. M.Y. Khan, Public Interest Director - Chairman
- Mr. P.K. Chhokra, Public Interest Director - Member
- Mr. Udai Kumar, Managing Director - Member

Due to resignation of Mr. Udai Kumar, from the position of Managing Director the Audit Committee was reconstituted and the current composition of the reconstituted Audit Committee stands as follows:

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

During the financial year 2015-16, the Audit Committee met 4 (four) times on May 18, 2015, August 6, 2015, November 11, 2015 and February 10, 2016.

Member	Category	Meetings Held	Meetings Attended
Dr. M.Y. Khan	Public Interest Director	4	4
Mr. P.K. Chhokra	Public Interest Director	4	4
Mr. Udai Kumar*	Managing Director	3	3
Mr. Vepa Kamesam@	Public Interest Director	1	1

\* Ceased as member of the Committee with effect from January 21, 2016  
@Appointed as Member of the Committee with effect from January 21, 2016

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

Since, the Company was in the process of appointing suitable candidate for the position of Company Secretary, the Assistant Company Secretary of the Company acted as the Secretary of the Committee

## B. 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 was further changed to 'Compensation Committee' in terms of SECC Regulations on September 7, 2012. On July 25, 2013 the Board again 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. The Board at its meeting held on May 21, 2014 had to change 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 was 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.

### Composition, meetings and attendance during the F.Y. 2015-16:

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

- Dr. M.Y.Khan, Public Interest Director – Chairman
- Mr. Vepa Kamesam, Public Interest Director- Member
- Mr. P.K.Chhokra, Public Interest Director - Member
- Mr. Saurabh Sarkar, Shareholder Director - Member

During the financial year 2015-16, the Committee met four times on June 22, 2015, August 19, 2015, November 17, 2015, January 12, 2016, February 10, 2016 and March 23, 2016.

Member	Category	Meetings held	Meetings Attended
Dr. M.Y. Khan	Public Interest Director	6	4
Mr. Vepa Kamesam	Public Interest Director	6	5
Mr. P.K. Chhokra	Public Interest Director	6	5
Mr. Saurabh Sarkar*	Shareholder Director	2	0

\* Ceased as member of the Committee with effect from October 10, 2015 as he resigned from the Metropolitan Stock Exchange

Since, the Company was in the process of appointing suitable candidate for the position of Company Secretary, the Assistant Company Secretary of the Company acted as the Secretary of the Committee.



## Details of remuneration to Directors:

### ▪ Remuneration of the Managing Director and his Shareholding

Mr. Udai Kumar was appointed as Managing Director of the Company w.e.f. March 19, 2015 pursuant to SEBI approval. The Nomination and Remuneration cum Compensation Committee at its meeting held on February 4, 2015 approved the remuneration of Mr. Udai Kumar and recommended the same to the Board for approval. The Board at its meeting held on February 4, 2015 approved payment of remuneration of INR 55,00,000/- p.a. all inclusive on Cost to Company basis (Detailed breakup of the same is given below) to Mr. Udai Kumar, MD of the Clearing Corporation subject to approval of the SEBI and Shareholders.

Sr. No.	Components	Amount in INR
1	Basic	23,10,000
2	HRA	11,55,000
3	Conveyance Allowance	-
4	Provident Fund (Employer Contribution/other allowance)	2,77,200
5	Special Allowance	6,02,082
	<b>Sub Total (A)</b>	<b>43,44,282</b>
	<b>Fringe Benefits</b>	
6	Food Coupons	-
7	Medical Reimbursement	15,000
8	LTA Reimbursement	1,92,500
9	Other Entitlements/Reimbursements	5,64,000
	<b>Sub Total (B)</b>	<b>7,71,500</b>
	<b>Total A + B (Gross Salary)</b>	<b>51,15,782</b>
	<b>Other Benefits Costed</b>	
1	Car Entitlement	2,40,000
2	Insurance Benefits (Group Term life Insurance + Mediclaim)	33,160
3	Gratuity	1,11,058
	<b>Sub Total (C)</b>	<b>3,84,218</b>
	<b>Total of (Gross Salary + Other Benefits)</b>	<b>55,00,000</b>
	<b>Notice Period</b>	<b>6 months</b>
	<b>Severance fees</b>	<b>Nil except notice pay</b>

Mr. Udai Kumar resigned from the position of Managing Director with effect from January 21, 2016.

Subsequently, Mr. Balu Nair was appointed as the Managing Director of the Company w.e.f. June 20, 2016 pursuant to the SEBI approval received on June 14, 2016.

**Remuneration of the Non-Executive Directors and their shareholding as on 31.03.2016 is as below:**

Name of the Director	Sitting Fees (Amount in INR)		Shareholding in the Company as on 31.03.2016 (in Nos.)
	Board Meetings	Committee Meetings	
Mr. Vepa Kamesam	144000	420000	NIL
Dr. M.Y. Khan	144000	700000	NIL
Mr. P.K. Chhokra	128000	360000	NIL
Mr. Saurabh Sarkar*	NIL	NIL	NIL
Mr. Udai Kumar*	NIL	NIL	NIL

\* Sitting fees had been waived off by Mr. Saurabh Sarkar & Mr. Udai Kumar.

## C. Stakeholders Relationship Committee

The Board had constituted Shareholders Grievance Committee on March 15, 2013 primarily with the objective of redressing shareholders' and investors' grievances. The name of the Committee was changed from Shareholders Grievance Committee to Stakeholders Relationship Committee on May 19, 2015 pursuant to regulation 20 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Further, the terms of reference with regards to objectives of the Committee were also modified to a certain extent.

### Terms of reference

- Redressal of various complaints of security holders including transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc;
- Keeping records of dematerialization, rematerialization, share transfer, transposition of names, transmission requests, etc.;
- Issue of duplicate share certificates in case of damage or loss of share certificate;
- Any other specific matters of stakeholder as may be specified by the Board from time to time

### Composition, meetings and attendance during the F.Y. 2015-16:

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

- Dr. M.Y. Khan, Public Interest Director – Chairman
- Mr. P.K. Chhokra, Public Interest Director - Member
- Mr. Udai Kumar, Managing Director - Member

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During the financial year 2015-16, the Committee met four times on May 06, 2015, August 05, 2015, December 17, 2015 and March 15, 2016.

Member	Category	Meetings held	Meetings Attended
Mr. P.K. Chhokra	Public Interest Director	4	4
Dr. M.Y. Khan	Public Interest Director	4	4
Mr. Udai Kumar*	Managing Director	3	3

\*Ceased as member of the Committee with effect from January 21, 2016

Since, the Company was in the process of appointing suitable candidate for the position of Company Secretary, the Assistant Company Secretary of the Company acted as the Secretary of the Committee. During the financial year 2015-16, the Company has not received any complaint from its shareholders and there are no unresolved complaints at the end of the period. Nature of requests /complaints received and redressed during the year 2015-16 are as follows:

Sr. No.	Particulars	Opening	Additions	Resolved	Pending
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, 2016.

## D. 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, Stakeholders Relationship 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 with the terms of reference defined by the SEBI:

Sr. No.	Name of the Committee
1	Advisory Committee
2	Audit Committee

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Sr. No.	Name of the Committee
3	Clearing & Settlement Oversight Committee
4	Committee for monitoring SEBI inspection
5	Disciplinary Action Committee
6	Executive Committee – CD
7	Executive Committee – CM
8	Executive Committee - F & O
9	Investment Committee
10	Investor Services Committee
11	Management Committee
12	Member Regulation Oversight Committee
13	Member Selection Committee
14	Nomination and Remuneration Cum Compensation Committee
15	Public Interest Directors Committee
16	Risk Management Committee
17	Selection Committee
18	Stakeholders Relationship Committee
19	Standing Committee on Technology
20	Ethics Committee
21	Defaulters Committee

## E. Compliance reports of applicable laws:

The Board periodically reviews compliance reports of all the 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.

