

**PART I**  
**STATEMENT OF STANDALONE UNAUDITED / AUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED MARCH 31, 2014**

| PARTICULARS |                                                                                    | (₹ in lacs except 'per share' data) |                 |                  |                    |
|-------------|------------------------------------------------------------------------------------|-------------------------------------|-----------------|------------------|--------------------|
|             |                                                                                    | Quarter ended                       |                 | Year Ended       |                    |
|             |                                                                                    | 31.03.2014                          | 31.12.2013      | 31.03.2014       | 31.03.2013         |
|             |                                                                                    | Unaudited                           | Unaudited       | Audited          | Audited            |
| 1           | (a) Net Sales/Income from Operations                                               | 5,524.71                            | 7,996.75        | 14,111.27        | 32,671.60          |
|             | (b) Other Operating Income                                                         | 94.99                               | 182.83          | 383.67           | 799.89             |
|             | <b>Total Income from Operations (Net)</b>                                          | <b>5,619.70</b>                     | <b>8,179.58</b> | <b>14,494.94</b> | <b>33,471.49</b>   |
| 2           | <b>Expenses</b>                                                                    |                                     |                 |                  |                    |
|             | a) Purchases of stock-in-trade                                                     | 1.03                                | 3.38            | 1.38             | 6.09               |
|             | b) Employee benefits expense                                                       | 3,635.30                            | 2,762.82        | 3,125.16         | 12,275.19          |
|             | c) Legal and professional charges                                                  | 1,685.13                            | 1,151.97        | 312.58           | 4,008.09           |
|             | d) Provision of doubtful Loans & advances & Trade receivables                      | 35,024.64                           | 76.90           | 95.90            | 36,767.07          |
|             | e) Depreciation and amortisation expense                                           | 1,248.45                            | 617.12          | 639.55           | 3,074.86           |
|             | f) Other expenses                                                                  | 1,547.51                            | 1,124.07        | 1,293.53         | 5,064.32           |
|             | <b>Total expenses</b>                                                              | <b>43,142.06</b>                    | <b>5,736.26</b> | <b>5,468.10</b>  | <b>61,195.62</b>   |
| 3           | <b>Profit / (Loss) from Operations before Other Income and Finance costs (1-2)</b> | <b>(37,522.36)</b>                  | <b>2,443.32</b> | <b>9,026.84</b>  | <b>(27,724.13)</b> |
| 4           | <b>Other Income (net)</b>                                                          | <b>(6,944.45)</b>                   |                 |                  |                    |
|             | (a) Diminution in value of long term Investments                                   | 7,247.17                            | 2,264.52        | 4,315.63         | 24,186.99          |
|             | (b) Others (Refer Note 5)                                                          | 302.72                              | 2,264.52        | 4,315.63         | 20,651.99          |
|             | <b>c) Total Other Income</b>                                                       | <b>(37,219.64)</b>                  | <b>4,707.84</b> | <b>13,342.47</b> | <b>(14,981.58)</b> |
| 5           | <b>Profit / (Loss) before Finance costs (3+4)</b>                                  | <b>501.18</b>                       | <b>534.88</b>   | <b>772.29</b>    | <b>3,053.82</b>    |
| 6           | <b>Finance costs</b>                                                               | <b>(37,720.82)</b>                  | <b>4,172.96</b> | <b>12,570.18</b> | <b>(18,035.40)</b> |
| 7           | <b>Profit / (Loss) before tax (5-6)</b>                                            | <b>(595.55)</b>                     | <b>725.00</b>   | <b>3,788.79</b>  | <b>4,819.45</b>    |
| 8           | <b>Tax expense</b>                                                                 | <b>(37,125.27)</b>                  | <b>3,447.96</b> | <b>8,781.39</b>  | <b>(22,854.85)</b> |
| 9           | <b>Net Profit / (Loss) for the Period(7-8)</b>                                     | <b>921.57</b>                       | <b>921.57</b>   | <b>921.57</b>    | <b>921.57</b>      |
| 10          | <b>Paid-up Equity Share Capital (Face Value ₹ 2/- per share)</b>                   |                                     |                 |                  | <b>240,028.64</b>  |
| 11          | <b>Reserves excluding Revaluation Reserves</b>                                     |                                     |                 |                  | <b>266,761.81</b>  |
| 12          | <b>Earnings per share (face value of ₹ 2 per share) (not annualised) (₹)</b>       |                                     |                 |                  |                    |
|             | a) Basic                                                                           | (80.57)                             | 7.48            | 19.06            | (49.60)            |
|             | b) Diluted                                                                         | (80.57)                             | 7.48            | 18.89            | (49.60)            |

