

UNLOCKING POSSIBILITIES REIMAGINING FUTURE



**Annual Report
2017-2018**

MCX
METAL & ENERGY
Trade with Trust

UNLOCKING POSSIBILITIES; RE-IMAGINING FUTURE

**“Use the wings of the flying Universe,
Dream with open eyes;
See in darkness.”**
– Dejan Stojanovic, Serbian, poet, essayist, philosopher

Aiming high inspires us to take action. We aspire for greatness, visualise the possibilities, ideate on goals and relentlessly strive to achieve them. Though our goals may appear daunting, they do not overwhelm us for we have the right wherewithal and a burning desire to achieve what we have set our sights on. We started with small steps, and through a journey which saw as many rough patches as smooth sailings, have now reached a milestone from where we see the path going only upwards. Our resilience, a clear vision and our inimitable repertoire of resources consisting of people, product and technology, motivates us to challenge the present and re-imagine the future.

Rome was not built in a day. When John F Kennedy talked about putting a man on the moon in 1961, he did not plan to achieve this by the end of the month or year; he envisioned achieving this feat by the end of the decade. He knew big goals take time.

What is important is to be prepared for the big leap, to set eyes on a goal and build on the capabilities to reach there.

As we set out on the higher path, we remind ourselves that the journey to reach the stars may be long and arduous, but we do have all that are needed to reach there. It is this confidence in our capabilities and an unfailing belief in our vision that leads us towards exploring and unlocking new opportunities. Now. And in a re-imagined future.

CONTENTS

Corporate Information	01
Letter from the Chairman	05
Directors' Report	06
• Annexures	21
Management's Discussion and Analysis	65
Corporate Governance Report	83
Business Responsibility Report	106
Standalone	
• Auditors' Report	122
• Financials	128
Consolidated	
• Auditors' Report	168
• Financials	172

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CORPORATE INFORMATION

Board of Directors (as on July 20, 2018)

Mr. Saurabh Chandra	Chairman, Public Interest Director
Mr. Amit Goela	Shareholder Director
Mr. Arun Bhargava	Public Interest Director
Mr. Basant Seth	Public Interest Director
Mr. Chengalath Jayaram	Shareholder Director
Dr. M. Govinda Rao	Public Interest Director
Mr. Hemang Raja	Shareholder Director
Ms. Madhu Vadera Jayakumar	Shareholder Director
Ms. Padma Raghunathan	Shareholder Director
Mr. Prithvi Haldea	Public Interest Director
Mr. Shankar Aggarwal	Public Interest Director
Mr. Mrugank Paranjape	Managing Director and Chief Executive Officer

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, Gol.
- Former Secretary in the Department of Industrial Policy and Promotion (DIPP).
- Has over 38 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 Member of CBDT.
- Former Member of Securities Appellate Tribunal (SAT).
- Over 37 years of experience in Revenue Department.



Mr. Basant Seth, *Public Interest Director*

- Qualified Chartered Accountant having experience of over 40 years' with expertise in finance, banking, management, administrative and quasi-judicial matters.
- Chairman and Managing Director of Syndicate Bank from 31st August 2009 to 28th February, 2012.
- Information Commissioner in the Central Information Commission from 1st March, 2012 to 15th February, 2017.



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 39 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 34 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 14 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.



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. Shankar Aggarwal, *Public Interest Director*

- Has held various positions under various Ministries including that of Secretary to Government of India in the Ministries of Women and Child Development, Urban Development and Labour and Employment and various departments of Government of India and Government of Uttar Pradesh.
- Held positions of Secretary and President in various social organizations



Mr. Mrugank Paranjape, *MD & CEO*

- Over 26 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.

LETTER FROM THE CHAIRMAN



Dear Shareholders

Having successfully navigated through the turbulent times during the year 2016-17, I am happy to state that MCX's performance in terms of its business and financial results from operations for FY 2017-18 has been satisfactory. We are excited about the opportunities that lie ahead and remain committed to encash the same and further improve our overall performance.

For the year ended March 31, 2018, MCX's total income stood at ₹ 34,620 lakh, as against ₹ 37,587 lakh in FY 2016-17. The decline is primarily due to decrease in treasury income. Transaction revenue during FY 2017-18 was ₹ 23,892 lakh, a 2.5% increase from ₹ 23,304 lakh in the previous fiscal, despite limited price volatility in many commodities for the major part of the year. On the operational side, MCX clocked an average daily turnover (ADT) of ₹ 21,193 crore (single-side) in futures during FY 2017-18, while the ADT (notional) in the options segment, which was launched on October 17, 2017 was ₹ 89 crore.

As a result of continued focus on products and market services, MCX could maintain its leadership position with a market share of 89.58% during the year 2017-18. Likewise, your Exchange continued maintaining a high rank among global commodity futures exchanges during 2017, occupying the 7th position, as per data compiled by Futures Industry Association.

The achievements in the past year give us optimism about our capabilities to tap the opportunities available and address the challenges that lie ahead. During the year 2017-18, MCX became India's first exchange to launch commodity Options when it launched Options on gold futures on the auspicious day of *Dhanteras* in 2017. Subsequently, Options on futures of silver, crude oil, copper and zinc were also launched. The decision made by the Government of India to substantially reduce transaction tax on exercise of Commodity Options made trading in the product more attractive.

