

infinite opportunities

ANNUAL REPORT 2015–16

Expanding Horizons, Tapping Infinite Opportunities

“Small opportunities are often the beginning of great enterprises”

- Demosthenes (384 BC – 322 BC), Greek statesman and orator

It is often asserted that the ability to explore, identify and exploit opportunities lies at the heart of the success of every human endeavour. As it is with personal development, so is it with organizational growth. It is only in creating or capturing the opportunities for growth as they present themselves, that organizations grow.

Multi Commodity Exchange of India Ltd. (MCX) has had an enviable track record of growth from the time it started operations in the autumn of 2003. However, ten years later, on account of a host of external factors, it had to encounter serious hurdles in its otherwise enviable growth trajectory. But MCX was able to quickly overcome these hurdles, navigate through the turbulence that attempted to dislocate its growth path, and come out not just successful, but also stronger than it was.

The changes that were effected in the organization that made it stronger, were also associated with epoch-making institutional changes in the very market that MCX operates in. During the last one year, the regulatory body under which MCX operated, i.e. the Forward Markets Commission, was merged with the Securities and Exchange Board of India (SEBI), which greatly strengthened the regulatory architecture of India's commodity derivatives market. The laws governing this market were also amended so that many more different types of derivative instruments are now permissible for trading in India's commodity markets, than was possible till last year. With these institutional changes, there is a growing expectation for the introduction of new products and participant types in the market. One may soon witness products such as options and indices and participants such as financial institutions, in this market. Amidst such significant changes in the commodity market is the emerging positive macroeconomic environment and policy reforms in India, which holds enormous possibilities for MCX as it attempts to meet the consequent large demand for risk management solutions of a growing economy.

These changes are but windows to boundless growth for MCX. As the horizon for deepening and broadening the market expands, the Exchange is preparing itself to make the most of these opportunities in order to seize the emerging opportunities and meet the growing expectations of its stakeholders. In the new paradigm that it is now operating, MCX can meet the risk management needs of a much larger section of stakeholders by being able to offer derivative products of varied types to be traded under a strong regulatory structure, and thereby remain entrenched in its unassailable leadership position. With its inimitable resources at command, such as its superior human resources, state of the art technology, innovative products and processes and an eye for constant improvement, the Exchange is well poised to transform these possibilities into reality. By doing so, it shall not just tap chase the infinite opportunities that appear today at its door, but, in the process, also emerge as a powerful catalyst in bringing about socio-economic changes in India's commodity economy.

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CORPORATE INFORMATION

Board of Directors (as on August 10, 2016)

Mr. Satyananda Mishra, IAS (Retd.)	Chairman, Public Interest Director
Mr. G. Anantharaman, IRS (Retd.)	Public Interest Director
Ms. Pravin Tripathi, IA&AS (Retd.)	Public Interest Director
Mr. Arun Kumar Nanda	Public Interest Director
Mr. Subrata Kumar Mitra	Public Interest Director
Dr. Govinda Rao Marapalli	Public Interest Director
Mr. Saurabh Chandra, IAS (Retd.)	Public Interest Director
Mr. Ajai Kumar	Shareholder Director
Mr. M. A. K. Prabhu	Shareholder Director
Ms. Padma Raghunathan	Shareholder Director
Ms. Madhu Vadera Jayakumar	Shareholder Director
Mr. Amit Goela	Shareholder Director
Mr. Hemang Raja	Shareholder Director
Mr. Mrugank Madhukar Paranjape	Managing Director and Chief Executive Officer
Mr. Parveen Kumar Singhal	President and Whole Time Director

Company Secretary

Mr. Ajay Puri

Statutory Auditors

M/s. Shah Gupta & Co., Chartered Accountants

Bankers (including clearing banks)

Axis Bank	Bank of India	Canara Bank
Citi Bank	Corporation Bank	Development Credit 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
 Karvy Selenium, Tower B
 Plot Nos. 31 & 32, Gachibowli
 Financial District, Nanakramguda
 Serilingampally
 Hyderabad 500 032
 Telangana, India
 Tel: +91 40 6716 2222
 Fax: +91 40 2300 1153
 Toll Free No.: 1800 345 4001
 Email: einward.ris@karvy.com

Registered Office

Multi Commodity Exchange of India Limited
 CIN: L51909MH2002PLC135594
 Exchange Square, Chakala
 Suren Road, Andheri (East)
 Mumbai 400 093
 Maharashtra, India
 Tel: +91 22 6731 8888
 Fax: +91 22 6649 4151
 Website: www.mcxindia.com
 Email id: info@mcxindia.com

PROFILES OF THE BOARD OF DIRECTORS



MR. SATYANANDA MISHRA, IAS (Retd.), *Chairman, Public Interest Director*

- Former Chief Information Commissioner, Government of India
- Handled various assignments in different capacities in Government of India viz. Secretary, Department of Personnel & Training, Establishment Officer, Principal Secretary, Public Works Department, etc.



