INDIAN CLEARING CORPORATION LIMITED

(A Wholly owned Subsidiary of BSE Limited)

ANNUAL REPORT

FINANCIAL YEAR ENDED MARCH 31, 2019

COMPANY INFORMATION

Board of Directors:

Mr. S. Sundareshan, Chairman, Public Interest Director
Prof. T. Ramabhadran, Public Interest Director
Mr. Prasad Dahapute, Public Interest Director
Mr. Nehal Vora, Shareholder Director
Mr. Neeraj Kulshrestha, Shareholder Director
Ms. Devika Shah, Managing Director & CEO

Executive Management Committee

Ms. Devika Shah, Managing Director & CEO
Mr. Tushar Ambani, Chief Operating Officer
Ms. Myna Venkataraman, Chief Financial Officer
Mr. Piyush Chourasia, Chief Risk Officer & Head – Strategy (Compliance Officer)

Company Secretary:

Ms. Shilpa Pawar

Statutory Auditors:

M/s. S. Panse & Co., Chartered Accountants, Mumbai (FRN: 113470W)

Secretarial Auditors:

M/s. Shweta Gokarn & Co., Company Secretaries (ICSI Unique Code P1996MH007500)

Internal Auditors:

M/s. Dalal Doctor and Associates, Chartered Accountants

Registered Office:

25th Floor, P.J. Towers, Dalal Street, Fort, Mumbai – 400 001

Registrar & Share Transfer Agent:

Karvy Fintech Private Limited

Website:

www.icclindia.com

Corporate Identity Number:

U67120MH2007PLC170358

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DIRECTORS' REPORT

The Members,

Indian Clearing Corporation Limited

Your Directors have pleasure in presenting their Twelfth Annual Report and Audited Accounts for the financial year ended March 31, 2019.

i. FINANCIAL RESULTS:

The financial results for the year ended March 31, 2019 are as follows:

(INR. In Lakh)

PARTICULARS	For the year ended March 31, 2019	For the year ended March 31, 2018
A. Income		
Income from Operations	3,710	4,475
Income from Investments and Deposits	1,812	1,863
Other Income	11	146
Total Income (A)	**5,533**	**6,484**
B. Expenditure		
Employee Benefits Expenses	959	791
Other Operating Expenses	2,443	3,969
Depreciation and Amortisation	88	123
Finance Cost	87	100
Total Expenditure (B)	**3,577**	**4,983**
Profit before Exceptional Items &Tax (A-B)	**1,956**	**1,501**
Less Exceptional Items		0
Profit before Tax	**1,956**	**1,501**
Less: Provision for Tax	-84	-107
Profit after Tax	**2,040**	**1,608**
Other Comprehensive Income	-8	4
Total Comprehensive Income	2,032	1,612
Balance of Profit brought forward from previous year (*)	-2,466	283
Amount available for appropriation		
APPROPRIATIONS		
Interim Dividend paid	760	2,081
Tax on Interim Dividend paid	156	424
Final Dividend paid	547	1,542
Tax on Proposed Dividend paid	113	314
Core Settlement Guarantee Fund		-
Balance of Profit carried to Balance Sheet (*)	**-2,010**	**-2,466**
* include the Other Comprehensive Income		

ii. PERFORMANCE & OPERATIONS

Indian Clearing Corporation Limited (ICCL) provides Clearing and Settlement Services for various Segments of BSE viz.

- Equity Cash Segment,
- Equity Derivatives Segment,
- Currency Derivatives Segment,
- Commodity Derivatives Segment,
- New Debt Segment,
- Tri-Party Repo
- Mutual Fund Segment,
- Indian Corporate Debt Segment (ICDM),
- Offer for Sale platform
- OTB (Buy-back, Take-over and Delisting)
- Non-competitive bidding for Government Securities and Treasury Bills
- Sovereign Gold Bond
- Electronic Bidding Platform (EBP)

ICCL is also an Approved Intermediary for providing Securities Lending & Borrowing platform to the market participants.

ICCL has put in place a robust Clearing & Settlement and Risk Management Frame work.

During the period under review, ICCL has introduced many new user friendly features and facilities in its various systems for market participants.

DIVIDEND

- The shareholders at their 11th Annual General Meeting held on April 24, 2018 approved the payment of Final Dividend of INR 0.015457/- per equity share of face value of INR 1/- each, aggregating to INR 5,47,17,780/- for the financial year ended March 31, 2018.

- The Board of Directors in their meeting held on July 18, 2018 approved the payment of Interim Dividend of INR 0.011718/- per equity share of face value of INR 1/- each aggregating to INR 4,14,81,720/- for the quarter ended June 30, 2018.

- The Board of Directors in their meeting held on October 23, 2018 approved the payment of Interim Dividend of INR 0.009739/- per equity share of face value of INR 1/- each aggregating to INR 3,44,76,060/- for the quarter ended September 30, 2018.

The Board, in its meeting held on April 18, 2019 decided to not recommend final dividend for the FY 2018 – 19.

The total dividend amount is INR 1307 Lakh (Previous year INR 3,623 Lakh). The total tax on dividend thereon is INR 269 lakh (Previous year INR 738 Lakh)

iii. SECURITIES CONTRACTS (REGULATION) (STOCK EXCHANGES AND CLEARING CORPORATIONS) REGULATIONS, 2018:

SEBI vide notification dated October 3, 2018 had notified Revised Regulation – The Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 ("SECC Regulations, 2018") – thereby repealing erstwhile SECC Regulations, 2012 to regulate recognition, ownership and governance in Stock Exchanges and Clearing Corporations and matters connected therewith or incidental thereto.

Furthermore, SEBI has issued following circulars under the revised SECC Regulations, 2018:

- Circular no. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/13 dated January 10, 2019 on Committees at Market Infrastructure Institution ("MIIs)
- Circular no. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/26 dated February 5, 2019 on performance review of Public Interest Directors (PIDs) and
- Circular no. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/31 dated February 15, 2019 on Advisory Committee at MIIs respectively.

iv. RISK AND INTERNAL ADEQUACY

Your Company has an elaborate Risk Management procedure, which is based on three pillars: Business Risk Assessment, Operational Controls Assessment and Policy Compliance processes. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. These are discussed with the Risk Management Committee.

The Company's internal control systems are commensurate with the nature of its business and the size and complexity of its operations. These are routinely tested. Significant audit observations and follow up actions thereon are reported to the Audit Committee. The Risk Management / Audit Committee reviews adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations, including those relating to strengthening of the Company's risk management policies and systems.

Your Company manages cash and cash flow processes assiduously, involving all parts of the business. The Company's low debt equity ratio provides ample scope for gearing the Balance Sheet, should the need arise.

ICCL has maintained adequate internal financial controls over financial reporting. These includes policies and procedures – (a) pertaining to the maintenance of records that in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of ICCL, (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of ICCL are being made only in accordance with authorization of management and directors of the Company, and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of ICCL's assets that could have a material impact on the financial statements.

1. **ICCL has renewed its Counterparty Default Insurance for USD 60 million.**

   ICCL remains committed to the safety of investors and members.

   ICCL provides full novation and has the responsibility of guaranteeing contractual performance by playing the role of a central counterparty for all trades on BSE, thereby eliminating counterparty risk for the members. In essence, it splits the original contract between the initiating counterparties into two new contracts; one each between ICCL and the initiating counterparties. ICCL has put in place a risk management framework to mitigate the risk it undertakes in its capacity as a Clearing Corporation.

In the case of loss arising out of defaults, the capital of Clearing Corporation and its non-defaulting members would be at risk, in accordance with the default waterfall. The magnitude of potential loss due to default a clearing corporation can undertake without affecting the capital of non-defaulting members is contingent upon the networth of the Clearing Corporation and additional capital cushions, which insulate the default loss and the non-defaulting members' resources.

To further add to this security, ICCL has subscribed to a unique Insurance Policy for USD 60 million across all segments. The objective of the Policy is to protect ICCL against counterparty defaults and add a further capital cushion to the ICCL net-worth making the resources of the non-defaulting members even safer. The policy also adds to the ability of ICCL to absorb higher losses before any resources of the non-defaulting members are put at risk.

ICCL, with its net-worth of over INR 500 Crore, is well capitalized and instills a high level of confidence in its members and investors of the ability of ICCL to handle extreme loss situations. The additional capital cushion, provided by the Insurance cover, along with ICCL's Core SGF and other resources in the Default Waterfall, covers nearly 2 times the default fund requirement of ICCL and further increases the safety for domestic and international participants alike.

2. **India Ratings & Research assigned rating of 'IND AAA'; Outlook Stable and CARE assigned 'CARE AAA(IS)' rating to ICCL**

   ICCL continues to remain the only clearing corporation in India to be granted "AAA" rating by two rating agencies, India Ratings Ltd. (Indian arm of Fitch Ratings) and Care Ratings Ltd.

3. **ICCL recognized by Bank of England**

   ICCL has received temporary recognition pursuant to the UK Statutory Instrument "*The Central Counterparties (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2018*" (the SI). The Temporary Recognition Regime ("TRR") will enable ICCL to provide clearing services and activities in the UK for up to three years from the commencement of the TRR, extendable by HM Treasury in increments of twelve months.

4. **ICCL commenced clearing and settlement of Commodity Derivatives**

   ICCL commenced providing Risk Management and Clearing and Settlement Services to Commodities (namely Gold and Silver) traded on BSE from October 1, 2018. Since then, ICCL has extended its service to other Commodities, i.e. Copper (November 2, 2018), Oman Crude (October 26, 2018), Guar Gum (February 7, 2019), Guar Seed (February 7, 2019), Cotton (February 18, 2019) and Gold Mini (February 18, 2019).

5. **Uniform Membership Structure**

   ICCL has moved from a *Clearing Member - Client* Structure in Equity Cash Segment to *Clearing Member - Trading Member - Client* Structure. The current margins continue to be calculated on an online real-time basis on a client level. The Client Level Margins are now grossed at the respective Trading Member Level and blocked on an online real-time basis from the Trading Member's Notional Limit. The Trading Member Level Margin is subsequently grossed at the respective Clearing Member Level and blocked on an online real-time basis from the liquid assets of the Clearing Member with ICCL.

6. **ICCL commenced settlement of Government Securities allotted via Non–Competitive Bidding auction mechanism**

As part of the overall strategy of diversifying the investor base for government securities, the Government of India and Reserve Bank of India have been taking various measures to encourage participation of retail investors in G-Sec market including introduction of non-competitive bidding in primary auctions on Recognized stock exchanges.

BSE has approval from the Reserve Bank of India and Securities Exchange Board of India (SEBI) for acting as facilitator for non-competitive bidding (NCB) under RBI Auction in Government Securities and Treasury Bills. ICCL, as the clearing corporation of BSE, ensures seamless settlement of the securities allotted by BSE on T+1 Basis.

7. **ICCL commenced clearing and settlement of Tri-Party Repo Contracts**

In yet another move, to encourage participation in the Bond Market and to increase the liquidity in the corporate bond market, BSE launched Tri-Party Repo Contracts on May 26, 2018. ICCL, as the clearing corporation of BSE, provides efficient clearing and settlement.

v. DIRECTORS

Mr. S. Sundareshan (Chairman) (DIN: 01675195), Mr. Ramabhadran Thirumalai (DIN: 07059883) and Mr. Prasad Dahapute (DIN: 03471995) are Public Interest Directors of the Company.

Mr. Nehal Vora (DIN: 02769054) and Mr. Neeraj Kulshrestha (DIN: 02994647) are Shareholder Directors of the Company, representing BSE Limited.

Ms. Devika Shah (DIN: 07980301) is the Managing Director & CEO of the Company.

In accordance with Article 131 of the Articles of Association of the Company read with applicable provisions of Companies Act, 2013, Mr. Neeraj Kulshrestha, Shareholder Director will retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, have offered himself for re-appointment. The Board at its meeting dated April 18, 2019 has recommended the re-appointment of Mr. Neeraj Kulshrestha as a Shareholder Director.

vi. MEMBERSHIP

During the FY 2018-19, BSE launched Commodity Derivatives Segment as new trading segment as such, many members sought admission as clearing members in different categories with ICCL.

During the year, ICCL received 85 applications from Clearing Member (CMs) for admission. Of this, 33 applications were received for the Equity Cash Segment, 4 for Equity Derivatives Segment, 11 for Currency Derivatives Segment of BSE and 37 for Commodity Derivatives Segment. As on March 31, 2019, total Clearing Members with ICCL operating in different Segments of BSE were 1383.

	As on March 31, 2019				
Type	**Equity Cash Segment**	**Equity Derivative Segment**	**Currency Derivative Segment**	**Debt Segment**	**Commodity Segment**
SCM	1,349	33	39	14	16
CM	-	85	51	21	18
PCM	-	9	4	2	3

Custodian	17	-	-	-	-
Total	1366	127	94	37	37
	Unique Members: 1,383				

Total 15 applications received for surrender / cancellation of Clearing Membership with ICCL. Out of these, 8 were for the Equity Derivatives Segment, 6 for the Currency Derivatives Segment of BSE and 1 for Commodity Derivatives. All these applications are approved by ICCL only and no application was forwarded to SEBI for approval, since the clearing members were admitted in the respective segment, as additional segment. No separate SEBI registration certificates were issued to these members.

vii. DETAILS OF INSPECTIONS CONDUCTED DURING THE FINANCIAL YEAR 2017-18

ICCL carries out inspections of its Clearing Members as per its inspection policy. ICCL had conducted inspections of 62 (Sixty two) Clearing Members, for the period 2017-18, during the financial year 2018-19.

viii. HUMAN RESOURCE

The Company has aligned the compensation packages of Management and laid down HR policies to make benefits and compensation more transparent and employee-friendly.

Also, the organizational structure of the Company has undergone significant restructuring to enhance accountability and efficiency with a view to aligning performance management and reward strategies.

As on March 31, 2019, the Company had 81 employees.

ix. FAMILIARISATION PROGRAMME FOR PUBLIC INTEREST DIRECTORS

The Public Interest Directors of the Company periodically undergo structured familiarisation program which aims to provide significant insight into the operations of the Company and about the overall securities market and to enable the Public Interest Directors to understand their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates and business of the Company. The details of the familiarisation program is available at: http://www.icclindia.com/downloads/Familiarisation_program.pdf

x. THE COMPANIES ACT

Disclosure in Directors Report as per Companies Act, 2013

I. Extract Annual Return (sec 92)

As provided under Section 92(3) of the Act, the web-link of Annual Return is as follows: http://www.icclindia.com/downloads/AnnualReportfortheyearended_31stMarch2018.pdf

II. Number of Board Meetings

As on March 31 2019, Seven Board Meetings were convened and held. For further details of meetings of the Board, please refer to the Corporate Governance Section, which is a part of this Annual report.

Separate meetings of the Public Interest Director/Independent Directors were held on April 24, 2018 and January 24, 2019.

III. Directors' Responsibility Statement

Pursuant to sub-section (5) of Section 134 of the Companies Act, 2013 with respect to the Directors' Responsibility Statement, it is hereby confirmed:-

a. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
b. the directors had selected such accounting policies and applied them consistently and made judgments 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 profit and loss of the company for that period;
c. the directors had 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 had prepared the annual accounts on a going concern basis; and
e. the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

The Company is in compliance with Secretarial Standards issued by (Institute of Company Secretaries of India) ICSI from time to time.

IV. Statement on declarations by Independent Directors

All the Independent Directors / Public Interest Directors have given their respective declarations stating that they meet the criteria of independence as laid down in Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations").

V. Company's policy on Directors' appointment and remuneration

The Company's Policy with regard to appointment and remuneration of Directors is governed by the provisions of SECC Regulations 2018. As per Regulation 24 (9) of SECC Regulations 2018, Public interest directors shall be remunerated only by way of sitting fees as admissible to independent directors in the Companies Act, 2013.

VI. Comment on Secretarial Audit Report

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. Shweta Gokarn & Co., a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company for FY 2018 - 19. The Report of the Secretarial Audit is annexed herewith as **Annexure – A.**

The Secretarial Audit report for the financial year 2018 – 19 has no qualifications, observations or adverse remarks.

VII. Particulars of Loans, Guarantees or Investments by the Company under Section 186 of the Companies Act, 2013

A detailed disclosure of the particulars relating to Loans and Investments by the company as per Section 186 of the Companies Act, 2013 read with the Companies (Meetings of the

Board and its Powers) Rules, 2014 has been disclosed as the part of the "Financial Statements".

VIII. Particulars of Contracts or Arrangements with Related Parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large. A detailed disclosure of these transactions with the Related Parties is annexed with this report in Form AOC-2 in **Annexure – B.**

IX. Material Changes and Commitments Affecting the Financial Position of the Company

There have been no material changes and commitments affecting the financial position of the company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

X. Technology upgrade

To be in line with best practices with regards to risk mitigation, the Company has setup the new DR (Disaster Recovery) site at a different seismic zone in Hyderabad.

During the financial year 2018-19:
Live trading was carried out successfully from DR site on:
12 & 13th April 2018.
30 & 31st August 2018.

Mock trading was conducted from DR site on April 7, 2018, June 7, 2018, August 25, 2018, October 13, 2018, January 12, 2019 and March 16, 2019.

XI. Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17(10) of the SEBI Listing Regulations. The Board has put in place a mechanism for evaluation of its own performance, Committee and Individual Directors. The Board has conducted an evaluation of the Individual Directors, Board as well as the Committees for the FY 2018-19. The procedure followed for the performance evaluation of the Board, Committees and individual Directors is enumerated in the Corporate Governance Report.

XII. Change in the Nature of Business

Your Company has not undergone any changes in the nature of the business during the Financial Year 2018-19.

XIII. Details of Directors or Key Managerial Personnel ("KMP") who were appointed or have resigned during the year pursuant to Section 134 of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014:

Appointment

Mr. S. Sundareshan and Mr. Ramabhadran T. were re-appointed as Public Interest Directors of the Company w.e.f. August 28, 2018 for a period of three years, vide SEBI approval dated August 24, 2018.

Cessation

None of the Director and KMP of your Company ceased during the financial year 2018-19.

Retirement by Rotation

In accordance with the provisions of Companies Act, 2013 and the Company's Articles of Association Mr. Neeraj Kulshrestha (DIN: 02994647) , Shareholder Director of your Company, is due to retire by rotation at the ensuing Twelfth Annual General Meeting and being eligible has offered himself for re-appointment. Business with respect to his re-appointment is one of the agenda of the ensuing Twelfth Annual General Meeting of the Company.

Details of Key Management Personnel of the Company under SECC Regulations 2018

As per Regulation 2 (j) of SECC Regulations 2018 ""*key management personnel" includes a person serving as head of any department or in such senior executive position that stands higher in hierarchy to the head(s) of the department(s) in the recognised stock exchange or the recognised clearing corporation, or any person who directly reports to chief executive officer or to the director on the governing board of the recognised stock exchange or recognised clearing corporation, or any person upto two levels below the chief executive officer or managing director, or any other person as may be identified by its Nomination and Remuneration Committee*;"

Therefore, in compliance with the aforesaid definition, the Board at its meeting held on December 7, 2018 revised the list of Key Management personnel w.e.f. December 1, 2018 which is tabulated below:

S/n	Name of Officer	Designation
1.	Ms. Devika Shah	MD & CEO
2.	Mr. Tushar Ambani	Chief Operating Officer
3.	Ms. Myna Venkatraman	Chief Financial Officer
4.	Mr. Piyush Chourasia	Chief Risk and Regulatory Officer & Head Strategy
5.	Mr. Rajesh Singhal	Assistant General Manager (CISO)
6.	Mr. Dilip Kakwani	Head Operations
7.	Mr. Sanjay Narvankar	Deputy General Manager
8.	Mr. Hitesh Shah	Deputy General Manager
9.	Mr. Ravindra Palande	Deputy General Manager
10.	Ms. Sanaiya Ghadially	Associate Manager
11.	Mr. Dhaval Chauhan	Senior Manager
12.	Mr. Harshad Bonde	Associate Manager
13.	Mr. Jigar Shah	Associate Manager

Disclosure of resources committed towards strengthening regulatory functions and towards ensuring compliance with regulatory requirements pursuant to Regulation 33(3) of SEBI SECC Regulations 2018.

As per Schedule II, Part – C of SECC Regulations 2018, departments handling the following functions shall be considered as Regulatory departments in a Clearing Corporation:

- Risk management,
- Member registration,
- Compliance
- Inspection,
- Enforcement,
- Default,
- Investor protection,
- Investor services,

Mr. Ravindra Palande, Key Management Personnel (KMP), handles other regulatory functions viz. Member Registration, Compliance, Inspection, Enforcement, Investor protection, Investor Services and Secretarial.

While, Ms. Sanaiya Ghadially, Key Management Personnel (KMP), looks after Risk Management and Default functions.

All the regulatory departments are adequately staffed and being assisted by qualified officials of the Company.

Moreover, Public Interest Directors' in their separate meeting held twice in the financial year, reviews the functioning of the regulatory departments including the adequacy of resources dedicated to regulatory functions.

