

**M**ETROPOLITAN  
CLEAR >>>>



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# ANNUAL REPORT 2016 - 17

**METROPOLITAN CLEARING CORPORATION OF INDIA LIMITED**

(Formerly known as MCX-SX Clearing Corporation Limited)

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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

**Board of Directors**

Mr. Vijay Bhaskar Pedomallu – Chairman and Public Interest Director

Mr. Alok Kumar Mittal – Public Interest Director

Mr. Parveen Kumar 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

**Secretarial Auditor**

Mr. A. Sekar, Practicing Company Secretary

**Registered Office**

4th Floor, Vibgyor Towers, Bandra Kurla Complex,  
Bandra (East), 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

## 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 Ninth 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, 2017.

### FINANCIAL MARKET SCENERIO

During the year 2016-17, markets have been reasonably stable barring volatility around major events such as Brexit, surgical strike, US election results and demonetization. Rupee depreciated against USD during large part of the year but showed a remarkable change in last two months of the financial year with Rupee gaining substantially. Against the backdrop of global volatility, India witnessed a stable year with normal monsoon, a prudent Union Budget for fiscal 2018 and transmission of rate cuts, which led to benign interest rate regime. Domestically a bold step in the form of immediate demonetization of higher denomination notes in November proved to be a major news marker for the year. Although the move was applauded by the world as a step in eradicating black money in India, concerns over liquidity crunch and a possible economic slowdown for a couple of quarters, weighed on the market sentiments initially. The concerns, however, abated as the negative impact of demonetization was much below expectations and remonetization was faster than anticipated.

Also, Government initiatives and investments in infrastructure and other sectors should start showing positive results. The Goods and Services Tax regime which has become a reality is also expected to enhance the economic activity in medium to long term.

### 1. FINANCIAL RESULTS FOR 2016-17

Table 1: Summary of Financials

(Amount in INR)

Items	As on March 31, 2017	As on March 31, 2016
Total Income	90,123,717	133,346,732
Less: Expenditure	74,002,232	125,915,921
Profit Before Tax	16,121,485	7,430,811
Less: Provision For Tax	-	-
Profit After Tax	16,121,485	7,430,811
Balance carried to Balance Sheet	16,121,485	7,430,811

**Note:** During the financial year 2016-17, the Company earned total income of INR 90,123,717/- as against INR 133,346,732/- in the previous year. The profit after tax of the company for the year under review amounted to INR 16,121,485/- as compared to INR 7,430,811/- for the previous year. An increase in Profit before tax was due to increase in interest on fixed deposit and interest received on income tax refund. The company made a number of efforts to keep the cost under control.

The components of expenditure and its quantum in comparison with the total income is presented in Table 2 below.

Particulars	FY 2016-17	FY 2015-16
Technology cost	41%	63%
Employees benefits expense	25%	16%
Depreciation and amortization expense	0.25%	1%
Other expenses	16%	14%
<b>Total expenses</b>	<b>82.25%</b>	<b>94%</b>

It may be observed that technology cost is the highest cost incurred by the Company forming 41% of the Total Income in the FY 2016-17 (Table 2). Employees benefit expenses stood at 25% followed by other expenses at 16%. However, the technology cost declined from 63% of the total income in the FY 2015-16 to 41% of the total income in the FY 2016-17. Employee cost has increased to 25% of the total income in the FY 2016-17 from 16% in the FY 2015-16. The other expenses have increased to 16% of the total income in the FY 2016-17 from 14% in the FY 2015-16. The Total expenses declined from 94% in the FY 2015-16 to 82.25% in the FY 2016-17. 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 17.75% of the total income for the FY 2016-17.

## 2. REVIEW OF OPERATIONS

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

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 the assets, 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 MSE 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 settlements undertaken by the Clearing Corporation during the financial year 2016-17 were completed without defaults

and delay. Thus, the Clearing Corporation maintained its impeccable track record of having completed all settlements from the date of commencement of its operations (i.e. from February 16, 2009) to the end of the financial year 2016-17, in a timely manner without defaults.

The settlement volumes in various segments during the financial year 2016-17 were as follows:

**a. Currency Derivatives Segment:**

Monthly settlement statistics in the currency derivatives segment for the financial year 2016-17 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-16	39.99	0.13	0.33	0.01	40.46
May-16	35.15	1.78	1.14	0.84	38.92
Jun-16	58.61	1.40	0.55	0.16	60.72
Jul-16	37.15	0.40	0.41	0.24	38.20
Aug-16	56.85	1.59	1.47	0.09	60.00
Sep-16	67.80	0.34	2.91	2.83	73.88
Oct-16	37.74	1.37	0.09	0.00	39.20
Nov-16	80.92	4.66	0.66	0.00	86.24
Dec-16	47.56	3.09	1.71	0.65	53.01
Jan-17	35.11	1.68	0.61	0.35	37.75
Feb-17	29.54	1.55	1.79	0.96	33.84
Mar-17	45.78	1.36	2.93	3.20	53.27
<b>Total</b>	<b>572.20</b>	<b>19.35</b>	<b>14.61</b>	<b>9.33</b>	<b>615.50</b>

During the financial year 2016-17, 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 1197.04 crores in FY 2015-16 to INR 615.50 crores in FY 2016-17. The decline was mainly on account of the reduction in the open interest and trading volumes in MSE in the currency derivatives segment.

**b. Equity Cash Market:**

Monthly settlement statistics in the equity cash market for the financial year 2016-17 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-16	5.6401	5.6399	100.00	10.3976	10.3968	99.99
May-16	15.3949	15.3938	99.99	29.8237	29.8229	100.00
Jun-16	14.0261	13.8011	98.40	22.6166	21.5781	95.41
Jul-16	11.2880	10.9755	97.23	25.3830	23.9725	94.44
Aug-16	31.2924	30.8925	98.72	44.2943	42.4638	95.87
Sep-16	23.5570	23.1700	98.36	29.9074	28.1451	94.11
Oct-16	7.9348	7.6445	96.34	18.3245	17.0050	92.80
Nov-16	2.1543	2.1043	97.68	3.3873	3.1950	94.32
Dec-16	0.2160	0.2160	100.00	0.5796	0.5796	100.00
Jan-17	1.0513	1.0513	100.00	3.3696	3.3696	100.00
Feb-17	6.2394	4.7063	75.43	11.4760	9.7794	85.22
Mar-17	25.9213	25.5206	98.45	48.5239	46.8089	96.47
<b>Total</b>	<b>144.7155</b>	<b>141.1157</b>	<b>97.5125</b>	<b>248.0835</b>	<b>237.1167</b>	<b>95.5794</b>

During the financial year 2016-17, 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 205.5515 crores and INR 97.6537 crores in FY 2015-16 to INR 248.0835 crores and INR 237.1167 crores respectively in FY 2016-17. One of the main reasons for the abovementioned increase of traded value was the almost consistent trading volumes in MSE in the capital market segment. The regular trading activity in the securities exclusively listed on the MSE 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 2016-17, there was no settlement in the Equity Derivatives Segments as there was no trade in this segment of the MSE.

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

During the financial year 2016-17, 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 MSE and Rs. 10.21 crore (Rs. 3.64 crore in Cash & Rs. 6.58 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.

Securities & Exchange Board of India had issued norms related to the computation and contribution to the Core Settlement Guarantee Fund (Core SGF) as part of the SEBI circular CIR/CMD/DRMNP/25/2014 dated August 27, 2014. Based on said guidelines clearing corporation and stock exchange are required to contribute at least 50% and 25% of the minimum required corpus (MRC) of the core SGF whereas up to 25% of the core SGF contribution can be collected from clearing members.

#### Minimum Required Corpus (MRC) of Core SGF

Segment	MRC	Contribution Required from MCCIL	Contribution Required from MSE
(a)	(b)	(c)=50%*b	(d)=25%*b
CDS	416,540,338	208,270,169	104,135,084
ECM	0.00	0.00	0.00
EDS	0.00	0.00	0.00
DMS	0.00	0.00	0.00
<b>Total</b>	<b>416,540,338</b>	<b>208,270,169</b>	<b>104,135,084</b>

Further, in accordance with the directions received from the SEBI, the 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.

#### Corpus of Core SGF

Segment	Total Corpus	Total Contribution to Core SGF				Penalties
		MCCIL	MSE	Clearing Members		
		Cash	Cash	Cash	Non-Cash	
(a)	(b)=(c)+(d)+(e)+(f)+(g)	(c)	(d)	(e)	(f)	(g)
CDS	522,121,336	247,457,732	127,778,068	39,132,807	65,779,552	41,973,178
ECM	3,032,354	3,022,276	0.00	0.00	0.00	10,078
EDS	3,295,512	3,022,276	0.00	0.00	0.00	273,236
DMS	3,022,276	3,022,276	0.00	0.00	0.00	0.00
<b>Total</b>	<b>531,471,477</b>	<b>256,524,558</b>	<b>127,778,068</b>	<b>39,132,807</b>	<b>65,779,552</b>	<b>42,256,492</b>

Further, Clearing Members are required to maintain liquid assets in the prescribed forms with the Clearing Corporation to meet their minimum liquid net worth requirement, base minimum capital 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, 2017 amounts to Rs. 492.40 crore (previous year: Rs. 525.27 crore).

#### **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, 2017 are presented in Table 6:

Table 6: Liquid Assets Maintained by the Clearing Members as on March 31, 2017

Segment	Cash Deposits		Non-Cash Deposits (MCCIL)				Total Liquid Assets
	with MSE	with MCCIL	BG	FDR	G-Secs	App. Sec.	
1	2	3	4	5	6	7	8=2+3+4+5+6+7
ECM	21.40	7.92	0.78	1.48	0.00	0.63	32.20
EDS	0.00	11.63	2.00	7.72	0.00	0.00	21.35
DMS	0.00	0.30	0.00	0.00	0.00	0.00	0.30
CDS	0.00	30.07	85.06	147.43	182.24	25.35	470.16
<b>Total</b>	<b>21.40</b>	<b>49.92</b>	<b>87.84</b>	<b>156.43</b>	<b>182.24</b>	<b>25.98</b>	<b>502.61</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>				

### **C. New Initiatives and Developments**

#### **a. Increase in authorized share capital and paid up capital of the Company**

The Board of Directors in its meeting held on August 30, 2016 approve to offer 3,00,00,000 equity shares of Rs. 10 each to its existing shareholders on rights issue basis. The issue opened on September 03, 2016 and closed on September 30, 2016 with two extensions. Metropolitan Stock Exchange of India subscribed to 1,78,74,616 equity shares of Rs. 10 each on September 28, 2016. The said shares were allotted to MSE on October 09, 2016. None of the other shareholders subscribed to the Rights issue. Subsequently, the Board of Directors in its meeting held on October 18, 2016 approved offering of 96,61,098 equity shares of Rs. 10 each, being the unsubscribed portion of Rights issue to its existing eligible shareholders. The said shares were offered to existing eligible shareholders for subscription till November 02, 2016 The MSE on November 02, 2016 subscribed to 59,30,000 equity shares of Rs. 10 each. The said shares were allotted to MSE on the same date.

In view of the aforesaid allotments, during the Financial Year 2016-17, the paid up share capital has increased from 7,00,00,000 equity shares of Rs. 10 each to 9,38,04,616 equity shares of Rs. 10 each.

Further, during the current financial year (2017-18) company has raised its authorized share capital from existing Rs. 100 Crores to Rs. 150 Crores by taking members approval at the extra ordinary general meeting held on August 04, 2017.

Subsequently, on August 10, 2017 the MSE has subscribed to 62,16,375 equity shares of Rs. 10 each through preferential allotment on private placement basis, thereby increasing the paid up share capital of the company to Rs. 100.02 Crores

**b. Renewal of the Recognition**

The SEBI vide letter dated September 03, 2016 renewed recognition of the Company as Clearing Corporation for a period of one year commencing from October 03, 2016 and ending on October 02, 2017 subject to certain conditions, one of which being that the Company shall achieve net worth of Rs. 100 crore within one month from the date of grant of renewal of recognition and shall immediately submit a Net worth certificate. In view of the increase in paid up capital, the Company was able to achieve net worth of Rs. 100 crore and accordingly net worth certificate was submitted to SEBI on November 02, 2016.

**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 August 18 & August 19, 2016 and February 16 & February 17, 2017. 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. 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 2016.

**e. 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 for FY 2016-17 is Rs. 40 crore.

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.

**f. Application to European Securities Market Authority (ESMA)**

European Market Infrastructure Regulation (EMIR) is a regulation of the European Parliament and the council of European Union. European Securities and Markets Authority (ESMA) is an independent EU Authority that contributes to safeguarding the stability of the European Union's financial system. ESMA is accountable to the European Parliament, Council of the European Union and European Commission.

According to EMIR, a CCP established in a third country (non-EU) may provide clearing services to clearing members or trading venues established in the EU only where that CCP is recognized by ESMA. Certain banks that are clearing members of MCCIL are registered in European Union and are operating in India as foreign bank branch. Hence as per the above provisions they can continue to obtain clearing services of MCCIL only if MCCIL is recognised as a third-country CCP by ESMA. Hence MCCIL has applied to ESMA for recognition as third country CCP under EMIR. ESMA has confirmed that MCCIL's application is complete.

**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 MSE. The MSE and the MCCIL are currently awaiting the SEBI approval for the launch of the abovementioned products.

**h. Shifting of Registered Office of the Company**

The Registered Office of the Company was shifted from 1st Floor, Exchange Square, CTS No. 255, Suren Road, Andheri (East), Mumbai – 400093' to '4th Floor, Vibgyor Towers, G- Block, Plot No. C- 62, Bandra Kurla Complex, Bandra (East), Mumbai – 400098' pursuant to circular resolution passed by the Board of Directors on April 22, 2017.

**3. REGULATORY UPDATES**

**a. Review of the 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.

**b. Acceptance of Fixed Deposit Receipts (FDRs) by Clearing Corporations**

The SEBI vide circular no. CIR/MRD/DRMNP/65/2016 dated July 15, 2016 advised the Clearing Corporations not to accept Fixed Deposit Receipts (FDRs) from trading/ clearing members as collaterals, which are issued by trading/ clearing members themselves or banks who are associates of trading/ clearing member. Trading/Clearing Members who have deposited their own FDRs or FDRs of associate banks shall replace such collateral, with other eligible collateral as per extant norms, within a period of six months from the date of issuance of the circular

Your Company has ensured that all existing FDRs which are issued by trading/ clearing members themselves or banks who are associates of trading/ clearing member are replaced with other eligible collaterals as per the extant norms.

