



Enduring Strength
**Steering
Growth**

ANNUALREPORT
2016 - 2017

MCX
METAL & ENERGY
Trade with Trust

ENDURING STRENGTH, STEERING GROWTH

"I cannot change the direction of the wind, but I can adjust my sails to always reach my destination"

– Jimmy Dean (1928-2010), American actor, singer and entrepreneur

For the last few years, till about a year back, the Indian commodity derivatives market had been fraught with many challenges which had adversely affected market sentiments. Largely on account of some external factors, the market in general and MCX as the largest commodity derivatives exchange within it, had to face challenges in its growth. Yet, it was also an opportunity for the Exchange to test its resilience and readiness in the face of adversities. By confronting these adversities and emerging stronger, MCX proved its endurance and inherent strength, its two attributes that can surely enable it weather many a rough storm ahead.

The Exchange is now poised to leverage these strengths and steer its growth towards a direction that appears highly promising. A number of policy and regulatory actions in recent times have brought several new opportunities to MCX's doorsteps, opportunities that can unleash an era of significant and sustained growth for not just the Exchange but the market as well. More importantly, these changes have the potential to deepen and widen India's commodity derivatives market and make it more relevant for all classes of market participants.

MCX is cognizant of these opportunities and has embarked on a journey towards a new paradigm characterised by growth, inclusiveness and value creation – not just for itself, but for all its stakeholders.

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CORPORATE INFORMATION

Board of Directors (as on July 13, 2017)

Mr. Saurabh Chandra	Chairman, Public Interest Director
Mr. Amit Goela	Shareholder Director
Mr. Arun Bhargava	Public Interest Director
Mr. Arun Kumar Nanda	Public Interest Director
Mr. Chengalath Jayaram	Shareholder Director
Mr. Hemang Raja	Shareholder Director
Dr. M. Govinda Rao	Public Interest Director
Ms. Madhu Vadera Jayakumar	Shareholder Director
Ms. Padma Raghunathan	Shareholder Director
Ms. Pravin Tripathi	Public Interest Director
Mr. Prithvi Haldea	Public Interest Director
Mr. Subrata Kumar Mitra	Public Interest Director
Mr. Mrugank Madhukar Paranjape	Managing Director and Chief Executive Officer
Mr. Parveen Kumar Singhal	President and Whole Time Director

Company Secretary

Mr. Ashwin M. Patel

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

PROFILE OF ALL BOARD MEMBERS



Mr. Saurabh Chandra, *Chairman, Public Interest Director*

- Former Secretary to the Ministry of Petroleum and Gas, GOI.
- Former Secretary in the Department of Industrial Policy and Promotion (DIPP).
- Has over 37 years of experience in various assignments, Spent over 17 years in the Secretariat, both with State & Central Govt.; worked in different capacities in the Ministry of Finance, Ministry of Commerce and Industry, Ministry of Chemicals & Fertilizers, in the Government of India.



Mr. Amit Goela, *Shareholder Director*

- Partner at Rare Enterprises.
- Former AVP (Private Equity) Reliance Capital and CEO at Alchemy Share & Stock Brokers.
- Has over 21 years of experience in Capital Market.



Mr. Arun Bhargava, *IRS (Retd.), Public Interest Director*

- Former Chief Commissioner (Central) and Director General of Income Tax (Investigation), Mumbai.
- Former Member of Securities Appellate Tribunal (SAT).
- Over 37 years of experience in Revenue Department.



Mr. Arun Kumar Nanda, *Public Interest Director*

- Presently, Chairman of Mahindra Holidays & Resorts (I) Ltd. and Mahindra Lifespace Developers Ltd and Director of Holiday Club Resorts Oy, Finland.
- Over 40 years of extensive experience with Mahindra Group.
- Has been honoured with various Awards.



Mr. Chengalath Jayaram, *Shareholder Director*

- Currently on the board of Kotak Mahindra Bank Ltd., as an Non-Executive and Non-Independent Director.
- Former Joint Managing Director of Kotak Mahindra Bank Limited.
- Over 38 years of diverse experience in Financial Sector & related businesses.



Mr. Hemang Raja, Shareholder Director

- Former, Country Advisor – India to Asia Growth Capital Advisors (AGCA) for managing India Investments.
- Former, MD and Head India at Ritchie Capital, a part of Credit Suisse Private Equity.
- Has over 33 year of experience in Financial Industry.