XIV. Companies which have become or ceased to be its subsidiaries, joint ventures or associate companies during the year:

During the year, no Company became/ ceased to be a Subsidiary/ Associate of your Company. Also the Company did not become a part of any Joint Venture during the year. As at the end of the year as on March 31, 2019 and also as on the date of this report, your Company does not have any Subsidiary and/ or Associate Company and your Company is also not a part of any Joint Venture.

XV. Deposits

During the year under review, your Company has not accepted any fixed deposits from the public falling under Section 73 of the Act read with the Companies (Acceptance of Deposits) Rules, 2014. Thus, as on March 31, 2019, there were no deposits which were unpaid or unclaimed and due for repayment.

XVI. Details of Deposits not in compliance with the requirements of the Act

Since the Company has not accepted any deposits during the financial year ended on March 31, 2019, there has been no non-compliance with the requirements of the Act.

XVII. Significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future

There have been no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and your company's operations in future.

XVIII. Changes in Share Capital

There was no change in Share Capital during the year.

XIX. Audit Committee

The Board has a well-defined Audit Committee the details of which have been given in the Corporate Governance Report.

XX. Report on performance of subsidiaries, associates companies and joint ventures:

Not applicable. The Company is a wholly owned subsidiary of BSE Limited.

XXI. Vigil Mechanism

The Company has established a Vigil mechanism and Whistle Blower Policy for Directors and employees to deal with instances of fraud and mismanagement, if any. It has been communicated to the Directors and employees of the Company and also posted on the website of the Company.

XXII. Disclosures if MD/WTD is receiving remuneration or commission from a subsidiary company: Nil

XXIII. Disclosure about ESOP and Sweat Equity Share: Nil

XXIV. Order of Court:

No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status operations of your Company in future.

XXV. Details of Employees drawing salary above prescribed limits

Disclosures with respect to the remuneration of Directors and Employees as required under Section 197(12) of the Act and Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Securities Contracts (Regulations) (Stock Exchanges and Clearing Corporations) Regulations, 2018, a statement containing details of employees is enclosed as **Annexure - C**.

XXVI. Particulars relating to the sexual harassment of women at workplace (Prevention, Prohibition and Redressal) Act, 2013

Your Company has always believed in providing a safe and harassment free workplace for every individual working in Company's premises through various interventions and practices. The Company always endeavours to create and provide an environment that is free from discrimination and harassment including sexual harassment.

The Company has adopted a policy on Prevention of Sexual Harassment at Workplace which aims at prevention of harassment of employees and lays down the guidelines for identification, reporting and prevention of undesired behaviour. An Internal Complaints Committee (ICC) was set up from the senior management with women employees constituting majority. Company is responsible for redressal of complaints related to sexual harassment and follows the guidelines provided in the Policy.

During the year ended March 31, 2019, no complaints have been received pertaining to sexual harassment.

XXVII. Conservation of energy, technology absorption and foreign exchange earnings and outgo:

A] Conservation of Energy, Technology Absorption:

Considering the nature of operations of the Company, your Directors have nothing to report pursuant to Section 134 of the Companies Act, 2013.

B] Foreign Exchange Earning and Outgo:

The particulars of foreign exchange earnings and outgo during the year under review are furnished here under:

Foreign Exchange Earnings	Nil
Foreign Exchange Outgo	INR 79 Lakhs (Previous Year INR 61 Lakhs) (on accrual basis)

XXVIII. Auditors

Subject to the provisions of Section 139 and other applicable provisions of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014, the Company had appointed M/s S. Panse & Co., Chartered Accountants, Mumbai as the Statutory Auditors of the Company from the FY 2014 – 15 for a period of 5 years.

M/s. S. Panse & Co. tendered their resignation as the Statutory Auditors of the Company, since they were proposed to be appointed as the Internal Auditor of the Company. Pursuant to section 144 of Companies Act, 2013 statutory auditor of the Company could not be appointed as internal auditor. Hence, M/s S. Panse & Co. had to resign as Statutory Auditor before taking up role as Internal Auditor of the Company.

The Board of Directors noted the resignation of M/s S. Panse & Co. and appointed, subject to Shareholders approval, M/s. Dalal Doctor and Associates, Chartered Accountants, Mumbai (FRN: 120833W), to hold office as Statutory Auditors of the Company for the following tenures:

1. From April 19, 2019 till conclusion of 12th Annual General Meeting
2. From conclusion of 12th Annual General Meeting till the conclusion of 17th Annual General Meeting

The Board also approved a remuneration amounting to Rs. 7.25 Lakhs plus applicable taxes as per quote received from M/s Dalal Doctor and Associates for Financial Year 2019-20. The fees quoted covers fees for Statutory Audit, three limited reviews i.e. for June, September and December quarters in financial year 2019-20, Audit of the internal Financial Controls of the Company, Tax Audit and issuing quarterly net worth certificates.

Auditors Report

The Auditors' Report on the financial statements of the Company for financial year ended March 31, 2019 does not contain any reservation, qualification or adverse remark.

XXIX. Corporate Governance

Pursuant to the SECC Regulations, Listing Regulations and the Companies Act, 2013, report on Corporate Governance as at March 31, 2019, forms part of this Annual Report and is enclosed as **Annexure E**. A Certificate from Practicing Company Secretary, confirming status of compliances of the conditions of Corporate Governance is annexed to this report.

XXX. Corporate Social Responsibility

As mentioned in Section 135 of the Companies Act, 2013, every company having net worth of Rupees five hundred crores or more, or turnover of Rupees one thousand crores or more or a net profit of Rupees five crores or more during the immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an Independent Director.

The Companies (Corporate Social Responsibility Policy) Rules, 2014 further elaborates in detail the formulation of the policy, the roles and responsibilities of the same and such other relevant matters including CSR Expenditures and CSR Reporting. Company has complied with the requirements of the said section.

The composition of the CSR Committee has been disclosed in the Corporate Governance Report which forms a part of the Annual Report. The disclosure required to be made in the Directors' Report as per Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 is enclosed as **Annexure – D**.

XXXI Acknowledgements:

The Board thanks the Government of India, Securities and Exchange Board of India, Reserve Bank of India, the Government of Maharashtra and other State Governments and various government agencies for their continued support, cooperation and advice.

The Board is grateful to the members of various committees constituted during the year. The Board also acknowledges the support extended by clearing members, issuers, investors in the capital market, and other market intermediaries and associates. The Board expresses sincere thanks to all its business associates, consultants, bankers, auditors, solicitors and lawyers for their continued partnership and confidence in the Clearing Corporation.

The Board wishes to thank all the employees for the dedication and excellence displayed in discharge of their duties for the Clearing Corporation.

Finally, the Board expresses its gratitude to you as shareholders for the confidence reposed in the management of the Clearing Corporation.

For and on behalf of the Board

S. Sundareshan
Chairman

Place: Mumbai
Date: April 18, 2019

Annexure - A

FORM NO. MR-3

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2019
[Pursuant to Section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

The Members,
Indian Clearing Corporation Limited
25th Floor, P. J. Towers,
Dalal Street, Mumbai 400001

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Indian Clearing Corporation Limited (hereinafter called the 'Company'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of the Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2019 ('Audit Period'), complied with the Statutory provisions listed hereunder and also that the Company has proper Board Processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, Minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2019 according to the provisions of:

1. The Companies Act, 2013 (the 'Act') and the rules made thereunder;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
3. The Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations,
4. 2012 read with Circular No. CIR/MRD/DSA/33/2012 dated December 13, 2012 issued by the SEBI(effective upto October 02, 2018);
5. Securities Contracts (Regulation) (Stock Exchanges And Clearing Corporations) Regulations, 2018(effective from October 03, 2018);
6. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
7. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;(Not applicable to the Company during the year under review as the Company does not have any Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings);
8. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; (Not applicable to the Company during the year under review);
b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not applicable to the Company during the year under review);
d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme)Guidelines, 1999 and The Securities and Exchange Board of India (Shared based Employee Benefits) Regulations, 2014 notified on 28th October 2014; (Not applicable to the Company during the year under review);
e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not applicable to the Company during the year under review);
f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during the year under review);
h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not applicable to the Company during the year under review) and

I have also examined compliance with the applicable clauses of the following:

i. Secretarial Standards issued by the Institute of Company Secretaries of India and

ii. Regulations 17 to 27, 46(2)(b) to 46(2)(i) and Para C, D, E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as per the requirement of Regulation 35 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (effective upto October 02, 2018) and Regulation 33 of Securities Contracts (Regulation) (Stock Exchanges And Clearing Corporations) Regulations, 2018 (effective from October 03, 2018).

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that:

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

- Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on the agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

- All decisions at the Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be. As per the records provided by the Company, none of the member of the Board dissented on any resolution passed at the meeting of the Board.

- There are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with the applicable Laws, Rules, Regulations and Guidelines.

I further report that during the audit period there were no specific events / actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, etc.

For Shweta Gokarn & Co.
Company Secretaries

Ms. Shweta Gokarn
ACS: 30393
CP No: 11001

Place: Navi Mumbai
Date: April 10, 2019

‘ANNEXURE’ TO SECRETARIAL AUDIT REPORT

The Members,
Indian Clearing Corporation Limited
25th Floor, P. J. Towers,
Dalal Street, Mumbai 400001

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.

2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. I believe that the processes and practices I followed provided a reasonable basis for my opinion.

3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. The compliance of the provisions of corporate laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.

5. Where ever required, I have obtained and relied on the Management representation made by the Company and its Officers for systems and mechanism formed by the Company for compliances under other applicable Acts, Laws and Regulations to the Company.

6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For Shweta Gokarn & Co.
Company Secretaries

Ms. Shweta Gokarn
ACS 30393 | CP 11001

Date: April 10, 2019
Place: Navi Mumbai

Annexure - B

Form No. AOC-2

(Pursuant to *clause (h) of sub-section (3) of section 134 of the Act and* Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis:

Sr. No	Particulars	
1	Name(s) of the related party and nature of relationship	NIL
2	Nature of contracts/arrangements/transactions	
3	Duration of the contracts / arrangements/transactions	
4	Salient terms of the contracts or arrangements or transactions including the value, if any	
5	Justification for entering into such contracts or arrangements or transactions	
6	date(s) of approval by the Board	
7	Amount paid as advances, if any:	
8	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangement or transactions at arm's length basis

(a) Name(s) of the related party and nature of relationship

S. No.	Name of the related party	Nature of relationship
1.	BSE Limited	Holding Company
2.	Marketplace Technologies Private Ltd.	Fellow Subsidiary
3.	Central Depository Services (India) Ltd.	Fellow Subsidiary

(b) Nature of contracts/arrangements/transactions

S. No.	Name of the related party	Nature of contracts/arrangements/ transactions
1.	BSE Limited	Rendering/availing various services viz. infrastructure and operational expenses, incurred by BSE on behalf of ICCL.
2.	Marketplace Technologies Private Ltd.	Availing Technology related services
3.	Central Depository Services (India) Ltd.	Availing of depository participant services

(c) Duration of the contracts / arrangements/transactions:

Till the termination by either of the parties and on a transaction need basis.

(d) Salient terms of the contracts or arrangements or transactions including the value, if any:

ICCL reimburses the costs incurred by BSE on behalf of ICCL, towards providing infrastructure and operational expenses.

(e) Date(s) of approval by the Board, if any: April 24, 2018

(f) Amount paid as advances, if any: N.A.

For and on behalf of the Board

S. Sundareshan
Chairman

Place: Mumbai
Date: April 18, 2019

Annexure - C

(I) Statement pursuant to Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Regulation 27 (5) of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporation) Regulations, 2018

S/N	Name	Age yrs.	Date of Joining	Total Remuneration* (Rs)	ratio of compensation paid to each KMP, vis-à-vis median of compensation paid to all employees of the Company	Designation/Nature of Duties	Educational Qualifications	Experience in years	Previous Employment
1.	Tushar Ambani	53	25-09-1984	82,61,837	16.90	Chief Operating Officer	L.L.B. (General) and B.Com	34	BSE Limited
2.	Devika Shah@	54	01.01.2018	58,71,328	12.01	MD and CEO	F.C.A. and B.Com	30	BSE Limited
3.	Piyush Chourasia	33	01-10-2011	53,11,193	10.86	Chief Risk Officer and Head Strategy	PGDM (IIM Ahmedabad) and B. Tech (NIT Nagpur)	9	United Stock Exchange of India Ltd. (USEIL)
4.	Dilip Kakwani	53	17-10-2016	53,87,959	11.02	Head Operations	B.Com	36	IL&FS Securities Services Limited
5.	Sanjay Narvankar	55	01-02-2007	46,34,836	9.48	Deputy General Manager Head - Settlements	BSc - Graduate	34	Bank of India
6.	Hitesh Shah	48	01-04-1991	40,89,536	8.36	Dy. General Manager - Collateral Management	B. Com, MFM	29	BSE Ltd., Zenith Projects Pvt. Ltd. and D. S.

									Khakhar & Co
7.	Myna Venkatraman@	51	07-09-2016	41,70,808	8.53	Chief Financial Officer	A.C.A. and B.Com	33	Hewlett Packard Financial Services Private Limited
8.	Ravindra Palande	51	01.08.2017	28,94,329	5.92	Dy. General Manager – Membership Dept.	M.Com, CIB (ICFAI)	22	BSE Ltd
9.	Jayeshkumar Ashtekar^	53	12.07.1993	28,92,593	Non-KMP	Senior Manager - Operations	Graduate with CA Intern + MFM	27	--
10.	Ajay Darji^	51	08-06-1992	24,97,536	Non-KMP	Assistant General Manager – Settlement functions	B. Com., Advance Diploma in Computer Software and System Analysis and CFM (Certificate course in Financial Market)	26	--
11.	Rajesh Singhal			21,77,333	4.45				
12.	Sanaiya Ghadially			8,56,813	1.75				
13.	Dhaval Chauhan			17,00,799	3.48				
14.	Jigar Shah			11,15,006	2.28				
15.	Harshad Bonde			7,11,056	1.45				
16.	Shilpa Pawar^@			4,92,293	Non-KMP				

- Excludes the variable pay of the prior years which has been paid in the current year based on Securities Contract (Regulations) (Stock Exchanges and Clearing Corporations) Regulations 2012.
- ^ Except, Jayeshkumar Ashtekar, Ajay Darji and Shilpa Pawar, all others are designated as Key Management Personnel under SEBI SECC Regulations 2018.
- @ Key Managerial Personnel under Companies Act, 2013

Notes:

1. Nature of employment : Contractual
2. Remuneration as shown above includes Salary, Allowances, Ex-gratia, Performance Linked Bonus and other perquisites.
3. None of the employees named above is relative of any Director of the Company.
4. None of the employees named above hold any equity shares in the Company.

For and on behalf of the Board

S. Sundareshan
Chairman

Place: Mumbai
Date: April 18, 2019

Annexure - D

CORPORATE SOCIAL RESPONSIBILITY

As mentioned in Section 135 of the Companies Act, 2013, every company having net worth of Rupees five hundred crores or more, or turnover of Rupees one thousand crores or more or a net profit of Rupees five crores or more during the immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an Independent Director.

The Companies (Corporate Social Responsibility Policy) Rules, 2014 further elaborates in detail the formulation of the policy, the roles and responsibilities of the same and such other relevant matters including CSR Expenditures and CSR Reporting. The Company has complied with the requirements of the said section.

1. The concept of CSR is governed by Section 135 of the Companies Act, 2013. The provisions of CSR are applicable to the Company as it fulfils the criteria of having a net profit of Rs. 5 crores. While there may be no single universally accepted definition of CSR, the roots of CSR lie in philanthropic activities (such as donations, charity, relief work, etc.) of corporations. The objective of CSR is to ensure a high social impact in a manner which is aligned with The Company's tradition of creating wealth in the community using a three pronged focus on Education, Health and the Environment. The CSR policy shall be applicable to all CSR projects undertaken by the Company in India as per Schedule VII of the Companies Act. The CSR policy shall be applicable to the Company and all its employees.

   The CSR Committee of the Company shall be responsible for –

   a) Formulating and recommending to the Board, the CSR Policy which shall indicate activities to be undertaken in line with Section 135 read with Schedule VII of the Companies Act, 2013.
   b) Approving the budgetary allocation for CSR projects / activities to be undertaken by the Company within the Board approved CSR annual budget.
   c) Recommending to the Board, modifications to the CSR policy as and when required.
   d) Regularly monitoring the implementation of the CSR policy including compliance with provisions relating to mandatory spend towards CSR projects / activities and reporting to the Board.

2. **CSR Committee Composition**

   a) Mr. S. Sundareshan – Public Interest Director, Chairman of the Committee
   b) Mr. Neeraj Kulshrestha– Shareholder Director
   c) Mr. Prasad Dahapute – Public Interest Director
   d) Ms. Devika Shah - Managing Director & CEO

   As per section 135 (4)(a) of the Act, The Company discloses the contents of the CSR Policy in company's website:
   http://www.icclindia.com/downloads/Corporate_Social_Responsibility_Policy.pdf

3. **Average net profit of ICCL for the last three financial years:** The average net profit of ICCL calculated pursuant to Section 135 read with Section 198 for last three Financial Years is INR 4,934 Lakhs.

4. **Prescribed CSR Expenditure** (2% of the amount as in item 3 above): The prescribed CSR expenditure budget at 2% of the amount as in item no. 3 above is INR. 98.67 Lakhs.

5. **Details of CSR expenditure spent during the financial year:**

   a) Total amount to be spent during the financial year: INR 98.95 Lakhs (INR 98.67 Lakhs for the financial year 2018-19, INR 0.28 Lakhs carried forward for financial year 2017-18 respectively),
   b) Amount unspent, if any: Nil
   c) Manner in which the amount spent during the financial year is detailed below: The Board of the Company has approved to contribute the aforesaid CSR amount to BSE CSR Integrated Foundation for carrying out CSR activities on behalf of Company.

6. The CSR Committee of the Company hereby confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the Company.

For and on behalf of the Board

Devika Shah	**S. Sundareshan**
Managing Director & CEO	Chairman of the CSR Committee

Place: Mumbai
Date: April 18, 2019

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED MARCH 31, 2019

(As required under Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

1. The Company's Corporate Governance Philosophy

Indian Clearing Corporation Limited (ICCL) is a Qualified Central Counterparty (QCCP) in the Indian securities markets. ICCL has qualified as QCCP in view of the fact that it is regulated by Securities and Exchange Board of India (SEBI) under SEBI Act 1992, Securities Contract (Regulation) Act, 1956 (SCRA) and Rules and Regulations made there under.

Indian Clearing Corporation Ltd. (ICCL) is a wholly owned subsidiary of BSE Ltd and was incorporated in 2007 to function as a full-fledged Clearing Corporation. ICCL has been set up with an objective of promoting financial stability, integrity and expanding its capacities to support an efficient securities markets. ICCL is working towards becoming a globally recognized CCP that clears and settles trades for a multitude of diverse and sophisticated products.

The Company has set itself the objective of expanding its capacities and becoming globally competitive in its business. As a part of its growth strategy, the Company believes in adopting the 'BEST PRACTICES' that are followed in the area of Corporate Governance across various geographies. The Company emphasises the need for full transparency and accountability in all its transactions, and the Board considers itself as a Trustee of its Shareholders and acknowledges its responsibilities towards them for creation and safeguarding their wealth. As a clearing corporation is a systemically important institution in the financial sector, the Board has the additional responsibility towards all the stakeholders in the securities markets.

ICCL has taken Counterparty Default Insurance for USD 60 million.

ICCL remains committed to the safety of investors and members and to further add to this security, ICCL has subscribed to a unique Insurance Policy for USD 60 million across all segments. The objective of the Policy is to protect ICCL against counterparty defaults, and add a further capital cushion to the ICCL networth making the resources of the non-defaulting members even safer. The policy also adds to the ability of ICCL to absorb higher losses before any resources of the non-defaulting members are put at risk.

ICCL provides full novation and has the responsibility of guaranteeing contractual performance by playing the role of a central counterparty for all trades on BSE, thereby eliminating counterparty risk for the members. In essence, it splits the original contract between the initiating counterparties into two new contracts; one each between ICCL and the initiating counterparties. ICCL has put in place a risk management framework to mitigate the risk it undertakes in its capacity as a Clearing Corporation.

However, as a second line of defense to the margining and risk management systems, ICCL has subscribed to the Insurance policy. In the case of loss arising out of defaults, the capital of Clearing Corporation and its non-defaulting members would be at risk, in accordance with the default waterfall. The magnitude of potential loss due to default a clearing corporation can undertake without affecting the capital of non-defaulting members is contingent upon the networth of the Clearing Corporation and additional capital cushions, which insulate the default loss and the non-defaulting members' resources.