MCX partnered with Thomson Reuters and launched the Thomson Reuters-MCX India Commodity Indices (iCOMDEX) during the year. We hope to launch contracts on indices, once SEBI approves derivatives on intangibles such as commodity indices.

During last year, Multi Commodity Exchange Clearing Corporation Limited (MCXCCL) received an 'in-principle' approval from SEBI for commencing operations. A well-capitalised clearing entity, distinct from the exchange, helps in building confidence of exchange participants, particularly institutions having large positions. This would enable MCX to attract institutional participants to trade on its platform once permitted by SEBI.

On the participation front, the year 2017-18 was a watershed year as several significant regulatory changes were undertaken to bring in new categories of institutional participants in the market. Category III Alternative Investment Funds (AIFs) were allowed to trade. Banks were allowed to become Professional Clearing Members (PCM), while their subsidiaries were allowed to offer broking services in commodity derivatives. Brokerage houses were allowed to integrate their entities across commodities and other asset classes under a single license. SEBI also floated a discussion paper for enabling participation of Mutual Funds and Portfolio Managers in the commodity derivative markets. We believe that the entry of institutional participants will spur retail participation and ease the access of small stakeholders, including the hedgers, to the hedging and investment platform of commodity exchanges. Besides, financial institutions, by leveraging on their geographical reach, research expertise and capital strength can enable more efficient price discovery and take the benefits of the commodity markets to more participants. At the same time, we are confident of meeting any challenge thrown up by the possible entry of existing stock exchanges in the commodity space. With our leadership position in products, technology and human resources, we should be able to effectively thwart such possible future challenges, while at the same time, keep exploring the emerging opportunities in the changed regulatory landscape.

The Indian economy is undergoing a number of transformational changes. Various sectors of the economy are expanding fast. New industries are emerging. Commodity markets, as an integral part of the economy, too are expanding in response to the demand for commodities and provide a platform for risk management and price discovery of commodities. The commodity derivatives market is itself undergoing a metamorphosis with introduction of new products and participant categories, opening up new vistas of presenting commodities as an investible asset class. Together with enabling policy developments, such as introduction of GST, the scope for expansion of this market is truly large.

MCX is cognizant of the opportunities unfurling in the emerging scenario in India's commodity markets, especially those created by recent policy enablements in the broader commodity ecosystem. MCX is confident of its capabilities in unlocking these possibilities. With a number of new and innovative products, stress on continuous improvement and an established culture of serving its stakeholders, your Exchange is aiming at attaining greater heights and achieving the next stage of its growth.

Saurabh Chandra
Chairman
(DIN: 02726077)

July 20, 2018

DIRECTORS' REPORT

Dear Shareholders,

The Board of Directors is pleased to present the Sixteenth 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, 2018 ('year under review'), highlights of which are given below:

FINANCIAL RESULTS

(₹ in lakh, except EPS)

Particulars	Standalone		Consolidated	
	2017-18	2016-17	2017-18	2016-17
Total Income	34,620	37,587	35,186	37,634
Total Operating Expenditure	18,552	17,968	18,798	17,981
Profit before Interest, depreciation, exceptional items and tax	16,068	19,619	16,388	19,653
Less: Depreciation	1,666	1,857	1,666	1,857
Less: Interest	–	20	4	20
Profit after exceptional items but before tax	14,402	17,742	14,718	17,776
Less: Provision for tax	3,767	5,115	3,882	5,117
Profit after tax	10,635	12,627	10,836	12,659
Add/(Less): Other Comprehensive Income (net of tax)	265	(1,852)	124	(1,859)
Total Comprehensive Income for the period (Comprising Profit and Other Comprehensive Income for the period)	10,900	10,775	10,960	10,800
Earnings per share (EPS)				
a. Basic (₹)	20.91	24.84	21.31	24.90
b. Diluted (₹)	20.91	24.83	21.31	24.89

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; and the financial statements have been prepared in accordance with Ind AS.

GLOBAL ECONOMY AND COMMODITY MARKET

The year 2017 was a turning point for the global economy. While 2017 saw an end to the decline in the price of most commodities, favourable weather conditions capped the price rise of a number of agricultural crops as their supply increased. Bullion witnessed renewed pressure on account of the U.S. dollar strengthening in the run-up to the much-anticipated meeting of U.S. Federal Reserve, where the Fed was widely expected to lift its benchmark interest rates. However, in the final weeks of the year gold recovered most of its previous decline in price consequent to the U.S. central bank reiterating that a gradual rate increase was appropriate in light of the new tax regime.

Crude oil prices rose by more than 40% by the year-end from their lows in June 2017. Prices of many base metals touched multi-year highs largely due to tightening of supply following environmental concerns in large producing nations like China and Philippines.

In general, while international prices of the commodities were firm on a yearly basis, appreciation of the rupee capped rupee-denominated commodity prices. Given the backdrop of global commodity market and the Indian scenario, the operating environment for your Company during the year was challenging.