

Empowering **Lives**, Transforming **Economies**.



Empowering **Lives,** Transforming **Economies.**

Success is a journey, not a destination

- Ben Sweetland

During the past few years, economic power has slowly been witnessing a steady shift from the West to the East, following the speedy growth of emerging economies. While technology continues to be the mainstay of economic development in the East, as it was all along in the West, labor cost advantage has given a distinct competitive edge to the emerging economies. This has transformed the economies and helped to uplift the poor, besides empowering the lives of many millions.

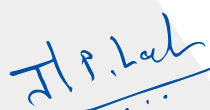
In these efforts at empowering the lives of people in the rapidly developing economies of the East, the globalization of markets and trade has played a momentous role. It is the increasing use of technology that has facilitated the development of markets and trade in these economies. This progress has also accelerated the process of linking them to the rest of the world. Financial markets of diverse hues have of necessity performed a pivotal role through this entire process.

With its astute clairvoyance, the Financial Technologies Group (FT Group) is already bringing about a paradigm shift by setting up new-generation financial exchanges that are laying the foundation for a safer and more stable future. This calculated, yet definite, move of the FT Group harmonizes with its objective of creating a more robust, stable financial system across different regions of the developing world. It also enables the many myriad stakeholders in the system to face the challenges and overcome barriers in transforming the markets and the economies they serve.

With the FT Group contributing significantly to the sustainable development of these fast-growing economies and designing the future of their financial markets, **"Empowering Lives, Transforming Economies."** was naturally adopted as the theme of its Annual Report for 2010-11. The theme essentially emerges from the inter-active deliberations at our annual flagship event - The Future of Financial Markets (FOFM™) Leadership Summit 2011 - held in Mumbai in January this year. The Summit, supported by 22 partners, and attended by over 500 Senior Management Leaders from the financial world, including nearly 100 speakers from 10 countries who participated in 15 Tracks and Keynote Speeches, has come to be known as 'The Davos of Indian Financial Markets'.

In the Group's continued endeavor to set up a platform for financial markets to voice its opinions, the Annual Report has invited valuable contributions from financial market and industry participants from India, South-East Asia, Africa and the Middle-East, who have offered illuminating insights through their erudite writings on how markets have transformed their respective economies and empowered the lives of their people.

To engage, participate and contribute in shaping the future through financial markets, visit www.fofm.in



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Chairman & Group CEO

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Chairman & Group CEO

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Axis Bank
Deutsche Bank
HDFC Bank
HSBC

Legal Advisors

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Letter from Chairman & Group CEO

Empowering Lives, Transforming Economies.

The main highlight of the year was the launch of three International Financial Exchanges in the same year – Singapore Mercantile Exchange (SMX) in Singapore, Global Board of Trade (GBOT) in Mauritius and Bahrain Financial Exchange (BFX) in Bahrain – which makes your Company a truly global financial institution.

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Your Group's commendable
journey and
entrepreneurial endeavor
into the second decade of
the new millennium was
marked by it going truly
global with a well-spread
international presence.
It is now well on its path to
become a global leader in
establishing Greenfield
Exchanges and synergizing
them with ecosystem
ventures.”

Dear Shareholders,

In my letter addressed to you in the last Annual Report for 2009-10, I shared with you our Group's Vision of transforming emerging economies by nurturing new technology centric financial exchanges in them. During the year under review, developing such exchanges has enabled the Group to expand its reach to all classes of society, and offer a transparent price discovery mechanism.

Launch of New Global Exchanges

I am happy to inform you that the second decade of this millennium saw the Group going verily global, with a well-spread international presence. The main highlight of the year 2010-11 has been the launch of three international exchanges by your Company and its subsidiaries for facilitating trading in several asset classes in the regions, in which they operate. The launch of these exchanges – Singapore Mercantile Exchange (SMX) in Singapore, Global Board of Trade (GBOT) in Mauritius and Bahrain Financial Exchange (BFX) in Bahrain – has made your Company a truly global financial institution.