ICCL, with its net-worth of over INR 500 Crore, which is nearly 2 times its default fund requirements, is well capitalized and instills a high level of confidence in its members and investors of the ability of ICCL to handle extreme loss situations. The additional capital cushion, provided by the Insurance cover, along with ICCL's Core SGF and other resources in the Default Waterfall, covers nearly 4 times the default fund requirement of ICCL and further increases the safety for domestic and international participants alike.

ICCL continues to remain the only clearing corporation in India to be granted "AAA" rating by two rating agencies, India Ratings Ltd. (Indian arm of Fitch Ratings) and Care Ratings Ltd.

2. Board of Directors

- **Profile of Board of Directors**

Mr. S. Sundareshan is an IAS officer of the 1976 Batch belonging to the Kerala Cadre. Mr. S. Sundareshan has held several senior positions of responsibility in the Government of India and the Government of Kerala in his career spanning 38 years including Joint Secretary in the Department of Economic Affairs, Ministry of Finance, Government of India; Minister (Economic and Commercial) in the Embassy of India at Tokyo, Japan; Secretary, Revenue, Expenditure, Public Works Department and Secretary, Irrigation in the State of Kerala.

He has been the Managing Director of several State Public Sector Undertakings. He was Secretary, Heavy Industries and also Secretary Petroleum in the Government of India. During this period he was on the Board of Oil and Natural Gas Corporation Ltd. (ONGC), GAIL India Ltd. and Indian Oil Corporation Ltd. and the Chairman of Petronet LNG Ltd.

Mr. Sundareshan was the Chairman of the Forward Market Commission from 2005-2007. He was instrumental in putting in place appropriate regulations and structures for the growth of the commodities futures market.

He holds an MBA Degree from the University of Leeds, United Kingdom and an M.A. from the University of Bombay.

Mr. Sundareshan does not hold any shares or any convertible instruments in the Company.

Prof. Ramabhadran Thirumalai is an Assistant Professor of Finance at the Indian School of Business ("ISB"). He is working on issues related to pre-trade transparency in equity markets, arbitrage trading between individual stock futures and underlying stocks, retail and institutional investor trading frictions in equity markets, intraday stock return momentum and promoting share pledges in India. He has held positions at the Indiana University's Kelley School of Business in Bloomington and the University of Pittsburgh's Joseph M. Katz Graduate School of Business. His research interests are in market microstructure and corporate finance.

He holds a PhD in Finance from the Kelley School of Business at Indiana University, Bloomington, an MS in Statistics from the University of South Carolina, Columbia and a BE (Honours) in Chemical Engineering from Birla Institute of Technology and Science, Pilani.

Prof. Ramabhadran does not hold any shares or any convertible instruments in the Company.

Mr. Prasad Dahapute is the founder of the Varhad Group and Managing Director of Varhad Capital.

Prior to setting up of Varhad, he was Head of Research at PUG Securities and Co-head of Equity Research at Standard Chartered, heading India equity research team independently. He was instrumental in getting mandates in private equity and joint ventures. Mr. Dahapute has worked with HSBC as utility analyst for India, China and Korea and Antique Stock Broking as Senior Vice President, Research. He started his career at Power Finance Corporation, New Delhi in treasury as well as credit assessment. He had vetted project finance of INR 164 bn. Mr. Dahapute was rated among top 30 equity analysts in India by Asia money for 3 years in a row from 2007 to 2009. Mr. Dahapute is an MBA from Symbiosis Institute of Business Management (SIBM), Pune and a Bachelor of Engineering from Government College of Engineering, Jalgaon.

Mr. Prasad Dahapute does not hold any shares or any convertible instruments in the Company.

Mr. Nehal Vora has more than 18 years of rich and varied experience in the area of Compliance and regulation. He is the Chief Regulatory Officer of BSE Limited and heads all the regulatory functions at BSE. He is also Head – Planning and Policy at BSE.

As a board member of the Company he oversees the activities of the clearing corporation in a supervisory capacity especially in the areas of regulation. Earlier, as Director, Compliance at Merrill Lynch, India he headed the compliance for the broking, investment banking and fixed income businesses. In recognition of his commitment and dedication to the Compliance Function at Merrill Lynch, he was awarded OGC Living the Mission Award in 2008.

Prior to that he has worked with the Securities and Exchange Board of India (SEBI) for more than 10 years in varied areas of derivatives, venture capital and surveillance. He holds a Commerce degree from Mumbai University, a Master of Management Studies degree in Finance from the Narsee Monjee Institute of Management Studies, University of Mumbai.

Mr. Nehal Vora holds one equity share in the Company as a nominee of the holding Company, BSE Limited.

Mr. Neeraj Kulshrestha joined BSE as Chief Operations Officer in 2015. He is responsible for Trading (Operations and Development), Listing (Sales and Operations), Membership and IT operations. He is on the Board of Asia Index Private Limited.

Mr. Kulshrestha has about 27 year experience in Capital Markets, which includes Securities Markets and General Insurance.

Earlier, he was an Executive Director in Morgan Stanley India for 10 years. Prior to his tenure with Morgan Stanley India, Mr. Kulshrestha was with National Stock Exchange (NSE) and had managed various functions like Trading Operations, Inspection and Investigation, Futures and Options Clearing and Trading at NSE. He was also the CEO of India Index Services Ltd. and Dotex International Ltd.

Mr. Kulshrestha is a Bachelors in Computer Science from Delhi University and MBA (Finance) from Indore University.

Mr. Neeraj Kulshrestha does not hold any shares or any convertible instruments in the Company.

Ms. Devika Shah has assumed office as the MD & CEO with effect from January 1, 2018. Devika comes with over 31 years of rich experience with BSE & has deep understanding of the exchange and clearing corporation related operations and regulations. During her tenure at BSE, she has headed various functions, in the areas of regulatory & business, including surveillance, investigation & inspection, trading operations, clearing & settlement, listing membership, Investor Protection Fund, business development, accounts, legal & regulatory communications.

She holds a Bachelors in Commerce degree from the University of Mumbai & is a Fellow member of the Institute of Chartered Accountants of India.

- **The names and categories of the Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships held by them in other Companies are given below:**

Name of the members of Governing Board	**Meetings held during the tenure of the member**	**Meetings attended by the member**	**Whether attended last AGM**	**Number of Committee positions held in other public companies**	
				Chairman	**Member**
Public Interest Directors					
Mr. S. Sundareshan, **Chairman**	7	7	Yes	-	10
Mr. Ramabhadran Thirumalai	7	7	Yes	-	-
Mr. Prasad Dahapute	7	7	Yes	-	-
Shareholder Directors					
Mr. Nehal Vora	7	7	Yes	-	-
Mr. Neeraj Kulshrestha	7	5	No	-	-
Managing Director and CEO					
Ms. Devika Shah	7	7	Yes	-	-

Note: All Public Interest Directors are Independent, Non-Executive Director, Shareholder Directors are Non- Executive Directors and MD and CEO is an Executive Director

- **The Details of the Directorship of the Directors in other Companies is as given below:**

Sr No.	**Name of the Director**	**No. of Directorship in other Companies**	**Directorship in listed entity, if any**
1.	Mr. S. Sundareshan	5	• **Patspin India Ltd** Non-Executive - Independent Director • **GTN Textiles Limited** Non-Executive - Independent Director • **Tide Water Oil Co India Ltd** Non-Executive - Independent Director
2.	Ms. Devika Shah	NIL	NA
3.	Mr. Prasad Dahapute	4	NIL
4.	Mr. Ramabhadran Thirumalai	NIL	NA
5.	Mr. Nehal Vora	6	• **Central Depository Services (India) Ltd** Nominee Director

6.	Mr. Neeraj Kulshrestha	5	NIL

None of the Directors is a member of the Board of more than twenty Companies or a Member of more than eight listed entities and none of the Independent Director is a whole time Director/managing Director of more than three listed entities.

None of the Directors are inter-se related.

- **Board Meetings**

During the financial year 2018 - 19, Seven Board Meetings were convened and held on April 24, 2018, July 18, 2018, two Board Meetings on October 23, 2018, December 7, 2018 and two Board Meetings on January 24, 2019.

- **Board Induction and Training**

Upon appointment, Company provides new Directors, both Executive and Non-Executive, with a briefing on their legal and regulatory responsibilities as Directors and Company's current structure and performance of business.

The details of the familiarisation program provided to the Independent Directors is given at http://www.icclindia.com/static/about/Compliance_with_Corporate_Governance.aspx

3. REMUNERATION OF DIRECTORS

Managing Director and Chief Executive Officer

Managing Director and CEO is the only executive director of the Company. Remuneration paid to executive director is as per the terms of agreement between the Company and Executive director. The terms of agreement are approved by the Board at the time of appointment.

The particulars of remuneration paid to whole time director during the financial year 2018-19 is as under:

Sl No.	Particulars of Remuneration	Name of MD/WTD/Manager
	Ms. Devika Shah, Managing Director & CEO	
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	58,71,328
2.	Stock Options	Nil
3.	Sweat Equity	Nil
4.	Commission - As % of profit - Others, specify	Nil
5.	Others, please specify (Pension, severance pay etc.)	Nil
	Total (A)	**58,71,328**
	Ceiling as per the Act	101 lakhs

Non – Executive Directors

There is no pecuniary relationship or transaction between non – executive directors (Public Interest Directors and Shareholder Directors) and the Company. The only pecuniary relationship with Public Interest Directors is payment of sitting fees for attending the board and committee meetings and reimbursement of expenses incurred for attending the meetings.

The following table shows the amount of sitting fees paid to the non-executive directors for the financial year 2018-19:

Sr. No	Name of Public Interest Directors	Sitting Fees (Amount in INR)
1.	Mr. S. Sundareshan	12,20,000
2.	Mr. Ramabhadran T.	14,30,000
3.	Mr. Prasad Dahapute	10,90,000
	Total (B)	37,40,000
	Total Managerial Remuneration (A + B)	**96,11,328**

Note -

- Public Interest Directors shall be remunerated only by way of sitting fees as admissible to independent directors in the Companies Act, 2013
- No sitting fees are paid to Shareholder Directors as they are nominee of BSE Limited.
- No Directors of the Company hold any shares or convertible securities in the Company.

4. COMMITTES FOR CLEARING CORPORATION

The committees of Clearing Corporation are governed under Companies Act, 2013, SECC Regulations 2018 and SEBI Listing Regulations. The Company, in addition to the above statutory committees has also constituted voluntary committee.

SEBI has notified Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 effective from October 3, 2018 thereby repealing erstwhile SECC Regulations 2012. Accordingly, various committees constituted under erstwhile SECC Regulations, 2012 have been aligned to Regulation 29 of the SECC Regulations 2018, and SEBI circular no. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/13 dated January 10, 2019 on "Committees at Market Infrastructure Institutions", following are the statutory committees of the Company:

Sr. No.	Name of the Committee	Regulatory reference
1.	Member Selection Committee	*Functional committee* as per SEBI (SECC) Regulation, 2018
2.	Investor Grievance Redressal Committee	
3.	Nomination And Remuneration Committee (also in compliance with Companies Act, 2013 and SEBI Listing Regulations)	
4.	Standing Committee On Technology	*Oversight committees* as per SEBI (SECC) Regulation, 2018
5.	Advisory Committee	
6.	Regulatory Oversight Committee	

7.	Risk Management Committee	
8.	Audit Committee	*Statutory committees* as per Companies Act, 2013 and SEBI Listing Regulations
9.	Corporate Social Responsibility Committee	
10.	Public Interest Director's Meeting	Regulated as per Companies Act, 2013 and SEBI circular no. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/13 dated January 10, 2019 on "Committees at Market Infrastructure Institutions"
11.	Investment Committee	*Internal Committee* of the Company

Change in the Composition

The Board in its meeting held on October 23, 2018 reconstituted the Statutory committees as per revised SECC Regulations 2018. Subsequently, the Board in its meeting held on January 24, 2019, again reconstituted committees in compliance with the SEBI circular dated January 10, 2019.

The latest composition of various committees as on March 31, 2019, terms of reference and attendance of the members thereat are given below**:**

a) Membership Selection Committee

Composition: As on March 31, 2019, the composition of Membership Selection Committee is as follow:

- Prof. T. Ramabhadran, Public Interest Director - Chairman
- Mr. S. Sundareshan, Public Interest Director
- Mr. Prasad Dahapute, Public Interest Director
- Ms. Devika Shah, MD & CEO

The terms of reference of the Committee are broadly given as follows:

i. To scrutinize, evaluate, accept or reject applications for admission of members and transfer of membership and approve voluntary withdrawal of membership.

ii. Also in case of clearing corporations with commodity segment, the committee shall also look into:
   a. Approving enplanement & cancellation of Warehouse Service Providers/Vault Service Providers /Assayers, accreditation of warehouse, etc.
   b. Reviewing the continuous functioning, monitoring, and compliance of norms by Warehouse Service Providers, Vault Service Providers and assayers.

iii. Formulate policy for regulatory actions, including warning, monetary fine, suspension, deactivation of terminal, declaring a member as defaulter , expulsion, to be taken for various violations by the members of the clearing corporation.

iv. Based on the laid down policy, the Committee shall consider the cases of violations observed during inspection, etc. and impose appropriate regulatory measure on the members of the clearing corporation.

v. While imposing the regulatory measure, the Committee shall adopt a laid down process, based on the 'Principles of natural justice'.

vi. Realize the assets / deposits of defaulter/expelled member and appropriate amongst various dues and claims against the defaulter/ expelled member in accordance with the Rules, Byelaws and Regulations of the Clearing corporation

vii. Admission /rejection of claims against such members over the assets of the defaulter/expelled member.

viii. To manage the Core Settlement Guarantee Fund (Core SGF) of the clearing corporation, including its investments as per norms laid down and ensure proper utilization of Core SGF.

Meetings held during the year and attendance thereat:

During the FY 2018-19, four (4) Membership Selection Committee Meeting were held on April 24, 2018; July 18, 2018; October 23, 2018 and January 24, 2019.

The necessary quorum was present for all the meetings with the presence of Public Interest Directors as required under the SEBI (SECC) Regulation, 2018.

Attendance of the members of Committee in FY 2018 – 19 is given below:

Sr. No.	Members	No. of Meetings eligible for attendance	No. of Meetings attended
1	Prof. T. Ramabhadran, Chairman	4	4
2	Mr. S. Sundareshan*	2	2
3	Mr. Prasad Dahapute	4	4
4	Ms. Devika Shah	4	4
*Mr. S. Sundareshan, Public Interest Director, inducted as member of the Membership Selection Committee w.e.f October 23, 2018			

b) Investor Grievance redressal committee (IGRC)

The terms of reference of the Committee are broadly given as follows:

Dealing with the complaints referred to it by the Clearing Corporation, hear the parties and resolve their complaints.

The IGRC Committee was previously known as Grievance redressal committee before the SEBI circular on “Committees at MIIs” came into force, effective from January 10, 2019.

The erstwhile Grievance redressal committee consisted of Mr. Prasad Dahapute, Chairman of the Committee, Prof. T. Ramabhadran and Mr. Neeraj Kulshrestha as the members of the committee. The meeting of the erstwhile Grievance redressal committee was held only once on July 18, 2018 and all the members of the committee attended the same.

With the SEBI circular on “Committees at MIIs” coming into force, region wise panels have been constituted.

c) Nomination & Remuneration Committee:

<u>Composition</u>: As on March 31, 2019, the composition of Nomination & Remuneration Committee is as follow:

- Mr. T. Ramabhadran, Public Interest Director - Chairman
- Mr. S. Sundareshan, Public Interest Director
- Mr. Prasad Dahapute, Public Interest Director

<u>The terms of reference of the Committee are broadly given as follows:</u>

i. Identifying a Key management personnel, other than personnel as specifically provided in its definition under SECC Regulations, 2018.

ii. Lay down the policy for compensation of key management personnel in terms of the compensation norms prescribed by SEBI.

iii. Determining the compensation of KMPs in terms of the compensation policy

iv. Determining the tenure of a key management personnel, other than a director, to be posted in a regulatory department.

v. Selecting the Managing Director

vi. Framing & reviewing the performance review policy to carry out evaluation of every director's performance, including that of Public Interest Director (PID).

vii. Recommending whether to extend the term of appointment of the PID.

viii. Besides the above, it will also discharge the function as Nomination & Remuneration Committee under the Companies Act, 2013 and SEBI (LODR) regulations, 2015 as amended from time to time.

<u>Meetings held during the year and attendance thereat:</u>

During the FY 2018-19, four (4) Nomination & Remuneration Meeting were held on April 24, 2018; July 18, 2018; December 7, 2018 and January 24, 2019.

The necessary quorum was present for all the meetings with the presence of Public Interest Directors as required under the Companies Act, 2013, SEBI (SECC) Regulation, 2018 and SEBI (LODR) Regulation, 2015.

Attendance of the members of Committee in FY 2018 – 19 is given below:

Sr. No.	Members	No. of Meetings eligible for attendance	No. of Meetings attended
1	Mr. T. Ramabhadran, Chairman	4	4
2	Mr. S. Sundareshan	4	4
3	Mr. Nehal Vora*	3	3
4	Mr. Prasad Dahapute**	1	1

* Mr. Nehal Vora, Shareholder Director, ceased to be member of Nomination and Remuneration Committee w.e.f January 24, 2019

** Mr. Prasad Dahapute, Public Interest Director, inducted as the member of Nomination and Remuneration Committee w.e.f January 24, 2019

d) Standing Committee on technology

<u>Composition</u>: As on March 31, 2019, the composition of Standing Committee on Technology is as follow:

- Prof. T. Ramabhadran, Public Interest Director - Chairman
- Mr. Prasad Dahapute, Public Interest Director
- Mr. Pravir Vohra, Independent External Person
- Mr. Alok Kumar, Independent External Person

<u>The terms of reference of the Committee are broadly given as follows</u>:

i. Monitor whether the technology used by the clearing corporation remains up to date and meets the growing demands.
ii. Monitor the adequacy of system capacity and efficiency.
iii. Look into the changes being suggested to the existing software/hardware.
iv. Investigate into the problems computerised risk management / clearing & settlement system, such as hanging/ slowdown/ breakdown.
v. Ensure that transparency is maintained in disseminating information regarding slowdown/break down risk management / clearing & settlement system
vi. The Committee shall submit a report to the Governing Board of the clearing corporation. The Board will deliberate on the report and suitable action/ remedial measure will be taken.
vii. Any stoppage beyond five minutes will be explained and reported to the Board. The Clearing Corporation shall issue a press release specifying the reasons for the breakdown.
viii. Review the implementation of board approved cyber security and resilience policy and its framework
ix. Such other matters in the scope as may be referred by the Governing Board of the Clearing Corporation and/or SEBI.

<u>Meetings held during the year and attendance thereat:</u>

During the FY 2018-19, four (4) Standing Committee on Technology Meeting were held on April 24, 2018; July 18, 2018; October 23, 2018 and January 24, 2019.

The necessary quorum was present for all the meetings with the presence of Public Interest Directors as required under the SEBI (SECC) Regulation, 2018.

Attendance of the members of Committee in FY 2018 – 19 is given below:

Sr. No.	Members	No. of Meetings eligible for attendance	No. of Meetings attended
1	Prof. T. Ramabhadran	4	4
2	Mr. Prasad Dahapute	4	4
3	Mr. Pravir Vohra	4	4
4	Mr. Alok Kumar	4	3

e) Advisory Committee:

To advise the Governing Board on non-regulatory and operational matters including product design, technology, charges and levies.

Composition: As on March 31, 2019, the composition of Advisory Committee is as follow:

- Mr. S. Sundareshan, Public Interest Director - Chairman
- MD of the Company is the Permanent Invitee of the Committee.

Meetings held during the year and attendance thereat:

During the FY 2018-19, four (4) Advisory Committee Meeting were held on May 21, 2018; August 3, 2018; October 23, 2018 and January 24, 2019.

Attendance of the members of Committee in FY 2018 – 19 is given below:

Sr. No.	Members	No. of Meetings eligible for attendance	No. of Meetings attended
1	Mr. S. Sundareshan	4	4

Note: The detailed composition of committee is given on the website of the Company http://www.icclindia.com/static/about/iccladvisorycommittee.aspx

f) Regulatory Oversight Committee :

Composition: As on March 31, 2019, the composition of Regulatory Oversight Committee is as follow:

- Mr. S. Sundareshan, Public Interest Director - Chairman
- Mr. Prasad Dahapute, Public Interest Director
- Mr. Alok Mohan Sherry, Independent External Person

The terms of reference of the Committee are broadly given as follows:

i. Oversee matters related to member regulation such as admission of members, inspection, disciplinary action, etc.
ii. Oversee SEBI inspection observations on membership related issues.
iii. Estimate adequacy of resources dedicated to member regulation
iv. Monitor the disclosures made under Reg.35 of SCR(SECC) Regulations, 2018
v. Review the actions taken to implement the suggestions of SEBI's Inspection Reports and place it before the Board of Clearing Corporation
vi. To follow up and ensure compliance/ implementation of the inspection observations.
vii. Supervising the functioning of Investors' Services Cell of the Clearing Corporation which includes review of complaint resolution process, review of complaints unresolved over

long period of time, estimate the adequacy of resources dedicated to investor services, etc.

viii. Lay down procedures for the implementation of the Code

ix. Prescribe reporting formats for the disclosures required under the Code.

x. Oversee the implementation of the code of ethics.

xi. To periodically monitor the dealings in securities of the Key Management Personnel

xii. To periodically monitor the trading conducted by firms/corporate entities in which the directors hold twenty percent or more beneficial interest or hold a controlling interest.

xiii. Reviewing the fees and charges levied by a Clearing Corporation

xiv. Monitoring implementation of SECC Regulations and other applicable rules and regulations along-with SEBI Circulars and other directions issued thereunder

xv. The head(s) of department(s) handling the above matters shall report directly to the committee and also to the managing director.

xvi. Any action of a recognized clearing corporation against the aforesaid head(s) shall be subject to an appeal to the committee, within such period as may be determined by the governing board.