**c. Review of Financial close out and Auction framework for corporate bonds traded on the Stock exchanges platform**

The SEBI vide circulars no. CIR/MRD/DP/03/2013 January 24, 2013, and no CIR/MRD/DP/ 27 /2013 dated September 12, 2013 issued guidelines for providing dedicated debt segment in the stock exchange for trading, clearing and settlement of debt securities including trading, clearing and settlement of corporate bonds.

SEBI now vide circular no. SEBI/HO/MRD/DP/CIR/P/2017/11 dated February 10, 2017 modified para 8 of the circular no CIR/MRD/DP/ 27 /2013 dated September 12, 2013 and stated that in case of shortage of delivery, stock exchange/ clearing corporation may conduct financial close out. The financial close out shall take place at the highest price on trade date (which becomes the trade price) with a 1% mark up on trade price. Accordingly, SEBI has directed to introduce a uniform auction mechanism to deal with settlement shortages by March 31, 2017.

Your Company has initiated necessary changes to comply with the aforesaid requirement.

**d. Disclosures relating to regulatory orders and arbitration matters on websites of Clearing Corporations**

The SEBI vide circular no. SEBI/HO/MRD/DRMNP/CIR/P/2017/24 dated March 16, 2017 directed that in order to improve transparency, all regulatory orders against clearing members and arbitration/ appellate awards by arbitrators need to be made available to investors. Accordingly, clearing corporations were required to post all regulatory orders and arbitration / appellate awards since June 20, 2012 on their website within 30 days from the date of the circular. Further, all regulatory orders and arbitration/ appellate awards as and when issued by the Clearing Corporations from the date of the circular shall be posted on the website immediately. Clearing Corporations were also required to disseminate information with respect to brief profile, qualification, area of experience/ expertise, number of arbitration matters handled, pre-arbitration experience etc. of the arbitrators on their website.

Your Company has disclosed all the information required under the aforesaid circular on its website.

**e. 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 10% 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 of India 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 MSE and the MCCIL are already in compliance with the above requirement as the contribution made by the MSE to the Core SGF is more than the profit linked contribution required from the MSE.

#### 4. 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.

#### 5. SHARE CAPITAL

The paid up Share Capital of the Company as on March 31, 2017 was Rs.93,80,46,160/- divided into 9,38,04,616 Equity shares of Rs.10/- each. The shareholding pattern as on March 31, 2017 is provided in Table 7:

Sr. No.	Name of Shareholder	No. of shares of Rs. 10/- each	Percentage
1.	Metropolitan Stock Exchange of India Ltd.	8,15,54,616	86.94%
2.	Multi Commodity Exchange of India Ltd.	65,00,000	6.93%
3.	63 moons technologies limited (formerly known as Financial Technologies (India) Ltd.)	57,50,000	6.13%
	<b>Total</b>	<b>9,38,04,616</b>	<b>100%</b>

*Vide order dated March 19, 2014 SEBI has directed 63 moons technologies limited (formerly known as Financial Technologies (India) Ltd.) (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 63 moons technologies limited (formerly known as Financial Technologies (India) Ltd.) (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 63 moons technologies Ltd (formerly known as 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. The amendments are under consideration of SEBI.

The Board of Directors in its meeting held on August 30, 2016 approved issue of 3,00,00,000 equity shares of Rs. 10 each on Rights basis to its existing shareholders. The Rights issue was open from September 03, 2016 to October 02, 2016. Metropolitan Stock Exchange of India Limited subscribed to 1,78,74,616 equity shares of Rs. 10 each. Subsequently, the Board of Directors on account of its right to deal with unsubscribed portion of Rights in a manner not disadvantageous to its shareholders offered the unsubscribed shares again to its existing shareholders. Metropolitan Stock Exchange of India Limited, subscribed to 59,30,000 Equity shares of Rs. 10 each. None of the other shareholders have subscribed to any shares offered through Rights Issue.

Further, during the current financial year (2017-18) company has raised its authorized share capital from existing Rs. 100 Crores to Rs. 150 Crores by taking members approval at the extra ordinary general meeting held on August 04, 2017.

Subsequently, on August 10, 2017 the MSE has subscribed to 62,16,375 equity shares of Rs. 10 each through preferential allotment on private placement basis, thereby increasing the paid up share capital of the company to Rs. 100.02 Crore.

## **6. 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 March 31, 2017, the Company's Governing Board consists of three Public Interest Directors, one Shareholder Director and the Managing Director.

### **A. Public Interest Directors**

During the Financial Year 2016-17, Mr. Vepa Kamesam and Dr. M.Y. Khan resigned from the Company on October 27, 2016 pursuant to the completion of their term of appointment as Public Interest Directors. The Board wishes to place on record its sincere appreciation and gratitude for their valuable contribution made during their tenure as Public Interest Directors of the Company. Mr. Vijay Bhaskar Pedamallu and Mr. Alok Kumar Mittal were appointed as Public Interest Directors on October 27, 2016.

Your Company is in compliance with the SECC regulations and the Governing Board currently consists of Mr. Vijay Bhaskar Pedamallu, Mr. Alok Kumar Mittal and Mr. Parveen Kumar Chhokra as Public Interest Directors. Mr. Vijay Bhaskar Pedamallu & Mr. Alok Kumar Mittal were appointed on the Governing Board of the Metropolitan Clearing Corporation of India Limited (MCCIL) in terms of the SEBI letter dated October 24,



2016. Mr. Parveen Kumar Chhokra who was appointed as a Public Interest Director (PID) with effect from June 20, 2013, continue to hold office as PID of the Company in terms of the Regulation 6.3.8 of the SEBI Circular (CIR/MRD/DSA/33/2012) dated December 13, 2012.

The abovementioned PIDs are independent directors in terms of provisions of Companies Act, 2013 and have given declarations that they meet the criteria of independence as laid down u/s 149(6) of the Companies Act, 2013. Accordingly, the Shareholders have approved appointment of Mr. Vijay Bhaskar Pedomallu and Mr. Alok Kumar Mittal as independent directors of the Company in terms of provisions of Companies Act, 2013 at its extraordinary general meeting held on February 23, 2017.

#### **B. Shareholder Director**

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 Managing Director 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 shareholders approved the appointment of Mr. Balu Nair as Managing Director of the Company at the Annual General Meeting held on August 18, 2016.

### **7. KEY MANAGERIAL PERSONNEL**

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.

### **8. HUMAN RESOURCES**

During the financial year 2016-17, 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, 2017 was 27.

## 9. 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 recommends the 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 2017-18.

## 10. 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 2016-17 the members of the Audit Committee were:

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

The Board of Directors in its meeting held on July 18, 2016 reconstituted the Committee and accordingly, the following were members of the Committee:

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

The Board of Directors in its meeting held on August 11, 2016 reconstituted the committee and accordingly, the following were the members of the committee:

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

Due to resignation of Dr. M.Y. Khan, Public Interest Director, the Audit Committee was reconstituted by the Board of Directors in its meeting held on November 08, 2016 and the current composition of the reconstituted Audit Committee stands as follows:

- Mr. Alok Kumar Mittal, Public Interest Director – Chairman
- Mr. P.K. Chhokra, Public Interest Director – Member
- Mr. Udai Kumar, Shareholder Director – Member

During the financial year 2016-17, the Audit Committee met 5 (five) times on May 12, 2016, July 15, 2016, August 10, 2016, November 11, 2016 and February 10, 2017.

All the recommendations of the audit committee were accepted by the Board during 2016-17.

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

The Board met 10 times during the year i.e. on May 13, 2016, June 20, 2016, July 18, 2016, August 11, 2016, August 30, 2016, September 19, 2016, October 18, 2016, November 08, 2016, November 11, 2016, and February 10, 2017.

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.

## 12. DEPOSITS

The Company did not accept any public deposits during the financial year 2016-17.

## 13. 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.

## 14. 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 such your Company does not fall within the prescribed limits set under the aforesaid Section.

## 15. 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.

## 16. 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.

**17. 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.

**18. 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.

**19. EMPLOYEES STOCK OPTION PLAN**

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

**20. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES**

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.

In terms of regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, all material related party transactions continuing beyond the date of notification of regulations shall be placed for the approval of shareholders of the Company. Accordingly, two general meetings were held namely 8th Annual General Meeting on August 18, 2016 and Extra Ordinary General meeting on February 23, 2017 in which all ongoing material RPT's were placed for approval of the shareholders. But approval from disinterested shareholders was not received. These

transactions are ongoing and it is proposed to be placed before the shareholders again in the ensuing annual general meeting, as represented by the Management of the Company.

## **21. 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

## **22. 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 under section 149 (7) that he/she meets the criteria of independence laid down in Section 149(6) of the Companies Act, 2013.

## **23. EVALUATION OF DIRECTORS AND THE BOARD**

The Board has put in place a framework for evaluation of its own performance, that of its committees and the Individual Directors.

The following process has been adopted by the Company for performance evaluation:

- (a) Independent Directors review the performance of the Chairperson, the Non-Independent Director and the Board;
- (b) The Nomination and Remuneration Committee ("NRC") carries out the evaluation of every Director's performance. The NRC, while doing so, also takes into account the inputs of review by Independent Directors;
- (c) The Board evaluates the performance of the Board, its Committees and each Director and while doing so, takes into account the inputs received from the NRC and the review by Independent Directors.

The performance evaluation by Independent Directors, the NRC and the Board respectively, is carried out on the basis of criteria laid down in the Board Evaluation framework, which, inter-alia, includes the abovementioned parameters.

A meeting of independent directors was conducted on March 30, 2017 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.

**24. FAMILIARIZATION PROGRAM FOR INDEPENDENT DIRECTORS**

The details of training and familiarization program are provided in Corporate Governance report. Further, at the time of appointment of an independent director, the Company issues a formal letter of appointment outlining his/her role, functions, duties and responsibilities.

**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, Practicing Company Secretary to undertake the secretarial audit of the Company. The Secretarial Audit Report is annexed as Annexure II to this report.

**26. MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The Management Discussion & 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**

In compliance with the requirements of Rule 5(2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Securities Contracts(Regulations) (Stock Exchanges and Clearing Corporations) Regulations, 2012, a statement containing details of employees is enclosed 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, 2017 and the Statement of Profit and Loss for the said financial year ended March 31, 2017.
- (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 Harassment 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 2016-17 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

	Sd/-	Sd/-
	<b>Vijay Bhaskar Pdamallu</b>	<b>Balu Nair</b>
Date: August 10, 2017	Chairman & Public Interest Director	Managing Director
Place: Mumbai	DIN: 06629884	DIN: 07027100



## Management Discussion and Analysis Report

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### 1. Global Economic Scenario

The global economy has shown a growth of 3.2% in the calendar year 2016. The world economic output is expected to grow at faster rate of 3.6% and 3.7% in the calendar year 2017 and 2018 respectively. While the advanced economies have registered a growth of 1.7% in 2016, the emerging economies have registered a stronger growth of 4.3%. The projected growth rates for the advanced economies for year 2017 and 2018 are 2% and 1.9% respectively. The emerging economies are expected to continue their higher growth rate in 2017 and 2018 which are projected at 4.6% and 4.8% respectively.

Oil prices have decreased since March 2017 owing to huge inventory of the US and pick up in the supply. In June 2017, the US Federal Reserve raised short term interest rates. Long term bond yields of advanced economies which had declined since March 2017, started showing recovery since June 2017. As electoral uncertainties have eased, interest rate spreads have narrowed across the European countries. Equity prices across the globe have shown strong uptrend during the one year period ended June 2017. During the quarter ended June 2017, the US Dollar has depreciated by around 3.5% in real effective terms while the Euro has strengthened by an equal amount on account of improving political and economic conditions.

Excess capacity, aging populations, weak investment and slowly advancing productivity are assumed to be the major challenges faced by the advanced economies for growth. Emerging economies face financial stability risks and lower export revenues as major challenges to maintain higher growth rates.

Inward looking policies of certain advanced economies are likely to affect international economic and political relations which in turn may adversely impact the global economic activity, trade confidence and market sentiment. Such tightening of global financial conditions or protectionism by advanced economies may also trigger capital outflow from emerging economies. Therefore, the International Monetary Fund (IMF) highlighted the need for policy initiatives such as well-functioning multilateral framework for international economic relations for strong, sustainable, balanced, inclusive growth and a rule-based & open world trading system for shared global prosperity.

### 2. Domestic Economic Scenario

India has delivered an impressive growth in the year 2016. As per the World Economic Outlook published by the IMF, amongst the list of advanced economies and emerging economies, India is the only country which has registered a growth rate of more than 7% (i.e. 7.1%) in the year 2016. The projected rate of growth for India for 2017 and 2018 are 7.2% and 7.7% respectively, which are also the highest among all countries in the list.

Demonetization of high denomination bank notes of INR 1000 and INR 500 was one of the major initiatives by the Government of India in financial year 2016-17 with the objective to eliminate black money and the growing menace of fake Indian currency notes, thereby creating opportunities for improvement in economic growth. While the economic activity decelerated following the demonetization initiative, strong government spending fetched a higher than anticipated growth rate of 7.1% in the year 2016. Demonetization is expected to have a positive impact on the Indian economy, which will help foster a clean and digitised economy in the long run.

The fiscal situation of India has improved with fiscal deficit as a ratio of GDP steadily declining from 4.5 % in 2013-14 to 4.1 % in 2014-15 to 3.9 % in 2015-16 to 3.5 % in 2016-17. Overall trade deficit for FY 2016-17 was estimated at USD 46.42 billion, which is 14.49 percent lower than the deficit of USD 54.29 billion during FY 2015-16. In the



financial year 2016-17, the foreign exchanges reserves of India has increased by USD 10 billion to USD 370 billion as on March 31, 2017. During the financial year 2016-17, the net foreign portfolio investment was USD 7.6 billion and the cumulative foreign portfolio net investment as on March 31, 2017 was USD 231.2 billion.