**PART II**  
**SELECT INFORMATION FOR THE QUARTER AND YEAR ENDED MARCH 31, 2014**

| A | PARTICULARS OF SHAREHOLDING                                                               | 25,052,659               | 25,052,659   | 25,050,955   | 25,052,659   | 25,050,955   |
|---|-------------------------------------------------------------------------------------------|--------------------------|--------------|--------------|--------------|--------------|
| 1 | <b>Public shareholding</b>                                                                | <b>54.37</b>             | <b>54.37</b> | <b>54.37</b> | <b>54.37</b> | <b>54.37</b> |
|   | a) Number of shares                                                                       |                          |              |              |              |              |
|   | b) Percentage of shareholding                                                             |                          |              |              |              |              |
| 2 | <b>Promoters and promoter group shareholding</b>                                          |                          |              |              |              |              |
|   | a) <b>Pledged/ Encumbered</b>                                                             |                          |              |              |              |              |
|   | - Number of shares                                                                        | Nil                      | Nil          | Nil          | Nil          | Nil          |
|   | - Percentage of shares (as a % of the total shareholding of promoters and promoter group) | Nil                      | Nil          | Nil          | Nil          | Nil          |
|   | - Percentage of shares (as a % of the total share capital of the company)                 |                          |              |              |              |              |
|   | b) <b>Non-encumbered</b>                                                                  |                          |              |              |              |              |
|   | - Number of shares                                                                        | 21,025,878               | 21,025,878   | 21,027,582   | 21,025,878   | 21,027,582   |
|   | - Percentage of shares (as a % of the total shareholding of promoters and promoter group) | 100.00                   | 100.00       | 100.00       | 100.00       | 100.00       |
|   | - Percentage of shares (as a % of the total share capital of the company)                 | 45.63                    | 45.63        | 45.63        | 45.63        | 45.63        |
| B | <b>INVESTOR COMPLAINTS</b>                                                                | Quarter Ended 31.03.2014 |              |              |              |              |
|   | Pending at the beginning of the quarter                                                   | Nil                      |              |              |              |              |
|   | Received during the quarter                                                               | 9                        |              |              |              |              |
|   | Disposed of during the quarter                                                            | 9                        |              |              |              |              |
|   | Remaining unresolved at the end of the quarter                                            | Nil                      |              |              |              |              |

**NOTES:**

**1 STANDALONE STATEMENT OF ASSETS AND LIABILITIES**

| PARTICULARS                              |                   | (₹ in lacs)       |            |
|------------------------------------------|-------------------|-------------------|------------|
|                                          |                   | As at             | As at      |
|                                          |                   | 31.03.2014        | 31.03.2013 |
|                                          |                   | Audited           | Audited    |
| <b>A EQUITY AND LIABILITIES</b>          |                   |                   |            |
| 1 <b>Shareholders' funds:</b>            |                   |                   |            |
| (a) Share capital                        | 921.57            | 921.57            |            |
| (b) Reserves and surplus                 | 240,028.64        | 266,761.81        |            |
| <b>Sub-total-Shareholders' funds</b>     | <b>240,950.21</b> | <b>267,683.38</b> |            |
| 2 <b>Non-current liabilities:</b>        |                   |                   |            |
| (a) Long-term borrowings                 | 46,126.60         | 59,828.23         |            |
| (b) Deferred tax liabilities (net)       | 2,524.64          | 2,382.88          |            |
| (c) Other long term liabilities          | 536.26            | 276.72            |            |
| (d) Long term provisions                 | 1,087.94          | 2,153.50          |            |
| <b>Sub-total-Non-current liabilities</b> | <b>50,275.44</b>  | <b>64,641.33</b>  |            |
| 3 <b>Current liabilities:</b>            |                   |                   |            |
| (a) Trade payables                       | 529.18            | 2,034.63          |            |
| (b) Other current liabilities            | 24,524.26         | 23,371.23         |            |
| (c) Short-term provisions                | 1,401.58          | 1,419.05          |            |
| <b>Sub-total-Current liabilities</b>     | <b>26,455.02</b>  | <b>26,824.91</b>  |            |
| <b>TOTAL EQUITY AND LIABILITIES</b>      | <b>317,680.67</b> | <b>359,149.62</b> |            |
| <b>B ASSETS</b>                          |                   |                   |            |
| 1 <b>Non-current assets:</b>             |                   |                   |            |
| (a) Fixed assets                         | 46,533.78         | 47,700.43         |            |
| (b) Non-current Investments*             | 52,378.58         | 89,464.66         |            |
| (c) Long-term loans and advances         | 88,324.89         | 60,696.63         |            |
| (d) Other non-current assets             | 477.62            | 896.86            |            |
| <b>Sub-total-Non-current assets</b>      | <b>187,714.87</b> | <b>198,758.58</b> |            |
| 2 <b>Current assets:</b>                 |                   |                   |            |
| (a) Current investments *                | 75,337.32         | 132,042.90        |            |
| (b) Trade receivables                    | 6,775.60          | 8,310.47          |            |
| (c) Cash and cash equivalents            | 11,919.08         | 8,606.20          |            |
| (d) Short-term loans and advances        | 34,484.55         | 8,440.16          |            |
| (e) Other current assets                 | 1,449.25          | 2,991.31          |            |
| <b>Sub-total-Current assets</b>          | <b>129,965.80</b> | <b>160,391.04</b> |            |
| <b>TOTAL ASSETS</b>                      | <b>317,680.67</b> | <b>359,149.62</b> |            |
|                                          |                   |                   |            |
|                                          |                   | 58,124.04         | 138,324.82 |
|                                          |                   | 70,043.12         | 146,931.02 |

\* Includes investment in mutual funds  
Aggregate of cash and cash equivalents and investment in mutual funds



Notes:

- 2) The above financial results have been reviewed and recommended by the Audit Committee and approved by the Board of Directors of the Company at their meetings held on May 30, 2014.
- 3) The Board of Directors have recommended final dividend of ₹ 2 /- per equity share of face value of ₹ 2/- each (i.e. @ 100 %) on equity share capital of the Company subject to the approval of the shareholders at the ensuing Annual General Meeting of the company. During the year, the Company has paid three interim dividends aggregating to ₹ 6/- per share (i.e. 300%). Accordingly, total dividend for the year (subject to final dividend approval by the shareholders) aggregates to ₹ 8 /- per equity share i.e. 400% of face value of ₹ 2/- each.
- 4) In accordance with Clause 41 of the Listing Agreement, the Company would not be able to intimate to the stock exchanges and publish the Audited Consolidated Financial Statements for the year ended March 31, 2014 due to National Spot Exchange Ltd. (NSEL) event for which various agencies are investigating the matter hence NSEL's Consolidated Financial Statements for the year ended March 31, 2013 and March 31, 2014 is yet to be finalized and audited. Therefore it is beyond the control of the Company to finalize the Consolidated Financial Statements. The Company will intimate in due course to the stock exchanges and publish the Consolidated Financial Statements, once the NSEL Consolidated Financial Statements are audited.
- 5) Other Income consists of:

(₹ in lacs)

| Particulars                               | Quarter ended |            |            | Year ended |            |
|-------------------------------------------|---------------|------------|------------|------------|------------|
|                                           | Unaudited     | Unaudited  | Unaudited  | Audited    | Audited    |
|                                           | 31.03.2014    | 31.12.2013 | 31.03.2013 | 31.03.2014 | 31.03.2013 |
| (a) Foreign Exchange (loss) / gain (net)  | (3,389.65)    | (2,045.55) | (613.44)   | (2,922.56) | 85.50      |
| (b) Net gain on sale of investments (net) | 9,053.03      | 166.28     | 2,681.43   | 14,946.97  | 4,697.86   |
| (c) Dividend income                       | 239.29        | 983.16     | 278.31     | 3,310.37   | 8,300.29   |
| (d) Interest Income                       | 1,542.95      | 2,642.80   | 1,126.99   | 7,436.37   | 4,193.16   |
| (e) Others (net)                          | (198.45)      | 517.83     | 842.34     | 1,415.84   | 3,375.18   |
|                                           | 7,247.17      | 2,264.52   | 4,315.63   | 24,186.99  | 20,651.99  |

- 6) With effect from January 1, 2014 the company has revised the estimate useful life of certain fixed assets. As a result, the depreciation expense and loss before tax for the quarter and the year ended March 31, 2014 are both higher by ₹ 556.07 lacs.
- 7) During the previous quarter, the Company has received an order dated December 17, 2013 passed by the Forward Markets Commission ("FMC Order") holding the Company not a fit and proper person to continue to be a shareholder of 2% or more paid up equity capital of a commodity exchange. The Company holds 26% in the Multi-Commodity Exchange of India Ltd. ("MCX"). The FMC Order has been challenged by way of a writ petition before the Hon'ble Bombay High Court. On February 28, 2014, Hon'ble High Court was pleased to admit the said Writ Petition and kept for hearing expeditiously. FMC Order has not attained finality.

Without Prejudice to legal rights available within the law, the Company has initiated process of divestment of shares of MCX. The company is endeavouring to complete the same as quickly as possible subject to approval of regulatory authority.



Further, FMC has issued revised norms regarding Shareholding, Ownership, Net worth, Fit and Proper Criteria, etc. on May 6, 2014 and has, inter alia, provided that no person shall, directly or indirectly, acquire or hold equity shares of a commodity exchange unless he is fit and proper person' and 'In the event of any person ceasing to be a 'fit and proper person' or being declared so by the Commission, such person shall forthwith divest his shareholding. Further, pending divestment of shares, the voting rights of such person shall stand extinguished and any corporate benefit in lieu of such holding shall be kept in abeyance/withheld by Exchange.' Accordingly, MCX proposed by way of postal ballot, to alter the Articles of Association to amend the new articles 26A, 26B, & 26C on FMC Guidelines/Directions/Norms etc. to be binding on MCX, Restrictions on shareholding and Divestment of investment respectively by way of special resolution.

In view of the aforesaid process of divestment therefore the Company neither having significant influence over MCX nor any Board representative in MCX, the entire investment of the company in MCX has been reclassified as current investment in other company from long term investment in an associate company. The above said action by MCX is without prejudice to FTIL's legal rights and remedies available under the law.

- 8) The Company holds 27,165,000 Equity Shares of ₹ 1/- each and 562,460,000 warrant of ₹ 1/ each in MCX Stock Exchange Limited (MCX-SX). As per the approval from Securities and Exchange Board of India ("SEBI") to MCX-SX, the Company's equity holding along with MCX shall not exceed 5% of the total paid up equity capital of MCX-SX.

During the previous quarter, the Company has received show cause notice from the SEBI dated December 20, 2013 solely based on FMC Order under Securities Contracts (Regulation) Act, 1956, SEBI Act, 1992, and Securities Contracts (Regulation) (Stock Exchange and Clearing Corporations) Regulations, 2012, advising the Company to show cause as to why directions should not be issued for divestment of shares and transferable warrants held by the Company and any company/entity controlled by the Company, either directly or indirectly, in MCX-SX, MCX Stock Exchange Clearing Corporation Limited ("MCX-SX CCL"), Delhi Stock Exchange Ltd ("DSE"), the Vadodara Stock Exchange Limited ("VSE") and National Stock Exchange of India Limited (NSEIL). The Company vides its letter dated December 21, 2013 replied to SEBI stating that FMC Order is subject matter of challenge before the Hon'ble Bombay High Court; therefore, the company requested SEBI not to take any precipitate action until the writ petition filed by the Company is dealt with by the Hon'ble High Court. SEBI has passed an Order on March 19, 2014 declaring the Company not a 'Fit and Proper' person and directed the Company to divest the equity shares or any instrument that provide for rights over the equity shares held by the Company in MCX-SX, MCX-SX CCL, DSE, VSE and NSEIL within 90 days from the date of order under the order. The Company has made appeal in the Security Appellate Tribunal against the said order. Pending proceedings, investment in the aforesaid entities are classified as current investment and valued at fair value. According to the Management view, on the basis of the information available including latest financial statements/ results and/or latest transactions carried out, the fair value of above investments exceeds the cost of the investments. In case of investment in one company where the book value is less than the investment amount, the Company has made appropriate provision for the same.