<u>Meetings held during the year and attendance thereat:</u>

During the FY 2018-19, two (2) Regulatory Oversight Committee Meeting were held on October 23, 2018 and January 24, 2019.

The necessary quorum was present for all the meetings with the presence of Public Interest Directors as required under the SEBI (SECC) Regulation, 2018.

Attendance of the members of Committee in FY 2018 – 19 is given below:

Sr. No.	Members	No. of Meetings eligible for attendance	No. of Meetings attended
1	Mr. S. Sundareshan	2	2
2	Mr. Prasad Dahapute	2	2
3	Mr. Nehal Vora*	1	1
4	Ms. Devika Shah**	1	1
5	Dr. Alok Mohan Sherry ***	1	Nil

* Mr. Nehal vora, Shareholder Director, ceased to be member of Regulatory Oversight Committee w.e.f January 24, 2019

** Ms. Devika Shah, Managing Director, ceased to be member of Regulatory Oversight Committee w.e.f January 24, 2019

*** Dr. Alok Mohan Sherry, Independent External Person, inducted as member of Regulatory Oversight Committee w.e.f January 24, 2019

g) Risk Management Committee

<u>Composition</u>: As on March 31, 2019, the composition of Risk Management Committee is as follow:

- Mr. S. Sundareshan, Public Interest Director - Chairman
- Prof. T. Ramabhadran, Public Interest Director

- Mr. Prasad Dahapute, Public Interest Director
- Mr. Kausick Saha, Independent External Person
- Dr. Ajit Ranade, Independent External Person

The terms of reference of the Committee are broadly given as follows:

i. To formulate a detailed risk management policy which shall be approved by the governing board.
ii. To review the Risk Management Framework & risk mitigation measures from time to time.
iii. To monitor and review enterprise-wide risk management plan and lay down procedures to inform Board members about the risk assessment and minimisation procedures
iv. The head of the risk management department shall report to the risk management committee and to the managing director of the Clearing Corporation
v. The risk management committee shall monitor implementation of the risk management policy and keep the Board and the governing board informed about its implementation and deviation, if any.

Meetings held during the year and attendance thereat:

During the FY 2018-19, four (4) Risk Management Committee Meeting were held on April 24, 2018; July 18, 2018; October 23, 2018 and January 24, 2019.

The necessary quorum was present for all the meetings with the presence of Public Interest Directors as required under the SEBI (SECC) Regulation, 2018 and SEBI (LODR) Regulation, 2015

Attendance of the members of Committee in FY 2018 – 19 is given below:

Sr. No.	**Members**	**No. of Meetings eligible for attendance**	**No. of Meetings attended**
1	Mr. S. Sudareshan	4	4
2	Prof. T. Ramabhadran	4	4
3	Mr. Prasad Dahapute	4	4
4	Dr. Ajit Ranade	4	3
5	Mr. Kausick Saha	4	2

h) Audit Committee:

Composition: As on March 31, 2019, the composition of Audit Committee is as follow:

- Prof. T. Ramabhadran, Public Interest Director - Chairman
- Mr. S. Sundareshan, Public Interest Director
- Mr. Nehal Vora, Shareholder Director

The terms of reference of the Committee are broadly given as follows:

i. To review compliance with internal control systems;
ii. To review the findings of the Internal Auditor relating to various functions of the Company;
iii. To hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors/Internal Auditors;
iv. To review the quarterly, half-yearly and annual financial results of the Company before submission to the Board;
v. To make recommendations to the Board on any matter relating to the financial management of the Company, including statutory & Internal Audit Reports;
vi. Recommending the appointment of statutory auditors and internal auditors and fixation of their remuneration.
vii. Reviewing the Company's financial and risk management policies.

Meetings held during the year and attendance thereat:

During the FY 2018-19, four (4) Audit Committee Meeting were held on April 24, 2018; July 18, 2018; October 23, 2018 and January 24, 2019.

As per Companies Act, 2013, the gap between any two (2) meetings did not exceed one hundred and twenty days.

The necessary quorum was present for all the meetings with the presence of Public Interest Directors as required under the Companies Act, 2013 and SEBI (LODR) Regulation, 2015

Attendance of the members of Committee in FY 2018 – 19 is given below:

Sr. No.	**Members**	**No. of Meetings eligible for attendance**	**No. of Meetings attended**
1	Mr. T. Ramabhadran, Chairman	4	4
2	Mr. S. Sundareshan	4	4
3	Mr. Nehal Vora	4	4

i) Corporate Social Responsibility Committee

Composition: As on March 31, 2019, the composition of Corporate Social Responsibility Committee is as follow:

- Mr. S. Sundareshan, Public Interest Director - Chairman
- Mr. Prasad Dahapute, Public Interest Director
- Mr. Neeraj Kulshrestha, Shareholder Director
- Ms. Devika Shah, MD & CEO

The terms of reference of the Committee are broadly given in **Annexure – D**

Meetings held during the year and attendance thereat:

During the FY 2018-19, three (3) Corporate Social Responsibility Committee Meeting were held on April 24, 2018; July 18, 2018 and January 24, 2019.

The necessary quorum was present for all the meetings with the presence of Public Interest Directors as required under the Companies Act, 2013.

Attendance of the members of Committee in FY 2018 – 19 is given below:

Sr. No.	Members	No. of Meetings eligible for attendance	No. of Meetings attended
1	Mr. S. Sundareshan	3	3
2	Mr. Prasad Dahapute	3	3
3	Mr. Neeraj Kulshrestha	3	2
4	Ms. Devika Shah	3	3

j) Investment Committee (Voluntary)

<u>Composition</u>: As on March 31, 2019, the composition of Investment Committee is as follow:

- Prof. T. Ramabhadran, Public Interest Director - Chairman
- Mr. Nayan Mehta, CFO – BSE Limited
- Mr. Arun Mehta, Independent External Person

<u>Meetings held during the year and attendance thereat:</u>

During the FY 2018-19, eight (8) Investment Committee Meeting were held on April 22, 2018; June 20, 2018; August 20, 2018; September 25, 2018; November 5, 2018, December 7, 2018; January 17, 2019 and March 13, 2019

Attendance of the members of Committee in FY 2018 – 19 is given below:

Sr. No.	Members	No. of Meetings eligible for attendance	No. of Meetings attended
1	Prof. T. Ramabhadran	8	8
2	Mr. Nayan Mehta	8	6
3	Mr. Arun Mehta	8	8

k) Public Interest Directors Committee :

The Public Interest Director's Members consists of all the Public Interest Director's/Independent Director's i.e Mr. Sundareshan, Prof. T. Ramabhadran and Mr. Prasad Dahapute.

<u>The terms of reference of the Committee are broadly given as follows</u>:

During their meetings, the Public Interest Directors shall review the following:

i. Status of compliance with SEBI letters/circulars.
ii. Review the functioning of regulatory departments including the adequacy of resources dedicated to regulatory functions.
iii. The Public Interest Directors shall prepare a report on the working of the other Committees on which they are present in. The report shall be circulated to the other Public Interest Directors.

iv. A consolidated report shall then be submitted to the Governing Board of the Clearing Corporation.
v. The Public Interest Directors shall identify important issues which may involve conflict of interest for the Clearing Corporation or may have significant impact on the market and report the same to SEBI.

Meetings held during the year and attendance thereat:

During the FY 2018-19, two (2) Public Interest Director meeting were held on April 24, 2018 and January 24, 2019.

Attendance of the members of Committee in FY 2018 – 19 is given below:

Sr. No.	**Members**	**No. of Meetings eligible for attendance**	**No. of Meetings attended**
1	Mr. S. Sundareshan	2	2
2	Prof. T. Ramabhadran	2	2
3	Mr. Prasad Dahapute	2	2

Following are the various committees that have been discontinued pursuant to notification of SECC Regulations 2018 and SEBI circular related thereto. Also details relating to their composition, number of meetings held and attendance thereat, upto the date of revised committees coming into force, have been provided below:

l) Stakeholders Relationship Committee

- The Stakeholder Relationship Committee consisted of Mr. Prasad Dahapute, Chairman of the Committee, Prof. T. Ramabhadran and Mr. Neeraj Kulshrestha as the members of the committee. Stakeholder Relationship Committee meeting was not held during the relevant period.

- As per Section 178(5) of the Companies Act, 2013 the Board of Directors of a company which consists of more than one thousand shareholders, debenture-holders, deposit-holders and any other security holders at any time during a financial year shall constitute a Stakeholders Relationship Committee.

- BSE Limited, Holding Company is the only security holder of the Company.

- In view of the above, the Company is not required to constitute Stakeholder Relationship Committee.

- During the relevant period, the Company has not received any complaints /grievances from BSE Limited.

m) Disciplinary Action Committee:

During the relevant period, one (1) Disciplinary Action Committee meeting was held on July 18, 2018.

The necessary quorum was present for the meeting with the presence of Public Interest Directors as required under SEBI (SECC) Regulation, 2012* (now repealed).

Composition and attendance of the members of Committee is given below:

Sr. No.	Members	No. of Meetings eligible for attendance	No. of Meetings attended
1	Mr. S. Sundareshan	1	1
2	Prof. T. Ramabhadran	1	1
3	Mr. Prasad Dahapute	1	1
4	Ms. Devika Shah	1	1

n) Defaulters' Committee/SGF Utilisation Committee:

During the relevant period, one (1) Defaulter's Committee meeting was held on July 18, 2018.

The necessary quorum was present for the meeting with the presence of Public Interest Directors as required under the SEBI (SECC) Regulation, 2012* (now repealed).

Composition and attendance of the members of Committee is given below:

Sr. No.	Members	No. of Meetings eligible for attendance	No. of Meetings attended
1	Mr. S. Sundareshan	1	1
2	Mr. T. Ramabhadran	1	1
3	Mr. Prasad Dahapute	1	1
4	Ms. Devika Shah	1	1

o) Sub-Committee for Monitoring Compliance of suggestions given in SEBI inspection report

During the relevant period, two (2) Sub-Committee for Monitoring Compliance of suggestions given in SEBI inspection report Committee meeting were held on April 24, 2018 and July 18, 2018.

The necessary quorum was present for all the meetings with the presence of Public Interest Directors as required under the SEBI (SECC) Regulation, 2012* (now repealed).

Composition and attendance of the members of Committee is given below:

Sr. No.	Members	No. of Meetings eligible for attendance	No. of Meetings attended
1	Mr. S. Sundareshan	2	2

2	Mr. T. Ramabhadran	2	2
3	Mr. Nehal Vora	2	2
4	Mr. Prasad Dahapute	2	2
5	Ms. Devika Shah	2	2

p) Independent Oversight Committee of the Governing Board for Member Regulation:

Composition: As on October 23, 2018, the composition of Independent Oversight Committee of the Governing Board for Member Regulation is as follow:

- Prof. T. Ramabhadran, Public Interest Director- Chairman
- Mr. Prasad Dahapute, Public Interest Director
- Prof. Alok Sherry, Independent External Person

Meetings held during the year and attendance thereat:

During the relevant period, one (1) Independent Oversight Committee of the Governing Board for Member Regulation meeting were held on July 18, 2018.

The necessary quorum was present for all the meetings with the presence of Public Interest Directors as required under the SEBI (SECC) Regulation, 2012* (now repealed).

Composition and attendance of the members of Committee is given below:

Sr. No.	Members	No. of Meetings eligible for attendance	No. of Meetings attended
1	Prof. T. Ramabhadran	1	1
2	Mr. Prasad Dahapute	1	1
3	Prof. Alok Sherry	1	1

12. DETAILS OF GENERAL MEETINGS

Details of last three Annual General Meetings and Extra Ordinary General Meeting and the summary of Special Resolution passed therein are as under:

Annual General Meeting				
Financial year	**Date & Time**	**Venue**	**Special Resolution Passed**	**Names of the Directors who attended the General Meetings**

2017-18	April 24, 2018, 3:30 PM	15th Floor, Conference Room, P.J. Towers, Dalal Street, Fort, Mumbai – 400 001.	• There were no special business and all the agenda items were passed by Ordinary Resolution.	• Mr. S. Sundareshan • Prof. T. Ramabhadran • Mr. Prasad Dahapute • Mr. Nehal Vora • Ms. Devika Shah
2016-17	June 16, 2017, 1:00 PM	Board Room, 25th Floor, P.J. Towers, Dalal Street, Fort, Mumbai – 400 001.	• Consider Payment of one-time special Ex-gratia to the MD & CEO	• Mr. S. Sundareshan • Ms. Maya Sinha • Prof. T. Ramabhadran • Mr. Prasad Dahapute • Mr. Nehal Vora • Mr. K. Kumar • Mr. Neeraj Kulshrestha
2015-16	June 18, 2016, 12.00 Noon	15th Floor, Conference Room, P.J. Towers, Dalal Street, Fort, Mumbai – 400 001.	• Extension of tenure of Mr. K. Kumar as Managing Director & CEO for a further period of three years.	• Mr. S. Sundareshan • Ms. Maya Sinha • Prof. T. Ramabhadran • Mr. Prasad Dahapute • Mr. Nehal Vora • Mr. K. Kumar

During the previous three financial years (2018 – 19, 2017-18 and 2016-17) and in the current financial year 2019-20, the company did not hold any general meeting through postal ballot. The requirement of passing any resolution by postal ballot is not applicable to the Company.

13. MEANS OF COMMUNICATION

For easy reference of the Shareholders, data related to:

- Quarterly and annual financial results;
- Shareholding pattern;
- Intimation and outcome of General meetings;
- Intimation and outcome of every Board Meetings;
- Vigil mechanism;
- Annual Report etc.

are available on website of the Company i.e http://www.icclindia.com/

14. DISCLOSURE UNDER SEXUAL HARRASMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

The disclosures required to be given under Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 are given in the following Table:

1.	Number of complaints of sexual harassment received in the year	Nil
2.	Number of complaints disposed of during the year	Not applicable
3.	Number of cases pending as on end of the financial year	Not applicable

15. OTHER DISCLOSURES:

Policy on Appointment and Tenure of Public Interest Director

- The Company has adopted the provisions with respect to appointment and tenure of Independent Directors which is consistent with the Companies Act, 2013 and SECC Regulations 2018.

Board Evaluation

Pursuant to SEBI (Listing Obligation and Disclosures Requirements) Regulation, 2015 and Companies Act, 2013 the evaluation of the Board was carried out at multiple levels, which are as follows:

A. Evaluation of Board as a whole
B. Evaluation of Committees of the Board
C. Evaluation of Individual Directors and Chairperson (including Chairperson, CEO, Independent Directors, Non-independent directors, etc.)

The evaluation of the Board, its Directors (including Chairperson, CEO, Independent Directors, Non-independent directors, etc.) and the Committees was carried out on the basis of criteria such as composition, qualification, experience, diversity, knowledge, leadership, performance, attendance, quality of decisions and recommendations, etc.

Subsidiary Companies

As on 31st March 2019, The Company did not have any 'material non-listed subsidiary'. However, the policy for material non-listed subsidiary' is being disseminated on the website of the Company on the following link:
http://www.icclindia.com/static/about/Compliance_with_Corporate_Governance. aspx

Internal Controls and Risk Management

The Company has robust systems for internal audit and risk assessment and mitigation.

Risk Assessment procedures have been set in place for self-assessment of business risks, operating controls and compliance with corporate policies. There is an ongoing process to track the evolution of risks and delivery of mitigating action plans.

Board Membership Criteria

The Board of Directors is collectively responsible for selection of a member on the Board. The Nomination and Remuneration Committee of the Company follows a defined criteria for identifying, screening, recruiting and recommending candidates for election as a Director on the Board. The criteria for appointment to the Board include:

- Composition of the Board, which is commensurate with the size of the Company and its business.
- Diversity on the Board;
- Size of the Board with optimal balance of skills and experience and balance of Executive and Non-Executive Directors consistent with the requirements of law;
- Professional qualifications, expertise and experience in specific area of business;

- Balance of skills and expertise in view of the objectives and activities of the Company;
- Avoidance of any present or potential conflict of interest;
- Availability of time and other commitments for proper performance of duties;
- Personal characteristics being in line with the Company's values, such as integrity, honesty, transparency, pioneering mindset.

Preventing Conflict of Interest

The Board of Directors is responsible for ensuring that rules are in place to avoid conflict of interest by the Board members. The Company has adopted the Code of Conduct for the members of the Board and Senior Management Team. The Code provides that the Directors are required to avoid any interest in contracts entered into by the Company.

The members of the Board and the Management Committee annually confirm the compliance of the Code of Conduct to the Board.

Whistle Blower Policy

The Company has adopted a Whistle Blower Policy to provide appropriate avenues to the employees to bring to the attention of the management any issue which is perceived to be in violation of or in conflict with the fundamental business principles of the Company.

Compliance with the Governance Framework

The Company is in compliance with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Regulation 33 of the SEBI (Stock Exchanges and Clearing Corporations) Regulations, 2018.

Secretarial Standards and Secretarial Audit Report.

The Company has undertaken Secretarial Standards Audit for the year 2018-2019 for audit of secretarial records and procedures followed by the Company in compliance with relevant Secretarial Standards issued by the Institute of Company Secretaries of India. The Secretarial Standards Audit Report is attached as an Annexure to the Directors' Report.

CEO/ CFO certification

The Managing Director and CFO certification of the financial statements for the financial year 2018-19 is enclosed with the financial results

Affirmation

All the members of the Board and the Management Committee have affirmed their compliance with the Code of Conduct as on March 31, 2019.

16. General Information for Shareholders

In terms of the provisions of Point No. 9 - Part C of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), General Information of your Company for reference of the Shareholders, is provided as under:

• Schedule of 12th Annual General Meeting	:	Date: July 22, 2019 Time: 3.00 p.m. Venue: Conference Room, 15th Floor, P. J. Towers, Dalal Street, Fort, Mumbai – 400 001
• Financial Year	:	April 01, 2018 – March 31, 2019
• Dividend payment date	:	N.A.
• Stock Exchanges on which shares of the Company are listed	:	N.A
• Stock code	:	N.A
• Market Price of securities of the Company	:	N.A
• Performance of the securities in comparison with other broad based indices	:	N.A
• Securities suspended from trading	:	N.A
• Distribution of shareholding, details of dematerialisation	:	Attached as **Annexure - F**
• Outstanding ADRs, GDRs or any other convertible security	:	N.A
• Commodity price risk or foreign exchange risk and hedging activities	:	N.A.
• Plant Locations	:	N.A
• Address for Correspondence	:	25th Floor, P.J. Towers, Dalal Street, Fort, Mumbai – 400 001.
• Company Secretary	:	Ms. Shilpa Pawar, Tel No.: +9122 2272 8988, Email ID: Shilpa.pawar@icclindia.com
• Registrar and Transfer Agent of the Company	:	M/s Karvy Computershare Private Limited
• Details of establishment of vigil mechanism, whistle blower policy	:	The whistle blower policy is disseminated on the website of the Company under the following link: http://www.icclindia.com/static/about/Compliance with Corporate_Governance.aspx
• Web link where policy for determining 'material' subsidiaries is disclosed	:	http://www.icclindia.com/static/about/Compliance_with_Corporate_Governance.aspx. –
• Disclosure with respect to demat suspense account/ unclaimed suspense account	:	N.A
• Details of the materially significant related party transactions that may have potential conflict with the interests of listed entity at large	:	N.A

• Disclosure of Accounting Treatment	:	The Company follows the guidelines of Accounting Standards laid down by the Central Government under the provisions of Section 133 of the Companies Act, 2013 in the preparation of its financial statements.
• Details of non-compliance by the Company, penalties, strictures imposed on the Company by SEBI or any other statutory authority on any matter related to capital markets during the last three years	:	There have been no penalties, strictures imposed by SEBI or any other statutory authority during the past three years, for any non-compliance.

CODE OF CONDUCT

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

I hereby confirm that the Company has obtained from all the members of the Board and Senior Management Personnel, affirmation that they have complied with the Code of Conduct for the Financial Year 2018-19.

For the purpose of this declaration, Senior Management Personnel means Key Management Persons appointed under Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018.