The average CPI (combined) inflation also shows a declining trend from 9.5 % in 2013-14 to 5.9 % in 2014-15 to 4.9 % in 2015-16 to 3.9 in 2016-17. Based on the data published by the CMIE & BSE, the unemployment rate of India has reduced from 8.8% in March 2016 to 4.7% in March 2017.

Recently introduced Goods and Services Tax (GST) regime may lead to further decline in inflation as GST rates for most goods have been fixed at a lower rate. The new GST regime will force many companies to restructure their operations. A shift from unorganized to organized trade is another likely outcome of the GST regime. More small companies will come under the tax net and they may end up spending more as compliance cost will rise. Big companies with dedicated supply chain stand to benefit as they can offset taxes paid on inputs. Companies may use the savings from tax outgo under the GST regime to improve profit margin to some extent and invest the rest in building new capacities. While in the short term the GST implementation may not contribute significantly towards economic growth, in the medium to longer term, the reform will definitely catalyse the economic growth by improving the ease of doing business, bolster investor sentiment and lure more foreign investment in coming years.

As per the release of Ministry of Statistics and Programme Implementation for quarterly estimates of GDP for Q4 of 2016-17, quarterly GVA (Gross Value Added) at basic price for Q4 of 2016-17 has shown a growth rate of 5.6 percent (Y-o-Y). Agriculture sector's GVA at basic price has been estimated at 5.2 percent in Q4 of 2016-17 as against 1.5 percent in Q4 of 2015-16. Quarterly GVA at basic prices for Q4 of 2016-17 from manufacturing sector grew by 5.3 percent as compared to growth of 12.7 percent in Q4 of 2015-16. For the financial, real estate and professional services sector, quarterly GVA at basic prices for Q4 2016-17 grew by 2.2 percent as compared to growth of 9 percent in Q4 2015-16.

Capital Market indices SX40, Nifty 50 and S&P BSE Sensex have appreciated by 16.45%, 16.88% and 18.55% respectively in the financial year 2016-17. As on March 2017, the P/E ratios of aforesaid Indian Indices were highest among major international indices at around 22.

In terms of the Global Competitiveness Index (GCI) prepared by World Economic Forum for 138 countries, India ranked 39 out of 138 countries in 2016-17, as compared to India's rank in GCI of 60 out of 148 countries in 2013-14.

### 3. Industry Developments

Indian capital market has seen a greater activity in the financial year 2016-17 as compared to previous year 2015-16. During the FY 2016-17, Indian Corporate Sector mobilised INR 7,60,635 crore (previous year INR 5,82,364 crore) in the capital market through equity issues amounting to INR 90,593 crore (previous year INR 90,179 crore) and debt issues amounting to INR 6,70,042 crore (previous year INR 4,92,185 crore). During the same period the market capitalisation and market turnover of nation-wide stock exchanges witnessed an increase of 28% and 21% respectively. During the financial year 2016-17, 24 lakh investor depository accounts were added making the total number of investor depository accounts at the end of the year as 278 lakh.

Daily volatility of the indices, Nifty 50 and BSE Sensex has dropped from 1.08% at the end of FY 2015-16 to 0.78% at the end of FY 2016-17. While the aggregate turnover across exchanges in equity derivatives and currency derivatives have increased by 36.2% and 9.7% in FY 2016-17, the turnover in interest rate futures (IRF) has declined

by 34% during the same period. In order to promote IRF and to ensure that Foreign Portfolio Investors' (FPI) access to futures remains uninterrupted during the phase when FPI limits on Government securities are under auction, RBI has recently proposed to allocate FPIs a separate limit of Rs. 5,000 crore for long position in IRFs.

During the financial year there were various regulatory developments relevant to the clearing corporations. In May 2016, the SEBI specified norms regarding Investment Policy of the clearing corporations, Liquid Assets for the purpose of Calculation of Net Worth of a Clearing Corporation and Transfer of Profits by Stock Exchange to the core SGF. These guidelines were prescribed to ensure that the clearing corporations maintain adequate liquid assets as part of the core SGF and net worth.

In order to mitigate wrong way risk, in July 2016, the SEBI has specified that clearing corporations shall not accept Fixed Deposit Receipts (FDRs) from trading/clearing members as collateral, which are issued by the trading/clearing member themselves or banks who are associate of trading/ clearing member. Further, Trading/ Clearing Members who have deposited their own FDRs or FDRs of associate banks were required to replace such collateral, with other eligible collateral as per extant norms, within a period of six months from the date of issuance of the circular. In April 2017, the SEBI issued guidelines on acceptance of Central Government Securities by Clearing Corporations towards Core Settlement Guarantee Fund (SGF) Contribution by Clearing Members. These guidelines enable core SGF contribution by bank clearing members in forms other than cash.

The MCCIL has applied to European Securities and Markets Authority (ESMA) for recognition as third country CCP under European Market Infrastructure Regulation (EMIR). According to EMIR a CCP established in a third country (non-EU) may provide clearing services to clearing members or trading venues established in the EU only where that CCP is recognized by ESMA. Certain banks that are clearing members of MCCIL are registered in European Union and are operating in India as foreign bank branch. Hence as per the above provisions they can continue to obtain clearing services of MCCIL only if MCCIL is recognised as a third-country CCP by ESMA. The ESMA has confirmed that MCCIL's application is complete.

In December 2016, the European Commission has determined that India has equivalent regulatory regimes for central counterparties (CCPs) to the European Union. As per European Markets Infrastructure Regulation (EMIR) a CCP established in a third country (non-EU) may provide clearing services to clearing members or trading venues established in the EU only where that CCP is recognized by European Securities and Markets Authority (ESMA). EMIR provides for signing of a cooperation arrangement between ESMA and the relevant non-EU authorities, whose legal and supervisory framework for CCPs have been deemed equivalent to EMIR by the European Commission. Signing of MoU is one of the conditions for recognition of third country CCPs by ESMA under EMIR.

In June 2017, the Union Cabinet gave approval to the SEBI for entering into a Memorandum of Understanding (MoU) with ESMA in relation to Mutual Co-operation. Subsequently in July 2017, the Securities and Exchange Board of India (SEBI) has entered into a MoU with the ESMA under EMIR. The MoU establishes cooperation arrangements, including the exchange of information regarding Central Counterparties (CCPs) which are established and authorised or recognised in India by SEBI, and which have applied for EU recognition under EMIR.

#### **4. Highlights of the Clearing Corporation**

Metropolitan Clearing Corporation of India Limited (MCCIL) is qualifying central counterparty (QCCP) recognised by the SEBI. The QCCP status requires ongoing conformance of domestic rules and regulations with the Principles for Financial Market Infrastructures (PFMIs) framed by the Committee on Payments and Settlement Systems (CPSS) and

the International Organization of Securities Commissions (IOSCO). PFMI are internationally accepted benchmarks for capital requirements, risk management, governance arrangements and disclosure requirements applicable for systemically important financial market infrastructures. PFMI provides guidelines for identification and estimation of various risk involved in the CCP business and assessment of adequacy of financial resources and liquid assets required to effectively mitigate these risks.

The MCCIL has benchmarked its policies and procedures with PFMI. The MCCIL monitors adequacy of its financial resources based on the PFMI. The MCCIL maintains a Core Settlement Guarantee Fund (SGF) for each segment of to guarantee the settlement of trades executed in respective segment. The MCCIL maintains sufficient financial resources to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their associates that would potentially cause the largest aggregate credit exposure to the clearing corporation in extreme but plausible market conditions (Cover 2 loss). The corpus of the core SGF is always maintained at adequate level to ensure that the Clearing Corporation will be able to fulfil the settlement obligations and complete the settlement without affecting the normal settlement process even in the event of simultaneous failure of two clearing members to honour settlement commitments.

The corpus of the core SGF maintained by the MCCIL is approximately four times of the latest estimated cover 2 losses. The MCCIL is the only CCP in India, which has secured an insurance cover as part of the default waterfall for settlement defaults since its commencement of operations. The MCCIL has increased the default fund insurance cover to INR 40 crore which is more than three times of the latest estimated cover 2 losses. Apart from the core SGF and default fund insurance, the MCCIL maintains own liquid assets which is more than approximately four times of the latest estimated cover 2 losses. In view of adequacy of Core SGF Corpus the MCCIL has decided not to insist on the primary contribution from Clearing Members with effect from July 01, 2017. However, in the event of shortage in corpus of Core SGF, clearing members may be called upon to make predetermined risk based contribution to Core SGF as informed in advance to them on a monthly basis.

The robustness of the systems, procedures and policies of the MCCIL to pre-empt default risk is evidenced by the fact that since inspection there has been no case of defaults in the MCCIL. In fact, the MCCIL is the only SEBI recognised QCCP with a history of nil clearing member defaults.

Systems used by the MCCIL for clearing, settlement, collateral management and risk management are closely integrated with the trading systems of the parent stock exchange, MSE and other business partners. The MCCIL has adopted a Business Continuity Plan and a Disaster Recovery Plan. The MSE and the MCCIL are the only Exchange and Clearing Corporation in India which have conducted multiple sessions of live trading and clearing operations from the Disaster Recovery Site without prior intimation or announcement to its members. The Quality Management System of the MCCIL is certified with ISO 9001:2008 and the Information Security Management System is certified with ISO/IEC 27001:2013.

## 5. Risks & Concerns and Adequacy of Internal Control Systems

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.

Clearing Corporation may incur a loss if one more member defaults on its settlement obligations and the liquid assets/margin deposits of such defaulting members are insufficient to meet their settlement obligations.

Considering the nature of its business, the Clearing Corporation has adopted a comprehensive risk management policy to identify various risks in the business of central counterparty services and to assess the adequacy of existing controls and financial resources to mitigate such risks. The Risk Management policy of the Clearing Corporation is periodically updated based on the change in market scenario, regulatory requirements and other relevant environmental variables. The Risk Management Committee of the Clearing Corporation reviews the changes in the Risk Management Policy and the policy is duly approved by the Governing Board of the Clearing Corporation.

The Company operates in a very competitive environment and faces competition from two other CCPs which are larger in terms of size and business volumes, in rendering clearing and settlement services in various products /segments. There could also be newer clearing corporations starting operations in these segments. At present MCCIL is providing the clearing and settlement services exclusively to the MSE and therefore MCCIL has a well differentiated market. Therefore the outlook for the corporation will be largely determined by the performance of MSE.

Unresponsiveness or interruption in trade execution, clearing or settlement may result due to power or telecommunications failure, natural disasters, fire, sabotage, hardware or software malfunctions or defects, computer viruses/malwares, acts of vandalism or similar events. The MCCIL has an approved business continuity plan and a disaster recovery plan in effect, to mitigate business interruptions from the aforesaid risks. We have improved latency and backup of our communication systems. Regular system audits are conducted for identifying risks and compliance. All necessary software and hardware enhancements are undertaken on time. Annual maintenance contracts are maintained for all critical communication functions and systems.

Clearing Corporations in India are highly regulated. Any change in the regulatory environment may affect the Company's business. The Company is required to obtain statutory and regulatory permits, licenses and approvals for our operations from SEBI from time to time. Any failure to obtain, renew and maintain the same may adversely affect our business.

The SECC Regulations, which was enacted in 2012 stipulated shareholding and ownership norms for clearing corporations, wherein entities other than stock exchanges and financial institutions were not allowed to hold more than 5% in CCs. However CCs were required to have at least 51% shareholding by stock exchanges(s) while financial institutions were allowed to hold up to 15%. As per SECC regulations 2012, a new applicant CC is required to have net worth of INR 100 crores initially and a net worth of INR 300 crores within three years from the date of recognition. Further, the SECC regulations do not allow CC (i) to distribute dividend until it achieves a net worth of INR 300 crores and (ii) to list its shares.

During FY 2016-17, the MSE has infused additional equity of INR 23.80 crore thereby helping the MCCIL to achieve a net worth of INR 100.71 crore (i.e. paid up capital of INR 93.80 crore + reserves of INR 6.91 crores) as on March 31, 2017. In the current financial year, the MCCIL initiated steps to further increase its net worth to meet the regulatory requirement of INR 300 crores.

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.

## 6. Financial performance

### a) Financial performance with respect to operational performance

Amount in INR crores

Financial Highlights	2016-17	2015-16
Revenue from operations	3.69	10.21
Profit before Interest, Depreciation, Tax and Exceptional Items	1.63	0.86
Profit before tax	1.61	0.74
Cash profit	1.63	0.86
Net profit	1.61	0.74

### b) Revenue and operating expenses

The Company earned total revenues of INR 3.69 crore from operations during the year ended March, 2017 as against INR 10.21 crore in the year ended March, 2016. The decrease in revenue was mainly due to decrease in clearing and settlement fees received on turnover generated in Currency Derivative Segment of the MSE.

### c) Operating profit before depreciation and amortization and exceptional items

The Company earned EBITDA of INR 1.63 crore for the year ended March, 2017 as compared to INR 0.86 crore during the previous year ended March, 2016. The EBITDA margin for the year 2016 - 2017 is 44.17% as against 8.42% for the year 2015-16.

### d) Depreciation and Amortization

The depreciation and amortization charges were INR 0.02 crore for the year ended March, 2017 as against INR 0.11 crore for the year ended March, 2016.

### e) Profit after tax

The profit after tax stood at INR 1.61 crore for the year 2016 - 2017 as compared to a profit of INR 0.74 crore for the year 2015 - 2016.

### f) Balance Sheet

As on March 31, 2017, the Company had total assets of INR 193.19 crore and shareholders' funds at INR 100.72 crore. The Company is debt-free as on March 31, 2017.

## 7. Material Developments in Human Resources

The Company is in the process of strengthening its manpower and the no of employees as March 31, 2017 stood at 27 as against 21 employees as on March 31, 2016.

