



 Countries with listed exchanges

# MCX – India's First Listed Exchange

ANNUAL REPORT 2011-2012

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# Listing = Transparency = Trust

*Trust is the foundation of any relationship and transparency is the first criterion for any relationship built on trust. Moreover, listing engenders transparency, and the concomitant trust. Transparency means different things to our stakeholders—for members it means transparent trading platform and processes, for investors it means transparency of financial information, for regulators it means greater accountability and being open to scrutiny, and so on.*

*Being an electronic commodity futures exchange, we began our operations with the imperative of transparency. Market participants can trade on MCX with trust—a trust that emanates from the Exchange's transparency. We have a robust governance framework, internal controls and audit mechanism in place to mitigate risks and ensure smooth operations.*

*Listing is a global best practice followed by exchanges, which gives investors an efficient mechanism for entry and exit. One of the foremost reasons that led us to get listed is transparency. We believe that listing is of paramount importance for enhanced shareholder scrutiny, accountability of management and adherence to the highest level of corporate governance.*

*Transparency, accountability, effective communication, and the highest standards of corporate governance, are the principles on which MCX has been established. MCX values the trust reposed by its shareholders and focuses on enhancing it. The notion of doing business in a responsible manner has been and will continue to remain integral to MCX.*

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## Momentous Occasion : Listing of MCX on BSE, March 9, 2012



## SECTION I

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# Corporate Information

## Board of Directors (as on July 26, 2012)

<b>Mr. Venkat Chary</b>	Chairman, Non-Executive Independent Director
<b>Mr. Jignesh P. Shah</b>	Vice Chairman, Non-Executive Director
<b>Mr. Joseph Massey</b>	Non-Executive Director
<b>Mr. Lambertus (Lamon) Rutten*</b>	Non-Executive Director
<b>Mr. Paras Ajmera</b>	Non-Executive Director, FTIL Nominee
<b>Mr. C. M. Maniar</b>	Independent Director
<b>Mr. Shveta S. Vakil</b>	Independent Director
<b>Mrs. Usha Suresh</b>	Independent Director, FMC Nominee
<b>Mr. R. M. Premkumar</b>	Independent Director, FMC Nominee
<b>Mr. Ravi Kamal Bhargava</b>	Independent Director, FMC Nominee
<b>Dr. Prakash Apte</b>	Independent Director, FMC Nominee
<b>Mr. Padmanabh R. Barpande</b>	Independent Director
<b>Mr. P. Satish</b>	Independent Director, NABARD Nominee
<b>Mr. Shreekant Javalgekar**</b>	Managing Director & Chief Executive Officer

## Company Secretary & Chief Compliance Officer

**Mr. P. Ramanathan**

## Statutory Auditors

**B S R and Company**, Chartered Accountants

## Bankers (including clearing banks)

Axis Bank	Bank of India	Canara Bank
Citi Bank	Corporation Bank	Development Credit Bank
Dhanlaxmi Bank	HDFC Bank	ICICI Bank
IndusInd Bank	Kotak Mahindra Bank	Punjab National Bank
State Bank of India	Tamilnad Mercantile Bank	Union Bank of India
Yes Bank		

## Registrar and Transfer Agent

Karvy Computershare Private Limited  
17 to 24, Vittalrao Nagar, Madhapur, Hyderabad 500 081.  
Tel: +91 40 4465 5000, Fax: +91 40 4465 5024.

## Registered Office

Exchange Square, Chakala, Suren Road,  
Andheri (East), Mumbai - 400 093.  
Tel: +91 22 6731 8888, Fax: +91 22 6649 4151

\* Mr. Rutten ceased to be the MD & CEO of the Company with effect from the close of business hours on June 30, 2012 and he continues on the Board as a Non-Executive Director with effect from July 1, 2012.

\*\* Mr. Javalgekar was appointed as additional Director with effect from June 28, 2012 and assumed office as MD & CEO of the Company from the date of his appointment, i.e., July 1, 2012 after receiving approval from Forward Markets Commission (FMC) on July 3, 2012.





## Profile of the Board of Directors



**MR. VENKAT CHARY, IAS (Retd.)**  
Chairman

- Former Chairman, Forward Markets Commission (FMC)
- Former Member, Maharashtra Electricity Regulatory Commission
- Held the positions of Additional Chief Secretary, Principal Secretary and Secretary, in various departments of the Central and State Government



**MR. JIGNESH SHAH**  
Vice Chairman

- Chairman & Managing Director, Financial Technologies (India) Limited
- Founder / Promoter of the Financial Technologies group of companies
- Formerly with BSE Limited, where he was responsible for designing and implementing its technology platform
- Over 20 years of experience in creating and operating technology-centric financial exchanges



**MR. JOSEPH MASSEY**  
Non-Executive Director

- MD & CEO, MCX Stock Exchange Limited
- Former MD & CEO, MCX
- Former MD, Interconnected Stock Exchange of India
- Over 20 years of experience with organisations such as Life Insurance Corporation (LIC), Reserve Bank of India (RBI), Stock Holding Corporation of India, and the Vadodara Stock Exchange



**MR. LAMON RUTTEN**  
Non-Executive Director

- Former MD & CEO, MCX
- Member of the Board of Advisors, International Investment Group LLC
- Former Chief - Finance, Risk Management and Information in the Commodities Branch of UNCTAD, Geneva
- More than 20 years of experience in commodity risk management, structured finance and commodity price risk management