Date: April 18, 2019
Place: Mumbai

Devika Shah
Managing Director & CEO

Annexure - E

CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members,

Indian Clearing Corporation Limited

We have examined the compliance of conditions of Corporate Governance by **M/s. Indian Clearing Corporation Limited** ("the **Corporation**") for the year ended March 31, 2019, for the purpose of certifying compliance of the conditions of the Corporate Governance as mentioned in Regulations 17 to 27, 46(2)(b) to 46(2)(i) and Para C, D, E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as per the requirement of Regulation 35 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (effective upto October 02, 2018) and Regulation 33 of Securities Contracts (Regulation) (Stock Exchanges And Clearing Corporations) Regulations, 2018 (effective from October 03, 2018), for the period from April 1, 2018 to March 31, 2019. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of certification.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Corporation for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Corporation.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Corporation has complied with the conditions of Corporate Governance as stipulated in the said Listing Regulations.

We further state that such compliance is neither an assurance as to the future viability of the Corporation nor the efficiency or effectiveness with which the Management has conducted the affairs of the Corporation.

For Shweta Gokarn & Co.
Company Secretaries

Date: April 10, 2019
Place: Navi Mumbai

Ms. Shweta Gokarn
ACS 30393 | CP 11001

<u>Annexure - F</u>

Distribution of Shareholding as on March 31, 2019

S/n	Entity	Equity Shares	% Equity
1.	BSE Limited (Recognized Stock Exchange) – Dematerialized form	3,53,99,99,994	100
2.	Nayan Mehta – Nominee of BSE Limited	1	0
3.	Kersi Tavadia – Nominee of BSE Limited	1	0
4.	Girish Joshi – Nominee of BSE Limited	1	0
5.	Nehal Vora – Nominee of BSE Limited	1	0
6.	Prajakta Powle – Nominee of BSE Limited	1	0
7.	Rajesh Saraf – Nominee of BSE Limited	1	0

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. GLOBAL ECONOMY

The global expansion has weakened, due to a range of triggers beyond escalating trade tensions. The main shared policy priority is for countries to resolve cooperatively and quickly their trade disagreements and the resulting policy uncertainty, rather than raising harmful barriers further and destabilizing an already slowing global economy. Across all economies, measures to boost potential output growth, enhance inclusiveness, and strengthen fiscal and financial buffers in an environment of high debt burdens and tighter financial conditions are imperatives.

Financial conditions in advanced economies have tightened where equity valuations—which were stretched in some countries—have been pared back with diminished optimism about earnings prospects. Concerns over a US government shutdown further weighed on financial sector sentiment toward year-end. Major central banks also appear to be adopting a more cautious approach. While the US Federal Reserve raised the target range for the federal funds rate to 2.25–2.50 percent last year, it signaled a more gradual pace of rate hikes in 2019 and 2020.

Increasing risk aversion, together with deteriorating sentiment about growth prospects and shifts in policy expectations, have contributed to a drop in sovereign yields—notably for US Treasuries, German bunds, and UK gilts. Beyond sovereign securities, credit spreads widened for US corporate bonds, reflecting lessened optimism and energy sector concerns owing to lower oil prices.

Financial conditions in emerging markets too have stiffened, with notable differentiation based on country-specific factors. Emerging market equity indices have sold off, in a context of rising trade tensions and higher risk aversion. Concerns about inflationary effects from earlier oil price increases and, in some cases, closing output gaps or passthrough from currency depreciation have led central banks in many emerging market economies (Chile, Indonesia, Mexico, Philippines, Russia, South Africa, Thailand) to raise policy rates.

By contrast, central banks in China and India maintained policy rates on hold and acted to ease domestic funding conditions (by lowering reserve requirements for banks and providing liquidity to non-bank financial companies, respectively). As of early January 2019, with some notable exceptions (e.g., Mexico, Pakistan), emerging market governments generally face lower domestic-currency long-term yields. Foreign-currency sovereign credit spreads have edged up for most of these countries and risen substantially for some frontier markets.

With investors generally lowering exposure to riskier assets, emerging market economies experienced net capital outflows last year and early this year. The US dollar remains broadly unchanged in real effective terms, the euro has weakened by about 2 percent amid slower growth and concerns about Italy, and the pound has depreciated about 2 percent as Brexit-related uncertainty increased.

The World's Largest Economies for 2019 and 2020, going by nominal GDP measured in U.S. dollars alone, remain US followed by China and Japan, with the US Nominal GDP at 21.506 USD Trillion for 2019 and an estimated 22.336 USD Trillion for 2020.

Sources

- https://www.focus-economics.com/blog/the-largest-economies-in-the-world
- https://www.mizuho-ri.co.jp/publication/research/pdf/eo/EconomicOutlook181221.pdf
- https://woo.opec.org
- https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019
- https://www.crisil.com/en/home/our-analysis/reports/2019/01/India-outlook-FY20.html

Despite facing challenges at the domestic level along with a rapidly transforming global landscape, the U.S. economy is still the largest in the world and represents about 20% of total global output. The U.S. economy features a highly-developed and technologically-advanced services sector, which accounts for about 80% of its output. Furthermore, it is dominated by services-oriented companies in areas such as technology, financial services, healthcare and retail. The U.S. economy is projected to grow 2.5% in 2019 and 1.7% in 2020.

Closely succeeding, the Chinese economy experienced astonishing growth in the last few decades that catapulted the country to become the world's second largest economy. The program of economic reforms that started in 1978 had the country ranked at ninth in nominal gross domestic product (GDP) with USD 214 billion; 35 years later it jumped up to second place with a nominal GDP of USD 9.2 trillion. Now China's Nominal GDP is projected at 14.242 in USD Trillion for 2019 and 15.678 USD Trillion in 2020.

China remains the world's manufacturing hub, where the secondary sector (comprising industry and construction) represented the largest share of GDP. In recent years, China's modernisation propelled the tertiary sector, whereas the primary sector's weight in GDP had shrunk dramatically since the country opened to the world. The Chinese economy is projected to grow 6.3% in 2019, which is nothing to sniff at, but is a far cry from the over 10% annual growth seen not too long ago.

The Japanese economy currently ranks third in terms of nominal GDP forecast to come in at USD 5.231 trillion in 2019. Economic growth in Japan, is expected to be positive in 2019. However, it is forecasted to below 1% from 2020-2023. For 2018, the growth rate was 1.1% percent and is forecasted at 1.1% again for 2019. Japan's issues stem largely from unconventional stimulus packages along with subzero bond yields and a fairly weak currency.

Germany's economy grew at a lackluster pace in the past, however the economy has since bounced back, as has the Eurozone economy, and it keeps its spot at 4th on the list of largest economies with a nominal GDP of USD 4.210 trillion according forecasts for 2019. Germany is seen growing at a pace of 1.8% in 2019, coming in just below 2018's 1.9%. The Brexit uncertainty is still threatening this economy.

Additionally, idiosyncratic factors like new fuel emission standards in Germany and natural disasters in Japan weighed on activity in these large economies.

Since the Brexit referendum in June 2016, prospects for the UK economy have become highly uncertain, however, the economic Armageddon that was predicted by some has yet to come to fruition. Nevertheless, growth has stuttered and lagged significantly behind the EU average since the start of 2017.

Brexit negotiations between the UK and the EU are yet to be finalised and there is precious little time left to get it done. Growth is likely to slow next year, as private consumption growth dips and fixed investment is dampened by pervasive uncertainty generated by Brexit. However, a stronger external sector and resilient global demand should cushion the slowdown.

The UK stays in the top 5 largest economies list until 2020, with a nominal GDP of USD 3.198 trillion and an estimated GDP growth of 1.5% in 2019.

India is projected to overtake the UK by 2020 to become the fifth largest economy in the world with a nominal GDP of USD 2.935 trillion having overtaken the French economy in 2018. More recently the Indian economy has seen an upswing as the stock market has boomed and the current account deficit has decreased. India's economy recently surpassed China's to become the world's fastest growing large economy with forecasted growth at 7.4% FY 2019-20.

France's economy will be the seventh largest in the world in 2019, representing around one-fifth of the Euro area gross domestic product (GDP) at USD 2.934 trillion. Currently, services are the main contributor to the country's economy, with over 70% of GDP stemming from this sector. In manufacturing, France is one of the global leaders in the automotive, aerospace and railway sectors as well as in cosmetics and luxury goods. Furthermore, France has a highly educated labor force and the highest number of science graduates per thousand workers in Europe. After a period of volatile growth readings in recent years, growth appears to be finally on a steady track and at an expected 1.7% in 2019 and 1.6% in 2020.

Italy comes in eighth with nominal GDP at USD 2.161 trillion in 2018, increasing 1.3% annually, and Brazil ranks ninth with expected growth at 2.3% in 2019 after contracting by over 3.0% just a few years earlier, and a nominal GDP of USD 2.095 trillion in 2019.

The pace of Brazil's economic growth should accelerate in 2019, as expectations toward the economic policies of the new administration of Jair Bolsonaro drive the recovery of consumption and investment. Given a favorable market reaction to the economic policies of the new administration, concerns regarding inflation will ebb along with the stabilisation of the real exchange rate, making it possible to keep the key interest rate low.

Canada posted strong economic growth with GDP expansion of 2.9% annually on average in past years. Currently, GDP is expected to come in at USD 1.822 trillion with an annual growth rate of 2.0% in 2019.

The top 10 economies in the world account for about 70% of the world's GDP, which is staggering. Regarding the largest economies, as one might expect it to still be the same players in 2023, however, after overtaking the UK and France by 2018, India will also be gaining on Germany by 2022 to take that fourth spot behind Japan.

A variety of different scenarios could play out by 2022, but global economic growth should remain resilient next year the escalating trade tensions between the United States and the rest of the world—especially China—represent the main downside risk to the global economic outlook. Moreover, economic momentum in the U.S. is set to ebb due to the fading impact of tax cuts, which could have a knock-on effect on other countries which rely heavily on the U.S. for trade, including many emerging markets. The global economy is expected to grow at 3.2% in 2019, while in 2020, the global economy is seen decelerating to 2.9% growth, as tailwinds start to wane.

In 2019, the Asian continent outlook was austere, with South Korea's real GDP growth rate decelerating from the previous year, due to export growth slow down amid the peak-out of the Chinese economy and worldwide IT-related demand.

Hong Kong's real GDP growth rate is expected to decline amid rising interest rates and China's economic slowdown, whereas Taiwan's real GDP growth rate is expected to moderate. Singapore's real GDP growth rate and Thailand's economic growth rate is expected to decline due to the sluggish rate of export growth. Indonesia's real GDP growth rate is forecast to moderate against a backdrop of currency depreciation, and a total interest rate hike of 1.75%. Malaysia's real GDP growth rate in 2019 is expected to be nearly flat due to the decline due to the global economic slowdown and inventory adjustment pressures. Even though the rate of Vietnam's economic growth will be moderate due to the slowdown of external demand, the economy will maintain high growth reflecting its solid domestic demand.

Later this year, among emerging markets, the Asia region (ex-Japan) will likely feel the pinch from rising trade disputes, cooling growth in China and financial volatility, although growth will still be the envy of most other regions.

In the EU, despite a slight slowdown, the Polish economy should follow firm footing. The European Commission forecasts that the rate of Poland's real GDP growth will be above 3.7%. Furthermore, economic expansion is expected to continue mainly because of domestic demand and forecasted rate of Czech real GDP growth will be above 2.9% in 2019. Hungary's economic growth rate is moderate, mainly in domestic demand, with forecasts of real GDP growth to be above 3.4% in 2019.

Turkey's economic growth rate is expected to decline sharply in 2019 reflecting the Turkish lira's plunge in summer 2018 and the rise of inflation, which will squeeze real incomes, causing personal consumption to stall. Given the decision to freeze new infrastructure investment in the medium-term plan, in addition to the impact of the rise of interest rates, an investment slump appears inevitable.

Eastern Europe will likely lose some steam on slowing growth in the EU—a key trading partner—and a sharp slowdown in Turkey.

Similarly, the pace of Russia's economic recovery is expected to slow amid tax hikes and prolongation of economic sanctions by the US and Europe.

Even though Mexico's real GDP should continue to follow a consumption-led growth track in 2019, the pace of growth is forecasted to remain on par with the previous year, despite the conclusion of the North American Free Trade Agreement (NAFTA) renegotiations, concerns regarding the new administration serve as downside risks upon the economy in the form of restraints on investment and currency depreciation.

Argentina's economy will continue to recede, and its pace of economic growth will remain in negative territory for the second year in a row due to the implementation of fiscal and monetary tightening measures to address the crisis.

Latin America should gain steam next year thanks to improving dynamics in Argentina and Brazil.

South Africa's real GDP growth is expected to remain low given weak fundamentals, the risk of capital outflow, structural problems such as widespread corruption, insufficient infrastructure, inefficient public enterprises, etc. are holding down growth.

The Saudi Arabian economy picked up, reflecting the recovery of the crude oil market. In 2019, the economy is forecasted to keep growing at a pace around the 2% level.

The UAE economy picked up from the tepid growth in 2017. Due in part to the effect related to 2020 Expo Dubai, the rate of growth in 2019 is expected to exceed 3%. In addition to the recovery of the crude oil market, crude oil production increased in the second half of 2018 due to the relaxation of coordinated production cuts.

Despite higher oil prices, mounting geopolitical risks and a sharp recession in Iran will dent growth prospects in the Middle East and North Africa, while the economic recovery in Sub-Saharan Africa will gather steam in later this year due to stronger performances by heavyweights Nigeria and South Africa.

The emerging markets, will become vitally important to the global economy in the next five years. Although one can expect per capita GDP to still be the highest in the developed world by 2022, the fastest growth in GDP per capita will indeed come from the emerging markets. According to forecasts, the highest per capita growth from 2017–2023 will be in Mongolia with an 89% increase in that time span, followed by Myanmar, Egypt, Serbia and Bangladesh with 83%, 80%, 79%, and 67% growth in per capita GDP, respectively.

On the OPEC front, the total primary energy demand is expected to increase by 91 mboe/d (thousand barrels of oil equivalent per day), to reach 365 mboe/d in 2040. The primary energy demand in China and India is the most significant contributor to overall energy demand growth. Natural gas and 'other renewables' show the largest growth in the long-term whereas, Oil retains the highest share in the global energy mix in the period to 2040, with demand projected to increase by 14.5 mb/d (millions of barrels per day) to reach 111.7 mb/d by 2040. Coal will continue to be the largest source of CO2 emissions.

Crude oil prices have been volatile since 2018, reflecting supply influences, including US policy on Iranian oil exports and, more recently, fears of softening global demand. As of early January 2019, crude oil prices stood at around $55 a barrel, and markets expected prices to remain broadly at that level over the next 4–5 years. Prices of metals and agricultural commodities have softened slightly since last year, in part due to subdued demand from China. Consumer price inflation has generally remained contained in recent months in advanced economies but has inched up in the United States, where above-trend growth continues. Among emerging market economies, inflationary pressures are easing with the drop in oil prices.

India is projected to be the country with the largest additional oil demand and the fastest growth in the period to 2040. Light products will continue to dominate the future product slate, with ethane/LPG leading the way. Road transportation continues to lead demand with the total vehicle fleet estimated to reach 2.4 billion by 2040, but petrochemicals see the largest increase and aviation is the fastest growing sector.

Global crude exports increase in the long-term, due to additional volumes from the Middle East destined for the Asia-Pacific.

Emerging markets are certainly catching up with the progress of the developed economies and they will catch up to many developed economies by 2020. This of course will cause a significant shift in the balance of power across the global economy and will represent vast new opportunities for domestic and international businesses.

With higher GDP growth in emerging markets will come higher household incomes and with generally younger populations, these economies will begin to play an ever more important role in the global economy. Services and consumer goods companies will have a tremendous opportunity to expand into these markets, and luxury goods will finally become available as more people become part of the middle class. Emerging markets are also likely to become more important foreign investors, rather than just being invested in. Investments into these nations will increase, furthering their economic growth, however, their own investments will only serve to enhance their position in the global economy.

In emerging market and developing economies, exchange rate flexibility can complement policy initiatives by helping to buffer external shocks. Where inflation expectations are well anchored, monetary policy can provide support to domestic activity. Fiscal policy should ensure debt ratios remain sustainable under the more challenging external financial conditions. Improving the targeting of subsidies and rationalizing recurrent expenditures can help preserve capital outlays needed to boost potential growth and social spending to enhance inclusion. For low-income developing countries, concerted efforts in these areas would also help diversify production structures and their progress.

By some calculations, China is already the largest economy in the world, however, it appears that the new golden child is India. It is thought to be closer to usurping third placed Japan than China is likely to overtake the U.S. soon. It is believed by some that India and China may push the U.S. down to third place during the next decade citing in India's case that its young and faster-growing population will be the likely key drivers of growth. This would be quite the feat considering, the U.S. economy has held the number 1 spot since 1871.

With commodities prices coming back and expected to increase in 2019, countries like Brazil and Russia, rich in natural resources, are also tipped to come up in the world rankings of top economies.

2. INDIAN ECONOMY

Over the last few quarters, what has become increasingly evident is the divergence between Indian and global growth. This decoupling largely happened as India's growth was hit because of mega policy announcements. Policy Measures to Boost Growth included Goods and Services Tax, Insolvency and Bankruptcy Code, Jan Dhan Yojana and Aadhaar, Ayushman Bharat, etc.

India's fiscal deficit has steadily declined over the years. Fiscal health remains a key risk. Assuming central government's fiscal deficit to be 3.3% of GDP in FY 2019-20, any slippage will put upward pressure on bond yields and will most likely bring in financial market volatility, especially in terms of cost of borrowings which have already hardened over the last few months. The rise in bond yields are also signaling that interest rates have already hit their trough and are likely to be on an upward trajectory in the upcoming fiscal year.

The credit growth has remained subdued due to the twin balance sheet problem that India has been facing. The issue here is that balance sheets of Indian companies and banks both have been under stress. While Indian companies remain over-leveraged, the banks are reeling under high nonperforming assets. The Insolvency and Bankruptcy code (IBC) and the bank recapitalisation plan are the two-pronged policy responses that have been formulated to tackle this issue.

In FY 2019-20, an expected GDP growth of 7.3% depends on the assumptions of normal rains, oil prices lower than 2018 and a stable political outcome. The downside emanates from the following risks:

- Monsoon risk: Assuming a fourth consecutive year of normal monsoon. The past 15 years have seen two such periods of four consecutive normal rainfall years – 2005 to 2008 and 2010 to 2013 – that yielded healthy average agriculture growth of 3.6% and 5.5%, respectively. But the National Oceanic Atmospheric Administration of United States (US) is forecasting an El Niño event in 2019. India faced two consecutive El Niño events in 2014 and 2015 with agriculture GDP growth dropping to near zero. Now, when farmer incomes have been dropping, a weak rainfall, if manifests, could add to the rural pain.

- Political risk: If the general elections this year were to yield a fractured mandate and derail/delay the process of reforms, the implications on sentiments, investments and growth could be adverse.

- Oil prices: In the base case, global crude oil prices are expected to soften to settle around $60-65 average per barrel in FY 2019-20 compared with $68-72 average per barrel in FY 2018-19 as overall global demand slows. However, some price pressure could be felt in response to the recently announced supply cuts by the Organisation of Petroleum Exporting Countries (OPEC). If oil prices were to spike and stay high through the financial year, India's manufacturers could face input price pressures. And with consumption seeing only a gradual revival, pass-through of these higher costs on to prices could be difficult therefore squeezing margins.

On the other hand, private consumption growth next financial year is likely to find support from softer interest rates and improvement in farm realisations, as food inflation moves up. Overall investments rebounded in FY 2018-19 with fixed investments growing 12.2%, up from 7.6% in FY 2017-18. For FY 2019-20, sustaining the momentum in overall investments will be a tough task without support from private investments. With continuously improving capacity utilisation and the end of the de-leveraging phase for corporates, conditions are ripe for a revival of private corporate investments. A stable political outcome will facilitate this.

In FY 2018-19, exports performed well, growing 12.1%, led by a low base, easing of constraints posed by GST implementation and lingering tailwind of global trade revival in 2017. The spur was also reflected in the sharp pick-up in manufacturing GDP growth to 8.3% compared with 5.7% in FY 2017-18. But gains on the external front were offset with imports rising faster than exports.

However, going forward, export growth faces risks of weakening global trade growth owing to escalating trade wars. But it could also benefit from bilateral trade wars, especially between United States and China. In the recent past, India's exports to China have risen for those products on which China has imposed tariffs on US.

Food inflation has remained subdued for long, with key categories such as vegetables, pulses, and sugar witnessing fall in prices for many months now. This has been leading the decline in the headline number so far. But the situation could likely reverse if monsoon fails or is inadequate next financial year. FY 2019-20 might also see an upturn in pulses prices as they seem to follow a cobweb phenomenon, with prices rising every third year. According to World Bank's latest projections, global food prices, which were almost stable are expected to rise. This is likely to have bearing on domestic food prices, too. If the government's procurement machinery becomes responsive enough to address the farm stress, food prices could get pushed towards announced higher minimum support prices.