## 8. Future Business Outlook

Clearing corporation plays a critical role in the growth of capital market. Over the last few years, the SEBI has announced several far-reaching reforms to promote the capital market and protect the investors' interest. The merger of the FMC with SEBI will increase economies of scope and economies of scale for the government, exchanges, financial firms and stakeholders. New regulations enable launch of commodity options and regulations are underway to enable participation of banks and foreign portfolio investors in commodities market. Pursuant to the merger of the FMC with the SEBI, recognised associations under FCRA are deemed to be recognised stock exchanges under SCRA w.e.f. September 28, 2015. Such exchanges are required to carry out the clearing and settlement of trades executed at their platform through recognized CCs within three years from the date of recognition.

The MCCIL is designated as a Qualified Central Counter Party (QCCP) by the SEBI and it has already benchmarked its policies and procedures with PFMI. The MCCIL has applied to ESMA for recognition as third country CCP under EMIR. The ESMA has confirmed that MCCIL's application is complete and the MCCIL is awaiting a favourable decision of the ESMA.

The aforesaid regulatory changes and credentials of MCCIL as a QCCP open up opportunities for MCCIL to offer its services for the commodities markets.

Due to changes in regulatory environment post financial crisis in 2008, more and more listed and OTC market products are expected to be mandatorily cleared through a QCCP. This presents immense opportunities for the Company to offer not only clearing and settlement services for the products listed on its holding stock exchange, but offer such services for listed products of member exchanges and OTC products.

Based on the recent changes in the regulatory regime as mentioned above, the MCCIL can reasonably anticipate the market's future needs and respond with the solutions that lower costs, improve efficiency, reduce risk and increase transparency for the segments of markets it serves.

For and on behalf of the Board of Directors

Sd/-

**Vijay Bhaskar Pedomallu**

Chairman & Public Interest Director

DIN: 06629884

Sd/-

**Balu Nair**

Managing Director

DIN: 07027100

Date: August 10, 2017

Place: Mumbai

## 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.



**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 arm's 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**

Name of related party and nature of relationship	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
Metropolitan Stock Exchange of India Limited (hereinafter referred to MSE) (Holding Company)	Agreement for providing Clearing & Settlement Services	Ongoing since October 1, 2012	Clearing and settlement income aggregating Rs. 67,38,123/- earned by the MCCIL from the MSE for clearing and settling of trades done on the Exchange.	February 10, 2017	Nil
	Agreement for sharing resources entered between MCCIL and MSE	Ongoing since January 2, 2013	Installation, maintenance and support of Software and networking infrastructure aggregating Rs. 3,71,02,962/- paid to the MSE, including balance payable at the end of the year Rs.10,42,987/-.	February 10, 2017	Nil
	Amendment to Agreement of sharing resources	January 01, 2017 to December 31, 2022	Advance payment of Rs. 20.19 crore in lieu of fixed charges for installation, maintenance and support of DOME and CNS software	November 24, 2016	20.19 crore
	MOU for sharing office premises entered between MCCIL and MSE	From September 1, 2014 to August 18, 2016	To occupy and use office premises a rent of Rs. 1,113,165/ was paid	February 10, 2017	Nil
	MOU for sharing office premises entered	From August 19, 2016 to August 18, 2022	To occupy and use office premises a rent of Rs. 3,814,283 was paid	November 11, 2016	



Name of related party and nature of relationship	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
	between MSE & MCCIL				
	Tripartite Agreement between MSE, MCCIL and 63 Moons Technologies Limited (formerly known as Financial Technologies (India) Ltd.) (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 MSE	February 10, 2017	Nil
	Allotment of equity shares of Rs.10/- each to MSE	-	Rs.238046160/-	October 09, 2016 and November 02, 2016	Nil
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. 62,96,446/-	May 10, 2017	Nil

For and on behalf of the Board of Directors

Sd/-

**Vijay Bhaskar Pedamallu**

Chairman & Public Interest Director

DIN: 06629884

Sd/-

**Balu Nair**

Managing Director

DIN: 07027100

Date: August 10, 2017

Place: Mumbai

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**SECRETARIAL AUDIT REPORT**

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FOR THE YEAR ENDED MARCH 31, 2017

To

**The Members****Metropolitan Clearing Corporation of India Limited**

(formerly known as MCX-SX Clearing Corporation Limited)

CIN :U67120MH2008PLC188032

Plot No C 62, G - Block, Opp. Trident Hotel,

Bandra Kurla Complex, Bandra (E),

Mumbai- 400 098

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**. 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, 2016 to March 31, 2017, 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, 2016 to March 31, 2017 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"):
  - The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992
- (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 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.

#### **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. 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.

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.

#### **I further report that**

The Company has adequate systems and processes commensurate with the size and operations of the Company to monitor and ensure compliance with applicable 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 :-

- a) The company had offered a rights issue of 3,00,00,000 equity shares of Rs.10 each to its existing shareholders. Each shareholder was entitled to subscribe in the ratio of 3:7. The Board of Directors had reserved the right to dispose of

the unsubscribed portion of Rights issue in a manner not disadvantageous to the shareholders of the Company. The issue opened on September 3, 2016 and closed on September 30, 2016. Metropolitan Stock Exchange of India Limited (MSEI) subscribed to the extent of 1,78,74,616 equity shares of Rs. 10 each and accordingly the said shares were allotted to MSEI on October 09, 2016. Subsequently, the Board of Directors in view of the authority to deal with the unsubscribed portion of Rights Issue, offered the unsubscribed shares to existing eligible shareholders. MSEI subscribed to 59,30,000 equity shares of Rs. 10 each and the said shares were allotted to MSEI on November 02, 2016. The Board of Directors in its meeting held on May 10, 2017 subsequently decided to withdraw the unsubscribed portion of the rights issue of 61,95,384 equity shares, which includes the shares kept in abeyance for 63 moons technologies limited ('63 moons') pursuant to SEBI's order dated March 19, 2014.

- b) The Company entered into certain related party arrangements with its holding company MSEI prior to the coming into force of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI (LODR) Regulations, 2015) and section 188 of the Companies Act, 2013. All the transactions pursuant to these related party arrangements carried out during the year under review were at arm's length and in the ordinary course of business as confirmed by the Board of Directors. However, regulation 23 of the SEBI (LODR) Regulations, 2015 which is effective from December 01, 2015 required the Board of Directors to obtain approval of the shareholders by way of special resolution for ongoing material related party transactions. Two general meetings were held namely 8th Annual General Meeting on August 18, 2016 and Extra Ordinary General meeting on February 23, 2017 in which all ongoing material RPT's were placed for approval of the shareholders. But approval from disinterested shareholders was not received. These transactions are ongoing and it is proposed to be placed before the shareholders again in the ensuing annual general meeting, as represented by the Management of the Company.
- c) The Board of Directors of the company has vide circular resolution passed on April 22, 2017 approved shifting of the registered office of the company from Exchange Square, CTS No.255, Suren Road, Chakala, Andheri (East), Mumbai – 400093 to Plot No C 62, G - Block, Opp. Trident Hotel, Bandra Kurla Complex, Bandra (E), Mumbai- 400 098. The company has complied with the requirement of the Companies Act, 2013 in this regard.

Place : Mumbai

Date : August 10, 2017

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 A and forms an integral part of this report.

## **'Annexure A'**

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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. Wherever 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 : August 10, 2017

Sd/-

**A SEKAR**

**COMPANY SECRETARY**

ACS 8649 CP 2450

**Annexure – III**

Statement pursuant to Regulation 27(5) of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 and Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 for the period from April 1, 2016 to March 31, 2017

Sl. No	Name	Age (Yrs.)	Designation	Remuneration received (Gross Rs.)	Qualification	Experience no. of Yrs	Date of commencement of employment	Last employment held before joining the company
1	Mr. Balu Nair <sup>1</sup>	39.06	Managing Director	4,828,315	BBM / BBA, MBA	16.05	18 Feb 2009	National Stock Exchange of India Ltd.
2	Mr. Krishna Wagle	42.06	Chief Financial Officer	1,348,629	MBA, B.Com	21.03	10 Jul 2015	Inter Connected Stock Exchange India Ltd.
3	Ms. Avni Patel <sup>2</sup>	33.01	Company Secretary	895,108	CS, LLB, B.Com	08.09	01 Jul 2016	CD Equisearch Pvt Ltd
4	Mr. Sageer Khan <sup>3</sup>	44.10	Compliance officer	6,21,363	BA, LLB, Executive MBA	16	23 Jul 2015	Inter Connected Stock Exchange India Ltd.

**Notes:**

<sup>1</sup> Mr. Balu R. Nair was appointed as the Managing Director of the company w.e.f. June 20, 2016

<sup>2</sup> Ms. Avni Patel was appointed as the Company Secretary of the Company w.e.f. July 01, 2016

<sup>3</sup> Mr. Sageer Khan was appointed as the Compliance Officer of the Company w.e.f. July 18, 2016

- 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.
- 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

Sd/-

**Vijay Bhaskar Pedomallu**

Chairman & Public Interest Director

DIN: 06629884

Date: August 10, 2017

Place: Mumbai

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, 2017**

[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	4 <sup>th</sup> Floor, Vibgyor Towers, Opp. Trident Hotel, Plot No. C-62, Bandra Kurla Complex, Bandra (East), Mumbai – 400098 Tel- 022-61129000
Whether listed company	No
Name, Address and Contact details of Registrar and Transfer Agent, if any	Kary 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	86.94	2(87(ii) of the Companies Act, 2013

**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	%	
<b>Promoter</b>									
Indian	--	--	--	--	--	--	--	--	--
Individual/ HUF	--	--	--	--	--	--	--	--	--
Central Govt	--	--	--	--	--	--	--	--	--
State Govt(s)	--	--	--	--	--	--	--	--	--
Bodies Corp	5,77,49,998	2	5,77,50,000	82.50	8,15,54,614	2	8,15,54,616	86.94	4.44
Banks / FI	--	--	--	--	--	--	--	--	--
Any Other	--	--	--	--	--	--	--	--	--
<b>Sub-total(A)(1):-</b>	<b>5,77,49,998</b>	<b>2</b>	<b>5,77,50,000</b>	<b>82.50</b>	<b>8,15,54,614</b>	<b>2</b>	<b>8,15,54,616</b>	<b>86.94</b>	<b>4.44</b>
Foreign	--	--	--	--	--	--	--	--	--
NRIs- Individuals	--	--	--	--	--	--	--	--	--
Other- Individuals	--	--	--	--	--	--	--	--	--
Bodies Corp.	--	--	--	--	--	--	--	--	--
Banks / FI	--	--	--	--	--	--	--	--	--
Any Other....	--	--	--	--	--	--	--	--	--
<b>Sub-total (A)(2):-</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Public Shareholding</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
Institutions	--	--	--	--	--	--	--	--	--
Mutual Funds	--	--	--	--	--	--	--	--	--
Banks / FI	--	--	--	--	--	--	--	--	--
Central Govt	--	--	--	--	--	--	--	--	--
State Govt(s)	--	--	--	--	--	--	--	--	--
Venture Capital Funds	--	--	--	--	--	--	--	--	--
Insurance Companies	--	--	--	--	--	--	--	--	--
FIs	--	--	--	--	--	--	--	--	--
Foreign Venture Capital Funds	--	--	--	--	--	--	--	--	--
Others (specify)	--	--	--	--	--	--	--	--	--
<b>Sub-total (B)(1)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
2.Non Institutions	--	--	--	--	--	--	--	--	--
Bodies Corp. (i) Indian (ii) Overseas	1,22,49,998	2	1,22,50,000	17.50	1,22,49,998	2	1,22,50,000	13.06	(4.44)
Individuals (i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	--	--	--	--	--	--	--	--	--



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	%	
(ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh									
Others(Specify)	--	--	--	--	--	--	--	--	--
<b>Sub-total (B)(2)</b>	<b>1,22,49,998</b>	<b>2</b>	<b>1,22,50,000</b>	<b>17.50</b>	<b>1,22,49,998</b>	<b>2</b>	<b>1,22,50,000</b>	<b>13.06</b>	<b>(4.44)</b>
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>1,22,49,998</b>	<b>2</b>	<b>1,22,50,000</b>	<b>17.50</b>	<b>1,22,49,998</b>	<b>2</b>	<b>1,22,50,000</b>	<b>13.06</b>	<b>(4.44)</b>
C. Shares held by Custodian for GDRs & ADRs	--	--	--	--	--	--	--	--	--
<b>Grand Total (A+B+C)</b>	<b>6,99,99,996</b>	<b>4</b>	<b>7,00,00,000</b>	<b>100</b>	<b>9,38,04,612</b>	<b>4</b>	<b>9,38,04,616</b>	<b>100</b>	<b>--</b>

## 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	5,77,50,000	82.50	-	8,15,54,616	86.94	-	4.44
Total	5,77,50,000	82.50	-	8,15,54,616	86.94	-	4.44

## 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.	Metropolitan Stock Exchange of India Limited				
	At the beginning of the year	5,77,50,000	82.5		
	Allotment of shares pursuant to Rights Issue on October 09, 2016	1,78,74,616	3.6	7,56,24,616	
	Allotment of shares pursuant to Rights Issue on November 02, 2016	59,30,000	0.84	8,15,54,616	86.94
	At the End of the year			8,15,54,616	86.94

- 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.	Multi Commodity Exchange of India Limited				
	At the beginning of the year	65,00,000	9.29	65,00,000	9.29
	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	6.93	65,00,000	6.93
2.	63 moons technologies limited(formerly known as Financial Technologies (I) Limited)				
	At the beginning of the year	57,50,000	8.21	57,50,000	8.21
	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	6.13	57,50,000	6.13

- 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
1	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				
Total (i+ii+iii)	--	--	--	--
Change in Indebtedness during the financial year	--	--	--	--
- Addition				
- Reduction				
Net Change	--	--	--	--
Indebtedness at the end of the financial year	--	--	--	--
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)	--	--	--	--

\* The Company has never borrowed.

