



It's abstract, it's tangible, it's absolute, and it's relative. It's the way the world and all things that exist in it are perceived. By the 'value' that is assigned to them. It enables transactions, supports business and is the one measure of success.

All of human intelligence and endeavour has a 'value'. It is the intrinsic power vested in a thought, pulsating with life. It lives within an idea, waiting patiently for those with the imagination to unlock it. And when liberated, it has the power to change the world view.

At Financial Technologies, we believe in this intrinsic 'value'. We trust in its ability to blaze bold new paths and create markets where none appear to exist. We see it opening doors for people to come together and speak the same language: of financial enterprise.

It's innovation that attains a new 'value' when put into practice. It takes the power of technology to simplify trade and transform lives. It's unifying, it's liberating. It's understanding 'value' the Financial Technologies way. And it's creating a world of possibilities.

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LETTER FROM CHAIRMAN AND GROUP CEO

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STAKEHOLDER  **VALUE**

Value is in the journey

LETTER FROM CHAIRMAN AND GROUP CEO

CHARTING NEW ELECTRONIC TRADE ROUTES



JIGNESH SHAH
Chairman & Group CEO

“The modern tech-centric financial markets are the new electronic trade routes, similar to silk and spice routes centuries ago that are democratizing global trade and economies.”

Dear Shareholders,

THE JOURNEY IS THE REWARD

I closed my letter to you last year with the above line. As we celebrate our 13th anniversary, I think that's the most appropriate line to express my feelings and begin my letter to you this year.

Dewang and I founded Financial Technologies with a simple mission to bring 'Markets to the Masses'. While we feel immensely gratified by the milestones we have since passed, we are more excited and humbled by the opportunity of our lifetime that lies ahead of us.

The opportunity at Financial Technologies is truly unique as the business of creating and operating new generation tech centric financial markets allows us not only to build unprecedented shareholder value through a non-linear business model - but in the process also transform economies, empower the common man and change lives.

CREATING MODERN SILK ROUTES

Centuries ago, the Silk Route and Spice Route along with other trade routes, led the early phase of globalization that connected civilizations and developed markets with thriving trade and commerce amongst Africa, Europe, Middle East, India, Central Asia, China and South-East Asia.

The modern tech-centric financial markets are the new electronic trade routes that are democratizing global trade and economies by creating inclusive and equitable growth through propagation of transparent price discovery, efficient trade execution, effective risk management, insurance against price volatility, and access to structured finance.

Markets are proxy to the growth of any region and the barometer of the economy. In an increasingly globalizing world, markets have become 'hubs' of trade and commerce. Your company creates and operates these new hubs in some of the fastest growing regions from Africa to Asia.

THE STATE OF THE UNION IN FY 2007-08

I am pleased to report that the 'state of the union' of your group across all fundamental matrices including financial, operational, corporate and strategic are strong and vibrant.

FINANCIAL OVERVIEW

I am pleased to share the standalone financial performance of your company below:

- Total income increased by 674% to Rs. 13,475 million in FY 2007-08 as compared to Rs. 1,741 million in FY 2006-07
- EBITDA has grown by 957% to Rs. 12,548 million in FY 2007-08 as compared to Rs. 1,187 million in FY 2006-07 and EBITDA margin has increased to 93% in FY 2007-08 as compared to 68% in FY 2006-07
- PAT increased by 855% at Rs. 9,613 million in FY 2007-08 as compared to Rs. 1,006 million in FY 2006-07
- Basic EPS for the current year increased to Rs. 214.15 from Rs. 22.48 in the previous year
- Dividend per share has increased to 1000% (Rs 20) in FY 2007-08 compared to 400% (Rs 8) in FY 2006-07

- Your company did a successful international GDR offering of USD 115 million, with listing on the Luxembourg Stock Exchange. The funds raised will be utilized for purpose of investment in new exchange and ecosystem ventures as well as strategic acquisition opportunities.

'The modern tech-centric financial markets are the new electronic trade routes that are democratizing global trade and economies.'

OPERATIONS OVERVIEW

EXCHANGE BUSINESS

MCX (Multi Commodity Exchange of India)

- Joseph Massey has been promoted to MD and CEO as part of leadership succession plan. Mr. Lamont Rutten will continue as JMD and I will continue as non-executive Vice-Chairman.
- NYSE Euronext, Citigroup and Merrill Lynch each took a 5% equity stake along with Kotak, IL&FS, and ICICI Ventures in MCX at a valuation of USD 1 - 1.1 billion.
- The average daily turnover has increased from Rs. 74,710 million in 2006-07 to Rs. 102,830 million in 2007-08 registering growth of 38%, to put it mildly, in a challenging global market.
- In January 2008, MCX became the first exchange in Asia to offer carbon credit contracts. It also introduced ATF (Aviation Turbine Fuel) futures becoming the third exchange in the world after TOCOM and C-Com to do so. It also re-launched crude palm oil earlier this year.