- 9) During the quarter, as per Regulatory requirement under Central Electricity Regulatory Commission (Power Market) ("CERC") Regulations 2010, the Company had to reduce its holding in an associate company viz. Indian Energy Exchange Limited (IEX) to 25%, accordingly, the Company had divested part of its investments aggregating 1,364,787 equity shares of ₹ 10 each in IEX at a price of ₹ 534.12 per equity share. The resulting profit of ₹ 6,989.14 lacs (net of directly attributable expenses of ₹ 164.05 lacs) is grouped under 'Net gain on sale of Investments' in Other Income (Refer Note 5).

The Company received communication from IEX vide its letter dated May 19, 2014 informing that CERC vide its order dated May 13, 2014 on fit & proper and inter alia directing IEX a) to ensure that the Company divests its entire shareholding from IEX by September 30, 2014, b) pending divestment of shares, the voting rights of the Company shall stand extinguished and any corporate benefit in lieu of such shareholding shall be kept in abeyance or withheld by the exchange and c) IEX shall ensure that no nominee of the Company is represented in the Board of IEX. The above directions of CERC are binding with immediate effect. The Company is contemplating challenging the order in line with FMC & SEBI Order. In view of the above, the investments in IEX have been reclassified as current investment in associate company from long term investment in an associate company.

- 10) The Company received letter from Financial Service Commission (FSC) in May, 2014 informing that FSC does not consider the Company as a fit and proper person, pursuant to Section 23(3) of the Financial Services Act, 2007 and directs the Company to dispose of its shareholding in Bourse Africa Limited, Mauritius on or before 31 August, 2014.
- 11) During the year, Financial Technologies Singapore Pte. Ltd (FTSPL), a wholly-owned subsidiary of the Company, sold 100% of FTSPL's equity ownership in its wholly owned subsidiaries, Singapore Mercantile Exchange Pte. Ltd. (SMX) and Singapore Mercantile Exchange Clearing Corporation Pte. Ltd. (SMXCCL), to ICE Singapore Holdings Pte. Ltd, an entity owned by Intercontinental Exchange Group, Inc. (ICE) for an amount of USD 150 million.
- 12) During the year, the Company along with other shareholders entered into a share purchase agreement for sale of 100% equity shares of National Bulk Handling Corporation Limited (NBHC) to IVF Trustee Company Limited, for consideration of ₹ 24,174.00 lacs, subject to certain conditions. The sale transaction was completed in April 2014.
- 13) As at March 31, 2014, the Company's had an investments in certain subsidiaries and a joint venture company aggregating ₹ 12,590.95 lacs and debts and other recoverable aggregating ₹ 90,758.89 lacs (excluding NSEL and its subsidiaries) which presently have accumulated losses.

In view of the NSEL event, FMC declared the Company not a fit and proper person to hold shares in MCX, accordingly, various other regulatory authorities also directed to dispose of its stake in some the respective exchanges. Further the license of the exchange venture situated in Botswana, which had not yet commenced its operation, got cancelled. Considering these events and current scenario (though Company ideally would like to retain the investment to fetch its right price and not to sell in distress), during the quarter, the Company on a conservative basis has made an additional provision



of ₹ 6,944.45 lacs towards other than temporary diminution in the value of investments and ₹ 15,150.00 lacs towards loans and advances. Accordingly, total provision of ₹ 8,681.71 lacs for other than temporary diminution in the value of investments and ₹ 15,150.00 lacs loans and advances as at the year ended on March 31, 2014 are considered to be adequate for these investments and loans and advances.

14) In view of the developments in respect of its subsidiary NSEL, during the quarter ended September, 2013, on conservative basis, the Company has made a provision towards diminution other than temporary in value of long term investments of ₹ 4,499.99 lacs for its investment in NSEL.

15) During the year, the Company has accounted income (excluding interest income) aggregating ₹ 1,542.53 lacs for various services including software maintenance and support services for the Company's flagship products, DOME, CnS, ODIN charges ("Services"), business support services and rent income, out of which ₹ 1,176.76 lacs is the variable fees derived from certain components (transaction fees, delivery charges, warehouse receipt transfer charges for trading, settlement and delivery activities) of revenue / gross profits of NSEL.

Further, during the year, the Company has accounted interest income of ₹ 1,114.69 lacs.

In view of the developments at NSEL, the Company is unable to assess the ultimate collection with reasonable certainty, and considering the conservative basis, the Company to the extent of uncertainty involved derecognized the revenue on above said services of ₹ 1,542.53 lacs and interest income of ₹ 1,003.22 lacs till uncertainty involved.

The amount receivable from NSEL towards reimbursement of expenses and taxes on above said services as on March 31, 2014 aggregates ₹ 136.01 lacs for which, on conservative basis, the Company has made a provision of ₹ 136.01 lacs during the year ended March 31, 2014.

16) The Company had provided additional corporate guarantee of ₹ 22,500.00 lacs in May 2013 on behalf of NSEL for availing banking facility in relation to procurement of cotton on behalf of National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED). In view of the developments at NSEL, the bank recalled the credit facility granted to NSEL and invoked the guarantee on September 19, 2013 to the extent of outstanding balance of ₹ 3,143.25 lacs including interest thereon and debited the said amount from the Company's bank account and, accordingly, the Company has debited the same to NSEL's account as loan.