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Amount in rupees

Particulars of Remuneration	Mr. Balu Nair* MD	Total Amount
Gross salary		
(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	48,28,315	48,28,315
(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	--	--
Total (A)	48,28,315	48,28,315

\*Appointed as MD w.e.f. 20/06/2016

## B. Remuneration to other directors:

Amount in rupees

Particulars of Remuneration	Name of the Directors					
	Mr. Vepa Kamesam	Dr. M.Y. Khan	Mr. P. K. Chhokra	Mr. Vijay Bhaskar Pedamallu	Mr. Alok Mittal	Total Amount
Independent Directors						
· Fee for attending board committee meetings	3,32,000	4,42,000	4,66,000	2,10,000	2,10,000	16,60,000
· Commission	-	-	-	-	-	-
· Others, please specify	-	-	-	-	-	-
Total (1)	3,32,000	4,42,000	4,66,000	2,10,000	2,10,000	16,60,000
Other Non-Executive Directors						
· Fee for attending board committee meetings	-	-	-	-	-	-
· Commission	-	-	-	-	-	-
· Others, please specify	-	-	-	-	-	-
Total (2)	-	-	-	-	-	-
Total (B)=(1+2)	3,32,000	4,42,000	4,66,000	2,10,000	2,10,000	16,60,000
Total Managerial Remuneration	3,32,000	4,42,000	4,66,000	2,10,000	2,10,000	16,60,000
Overall Ceiling as per the Act	Rs.1,00,000(per Director/per meeting)					

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

Amount in rupees

Particulars of Remuneration	Key Management Personnel		
	Mr. Krishna Wagle CFO	Ms. Avni Patel* CS	Total
Gross salary			
(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	13,48,629	8,95,108	22,43,737
(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	--	--	--
Total	1348629	895108	22,43,737

\*Appointed as CS w.e.f 01/07/2016

**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

Sd/-

**Vijay Bhaskar Pedomallu**

Chairman & Public Interest Director

DIN: 06629884

Sd/-

**Balu Nair**

Managing Director

DIN: 07027100

Date: August 10, 2017

Place: Mumbai

## Corporate Governance Report

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### 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 2016-17, Mr. Vepa Kamesam and Dr. M.Y. Khan, Public Interest Directors resigned with effect from October 27, 2016 (on account of completion of term as Public Interest Director) and Mr. Vijay Bhaskar Pedomallu and Mr. Alok Kumar Mittal were appointed as Public Interest Directors with effect from October 27, 2016 pursuant to approval received from SEBI on October 24, 2016. The shareholders in its meeting held on February 23, 2017 approved the appointment of Mr. Vijay Bhaskar Pedomallu & Mr. Alok Mittal as Independent Directors of the Company. Mr. Udai Kumar was appointed as Shareholder Director with effect from May 10, 2016 pursuant to approval received from SEBI on May 10, 2016. Further, 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.

Mr. Vijay Bhaskar Pedamallu, Public Interest Director was appointed as Chairman of the Company pursuant to approval received from SEBI on November 28, 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 2016-17, the Board of Directors met Ten (10) times May 13, 2016, June 20, 2016, July 18, 2016, August 11, 2016, August 30, 2016, September 19, 2016, October 18, 2016, November 08, 2016, November 11, 2016, and February 10, 2017.

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 and other items on the agenda. 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 for the financial year 2016-17 is given in Table A:

**Table A: Details of Board's composition for the Financial Year 2016-17**

Name of the Director	Nature of Directorship	Board Meetings		Attendance at the last AGM	Directorship in other companies (^)	Chairmanship and membership of committees of Board of the other companies (**)	
		Held#	Attended			Chairman	Member
Mr. Vepa Kamesam <sup>1</sup> (DIN 00542329)	Chairman & Public Interest Director	7	7	Absent	1	-	1
Dr. M.Y. Khan <sup>1</sup> (DIN 03185713)	Public Interest Director	7	7	Present @@@	-	-	-
Mr. P.K. Chhokra <sup>2</sup> (DIN 03107873)	Public Interest Director	10	9	Absent	1	-	1
Mr. Vijay Bhaskar Pedamallu <sup>3</sup> (DIN: 06629884)	Chairman & Public Interest Director	3	3	-	9	8	-
Mr. Alok Kumar Mittal <sup>3</sup> (DIN: 00008577)	Public Interest Director	3	3	- @@@	3	-	--
Mr. Udai Kumar <sup>4</sup> (DIN: 06750460)	Shareholder Director	10	10	Present	2	-	1
Mr. Balu Nair <sup>5</sup> (DIN: 07027100)	Managing Director	9	9	Present	-	-	-

<sup>#</sup>No. of meetings held during the tenure of the Director.  
<sup>^</sup> Excludes directorship(s) in Indian Private Companies, Foreign Companies, Section 25 Companies and Alternate Directorships  
<sup>\*\*</sup> Only Audit Committee and Shareholders' Grievance Committee of Indian Public Limited companies have been considered.  
<sup>1</sup> Resigned with effect from October 27, 2016  
<sup>2</sup> Appointed as Public Interest Director of the Company with effect from June 20, 2013, , continue to hold office as PID of the Company in terms of the Regulation 6.3.8 of the SEBI Circular (CIR/MRD/DSA/33/2012) dated December 13, 2012.  
<sup>3</sup> Appointed as Public Interest Director with effect from October 27, 2016  
<sup>4</sup> Appointed as Shareholder Director with effect from May 10, 2016.  
<sup>5</sup> Appointed as Managing Director with effect from June 20, 2016  
@@@ 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

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

The Company has formulated a familiarization program for independent Directors (PIDs) in order to assist them understand details about the Company, their role, rights, responsibilities in the Company, nature of industry in which the Company operates, business model of the Company, etc. 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. The details of familiarization program imparted to Independent Directors are given in the Company's website at the following location <http://www.msei.in/mcxsxcl/about-mcx-sx-ccl/default.aspx>



#### D. Board evaluation

One of the key functions of the Board is to monitor and review the Board evaluation framework. The Board works with the Nomination and Remuneration cum compensation committee to lay down the evaluation criteria for performance of the Chairman, the Board, the Committees and individual directors excluding the Director being evaluated. The Board has adopted a framework on Board evaluation. As per the framework, the Company will carry out an evaluation of the Board as a whole, Board Committees and Directors on an annual basis. For the financial year 2016-17, Board evaluation was done in terms of the framework adopted.

#### E. Separate meeting of Independent Directors

As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Schedule IV of the Companies Act, 2013 and Rules framed thereunder, 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 30, 2017 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. The audit committee helps the Board monitor the Management's financial reporting process and ensure that the disclosures are not only accurate and timely, but follow the highest level of transparency, integrity and quality of financial reporting.

#### Terms of Reference

The terms of reference of the Audit Committee are as per the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. 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.
- 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. 2016-17:**

At the beginning of the year of 2016-17 the members of the Audit Committee were:

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

The Board of Directors in its meeting held on July 18, 2016 reconstituted the Committee and accordingly, the following were members of the Committee:

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

The Board of Directors in its meeting held on August 11, 2016 reconstituted the committee and accordingly, the following were the members of the committee:

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

Due to resignation of Dr. M.Y. Khan, Public Interest Director, (on account of completion of term as Public Interest Director) the Audit Committee was reconstituted by the Board of Directors in its meeting held on November 08, 2016 and the current composition of the Audit Committee stands as follows:

- Mr. Alok Kumar Mittal, Public Interest Director – Chairman
- Mr. P.K. Chhokra, Public Interest Director – Member
- Mr. Udai Kumar, Shareholder Director – Member

During the financial year 2016-17, the Audit Committee met 5 (five) times on May 12, 2016, July 15, 2016, August 10, 2016, November 11, 2016 and February 10, 2017.

Member	Category	Meetings Held	Meetings Attended
Dr. M.Y. Khan*	Public Interest Director	3	3
Mr. P.K. Chhokra	Public Interest Director	5	5
Mr. Udai Kumar&	Shareholder Director	2	2
Mr. Vepa Kamesam^	Public Interest Director	2	2
Mr. Alok Kumar Mittal@	Public Interest Director	2	2
Mr. Balu Nair#	Managing Director	1	1
<p>* Ceased as member of the Committee with effect from October 27, 2016            ^ Ceased to be a member of the Committee on July 18, 2016            @Appointed as Member of the Committee with effect from November 08, 2016            &amp; Appointed as Member of Committee on August 11, 2016            # Appointed as Member of Committee on July 18, 2016 and ceased to be a member on August 11, 2016.</p>			

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

The Chief Financial Officer, the representatives of the statutory auditors and internal auditors are regularly invited to the Audit Committee meetings. The Company Secretary is the Secretary to the Committee. Dr. M.Y.Khan, former Chairman of the Audit Committee attended the Annual General Meeting held on August 18, 2016 to answer shareholders queries.

#### **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.

The committee identifies and recommends to Board person who are qualified to be become director and who may be appointed in senior management in accordance with the criteria laid down. The committee also determines the employment terms and compensation payable to Key Managerial Personnel. The committee formulates the compensation policy and reviews the same on a periodic basis. It coordinates and oversees the annual evaluation of the Board and the individual directors.

### Composition, meetings and attendance during the F.Y. 2016-17:

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

1. Dr. M.Y. Khan, Public Interest Director – Chairman
2. Mr. Vepa Kamesam, Public Interest Director – Member
3. Mr. P.K.Chhokra, Public Interest Director – Member
4. Mr. Udai Kumar, Shareholder Director – Member

Due to resignation of Mr. Vepa Kamesam & Dr. M.Y. Khan on account of completion of their term as Public Interest Directors, the committee was reconstituted by the Board of Directors on November 11, 2016 and the current composition of the committee is as follows:

1. Mr. P.K. Chhokra, Public Interest Director – Chairman
2. Mr. Vijay Bhaskar Pedomallu, Public Interest Director – Member
3. Mr. Udai Kumar, Shareholder Director – Member

During the financial year 2016-17, the Committee met four times on June 23, 2016, July 13, 2016, September 21, 2016 and March 06, 2017.

Member	Category	Meetings held	Meetings Attended
Dr. M.Y. Khan *	Public Interest Director	3	3
Mr. Vepa Kamesam*	Public Interest Director	3	3
Mr. P.K. Chhokra	Public Interest Director	4	4
Mr. Vijay Bhaskar Pedomallu <sup>&amp;</sup>	Public Interest Director	1	1
Mr. Udai Kumar	Shareholder Director	4	4
* Ceased as member of the Committee with effect from October 27, 2016. & Appointed as member of the committee on November 11, 2016			

The Company Secretary is the Secretary to the Committee

### Details of remuneration to Directors:

#### i. Remuneration of the Managing Director and his Shareholding

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. The Nomination and Remuneration cum Compensation committee at its meeting March 23, 2016 approved the remuneration of Rs. 55 lacs per annum to be paid to Mr. Balu Nair (on Cost to company basis). The said remuneration was approved by the Board of Directors in its

meeting held on March 23, 2016, the SEBI vide letter dated June 14, 2016 and the shareholders of the Company in its Annual General Meeting held on August 18, 2016.

The details of remuneration paid to Mr. Balu Nair for the financial year 2016-17 is as follows:

Components of the Salary Package	Amount(p.a.)
<b>Fixed Pay</b>	
Basic Salary	2,310,000
HRA	1,155,000
Conveyance Allowance	-
Provident Fund (Employer Contribution) / Other Allowances	277,200
Special Allowance	1,033,289
<b>Sub Total (A)</b>	<b>4,775,489</b>
<b>Fringe Benefits</b>	
Food Coupons	30,000
Medical Reimbursement	15,000
LTA Reimbursement	192,500
Other Entitlements/Reimbursement	99,600
<b>Sub Total (B)</b>	<b>337,100</b>
<b>Total of A+B (Gross Salary)</b>	<b>5,112,589</b>
<b>Other Benefits Costed</b>	
Car Entitlement*	240,000
Insurance Benefits (Group Term life Insurance+Accident Insurance+ Mediclaim)	36,353
Gratuity	111,058
<b>Sub Total (C)</b>	<b>387,411</b>
<b>Total Remuneration (Gross Salary + Other Benefits)</b>	<b>5,500,000</b>

Remuneration of the Non-Executive Directors and their shareholding as on 31.03.2017 is as below:

Name of the Director	Sitting Fees (Amount in INR)		Shareholding in the Company as on 31.03.2017 (in Nos.)
	Board Meetings	Committee Meetings	
Mr. Vepa Kamesam	1,12,000/-	2,20,000/-	NIL
Dr. M.Y. Khan	1,12,000/-	3,30,000/-	NIL
Mr. P.K. Chhokra	1,56,000/-	3,10,000/-	NIL
Mr. Vijay Bhaskar Pedamallu	60,000/-	1,50,000/-	NIL
Mr. Alok Kumar Mittal	60,000/-	1,50,000/-	NIL
Mr. Udai Kumar*	NIL	NIL	NIL

\* Sitting fees had been waived off by 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

1. Redressal of various complaints of security holders including transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.;
2. Keeping records of dematerialization, rematerialization, share transfer, transposition of names, transmission requests, etc.;
3. Issue of duplicate share certificates in case of damage or loss of share certificate;
4. 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. 2016-17:

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

1. Dr. M.Y. Khan, Public Interest Director – Chairman
2. Mr. P.K. Chhokra, Public Interest Director – Member

On account of appointment of Mr. Balu Nair, Managing Director and resignation of Dr. M.Y. Khan on account of completion of term as Public Interest Director, the committee was reconstituted and the current composition of the committee is as follows:

1. Mr. Alok Kumar Mittal, Public Interest Director – Chairman
2. Mr. P.K. Chhokra, Public Interest Director – Member
3. Mr. Balu Nair, Managing Director – Member

During the financial year 2016-17, the Committee met two times on June 09, 2016 and September 15, 2016.

Member	Category	Meetings held	Meetings Attended
Mr. P.K. Chhokra	Public Interest Director	2	2
Dr. M.Y. Khan*	Public Interest Director	2	2
Mr. Balu Nair#	Managing Director	1	1

\*Ceased as member of the Committee with effect from October 27, 2016

#Appointed as member of the Committee with effect from July 18, 2016

The Company Secretary is the Secretary to the Committee. During the financial year 2016-17, 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 2016-17 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
1.	Transfer Requests received	NIL	3	3	NIL
2.	Transmission Requests received	NIL	NIL	NIL	NIL
3.	Requests received for Duplicate Share Certificate(s)	NIL	NIL	NIL	NIL
4.	Any other request from the shareholder	NIL	NIL	NIL	NIL

No complaints were pending as on March 31, 2017.

