

DIRECTORS' REPORT

Your Directors hereby present the Twenty-seventh Annual Report of OTC Exchange of India together with the Audited Statement of Accounts for the financial year ended 31st March, 2017.

FINANCIAL RESULTS:

The financial highlights of your Company for the financial year 2016-17 are as follows: -

PARTICULARS	(Rs in lakhs)	
	2016 - 2017	2015 - 2016
Income	446.66	430.03
Expenditure (Excluding Depreciation)	263.13	223.94
Surplus/(Deficit) Before Depreciation	183.53	206.09
Depreciation & Assets written off	40.69	41.38
Net Surplus/(Deficit) for the year	142.84	164.71
Surplus/(Deficit) brought forward from previous years	(3381.87)	(3546.58)
Accumulated Deficit carried forward to Balance Sheet	(3239.11)	(3381.87)

DEPOSITS:

The Company has neither accepted nor renewed any deposits from the public during the year.

OPERATIONS AT OTC EXCHANGE OF INDIA (OTCEI):

During the year, OTCEI has generated a net surplus of Rs. 142.84 lakhs (previous year Rs.164.71 lakhs), which is the ninth consecutive year of net surplus. This has been possible due to constant financial discipline. The expenses incurred during this year include the ex-gratia and other terminal benefits paid to an employee under Compulsory Retirement Scheme.

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After issue of exit order as Stock Exchange by SEBI on 31st March, 2015, the promoters/Board decided in principle to liquidate the Company. To make the process of winding up smoother and fast, the Board decided to sell the immovable properties of the Company only to the Promoter Shareholders and their Associates. The price bids received from the Promoter Shareholders and their Associates for purchase of the residential and commercial properties were lesser in comparison to base/reserve price quoted by OTCEI and therefore the sale of properties could not take place.

Further, the Board has appointed a qualified Insolvency Professional as Consultant to advice the Board on various aspects and logistics of voluntary liquidation of the Company and the appointment of liquidator for liquidation of the Company is in process.

CHANGE IN NATURE OF BUSINESS:

There was no change in the nature of business activities of the Company during the year under review.

RESERVES:

No amount is being transferred to General Reserve as the Company is having accumulated losses which are being set off from the profit earned.

MATERIAL CHANGES AND COMMITMENT IF ANY AFFECTING THE FINANCIAL POSITION OF THE COMPANY OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THIS FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT:

No other material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which this financial statements relate on the date of this report.

SUBSIDIARIES, JOINT VENTURES OR ASSOCIATE COMPANIES

The Company has one subsidiary company- OTCEI Securities Limited(OSL) within the meaning of Section 2(87) of the Companies Act, 2013. Pursuant to the provisions of Section 129(3) of the Companies Act,2013, a statement containing salient features of the financial statements of the subsidiary company in Form **AOC-1** is attached to the financial statements of the Company.

The company was a member of cash market segment of NSE and the membership was surrendered in 2014. The Security Deposit lying with NSE has been received and the letter for removal of lien from Fixed Deposit Receipts pledged with NSE has been received. Accordingly, the company has appointed an Insolvency Professional as its liquidator for its voluntary liquidation.

The Company had no associate or Joint Venture company during the year under review.

CONSOLIDATED FINANCIAL STATEMENT:

In accordance with the provisions of the Companies Act, 2013, the audited Consolidated Financial Statement is provided in the Annual Report.

EXTRACTS OF ANNUAL RETURN:

The extract of Annual Return pursuant to the provisions of Section 92 read with Rule 12 of the Companies (Management and administration) Rules, 2014 is furnished in **Annexure I** and is attached to this Report.

EXPLANATION OR COMMENTS ON QUALIFICATIONS, RESERVATIONS OR ADVERSE REMARKS OR DISCLAIMERS MADE BY THE AUDITORS:

There is no qualification, reservation or adverse remark in the Auditors' Report. During the financial year under review, no fraud against the Company or by the Company was found by the Auditors of the Company.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS MADE UNDER SECTION 186 OF THE COMPANIES ACT, 2013:

No investment was made or loan or guarantee given by the Company during the period under review.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES SECTION 188 OF THE COMPANIES ACT, 2013:

All contracts/arrangements/transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis. During the year, the Company had not entered into any contract/arrangement/transaction with related parties, which could be considered material, hence not required to give any detail in Form AOC 2.