## F. General Body Meetings

- a. Annual General meeting of the Company was held on September 22, 2015 at 11.30 AM.
- b. Extraordinary General meeting of the Company was held on:
  - June 16, 2015 at 11.30 A.M for Alteration of Articles of Association,
  - July 01, 2015 at 10.30 A.M. for Increase in Authorised share capital of the Company and alteration of Capital clause of the Memorandum of Association of the Company, to alter name clause of the Memorandum of Association of the Company and to raise funds by issuing equity shares through offer of further shares and
  - March 03, 2016 at 2.00 P.M. for Appointment of Mr. Udai Kumar as Shareholders Director

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- c. Details of the General Body Meetings and special resolutions passed therein during previous three financial years:

Date	Time	Category	Venue of the meeting	Particulars of special resolution passed
September 25, 2012	11.00 A.M.	AGM for the FY 2011-12	Exchange Square, 2nd Floor, Suren Road, 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		Alteration of the Articles of Association.
September 20, 2013	4.00 P.M.	AGM for the FY 2012-13		Appointment of Mr. U. Venkataraman as MD & CEO
October 9, 2013	5.00 P.M.	EGM		Nil
September 30, 2014	11.30 A.M.	AGM for the FY 2013-14	Vibgyor Towers, 4th floor, Plot No C 62, G Block, Opp. Trident Hotel, Bandra Kurla Complex, Bandra (E), Mumbai – 400098	Nil
March 31, 2015	11.30 A.M.	EGM		<ol style="list-style-type: none"> <li>1. Appointment of Mr. Vepa Kamesam, Public Interest Director as Independent Director</li> <li>2. Appointment of Dr. Mohamed Yaqub Khan, Public Interest Director as Independent Director</li> <li>3. Appointment of Mr. Parveen Kumar Chhokra, Public Interest Director as Independent Director</li> </ol>

## G. Postal Ballot:

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

## H. Means of Communication:

Quarterly and Annual financial statements are posted on website of the Company - [www.mclear.in](http://www.mclear.in). Further, the section also provides information on all material events for the Financial Year 20115-16.

# Metropolitan Clearing Corporation of India Limited

(Formerly known as MCX-SX Clearing Corporation Limited)

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## I. General Shareholder Information:

I.	Annual General Meeting (F.Y. 2015-16) Day, Date, Time and Venue	August 18, 2016, 11.30 a.m. 4th Floor, Vibgyor Towers, Opp. Trident Hotel, Bandra Kurla Complex (BKC), Mumbai - 400 098
II.	Financial year	April 01, 2015- March 31, 2016
III.	Dividend payment date	Not Applicable
IV.	Listing on Stock Exchanges	Your Company is not listed.
V.	Market Price data in last financial year	Not applicable
VI.	Performance in comparison to broad based indices such as BSE sensex, CRISIL Index, etc.	Not applicable
VII.	Registrars & Transfer Agents (RTA)	Karvy Computershare Private Limited Plot No. 17-24, Vittalrao Nagar, Madhapur, Hyderabad – 500 081.
VIII.	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.
IX.	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
X.	Commodity Price Risk or foreign exchange risk and hedging activities	Not applicable
XI.	Name and Designation of Compliance Officer	Mr. Sageer Khan, Compliance Officer
XII.	Address for Correspondence	<u>Metropolitan Clearing Corporation of India Limited</u> 4th Floor, Vibgyor Towers, Opp. Trident Hotel, Bandra Kurla Complex, Mumbai - 400 098 Tel:61129000 Website: <a href="http://www.mclear.in">www.mclear.in</a>
XIII.	Email	<a href="mailto:shareholdergrievance@mclear.in">shareholdergrievance@mclear.in</a>

# Metropolitan Clearing Corporation of India Limited

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**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. Metropolitan Stock Exchange of India Limited. Therefore this section is not applicable.

**Dematerialization of Shares:** Most of the shares of the Company are under dematerialized (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 Metropolitan Stock Exchange of India Limited, the Multi Commodity Exchange of India Limited and the Financial Technologies (India) Limited. The securities of the Company are admitted for decartelization with Central Depository Services (India) Limited (CDSL). The ISIN of the Company's equity shares is INE831N01013. As on March 31, 2016, a total of 699,99,996 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.

## J. Distribution of Shareholding & Shareholding pattern (As on March 31, 2016):

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	7,00,00,000	100
	<b>Total</b>	<b>3</b>	<b>100</b>	<b>7,00,00,000</b>	<b>100</b>

## Shareholding Pattern as on March 31, 2016

Sr. No	Category	No. of shareholders	No. of shares held	% of shareholding
<b>(A)</b>	<b>PROMOTER AND PROMOTER GROUP</b>			
(1)	INDIAN			
	Bodies Corporate	1	5,77,50,000	82.50
	<b>Sub-Total A(1)</b>	<b>1</b>	<b>5,77,50,000</b>	<b>82.50</b>
(2)	FOREIGN	0	0	0.00
	<b>Sub-Total A(2)</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
	<b>Total A=A(1)+A(2)</b>	<b>1</b>	<b>5,77,50,000</b>	<b>82.50</b>
<b>(B)</b>	<b>PUBLIC SHAREHOLDING</b>			
(1)	INSTITUTIONS			
(a)	Mutual Funds /UTI	0	0	0.00
(b)	Financial Institutions /Banks	0	0	0.00

# Metropolitan Clearing Corporation of India Limited

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(c)	Venture Capital Funds	0	0	0.00
(d)	Foreign Institutional Investors	0	0	0.00
(e)	Foreign Bodies Corporate	0	0	0.00
	<b>Sub-Total B(1)</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
(2)	NON-INSTITUTIONS			
(a)	Bodies Corporate	2	1,22,50,000	17.50
(b)	Individuals	0	0	0
(c)	Others	0	0	0.00
	Trusts	0	0	0.00
	Non-Resident Indian	0	0	0.00
	Clearing Members	0	0	0.00
	<b>Sub-Total B(2)</b>	<b>2</b>	<b>1,22,50,000</b>	<b>17.50</b>
	<b>Total B=B(1)+B(2)</b>	<b>2</b>	<b>1,22,50,000</b>	<b>17.50</b>
	<b>Total (A+B)</b>	<b>3</b>	<b>7,00,00,000</b>	<b>100</b>

## Notes:

The above figures include holdings of four nominee shareholders of the above shareholders who hold one share each as allowed u/s 187(3) of the Companies Act, 2013.

Based on the definition of promoter as mentioned in Section 2(69) of the Companies Act, 2013 and in the light of fact that the Multi Commodity Exchange of India Limited (MCX) and the Financial Technologies (India) Limited (FTIL) neither they have any Board representation on the Clearing Corporation nor 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 future filings.

The SEBI in its order dated March 19, 2014 stated that FTIL is not a 'fit and proper person' to acquire or hold any equity share or any instrument that provides 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, and directed them to divest equity shares held in MCX-SXCCL, directly or indirectly, within 90 days of the order. In the same order, SEBI also stated that FTIL and entities through whom it indirectly holds equity shares or any instrument entitling voting rights in MCX-SXCCL shall cease to be entitled to exercise voting rights in respect of those shares or instruments with immediate effect. The Securities Appellate Tribunal (SAT) has since its order dated July 09, 2014 upheld the decision of the SEBI. The SEBI had vide its letter dated September 29, 2014 directed the Company to comply with the shareholding requirements of SECC Regulations and SEBI's direction issued vide order dated March 19, 2014 with regard to entities which have been declared not 'fit and proper' person.

\*During the financial year 2015-16, the Company has received following investments in Equity Shares from Metropolitan Stock Exchange of India Limited under preferential allotment on private placement basis:- • Rs. 45,00,00,000 towards 4,50,00,000 Equity shares of Rs.10/- each of for cash at par



## K. Other 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 party transactions as required under section AS-18 have been disclosed in the Notes to Accounts and form part of the Annual Report.

**(B) Details of non-compliance, Penalties, strictures 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 establishment of Whistle Blower policy and affirmation that company employees 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. Further, no person of the Company has been denied the access to the Audit Committee.

### (D) Details of compliance with Mandatory Requirements and adoption of non-mandatory requirements:

#### 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.

In view of the same, the Company has been duly complying with all the mandatory requirements as per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to the extent practicable and applicable.