## A. 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 Regulations, 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
3.	Committee for monitoring compliance with SEBI inspection report
4.	Disciplinary Action Committee
5.	Executive Committee
6.	Investor Services Committee
7.	Management & Investment Committee
8.	Member Regulation Oversight Committee
9.	Member Selection Committee
10.	Nomination and Remuneration Cum Compensation Committee
11.	Public Interest Directors Committee
12.	Risk Management Committee
13.	Selection Committee
14.	Stakeholders Relationship Committee
15.	Standing Committee on Technology
16.	Ethics Committee
17.	Defaulters Committee

## B. 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.

## C. General Body Meetings

- a. Annual General meeting of the Company was held on August 18, 2016 at 11.30 AM at 4th floor, Vibgyor Towers, Plot no. C-62, G Block, Opp. Trident Hotel, Bandra Kurla Complex, Bandra (East), Mumbai- 400098. The special resolution with regard to appointment of Mr. Balu Nair as Managing Director and approval of remuneration to be paid to him was passed at the said meeting.
- b. Extraordinary General meeting of the Company was held on: February 23, 2017 at 11.30 A.M at 4th floor, Vibgyor Towers, Plot no. C-62, G Block, Opp. Trident Hotel, Bandra Kurla Complex, Bandra (East), Mumbai- 400098



- 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 20, 2013	4.00 P.M.	AGM for the FY 2012-13	Exchange Square, 2nd Floor, Suren Road, Andheri East, Mumbai - 400093	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>
June 16, 2015	11.30 AM	EGM		Alteration of Articles
July 01, 2015	10.30 AM	EGM		<ol style="list-style-type: none"> <li>1. Increase in Authorised share capital of the Company and alteration of Capital clause of the Memorandum of Association of the Company</li> <li>2. alter name clause of the Memorandum of Association of the Company</li> <li>3. to raise funds by issuing equity shares through offer of further shares</li> </ol>
September 22, 2015	11.30 AM	AGM		Appoint & fix remuneration of Mr. Udai Kumar as Managing Director of the Company.
March 03, 2016	2.00 PM	EGM		Appointment of Mr. Udai Kumar as Shareholder Director

**D. Postal Ballot:**

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

**E. 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 2016-17.

## F. General Shareholder Information:

1.	Annual General Meeting (F.Y. 2016-17) Day, Date, Time and Venue	Tuesday, September 12, 2017 at 11:30 am 4th Floor, Vibgyor Towers, Opp. Trident Hotel, Bandra Kurla Complex (BKC), Mumbai - 400 098
2.	Financial year	April 01, 2016- March 31, 2017
3.	Dividend payment date	Not Applicable
4.	Listing on Stock Exchanges	Your Company is not listed.
5.	Market Price data in last financial year	Not applicable
6.	Performance in comparison to broad based indices such as BSE sensex, CRISIL Index, etc.	Not applicable
7.	Registrars & Transfer Agents (RTA)	Karvy Computershare Private Limited Plot No. 17-24, Vittalrao Nagar, Madhapur, Hyderabad – 500 081.
8.	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.
9.	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
10.	Commodity Price Risk or foreign exchange risk and hedging activities	Not applicable
11.	Name and Designation of Compliance Officer	Mr. Sageer Khan, Compliance Officer
12.	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>
13.	Email	<a href="mailto:shareholdergrievance@mclear.in">shareholdergrievance@mclear.in</a>

**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 63 moons technologies limited (formerly known as Financial Technologies (India) Limited). The securities of the Company are admitted for dematerialization with Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL). The ISIN of the Company's equity shares is INE831N01013. As on March 31, 2017, a total of 9,38,04,612 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.

## A. Distribution of Shareholding &amp; Shareholding pattern (As on March 31, 2017):

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	9,38,04,616	100
	<b>Total</b>	<b>3</b>	<b>100</b>	<b>9,38,04,616</b>	<b>100</b>

## Shareholding Pattern as on March 31, 2017

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	8,15,54,616	86.94
	<b>Sub-Total A(1)</b>	<b>1</b>	<b>8,15,54,616</b>	<b>86.94</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>8,15,54,616</b>	<b>86.94</b>
<b>(B)</b>	<b>PUBLIC SHAREHOLDING</b>			
(1)	INSTITUTIONS			
(a)	Mutual Funds /UTI	0	0	0.00
(b)	Financial Institutions /Banks	0	0	0.00
(c)	Venture Capital Funds	0	0	0.00
(d)	Foreign Institutional Investors	0	0	0.00
(e)	Foreign Bodies Corporate	0	0	0.00
	<b>Sub-Total B(1)</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
(2)	NON-INSTITUTIONS			
(a)	Bodies Corporate	2	1,22,50,000	13.06
(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>13.06</b>
	<b>Total B=B(1)+B(2)</b>	<b>2</b>	<b>1,22,50,000</b>	<b>13.06</b>
	<b>Total (A+B)</b>	<b>3</b>	<b>9,38,04,616</b>	<b>100</b>

**Notes:**

The above figures include holdings of five 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 63 moons technologies limited (formerly known as 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 63 moons technologies limited (formerly known as Financial Technologies (India) Limited) (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 MCCIL, directly or indirectly, within 90 days of the order. In the same order, SEBI also stated that 63 moons technologies limited (formerly known as Financial Technologies (India) Limited) (FTIL) and entities through whom it indirectly holds equity shares or any instrument entitling voting rights in MCCIL 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 2016-17, the Company has received following investments in Equity Shares from Metropolitan Stock Exchange of India Limited on Rights Issue basis - • Rs. 23,80,46,160 towards 23804616 Equity shares of Rs.10/- each of for cash at par

## B. Other Disclosures

### (A) Disclosures on materially significant related party transactions

The transactions with related parties are entered in the ordinary course of business and at arm's length. The details of the related party transactions are disclosed in the Annual Report. The 'Policy on dealing with related party transactions' of the Company is available on the Website of the Company at the following address:

<https://www.mclear.in>

### (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.

**C. 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.

**D. 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, 2017. The report of Secretarial Auditor is annexed to the Board's report.

**E. CEO and CFO certification**

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

**F. Management's discussion and analysis**

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

**G. 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.

**H. 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 2016-17, signed by the Managing Director, forms part of the Annual Report.

For and on behalf of the Board of Directors

Sd/-

**Vijay Bhaskar Pedomallu**

Chairman & Public Interest Director

DIN: 06629884

Sd/-

**Balu Nair**

Managing Director

DIN: 07027100

Date: August 10, 2017

Place: Mumbai

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

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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, 2017, 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.

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 of 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: 11.08.2017

Sd/-

**Sandeep D. Welling**

Partner

Membership No: 044576

## **DECLARATION REGARDING COMPLIANCE BY BOARD OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT**

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I hereby declare that all the Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the financial year 2016- 17 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, 2017.

Sd/-

**Balu Nair**

**Managing Director**

DIN: 07027100

Place: Mumbai

Date: August 10, 2017

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

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*(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, 2017 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: August 10, 2017

Sd/-  
**Balu Nair**  
Managing Director

Sd/-  
**Krishna Wagle**  
Chief Financial Officer



## INDEPENDENT AUDITOR'S REPORT

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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, 2017, 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, 2017;
  - (b) in case of Statement of Profit & Loss, of the profit for the year ended March 31, 2017;
  - (c) In the case of the Cash Flow Statement, cash flows for the year ended March 31, 2017.

### 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;
  - e) on the basis of written representations received from the Directors as on March 31, 2017, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2017, 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.

- (iv) The Company has provided all requisite disclosures in its Financial Statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November 2016 to 30th December 2016 and the same are in accordance with the books of accounts maintained by the Company.

**For Kirtane & Pandit LLP****Chartered Accountants**

Firm Registration No. 105215W/ W100057

**Sd/-**

**Sandeep D. Welling**

**Partner**

M. No.:044576

Place: Mumbai

Date: May 10, 2017

## Metropolitan Clearing Corporation of India Limited

(Formerly known as MCX-SX Clearing Corporation Limited)

### Annexure A to the Auditor's Report – March 31, 2017

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, 2017.

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, Income-tax, Sales-tax, Service Tax, 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 Fund, Income Tax, Sales Tax, and Service Tax.
  - (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 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.23.80 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.
- (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

**Sd/-**

**Sandeep D. Welling**

Membership No.:044576

Place: Mumbai

Date: May 10, 2017

## Metropolitan Clearing Corporation of India Limited

(Formerly known as MCX-SX Clearing Corporation Limited)

### Annexure B to the Auditor's Report – March 31, 2017

#### 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, 2017 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, 2017, 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

**Sd/-**

**Sandeep D. Welling**

Membership No.:044576

Place: Mumbai

Date: May 10, 2017

**METROPOLITAN CLEARING CORPORATION OF INDIA LIMITED**
*(formerly known as MCX-SX CLEARING CORPORATION LIMITED)*

CIN-U67120MH2008PLC188032

**Balance Sheet as at March 31, 2017**

	Note No.	As at 31.03.2017		As at 31.03.2016	
		Rupees	Rupees	Rupees	Rupees
<b>Equity and Liabilities</b>					
<b>Shareholder's Funds</b>					
Share Capital	2	93,80,46,160		70,00,00,000	
Reserves and Surplus	3	6,91,11,423	1,00,71,57,583	5,29,89,938	75,29,89,938
<b>Non-Current Liabilities</b>					
Other Long-Term Liabilities	4	45,19,51,757		36,27,37,873	
Long Term Provisions	5	11,93,834	45,31,45,591	6,86,547	36,34,24,420
<b>Current Liabilities</b>					
Trade Payables	6	14,42,978		1,58,08,274	
Other Current Liabilities	4	46,94,36,046		48,02,20,842	
Short Term Provisions	5	7,31,845	47,16,10,869	98,441	49,61,27,557
<b>TOTAL</b>			<b>1,93,19,14,043</b>		<b>1,61,25,41,915</b>
<b>Assets</b>					
<b>Non-Current Assets</b>					
Fixed Assets	7				
Tangible Assets		1,82,103		3,23,894	
Intangible Assets		28,194		3,48,610	
Long Term Loans and Advances	8	25,55,76,005	25,57,86,302	9,28,98,915	9,35,71,419
<b>Current Assets</b>					
Current Investments	9	14,64,65,232		32,10,32,351	
Cash and Bank Balances	10	1,40,81,64,176		1,12,99,22,451	
Short-Term Loans and Advances	8	15,02,724		15,88,021	
Other Current Assets	11	11,99,95,609	1,67,61,27,741	6,64,27,673	1,51,89,70,496
<b>TOTAL</b>			<b>1,93,19,14,043</b>		<b>1,61,25,41,915</b>

In terms of our report attached

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

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

Sd\  
**Sandeep Welling**  
Partner  
Membership No: 044576

Sd\  
**Vijay Bhaskar Pedamallu**  
Chairman  
DIN:06629884

Sd\  
**Balu Nair**  
Managing Director  
DIN:07027100

Place: Mumbai  
Date: May 10, 2017

Sd\  
**Krishna J. Wagle**  
Chief Financial Officer

Sd\  
**Avni Patel**  
Company Secretary

Place: Mumbai  
Date: May 10, 2017



**METROPOLITAN CLEARING CORPORATION OF INDIA LIMITED**
*(formerly known as MCX-SX CLEARING CORPORATION LIMITED)*

CIN-U67120MH2008PLC188032

**Statement of Profit and Loss for the year ended March 31, 2017**

	Note No.	Period ended	Period ended
		31.03.2017	31.03.2016
		Rupees	Rupees
<b>REVENUE</b>			
Revenue from Operations	12	3,68,76,159	10,21,00,169
Other Income	13	5,32,47,558	3,12,46,563
<b>TOTAL</b>		<b>9,01,23,717</b>	<b>13,33,46,732</b>
<b>EXPENSES</b>			
Employee Benefits Expense	14	2,20,88,162	2,17,20,535
Finance Cost		-	-
Depreciation and Amortisation Expense	7	2,21,405	11,29,795
Other Expenses	15	5,16,92,665	10,30,65,591
<b>TOTAL</b>		<b>7,40,02,232</b>	<b>12,59,15,921</b>
<b>Profit for the year before exceptional item</b>		<b>1,61,21,485</b>	<b>74,30,811</b>
<b>Less : Provision for Taxation</b>			
- Current Tax		-	-
- Deferred Tax Liability/(Asset)		-	-
- Fringe Benefit Tax		-	-
<b>Profit for the year</b>		<b>1,61,21,485</b>	<b>74,30,811</b>
Balance brought forward from previous year		5,29,89,938	4,55,59,127
<b>Profit After Tax Carried forward to Balance Sheet</b>		<b>6,91,11,423</b>	<b>5,29,89,938</b>
<b>Exceptional Item</b>			
<b>Profit for the year</b>		<b>1,61,21,485</b>	<b>74,30,811</b>
<b>Earnings Per Share</b>	16		
Basic / Diluted		0.38	0.18
<b>Face Value Per Share</b>		<b>10/-</b>	<b>10/-</b>

