

Directors' Report

Your Directors have pleasure in presenting the 24th Annual Report of OTC Exchange of India together with the audited Statements of Accounts for the year ended 31st March, 2014.

FINANCIAL RESULTS

The financials of your Exchange for the financial year 2013- 2014 are as follows:

(Rs. in lacs)

PARTICULARS		
	2013- 2014	2012- 2013
Income	370.36	392.65
Expenditure (Excluding Depreciation)	169.64	204.51
Surplus/(Deficit) Before Depreciation	200.72	188.14
Depreciation	12.43	12.93
Net Surplus/(Deficit) for the year	188.29	175.21
Surplus/(Deficit) brought forward from previous years	(3824.18)	(3999.39)
Accumulated Deficit carried forward to Balance Sheet	(3635.89)	(3824.18)

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.

OPERATIONS AT OTC EXCHANGE OF INDIA (OTCEI)

During the year, the Exchange has generated a net surplus of Rs 188.29 lacs (previous year Rs 175.21), which is the seventh consecutive year of net surplus. This has been possible due to constant financial discipline. The Securities and Exchange Board of India had granted renewal of recognition to OTCEI as Stock Exchange under Section 4 of the Securities Contracts (Regulation) Act, 1956 for a period of one year from 23rd August, 2013 to 22nd August, 2014.

As there was no turnover on the platform of the Exchange, the Board, in its meeting held on January 03, 2014, has agreed for voluntary exit. The members of OTCEI, in the Extra Ordinary General Meeting held on February 18, 2014, granted their consent for voluntary surrender of recognition granted under section 4 of the SCRA by SEBI, in terms of SEBI's Exit Policy for De-recognised/Non-operational Stock Exchanges issued vide Circular No.CIR/MRD/DSA/14/2012 dated May 30, 2012. Accordingly, the Exchange vide letter dated February 18, 2014, informed the same

to SEBI. In view of above, the Exchange has not applied to SEBI for renewal of recognition as Stock Exchange.

Further, as per the provisions of SEBI Circular dated May 30, 2012, M/s. S K Patodia & Associates , Chartered Accountants, was appointed as valuation agency for the verification and valuation of assets and liabilities of OTCEI. M/s. S.K. Patodia & Associates had completed the assignment and had submitted their report to SEBI on May 08,2014. SEBI, vide letter No.MRD/DSA/OW/17450/2014 dated June 18,2014, forwarded the Valuation Report to OTCEI and advised OTCEI to expedite the audit of IPF and transfer the IPF, ISF and 1% Security Deposit amount along with any interest accrued on the amount from 31st March,2014 to till date to SEBI Investor Protection and Education Fund(IPEF) in terms of clause 6.1. of SEBI Circular dated May 30,2012. The Exchange is in the process of transferring the amount lying under IPF, ISF and 1% Security Deposit to SEBI. Further, the Exchange is actively considering the proposal of selling its shareholding in its subsidiary – OTCEI Securities Limited(OSL) as the winding-up of the subsidiary can be done once the deposit lying with NSE is received. The Exchange may initiate the process of winding up of your company once the process of either winding-up or sale of subsidiary is over.

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 2013 - 2014 together with the Report of the Directors and the Auditors thereon, are attached to the Accounts of the Company.

OTCEI Securities Ltd. (OSL) is a corporate member of the National Stock Exchange of India Ltd. (NSEIL) for Capital Market Segment bearing membership No.10761 and SEBI registration No. INB231076135. The Board of OSL, in its meeting held on 29th August 2013, had recommended to the parent exchange for voluntary winding up of the Company. The parent exchange also approved the recommendation of OSL Board for voluntary winding up of the Company and surrender of membership of NSE of cash market segment. As desired by the Board, the company had applied to NSE on 20th March, 2014 for surrender of membership of National Stock Exchange of India Ltd. of cash market segment. As per the revised norms of NSE (vide Circular No.NSE/MEM/15689 dated 8th September 2010) for surrender of membership of NSE, the interest free security deposit lying with Exchange/ Clearing Corp. shall be refunded to the members after three years from the date of issue of public notification. Therefore, the winding-up of the subsidiary can be done after receipt of deposit from NSE. Further, a proposal for sale of shareholding of OTCEI in the subsidiary is under consideration of the Board.