SIGNIFICANT/MATERIAL ORDERS PASSED BY THE REGULATORS:

No significant or material order was passed by any regulator or court or tribunal, which impacts the going concern status of the Company or will have bearing on company's operations in future.

INTERNAL FINANCIAL CONTROL WITH REFERENCE TO THE FINANCIAL STATEMENTS:

The Company has an internal control system commensurate with size, scale and complexity of its business operations. The Company monitors and evaluates the efficiency and adequacy of internal control system in place, its compliance with operating systems, accounting procedures and policies.

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 20000000 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 10000000 Equity Shares of Rs.10 (ten) each amounting to Rs.10,00,00,000 (Rupees Ten Crores Only).

DIVIDEND

Your Company, being Section 8 Company under the Companies Act, 2013, is prohibited from declaring any dividend to the shareholders.

BOARD MEETINGS

The Board met 5 times during the financial year 2016-2017 i.e. April 05, 2016, May 25, 2016, August 29, 2016, December 30, 2016 and February 15, 2017.

CORPORATE GOVERNANCE

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

PARTICULARS OF EMPLOYEES

Details as required under Rule 5(2) of Companies (Appointment and Remuneration of Manager Personnel) Rules, 2014, as amended, are annexed herewith as **Annexure – II**.

DIRECTORS

In accordance with the provisions of Section 152(6) the Companies Act, 2013 and pursuant to the Articles of Association of the Company, Shri Deepak Gupta, Nominee Director of IDBI, retires by rotation at the ensuing Annual General Meeting and is eligible for reappointment. The term of Shri Omprakash Porwal and Shri R B L Vaish, independent Directors on the Board of OTCEI will be expiring on 29th September, 2017. The Board has recommended their re-appointment for a further period of 3 years.

DIRECTORS RESPONSIBILITY STATEMENT

The Directors state that: -

- a) in the preparation of the annual accounts for the year ended March 31, 2017, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;
- b) the Directors 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 as at March 31, 2017 and of the profit of the Company for the year ended on that date;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- d) the Directors have prepared the annual accounts on a 'going concern' basis; and
- e) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

AUDIT COMMITTEE

The Audit Committee comprises three directors viz. Shri R. B. L. Vaish, Shri Omprakash Porwal and Shri S.C.Bhargava as its members. Shri R.B.L.Vaish is Chairman of the Audit Committee. The Committee met 3 times during the financial year 2016-2017 i.e. 05th April, 2016, 29th August, 2016 and 30th December, 2016.

AUDITORS

The Shareholders of OTCEI, at its meeting held on 30th September, 2014, had appointed M/s. ADV & Associates, Chartered Accountants, as the Statutory Auditors of the Company to hold office from the conclusion of 24th Annual General Meeting up to the conclusion of 29th Annual General Meeting on a remuneration of Rs.80,500/- per annum plus applicable taxes and out of pocket expenses, if any, subject to ratification of appointment by members at every subsequent Annual General Meeting of the Company.

In view of above, the Board, at its meeting held on 23rd August, 2017, recommended to the shareholders of OTCEI for ratification of appointment of M/s. ADV & Associates, Chartered Accountants, as the Statutory Auditors of the company for the Financial year 2017-2018 on a remuneration of Rs.80,500/- per annum plus applicable taxes and out of pocket expenses, if any.

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

Your Company'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 no inflow or outflow of foreign exchange during the year under review.

ACKNOWLEDGEMENTS

The Board of Directors would like to express their sincere appreciation and gratitude to Ministry of Finance, all its Promoter Institutions, Securities and Exchange Board of India, Ministry of Corporate Affairs and banks for their continued support and co-operation. The Directors also appreciate the teamwork and valuable contribution of all the employees of your Company.

For and on behalf of the Board

A handwritten signature in black ink, appearing to read "S C Bhargava".

S C Bhargava
Chairman

Mumbai

Date: 23rd August, 2017