Core inflation, which has about 54% weight in overall CPI, is another factor to watch out for, as it continues to remain sticky. Even as housing inflation has been trending down – as the one-time statistical impact of the Pay Commission-related house rent allowance hike is waning off - other categories such as health, education, recreation and amusement, and transport and communication continue to witness high (5% +) inflation. This limits the downside to overall inflation. Factors such as implementation of Pay Commission hikes by more states and populist measures such as farm loan waivers can add to the upside for core inflation or keep it elevated.

Fuel (petrol & diesel) inflation is likely to remain soft. Global crude oil prices have come off their 2018 peak, and are unlikely to rebound this year, given the slowdown in global growth prospects. Lower crude oil prices can translate to lower fuel inflation for India provided excise duties are not hiked. However, it is important to note that the weight of petrol & diesel in overall CPI basket is quite low (2.3%), and hence, its impact on overall inflation is limited.
The above considered, CRISIL projects CPI inflation in FY 2019-20 at a higher 4.5%

The current account deficit (CAD) is expected to reduce to 2.4% of GDP in FY 2019-20 from 2.6% of GDP in FY 2018-19. Import growth is expected to slow down, driven by lower oil prices relative to FY 2018-19. However, export growth is also expected to slow because of lower global GDP growth, and weakening global trade growth because of escalating trade wars.

The rupee is projected to remain volatile and settle at 72/$ on average by March 2020. Low crude oil prices and slowing pace of monetary policy normalisation in the US will support the rupee, so we see only a modest weakening.

Domestic interest rates, which had risen last year, are expected to soften in FY 2019-20. With inflation under control, softer crude oil prices relative to last year, a belief that the Monetary Policy Committee would change its stance to neutral from calibrated tightening and could cut the repo rate by at least 25 bps (from 6.50% currently).

Due to these factors, the 10-year government security (G-sec) yield is expected to average at 7.5% by March 2020 compared with 7.7% in March 2019. While the last year saw several changes to the system, the impact of these have largely waned as new equilibria has started to set in. The Indian economy has once again regained the tag of the "fastest growing economy". How sustainable this momentum will be will depend on how effectively the various policies, especially with respect to structural and infrastructure related reforms are implemented.

3. CAPITAL MARKET DEVELOPMENTS

The number of companies listed on BSE is 5,110 with a market capitalisation of over INR 151 Lakh Crore. The S&P BSE SENSEX ended FY 2018-19 at 38,939 compared to 32,969 in FY 2017-18, an increase of 18.11 percent over the year.

The Average Daily Clearing Value in FY 2018-19 in the Currency Derivatives segment is over INR 3.2 Lakh Crore as compared to INR 2 Lakh Crore in the FY 2017-18, an increase of 60 percent.

In the newly launched Commodities Derivatives Segment, BSE gained momentum with 10% market share in Gold in its first week of trading. In the very second month, BSE peaked at a high of INR 621.5 Crore in Total Value of Traded Contracts. Additionally, BSE became one of the largest exchange[1] in Cotton trading in India with over 50% market share in less than 12 working days. BSE also touched record highs in trading of Guar seed by recording a turnover of 10410 Metric Tonnes on Day 1 of trading. Guar seed had witnessed its highest Market-Share of 43% and highest turnover of INR 131 Crore in first 15 days of its launch.

BSE's online Mutual Fund platform "BSE StAR MF" continues to gain acceptance with turnover reaching INR 1,60,600 Crore in FY 2018-19, an increase of almost 36 percent over the previous year compared to INR 1,17,823 Crore in FY 2017-18. The platform also set a record high in orders received, by processing 3.6 Crore orders this year, over 1.7 Crore orders last year.

On December 03, 2018 BSE launched its platform for retail investors in G-sec and T-bills in non-competitive bidding, 'BSE-Direct' and a mobile app to gain direct access in auction of G-sec and T-bills from February 01, 2019.

4. CCPs IN INDIA AND REGULATORY DEVELOPMENTS

In India, there are four CCPs, three of whom clear exchange listed products while one CCP operates in the over- the- counter ("OTC") clearing space. CCPs clearing exchange listed products are regulated by SEBI and RBI (for certain products), while the OTC CCPs are solely regulated by the RBI.

During the last decade the central clearing sector has experienced a large number of changes, in terms of awareness, reach and mandate, thus broadening its role in the financial infrastructure space and its own market structure. CCPs have become increasingly critical components of the financial market infrastructure due in part to the introduction of mandatory central clearing for standardised OTC derivatives in some jurisdictions.

1source: https://www.bseindia.com/markets/marketinfo/DispMediaRels.aspx?page=3bd3f041-3cc3-4336-9838-29cf5c3ebb66

In FY 2018-19, CCPs have been the focus of the Global as well as Indian Regulators. SEBI gave its nod for universal exchanges, allowing them to deal in both equities and commodities from October 2018, a move that benefited the National Stock Exchange (NSE), the BSE, and the Multi Commodity Exchange (MCX), which were trading in either of the two categories.

In line with the above, SEBI issued guidelines on the Applicability of Circulars issued for commodity derivatives markets including all the norms issued for Commodity Derivatives Exchanges till date, applicable to Commodity Derivatives Segments of Recognised Clearing Corporations to the extent applicable. Furthermore, SEBI prescribed norms for the Core SGF and standardised stress testing for credit risk for commodity derivatives.
Source:

The warehousing, vault infrastructure and its ancillary services play a critical role in the delivery mechanism of the Commodity Derivatives Market. The CCPs are required to have in place comprehensive framework of norms for adherence by the Warehouse Service Providers (WSP), Vault Service Providers (VSP), Assayers and other allied service providers engaged by them to exercise a robust mechanism, for ensuring good delivery as mandated under the SEBI Regulations. CCPs are also required to adhere to circulars issued by SEBI in the previous years, with respect to vaults and warehouses and any recently issued circulars like the one on uniformity in the procedure for obtaining samples of goods at the Exchange accredited warehouses.

Additionally, SEBI issued the guidelines pertaining to Extension of Trading hours of Securities Lending and Borrowing (SLB) Segment to facilitate physical settlement of equity derivatives contracts, that required Clearing Corporation to put in place risk management systems and infrastructure commensurate to the same.

It had also been decided to put in place an Early Warning Mechanism and sharing of information between Stock Exchanges, Depositories and Clearing Corporations to detect the diversion of client's securities by the stock broker at an early stage to take appropriate preventive measures.

Based on the feedback received from the Clearing Corporations and the recommendations of the Risk Management Review Committee (RMRC) of SEBI, it was decided to revise the minimum haircuts applicable to the Central Government securities deposited by clearing members and additional Risk management measures for derivatives segment were introduced.

Recognizing the need for a robust Cyber Security and Cyber Resilience framework at Market Infrastructure Institutions (MIIs), SEBI set forth the Cyber Security and Cyber Resilience framework of Stock Exchanges, Clearing Corporations and Depositories.

With the advancement in technology and improved automation of processes in terms of transitioning time, wherein the operations can be moved from the Primary Data Centre(PDC) to the Disaster Recovery Site (DRS), it was felt that the extant framework needs to be re-examined. So SEBI reviewed and released the Guidelines for Business Continuity Plan (BCP) and Disaster Recovery (DR)of Market Infrastructure Institutions(MIIs).

Interoperability among Clearing Corporations (CCPs) necessitates linking of multiple Clearing Corporations. It allows market participants to consolidate their clearing and settlement functions at a single CCP, irrespective of the stock exchange on which the trade is executed. It is expected that the interoperability among CCPs would lead to efficient allocation of capital for the market participants, thereby saving on costs as well as provide better execution of trades. In line with the Kamath Committee Report, SEBI released its guidelines on Interoperability among Clearing Corporations to come into effect from June 01, 2019.

SEBI Board in its meeting held on June 21, 2018 decided that sub-brokers as an intermediary shall cease to exist with effect from April 01, 2019. All existing sub-brokers would migrate to become Authorised Persons (APs) or Trading Members, under a Uniform Membership Structure. SEBI had implemented the mechanism of single registration, whereby a registered TM / CM can operate in any segment of the recognised Stock Exchange / Clearing Corporation under the single registration number granted by SEBI[2].

To ensure that the net worth of a CCP adequately captures the risks faced by it, SEBI vide Regulation 14(3) of SECC Regulations, 2018 had adopted a risk-based approach towards computation of capital and net worth requirements for CCPs. In consultation with the recognised Clearing Corporations, it was decided to issue granular norms related to computation of risk-based capital and net worth requirements for CCPs, vide circular on Risk-based capital and net worth requirements for Clearing Corporations under SECC Regulations, 2018.

The enhanced measures are undertaken to ensure that Indian CCPs are compliant with International benchmarks and regulations, including the Principles for Financial Market Infrastructures ("PFMI") issued by the Committee on Payments and Market Infrastructures ("CPMI") and the International Organisation of Securities Commissions ("IOSCO") and the European Market Infrastructure Regulation ("EMIR").

CPMI and IOSCO continue to closely monitor the implementation of the PFMI. The Level 1 implementation monitoring based on self-assessments by individual jurisdictions of how they have adopted measures to implement the 24 principles (PFMI) indicated that jurisdictions are making progress on implementing international standards for payment systems, central securities depositories, securities settlement systems, central counterparties and trade repositories.

The Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), the Committee on Payments and Market Infrastructures (CPMI) and the International Organisation of Securities Commissions (IOSCO) published their final report on Incentives to centrally clear over-the-counter (OTC) derivatives. The analysis suggested that, overall, the reforms are achieving their goals of promoting central clearing, especially for the most systemic market participants. This is consistent with the goal of reducing complexity and improving transparency and standardisation in the OTC derivatives markets.

The Board of the IOSCO also published the findings of an updated survey that showed IOSCO members to be broadly compliant with the IOSCO Principles for the Regulation and Supervision of Commodity Derivatives Markets; and published a report, to create a robust framework for commodities' storage and delivery, that sets out good or sound practices to assist relevant storage infrastructures to identify and address issues that could influence the pricing of commodity derivatives and in turn affect market integrity and efficiency.

ICCL received temporary recognition pursuant to the UK Statutory Instrument 'The Central Counterparties (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2018' ("the SI"). The Temporary Recognition Regime ("TRR") will enable ICCL to provide clearing services and activities in the UK for up to three years from the commencement of the TRR, extendable by HM Treasury in increments of twelve months.

ICCL has also earlier received recognition as a Third Country Central Counterparty ("TCCCP") by the European Securities and Markets Authority ("ESMA") in accordance with the European Market Infrastructure Regulation ("EMIR") in September 2017. A TC-CCP recognised under the EMIR process also receives the Qualified Central Counterparty ("QCCP") status across the European Union.

Source2: https://www.sebi.gov.in/legal/circulars/jan-2019/uniform-membership-structure-across-segments_41617.html

5. FEATURES AND DEVELOPMENTS

5.1 Competitive Strengths

Sound corporate governance and regulatory framework

ICCL has been accorded Qualified Central Counterparty ("QCCP") status by SEBI, along with the renewal of its recognition valid till October 2020; and is additionally required to comply with the rules and regulations that are consistent with the PFMIs issued by CPMI- IOSCO. ICCL in its endeavour to enhance transparency, became the first CCP in India to publish its self-assessment of the PFMIs issued by CPMI-IOSCO on its website to ensure a clear understanding and assessment of the risks associated with ICCL.

As a QCCP, ICCL is subject to a high level of regulatory oversight. ICCL's Board comprises of a majority of independent directors. ICCL has a multitude of Committees chaired by Independent Directors which overlook the operations, risk, investment and other functions. ICCL has implemented a Code of Conduct for its Directors and Code of Ethics for its Directors and Key Management Personnel. ICCL has completely segregated its Business function from its Regulatory function and the information flow across departments is on a strict need-to-know basis.

As on December 31, 2018, ICCL's Board of Directors had six members, out of which three were Public Interest Directors and two Shareholders Directors. The clearing and settlement operations of ICCL are closely regulated by SEBI. ICCL needs to seek approval from SEBI before extending its services to any segment of a recognised stock exchange and admitting any securities for clearing and settlement. SEBI also directs ICCL towards mandatory maintenance of Core SGF for which the contribution is done by ICCL, BSE and clearing members to ensure settlement of transactions in case of failure on part of its clearing members to fulfill its obligations.

Financial strength

ICCL's financial policy seeks to maintain sufficient financial resources to finance growth and ensure financial flexibility while maintaining creditworthiness and liquidity. ICCL continues to be the only CCP in the World with a Default Insurance cover of INR 415 Crore[3], which comes above the Default Fund of the CCP, in the Default Waterfall. The objective of the Policy is to protect ICCL against counterparty defaults, and add a further capital cushion to the ICCL networth making the resources of the non-defaulting members even safer. The additional capital cushion of INR 415 Crore, provided by the Insurance cover, now in its sixth year, along with the networth covers over 3 times the default fund requirement of ICCL and further increases the safety for domestic and international participants alike.

ICCL had strong capitalisation levels with tangible net-worth of INR 547.40 Crore as on December 31, 2018 (March 31, 2018: INR 519.24 Crore). ICCL has nil borrowings as on December 31, 2018 (Nil as on March 31, 2018) and therefore has no leverage on its balance sheet.

ICCL continues to remain the only CCP in India to be granted "AAA" rating by two rating agencies, India Ratings Ltd. (Indian arm of Fitch Ratings) and Care Ratings Ltd. For the current year, Care Ratings Ltd. reaffirmed its stable outlook for ICCL by maintaining the "AAA" rating.

Source3: http://www.icclindia.com/downloads/ICCL_renews_counterpartydefaultInsuranceofINR415Billion.pdf

Robust Risk Management Framework

ICCL's primary objective is to manage risk. Credit Risk, Liquidity Risk, Settlement Risk, Custody and Investment Risk, Collateral Risk, etc. are some of the risks that ICCL needs to deal with on an everyday basis. ICCL has a sound risk framework for the comprehensive management of all material risks, and has established documented policies, procedures and systems and controls to identify measure, monitor and manage such risks. ICCL has a dedicated risk management function and a Risk Management Committee comprising of Independent Directors and outside experts. The Chief Risk Officer has a dual reporting – to the MD&CEO as well as the Risk Management Committee.

ICCL has created a dedicated Default Fund, which is readily and unconditionally available to meet settlement obligations of ICCL in case of clearing member(s) failing to honour settlement obligation.

ICCL maintains a dedicated Default Waterfall for each segment, effectively ring fencing each segment of ICCL from defaults in other segments. ICCL has limited the liability for non-defaulting members to a maximum of INR 10 Lakh across segments. ICCL is the only CCP in the World which has not sought contribution from members towards its Default Fund (ICCL's Default Fund is 75 percent self-funded, while 25 percent is funded by the Exchange, BSE). ICCL carries out daily stress tests for credit risk, daily liquidity stress test to assess the adequacy of liquidity arrangements, periodic reverse stress tests and daily back tests for adequacy of margins. ICCL maintains a Business Continuity Plan ("BCP") and Disaster Recovery ("DR") Plan for systems as well as manpower. ICCL has a far DR, situated in a different seismic zone and INR 100 Crore is kept separately as part of recovery and resolution for covering operational cost for 1-year, legal cost, regulatory cost, and other liabilities.

ICCL also has strong risk management systems in place which helps to manage the risk of default by clearing members wherein ICCL regularly collects prescribed margins from its clearing members in each segment. The members get margin usage alerts on pre-defined levels on real-time basis. The member is put in Risk reduction mode at 90% collateral utilisation whereby trades only get executed on availability of adequate collateral. On 100% collateral utilisation, member's terminal is put under suspension. In case of default by clearing members, ICCL follows a defined waterfall mechanism to recover money and mitigate the counterparty risk. ICCL also has lines of credit of INR 825 crore as a liquidity cushion.

5.2 *Key Strategies*

Technology Leadership

ICCL is the CCP to BSE, the fastest exchange in the world with a speed of 6 microseconds.

ICCL provides its members with a Real Time Risk Management System ("RTRMS") terminal, free of cost, to monitor and manage their own risks and that of their constituents. ICCL also has a versatile collateral management system ("CLASS") for members to manage their segment-wise collateral. The collateral system is interlinked with RTRMS and change in collateral is reflected in the trading limits of the member. ICCL provides front end facility to over 1400 clearing members to monitor and manage their collaterals and trading limits. ICCL also has some other periphery support systems like BEFS (for member filing), which enable the members to add/update their membership and other details online.

ICCL ensures that the systems are reliable and resilient even during stressed market conditions and are based on internationally recognised technical standards and industry best practices.

Product Leadership

ICCL settles trades reported on the Indian Corporate Debt Segment and the Mutual Fund ("StAR MF) Segment of BSE and clears and settles trades executed on all the other segments of BSE, including Equity Cash, BSE SME, Offer for Sale, Securities Lending & Borrowing, Equity Derivatives, BSE SME, Offer for Sale, Securities Lending & Borrowing, Debt Segment, Sovereign Gold Bonds, Interest Rate Futures and the Currency Derivatives Segment.

ICCL has recently commenced providing clearing and settlement services for tri-party repo on corporate bonds, commodity derivatives and government bonds in the primary market for non-competitive bids. ICCL would soon offer clearing and settlement for interest rate options contracts traded on the BSE platform.

Services Leadership

ICCL continues to work closely with market participants and exchanges so as to capitalize opportunities and continues to improve its systems and processes to provide the most efficient clearing and settlement system in India.
ICCL's dictum is Reliability builds Relationships and ICCL strives to uphold the confidence and integrity of the financial markets by aligning its systems with the industry's best- practices.

5.3 Developments in Human Resource

ICCL's focus is on matching skills and expertise to the roles to enhance employee satisfaction. Recognizing the growing importance of talent in driving the success of the organisation and the changing dynamics of business, ICCL has built a talent pool of around 81 professionals with an ideal mix of experience and youth. Knowledge updation of employees is taken care by regularly sending them for various public seminars and in-house training sessions as well. The in-house training is imparted through 100% subsidiary company, BSE Institute Limited.

6. INTERNAL CONTROL, RISKS AND CONCERNS

6.1 Internal Control Systems and their Adequacy

ICCL identifies a risk based internal audit scope and assesses the inherent risk in the processes and activities of the department within the company and ensures that appropriate risk management limits, control mechanisms and mitigation strategies are in place. The Internal Auditors, via, their internal audit reports, make observations relating to the deficiencies/non-compliance of various audit areas and give suggestions/recommendations and control directives like periodic reconciliation, proper authorisations/ approvals, processing controls, segregations of duties, maker – checker approach, etc., to mitigate the deficiencies and make the process, procedure, systems and functions more robust, accountable, reliable and compliant. The observations made by the internal auditors and the compliances thereof are placed before the Audit Committee.

ICCL has further implemented pre-audit of all the major payments made to vendors based on a set criteria. It strives to put in checks and controls like internal approvals, budgetary controls, documentary controls, compliance to statutory requirement, etc.

ICCL identifies and prioritizes key compliance issues with the help of an outsourced agency. The compliances and the monitoring thereof are regularly placed before the Audit Committee.

The Company has an Audit Committee, the details of which have been provided in the Corporate Governance Report. The Committee reviews audit reports submitted by the internal auditors. Suggestions for improvement are considered and the Committee follows up on the implementation of corrective actions. The Committee also meets the Company's statutory auditors to ascertain, inter alia, their views on the adequacy of internal control systems in the Company.

6.2 Risks and Concerns

- Since ICCL is a clearing and settlement agency, its performance is dependent upon the trading activity on BSE's trading platform, the number of active traders in the market, the number of new/further listings and the amount of capital raised through such listings.
- Adverse economic conditions could negatively affect the business, financial condition and results of operations.
- The industry ICCL operates in is highly competitive and ICCL competes with a broad range of market participants for clearing and settlement volumes.
- ICCL operates in a business environment that continues to experience significant and rapid regulatory and technological changes.
- ICCL operates in a highly regulated industry and may be subject to censures, fines and other legal proceedings if it fails to comply with its legal and regulatory obligations. Changes in government policies could adversely affect trading volumes of instruments traded on the exchange and hence the settlement volumes of ICCL.
- The continuation or recurrence of systemic events such as the global economic crisis, changes in economic policies and the political situation in India or globally may adversely affect ICCL's performance.

7. FINANCIAL PERFORMANCE

During FY 2018-19, the total revenue of INR 5,533 Lakh decreased by 15% from INR 6,484 Lakh in FY 2017-18. The decrease in revenue was mainly due to (a) decrease in Income from Operation by 17% to INR 3,710 Lakh (FY 2017-18 INR 4,475 Lakh) mainly due to reduction Treasury Income from C&S Fund (b) decrease in investment income by 3% to INR 1,812 Lakh (FY 2017-18 INR 1,863 Lakh).