SHARE CAPITAL:

The Share Capital of your Exchange consists of equity shares as follows:

Authorised Share Capital:

During the year under review, the Authorized Share Capital of your Exchange is 2,00,00,000 equity shares of Rupees 10(ten) each amounting to Rs 20,00,00,000 (Rupees Twenty Crores Only).

Paid Up Share Capital:

During the year under review, the paid-up equity of your Company is 1,00,00,000 Equity Shares of Rs.10(ten) each amounting to Rs.10,00,00,000 (Rupees Ten Crores Only).

DIVIDEND:

Your Company, being Section 25 Company under the Companies Act, 1956, is prohibited from declaring any dividend to the shareholders.

Corporate Governance

The company is committed to maintain the highest standards of corporate governance and adhere to the corporate governance requirements.

Listings

The number of listed companies on the Exchange stands at 60 as on March 31, 2014. As per SEBI exit Circular dated May 30, 2012, the Company is in the process of transferring the exclusive listed companies to the dissemination board of national exchanges or facilitating their listing on other exchanges.

Particulars of employees

As required by the provision of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particular of employees) Rules, 1975 as amended, there are no employees who draw remuneration as set out in the aforesaid provision of the Act.

Directors

In accordance with the provisions of the Companies Act, 1956 and pursuant to the Articles of Association of the Company, Shri Deepak Gupta and Shri R B L Vaish, retire by rotation at the ensuing Annual General Meeting and are eligible

for reappointment. Further, in terms of Section 149, 152 and other applicable provisions of the Companies Act, 2013 read with the rules made there under, the appointment of Shri R B L Vaish and Shri Omprakash Porwal is being recommended as Independent Directors of the Company for a consecutive period of three years with effect from 30th September, 2014 on a non- rotational basis.

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.

Audit Committee

The Audit Committee comprises four directors viz. Shri R.B.L.Vaish, Shri Omprakash Porwal, Shri S.C.Bhargava and Shri Deepak Gupta as its members. Shri R.B.L.Vaish is the Chairman of the Audit Committee. The Committee met 2 times during the financial year 2013-2014 i.e. September 10,2013 and January 03,2014.

Auditors

M/s. Mittal & Associates, Chartered Accountants, who are the Statutory Auditors, will retire at the ensuing Annual General Meeting. M/s. Mittal & Associates have informed their intention not to be reappointed as Statutory Auditors of the Company. In view of above and as recommended by the Audit Committee, the Board had recommended that M/s ADV & Associates, Chartered Accountants, might be appointed as Auditors of the Company to hold office from the conclusion of ensuing Annual General Meeting upto the conclusion of 29th Annual General Meeting in terms of provisions of Section 139 and 141 of the companies Act, 2013 subject to ratification by shareholders in every annual general meeting. The company has received a certificate from the Auditors to the

effect that their appointment, if made, shall be in accordance with the conditions prescribed under Section 139 and other related provisions of the Companies Act, 2013.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO

Your exchange's operations are not power intensive. However, there is a continuous effort to conserve and optimize use of energy. Considering nature of business activities of the company, your directors have nothing to report with regard to conservation of energy, technology absorption and innovation.

There was not inflow or outflow of foreign exchange during the year under review.

ACKNOWLEDGEMENTS

The Board of Directors would like to express their appreciation and gratitude to Ministry of Finance, all its Promoter Institutions, Securities and Exchange Board of India, Ministry of Corporate Affairs and Reserve Bank of India and banks for their continued support and co-operation. The Board would also like to thank its Members and Dealers as well as the listed companies for their support. 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: September 01, 2014