MR. G. ANANTHARAMAN, IRS (Retd.), *Public Interest Director*

- Presently, Special Advisor to the Chairman, Tata Realty & Infrastructure Limited
- Former Chief Commissioner of Income Tax, Mumbai
- Former Whole-time Member of SEBI



MS. PRAVIN TRIPATHI, IA&AS (Retd.), *Public Interest Director*

- Former Deputy Comptroller & Auditor General of India & Chairperson Audit Board
- Former Member of Competition Appellate Tribunal and Airport Economic Regulatory Authority Appellate Tribunal



MR. ARUN KUMAR NANDA, *Public Interest Director*

- Presently, Chairman of Mahindra Holidays & Resorts (I) Ltd. and Mahindra Lifespace Developers Limited and Director of Holiday Club Resorts Oy, Finland
- Over 41 years of extensive experience with Mahindra Group



MR. SUBRATA KUMAR MITRA, *Public Interest Director*

- Currently on the Board of several reputed companies as an Independent Director & Advisor
- Previously associated with Aditya Birla Group, GIC Mutual Fund, Standard Chartered & AMEX in various capacities
- Over 40 years of extensive management experience in Financial Sector



DR. GOVINDA RAO MARAPALLI, *Public Interest Director*

- Presently, Emeritus Professor at National Institute of Public Finance and Policy (NIPFP)
- Former Member - 14th Finance Commission & Director of NIPFP
- Former Member - Economic Advisory Council to the Prime Minister



MR. SAURABH CHANDRA, IAS (Retd.), *Public Interest Director*

- Former Secretary, Ministry of Petroleum and Natural Gas, Government of India (GOI)
- Former Secretary, Ministry of Commerce & Industry, GOI
- Former Additional Secretary and Financial Adviser, Ministry of Commerce & Industry, GOI



MR. AJAI KUMAR, *Shareholder Director*

- Presently, Non-Executive Non-Independent Director, Yes Bank Ltd.
- Former Chairman & Managing Director, Corporation Bank
- 41 years of experience in public sector banking industry holding eminent leadership positions in India and overseas



MR. M. A. K. PRABHU, *Shareholder Director*

- Former Director (Integrated Treasury Wing), Canara Bank Securities Ltd.
- Worked with Canara Bank from 2001 to July 31, 2016 in various senior capacities



MS. PADMA RAGHUNATHAN, *Shareholder Director*

- Presently, Chief General Manager, Finance Department, NABARD
- Chartered Accountant and an Associate Member of the Institute of Bankers
- Has rich experience in agricultural projects appraisal and worked closely with community-centered institutions



MS. MADHU VADERA JAYAKUMAR, *Shareholder Director*

- Currently, independent investor in financial markets. 22 years with Citi Group as a Risk Management Specialist
- Independent Director, Aptech Limited and Maya Entertainment Limited
- Enthusiastic traveller, voracious reader, avid movie buff and Sudoku expert



MR. AMIT GOELA, *Shareholder Director*

- Partner, RARE Enterprises (Mr. Rakesh Jhunjhunwala's group)
- Formerly with Reliance Capital as AVP (Private Equity), Alchemy Share and Stock Brokers as CEO and ITC Classic Finance as Senior Manager – Strategy and Planning



MR. HEMANG RAJA, *Shareholder Director*

- Former Country Advisor – India, Asia Growth Capital Advisors
- Former Managing Director and Head – India, Credit Suisse Private Equity, Asia (CSPEA) Fund
- Former Head of India, Ritchie Capital Management, LLC, USA



MR. MRUGANK MADHUKAR PARANJAPÉ, *Managing Director and Chief Executive Officer*

- Former Managing Director, Deutsche Bank, A. G.
- Set up BSE's and NSE's operations in a record time of 3 months
- Expert in systems and technology and introduced many innovative financial products in securities markets
- Alumni of IIT, Mumbai and IIM, Ahmedabad



MR. PARVEEN KUMAR SINGHAL, *President and Whole Time Director*

- Former Division Chief - SEBI
- Former Director - FMC
- Former Executive Director & CEO - Delhi Stock Exchange Limited

LETTER FROM THE CHAIRMAN



Dear Shareholders,

The financial year 2015-16 (FY16) has been a year of growth and consolidation for your Company. After having successfully completed the overhaul of the Exchange's governance structure in the previous year, your Company focused expanding its business by exploring opportunities wherever possible. The efforts of the Exchange in this direction had borne fruits. Despite sharp fall in prices of most of the commodities during the year, your Company was able to withstand the pressure on its volumes and profitability and close the financial year 2015-16 on quite a strong footing by retaining its leadership position. With a market share of 84.3 percent in 2015-16, your Company continued to remain the undisputed leader in the Indian commodity derivatives market. During the year, the Company clocked an average daily turnover of ₹ 219,229.35 million (₹ 219.23 billion) as against ₹ 203,282.63 million (₹ 203.28 billion) achieved during the previous financial year. Besides, the Company continued to perform well during FY16

with a total income of ₹3,326.70 million, and a net profit margin of 13 per cent.

These achievements have taken the Exchange on a higher plane of growth and reckoning in the global commodity markets too, and MCX has been able to rise up to the sixth position amongst global commodity futures exchanges in 2015, as per the number of contracts traded, according to the Futures Industry Association (FIA).