#### Non Mandatory Requirements:

- i) The financial statements of the Company are unqualified.
- ii) 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.

## L. Certificate on Corporate Governance:

As required by Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, the Auditors' certificate on corporate governance is annexed to the Board's report.

## M. Secretarial Audit

The Company has engaged the services of, Mr. A. Sekar, Practising Company Secretary, Mumbai Secretaries, to conduct Secretarial Audit pursuant to the requirements of the Companies Act, 2013 and the rules laid down thereunder for the financial year ended 31st March, 2016. The report of Secretarial Auditor is annexed to the Board's report.

## N. CEO and CFO certification

As required by SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, the CFO certification is provided in this Annual Report.

## O. Management's discussion and analysis

A detailed report on our Management's discussion and analysis forms part of this Annual Report.

## P. 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.

## Q. 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 [www.mclear.in](http://www.mclear.in).

The Board Members and the Senior Management Personnel affirm compliance with the Code of Conduct on an annual basis.

A declaration to this effect obtained for the financial year 2015-16, signed by the Managing Director, forms part of the Annual Report.

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

**Date:** July 18, 2016  
**Place:** Mumbai

Sd/-  
**Dr. M. Y. Khan**  
Public Interest Director  
DIN: 03185713

Sd/-  
**Balu Nair**  
Managing Director  
DIN: 07027100

## AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To  
The Members of  
Metropolitan Clearing Corporation of India Limited

We have examined the compliance of conditions of Corporate Governance by Metropolitan Clearing Corporation of India Limited (formerly known as 'MCX-SX Clearing Corporation Limited') ('the Company') for the year ended March 31, 2016, as stipulated in Schedule V of Securities Exchange of Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, pursuant to clause 49 of the Listing Agreement of the Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the provisions as specified in Schedule V of Securities Exchange of Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to clause 49 of the Listing Agreement of the Company with Stock Exchanges.

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.

**For Kirtane & Pandit LLP**  
**Chartered Accountants**  
**FRN: 105215W/W100057**

**Place: Mumbai**  
**Date: July 18, 2016**

**Sd/-**  
**CA. Milind Bhawe**  
**Partner**  
**Membership No: 047973**

## DECLARATION REGARDING COMPLIANCE BY BOARD OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S 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 2015- 16 as adopted by the Board of Directors.

For the purpose of this declaration, Senior Management Personnel means Key Management Persons appointed under SECC Regulations, 2012 and Key Managerial personnel appointed under the Companies Act, 2013 as on March 31, 2016.

Sd/-  
Balu Nair  
Managing Director  
DIN: 07027100

Place: Mumbai  
Date: July 18, 2016

## Managing Director (MD) and Chief Financial Officer (CFO) Certification

(Issued in accordance with the provisions of regulation 35 of SECC regulations read with Regulation 17(8) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015)

To

The Board of Directors

Metropolitan Clearing Corporation of India Limited

(formerly known as MCX-SX Clearing Corporation Limited)

Dear Sirs,

We have reviewed the financial statements and the cash flow statement of Metropolitan Clearing Corporation of India Limited (formerly known as MCX-SX Clearing Corporation Limited) for the financial year ended March 31, 2016 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, if any, in internal control over financial reporting during the year;
  - II. significant changes, if any, in accounting policies made during the year and that the same have been disclosed suitably in the notes to the financial statements; and
  - III. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Yours Sincerely,

Place: Mumbai

Date: July 18, 2016

Sd/-

**Balu Nair**

Managing Director

Sd/-

**Krishna Wagle**

Chief Financial Officer

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Members of Metropolitan Clearing Corporation of India Limited**

(Formerly known as MCX-SX Clearing Corporation Limited)

#### **Report on the Financial Statements**

1. We have audited the accompanying financial statements of Metropolitan Clearing Corporation of India Limited (Formerly known as MCX-SX Clearing Corporation Limited) ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements**

2. The management and Board of Directors of the Company are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

3. Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial

statements, that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's management and Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

6. 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 Balance Sheet, of the state of affairs of the Company as at March 31, 2016;
  - (b) in case of Statement of Profit & Loss, of the profit for the year ended March 31, 2016;
  - (c) In the case of the Cash Flow Statement, cash flows for the year ended March 31, 2016.

## Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-Section (11) of Section 143 of the Act, we give in the "Annexure A" statement on the matters specified in paragraphs 3 and 4 of the Order.
8. As required by Section 143(3) of the Act, we further report that:
  - a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d) in our opinion, the aforesaid financial statements comply with the applicable Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

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- e) on the basis of written representations received from the Directors as on March 31, 2016, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act;
- f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and operating effectiveness of such controls, refer to our separate report in “Annexure B”; and
- g) In our opinion and to the best of our information and according to the explanations given to us, we report as under with respect to other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014:
  - (i) The Company does not have any pending litigations at the end of the financial year;
  - (ii) The Company did not have any long-term contracts including derivative contracts; as such the question of commenting on any material foreseeable losses thereon does not arise
  - (iii) The Company regularly transfers sums to the Investor Education and Protection Fund.

**For Kirtane & Pandit LLP**

**Chartered Accountants**

Firm Registration No. 105215W/ W100057

**Chandrashekhar**

**Partner**

M. No.:042376

Place: Mumbai

Date: 13<sup>th</sup> May 2016



## Metropolitan Clearing Corporation of India Limited

(Formerly known as MCX-SX Clearing Corporation Limited)

### Annexure A to the Auditor's Report – March 31, 2016

**Annexure A referred to in paragraph 7 of our Report of even date to the members of Metropolitan Clearing Corporation of India Limited (Formerly known as MCX-SX Clearing Corporation Limited) on the accounts of the company for the year ended March 31, 2016.**

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets ;
  - (b) As explained to us, fixed assets have been physically verified by the management at regular intervals; as informed to us no material discrepancies were noticed on such verification;
  - (c) According to the information and explanation given to us and on the basis of examination of the records, Company does not possess any immovable property.
- (ii) The nature of the business of the Company does not require it to have any inventory. Hence, the requirement of clause (ii) of paragraph 3 of the Order is not applicable to the Company.
- (iii) The Company has not granted any loans, secured or unsecured to Companies, Firms, LLP or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
- (iv) In respect of loans, investments, guarantees and security, provisions of Section 185 and Section 186 of the Companies Act, 2013 have been complied with.
- (v) The Company has not accepted any deposits from the public covered under Section 73 to 76 of the Companies Act, 2013.
- (vi) As informed to us, the Central Government has not prescribed maintenance of cost records under Sub-Section (1) of Section 148 of the Act.
- (vii) According to the information and explanations given to us and based on the records of the company examined by us,
  - (a) The company has generally been regular in depositing the undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service Tax, Custom Duty, Excise Duty and other material statutory dues, as applicable, with the appropriate authorities in India. As explained to us, the Company did not have any dues for more than six months on account of Provident

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Fund, Employees State Insurance, Income Tax, Sales Tax, Service Tax, Custom Duty and Excise Duty;

- (b) According to the information and explanations given to us and based on the records of the company examined by us, there are no dues of Income Tax, Service Tax, Sales Tax, Customs Duty and Excise Duty which have not been deposited on account of any disputes.
- (c) The Company has been in general in transfer of sums to the Investor Education and Protection Fund.
- (viii) In our opinion, and according to the information and explanations given to us and based on our examination of the records, the Company has not defaulted in repayment of loans or borrowings to a financial institution, bank, government or dues to debenture holders.
- (ix) In our opinion, and according to the information and explanations given to us, the Company does not raise money by way of initial public offer or further public offer and term loans, other than for what it was purposes.
- (x) During the course of audit, we have not noticed any fraud by the company or any fraud on the company by its officers or employees during the year.
- (xi) According to the information given to us and based on our examination of the records of the company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- (xii) The nature of business is not related to Nidhi Company; hence, this clause is not applicable.
- (xiii) In our opinion, and according to the information and explanations given to us and based on our examination of the records of the Company, all transactions with related parties are in compliances with the section 177 & 188 of the Companies Act, 2013 and details have been disclosed in the Financial Statements as required by the applicable Accounting Standards.
- (xiv) According to the information and explanations given to us and based on our examination of records, the Company has made private placement of shares of Rs.45 Crs during the year. The requirement of Section 42 of the Companies Act, 2013 have been complied with and amount raised have been used for the purposes for which the funds were raised.
- (xv) The company has not entered into any non-cash transactions with directors or persons connected with him.