In terms of our report attached

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

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

 Sd\  
**Sandeep Welling**  
 Partner  
 Membership No: 044576

 Sd\  
**Vijay Bhaskar Pedamallu**  
 Chairman  
 DIN:06629884

 Sd\  
**Balu Nair**  
 Managing Director  
 DIN:07027100

 Place: Mumbai  
 Date: May 10, 2017

 Sd\  
**Krishna J. Wagle**  
 Chief Financial Officer

 Sd\  
**Avni Patel**  
 Company Secretary

 Place: Mumbai  
 Date: May 10, 2017

**METROPOLITAN CLEARING CORPORATION OF INDIA LIMITED**
*(formerly known as MCX-SX CLEARING CORPORATION LIMITED)*

CIN-U67120MH2008PLC188032

**Cash Flow Statement for the Year Ended March 31, 2017**

	Year ended 31.03.2017		Year ended 31.03.2016	
	Rupees	Rupees	Rupees	Rupees
<b>A. Cash Flow from Operating Activities</b>				
Net Profit Before Tax		1,61,21,485		74,30,811
<b>Adjustments for</b>				
Depreciation and Amortisation Expense	2,21,405		11,29,795	
Dividend from Current Investments	(24,30,851)		(82,82,576)	
Interest Income	(4,52,20,624)		(2,29,62,853)	
Assets Write off	2,84,448		(1,133)	
Loss on Sale of Fixed Asset	-		-	
		(4,71,45,622)		(3,01,16,767)
<b>Operating loss before working capital changes</b>		<b>(3,10,24,137)</b>		<b>(2,26,85,956)</b>
Working Capital Changes				
(Increase) in Loans and Advances	(19,34,02,203)		(29,69,204)	
Decrease / (Increase) in Fixed Deposits	(27,71,79,871)		(53,26,44,682)	
			)	
(Decrease) / Increase in Liabilities and Provisions	7,95,69,779		(1,10,36,647)	
(Decrease) / Increase in Trade Payables	(1,43,65,296)	(40,53,77,591)	1,42,76,966	(53,23,73,567)
<b>Cash (used in) / generated from Operating Activities</b>		<b>(43,64,01,727)</b>		<b>(55,50,59,523)</b>
Taxes (paid)		3,08,10,411		(1,62,98,216)
<b>Net Cash (used in) / generated from Operating Activities</b>		<b>(40,55,91,316)</b>		<b>(57,13,57,739)</b>
<b>B. Cash Flow from Investing Activities</b>				
Sale / (Purchase) of Current Investments (Net)		17,45,67,119		10,38,74,741
Purchase of Fixed Assets		(46,107)		(4,350)
Proceeds from Sale of Fixed Assets		2,458		-
Dividend Income		24,30,851		82,82,576
Interest Income		(83,47,312)		75,53,077
<b>Net Cash generated from / (used in) Investing Activities</b>		<b>16,86,07,009</b>		<b>11,97,06,044</b>
<b>C. Cash Flow from Financing Activities</b>				
Proceeds from issue of Equity Shares		23,80,46,160		45,00,00,000
<b>Net Cash used in Financing Activities</b>		<b>23,80,46,160</b>		<b>45,00,00,000</b>
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>		<b>10,61,855</b>		<b>(16,51,694)</b>
Cash and Cash Equivalents at the beginning of the year		46,56,668		63,08,362
Cash and Cash Equivalents at the end of the year (Refer Note 10)		57,18,523		46,56,668
<b>Net (Decrease) / Increase in Cash and Cash Equivalents as disclosed above</b>		<b>10,61,855</b>		<b>(16,51,694)</b>

In terms of our report attached

For **Kirtane & Pandit LLP**

Chartered Accountants  
FRN: 105215W/W100057

Sd\

**Sandeep Welling**

Partner  
Membership No: 044576

Place: Mumbai

Date: May 10, 2017

For and on behalf of the Board

**Metropolitan Clearing Corporation of India Limited**

Sd\

**Vijay Bhaskar Pedamallu**

Chairman  
DIN:06629884

Sd\

**Krishna J. Wagle**

Chief Financial Officer

Place: Mumbai

Date: May 10, 2017

Sd\

**Balu Nair**

Managing Director  
DIN:07027100

Sd\

**Avni Patel**

Company Secretary

## 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, 2017 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
4	Furniture & Fixtures	10

*\*Excluding printers and hard disk*

**H. Depreciation**

- i) Depreciation for the year ended March 31, 2017 has been provided on the basis of useful lives as prescribed in the Schedule II of the Companies Act, 2013.
- ii) 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.

**H. Depreciation****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 31.03.2017		As at 31.03.2016	
		Rupees		Rupees
<b>Authorised</b> 100,000,000 equity shares of Rs.10/- each		1,00,00,00,000		1,00,00,00,000
<b>Issued and Subscribed</b> 93,804,616 equity shares of Rs.10/- each fully paid		93,80,46,160		70,00,00,000
<b>TOTAL</b>		<b>93,80,46,160</b>		<b>70,00,00,000</b>

### 2.1 Shareholding pattern in respect of Equity Shares:

	As at 31.03.2017		As at 31.03.2016	
	Numbers	% holding	Numbers	% holding
Metropolitan Stock Exchange of India Limited - Holding Company	8,15,54,616	86.94%	5,77,50,000	82.50%
Multi Commodity Exchange of India Limited	65,00,000	6.93%	65,00,000	9.29%
63 moons technologies limited (Formerly known as Financial Technologies (India) Limited)	57,50,000	6.13%	57,50,000	8.21%
	<b>9,38,04,616</b>	<b>100.00%</b>	<b>7,00,00,000</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 63 moons technologies limited (Formerly known as Financial Technologies (India) Limited), refer note. 24.

## 3 Reserves and Surplus:

	As at 31.03.2017		As at 31.03.2016	
	Rupees	Rupees	Rupees	Rupees
Surplus in Statement of Profit and Loss				
Balance as per last Balance Sheet	5,29,89,938		4,55,59,127	
Add: Profit for the year	1,61,21,485	6,91,11,423	74,30,811	5,29,89,938
<b>TOTAL</b>		<b>6,91,11,423</b>		<b>5,29,89,938</b>

#### 4 Other Liabilities

		As at 31.03.2017		As at 31.03.2016	
		Current	Non current	Current	Non current
		Rupees	Rupees	Rupees	Rupees
(A)	<b>Settlement Banks Deposits</b>	-	20,00,00,000	-	20,00,00,000
	Members Margin and Deposits	46,82,57,122	-	47,63,04,844	-
	Other Deposits	-	40,30,000	-	66,30,000
	<b>Other Payables :</b>				
	For Expenses	7,72,415	-	13,01,482	-
	For Statutory Dues	4,06,509	-	26,14,516	-
	<b>Sub-Total (A)</b>	<b>46,94,36,046</b>	<b>20,40,30,000</b>	<b>48,02,20,842</b>	<b>20,66,30,000</b>
(B)	<b>Core Settlement Guarantee Fund (Ref. Note No. 22)</b>	-	24,79,21,757	-	15,61,07,873
	<b>Sub-Total (B)</b>	<b>-</b>	<b>24,79,21,757</b>	<b>-</b>	<b>15,61,07,873</b>
	<b>TOTAL (A + B)</b>	<b>46,94,36,046</b>	<b>45,19,51,757</b>	<b>48,02,20,842</b>	<b>36,27,37,873</b>

#### 5 Provisions

		As at 31.03.2017		As at 31.03.2016	
		Current	Non current	Current	Non current
		Rupees	Rupees	Rupees	Rupees
For Employee Benefits:					
	Gratuity	4,96,075	-		-
	Compensated Absences	1,43,927	11,93,834	98,441	6,86,547
	Provision for Bonus	91,843	-	-	-
	<b>TOTAL</b>	<b>7,31,845</b>	<b>11,93,834</b>	<b>98,441</b>	<b>6,86,547</b>

#### 6 Trade Payables

		As at 31.03.2017		As at 31.03.2016	
			Rupees		Rupees
Total outstanding dues of creditors other than micro, small and medium enterprises			14,42,978		1,58,08,274
<b>TOTAL</b>			<b>14,42,978</b>		<b>1,58,08,274</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.					

**7 Fixed Assets : Current Year**

TANGIBLE ASSETS: (Amount in Rupees)									
PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK
	As at	Additions	Deletions	As at	Upto	For the year	Deletions	Upto	As at
	01.04.2016			31.03.2017	31.03.2016			31.03.2017	31.03.2017
Office Equipments	2,66,498	-		2,66,498	1,46,998	64,212	-	2,11,210	55,286.61
Computer Hardware	36,31,744	5,279	81,500	35,55,523	34,27,350	1,04,044	79,042	34,52,352	1,03,169.04
Vehicles	-			-	-		-	-	-
Furniture & Fixtures	-	25,703	-	25,703	-	2,056	-	2,056	23,647.00
<b>TOTAL</b>	<b>38,98,242</b>	<b>30,982</b>	<b>81,500</b>	<b>38,47,724</b>	<b>35,74,348</b>	<b>1,70,312</b>	<b>79,042</b>	<b>36,65,618</b>	<b>1,82,103</b>
INTANGIBLE ASSETS (Acquired):									
PARTICULARS	GROSS BLOCK				AMORTISATION				NET BLOCK
	As at	Additions	Deletions	As at	Upto	For the year	Deletions	Upto	As at
	01.04.2016			31.03.2017	31.03.2016			31.03.2017	31.03.2017
Computer Software	6,27,907	15,125	5,04,712	1,38,320	2,79,297	51,093	2,20,264	1,10,126	28,194
<b>TOTAL</b>	<b>6,27,907</b>	<b>15,125</b>	<b>5,04,712</b>	<b>1,38,320</b>	<b>2,79,297</b>	<b>51,093</b>	<b>2,20,264</b>	<b>1,10,126</b>	<b>28,194</b>

**Fixed Assets : Previous Year**

TANGIBLE ASSETS: (Amount in Rupees)									
PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK
	As at	Additions	Deletions	As at	Upto	For the year	Deletions	Upto	As at
	01.04.2015			31.03.2016	31.03.2015			31.03.2016	31.03.2016
Office Equipments	2,62,148	4,350		2,66,498	86,351	60,647		1,46,998	1,19,500
Computer Hardware	36,31,744	-		36,31,744	24,08,775	10,18,575		34,27,350	2,04,394
Vehicles	-			-	-			-	-
<b>TOTAL</b>	<b>38,93,892</b>	<b>4,350</b>	<b>-</b>	<b>38,98,242</b>	<b>24,95,126</b>	<b>10,79,222</b>	<b>-</b>	<b>35,74,348</b>	<b>3,23,894</b>
INTANGIBLE ASSETS (Acquired):									
PARTICULARS	GROSS BLOCK				AMORTISATION				NET BLOCK
	As at	Additions	Deletions	As at	Upto	For the year	Deletions	Upto	As at
	01.04.2015			31.03.2016	31.03.2015			31.03.2016	31.03.2016
Computer Software	6,27,907	-	-	6,27,907	2,28,725	50,572		2,79,297	3,48,610
<b>TOTAL</b>	<b>6,27,907</b>	<b>-</b>	<b>-</b>	<b>6,27,907</b>	<b>2,28,725</b>	<b>50,572</b>	<b>-</b>	<b>2,79,297</b>	<b>3,48,610</b>



**8 Loans and Advances (Unsecured and considered good)**

	As at 31.03.2017		As at 31.03.2016	
	Current	Non current	Current	Non current
	Rupees	Rupees	Rupees	Rupees
Advances recoverable in cash or in kind or for value to be received		-		-
Advance Payment of Income Tax	-	6,20,88,505	-	9,28,98,915
Deposits	15,00,000	-	15,05,000	-
Others Receivables	2,724	-	263	-
Advances Given for IT Support	-	19,34,87,500	-	-
L.I.C.of India-Group Gratuity Account	-	-	82,758	-
<b>TOTAL</b>	<b>15,02,724</b>	<b>25,55,76,005</b>	<b>15,88,021</b>	<b>9,28,98,915</b>

**9 Current Investments**

	As at 31.03.2017		As at 31.03.2016	
		Rupees		Rupees
<b>In units of Mutual Funds (Quoted, Non Trade) :</b> (at lower of cost and market value)				
20,761.36 (Previous Year 56,284.302 units) of Rs.1,000 each in Axis Liquid Fund - Daily Dividend Reinvestment		2,07,74,693		5,63,02,242
4,868.494 (Previous Year 37,831.930) of Rs.1,000 each in BOI AXA Liquid Fund - Daily Dividend Reinvestment		48,81,387		3,79,32,105
67,265.256 (Previous Year 3,52,932.797 units) of Rs.100 each in DWS Insta Cash Plus Fund - Daily Dividend Reinvestment		67,46,974		3,56,26,831
5,936.261 (Previous Year 10,564.888 units) of Rs.1528 each in Reliance Liquid Fund - Daily Dividend Reinvestment		90,74,992		1,61,50,955
48,688.93 (Previous Year 1,06,444.09 units) of Rs.1000 each in SBI Premier Liquid Fund - Daily Dividend Reinvestment Plan		4,88,47,163		10,67,89,972
1,485,625.54 (Previous Year 49,63,334.935 units) of Rs.10 each in Sundaram Money Fund Daily Dividend Reinvestment Plan		1,50,08,532		5,01,42,091
411,033.35 (Previous Year 1,80,779.399) of Rs.100.0565 each in ICICI Prudential Liquid - Daily Dividend Reinvestment		4,11,31,491		1,80,88,155
<b>TOTAL</b>		<b>14,64,65,232</b>		<b>32,10,32,351</b>

**10 Cash and Bank Balances**

	As at 31.03.2017		As at 31.03.2016	
	Rupees	Rupees	Rupees	Rupees
<b>Cash and Cash Equivalents :</b>				
Cash on hand	-		8,504	
Balances with Banks:				
- In Current Accounts	57,18,523		46,48,164	
- In Deposit Accounts	-	57,18,523	-	46,56,668
<b>Other Balances</b>				
- Fixed Deposit with original maturity for more than 3 months but less than 12 months	-		-	
- Fixed Deposit with original maturity for more than 12 months		1,40,24,45,653		1,12,52,65,783
<b>TOTAL</b>		<b>1,40,81,64,176</b>		<b>1,12,99,22,451</b>

**11 Other Current Assets**

	As at 31.03.2017		As at 31.03.2016	
		Rupees		Rupees
Accrued Interest on Bank Deposits		5,63,40,529		3,68,49,343
Service Tax Input Credit		6,26,45,021		2,88,16,618
Prepaid Expenses		10,10,059		7,61,712
<b>TOTAL</b>		<b>11,99,95,609</b>		<b>6,64,27,673</b>

**12 Revenue from operations**

	Year ended 31.03.2017		Year ended 31.03.2016	
	Rupees	Rupees	Rupees	Rupees
Sale of Services				
Clearing and Settlement Fees		67,38,123		6,51,46,896
Other Operating Revenues				
Interest on Deposits with Banks	2,20,04,980		2,34,36,018	
Dividend from Current Investments	80,33,056		1,34,67,255	
Annual Subscription Fees	1,00,000	3,01,38,036	50,000	3,69,53,273
<b>TOTAL</b>		<b>3,68,76,159</b>		<b>10,21,00,169</b>

