

DIRECTORS' REPORT

Your Directors hereby present the Twenty-eighth Annual Report of OTC Exchange of India together with the Audited Statement of Accounts for the financial year ended 31st March, 2018.

FINANCIAL RESULTS:

The financial highlights of your Company for the financial year 2017-18 are as follows: -

PARTICULARS	(Rs in lakhs)	
	2017- 2018	2016 - 2017
Income	422.51	446.66
Expenditure (Excluding Depreciation)	320.31	263.13
Surplus/(Deficit) Before Depreciation	102.20	183.53
Depreciation & Assets written off	40.96	40.69
Net Surplus/(Deficit) for the year	61.24	142.84
Surplus/(Deficit) brought forward from previous years	(3239.11)	(3381.87)
Accumulated Deficit carried forward to Balance Sheet	(3177.87)	(3239.11)

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. 61.24 lakhs (previous year Rs.142.84 lakhs), which is the tenth consecutive year of net surplus. The major reason for reduction in net profit is due to expenses incurred on major structural repairs at the owned residential building in Malad and provision/payment of the income tax for F.Y. 2016-17 and 2017-18.

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OTC Exchange of India(OTCEI) is in the process of Voluntary Winding-up. OTCEI had appointed two valuers to prepare and submit reports of valuation of the assets and liabilities of the Company so as to facilitate the submission of declaration of solvency by the Directors. In both the valuation reports, the net valuation of the Company was negative. Further, as per the Valuation Report, an amount of Rs.6.65 crores was shown as liability under Settlement Guarantee Fund in the books of accounts. The fund was created as per SEBI's Rules and Regulations to meet out all the contingencies arising on account of failure of any broker(s) in the settlement. OTCEI took opinion from Mr R S Loona, former ED, SEBI & an advocate, as to whether this can be booked as income in the books of accounts. Mr Loona opined that the interest income earned on the SGF will be income of OTCEI as per the provisions of SEBI exit circular dated 30th May 2012. On receipt of the legal opinion, a copy of the same was sent to both the valuers i.e. M/s A K Anand & Company and M/s S K Patodia & Associates, requesting them to provide revised valuation report. However, only one valuer -M/s S K Patodia & Company has provided revised valuation report and the valuation of the Company is positive now as per this Valuation Report.

The matter for signing of declaration of solvency and appointment of liquidator along with revised valuation report was put up in the Board meeting held on 19th June, 2018. The Board desired that in case the other valuer does not agree to modify the report on the basis of the legal opinion given by Mr. R S Loona on the Settlement Guarantee Fund, OTCEI should go for valuation again.

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 subsidiary company was a member of cash market segment of NSE and the membership was surrendered in 2014. As there were losses in this company and OTCEI, the holding company, itself had decided to go for voluntary liquidation, the Board of OTCEI Securities Ltd, in its meeting held on 7th September, 2017, recommended the appointment of liquidator and shareholders of OSL, in its extraordinary general meeting held on 25th September, 2017, appointed Shri Mahendra Bhopal Mehta, an insolvency professional, as liquidator of the Company. Accordingly, OTCEI Securities Limited, the wholly owned subsidiary of OTCEI, is under voluntary liquidation. Further, the liquidator of OSL has so far returned part money to the tune of Rs three crores forty five lacs to OTCEI.

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 UNDER 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 Company 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 of your Company met 5 times during the financial year 2017-2018 i.e. 5th June, 2017, 23rd August, 2017, 17th November, 2017, 27th December, 2017 and 26th March, 2018.

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

The term of Shri Munesh Kumar Goel expired on 20th June 2018 and it was decided not to renew his term. Shri Luke Benedict Fernandez, a former employee of SUUTI, was appointed as Managing Director w.e.f. 26th June, 2018. In accordance with the provisions of Section 152(6) the Companies Act, 2013 and pursuant to the Articles of Association of the Company, Shri S C Bhargava, Nominee Director of SUUTI, retires by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment.

DIRECTORS RESPONSIBILITY STATEMENT

The Directors state that: -

- a) in the preparation of the annual accounts for the year ended March 31, 2018, 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, 2018 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 S.C.Bhargava, Shri Deepak Gupta and Shri Luke Benedict Fernandez as its members. Shri S C Bhargava is the Chairman of the Audit Committee. The Committee met 1 time during the financial year 2017-2018 i.e. on 27th August, 2017.

AUDITORS

As per the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), an audit firm can continue as auditor for more than two terms of five consecutive years.

As recommended by the Board, 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 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. Earlier, the Company was required to place the matter relating to such appointment for ratification by members at every

Annual General Meeting. However, this requirement has been removed by the Companies Amendment Act, 2017.

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

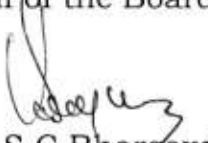
Your Company's operations are not power intensive. However, there is a continuous effort to conserve and optimize use of energy. Considering nature of business activities of the company, your directors have nothing to report with regard to conservation of energy, technology absorption and innovation.

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


S C Bhargava
Chairman
DIN:00020021

Mumbai
Date: 19th June, 2018