The total expenditure during FY 2018-19 has reduced by 28% from INR 4,983 Lakh for FY 2017-18 to INR 3,577 Lakh for FY 2018-19. This decrease was mainly due to (a) decrease in other operation expense by 38% to INR 2,443 Lakh (FY 2017-18 INR 3,969 Lakh) on account of decrease in Core SGF contribution in last year (b) decrease in depreciation by 28% to INR 88 Lakh (FY 2017-18 INR 123 Lakh) (c) decrease in finance cost by 13% to INR 87 Lakh (FY 2017-18 INR 100 Lakh). Off set by (d) increase in employee cost by 21% to INR 959 Lakh (FY 2017-18 INR 791 Lakh) mainly due to increase in headcount of employee and annual increment.

The total Profit before tax for the FY 2018-19 was INR 1,956 Lakh as against INR 1,501 Lakh for FY 2017-18.

The total Profit after tax for FY 2018-19 was INR 2,040 Lakh as against INR 1,608 Lakh for FY 2017-18, increase of approximately 27%.

Financial Statement as on March 31, 2019

Share Capital

The total paid up capital of the Company as on March 31, 2019 is INR 35,400 Lakh (FY 2017-18 INR 35,400 Lakh) divided into 3,54,00,00,000 equity shares of INR 1 each.

Reserves & Surplus

The total Reserves & Surplus as on March 31, 2019 is INR 22,178 Lakh (FY 2017-18 INR 19,378 Lakh) comprising of Core Settlement Guarantee Fund ("Core SGF") of INR 24,188 Lakh (FY 2017-18 INR 21,844 Lakh) and statement of profit & loss of INR -2,010 Lakh (FY 2017-18 INR -2,466 Lakh).

Thus the total Net worth of the Company as on March 31, 2019 is INR 57,578 Lakh (FY 2017-18 INR 54,778 Lakh).

Liabilities

Total liabilities stood at INR 71,566 Lakh (FY 2017-18 INR 1,04,826 Lakh). The details are as under:

1. Non-Current Liabilities: INR 15,230 Lakh (FY 2017-18 INR 13,988 Lakh). The increase in other long term liabilities is due to contribution received from BSE Ltd towards Core SGF
2. Current Liability
    a) Trade Payable: INR 139 Lakh (FY 2017-18 INR 149 Lakh).
    b) Other Financial Liabilities: INR 56,023 Lakh (FY 2017-18 INR 90,505 Lakh). The decrease is mainly due to decrease in deposits and margin money received from members
    c) Other current liabilities: INR 28 Lakh (FY 2017-18 INR 24 Lakh).
    d) Provisions: increase to INR 95 Lakh (FY 2017-18 INR 112 Lakh)

Assets

Total assets stood at INR 1,29,144 Lakh (FY 2017-18 INR 1,59,604 Lakh. The major components are given below:

a) Property, Plant and Equipment, Intangible assets: Total Gross Block as on March 31, 2019 is INR 576 Lakh (FY 2017-18 INR 574 Lakh) and total Accumulated depreciation up to March 31, 2019 is INR 444 Lakh (FY 2017-18 INR 361 Lakh). Thus Net Fixed Assets is INR 132 Lakh (FY 2017-18 INR 213 Lakh). In addition, intangible under development is INR 30 Lakh (FY 2017-18 Nil).

b) Investment: INR 5,863 Lakh (FY 2017-18 Nil).

c) Loans: INR 12 Lakh (FY 2017-18 INR 13 Lakh).

d) Trade Receivable: INR 194 Lakh (FY 2017-18 INR 54 Lakh)

e) Cash and cash equivalents: INR 38,191 Lakh (FY 2017-18 INR 73,399 Lakh)

f) Bank balances other than (d) above: INR 74,182 Lakh (FY 2017-18 INR 79,049 Lakh).

g) Other Financial Assets: INR 4,790 Lakh (FY 2017-18 INR 2,081 Lakh).

h) Tax: INR 5,069 Lakh (FY 2017-18 INR 4,074 Lakh).

i) Other Assets: INR 681 Lakh (FY 2017-18 INR 721 Lakh).

8. FUTURE OUTLOOK

The role of CCPs in facilitating safer financial markets has been gaining wide-spread importance over the recent years. The Indian and the international CCP framework has witnessed significant developments in the past year.

New Developments:

1. Settlement of Government Bonds (Primary market) bids collected by BSE

In India, only Banks and Primary Dealers can participate in Primary Auction of Government Securities. The retail participation in the current Government securities auctioning process is negligible. The bidders are Primary Dealers, consisting of most Banks and Financial institutions who hold these securities to maturity. Thus, the free float and retail holding in these bonds is negligible.

Inadequacy of free float in Primary auction has an understandably adverse effect on the secondary market, which largely remains OTC between Banks and PDs. The lack of retail participation also drives up the liquidity premium, making any bond which is not on the run, highly illiquid

Post the BSE proposal to RBI to use the stock exchange mechanism for auctioning of Government Securities, BSE had received approval from both RBI and SEBI in their "No Objection" to act as a "Facilitator" in non-competitive bidding in the auction of Government Securities and T-Bills, through Exchange mechanism.

In April 2018, ICCL undertook the Settlement process for Non-Competitive Bidding (NCB) platform; the facility to allow retail investors to participate in auction for Government Securities (NCB-Gsec) conducted by RBI.

Additionally, BSE launched the 'BSE-Direct' web-based platform for participation in the non-competitive bidding of G-sec auction with effect from December 03, 2018. This platform helped augment the efforts of members in facilitating wider investor participation and enabled their clients/investors to place bids directly in the non-competitive bidding process.

2. Integration of stocks and commodities trading on a single exchange

History was created as BSE, Asia's oldest exchange and now world's fastest exchange with the speed of 6 microseconds, commenced commodity derivatives trading in delivery-based futures contract in gold (1 kg) and silver (30 kg) on October 1, 2018. As part of the launch, BSE organised a bell ringing ceremony at the BSE International Convention Hall, which saw several notable dignitaries in attendance. Shri S.K. Mohanty, Whole Time Member, SEBI was the Chief Guest at the event.

The exchange began offering derivative contracts only in non-agriculture commodities initially, followed by agricultural commodities in a phased manner. To encourage more participants to join the commodity markets, BSE waived transaction charges for the first year of commodities market operations.

BSE launched commodity derivatives trading in delivery-based futures contract in Gold (1 kg) and Silver (30 kg) on October 1, 2018. With this, BSE became the first universal exchange. Furthermore, at 6 pm, on the first trading day, BSE had clocked turnover of INR 36 Crores in commodity derivatives segment.

ICCL successfully undertook Clearing and Settlement activities for the BSE's Commodity Derivatives Segment as per the norms/guidelines issued by SEBI and as per the provisions of Rules, Bye-Laws and Regulations of ICCL and BSE as well as any other circulars/guidelines that were issued in respect of the same from time to time.

BSE then commenced trading in futures contracts on Oman Crude Oil, Copper and later in Gold Mini (Delivery settled). Furthermore, BSE successfully launched Agri Commodities like Guar Seed, Guar Gum and Cotton.

Products in the pipeline and soon to be launched are Silver Mini (Cash Settled) contracts and Agri Commodities like Castor Seed, Chana, Turmeric, Jeera, Dhaniya and Soyabean.

3. Early Warning Mechanism to prevent diversion of client securities

There have been instances where stock brokers had diverted clients' securities received as collaterals towards margin obligations and / or settlement obligations, for raising loan against shares on their own account and / or for meeting securities shortages in settlement obligations on its own account. However, such instances of diversion of securities come to light when stock broker failed in meeting the margin and/ or settlement obligations to Stock Exchange / Clearing Corporation.

It had been decided to put in place an Early Warning Mechanism and sharing of information between Stock Exchanges, Depositories and Clearing Corporations to detect the diversion of client's securities by the stock broker at an early stage to take appropriate preventive measures. The threshold for such early warning signals shall be decided by the Stock Exchanges, Depositories and Clearing Corporations with mutual consultation.
In line with the above directive, in February 2019, ICCL put in place a mechanism to monitor and report early warning signals, for prevention of diversion of clients' securities, which include the following:

- Significant mark-to-market loss on proprietary account/ related party accounts, where Net Mark to market loss if more than 50% of net worth is to be considered as a trigger.
- Repeated instances of pay-in shortages, where Overnight disablement because of pay in shortages for than 3 times in a calendar month.
- Additionally, jointly with Depositories, ICCL devised a mechanism to detect diversion of clients' securities and to share information in respect of:
- Diversion of pay-out of securities to non-client accounts
- Mis-matches between gross (client-wise) securities pay-in and pay-out files of a stock brokers generated by the Clearing Corporation which shall be compared with actual transfer of securities to/from the client's depository accounts by the Depository. The cases of any mismatch found out by the Depository shall be informed to the concerned Stock Exchange / Clearing Corporation.

Alerts triggered at one Stock Exchange / Clearing Corporation / Depository through early warning mechanism shall be immediately shared with other Stock Exchanges / Depositories with respect to the stock broker / depository participant.

4. Uniform membership structure across segments

In the Equity Cash segment, all the Stock Brokers are trading cum self-clearing members whereas in derivatives segment, membership structure is that of Trading Member (TM) and / or Clearing Member (CM). After the introduction of derivatives in the year 2001, most of the Stock Brokers in cash segment had also become TM / CM in derivatives segment. Unification of membership structure across equity cash and derivatives segments of Stock Exchanges is vital to facilitate ease of doing business.

SEBI Board in its meeting held on June 21, 2018 decided that sub-brokers as an intermediary shall cease to exist with effect from April 01, 2019. All existing sub-brokers would migrate to become Authorised Persons (APs) or Trading Members if the sub-brokers meet the eligibility criteria prescribed under Stock Exchange bye-laws and SEBI Regulations and by complying with these Regulations.

SEBI has implemented the mechanism of single registration, whereby a registered TM / CM can operate in any segment of the recognised Stock Exchange / Clearing Corporation under the single registration number granted by SEBI.
BSE and ICCL, in line with the above, provided the facility to its members who wish to change their membership type in Cash Segment, an option to do so through their BEFS system, specifying that, the existing Custodian Clearing Members in Cash Segment shall continue to act as Custodian Clearing Members in Cash Segment only.

Trades done by the members in the Equity Cash Segment will be cleared and settled by them as Clearing Members (SCMs) or through other types of Clearing Members as per the norms/guidelines issued by Securities and Exchange Board of India (SEBI) and as per the provisions of Rules, Bye-Laws and Regulations of ICCL and BSE as well as any other norms/circulars/guidelines which may be issued by BSE/ICCL in respect of the same from time to time.

5. Physical Settlement in Stock Future and Stock Option contracts

Equity derivatives turnover is largely dominated by Index options, followed by Stock Futures, Stock Options and Index Futures. The high trading volume in derivatives on individual stocks especially stock futures is unique to only few markets including India. Index options and stock options dominate trading in the derivatives segment, accounting for more than 80% of total trading in derivative segment. The other markets where stock futures are traded actively are Korea Exchange, Moscow Exchange, Eurex, etc.
SEBI, in the past, through various committees has examined the issue of physical settlement in stock derivatives. SEBI had sought comments from market participants on the issue of physical settlement in stock derivatives and deliberated the following in the Board Meeting held on March 28, 2018.

- To facilitate greater alignment of the cash and derivative market, physical settlement for all stock derivatives shall be carried out in a phased and calibrated manner.
- To update and strengthen the existing entry criteria, an additional criterion, of average daily ‘deliverable’ value in the cash market of INR 10 Crore, has also been prescribed for a continuous period of six months.
- To begin with, stocks which are currently in derivatives but fail to meet any of the enhanced criteria, would be physically settled.
- Stocks which are currently in derivatives and meet the enhanced criteria shall be cash settled.
- To reflect global initiatives on product suitability, a framework has been approved.

In its Review of Framework, SEBI had decided that physical settlement of stock derivatives shall be made mandatory in a phased/calibrated manner and enhanced the eligibility criteria for introduction of stocks in Derivatives Segment.

In line with the above ICCL introduced the delivery-based settlement of Stock Derivatives Contracts in the Equity Derivatives Segment from July expiry for the first set of stocks which were eligible for physical settlement.

On August 24, 2018, with a view to facilitate physical settlement of equity derivatives contracts, it had been decided to permit Stock Exchanges to set their trading hours in the SLB Segment between 9 AM and 5 PM.

On December 31, 2018 SEBI released a circular in furtherance to the earlier circular on Review of Framework for Stocks in Derivatives Segment, which stated, physical settlement shall be made mandatory for all stock derivatives. The framework is based on a ranking arrived at by using daily market cap averages for December 2018. This framework is to be implemented in a phased manner in the months of April, July and October 2019.

In the next few months the below products/processes are expected to be launched.

1. Trading in futures based on overnight call rate (MIBOR) in Currency Derivatives

BSE plans to introduce futures on overnight call rate (MIBOR) to provide participants an opportunity to manage risk exposures. MIBOR (Mumbai Inter-Bank Offer Rate) is the interest rate at which banks borrow from another for short term purposes

The overnight Mumbai Interbank Outright Rate (MIBOR) is calculated from the actual transactions in the call money market on the NDS-call platform (the electronic trading platform operated by the Reserve Bank of India). The call money market allows institutions such as banks, primary dealers to borrow and lend money on an overnight basis.

The futures on overnight call rate (MIBOR), provides participants an opportunity to manage risk exposures and express a view on money market interest rates. Being exchange traded, the futures on MIBOR rate are standardised, cost effective, transparent and have settlement guarantee. All trades executed will be cleared using multilateral netting system currently applicable for other derivatives contract in the Currency Derivatives Segment.

2. Interoperability

In the SEBI Board Meeting dated September 18, 2018 the SEBI Board approved the amendments to the SECC Regulations, 2012 to enable interoperability among clearing corporations (CCPs), based on the recommendations of the Secondary Market Advisory Committee.

SEBI published the amended SECC Regulations 2018 on October 3, 2018 enabling Interoperability of Clearing Corporations. On November 27, 2018 SEBI released a Circular on Interoperability among Clearing Corporations. The recognised CCP shall establish peer-to-peer link for ensuring interoperability.

Key highlights therein are (as per SEBI Circular): -

- To manage the inter-CCP exposure in the peer-to-peer link, CCPs shall maintain sufficient collateral with each other so that any default by one CCP, in an interoperable arrangement, would be covered without financial loss to the other non-defaulting CCP.
- The CCPs shall undertake multilateral netting to create inter-CCP net obligations and exchange funds and securities on a net basis.
- To ensure real time flow of information between the stock exchange (trading venue) and the CCP, to facilitate effective real-time risk monitoring and mitigation, each interoperable CCP

shall put in place appropriate infrastructure including deployment of adequate servers at each of the linked trading venues.

- In case of default by a CCP, in the interoperable arrangement, the collateral provided by such CCP shall be utilised by the non-defaulting CCP to cover losses arising from such default, as per the default waterfall prescribed vide SEBI.
- To promote transparency in terms of charges levied by the Stock Exchanges/ Clearing Corporations, the transaction charges levied shall be clearly identified and made known to the participants upfront.
- The infrastructure and systems for Interoperability are to be put in place and implemented from June 01, 2019.

In lines with the above, the Clearing Corporations are working on common requirements for inter-CC operations. BSE and ICCL have taken the lead and made the first draft of the Interoperability Agreement to be signed between all stock exchanges and clearing corporations as a multi-lateral Agreement. BSE and ICCL have also commenced making system changes in internal systems to incorporate the changes required due to interoperability.

3. Trading Hours on Stock Exchanges

Pursuant to the approval of the SEBI Board, in its meeting held on December 28, 2017, Stock Exchanges have been permitted to trade commodity derivatives along with other segments of securities market effective from October 01, 2018.
With a view to enable integration of trading of various segments of securities market at the level of exchanges, it has been decided to permit Stock Exchanges to set their trading hours in the Equity Derivatives Segment between 9:00 AM and 11:55 PM, similar to the trading hours for Commodity Derivatives Segment which are presently fixed between 10:00 AM and 11:55 PM, provided that the Stock Exchange and its Clearing Corporation(s) have in place risk management system and infrastructure commensurate to the trading hours.
Then provisions of the proposed extension are under review at present.

4. Clearing and settlement of Interest Rate Option contracts traded on BSE

The Interest Rate Options (Reserve Bank) Directions, 2016 prescribed by RBI on December 28, 2016 permitted Interest Rate Options on exchanges authorised by SEBI as well as in the Over-the-Counter (OTC) market. Eligible entities can undertake transaction in simple European call and put options, interest rate caps, interest rate floors or collars. A European option may be exercised only at the expiration date of the option i.e., on a single pre-defined date.

Previously, the only interest rate derivatives (IRD) permitted in India were Interest Rate Swap (IRS) and Forward Rate Agreement (FRA) in the OTC segment and Interest Rate Futures (IRF) on the Exchanges. The IRS market has evolved over a period and is fairly liquid. Trading in IRF market has gradually increased with wider participation by different categories of participants. These IRDs can be used by the banks and other market participants to manage market risk effectively in their books. However, the financial entities, including banks, did not have any instruments to manage the embedded options on their balance sheets.

The Reserve Bank of India had issued notification dated June 14, 2018 enabling the introduction of swaptions, applicable to exchange traded Interest Rate Options and Over-the-Counter (OTC) Interest Rate Options.

The products permitted under these directions are the following European Interest Rate Options:
1 Interest Rate Call and Put Options
2 Interest Rate Caps
3 Interest Rate Floors

4 Interest Rate Collars or Reverse Collars
5 Interest Rate Swaptions

On March 01, 2019, BSE had sought RBI approval for introduction of interest rate options on Govt. of India securities. On March 26, 2019, RBI gave its approval to introduce Interest Rate Options beginning with Cash settled European Interest Rate Call/Put Option Contracts, having the underlying as Coupon bearing GOI security.

5. Clearing of OTC instruments

In the backdrop of the 2007-2008 financial crisis, which is believed to have been exacerbated by OTC derivatives, a lot of attention is being given to analysing the possible regulatory structure of OTC markets to promote stability and, at the same time, ensure market efficiency.
The OTC market all over the world has made tremendous growth due to their flexibility, low operating cost, developments in information technology and, above all, high volatility in asset prices.

In response to the financial crisis, the G-20 initiated a series of reforms designed to strengthen the regulation and oversight of the financial system. An important aspect of these reforms is a commitment to enhance the regulation of OTC markets to improve transparency, mitigate systemic risk and protect against market abuse.
The reforms agenda consists of:

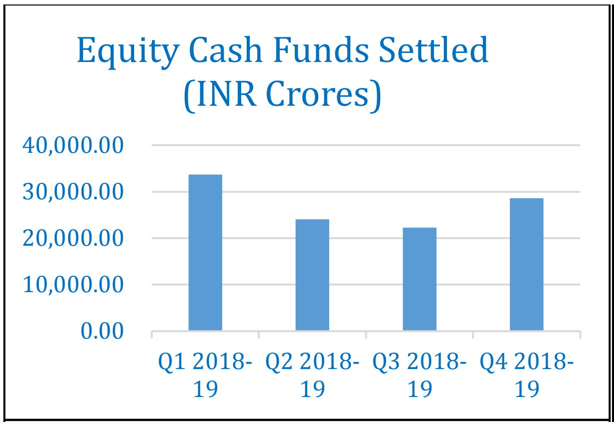
- Standardisation
- **Central clearing**
- Exchange or electronic platform trading and
- Reporting of OTC derivative transactions to trade repositories.
- Margin requirements
- Capital requirements for non-centrally cleared OTC derivatives

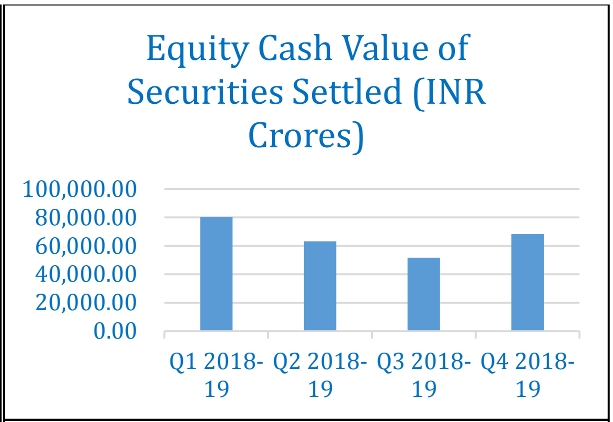
India through its representation by RBI is committed to achieve the G-20 reform agenda for OTC instruments. RBI published the R. Gandhi Committee Report on OTC Derivatives Market Reforms which lays down the roadmap for OTC Clearing in India. The Report while recognising that CCIL is currently the only central counterparty ("CCP") in India clearing OTC instruments (other than corporate bonds), has recognised the possibility of additional CCPs also clearing OTC products.
RBI has focused on improving transparency and reducing counterparty risk in the OTC instruments markets and fostered development of robust market infrastructure for trading, settlement and reporting of transactions. Amongst all the regulations, an important point to be highlighted is the ***presence of a CCP for OTC instruments***.