**13 Other Income**

	Year ended 31.03.2017		Year ended 31.03.2016	
	Rupees	Rupees	Rupees	Rupees
Interest :				
On Deposits with Banks - Own Funds		4,52,20,624		2,29,62,853
Dividend received from Mutual Funds:		24,30,851		82,82,576
Profit on Sale of Current Investments (net)		-		1,133
Miscellaneous Income		21,015		-
Profit on Sale of Assets (net)		9,283		-
Interest received on income tax refund		55,65,785		-
<b>TOTAL</b>		<b>5,32,47,558</b>		<b>3,12,46,563</b>

#### 14 Employee Benefits Expense

	Year ended 31.03.2017		Year ended 31.03.2016	
	Rupees	Rupees	Rupees	Rupees
Salaries and Bonus	2,11,20,615		2,07,06,520	
Contribution to Provident Fund	7,43,245		9,02,951	
Staff Welfare Expenses	2,24,302	2,20,88,162	1,11,064	2,17,20,535
<b>TOTAL</b>		<b>2,20,88,162</b>		<b>2,17,20,535</b>

#### 15 Other Expenses

	Year ended 31.03.2017		Year ended 31.03.2016	
	Rupees	Rupees	Rupees	Rupees
Rent (Refer note 19)		49,27,448		38,68,980
Technology Cost		3,71,02,962		8,38,41,749
Audit Fees (exclusive of service tax)				
- Statutory Audit Fees	1,50,000		1,50,000	
- Tax Audit Fees	1,00,000		1,00,000	
- Other Services (Limited Review, Certification etc.)	1,05,000		1,20,000	
- Out of Pocket Expenses	-	3,55,000	324	3,70,324
Insurance		11,93,251		13,11,398
Legal and Professional Charges		17,37,839		15,41,838
Directors Sitting Fees		16,60,000		18,96,000
Bank Charges		30,427		24,657
Office Expenses		8,03,078		19,58,650
ROC Fees Expenses		22,100		56,61,200
Miscellaneous Expenses		38,60,560		25,90,795
<b>TOTAL</b>		<b>5,16,92,665</b>		<b>10,30,65,591</b>

#### 16 Earnings Per Share

	Year ended 31.03.2017		Year ended 31.03.2016	
Profit for the year attributable to equity shareholders (Rs.)		1,61,21,485		74,30,811
Weighted average number of Equity Shares outstanding during the year (Nos.)		4,29,24,140		5,09,42,982
Basic /Diluted Earnings per share (Rs.)		0.38		0.18
Nominal Value of Equity Share (Rs.)		10.00		10.00

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. Disclosure of transactions held with Specified Bank Notes (SBN)

Details of Specified Bank Notes (SBN) held and transacted during the period November 8, 2016 to December 30, 2016 as provided in the table below:

Particulars	SBNs	Other denomination Notes	Total
Closing cash in hand as on 08.11.2016	8,500	4	8,504
(+) Permitted Receipts	-	-	-
(-) Permitted Payments	-	-	-
(-) Amount Deposited in banks	8,500	4	8,504
Closing cash in hand as on 30.12.2016	-	-	-

## 18. 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. Key Management Personnel (KMP):
- a) Mr. Balu Nair, Managing Director w.e.f. June 20, 2016
- b) Mr. Krishna Wagle, Chief Financial Officer
- c) Mrs. Avni Patel, Company Secretary W.e.f. July 01, 2016
- b) Transactions with related parties during the year:

(Amount in Rs.)

Sr. No.	Nature of transactions	Company whose Control Exists Metropolitan Stock Exchange of India Ltd (Formerly known as MCX Stock Exchange Ltd.)
1	Clearing and Settlement Fees	67,38,123 (6,51,46,896)
2	Rent Paid	49,27,448 (38,68,980)
3	Technology Cost	3,71,02,962 (8,38,41,749)
4	Payables (Balance at the end of the year)	10,42,987 (1,56,29,664)
5	Allotment of Share	23,80,46,160 (45,00,00,000)

- c) Transactions with KMP during the year:

Sr. No.	Nature of transactions	Amount (Rs.)
1	Salary and allowances*: Balu Nair	39,78,048 (-)
2	Salary and allowances*: Avni Patel	9,21,737 (-)
3	Salary and allowances*: Krishna Wagle	13,96,661 (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.

## 19. 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 2016-17	Previous Year 2015-16
		Amount (Rs.)	Amount (Rs.)
<b>I.</b>	<b>Reconciliation of defined benefit commitments</b>		
	Liability at the start of the year	16,94,352	19,63,399
	Interest Cost	1,35,718	1,56,287
	Current Service Cost	3,15,061	3,68,795
	Liability transferred in	-	-
	Liability transferred out	-	(29,076)
	Benefits Paid	(97,897)	(6,16,531)
	Actuarial (gain)/ loss on obligations	2,67,449	(1,48,522)
	Liability at the end of the year	<b>23,14,683</b>	<b>16,94,352</b>
<b>II.</b>	<b>Reconciliation of Fair value of plan assets</b>		
	Fair value of plan assets at the start of the year	17,77,110	11,53,476
	Expected return on plan assets	1,42,347	91,817
	Contributions	30,000	12,15,685
	Transfer from other company	-	-
	Transfer to other company	-	(29,076)
	Benefits Paid	(97,897)	(6,16,531)
	Actuarial gain on plan asset	(32,952)	(38,261)
	Fair value of plan assets at the end of the year	<b>18,18,608</b>	<b>17,77,110</b>
<b>III.</b>	<b>Amount recognized in the Balance Sheet</b>		
	Fair Value of Plan Assets at the end of the year	18,18,608	17,77,110
	Present Value of Benefit obligation as at the end of the year	23,14,683	16,94,352
	Net (Liability) / Assets recognized in the Balance Sheet	<b>4,96,075</b>	<b>82,758</b>
<b>IV.</b>	<b>Expense recognized in the Statement of Profit and Loss</b>		
	Current service cost	3,15,061	3,68,795
	Interest cost	(6,629)	64,470
	Expected return on plan assets	-	-
	Net actuarial (gain)/ loss recognized	3,00,401	(1,10,261)
	Expense recognized in the Statement of Profit and Loss	<b>6,08,833</b>	<b>3,23,004</b>
<b>V.</b>	<b>Experience Adjustment</b>		
	On Plan Liability (gains)/losses	97,740	(1,35,103)
	On Plan Asset gains/(losses)	(32,952)	(38,261)
<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%	8.01%
	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.

## 20. Operating Lease:

The Company has taken office premise on renewable operating lease basis. Operating lease rentals debited to the Statement of Profit and Loss for the year is Rs. 49,27,448 /- (Previous year Rs. 38,68,980/-).

Particulars	As at 31.03.2017 Amount (Rs.)	As at 31.03.2016 Amount (Rs.)
Future minimum lease payments:		
Not later than 1 year	61,69,188	11,13,165
Later than 1 year and not later than 5 years	2,08,62,469	-

## 21. Deferred Tax

Particulars	As at 31.03.2017 Amount (Rs.)	As at 31.03.2016 Amount (Rs.)
Deferred Tax Assets / (Liabilities) (net):		
Difference in Written Down Value of Fixed Assets	(84,860)	(1,28,044)
Deferred Tax (Liability)	(84,860)	(1,28,044)
Provision for Compensated Absences	6,15,447	2,42,561
Carry Forward business losses and Depreciation	2,89,79,588	3,29,99,976
Deferred Tax Asset	2,95,95,035	3,32,42,537
<b>Net Deferred Tax Asset</b>	<b>2,95,10,175</b>	<b>3,31,14,493</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 recognized in the absence of virtual certainty.

22. Securities & Exchange Board of India had issued norms related to the computation and contribution to the Core Settlement Guarantee Fund (Core SGF) as part of the SEBI circular CIR/CMD/DRMNP/25/2014 dated August 27, 2014. Based on said guidelines clearing corporation and stock exchange are required to contribute at least 50% and 25% of the minimum required corpus (MRC) of the core SGF whereas up to 25% of the core SGF contribution can be collected from clearing members.

Minimum Required Corpus (MRC) of Core SGF			
Segment	MRC	Contribution Required from MCCIL	Contribution Required from MSEI
(a)	(b)	(c)=50%*b	(d)=25%*b
CDS	416,540,338	208,270,169	104,135,084
ECM	0.00	0.00	0.00
EDS	0.00	0.00	0.00
DMS	0.00	0.00	0.00
<b>Total</b>	<b>416,540,338</b>	<b>208,270,169</b>	<b>104,135,084</b>

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.

Corpus of Core SGF						
Segment	Total Corpus	Total Contribution to Core SGF				Penalties
		MCCIL	MSEI	Clearing Members		
(a)	(b)=(c)+(d)+(e)+(f)+(g)	Cash	Cash	Cash	Non-Cash	Cash
(a)	(b)=(c)+(d)+(e)+(f)+(g)	(c)	(d)	(e)	(f)	(g)
CDS	522,121,336	247,457,732	127,778,068	39,132,807	65,779,552	41,973,178
ECM	3,032,354	3,022,276	0.00	0.00	0.00	10,078
EDS	3,295,512	3,022,276	0.00	0.00	0.00	273,236
DMS	3,022,276	3,022,276	0.00	0.00	0.00	0.00
<b>Total</b>	<b>531,471,477</b>	<b>256,524,558</b>	<b>127,778,068</b>	<b>39,132,807</b>	<b>65,779,552</b>	<b>42,256,492</b>

Further, Clearing Members are required to maintain liquid assets in the prescribed forms with the Clearing Corporation to meet their minimum liquid net worth requirement, base minimum capital 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, 2017 amounts to Rs. 492.40 crore (previous year: Rs. 525.27 crore).

### 23. 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.

24. Securities and Exchange Board of India (SEBI) vide its Order no. WTM/RKA/MRD-DSA/11/2014 dated March 19, 2014 had declared 63 moons technologies limited (Formerly known as Financial Technologies (India) Limited) 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 63 moons technologies limited (Formerly known as Financial Technologies (India) Limited), 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 63 moons technologies limited (Formerly known as Financial Technologies (India) Limited) regarding divestment of their stake in the Company; in reply to these letters 63 moons technologies limited (Formerly known as Financial Technologies (India) Limited) informed us that they are in search of the suitable buyer to acquire their stake in the Company.
25. During the year, the MCCIL made an advance payment of Rs. 20.19 crore to MSEI as present value of fixed costs payable for a period of 6 years (from January 1, 2017 to December 31, 2022) at a discounted rate of 9% for license, usage and maintenance of software shared by MSEI with MCCIL.
26. The MCCIL has complied with SEBI requirement of achieving networth of Rs. 100 crore.
27. 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 27.

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

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

Sd\  
**Sandeep Welling**  
Partner  
Membership No: 044576

Sd\  
**Vijay Bhaskar Pedamallu**  
Chairman  
DIN:06629884

Sd\  
**Balu Nair**  
Managing Director  
DIN:07027100

Place: Mumbai  
Date: May 10, 2017

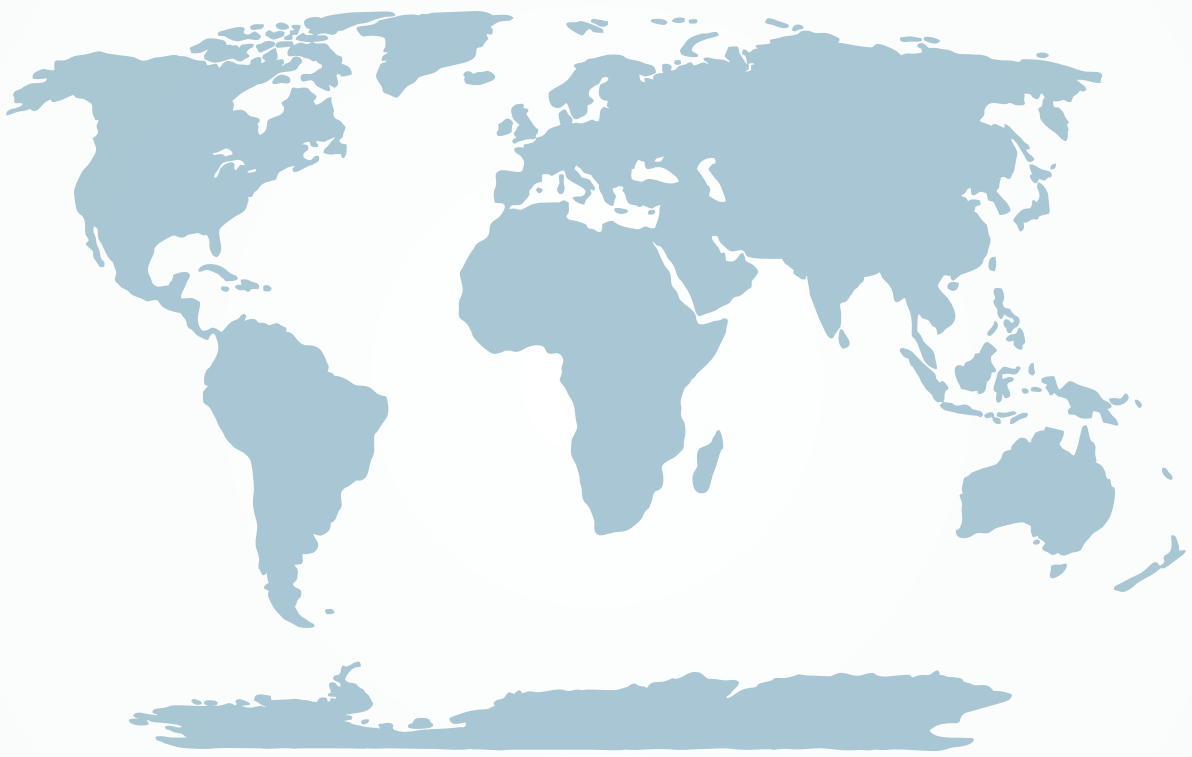
Sd\  
**Krishna J. Wagle**  
Chief Financial Officer

Sd\  
**Avni Patel**  
Company Secretary

Place: Mumbai  
Date: May 10, 2017



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**METROPOLITAN**  
**CLEAR >>>>**

**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.

Tel: +91-22-6112 9000 • Fax: +91-22-2652 5731 • CIN: U67120MH2008PLC188032