Further, during the preceding quarters, to protect the interest of the large number of small investors who have to receive money from its defaulting members, NSEL had requested the Company to give a bridge loan, which request was accepted by the Company's Board of Directors as a goodwill gesture without admitting any liability on behalf of NSEL and a onetime bridge loan amounting to ₹ 17,939.81 lacs was given which NSEL will have to repay to the Company from the receipt of the amounts from defaulting members after paying to all the investors.



Further during the quarter, an additional loan of ₹ 350.00 Lacs was also been provided to NSEL for its working capital.

Recovery of the aforesaid loans aggregating to ₹ 21,433.06 lacs as on March 31, 2014, are dependent on the recovery by NSEL from its defaulting members and NAFED. On conservative basis, the Company has made a provision for loan and advances of ₹ 21,433.06 lacs during the quarter ended on March 31, 2014.

- 17) a) During the year, Writ Petitions (WP), Public Interest Litigation (PIL), Civil Suits have been filed against the Company in relation to NSEL event, wherein the Company has been made a party in the Civil Suits and the WP. In the said proceedings certain reliefs have been claimed against the Company, inter alia, on the ground that the Company is the holding company of NSEL. These matters are pending before the Hon'ble Bombay High Court for adjudication. The next hearing is on June 12, 2014 and for WP hearing is on June 27, 2014. The Company has denied all the claims and contentions in its reply. There is no privity of contract between FTIL and the Petitioners. Based on legal advice, the management is of the view that the parties who have filed the WP, PIL and Civil Suits would not be able to sustain any claim against the Company.
- b) First Information Report (FIR) has been registered against various parties, including the Company, with the Economic Offences Wing of the Mumbai Police (EOW) in connection with the NSEL event. After investigation, EOW has filed charge-sheet on January 06, 2014, and it is pertinent to note that FTIL has not been named in the said charge-sheet.
- 18) MCX on April 29, 2014 uploaded on BSE website Executive Summary with the modification on selective basis ('Executive Summary') of Special Audit Report carried out by PwC with a disclaimer. The Company replied Executive Summary in detail on May 5, 2014 and the same was uploaded on BSE website. Subsequently on May 26, 2014 MCX disseminated on BSE website Special Audit Report without annexures, exhibits of the said report with a disclaimer that document is yet to be independently verified by MCX, MCX neither agrees or disagrees with the contents and does not have opinion on the same, it further recommends that no person should consider and/or rely on the contents of the document at this stage for undertaking any trade (buy or sell) in the securities of MCX, it further states that it does not in any manner warrant, certify or endorse the correctness, accuracy, adequacy or completeness of the contents of the report and the observation of the report have not been verified / confirmed by MCX. The Company reiterated that views of the Company were not taken into account before finalizing the report despite several written requests to MCX.
- 19) During the year, the Company received letter from the Registrar of Companies, Chennai (ROC) Ministry of Corporate Affairs ("MCA") regarding a notice for inspection under section 209A of the Companies Act, 1956 ("Companies Act") and technical scrutiny of FTIL's balance sheet FY12-13 & explanation sought under section 234(1) of Companies Act. The inspection conducted by Dy. ROC and Company also submitted requested information to MCA. After inspection, RoC issued show cause notices to FTIL stating that FTIL contravene certain compliance stipulated under the Indian Companies Act 1956. FTIL has replied the said show cause notices to RoC.



- 20) A preliminary enquiry has been registered in CBI, Economic Offences Wing, Mumbai in respect of the allegations relating to granting of permission for MCX-SX and providing renewal of recognition resulting in pecuniary gain to MCX-SX. The Company has provided all the necessary information.
- 21) The Company has received letter from Directorate of Enforcement under Foreign Exchange Management Act, 1999 requesting to furnish certain information in connection with certain investigations & the same is furnished.

22) Segment wise Revenues and Results as per clause 41 of Listing Agreement:

(₹ in lacs)

| Particulars                                   | Quarter ended      |                 |                  | Year ended         |                  |
|-----------------------------------------------|--------------------|-----------------|------------------|--------------------|------------------|
|                                               | Unaudited          | Unaudited       | Unaudited        | Audited            | Audited          |
|                                               | 31.03.2014         | 31.12.2013      | 31.03.2013       | 31.03.2014         | 31.03.2013       |
| <b>Segment Revenue</b>                        |                    |                 |                  |                    |                  |
| STP Technologies / Solutions                  | 4,947.30           | 7,210.47        | 13,257.23        | 29,623.76          | 41,794.09        |
| Others                                        | 672.40             | 969.11          | 1,237.71         | 3,847.73           | 3,296.01         |
| <b>Total Income from Operations</b>           | <b>5,619.70</b>    | <b>8,179.58</b> | <b>14,494.94</b> | <b>33,471.49</b>   | <b>45,090.10</b> |
| <b>Segment Results</b>                        |                    |                 |                  |                    |                  |
| STP Technologies / Solutions                  | 3,419.20           | 4,967.65        | 11,195.20        | 19,945.02          | 32,186.23        |
| Others                                        | 601.53             | 423.56          | 805.78           | 1,964.50           | 1,930.50         |
| <b>Total</b>                                  | <b>4,020.73</b>    | <b>5,391.21</b> | <b>12,000.98</b> | <b>21,909.52</b>   | <b>34,116.73</b> |
| Less : Finance costs                          | 501.18             | 534.88          | 772.29           | 3,053.82           | 4,283.74         |
| Add : Unallocable income [other income (net)] | 302.72             | 2,264.52        | 4,315.63         | 12,742.55          | 20,651.99        |
| Less : Unallocable expenses                   | 41,543.11          | 2,947.89        | 2,974.14         | 49,633.65          | 10,237.70        |
| <b>Profit before tax</b>                      | <b>(37,720.83)</b> | <b>4,172.96</b> | <b>12,570.18</b> | <b>(18,035.40)</b> | <b>40,247.28</b> |