Dr. M. Govinda Rao, 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.



Ms. Madhu Vadera Jayakumar, Shareholder Director

- An independent investor in Financial Markets.
- Former, Founder CEO of E-Commodities Limited.
- Has over 13 years of experience in Financial Services Industry.



Ms. Padma Raghunathan, Shareholder Director

- Presently working as Chief General Manager in Finance Department at NABARD.
- Has closely worked with the community-centred institutions engaged in upliftment of livelihood prospects of rural poor.



Ms. Pravin Tripathi, Public Interest Director

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



Mr. Prithvi Haldea, *Public Interest Director*

- Founder Chairman of Praxis Consulting & Information Services Pvt. Ltd. (Prime Database).
- Worked at senior positions in the corporate sector in the areas of exports, consulting and advertising.



Mr. Subrata Kumar Mitra, *Public Interest Director*

- Currently on the Board of several reputed companies as an Independent Director & Advisor to few Private Equity Funds.
- Previously associated with Aditya Birla Group, GIC Mutual Fund, Standard Chartered & American Express Bank at various capacities.
- Over 39 years of extensive management experience in Financial Sector.



Mr. Mrugank Madhukar Paranjape, *MD & CEO*

- Over 25 years of diverse experience in Corporate Banking, Securities Markets, Technology, Asset Management, and Custodial Services.
- Former Managing Director of Deutsche Bank A.G.
- Held senior management roles in international organisations including Prudential ICICI AMC and Citibank.



Mr. Parveen Kumar Singhal, *President & Whole Time Director*

- Over 39 years of diverse corporate experience in financial services, banking/financial institutions, securities and commodities markets space.
- Former Executive Director & CEO of Delhi Stock Exchange.
- Former Division Chief of SEBI and Director with Forward Markets Commission (FMC).

LETTER FROM THE CHAIRMAN



Dear Shareholder

The year 2016-17 was a year of challenges for the commodity markets. I am happy to inform you that MCX was able to navigate the turbulence successfully. The operational and financial results of your Exchange demonstrate this.

For the financial year ended March 31, 2017, MCX's total income stood at ₹375.87 crore vis-à-vis ₹351.40 crore for the previous financial year. Likewise, the Earnings before interest, depreciation and tax for 2016-17 was ₹196.19 crore, against ₹191.75 crore for the financial year 2015-16. The profit for the year stood at ₹126.28 crore, representing a growth of 11% over that of ₹113.78 crores in 2015-16. On the operational side, MCX's Average Daily Turnover grew from ₹21,923 crore to ₹22,560 crore, (single side). Thus the total turnover of the Exchange clocked ₹58.66 lakh crore in FY 2016-17, compared with ₹56.34 lakh crore in the previous year. As a result, your Exchange could maintain and consolidate its market share which stood at 90.37 per cent for the year 2016-17.

This performance has to be evaluated in the light of serious challenges faced by the Exchange during the year. These includes, a prolonged strike by jewellers, continuously depressed prices of many commodities, uncertainties in physical commodity markets following demonetisation. In Addition commodity market witnessed volatility consequent to the decision of U.K. to exit the European Union, results of U.S. presidential election and bouts of geo-political tensions. These events tested the endurance and capacity of your Exchange's systems to withstand external shocks. I am happy to say that the robustness of MCX's technology and processes ensured that such unanticipated bouts of trades was handled efficiently and effectively. The absence of any incidence of default or trading glitch supports this optimism that MCX will continue its position of leadership in the Commodities market. However, none of this would have been possible without the trust and confidence that all stakeholders' have reposed in the Exchange.

While we speak of our achievement in all humility, we also consider them as stepping stone for a promising future. A slew of policy reforms and regulatory decisions over the past few months has laid the foundation for creating a vibrant commodity derivatives market in India. SEBI announced the much awaited guidelines on product design and risk management framework on commodity Options, as also permitted the participation of Category III Alternative Investment Funds (AIFs) in the commodity derivatives market. Similarly, in pursuance of the announcement made by the Hon'ble Union Finance Minister in the Budget 2017 towards integration of intermediary services in securities and commodity derivatives market, the Government of India removed the proviso in the Securities Contracts (Regulation) Rules 1957 which required members of stock exchanges to set up a separate company, in order to conduct business in commodity derivatives.