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(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **Kirtane & Pandit LLP**

**Chartered Accountants**

Firm Registration No. 105215W/ W100057

**Chandrashekhar**

Membership No.:042376

Place: Mumbai

Date: 13<sup>th</sup> May 2016

## Metropolitan Clearing Corporation of India Limited

(Formerly known as MCX-SX Clearing Corporation Limited)

### Annexure B to the Auditor's Report – March 31, 2016

#### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Metropolitan Clearing Corporation Of India Limited (Formerly known as MCX-SX Clearing Corporation Limited) ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

## Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

## Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For Kirtane & Pandit LLP**

**Chartered Accountants**

Firm Registration No. 105215W/ W100057

**Chandrashekhar**

Membership No.:042376

Place: Mumbai

Date: 13<sup>th</sup> May 2016

# Metropolitan Clearing Corporation of India Limited

(Formerly known as MCX-SX Clearing Corporation Limited)

ANNUAL REPORT 2015 - 16

## Balance Sheet as at March 31, 2016

	Note No.	As at 31.03.2016		As at 31.03.2015	
		Rupees	Rupees	Rupees	Rupees
<b>Equity and Liabilities</b>					
<b>Shareholder's Funds</b>					
Share Capital	2	700,000,000		250,000,000	
Reserves and Surplus	3	52,989,938	752,989,938	45,559,127	295,559,127
<b>Non-Current Liabilities</b>					
Other Long-Term Liabilities	6	362,737,873		343,306,549	
Long Term Provisions	4	686,547	363,424,420	884,574	344,191,123
<b>Current Liabilities</b>					
Trade Payables	5	15,808,274		1,531,308	
Other Current Liabilities	6	480,108,315		510,360,639	
Short Term Provisions	4	98,441	496,015,030	116,061	512,008,008
	<b>TOTAL</b>		<b>1,612,429,388</b>		<b>1,151,758,258</b>
<b>Assets</b>					
<b>Non-Current Assets</b>					
Fixed Assets	7				
Tangible Assets		323,894		1,398,766	
Intangible Assets		348,610		399,182	
Long Term Loans and Advances	10	92,898,915	93,571,419	76,600,700	78,398,648
<b>Current Assets</b>					
Current Investments	8	321,032,351		424,905,959	
Cash and Bank Balances	9	1,129,922,451		598,929,463	
Short-Term Loans and Advances	10	31,053,824		28,084,621	
Other Current Assets	11	36,849,343	1,518,857,969	21,439,567	1,073,359,610
	<b>TOTAL</b>		<b>1,612,429,388</b>		<b>1,151,758,258</b>
<b>See accompanying notes to the financial statements</b>					

In terms of our report attached

For **Kirtane & Pandit LLP**  
Chartered Accountants

FRN: 105215W/W100057

sd/-  
**Chandrashekhar**  
Partner  
Membership No: - 042376

Place: Mumbai  
Date: May 13, 2016

For and on behalf of the Board  
**Metropolitan Clearing Corporation of India Limited**

sd/-  
**Vepa Kamesam**  
Chairman  
DIN 00542329

sd/-  
**Dr. M Y Khan**  
Director  
DIN 03185713

sd/-  
**Krishna J. Wagle**  
Chief Financial Officer

Place: Mumbai  
Date: May 13, 2016

# Metropolitan Clearing Corporation of India Limited

(Formerly known as MCX-SX Clearing Corporation Limited)

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## Statement of Profit and Loss for the year ended March 31, 2016

	Note No.	Year ended 31.03.2016 Rupees	Year ended 31.03.2015 Rupees
<b>REVENUE</b>			
Revenue from Operations	12	102,100,169	148,040,918
Other Income	13	31,246,563	27,101,497
<b>TOTAL</b>		<b>133,346,732</b>	<b>175,142,415</b>
<b>EXPENSES</b>			
Employee Benefits Expense	14	21,720,535	31,326,221
Depreciation and Amortisation Expense	7	1,129,795	1,580,641
Other Expenses	15	103,065,591	131,853,242
<b>TOTAL</b>		<b>125,915,921</b>	<b>164,760,104</b>
<b>Profit for the year before exceptional item</b>		<b>7,430,811</b>	<b>10,382,311</b>
<b>Exceptional Item</b>		<b>-</b>	<b>3,384,650</b>
<b>Profit for the year</b>		<b>7,430,811</b>	<b>13,766,961</b>
<b>Earnings Per Share</b>	16		
Basic / Diluted		0.15	0.55
<b>Face Value Per Share</b>		10/-	10/-
<b>See accompanying notes to the financial statements</b>			

In terms of our report attached

For **Kirtane & Pandit LLP**  
Chartered Accountants

FRN: 105215W/W100057

sd/-  
Chandrashekhar  
Partner  
Membership No: - 042376

Place: Mumbai  
Date: May 13, 2016

For and on behalf of the Board  
**Metropolitan Clearing Corporation of India Limited**

sd/-  
**Vepa Kamesam**  
Chairman  
DIN 00542329

sd/-  
**Dr. M Y Khan**  
Director  
DIN 03185713

sd/-  
**Krishna J. Wagle**  
Chief Financial Officer

Place: Mumbai  
Date: May 13, 2016

# Metropolitan Clearing Corporation of India Limited

(Formerly known as MCX-SX Clearing Corporation Limited)

ANNUAL REPORT 2015 - 16

## Cash Flow Statement for the Year Ended March 31, 2016

	Year ended 31.03.2016		Year ended 31.03.2015	
	Rupees	Rupees	Rupees	Rupees
<b>A. Cash Flow from Operating Activities</b>				
Net Profit Before Tax		7,430,811		13,766,961
<b>Adjustments for</b>				
Depreciation and Amortisation Expense	1,129,795		1,580,641	
Dividend from Current Investments	(8,282,576)		(7,207,996)	
Interest Income	(22,962,853)		(19,886,964)	
Profit on Sale of Current Investment (Net)	(1,133)		(6,538)	
Depreciation on Assets whose useful life has expired as at 31-03-14	-		(128,718)	
Loss on Sale of Fixed Asset	-		741,181	
		(30,116,768)		(24,908,393)
<b>Operating loss before working capital changes</b>		<b>(22,685,957)</b>		<b>(11,141,432)</b>
Working Capital Changes				
(Increase) in Loans and Advances	(2,969,204)		67,835	
Decrease / (Increase) in Fixed Deposits	(532,644,682)		230,408,455	
(Decrease) / Increase in Liabilities and Provisions	(11,036,647)		(104,449,584)	
(Decrease) / Increase in Trade Payables	14,276,966	(532,373,566)	(45,254,403)	80,772,303
<b>Cash (used in) / generated from Operating Activities</b>		<b>(555,059,523)</b>		<b>69,630,871</b>
Taxes (paid)		(16,298,216)		(19,041,505)
<b>Net Cash (used in) / generated from Operating Activities</b>		<b>(571,357,739)</b>		<b>50,589,366</b>
<b>B. Cash Flow from Investing Activities</b>				
Sale / (Purchase) of Current Investments (Net)		103,874,741		(114,660,069)
Purchase of Fixed Assets		(4,350)		-
Proceeds from Sale of Fixed Assets		-		263,217
Dividend Income		8,282,576		7,207,996
Interest Income		7,553,077		43,538,331
<b>Net Cash generated from / (used in) Investing Activities</b>		<b>119,706,045</b>		<b>(63,650,525)</b>
<b>C. Cash Flow from Financing Activities</b>				
Proceeds from issue of Equity Shares		450,000,000		-
<b>Net Cash used in Financing Activities</b>		<b>450,000,000</b>		<b>-</b>
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>		<b>(1,651,694)</b>		<b>(13,061,159)</b>
Cash and Cash Equivalents at the beginning of the year		6,308,362		19,369,521
Cash and Cash Equivalents at the end of the year (Refer Note 9)		4,656,668		6,308,362
<b>Net (Decrease) / Increase in Cash and Cash Equivalents as disclosed above</b>		<b>(1,651,694)</b>		<b>(13,061,159)</b>