**MR. PARAS AJMERA**  
Non-Executive Director

- Involved in designing of exchange technology solutions, from product identification and development to its implementation and monitoring
- About 15 years of experience in various aspects of trading in equities and derivatives markets



**MR. C. M. MANIAR**  
Independent Director

- Senior partner, Crawford Bayley & Co., Solicitors and Advocates, Mumbai
- Over four decades of experience in law as an advocate and solicitor
- Specialises in corporate, commercial, intellectual and industrial property law



**MR. SHVETAL S. VAKIL**  
Independent Director

- Executive Director, Setco Automotive Limited
- Has worked with Hindustan Lever Limited, and Bunge India Private Limited in various senior capacities
- About 39 years of experience in evolving growth-oriented strategies, including mergers and acquisitions, setting up joint ventures as well as green field project and backward integration



**MRS. USHA SURESH**  
Independent Director

- Economic Adviser, FMC
- Joined the Indian Economic Service in December, 1986 and has worked in various capacities with the Planning Commission, Ministries of Rural Development, Industry, Textile and Commerce



**MR. R. M. PREMKUMAR, IAS (Retd.)**  
Independent Director

- Chairman, SICOM
- Former Chairman, Food Corporation of India
- Former Chief Secretary and Principal Secretary-Revenue, Government of Maharashtra
- Former Development Commissioner, SEEPZ
- Former Additional Secretary, Department of Atomic Energy





**MR. RAVI K. BHARGAVA, IAS (Retd.)**  
Independent Director

- Former Independent Director, Tungabhadra Steel Structures Ltd.
- Former Secretary General, National Human Rights Commission
- Former Additional Secretary, Ministry of Mines, Government of India



**DR. PRAKASH APTE**  
Independent Director

- Former Director, Indian Institute of Management, Bangalore and Professor of Economics and Finance
- Rich and extensive experience in industry, consulting and teaching
- Contributed to the executive development programmes at the Indian Institute of Management, Bangalore



**MR. PADMANABH R. BARPANDE**  
Independent Director

- Former Audit Partner, Deloitte Haskins & Sells, Chartered Accountants
- Former Audit Partner, C.C. Chokshi & Co., Chartered Accountants
- Served as an Audit Engagement Partner in large listed companies such as Reliance, Lupin, Financial Technologies, etc.



**MR. P. SATISH**  
Independent Director

- Chief General Manager and Secretary, NABARD, Head Office
- Previously worked with RBI
- Involved with several consultancy and action research projects for national and international organisations



**MR. SHREEKANT JAVALGEKAR**  
MD & CEO

- Former Director – Finance, Investor Relations and Communications, Financial Technologies (India) Limited
- Former Advisor to Nexgen Financial Solutions
- Former MD, Lazard India
- Former Advisor to two offshore funds: Lazard Birla Fund, and Mayur Fund



**Mr. Venkat Chary**  
Chairman

## Letter from the Chairman

### *MCX – Making India proud*

Dear Shareholder,

**The year 2011-12 was a momentous year for your Company. On March 9, 2012, your Company created history by becoming India's first listed exchange. The listing has brought MCX on par with other global exchanges that are listed such as NASDAQ, NYSE Euronext, ICE, CME Group and SGX, among others. The success of your Company's public issue was a significant milestone, and showcases the trust that stakeholders have in your Company.**

The enthusiastic response to the IPO at a time when liquidity was low, interest cost was high and economic sentiment was generally weak, augurs well not only for your Company but also for the market in general. Your Company also became the third largest commodity futures exchange in the world, in terms of the number of contracts traded during CY 2011<sup>1</sup>.

#### **The Indian Commodity Market**

Commodity futures trading in India has grown since the Government of India issued a notification on April 1, 2003 permitting futures trading in commodities. The total value of commodities futures traded in India in the FY 2011-12 was ₹181.3 trillion, representing growth of more than 125 times the value traded in the FY 2003-04, which was ₹1.3 trillion. The total commodity futures turnover has risen at an annual rate of 85 per cent between FY 2003-04 and FY 2011-12.

India is one of the fastest growing economies in the world, with the nation registering a growth of 6.9 per cent during FY 2011-12, despite the lacklustre global economic scenario. The growth of the overall economy in India is expected to drive the underlying demand for physical commodities. The increase in physical market volumes is likely to increase the hedging requirements of industry players and concomitantly augment the derivatives trading volumes.

The maturity profile of various commodity market participants has been undergoing a change with growing awareness that better risk management practices leads to an increase in competitiveness, profitability and better firm valuation. This has led to the emergence of a new risk management philosophy amongst Indian companies—both big and small—that use commodity derivatives exchanges to create new shareholder wealth.

#### **Role of the government**

Several studies commissioned by the Government of India from time to time since 1998 have recognised that Commodity Futures Market is an indispensable ingredient of market infrastructure in the country. Besides discharging their primary objective of providing an efficient platform for price discovery and risk management, India's commodity derivatives exchanges have helped farmers to make decisions on selection of crops for sowing and deciding the time for selling of their crops by disseminating commodity futures prices through

<sup>1</sup> Source: Futures Industry Association (FIA) Annual Volume Survey March 2012.