The introduction of a unified Goods and Service Tax (GST), replacing a large number of state and union-level indirect taxes is another significant reform measure with positive ramifications for the commodity markets. GST envisages a "One India – One Tax – One Market" and with removal of a large number of differential state-specific taxes, a larger pan-India market for commodities can be created. Apart from enabling seamless transportation of commodities across state borders, GST will also help in building efficient linkages between the spot and derivatives markets and enhance the relevance of exchange discovered prices to the entire ecosystem.

In addition to the above policy reforms, a number of regulatory decisions which are expected to strengthen the commodity derivatives market and prepare it for the next level of growth. During the year, SEBI undertook policy measures to improve market transparency, risk management, market accessibility and participation, investor protection and synchronizing practices at commodity derivatives exchanges with those at stock exchanges.

I am happy to inform that, during the year, MCX Clearing Corporation Limited (MCX CCL) applied to SEBI seeking recognition to transfer the functions of clearing and settlement of trades to itself as a separate clearing corporation.

These measures, along with a series of training, education and outreach programmes undertaken have placed the Exchange in a sound position to negotiate for the next wave of growth in the market. Our constant endeavour is to raise the Exchange's internal risk management systems and trading/ clearing processes to be on par with the best-in-class standards, while externally, market participants are being prepared for trading in likely to be introduced derivative products.

Given the growth trajectory of the Indian economy and the positive policy actions in the recent past, the future is replete with opportunities for rapid growth of the commodity derivatives market. I would like to assure you that we are committed to use these opportunities for steering your Exchange and the market to higher growth and inclusiveness, for serving the public good. As in the past, I seek your continued support to enable us convert the emerging opportunities into tangible achievements for taking the Exchange to greater heights.

Saurabh Chandra
Chairman

July 13, 2017

DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors is pleased to present the Fifteenth 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 (FY) ended March 31, 2017 ('Year under review'), highlights of which are given below:

FINANCIAL RESULTS

(₹ in Lakh)

Particulars	Standalone		Consolidated	
	2016-17	2015-16	2016-17	2015-16
Total Income	37,587	35,140	37,634	35,184
Total Operating Expenditure	17,967	15,965	17,981	15,966
Profit before Interest, depreciation, exceptional items and tax	19,620	19,175	19,653	19,218
Less: Depreciation	1,857	2,459	1,857	2,459
Less: Interest	20	30	20	30
Profit before exceptional items and tax	17,742	16,686	17,776	16,729
Less: Exceptional Items	–	563	–	563
Profit after exceptional items but before tax	17,742	16,123	17,776	16,166
Less: Provision for tax	5,115	4,746	5,117	4,703
Profit after tax	12,627	11,378	12,659	11,463
Less: Other Comprehensive Income (net of tax)	1,852	4,670	1,859	4,573
Total Comprehensive Income for the period (Comprising Profit and Other Comprehensive Income for the period)	10,775	6,708	10,800	6,890
Earnings per share				
a. Basic (₹)	24.84	22.39	24.91	22.56
b. Diluted (₹)	24.83	22.38	24.89	22.55

The Ministry of Corporate Affairs (MCA), vide its notification dated February 16, 2015, notified the Indian Accounting Standards (Ind AS) applicable to certain classes of companies. Your Company falls within its ambit and in compliance with the same, the Company has, effective April 01, 2016 (transition date being April 01, 2015), adopted Ind AS prescribed under Section 133 of the Companies Act, 2013 read with the relevant rules thereunder.

RESULTS OF OPERATIONS AND STATE OF COMPANY AFFAIRS

Several international and national events occurred during the course of the year under review, which had significant impact on various segments of the commodities market including your Company. Prices of Bullion went up early in the year, but subsided as the year progressed. While Brexit, global economic concerns and loose monetary policy of major central banks helped gold prices rise, the US Fed's hike in interest rates and the US election subdued prices of the yellow metal. The demonetization of higher currency notes in India, coupled with low official gold purchases by the Reserve Bank of India (RBI), traditionally one of world's largest buyers of the metal, further aided the decline in gold prices. As for Crude Oil, the understanding between OPEC and some non-OPEC countries on oil supply cuts led to volatility in its prices. Further, mine closures, improved demand sentiments from China and US President – Donald Trump's plans to rebuild American infrastructure helped base metals prices to rise.