In terms of our report attached

For **Kirtane & Pandit LLP**  
Chartered Accountants

FRN: 105215W/W100057

sd/-  
Chandrashekhar  
Partner  
Membership No: - 042376

Place: Mumbai  
Date: May 13, 2016

For and on behalf of the Board  
**Metropolitan Clearing Corporation of India Limited**

sd/-  
**Vepa Kamesam**  
Chairman  
DIN 00542329

sd/-  
**Dr. M Y Khan**  
Director  
DIN 03185713

sd/-  
**Krishna J. Wagle**  
Chief Financial Officer

Place: Mumbai  
Date: May 13, 2016



## Notes to financial statements

### 1. Significant Accounting Policies

#### A. Corporate Information

Metropolitan Clearing Corporation of India Limited (MCCIL) (formerly known as MCX-SX Clearing Corporation Limited) ("the company") is a limited company domiciled in India and incorporated on November 07, 2008 under the provisions of the Companies Act, 1956. The company is engaged in the business of clearing and settlement of deals in multi asset classes carried out at Metropolitan Stock Exchange of India Ltd. (MSEI) (Formerly known as MCX Stock Exchange Ltd).

#### B. 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). GAAP comprises mandatory accounting standards as prescribed under section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounting) Rules, 2014, the provisions of the (to the extent notified) and guidelines issues by the Securities Exchange Board of India (SEBI).

#### C. Presentation and disclosure of financial statements

The financial statements as at March 31, 2016 are prepared as per the Schedule III notified under the Companies Act, 2013, which has become applicable to the company.

#### D. 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.

#### E. 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 MSEI.

## F. Employee Benefits

Employee benefits comprise payments under approved provident fund plans and gratuity to eligible employees.

### Defined Contributions Plans

#### Provident Fund and Family Pension Fund:

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.

### Defined Benefits Plans

#### Gratuity:

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

The Company does not have a policy of encashing unavailed leave for its employees. The Company provides for compensated absences in accordance with AS-15 (revised 2005) Employee Benefits. The provision is based on an independent external actuarial valuation at the balance sheet date, which includes assumptions about demographics, early retirement, salary increases and interest rates.

#### Accounting policy for recognizing actuarial gains / losses:

Actuarial gains/ losses are recognized in computing the defined obligation liability and the expense for the year and are passed through the profit and loss account.

## G. Fixed assets

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.

Intangible Assets are stated at cost less accumulated amortisation and impairment loss, if any. Computer Software is amortised over a period of ten years, as per revised useful lives prescribed in the Schedule II. Company has a policy to depreciate printers and hard disk over a useful life of six years

Sr. No.	Description Of Assets	Useful Life of Asset
1	Computer Software	10
2	Computer Hardware*	3
3	Office Equipment	5

\*Excluding printers and hard disk

## H. Depreciation

Depreciation for the year ended March 31, 2016 has been provided on the basis of useful lives as prescribed in the Schedule II of the Companies Act, 2013.

Depreciation on fixed assets purchased/sold during the year is provided for pro-rata basis, for period during which the assets are put to use. Where there is a revision of the estimated useful life of an asset, the unamortized depreciable amount is charged over the revised remaining useful life of the said asset. Company considers zero residual value for any asset.

## I. 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.

## J. 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.

## K. Income Tax

Income Tax comprises the current tax provision, the net change in the deferred tax asset or liability in the year.

Income tax provision is made based on the estimated tax liability as computed after taking credit for allowances and exemptions in accordance with the Income Tax Laws prevalent at the time of the relevant assessment year.

Deferred Tax assets and liabilities are recognized for future tax consequences attributable to the differences between accounting profits and taxable income. Deferred tax assets are only recognized if there is reasonable certainty that they will be realized.

The net tax effect of timing differences for the current financial year is credited to the Profit and Loss Account and corresponding deferred tax asset is shown in the Balance Sheet.

## L. Provisions and Contingencies

In accordance with AS-29, Provisions, Contingent Liabilities and Contingent Assets, issued by the ICAI, the Company recognizes provisions when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

Contingent Assets, if any, are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

## 2. Share Capital

	As at 31.03.2016		As at 31.03.2015	
		Rupees		Rupees
<b>Authorised</b>				
100,000,000 equity shares of Rs.10/- each		1,000,000,000		250,000,000
<b>Issued and Subscribed</b>				
70,000,000 equity shares of Rs.10/- each fully paid		700,000,000		250,000,000
<b>TOTAL</b>		<b>700,000,000</b>		<b>250,000,000</b>

## 2.1 Shareholding pattern in respect of Equity Shares:

	As at 31.03.2016		As at 31.03.2015	
	Numbers	% holding	Numbers	% holding
Metropolitan Stock Exchange of India Limited - Holding Company	57,750,000	82.50%	12,750,000	51.00%
Multi Commodity Exchange of India Limited	6,500,000	9.29%	6,500,000	26.00%
Financial Technologies (India) Limited	5,750,000	8.21%	5,750,000	23.00%
	<b>70,000,000</b>	<b>100.00%</b>	<b>25,000,000</b>	<b>100.00%</b>

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

2.3 In case of shares held by Financials Technologies (India) Limited, refer note. 23.

## 3. Reserves and Surplus

	As at 31.03.2016		As at 31.03.2015	
	Rupees	Rupees	Rupees	Rupees
<b>Surplus in Statement of Profit and Loss</b>				
Balance as per last Balance Sheet	45,559,127		31,920,884	
Less: Depreciation on Assets whose useful life has expired as at	-		128,718	
Add: Profit for the year	7,430,811	52,989,938	13,766,961	45,559,127
<b>TOTAL</b>		<b>52,989,938</b>		<b>45,559,127</b>

## 4. Provisions

	As at 31.03.2016		As at 31.03.2015	
	Current	Non current	Current	Non current
	Rupees	Rupees	Rupees	Rupees
<b>For Employee Benefits:</b>				
Compensated Absences	98,441	686,547	116,061	884,574
<b>TOTAL</b>	<b>98,441</b>	<b>686,547</b>	<b>116,061</b>	<b>884,574</b>

## 5. Trade Payables

	As at 31.03.2016		As at 31.03.2015	
		Rupees		Rupees
Total outstanding dues of creditors other than micro, small and medium enterprises		15,808,274		1,531,308
<b>TOTAL</b>		<b>15,808,274</b>		<b>1,531,308</b>
5.1 There are no dues to Micro, Small and Medium Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006. Hence, disclosures, if any, relating to amounts unpaid as at the year end and together with the interest paid/payable as required under the said Act have not been given.				