Notes:

- (a) Segments have been identified in accordance with the Accounting Standard (AS 17) "Segment Reporting" considering the organisation structure and the return/risk profiles of the business.
- (b) STP Technologies / Solutions segment represents Straight through Processing Solutions and includes an integrated mix of various products, projects and activities incidental thereto. Others represent trading activities, process management services and shared business support and IT Infrastructure sharing services.
- (c) Due to diversified nature of business, significant assets are interchangeably used between segments and the management believes that it is currently not practicable to provide segment disclosure relating to capital employed since a meaningful segregation is not possible.
- 23) The qualifications made by the Statutory Auditors in their Independent Auditors' Report dated November 29, 2013 on the Financial Statements (as amended) for the year ended March 31, 2013 and in their limited review reports dated November 29, 2013 on the unaudited financial results for the quarter and six months ended September 30, 2013 and limited review report dated February 14, 2014 for the quarter and nine months ended December 31, 2013, continue to be subject matter of qualification for the purpose of the Independent Auditors' Report dated May 30, 2014 on the Financial Statements for the year ended March 31, 2014 and the Management responses thereto are as under:-
- A. Pursuant to the developments relating to NSEL, the management of NSEL, by their letter dated September 20, 2013, had communicated to its auditors and the Company that it was not possible for NSEL to immediately ascertain the financial implications (with respect to, inter alia, the various irregularities in the operations of NSEL coming to light, agencies looking at the legality of contracts and warehouse receipts and income booked by NSEL therefrom, ongoing investigations and forensic audit) and whether its books and records presented as of March 31, 2013 are true and fair and what adjustments were needed to be carried out with a view to present a correct financial position. Consequently, the auditors of NSEL and its subsidiary, Indian Bullion Market Association Limited (IBMA), in which NSEL has 60.88% equity ownership, citing various developments, investigations and



audits relating to NSEL, had communicated to NSEL and IBMA, by their letters dated September 21, 2013, that the standalone and consolidated financial statements of NSEL and the standalone financial statements of IBMA for the year ended March 31, 2013 and their audit reports dated May 17, 2013 and May 16, 2013 on the said financial statements of NSEL and IBMA, respectively, are no longer to be relied upon.

**B. Basis for Qualified Opinion and Management Response:**

- I. The Company had recognised income of ₹ 3,452.00 lacs from NSEL during the year ended March 31, 2013 from rendering of various services to NSEL, which included a variable component of ₹ 2,927.60 lacs. As on March 31, 2013, the total amount receivable from NSEL on this account was ₹ 2,489.27 lacs, which has been realized subsequently during the current financial year.

The above variable component comprised:

- (a) revenue of ₹ 2,841.46 lacs towards software maintenance and support services derived on the basis of the underlying revenue recognized by NSEL on account of "transaction fees, delivery charges, warehouse receipt transfer charges for trading, settlement and delivery activities" for the year ended March 31, 2013, pursuant to agreements/contracts; and
- (b) revenue of ₹ 86.14 lacs towards business support services derived on the basis of the underlying gross profits earned on the merchandising activities by NSEL for the year ended March 31, 2013.

However, as stated in sub paragraph 'A' above, the management of NSEL had communicated that they were not in a position to determine whether its books and records presented as of March 31, 2013 were true and fair and what adjustments were needed to be carried out with a view to present a correct financial position due to, inter alia, the various irregularities in the operations of NSEL coming to light, agencies looking at the legality of contracts and warehouse receipts and income booked by NSEL therefrom, ongoing investigations and forensic audit. Further, the auditors of NSEL, citing various developments, investigations and audits relating to NSEL, had also communicated that the financial statements of NSEL for the year ended March 31, 2013 and their audit report thereon were no longer to be relied upon. Further, the Company has represented that the audited financial statements of NSEL for the year ended 31st March, 2013 are not yet available.

In view of our aforesaid comments and in the absence of sufficient appropriate audit evidence, particularly, in the absence of the audited financial statements of NSEL for the year ended March 31, 2013, which we could have placed reliance on to validate the underlying elements of revenue and gross profits of NSEL based on which the above mentioned variable component of revenue were derived and accounted for by the Company, significant uncertainty exists regarding the amount of the consideration that could be derived from rendering the service and, hence, we continue to be unable to determine the extent to which the above mentioned revenue aggregating ₹ 2,927.60 lacs, recognized by the Company during the year ended March 31, 2013, should be de-recognized in the results for the quarter and year ended March 31, 2014 and postponed by the Company, in compliance with the recognition and measurement principles stated in Accounting Standard (AS-9), 'Revenue Recognition'.



Management Response:

During the year ended March 31, 2013, the Company had earned Income of ₹ 3,452.00 lacs from NSEL, which constituted 5.25% of the standalone total income of the Company. This included aggregate amount of ₹ 2,927.60 lacs being variable fees derived from certain component as mentioned in sub paragraph 'I' above. The Company had paid the applicable taxes on the amount (including service tax, etc.) based on invoices towards services raised to NSEL.

As on March 31, 2013, total amount receivable from NSEL was ₹ 2,489.27 lacs, which has been realized subsequently in the financial year 2013-14 and as on date, there is no amount outstanding against the same.