What's more remarkable is that these three international exchanges have been established in three different and widely separated economic regions of the world – South-East Asia, Africa and Middle-East. As a consequence, your Company is now poised to tap the immense financial derivative business potential in these regional economies, so as to serve not only the respective regional market players, but also the global market functionaries trading in and with those regions. Having established now as many as nine financial exchanges in India and abroad, your Company is racing to compete with large global exchanges. This is in accordance with the Group's overall strategy of building a unique and unparalleled international financial ecosystem, aimed at promoting financial inclusion, thereby bringing about equitable growth.

Your Group has thus successfully created an ideal business sculpt to establish deeper and new-age financial markets across diverse geographical boundaries. At this juncture, we now keenly look forward to the launch of Bourse Africa at Botswana. This exchange will operate on the 'Hub and Spoke Model', with Botswana as the hub and its spokes reaching out to numerous African nations. Bourse Africa is aimed at establishing an effective price discovery mechanism for resources originating in Africa, and providing those who produce and trade in such resources with an efficient risk management tool. Not only will this Bourse fortify Africa's financial markets, but, more importantly, also unlock the untapped growth potential of this rather under-developed continent.

New Product Line

As for your Company's primary business of providing technology solutions, its tryst with triumph continued for its flagship product ODIN™ – a multi-exchange trading technology and risk management system. This one-stop window for technology solutions with a strong presence in three key verticals – Exchange Solutions, Brokerage Solutions and Technology Solutions – commemorated 12 years of its phenomenal success this year. As you are aware, ODIN™ is well accepted by its customers and financial markets alike, and is a leading end-to-end technology solutions provider in India's financial markets, having over 80% market share in the country.

Your Company constantly seeks to enhance its existing product line to deliver innovative and higher value-added solutions to meet the challenges arising from the ever-changing business environment. The newly developed ODIN™ 64-bit version has delivered an increase in performance, scalability and compatibility of our flagship product.

In addition to its flagship products driving growth, your Company expects its new products – ODIN™ Greek Neutralizer, ODIN™ ATS, Advanced Charting, ODIN™ Xplaza, FTNET and DMA LIVE! – introduced during 2010-11 to contribute significantly to its future growth. Your Company continues to offer other product offerings which include CnS, STP-Gate™, iNet.net, iWin, MATCH™, e-Hastakshar™ and Protector.

During the year, your Company successfully deployed a new version of its exchange technology product suite (multi-asset and multi-currency) with advanced functionalities in its flagship products DOME (Distributed Order Matching Machine),

CnS (Clearing & Settlement) and Risk Management. These have been deployed at Multi-Commodity Exchange of India (MCX), MCX Stock Exchange (MCX-SX), National Spot Exchange (NSEL), SMX and GBOT.

FT Tower

Yet another major achievement during the year was the inauguration of the landmark nine-storey FT (Financial Technologies) Tower, spread over a sprawling 1.56 lakh square feet of area and accommodating over 1,600 work stations, in Andheri – the commercial hub of Mumbai.

This state-of-the-art development centre has created a unique architectural ensemble, resulting in emplacement of the Group Companies into a centralized function area. The structural and spatial design of FT Tower crafts a captivating working environment, facilitating easy communication and promoting teamwork and interaction at every level. Moving to a new company-owned premise, with facilities such as a cafeteria and a gymnasium, has inculcated a distinctive sense of belonging and elevated job satisfaction among the employees. FT Tower aims to not only create a single base for its operational activities and functional requirements, but also stands as a visible symbol of FT's identity.

Business Financials

During the year 2010-11,

- **Income from Operations** increased by 7.8% to Rs 3,308.89 million, as against Rs 3,069.87 million through the previous year.
- **EBIDTA*** at Rs 2,428.52 million was up 12.3%, compared to Rs 2,162.53 million the year before.
- **Net Profit*** was up 9.7% to reach Rs 2,062.90 million from Rs 1,880.36 million for the year ended March 31, 2010.