# Metropolitan Clearing Corporation of India Limited

(Formerly known as MCX-SX Clearing Corporation Limited)

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Notes to financial statements

## 6. Other Liabilities

	As at 31.03.2016		As at 31.03.2015	
	Current	Non current	Current	Non current
	Rupees	Rupees	Rupees	Rupees
<b>(A)</b>				
Settlement Banks Deposits	-	200,000,000	-	200,000,000
Members Margin and Deposits	476,304,844	-	503,338,858	-
Exchange Contributor to Settlement Guarantee Fund	-	-	-	13,939,450
Other Deposits	-	6,630,000	30,000	6,600,000
<b>Other Payables :</b>				
For Expenses	1,421,613	-	2,667,879	-
For Gratuity (Refer Note 18)	-	-	710,698	99,226
For Statutory Dues	2,381,858	-	3,613,204	-
<b>Sub-Total (A)</b>	<b>480,108,315</b>	<b>206,630,000</b>	<b>510,360,639</b>	<b>220,638,676</b>
<b>(B)</b> Core Settlement Guarantee Fund (Ref. Note No. 21)	-	156,107,873	-	122,667,872
<b>Sub-Total (B)</b>	-	<b>156,107,873</b>	-	<b>122,667,872</b>
<b>TOTAL (A + B)</b>	<b>480,108,315</b>	<b>362,737,873</b>	<b>510,360,639</b>	<b>343,306,548</b>

## 7. Fixed Assets : Current Year

<b>TANGIBLE ASSETS:</b>		<b>(Amount in Rupees)</b>									
		<b>GROSS BLOCK</b>			<b>DEPRECIATION</b>				<b>NET BLOCK</b>		
PARTICULARS	As at 01.04.2015	Additions	Deletions	As at 31.03.2016	Upto 31.03.2015	For the year	Deletions	Upto 31.03.2016	As at 31.03.2016		
Office Equipments	262,148	4,350		266,498	86,351	60,647		146,998	119,500		
Computer Hardware	3,631,744	-		3,631,744	2,408,775	1,018,575		3,427,350	204,394		
Vehicles	-			-	-			-	-		
<b>TOTAL</b>	<b>3,893,892</b>	<b>4,350</b>	<b>-</b>	<b>3,898,242</b>	<b>2,495,126</b>	<b>1,079,222</b>	<b>-</b>	<b>3,574,348</b>	<b>323,894</b>		

  

<b>INTANGIBLE ASSETS (Acquired):</b>		<b>(Amount in Rupees)</b>									
		<b>GROSS BLOCK</b>			<b>AMORTISATION</b>				<b>NET BLOCK</b>		
PARTICULARS	As at 01.04.2015	Additions	Deletions	As at 31.03.2016	Upto 31.03.2015	For the year	Deletions	Upto 31.03.2016	As at 31.03.2016		
Computer Software	627,907	-	-	627,907	228,725	50,572		279,297	348,610		
<b>TOTAL</b>	<b>627,907</b>	<b>-</b>	<b>-</b>	<b>627,907</b>	<b>228,725</b>	<b>50,572</b>	<b>-</b>	<b>279,297</b>	<b>348,610</b>		

## 7. Fixed Assets : Previous Year

(Amount in Rupees)

TANGIBLE ASSETS:	GROSS BLOCK				DEPRECIATION				NET BLOCK
	As at 01.04.2014	Additions	Deletions	As at 31.03.2015	Upto 01.04.2014	For the year	Deletions	Upto 31.03.2015	As at 31.03.2015
Office Equipments	262,148	-	-	262,148	15,303	71,048	-	86,351	175,797
Computer Hardware	3,934,537	-	302,793	3,631,744	1,257,073	1,325,775	174,073	2,408,775	1,222,969
Vehicles	1,114,345	-	1,114,345	-	105,283	133,384	238,667	-	-
<b>TOTAL</b>	<b>5,311,030</b>	<b>-</b>	<b>1,417,138</b>	<b>3,893,892</b>	<b>1,377,659</b>	<b>1,530,207</b>	<b>412,740</b>	<b>2,495,126</b>	<b>1,398,766</b>

INTANGIBLE ASSETS (Acquired):

INTANGIBLE ASSETS (Acquired):	GROSS BLOCK				AMORTISATION				NET BLOCK
	As at 01.04.2014	Additions	Deletions	As at 31.03.2015	Upto 01.04.2014	For the year	Deletions	Upto 31.03.2015	As at 31.03.2015
Computer Software	627,907	-	-	627,907	178,291	50,434	-	228,725	399,182
<b>TOTAL</b>	<b>627,907</b>	<b>-</b>	<b>-</b>	<b>627,907</b>	<b>178,291</b>	<b>50,434</b>	<b>-</b>	<b>228,725</b>	<b>399,182</b>



# Metropolitan Clearing Corporation of India Limited

(Formerly known as MCX-SX Clearing Corporation Limited)

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Notes to financial statements

## 8. Current Investments

	As at 31.03.2016		As at 31.03.2015	
		Rupees		Rupees
<b>In units of Mutual Funds (Quoted, Non Trade) :</b> (at lower of cost and market value)				
56,284.302 (Previous Year 1,04,066.491 units) of Rs.1,000 each in Axis Liquid Fund - Daily Dividend Reinvestment		56,302,242		104,098,710
37,831.930 (Previous Year 37,617.134) of Rs.1,000 each in BOI AXA Liquid Fund -Daily Dividend Reinvestment		37,932,105		37,716,755
3,55,188.536 (Previous Year 3,52,932.797 units) of Rs.100 each in DWS Insta Cash Plus Fund - Daily Dividend Reinvestment		35,626,831		35,400,571
10,564.888 (Previous Year 22,224.627 units) of Rs.1000 each in Reliance Liquid Fund - Daily Dividend Reinvestment		16,150,955		33,975,676
1,06,444.029 (Previous Year 1,17,140.916 units) of Rs.1000 each in SBI Premier Liquid Fund - Daily Dividend Reinvestment Plan		106,789,972		117,521,624
49,63,334.935 (Previous Year 66,69,167.148 units) of Rs.10 each in Sundaram Money Fund Daily Dividend Reinvestment Plan		50,142,091		67,375,261
1,80,779.399 (Previous Year 2,88,010.889) of Rs.100.0565 each in ICICI Prudential Liquid - Daily Dividend Reinvestment		18,088,155		28,817,362
<b>TOTAL</b>		<b>321,032,351</b>		<b>424,905,959</b>

## 9. Cash and Bank Balances

	As at 31.03.2016		As at 31.03.2015	
	Rupees	Rupees	Rupees	Rupees
<u>Cash and Cash Equivalents :</u>				
Cash on hand	8,504		8,504	
Balances with Banks:				
- In Current Accounts	4,648,164		6,299,858	
- In Deposit Accounts	-	4,656,668	-	6,308,362
<u>Other Balances</u>				
- Fixed Deposit with original maturity for more than 12 months		1,125,265,783		592,621,101
9.1 Balance in Current Account includes Rs. 25,57,884/- (Previous Year Rs. 4,039,288/-) towards Clearing and Settlement Obligation				
9.2 Fixed deposits aggregating Rs. 24,31,00,000 (Previous Year Nil) earmarked towards Settlement Guarantee Fund.				
9.3 Fixed deposits aggregating Rs. 33,85,71,901/- (Previous Year Rs. 265,681,651) earmarked towards Core Settlement Guarantee Fund.				
9.4 Fixed Deposits maturing beyond March 31, 2017 is Rs. 23,56,50,470 (Previous Year NIL)				
<b>TOTAL</b>		<b>1,129,922,451</b>		<b>598,929,463</b>

# Metropolitan Clearing Corporation of India Limited

(Formerly known as MCX-SX Clearing Corporation Limited)

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Notes to financial statements

## 10. Loans and Advances (Unsecured and considered good)

	As at 31.03.2016		As at 31.03.2015	
	Current	Non current	Current	Non current
	Rupees	Rupees	Rupees	Rupees
Advance Payment of Income Tax	-	92,898,915	-	76,600,700
Service Tax Input Credit	28,704,092	-	25,412,396	-
Prepaid Expenses	761,712	-	1,043,258	-
Advances to Vendors	-	-	28,253	-
Deposits	1,505,000	-	1,503,000	-
Others Receivables	263	-	97,714	-
L.I.C.of India-Group Gratuity Account	82,758	-	-	-
<b>TOTAL</b>	<b>31,053,824</b>	<b>92,898,915</b>	<b>28,084,621</b>	<b>76,600,700</b>

## 11. Other Current Assets

	As at 31.03.2016		As at 31.03.2015	
		Rupees		Rupees
Accrued Interest on Bank Deposits		36,849,343		21,439,567
<b>TOTAL</b>		<b>36,849,343</b>		<b>21,439,567</b>

## 12. Revenue from operations

	Year ended 31.03.2016		Year ended 31.03.2015	
	Rupees	Rupees	Rupees	Rupees
<b>Sale of Services</b>				
Clearing and Settlement Fees		65,146,896		98,592,025
<b>Other Operating Revenues</b>				
Interest on Deposits with Banks	23,436,018		29,750,469	
Dividend from Current Investments	13,467,255		19,600,923	
Annual Subscription Fees	50,000	36,953,273	97,500	49,448,893
<b>TOTAL</b>		<b>102,100,169</b>		<b>148,040,918</b>