The increase in volumes of trade in 2015-16 can be attributed to the slew of market development initiatives your Company took during the year. Apart from conducting a large number of awareness programmes across the country for educating key stakeholders about commodity price hedging, the Exchange engaged with universities and other educational institutions to impart skills in commodity derivatives. The Exchange has also been engaging with print and electronic media to create awareness about the socio-economic benefits bestowed by this market and to educate all stakeholders about the need for and benefits of hedging. On another front, while the market regulator had issued a slew of instructions to commodity exchanges to strengthen the exchanges' systems and processes, your Company responded swiftly to the regulatory compliance requirements by registering all its eligible members, adhering to the SEBI's instructions in streamlining the Exchange's risk management framework, opening of Investors' Services Cell in multiple cities, besides complying with many other regulatory requirements.

Striding towards infinite opportunities

As you are aware, the Exchange has had to face challenges on multiple fronts during the last two years owing to a host of factors. Pushing those to the past, all indications are that the worst is over for MCX and the Exchange is now well poised for moving on to the high growth orbit. Consequent upon the merger of FMC with SEBI, we may witness the introduction of new product and participant categories in India's commodity derivatives market under a new paradigm that is unfolding. This paradigm is likely to provide a host of other opportunities for the Exchange in addition to connecting it closer to economic stakeholders. The merger has strengthened the regulatory structure of India's commodity derivatives market, enhancing trust among the existing and potential market participants, and thus helping in the overall growth of the market. Further market development is expected with the introduction of new derivative products and entry of financial institutions such as banks and mutual funds in this market.

Besides, the emerging macroeconomic scenario in India and abroad holds a lot of promises and opportunities for your Company to reap. With inevitable growth in sectors such as manufacturing, trade, financial services, agriculture and support services, etc., there is going to be a strong demand for risk management solutions such as the need to hedge against price fluctuations, which your Company by its offering of products that meet those needs, is ready to reap.

Your Company is cognizant of the infinite opportunities which are unfurling in the emerging scenario in India's commodity markets. With its superior human resources, state of the art technology, innovative products and processes and an eye for constant improvement, it is ready to take the next big leap to transform these infinite opportunities into reality.

Thank you all for your patience.

Satyananda Mishra
Chairman of the Board
August 10, 2016

DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors is pleased to present the Fourteenth Annual Report on the business and operations of your Company along with the audited statement of accounts and the Auditors' Report for the financial year ended March 31, 2016 (FY16/year under review). The highlights of the financial results for the year under review are given below:

FINANCIAL RESULTS

(₹ in Million)				
	Standalone		Consolidated	
Particulars	2015-16	2014-15	2015-16	2014-15
Total Income	3,326.70	3,322.71	3,333.23	3,326.40
Total Operating Expenditure	1,582.80	1,349.11	1,582.85	1,349.16
Profit before Interest, depreciation, exceptional items and tax	1,743.90	1,973.60	1,750.38	1,977.24
Less: Depreciation	245.86	259.33	245.86	259.33
Less: Interest	0.38	13.73	0.38	13.73
Profit before exceptional items and tax	1,497.66	1,700.54	1,504.14	1,704.18
Less : Exceptional Items	666.76	-	666.76	-
Profit after exceptional items but before tax	830.90	1,700.54	837.38	1,704.18
Less : Provision for tax	412.62	450.01	413.46	450.09
Profit after tax	418.28	1,250.53	423.92	1,254.09
Add: Share of profits of associate	-	-	0.86	3.58
Add/(Less): Share of minority interest	-	-	-	0.01
Profit for the year	418.28	1,250.53	424.78	1,257.68
Add: Balance of profit of earlier years	7,698.43	7,242.69	7,723.73	7,260.79
Balance available for appropriation	8,116.71	8,493.22	8,148.51	8,518.47
Less: Appropriations				
• Final dividend (Proposed)	331.49	509.98	331.49	509.98
• Tax on Dividend	69.34	101.97	69.34	101.97
• Transfer to General Reserve	-	125.05	-	125.05
• Depreciation adjustments due to change in useful life of fixed assets (net of Tax thereon) in accordance with requirement of Schedule II of the Companies Act, 2013	-	57.79	-	57.79
Balance carried to Balance Sheet	7,715.88	7,698.43	7,747.68	7,723.68
Earnings per share (₹): Basic	8.23	24.64	8.36	24.78
Diluted	8.23	24.63	8.36	24.77

The audited financial statements for FY16 are recommended for adoption by the shareholders at the ensuing Annual General Meeting (AGM).

RESULTS OF OPERATIONS AND STATE OF COMPANY AFFAIRS

Your Company, India's No. 1 commodity futures exchange, offers a neutral, secure and transparent online trading, clearing and settlement of commodity futures transactions, thereby providing price discovery mechanism and enabling price risk management through scalable technology platform framework. There was no change in the nature of business of your Company during the year under review. Your Company enjoys a competitive edge due to its domain expertise, experienced leadership team, step ahead in innovation and product mix, multiple domestic and international alliances