The above income was recognized as per the contractual terms on accrual basis and there was no uncertainty with respect to realizability of the aforesaid amount as on March 31, 2013 or on the date on which the Financial Statements were approved by the Board and, hence, the same is accounted as income.

As of date, there have been no claims by NSEL nor has any dispute been raised in connection with the amounts paid to the Company for the Services provided by the Company during the financial year 2012-13. In view of the above, no provision was considered necessary by the Management as on March 31, 2013 and March 31, 2014 for the above said Income from NSEL.

- II. As stated by the Management of the Company in Note 17 above, Writ Petitions, Public Interest Litigations, Civil Suits have been filed against the Company in relation to the NSEL event, wherein the Company has been made a party in the Writ Petitions and Civil Suits, and these matters are pending adjudication. In addition, there is a First Information Report registered, inter alia, against the Company with the Economic Offences Wing. Further, as stated in the said Note 17 above, based on legal advice, the Management of the Company does not foresee that the parties who have filed the Writ Petitions, Public Interest Litigations, Civil Suits would be able to sustain any claim against the Company. In this regard, the Management and those charged with Governance have represented to us that other than as stated in the said Note 17 above, there are no claims, litigations, potential settlements involving the Company directly or indirectly which require adjustments to/disclosures in the statement.

In the light of the above representations regarding the ongoing investigations and matters, the outcome of which is not known and is uncertain at this stage, we are unable to comment on the consequential impact in respect of the same on the results for the Quarter and Year ended March 31, 2014.

Management Response:



Refer Note 17 above.

- III. No provision was considered necessary by the Management of the Company for diminution in the value of the Company's long-term investment in NSEL of ₹ 4,499.99 lacs as at March 31, 2013.

In view of the aforesaid developments relating to NSEL, which represented a subsequent discovery of facts existing on the date of the Balance Sheet as at March 31, 2013, in our opinion, there were indications of 'other than temporary' diminution in the carrying amount of the Company's investment in NSEL as at March 31, 2013. However, in the absence of the audited financial statements of NSEL for the year ended March 31, 2013 (refer sub paragraph 'A' above), non-availability of estimation of future cash flows and earning capacity of NSEL and suspension of NSEL's operations, we were not able to obtain sufficient appropriate audit evidence to determine the amount of provision that would have been needed to be made for diminution in the carrying amount of the Company's investment in NSEL of ₹ 4,499.99 lacs as at March 31, 2013, in accordance with Accounting Standard (AS) 13, 'Accounting for Investments'.

However, as stated in Note 14 above, on a conservative basis, the Company has made a provision, towards diminution, other than temporary, in the value of the entire amount of its long term investment of ₹ 4,499.99 lacs in NSEL and has charged the same to the results for the Quarter ended September 30, 2013.

Management Response:

Refer Note 14 above.

- 24) The following qualifications were made by the Statutory Auditors in their limited review report dated November 29, 2013 on the unaudited financial results for the quarter and six months ended September 30, 2013 and limited review report dated February 14, 2014 for the quarter and nine months ended December 31, 2013;

- I. As stated in Note 15 above, during the Nine Months ended December 31, 2013, the Company has recognised income aggregating ₹ 1,515.98 lacs, including variable component revenues of ₹ 1,176.76 lacs (comprising ₹ 1,179.76 lacs for the quarter ended June 30, 2013 and ₹ Nil for the quarters ended September 30, 2013 and December 31, 2013). For the reasons stated in 23 B (I) above, we are unable to determine the extent to which such variable component of revenue should be de-recognised in the results for the year ended March 31, 2014 and postponed by the Company, in compliance with the recognition and measurement principles stated in Accounting Standard (AS) 9, 'Revenue Recognition'.

However, as stated in the said Note, the Company has made a provision of ₹ 1,586.81 lacs during the nine months ended December 31, 2013 (comprising ₹ 1,564.32 lacs, ₹ 22.49 lacs during the quarters ended September 30, 2013, December 31, 2013 respectively), on a conservative basis, towards the amount receivable for the above said services and the amount due towards reimbursement of expenses from NSEL.



Management Response:

The above qualification has been resolved as stated in Note 15.

- II. As stated in Note 16 above, the Company has outstanding loans and interest thereon aggregating ₹ 21,668.32 lacs as at December 31, 2013 receivable from NSEL, comprising ₹ 3,143.25 lacs on account of invocation by a Bank of additional corporate guarantee given on behalf of NSEL, ₹ 17,939.81 lacs on account of bridge loan given to NSEL and ₹ 585.26 lacs on account of interest accrued on the aforesaid loans. Further, as stated in the said Note, no provision has been made by the Management of the Company for the aforesaid outstanding amounts aggregating ₹ 21,668.32 lacs, the realisability of which is dependent significantly on the recovery by NSEL of its dues from its defaulting members.

In view of the developments relating to NSEL and the allegations made/being made and the ongoing investigations by various authorities in this regard, and the matters described in sub paragraph A above, we are unable to determine the provision that may be required to be made in respect of the aforesaid outstanding amount of ₹ 21,668.32 lacs recoverable from NSEL.

Management Response:

The above qualification has been resolved as stated in Note 16.

- 25) The additional qualifications made by the Statutory Auditors in their Independent Auditors' Report dated May 30, 2014 on the Financial Statements for the year ended March 31, 2014 and the Management responses are as under:-

- I. On the directions of the Forward Markets Commission, a special audit was carried out in respect of Multi Commodity Exchange of India Limited (MCX) covering, inter alia, the agreements and transactions between MCX and the Company. MCX has, on 26th May, 2014, submitted the scanned copy of the special audit report dated 21st April, 2014 for dissemination on the website of BSE Limited. (Refer Note 18 above).

