

Directors' Report

Your Directors are pleased to present the 20th Annual Report of OTC Exchange of India together with the audited Statements of Accounts for the year ended March 31, 2010.

FINANCIAL RESULTS

The financials of your Exchange for the year 2009- 2010 are as follows:

(Rs. in lakhs)

PARTICULARS		
	2009-2010	2008-2009
Income	325.93	321.20
Expenditure (Excluding Depreciation)	176.75	216.86
Surplus/(Deficit) Before Depreciation	149.18	104.34
Depreciation	20.35	24.32
Net Surplus/(Deficit) for the year	128.83	80.02
Surplus/(Deficit) brought forward from previous years	(4553.43)	(4633.45)
Accumulated Deficit carried forward to Balance Sheet	(4424.60)	(4553.43)

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. 400.01 lakhs (Previous year Rs 359.58 lakhs), Investors Services Fund having a corpus of Rs. 58.17 lakhs (Previous year 52.47 lakhs) and Settlement Guarantee Fund, including Base Minimum Capital of Members and Dealers, having a corpus of Rs. 802.51 lakhs (Previous year Rs.730.53 Lakhs). The Exchange has also set up a Settlement Contingency Fund of Rs.50 lakhs 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

During the year the Promoters have taken considerable efforts to comply with the restriction on shareholdings of a recognized Stock Exchange stipulated by SEBI. The Promoters formed a sub-committee for the purpose of divestment of shares. The Exchange on the recommendation of the promoters appointed SBI Capital Markets Ltd. as advisor for divesting the holdings of the promoters. The advisor conducted the bidding process after inviting prospective buyers. Consequently, the Promoters identified Reliance Exchangenext Pvt. Ltd. and Reliance Capital Limited (Reliance Consortium) to transfer their holdings, either in full or in part, subject to approval of SEBI. Currently, SBI Capital Markets Ltd., being advisor,

is monitoring the entire post-bidding activities to complete the process of divestment.

The Subsidiary Company, OTCEI Securities Ltd. has reported a net profit of Rs.21.08 lacs before tax and Rs.17.81 lacs after tax for the year 2009-2010.

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 2009- 2010 together with the Report of the Directors and the Auditors thereon, are attached to the Accounts of the Company.

LISTINGS

Due to continued low volumes, your Exchange could not find any new issuers in the equity segment this year. The number of listed companies on the Exchange stands at 59 as on March 31, 2010.

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 has 23 employees as on March 31,2010.

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, our Directors Shri S.C.Bhargava, and Shri Omprakash Porwal retire at the twentieth Annual General Meeting of the Company and are eligible for re-appointment.

Shri S.Gopalakrishnan, representative of The New India Assurance Company Limited have been appointed as a Director of the Company, whose period of office shall be liable to retirement in accordance with section 262 of the Companies Act 1956. The New India Assurance Company Limited has proposed his candidature, under section 257 of the Companies Act 1956, to be appointed as a Director.

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

OTCEI expresses its wholehearted appreciation and sincere thanks to Ministry of Finance, all its Promoter Institutions, Securities and Exchange Board of India, Department of Company Affairs and Reserve Bank of India for their continued support and co-operation. OTCEI also likes 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 acknowledges the services of its Clearing Bankers, Clearing House - NSCCL (National Securities Clearing Corporation Ltd.), its custodian SHCIL (Stock Holding Corporation of India 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: July 30, 2010