*Numbers mentioned are Standalone results, excluding capital gains on sale of shares, diminution in long term investments and exceptional items

Your Company continues to maintain its track record of rewarding its shareholders. It has paid 3 interim dividends aggregating Rs 6 per share (300%) and recommended a final dividend of Rs 2 per share (100%) on a face value of Rs 2 per share for the year ending March 31, 2011.

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Your Group has well
contributed in the
development of efficient
financial markets in
diversified asset classes
such as commodities,
currency futures, power,
etc, and continues to tap
new opportunities to
further develop these
markets.”

Business Highlights

As your Company moves ahead focused on fulfilling its vision and goals, I share with you some key business highlights for the year under review:

- **ODIN** is a leading end-to-end technology solutions provider, powering over 10 exchanges (Indian and international), deploying over 640,000 licenses. It is poised to serve more than 1,000 institutions and brokerage clients, including the top 30 public and private sector banks in India.
- **MCX** maintained its leadership position with 82% market share in the Indian commodity market space by having recorded the highest daily turnover of Rs 71,876.33 crore on March 15. It recorded an average daily turnover of Rs 32,057.01 crore, representing a rise of 53% year-on-year. MCX clocked a total trading turnover of Rs 98.42 lakh crore for the entire year under review. During the year, it launched mini futures contracts in zinc, lead and aluminum, as also micro futures contracts in iron ore and silver.
- **MCX** joined hands with Shanghai and Taiwan Futures Exchanges for developing commodity derivative markets.
- **Indian Energy Exchange (IEX)** has maintained a lead over other exchanges with 87% market share and has been the No. 1 energy exchange of the country since its inception. During the year under review, the exchange has witnessed substantial increase in volumes in the Day Ahead Market as well as Term Ahead Market. Average daily volumes for Day Ahead Market have nearly doubled to 32,330 MWh from last year. The exchange also added a new market segment for trading of Renewable Energy Certificate and also a new version of Day Ahead Market Trader Work Station.
- **National Spot Exchange (NSEL)** is India's No. 1 commodity spot exchange with over 99% market share in the electronic spot market segment. During the year, the exchange launched a unique product in the form of e-series, which enables millions of retail investors to invest in commodities in small denominations, thereby driving financial inclusion. e-gold, e-silver and e-copper have also received Shariah-Certification.
- **Singapore Mercantile Exchange (SMX)**, which went live on August 31, 2010, now offers facilities for trading in a diversified basket of commodities including futures and options contracts on precious metals, base metals, agricultural commodities, energy and indices and futures trading in various currency pairs (EUR-USD, USD-JPY and AUD-USD). Renowned financial companies, such as ICICI Bank, Morgan Stanley, NewEdge and Philip Futures have become its General Clearing Members, while NextVIEW is the financial and real-time data provider for SMX.
- **Bahrain Financial Exchange (BFX)**, the first multi-asset exchange in Middle East and North Africa region, launched on February 1, 2011, is offering

for trading financial instruments across a wide range of asset classes, comprising three main categories: cash instruments, derivative contracts and Shariah-compliant Islamic products. The exchange launched its Islamic Finance division, with the establishment of 'Bait Al Bursa', thus marking the creation of the region's first exchange-operated platform dedicated to Islamic Finance products.

- Daily trade volumes on **Global Board of Trade (GBOT)** crossed US\$ 50 million mark on April 18, thus multiplying five times within six months of having commenced trading on October 15, 2010. GBOT is the first exchange in the world to earn the distinction of offering two African currencies USD/MUR and ZAR/USD on its exchange platform from the first day of commencement of trading and also offers trading in EUR/USD, GBP/USD and JPY/USD. Besides this, it also offers trading in gold and silver commodity futures contracts. The exchange has collaborated with Thomson Reuters, a leading source of intelligent information for business and professionals, to provide real-time prices and exchange data.
- **National Bulk Handling Corporation (NBHC)** is a national level ISO 22000:2005 certified warehousing company and a leading integrated services enterprise for commodity and collateral management. It continues to outpace its peers in terms of growth and create value within the ecosystem, with assets under management at Rs 26,000+ crore. Conductive policy initiatives give it a further impetus to undertake long-term investments and commitments, thus enabling it to address crucial ecosystem issues, while simultaneously enhancing an unparalleled value for its stakeholders.
- **atom Technologies** provides secure and convenient payment solutions involving either IVR or mobile applications. During the year, it has tied up with over 190 merchants and processed more than 6 million transactions valuing over Rs 1,600 crore on its platform.
- **TickerPlant**, the Group's foray into real-time global financial market information dissemination, continued to make inroads into the target segments. Its unique strategy of designing user-friendly, ultra low latency, high performance and cost-effective technology products, coupled with customer centric offerings, has resulted in MarketView Terminal™, its flagship product, being adopted rapidly by market participants across various asset classes.