We are unable to comment on the consequential impact, if any, in respect of the same on these financial statements.

Management Response:

Refer Note 18 above.

- II. As stated in Note 13 above, the Company has investments in certain subsidiaries and a jointly controlled entity, aggregating ₹ 12,590.95 lacs and has granted loans and advances to / receivables from these entities, aggregating ₹ 90,758.89 lacs [which exclude NSEL and its subsidiaries – refer paragraph 23 - III above]. The net worth of these entities has been eroded/substantially eroded. A



provision of ₹ 8,681.71 lacs (including ₹ 6,944.45 lacs during the year) has been made for diminution, other than temporary, in the value of investments and a provision of ₹ 15,150.00 lacs has been made during the year for doubtful loans and advances, which the Management of the Company considers to be adequate.

In the absence of sufficient appropriate audit evidence, particularly, in the absence of a fair valuation of the aforesaid investments at the balance sheet date being provided to us, we are unable to determine the adequacy of the provisions made.

Management Response:

Refer Note 13 above.

- III. As stated in Note 8 above, the directives of the Securities and Exchange Board of India (SEBI) by its Order dated 19th March, 2014 requires the Company to divest its investments referred therein within ninety days from the date of the Order. These include 27,165,000 Equity Shares of Re 1 each and 562,460,000 Warrants of Re 1 each (each Warrant will entitle the holder to one Equity Share) both in MCX Stock Exchange Limited and 5,750,000 Equity Shares of ₹ 10 each in MCX-SX Clearing Corporation Limited which are being carried at an aggregate amount of ₹ 6,471.25 lacs. The Management of the Company is of the view that the aggregate carrying amount of the aforesaid investments at ₹ 6,471.25 lacs, represents the lower of cost and fair value of these investments as on the balance sheet date.

In the absence of sufficient appropriate audit evidence, particularly, in the absence of a fair valuation of the aforesaid investments at the balance sheet date being provided to us, and having regard to the time limit for divestment in the aforesaid Order, we have not been able to validate whether the carrying amount of these investments is the lower of cost and fair value, as required by Accounting Standard 13 on Investments.

Management Response:

According to the Management view, on the basis of the information available including latest financial statements/ results and/or latest transactions carried out, the fair value of above investments exceeds the cost of the investments.

- IV. The Company has recognised MAT Credit of Rs. 9,188.82 lacs as at the year end, including Rs. 960.51 lacs during the year. In accordance with the recommendations contained in the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income - tax Act, 1961 issued by the ICAI, MAT Credit can be created by way of credit to the statement of profit and loss account and shown as MAT Credit Entitlement in the Balance Sheet, to the extent there is convincing evidence to the effect that the Company will pay normal income tax during the specified period. As per the aforesaid Guidance Note, where MAT credit is recognised as an asset, the same should be reviewed at each balance sheet date and a company should write down the



carrying amount of MAT credit asset to the extent there is no longer a convincing evidence to the effect that the company will pay normal income tax during the specified period.

In the absence of sufficient appropriate audit evidence, we are unable to independently assess whether any write down is required in respect of the aforesaid carrying amount of MAT credit asset.

Management Response:

On the basis of the projections, Management is of the view that the MAT credit can be utilized over available period.

- V. As disclosed in "Reserves and Surplus" an amount of ₹ 2,764.71 lacs has been paid as interim dividends and ₹ 469.86 lacs as tax on these dividends for the year 2013-14. However, the Company has made a loss for the year ended 31st March, 2014. Further, the consequential transfer of the stipulated minimum amounts of profits to General Reserves in accordance with the Companies (Transfer of Profits to Reserves Rules), 1975, has not been effected due to inadequate profits for the year.

Management Response:

During the financial year 2013-14, the Company has paid three interim dividends in accordance to Section 205 of the Companies Act, 1956 and also recommended a final dividend of 100%, subject to approval of shareholders in the forthcoming annual general meeting. According to Section 205 of Companies Act, 1956 (Act), a company can also declare or pay dividend for any financial year out of profits of the company for any previous financial year or years arrived at after providing for depreciation and remaining undistributed. Since the Company has made a loss for the year ended March 31, 2014, the question of transferring of stipulated minimum amounts of profits to general reserves in accordance with the Companies (Transfer of Profits to Reserve Rules), 1975, does not arise. Under Section 2(14A) of the Act, dividend includes interim dividend. The Company has obtained necessary legal opinion for the same and copy of the opinion was provided to the Auditors.

- VI. The matters stated above could also have a consequential impact on the measurement and disclosures of information provided under, but not limited to, managerial remuneration, provision for tax, earnings per share, segment information and related parties for the year ended 31st March, 2014, in the financial statements.

Management Response:

See responses to each of the qualifications stated above.

- 26) The figures of the last quarter are the balancing figures between Audited figures in respect of full Financial year and the published year to date figures upto the third quarter of the current Financial Year which have been recast to conform the requirement of the revised Schedule VI of the Companies Act, 1956.



27) Previous year/period figures have been regrouped/reclassified, wherever necessary, to conform to current period's presentation.



For Financial Technologies (India) Limited

A handwritten signature in dark ink, appearing to read "Dewang Neralla".

Dewang Neralla

Whole-time Director

Place : Mumbai

Date : May 30, 2014

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Corporate Office: FT Tower, CTS No 256-257, Suren Road, Chakala Andheri (East), Mumbai – 400093