## 13. Other Income

	Year ended 31.03.2016		Year ended 31.03.2015	
	Rupees	Rupees	Rupees	Rupees
Interest :				
On Deposits with Banks - Own Funds		22,962,853		19,886,964
Dividend received from Mutual Funds:		8,282,576		7,207,996
Profit on Sale of Current Investments (net)		1,133		6,538
<b>TOTAL</b>		<b>31,246,563</b>		<b>27,101,497</b>

# Metropolitan Clearing Corporation of India Limited

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Notes to financial statements

## 14. Employee Benefits Expense

	Year ended 31.03.2016		Year ended 31.03.2015	
	Rupees	Rupees	Rupees	Rupees
Salaries and Bonus	20,706,520		30,370,729	
Contribution to Provident Fund	902,951		863,334	
Staff Welfare Expenses	111,064	21,720,535	92,158	31,326,221
<b>TOTAL</b>		<b>21,720,535</b>		<b>31,326,221</b>

## 15. Other Expenses

	Year ended 31.03.2016		Year ended 31.03.2015	
	Rupees	Rupees	Rupees	Rupees
Rent (Refer note 19)		3,868,980		3,600,068
Technology Cost		83,841,749		116,546,118
Audit Fees (exclusive of service tax)				
- Statutory Audit Fees	150,000		150,000	
- Tax Audit Fees	100,000		175,000	
- Other Services (Limited Review, Certification etc. )	120,000		20,000	
- Out of Pocket Expenses	324	370,324	-	345,000
Insurance		1,311,398		1,467,924
Sales Promotion Expenses				
Legal and Professional Charges		1,541,838		1,631,376
Directors Sitting Fees		1,896,000		1,894,000
Bank Charges		24,657		694,077
Loss on Sale of Fixed Asset		-		741,181
Office Expenses		1,958,650		1,978,414
ROC Fees Expenses		5,661,200		-
Miscellaneous Expenses		2,590,795		2,955,084
<b>TOTAL</b>		<b>103,065,591</b>		<b>131,853,242</b>

## 16. Earnings Per Share

	Year ended 31.03.2016	Year ended 31.03.2015
Profit for the year attributable to equity shareholders (Rs.)	7,430,811	10,382,311
Weighted average number of Equity Shares outstanding during the year (Nos.)	50,942,982	25,000,000
Basic /Diluted Earnings per share (Rs.)	0.15	0.55
Nominal Value of Equity Share (Rs.)	10.00	10.00

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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.

## 17. Related Party information

a) Names of related parties and nature of relationship:

- i. Holding Company (Control exists)  
Metropolitan Stock Exchange of India Ltd. (MSEI)  
(Formerly known as MCX Stock Exchange Ltd.)
- ii. Company having significant influence over the Company during the year: (Refer Note 23 & 24)
  - a) Financial Technologies (India) Limited (FTIL) till July 2, 2015
  - b) Multi Commodity Exchange of India Limited (MCX) till July 2, 2015.
- iii. Key management Personnel (KMP)
  - a) Mr. Udai Kumar, Managing Director w.e.f. April 06, 2015 till January 21, 2016
  - b) Mr. Partha Sarathi Sen, Chief Financial Officer till July 15, 2015
  - c) Mr. Krishana Wagle, Chief Financial Officer w.e.f. July 10, 2015

b) Transactions with related parties during the year

Sr. No.	Nature of transactions	Company whose Control Exists Metropolitan Stock Exchange of India Ltd (Formerly known as MCX Stock Exchange Ltd.)	Companies having Significant Influence (MCX)	Companies having Significant Influence (FTIL)
1	Clearing and Settlement Fees	6,51,46,896 (124,541,005)	- (-)	- (-)
2	Rent Paid	38,68,980 (3,600,068)	- (-)	- (-)
3	Technology Cost	8,38,41,749 (139,110,448)	- (-)	- (-)
4	Other Expenses	- (-)	- (-)	- (28,124)
5	Payables (Balance at the end of the year)	1,56,29,664 (1,111,762)	- (-)	- (69,265)
6	Other Income	- (-)	- (-)	500 (-)
7	Allotment of Share	45,00,00,000 (-)	- (-)	- (-)

a) Transactions with KMP during the year

Sr. No.	Nature of transactions	Amount (Rs.)
1	Salary and allowances*: U. Venkataraman	- (8,608,385)
2	Sale of Car to U. Venkataraman	- (134,497)
3	Salary and allowances*: Partha Sarathi Sen	5,10,551 (800,313)
4	Salary and allowances*: Prasad Sawant	- (204,576)
5	Salary and allowances*: Udai Kumar	40,19,174 (-)
6	Salary and allowances*: Krishna Wagle	9,47,044 (-)

\*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 as mentioned in the following table:

	Particulars	Current Year 2015-16 Amount (Rs.)	Previous Year 2014-15 Amount (Rs.)
<b>I.</b>	<b>Reconciliation of defined benefit commitments</b>		
	Liability at the start of the year	19,63,399	2,810,438
	Interest Cost	1,56,287	261,652
	Current Service Cost	3,68,795	429,414
	Liability transfer in	-	1,406,414
	Liability transfer out	(29,076)	
	Benefits Paid	(6,16,531)	(2,644,756)
	Actuarial (gain)/ loss on obligations	(1,48,522)	(299,763)
	Liability at the end of the year	<b>16,94,352</b>	<b>1,963,399</b>

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	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
<b>II.</b>	<b>Reconciliation of Fair value of plan assets</b>		
	Fair value of plan assets at the start of the year	11,53,476	2,192,171
	Expected return on plan assets	91,817	204,091
	Contributions	12,15,685	25,336
	Transfer from other company	-	1,406,414
	Transfer to other company	(29,076)	-
	Benefits Paid	(6,16,531)	(2,644,756)
	Actuarial gain on plan asset	(38,261)	(29,780)
	Fair value of plan assets at the end of the year	<b>17,77,110</b>	<b>11,53,476</b>
<b>III.</b>	<b>Amount recognized in the Balance Sheet</b>		
	Fair Value of Plan Assets at the end of the year	17,77,110	1,153,476
	Present Value of Benefit obligation as at the end of the year	16,94,352	(1,963,399)
	Net (Liability) / Assets recognized in the Balance Sheet	<b>82,758</b>	<b>(809,923)</b>
<b>IV.</b>	<b>Expense recognized in the Statement of Profit and Loss</b>		
	Current service cost	3,68,795	429,414
	Interest cost	64,470	57,561
	Expected return on plan assets	-	-
	Net actuarial (gain)/ loss recognized	(1,10,261)	(269,983)
	Expense recognized in the Statement of Profit and Loss	<b>3,23,004</b>	<b>2,16,992</b>
<b>V.</b>	<b>Experience Adjustment</b>		
	On Plan Liability (gains)/losses	(1,35,103)	(6,40,402)
	On Plan Asset gains/(losses)	(38,261)	(29,780)
<b>VI.</b>	<b>Composition of Fund</b>		
	Insurer Managed Funds (LIC)	100%	100%
<b>VII.</b>	<b>Actuarial Assumption</b>		
	Discount rate	8.01%	9.31%
	Salary escalation	7.50%	7.50%
	Mortality	Indian Assured Lives Mortality(2006-08) Ultimate	Indian Assured Lives Mortality(2006-08) Ultimate

Note: The above information is as certified by the actuary.

## 19. Operating Lease:

The Company has taken office premise on cancellable operating lease basis. Operating lease rentals debited to the Statement of Profit and Loss for the year is Rs. 3,868,980 /- (Previous year Rs. 3,600,068/-).

