

# Directors' Report

Your Directors have pleasure in presenting the 22<sup>nd</sup> Annual Report of OTC Exchange of India together with the audited Statements of Accounts for the year ended 31<sup>st</sup> March, 2012.

## FINANCIAL RESULTS

The financials of your Exchange for the year 2011- 2012 are as follows:

*(Rs. in lacs)*

PARTICULARS		
	2011- 2012	2010- 2011
Income	403.20	349.66
Expenditure (Excluding Depreciation)	147.08	152.78
Surplus/(Deficit) Before Depreciation	256.12	196.88
Depreciation	13.20	14.59
Net Surplus/(Deficit) for the year	242.92	182.29
Surplus/(Deficit) brought forward from previous years	(4242.31)	(4424.60)
Accumulated Deficit carried forward to Balance Sheet	(3999.39)	(4242.31)

The Company has not accepted any deposits from the public during the year. The Exchange has separate funds in place as per the SEBI Guidelines as set out below.

Investor Protection Fund having a corpus of Rs.488.94 lacs (previous year Rs 442.51 lacs), Investors Services Fund having a corpus of Rs.73.03 lacs (previous year 65.61 lacs) and Settlement Guarantee Fund, including Base Minimum Capital of Members and Dealers, having a corpus of Rs.861.42 lacs (previous year Rs.802 lacs). The Exchange has also set up a Settlement Contingency Fund of Rs. 50 lacs as required by SEBI. The investable portion of the above funds has been placed in fixed deposits of Banks as earmarked funds.

## OPERATIONS AT OTC EXCHANGE OF INDIA (OTCEI)

During the year, the Exchange has generated a net surplus of Rs 242.91 lacs (previous year Rs 182.28 lacs) which is the fifth consecutive year of net surplus and also the second highest profit in the history of OTCEI (highest being Rs 683.09 lacs in 1995-96). This has been possible due to constant financial discipline including reduction of expenditure.

During the year, the Promoters have taken considerable efforts to comply with the restriction on shareholdings of a recognized Stock Exchange stipulated by SEBI as

per SCR (MIMPS) Regulations, 2006. The Promoter Institutions had discussed various other options available for disinvestment to comply with the SEBI Regulations including re-registration of OTCEI from Section 25 ('Not for profit') to Ordinary Company (For Profit) under the Companies Act, 1956.

Further, SBI Capital Markets Limited approached Reliance Exchange Next Consortium and few other prospective investors to find out their interest for stake in OTCEI. Reliance Exchange Next informed that they are not interested in taking a stake in OTCEI considering the uncertainty about the shareholding norms as per SEBI's MIMPS Regulations. Further, the members also discussed in detail the proposal of giving an advertisement in the newspapers inviting Expression Of Interest (EOI) from interested parties for disinvestments of equity shares of OTCEI by Promoters and it was decided that the Exchange should write a letter to present SEBI Chairman informing about the earlier steps taken by the Exchange/the Promoters for disinvestments of excess shareholding by Promoters to comply with SEBI Regulations.

As decided, the Exchange had sent a letter to SEBI Chairman on March 13,2012 requesting to allow the prospective shareholder(s) to hold shares in OTCEI in the excess of the limits prescribed under MIMPS Regulations with a condition to comply with prescribed shareholding norms within a stipulated time of 3 years and after obtaining approval of SEBI, the Exchange will again reinitiate the process of finding suitable shareholder who can revive OTCEI and thereafter divest its shareholding to other parties for complying with applicable guidelines. The Exchange has not received any response from SEBI so far.

Recently, Canara Bank Ltd, the holding company of Canbank Financial Services Ltd.(CFSL), had informed OTC Exchange of India that Canara Bank Ltd. intends to acquire the whole shareholding of its subsidiary-CFSL to comply with MIMPS Regulations of SEBI. The process for the same including taking approval of SEBI for the purpose is under progress.

#### **SUBSIDIARY COMPANY**

A statement pursuant to Sec. 212 of the Companies Act, 1956, in respect of OTCEI Securities Limited (OSL), the wholly owned subsidiary of your company, and its Accounts for the year 2011 - 2012 together with the Report of the Directors and the Auditors thereon, are attached to the Accounts of the Company.

#### **LISTINGS**

Due to sluggish market conditions, your Exchange could not find any new issuers in the equity segment this year. The number of listed companies on the Exchange stands at 60 as on March 31, 2012.

#### **Personnel and HRD**

There are no employees within the purview of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975. The Exchange had 19 employees as on March 31, 2012.

#### **AUDITORS**

The Statutory Auditors, M/s. Shah Gupta & Co, Chartered Accountants, Mumbai, will retire at the ensuing Annual General Meeting and are eligible for re-appointment.

#### **DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and pursuant to the Articles of Association of the Company, Shri Umesh Jain, Nominee Director of IDBI, retire at the twenty-second Annual General Meeting of the Company.

Smt.Rita Bhattacharya, representative of Life Insurance Corporation of India and Shri Biswajit Banerjee, representative of IFCI Limited have been appointed as Directors of the Company, whose period of office shall be liable to retirement in accordance with section 262 of the Companies Act 1956.

#### **DIRECTORS RESPONSIBILITY STATEMENT**

The Directors confirm that:

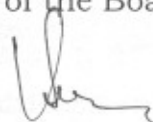
- a. in the preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures, if any;
- b. they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the surplus and deficit of the Company for that period;
- c. they have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d. they have prepared the annual accounts on a going concern basis.

## ACKNOWLEDGEMENTS

The Board of Directors would like to express its sincere gratitude to Ministry of Finance, all its Promoter Institutions, Securities and Exchange Board of India, Ministry of Corporate Affairs and Reserve Bank of India for their continued support and co-operation. OTCEI would like to thank its Members and Dealers as well as the Companies which are listed on the Exchange for their support. OTCEI acknowledges their patronage and regards them as partners in progress.

The Exchange would also like to place on record its appreciation of the services of its Clearing Bankers, Clearing House – NSCCL (National Securities Clearing Corporation Ltd.) and main corporate banker Axis Bank Ltd. The Directors also appreciate the teamwork and valuable contribution of all the employees of your Exchange.

For and on behalf of the Board



S C Bhargava  
Chairman

Mumbai

Date: June 29, 2012