'The milestone bears testament to the quality of the institution we have built where the best in India and the world converge. It is a statement on India's economic standing and we are proud to be part of it' - quoted on investment by NYSE Euronext, Merrill Lynch, Citigroup, ICICI, IL&FS & Kotak.

NSEL (National Spot Exchange)

- Anjani Sinha, CEO, of NSEL and original member of MCX team is passionate and committed, to scale NSEL, a pan-India electronic spot market for various commodities, including agricultural commodities, precious metals, ferrous and non-ferrous metals and industrial products, to its massive potential, given the huge size and potential of physical trade.
- NSEL has a significant head-start with its pilot launch in the states of Gujarat, Maharashtra, Karnataka, Kerala and Bihar, where it has received

the necessary clearances to set up national-level electronic spot market. It has also signed an MoU with IL&FS to connect 100,000 Common Service Centres to the NSEL network to reach out to remote villages.

DGCX (Dubai Gold and Commodities Exchange)

- Malcolm Wall Morris, former head of business development (commodity products) at LIFFE, an arm of NYSE Euronext, has taken over as the new CEO and I believe he brings the right experience and background to lead DGCX to the next stage.
- The number of contracts traded increased 34% from 758,112 to 1,017,169 in FY 2007-08. The value of contracts traded has increased 95%, from USD 20,847 million to USD 40,748 million in the same period.
- The number of institutional members has increased from 186 to 215 with additions like J P Morgan and New Edge among others.
- DGCX successfully launched WTI and Brent Crude Oil contracts in May' 2008.

IEX (Indian Energy Exchange)

- Jayant Deo, formerly Member, Maharashtra Electricity Regulatory Commission, has joined as MD and CEO and is keen to take the IEX model to other regions together with the Financial Technologies Group.
- IEX has 47 registered members as of 31st March, 2008 including some of the largest players in the power sector such as Tata Power Company, Reliance Infrastructure, Lanco Infratech Ltd., and Mahadiscom.
- IEX went live on 27th June, 2008 and already has reached a daily trading volume of over 7,000 MWh in the day-ahead market.

SNX (Safal National Exchange)

- Ravishankar Natarajan, CEO, leads the first pan-India electronic spot platform for perishable commodities that was set up as a joint venture between Mother Dairy (NDDB), MCX and Financial Technologies Group.
- Spot trading successfully commenced on 14th December 2007; commodities traded include fruits (banana, apple, mango, kinnow and grape) and vegetables (onion, potato and tomato).
- The exchange has attracted over 250 members combined in multiple categories including large players from retail, food processors, exporters, and

cooperatives. Some of the leading names are Pepsi, Coke, Reliance, BASIX, Heritage and many more.

IBS (IBS Forex)

- IBS under the leadership of Ganesh Rao, CEO, has taken big strides in winning mind share and market share in the FX spot trading between banks in USD: INR and has built an excellent track record as a regulated entity with FEDAI under RBI.
- IBS has been approached by several large international platforms to partner, in order to introduce new products such as G10 currencies, NDF, OTC options and others, subject to regulatory approvals. IBS will bring deep knowledge and experience of FX trading in India, besides distribution and proven relationship with over 25 banks.
- IBS's strategic partner would contribute product innovation and connectivity with international trading venues that will provide globally correlated price discovery, liquidity and broader participation as and when the regulators decide to open up this market segment further to the global markets.

GBOT (Global Board of Trade)

- Joseph Bosco, former MD and CEO of OTCEI with over 30 years experience in banking and capital markets, has been appointed as the COO and DMD of GBOT.
- The selection process for the Board and Advisory Board is underway and a shortlist of international leaders, who can contribute with their wealth of experience and relationship, is under review.
- The technology infrastructure for the exchange, including a data centre created at Ebene, is being put in place to ensure a 24x7x365 world class robust and scalable operating environment.

SMX (Singapore Mercantile Exchange)

- SMX will be the first international pan-Asian commodity derivatives exchange that will provide a single platform for multi-product trade between Asia and the world.
- An Advisory Board comprising of eminent and highly distinguished personalities from the world of finance is being established and includes:
 - ♦ Leo Melamed - Chairman of Advisory Board, Chairman Emeritus of the Chicago Mercantile Exchange (CME) Group.

- ♦ Ang Swee Tian - Chairman of the Board, Former President of SGX.
- ♦ Myron Scholes - Member of Advisory Board, Nobel Prize winner, Black Scholes options pricing model.
- Global road-shows for the membership drive will commence in late 2008 and the exchange is expected to go live early 2009.
- Framroze Pochara, Director on the SMX Board and Executive Director, SMX Clearing Corporation, is leading the team in Singapore for setting up SMX.
- An internal search committee is actively sourcing and interviewing potential candidates for the CEO, COO and other management positions.