Corporate Social Opportunity (CSO)

This year, too, your Company made a significant impact on the society and community at large. Being strongly committed towards Corporate Social Opportunity (CSO), your Company's Management has supported various community initiatives, touching many lives by supporting social and healthcare facilities. During the year, the FT Group:

- Participated in Standard Chartered Marathon 2011's Vuva Parivartan, which works to empower deprived dropouts and youth to earn a livelihood and become useful citizens.
- Launched School=Lunch Drive and ranked second among the companies, having donated Rs 2.62 lakh to ISKCON Food Relief and Foundation.
- Launched 4th All India Blood Donation Drive, with 356 blood units collected.
- Observed HIV-AIDS Day, held workshops for female employees and community, and participated in Awareness on HIV Prevention.
- Launched "Joy of Giving Week" with participation in Mobile Creches, workshop on toy making, and cloth donation drive.
- Launched Savings Campaign for Postal Recurring Deposit Scheme, in association with India Post.

Empowering Lives, Transforming Economies.

In its recent report, The International Monetary Fund (IMF) observed that, "The fastest growth in recent years has come from the emerging markets, which helped offset the deep downturns in the United States and other rich nations faced due to the recession in 2008."

The emerging market economies are at a point of inflection as they gain traction more quickly than their advanced counterparts, and become central engines for economic growth across the globe. The rapidly growing markets of these economies support global expansion, thus underlying their importance in reshaping the international financial landscape. Emerging nations are destined to give rise to major financial, commercial and technological players on the world stage.

As financial markets in these fast growing economies move ahead with much vigour, their future rests on the four supporting pillars – products, market structure, technology and regulation. It is by building a vigorous financial ecosystem on these four pillars that your Company aims to transform the emerging economies of Asia and Africa, empower the masses there, and change their lives for the better.

FOFM™ Leadership Summit

Your Group's vehicle to drive its vision of redesigning the financial market infrastructure aimed at empowering lives and transforming economies is the Future of Financial Markets (FOFM™) Leadership Summit, its annual leadership event. This platform continues to foster ahead year-after-year with a strong endeavor to engage thought-leaders of the financial markets at a strategic level. Held in January this year at Hotel Renaissance Mumbai, the Summit was attended by over 500 Senior Management Leaders from the financial world, including nearly 100 speakers from 10 countries, who participated in as many as 15 Tracks and Keynote Addresses. FOFM Summit was supported by 22 partners. In summary, the Summit was nothing short of the 'Davos of Indian Financial Markets'.

The Next Decade

The present year 2011-12 will be a defining one for your Company, as the new international exchanges set up by the Group will scale up their operations. During this decade also, the Group sees value being generated from the new exchanges, as also from the ever-widening market participatory base in them, bringing "markets to the masses" for the benefit of all stakeholders.

Your Company's focus will continue to be on execution and enlargement of its technology business, taking its exchanges and ecosystems to the next level of growth and making them more profitable. Its domain expertise in establishing and operating next-generation financial exchanges, coupled with the Group's global partnerships and strategic alliances, will take it to a new high in its march across continents.

As we complete another year, I am happy to whole-heartedly acknowledge your unrelenting support towards the activities and achievements of the Group as a whole, and the flagship company in particular. I am also thankful to our Board of Directors, Advisory Board, Regulatory authorities, my colleagues and all the stakeholders for their unstinted support and guidance.

Thank You.

Jignesh Shah
Chairman & Group CEO