## 20. Deferred Tax :

Particulars	As at 31.03.2016 Amount (Rs.)	As at 31.03.2015 Amount (Rs.)
Deferred Tax Assets / (Liabilities) (net):		
Difference in Written Down Value of Fixed Assets	(1,28,044)	(388,725)
Deferred Tax (Liability)	(1,28,044)	(388,725)
Provision for Compensated Absences	2,42,561	309,196
Carry Forward business losses and Depreciation	3,29,99,976	33,200,449
Deferred Tax Asset	3,32,42,537	33,509,645
<b>Deferred Tax Asset Recognized</b>	<b>1,28,044</b>	<b>388,725</b>

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

21. In line with the SEBI guidelines, vide circular CIR/MRD/DRMNP/25/2014 dated August 27, 2014, the Company has constituted Core SGF, for each segment of the Exchange with effect from December 1, 2014 against which no exposure is given and which is readily and unconditionally available to meet settlement obligations of clearing corporation in case of clearing member(s) failing to honor settlement obligation. In the event of a clearing member (member) failing to honor settlement commitments, the Core SGF shall be used to fulfill the obligations of that member and complete the settlement without affecting the normal settlement process. The corpus of the Core SGF consists of contribution from the Clearing Corporation (at least 50%), the Exchange (at least 25%) and the clearing members (not more than 25%). Core SGF also includes penalties levied by the clearing corporation and accruals from investment of the core SGF.

Accordingly, an amount of Rs. 41.65 crore was maintained as the Minimum Required Contribution (MRC) of Core SGF in Currency Derivatives Segment as on March 31, 2016 comprising of Rs. 20.83 crore contributed by the MCCIL, Rs. 10.41 crore contributed by MSEI and Rs. 10.41 crore (Rs. 1.63 crore in Cash & Rs. 8.78 crore as FD) contributed by the Clearing Members. Further, in accordance with the directions received from the SEBI, MCCIL had contributed an amount of Rs. 25 lakh each in Equity Derivative Segment, Equity Cash Market and Debt Market Segment as the minimum corpus of Core SGF with effect from February 2, 2015.

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The composition and aggregate value of the Core SGF maintained with the MCCIL along with its segment-wise breakup as on March 31, 2016 (accumulated till date) and March 31, 2015 (accumulated till date) are provided in the following tables:

Amount in Rs.

Sr. No.	Particulars	As on March 31, 2016	As on March 31, 2015
	<b>All Segments:</b>		
1	MCCIL Contribution	230,374,066	179,621,101
2	MSEI Contribution	108,197,834	86,060,550
3	Members' Contribution	104,713,728	86,060,550
3.1	- Cash with MCCIL	16,872,646	28,238,718
3.2	- FDR	87,841,082	57,821,832
4	Penalties	9,214	7,699
5	Interest on Fixed Deposits	33,886,093	7,803,610
6	Dividend from Mutual Fund	1,783,478	567,969
<b>7</b>	<b>Total</b>	<b>478,964,413</b>	<b>360,121,480</b>

Amount in Rs.

Sr. No.	Particulars	As on March 31, 2016	As on March 31, 2015
	<b>Currency Derivatives Segment:</b>		
1	MCCIL Contribution	222,244,624	172,121,101
2	MSEI Contribution	108,197,834	86,060,550
3	Members' Contribution	104,713,728	86,060,550
3.1	- Cash with MCCIL	16,872,646	28,238,718
3.2	- FDR	87,841,082	57,821,832
4	Penalties	0	0
5	Interest on Fixed Deposits	33,085,306	7,692,985
6	Dividend from Mutual Fund	1,783,478	567,969
<b>7</b>	<b>Total</b>	<b>470,024,970</b>	<b>352,503,155</b>

Amount in Rs.

Sr. No.	Particulars	As on March 31, 2016	As on March 31, 2015
	<b>Equity Cash Market:</b>		
1	MCCIL Contribution	2,709,814	2,500,000
2	MSEI Contribution	0	0
3	Members' Contribution	0	0
3.1	- Cash with MCCIL	0	0
3.2	- FDR	0	0
4	Penalties	9,214	7,699
5	Interest on Fixed Deposits	266,929	36,875
6	Dividend from Mutual Fund Investment	0	0
<b>7</b>	<b>Total</b>	<b>2,985,957</b>	<b>2,544,574</b>



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Notes to financial statements

Amount in Rs.

Sr. No.	Particulars	As on March 31, 2016	As on March 31, 2015
	<b>Equity Derivatives Segment:</b>		
1	MCCIL Contribution	2,709,814	2,500,000
2	MSEI Contribution	0	0
3	Members' Contribution	0	0
3.1	- Cash with MCCIL	0	0
3.2	- FDR	0	0
4	Penalties	0	0
5	Interest on Fixed Deposits	266,929	36,875
6	Dividend from Mutual Fund Investment	0	0
<b>7</b>	<b>Total</b>	<b>2,976,743</b>	<b>2,536,875</b>

Amount in Rs.

Sr. No.	Particulars	As on March 31, 2016	As on March 31, 2015
	<b>Debt Market Segment:</b>		
1	MCCIL Contribution	2,709,814	2,500,000
2	MSEI Contribution	0	0
3	Members' Contribution	0	0
3.1	- Cash with MCCIL	0	0
3.2	- FDR	0	0
4	Penalties	0	0
5	Interest on Fixed Deposits	266,929	36,875
6	Dividend from Mutual Fund Investment	0	0
<b>7</b>	<b>Total</b>	<b>2,976,743</b>	<b>2,536,875</b>

Further, Clearing Members are required to maintain liquid assets in the prescribed forms with the Clearing Corporation to meet their base minimum capital requirement, minimum liquid net worth requirement, core settlement guarantee fund (Core SGF) contribution requirement, membership requirement and margin requirements.

The total value of liquid assets (cash and non-cash) maintained by the Clearing Members with MCCIL in addition to their Core SGF Contribution as on March 31, 2016 amounts to Rs. 525.27 crore (previous year: Rs. 599.89 crore).

## 22. Segment Reporting:

The Company operates only in the business of clearing and settlement services of trades carried out at MSEI. Consequently, there is no reportable business or geographical segments.

# Metropolitan Clearing Corporation of India Limited

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Notes to financial statements

23. 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) 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. On an appeal filed by FTIL, against the said SEBI Order, the Securities Appellate Tribunal has by an Order dated July 09, 2014 upheld the said Order of SEBI and extended time for divesting these shares by four weeks from the date of its Order. Further the Company sent multiple letters to FTIL regarding divestment of their stake in the Company; in reply to these letters FTIL informed us that they are in search of the suitable buyer to acquire their stake in the Company.
24. Subsequent to the infusion of Rs. 45 crore as equity capital into the Company by the Metropolitan Stock Exchange of India Limited (MSEI) during the FY 2015-16, the SEBI vide its letter no. MRD/DRMNP/OW/27809/2015 dated October 1, 2015 granted renewal of MCCIL for one year from October 3, 2015 to October 2, 2016 subject to certain compliances, one of which being the Company to achieve a networth of Rs. 100 crore within six month from the date of grant of renewal of the recognition (i.e. by April 2, 2015).

The Company is making efforts to raise an amount of Rs. 25 crore either from the promoters or other investors to meet the networth requirement as stipulated by the SEBI. The Company vide its letter dated April 6, 2016, requested the SEBI to grant forbearance in the aforesaid requirement for another six months coterminous with the current term of recognition of the Company (i.e. up to October 2, 2016).

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.

In terms of our report attached  
For **Kirtane & Pandit LLP**  
Chartered Accountants

**For and on behalf of the Board**

sd/-  
**Chandrashekhar**  
Partner  
Membership No: - 042376

sd/-  
**Vepa Kamesam**  
Chairman  
DIN 00542329

sd/-  
**Dr. M Y Khan**  
Director  
DIN 03185713

Place: Mumbai  
Date: May 13, 2016

sd/-  
**Krishna J. Wagle**  
Chief Financial Officer

## **Metropolitan Clearing Corporation of India Limited**

(Formerly known as MCX-SX Clearing Corporation Limited)

4th Floor, Vibgyor Towers, Plot No. C - 62, Opp. Trident Hotel, Bandra Kurla Complex, Bandra East, Mumbai 400098.

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