'A New Exchange, for The New World Economic Order. Singapore ranks among the top three international financial centres in the world today with an established trading and commodity hub, an open economy, robust regulatory framework under MAS, a thriving port, business friendly environment and strategic geographical location - making it ideal for an international commodity and derivatives exchange like SMX.' - quoted at the SMX announcement in Singapore.

ECOSYSTEM BUSINESS

NBHC (National Bulk Handling Corporation)

- Anil K Choudhary, MD & CEO and Paras Ajmera, Director Operations, Financial Technologies, together with their team have done a commendable job in leading the depository business for facilitating structured credit (trade finance) against commodities from banks.
- NBHC currently offers collateral management services to 23 leading public and private sector banks (12 in 2006-07) including regional rural banks and cooperative banks, and manages over 3,000 warehouses and storage facilities (1,200 in 2006-07) spread over 700 locations and has enabled funding of over USD 1 billion (Assets Under Management: USD 1.425 billion).
- NBHC has been approached by several strategic investors including banks, SWFs (Sovereign Wealth Funds), Private Equity funds and other large global warehouse, real estate, logistics and supply chain companies. We plan on making participation in this regard before the year end.

atom (atom Technologies)

- Dewang Neralla, co-founder and CTO of Financial Technologies, is the acting CEO of atom and together with his team has successfully positioned atom products as alternate payment channels to bridge the gap between online / offline / mobile world.
- atom 'Paybuzz', an IVR-based payment platform, was launched with more than 20 clients for payment through banks' payment gateways. This product is the only alternate payment channel (apart from the internet) to clock transactions worth more than Rs. 300 million in 2007-08.
- An MoU was signed with Axis Bank for debit card / credit card payments through mobile phones using the atom cards solution.

TickerPlant (TickerPlant Infovending)

- V. Hariharan, Director Strategy of Financial Technologies, is the acting CEO of TickerPlant and together with Ghanshyam Rohira, senior member of the Financial Technologies team, is driving this venture.
- TickerPlant bagged major orders from leading banks, corporates, brokers and HNIs for MarketView and large orders for MarketView mobile, filling the gap between expensive terminals like Reuters / Bloomberg and free internet content.

Riskraft (Riskraft Consulting)

- Subramanya Kusnur, CEO and Dr. A K Nag, COO, together with their team have successfully bagged several prestigious projects including the implementation of a risk-based supervision framework for Financial Services Commission (FSC) of Mauritius and a Basel II consulting assignment from First City Bank.
- Under a sanction from NABARD, Riskraft is building a unique decision-support system for farmers as a pilot project in a district of Maharashtra.
- Riskraft has introduced new products including a Risk Calculator, formed new strategic alliances with IBM, FERMAT, List Group and Scorto Corporation among others, and expanded its offerings to other verticals of the BFSI segment beyond banks.

FTME (Financial Technologies Middle East)

- Arshad Khan, Director, Business Development, Middle East and North Africa (MENA) region has been instrumental in taking Financial Technologies' software products to the international markets by establishing full-fledged operations in Dubai, catering to the MENA region.

- With the successful establishment of FTME, we have prominent clients in the Middle East countries which include large brokerage houses and banks. There are more than 20 customers in the region running their trading and settlement operations on the Financial Technologies platform.

FTKMC (Financial Technologies Knowledge Management Company)

- Your company has spun off its existing training activities into a new venture called FTKMC for consulting, training and education based on the intellectual property (IP) generated by the group in the areas of derivative markets, risk management and application of technology in the commodity and financial markets.

'This award is testimony to our ability and endeavour to create and deliver IP (intellectual property)-based technology products and productized services that are among the global best' - quoted on the Deloitte Technology Fast 500 Asia Pacific win.

TECHNOLOGY BUSINESS

Brokerage Solutions

- Manjay Shah, Director, Business Development, Financial Technologies, together with his institutional and retail sales team has delivered another year of stellar performance with the number of trading licenses for ODIN™, growing by 95% from 164,000 (FY 2006 - 07) to 320,000 (FY 2007 -08). The number of broker clients increased to 862 from 791 during the same period.
- ODIN™ version 9.0 was introduced earlier this year, once again demonstrating our constant quest for innovation.
- DMA Release - Direct Market Access (DMA) solutions for its front-office suite of products in line with SEBI's announcement and guidelines for Direct Market Access for market participants.

Exchange Solutions

- The exchange technology division, led by Paras Ajmera, Director Operations, Financial Technologies, and his team, continued to build on their unbroken track record of flawless execution and delivery. The DOME™ solution suite has surpassed all previous benchmarks for reliability, robustness and scalability with zero downtime in all exchanges using this solution.