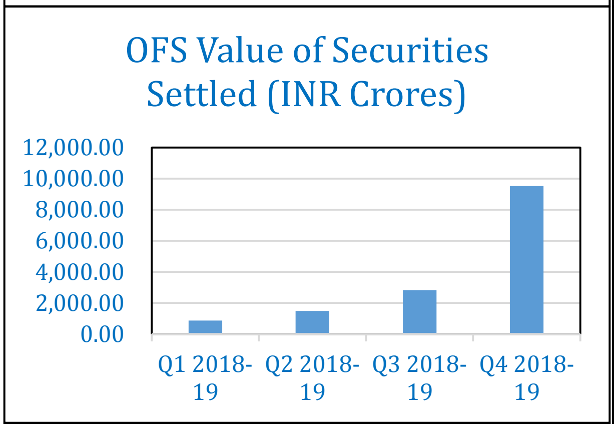
As per regulators, having a CCP for OTC instruments would focus on important aspects like transparency, efficiency and concentration risk. In the global environment, we have found the presence of multiple CCPs in most jurisdictions of significant size. ICCL is currently in the process of preparing an application to RBI to permit multiple CCPs in India to clear OTC instruments as this would increase efficiency of the market, reduce concentration risk and promote competition.

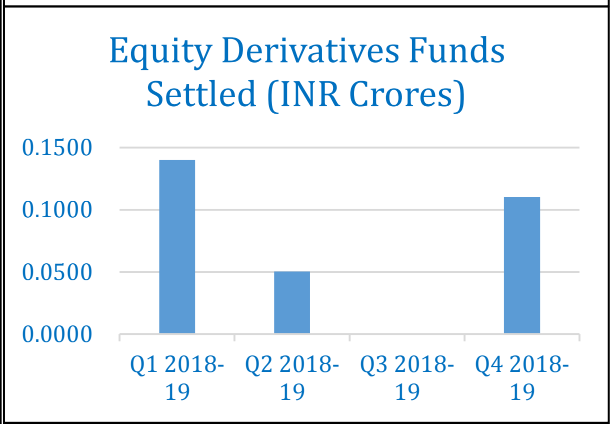
On October 15, 2018 RBI issued the detailed directions relating to introduction of OTC Clearing on CCPs authorised and seeking authorisation by RBI for the same, as well as Foreign CCPs seeking authorisation for OTC Clearing.

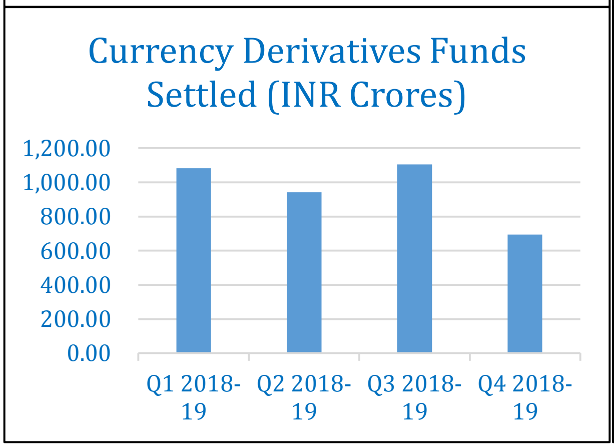
KEY BUSINESS STATISTICS

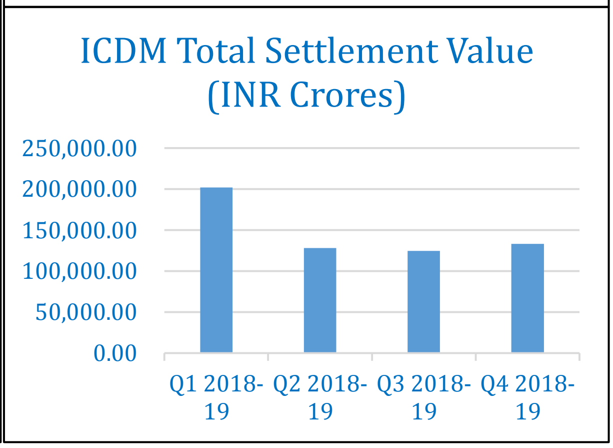

Equity Cash Funds Settled (INR Crores)
40,000.00
30,000.00
20,000.00
10,000.00
0.00
Q1 2018-19
Q2 2018-19
Q3 2018-19
Q4 2018-19

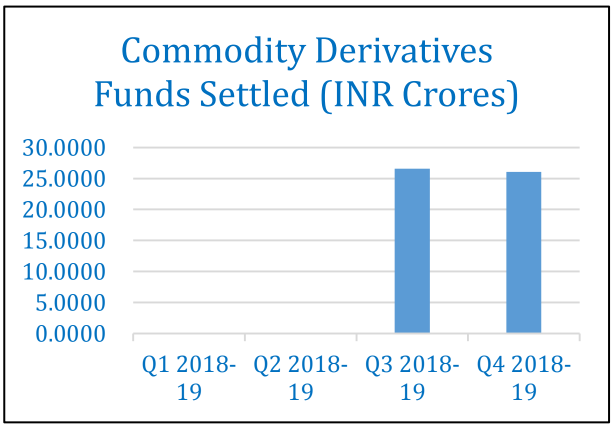

Equity Cash Value of Securities Settled (INR Crores)
100,000.00
80,000.00
60,000.00
40,000.00
20,000.00
0.00
Q1 2018-19
Q2 2018-19
Q3 2018-19
Q4 2018-19


OFS Value of Securities Settled (INR Crores)
12,000.00
10,000.00
8,000.00
6,000.00
4,000.00
2,000.00
0.00
Q1 2018-19
Q2 2018-19
Q3 2018-19
Q4 2018-19


Equity Derivatives Funds Settled (INR Crores)
0.1500
0.1000
0.0500
0.0000
Q1 2018-19
Q2 2018-19
Q3 2018-19
Q4 2018-19


Currency Derivatives Funds Settled (INR Crores)
1,200.00
1,000.00
800.00
600.00
400.00
200.00
0.00
Q1 2018-19
Q2 2018-19
Q3 2018-19
Q4 2018-19


ICDM Total Settlement Value (INR Crores)
250,000.00
200,000.00
150,000.00
100,000.00
50,000.00
0.00
Q1 2018-19
Q2 2018-19
Q3 2018-19
Q4 2018-19


Commodity Derivatives Funds Settled (INR Crores)
30.0000
25.0000
20.0000
15.0000
10.0000
5.0000
0.0000
Q1 2018-19
Q2 2018-19
Q3 2018-19
Q4 2018-19

S. Panse & Co.
Chartered Accountants
9, Three View Society, Veer Savarkar Marg, Mumbai - 400 025. Tel / Fax : 2437 0483 / 84 Email: admin@panse.in

INDEPENDENT AUDITOR'S REPORT

To the Members of Indian Clearing Corporation Limited

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Indian Clearing Corporation Limited (herein after referred to as 'the Company' which comprise the balance sheet as at 31 March 2019, the statement of profit and loss (including other comprehensive income), the cash flow statement and the statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information (herein after referred to as 'the financial statements').

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Ind AS, of the Financial position of the Company as at 31 March 2019 and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the independence requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The Company's Board of Directors is responsible for the preparation and presentation of the financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting standards and other accounting principles generally accepted in India. This responsibility also includes 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 frauds and other irregularities; selection and

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application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the Company's internal financial controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to

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modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We also communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order.

2. As required by Section 143 (3) of the Act, we report that:

(a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

(c) the balance sheet, the statement of profit and loss, the statement of cash flow and the statement of changes in equity dealt with by this Report are in agreement with the books of account;

(d) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act read with relevant rules issued thereunder;

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(e) on the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the director is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure B; and

(g) with respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended: In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

(h) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, to the best of our information and according to the explanations given to us we state that:

  (i) the Company has disclosed the details of pending litigation in respect of Income Tax demand of Rs.820 lakh in Note 25 on Contingent Liabilities and Commitments (to the extend not provided for) to the financial statements where it is mentioned that the company is contesting the demand and the management including its tax advisors believes that its position will likely be upheld in the appellate process.

  (ii) the Company has a provision of Rs. 146 lakh in respect of the amount receivable from a defaulter member as mentioned in Note 31 to the financial statements.

  (iii) there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S. Panse & Co.
Chartered Accountants
(Firm Registration No: 113470W)

Supriya Panse
Supriya Panse
Partner
Membership No.: 46607
April 18, 2019
Mumbai

S. PANSE & CO. MUMBAI Chartered Accountants

Annexure - A to the Auditors' Report

The Annexure referred to in Independent Auditors' Report to the members of the Company on the financial statements for the year ended 31 March 2019, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified once every year. The fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

(c) The Company does not hold any immovable property. Hence reporting under paragraph 3(i) (c) of the Order is not applicable to the Company.

(ii) The Company is a service company, primarily rendering clearing and settlement services. Accordingly, it does not hold any physical inventories. Hence reporting under paragraph 3(ii) of the Order is not applicable to the Company.

(iii) To the best of our knowledge and according to the information and explanations given to us, the Company has not granted any loans to entities covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act').

(iv) To the best of our knowledge and according to the information and explanations given to us, the Company has not made any investment or provided any guarantee or security in terms of provisions of section 185 and 186 of the Act. Hence reporting under paragraph 3 (iv) of the Order is not applicable.

(v) To the best of our knowledge and according to the information and explanations given to us, the Company has not accepted deposits from public and therefore, reporting under paragraph 3 (v) of the Order is not applicable.

(iv) To the best of our knowledge and according to the information and explanations given to us, the Company is not required to maintain cost records as prescribed by the Central Government under section 148(1) of the Act for the services rendered by the Company.

(vi) To the best of our knowledge and according to the information and explanations given to us, in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales,Tax, Value Added Tax, Service Tax, Goods and Service Tax, Customs Duty, Excise duty, Cess and other material statutory dues as applicable with the appropriate authorities. In case of

S. PANSE & CO. MUMBAI Chartered Accountants

any delay in payment the amounts are paid along with the interest to the appropriate authorities. As explained to us the Company did not have any dues on account of employees' state insurance, sales tax, value added tax, duty of customs and excise duty.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Value Added Tax, Service Tax, Goods and Service Tax, Customs Duty, Excise duty, Cess and other material statutory dues as applicable in arrears as at March 31, 2019 for a period of more than six months from the date they became payable.

(c) Details of dues of Income Tax which have not been deposited as at March 31, 2019 on account of dispute are given below:

Name of the statute	Nature of dues	Amount (in Rs) of demand	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	29 Lakh	Assessment Year 2013-14	CIT (A)
Income Tax Act, 1961	Income Tax	59 Lakh	Assessment Year 2014-15	CIT (A)
Income Tax Act, 1961	Income Tax	732 Lakh	Assessment Year 2015-16	CIT (A)

(viii) To the best of our knowledge and according to the information and explanations given to us, the Company has not taken any loans or borrowings from any financial institution, banks, government or has not issued any debentures. Hence reporting under paragraph 3 (viii) of the Order is not applicable to the Company. In respect of temporary overdraft facility availed by the Company, to the best of our knowledge and according to the information and explanations given to us, there was no default in repayment.

(ix) To the best of our knowledge and according to the information and explanations given to us, the Company has not raised monies by way of initial public offer or further public offer (including debt instruments) and term loans and hence reporting under paragraph 3 (ix) of the Order is not applicable to the Company.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or no material fraud on the Company by its officers or employees has been noticed or reported during the year.

S. PANSE & CO. MUMBAI Chartered Accountants

(xi) To the best of our knowledge and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

(xii) To the best of our knowledge and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(xiii) To the best of our knowledge and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013 where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) To the best of our knowledge and according to the information and explanations give to us of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.

(xii) To the best of our knowledge and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its Directors or persons connected to its directors and thus provisions of section 192 of the Companies Act, 2013 are not applicable to the Company. Hence reporting under paragraph 3(xv) of the Order is not applicable.

(xiii) The Company is not required to be registered under section 45 -IA of the Reserve Bank of India Act 1934.

For S. Panse & Co.
Chartered Accountants
(Firm Registration No: 113470W)

S. PANSE & CO. MUMBAI Chartered Accountants

Supriya Panse
Partner
Membership No.: 46607
April 18, 2019
Mumbai

Annexure - B to the Auditors' Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Indian Clearing Corporation Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

S. PANSE & CO. MUMBAI Chartered Accountants

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S. Panse & Co.
Chartered Accountants
(Firm Registration No: 113470W)

Supriya Panse
Partner
Membership No.: 46607
April 18, 2019
Mumbai

INDIAN CLEARING CORPORATION LIMITED
BALANCE SHEET AS AT MARCH 31, 2019

₹ In Lakh

	Particulars	Note No	As at Mar 31, 2019	As at March 31, 2018
I.	**ASSETS**			
1	**Non-current assets**			
	(a) Property, Plant and Equipment	3	38	60
	(b) Other Intangible assets	4	94	153
	(c) Intangible assets under development	4	30	-
	(d) Financial Assets			
	(i) Investments	5		
	a. Investments in Equity Instruments		-	-
	b. Other Investments		5,863	-
	(ii) Loans	6	8	9
	(iii) Others	7	3,809	2,008
	(e) Non Current Tax Assets (Net)		1,909	1,357
	(f) Deferred tax assets (net)	8	3,160	2,717
	Sub-total - A		**14,911**	**6,304**
2	**Current Assets**			
	(a) Financial Assets			
	(i) Trade receivables	10	194	54
	(ii) Cash and cash equivalents	11	38,191	73,399
	(iii) Bank balances other than (ii) above	12	74,182	79,049
	(iv) Loans	6	4	4
	(v) Others	7	981	73
	(b) Other current assets	9	681	721
	Sub-total - B		**1,14,233**	**1,53,300**
	Total Assets (A+B)		**1,29,144**	**1,59,604**
II.	**EQUITY AND LIABILITIES**			
3	**Equity**			
	(a) Equity Share capital	13	35,400	35,400
	(b) Other Equity	14	22,178	19,378
	Sub-total - A		**57,578**	**54,778**
4	**Liabilities**			
	Non-current liabilities			
	(a) Financial Liabilities			
	(i) Other financial liabilities	16	51	48
	(b) Other non-current liabilities	17	15,230	13,988
	Sub-total - B		**15,281**	**14,036**
5	**Current liabilities**			
	(a) Financial Liabilities			
	(i) Trade payables	15	139	149
	(ii) Other financial liabilities	16	56,023	90,505
	(b) Other current liabilities	17	28	24
	(c) Provisions	18	95	112
	Sub-total - C		**56,285**	**90,790**
	Total Equity and Liabilities (A+B+C)		**1,29,144**	**1,59,604**

See accompanying notes forming part of financial statements

For and on behalf of the Board of Directors

In terms of our report attached
For **S. Panse & Co.**
Chartered Accountants
Firm Reg. No.: 113470W

S. Sundareshan
Chairman

Devika Shah
Managing Director & CEO

Supriya Panse
Partner
Membership No.: 46607
Place: Mumbai
Date: April 18, 2019

Myna Venkatraman
Chief Financial Officer

Shilpa Pawar
Company Secretary

INDIAN CLEARING CORPORATION LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2019

₹ In Lakh

	Particulars	Note No	For the Year Ended Mar 31, 2019	For the Year Ended Mar 31, 2018
I	**REVENUES**			
	(a) Revenue From Operations	19	3,710	4,475
	(b) Revenue From Investments And Deposits	20	1,812	1,863
	(c) Other Income	21	11	146
	Total Revenue		**5,533**	**6,484**
II	**EXPENSES**			
	(a) Employee Benefits Expenses	22	959	791
	(b) Other Operating Expenses	23	2,443	3,969
	(c) Depreciation And Amortisation	3&4	88	123
	(d) Finance Cost - Interest		87	100
	Total Expenses		**3,577**	**4,983**
III	Profit Before Exceptional, Extraordinary Items And Tax	I - II	1,956	1,501
IV	Exceptional Items		-	-
V	Profit Before Extraordinary Items And Tax	III - IV	1,956	1,501
VI	Extraordinary Items		-	-
VII	Profit Before Tax	V - VI	**1,956**	**1,501**
VIII	Tax Expense:			
	Current Tax		359	711
	Deferred Tax		(443)	(723)
	Tax Adjustment For Earlier Years		-	(95)
IX	Profit From Continuing Operations	VII - VIII	**2,040**	**1,608**
X	Profit From Discontinuing Operations		-	-
XI	Profit For The Quarter/Year	IX + X	**2,040**	**1,608**
XII	**Other Comprehensive Income**			
	A (i) Items that will not be reclassified to profit or loss			
	Remeasurements of the defined benefit plans;		(8)	4
	Total other comprehensive income for the quarter/year		**(8)**	**4**
XIII	**Total Comprehensive Income for the quarter/year**		**2,032**	**1,612**
XIV	Earning Per Equity Share:			
	Basic And Diluted		0.06	0.05
	Par Value Of Share (Re.)		1	1
	Weighted Average Number Of Shares (Nos.)		3,54,00,00,000	3,54,00,00,000

See accompanying notes forming part of financial statements

In terms of our report attached
For **S. Panse & Co.**
Chartered Accountants
Firm Reg. No.: 113470W

For and on behalf of the Board of Directors

S. Sundareshan
Chairman

Devika Shah
Managing Director & CEO

Supriya Panse
Partner
Membership No.: 46607

Myna Venkatraman
Chief Financial Officer

Shilpa Pawar
Company Secretary

Place: Mumbai
Date: April 18, 2019

Statement of change in Equity

₹ in Lakh

Particulars	A. Equity Share Capital	B. Other Equity			Total (A+ B)
		Core Settlement Guarantee Fund (Core SGF)	Retained Earnings	Other Comprehensive Income	
Changes in equity					
Balance as at April 01, 2017	35,400	18,094	284	-1	53,777
Transferred to Core SGF (Earlier Period) *		2,256	-	-	2,256
Profit for the year			1,608	-	1,608
Other comprehensive income for the year			-	4	4
Income Transferred to Core SGF		1,494		-	1,494
Payment of Dividend			-3,623	-	-3,623
Payment of Tax on Dividend			-738	-	-738
Balance as at March 31, 2018	**35,400**	**21,844**	**-2,469**	**3**	**54,778**
Profit for the year			2,040	-	2,040
Other comprehensive income for the year			-	-8	-8
Transferred to Core SGF		684	-	-	684
Income Transferred to Core SGF		1,660	-	-	1,660
Payment of Dividend			-1,307	-	-1,307
Payment of Tax on Dividend			-269	-	-269
Balance as at Mar 31, 2019	**35,400**	**24,188**	**-2,005**	**-5**	**57,578**

* amount in the retained earning includes tax adjustment

In terms of our report attached
For **S. Panse & Co.**
Chartered Accountants
Firm Reg. No.: 113470W

Supriya Panse
Partner
Membership No.: 46607

Place: Mumbai
Date: April 18, 2019

For and on behalf of the Board of Directors

S. Sundareshan
Chairman

Devika Shah
Managing Director & CEO

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Chief Financial Officer

Shilpa Pawar
Company Secretary

INDIAN CLEARING CORPORATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2019

₹ In Lakh

	Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit After Tax	2,040	1,608
	Adjustments For:		
	Adjustments for Income tax expense	(84)	(107)
	Amortisation Of Bonds Premium / Discount On Bonds	(11)	-
	Finance Cost	87	100
	Depreciation On Fixed Assets	88	123
	Income earned on Core Settlement Guarantee Fund	1,660	1,494
	Contribution to Core SGF	684	2,256
	Provision for Compensated absence	66	41
	Provision for Gratuity	13	8
	Interest Income	(1,565)	(1,664)
	Dividend Income	(236)	(199)
		702	2,052
	Operating Profit Before Working Capital Changes	2,742	3,660
	Change in assets and liabilities		
	Trade Receivables	(140)	(45)
	Loans and other financial assets	(2,375)	9,282
	Other Assets	32	(127)
	Trade Payable	(10)	(54)
	Other financial liabilities	(34,479)	(27,019)
	Other liabilities & Provisions	1,150	7,141
		(35,822)	**(10,822)**
	Taxes Paid	(911)	(498)
	Net Cash From / (Used In) Operating Activities	**(33,991)**	**(7,660)**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Payment towards Property, Plant, Equipment and Intangible assets	(37)	(45)
	Proceed (Purchase) towards Investments	(5,852)	-
	Proceed (Purchase) towards Fixed Deposits With Banks	4,692	(17,417)
	Interest Income	1,407	1,762
	Dividend From Mutual Funds	236	199
	Net Cash From / (Used In) Investment Activities	**446**	**(15,501)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Dividend Paid	(1,307)	(3,623)
	Tax on Dividend Paid	(269)	(738)
	Finance Cost	(87)	(100)
	Net Cash From / (Used In) Financing Activities	**(1,663)**	**(4,461)**

D.	**Net (Decrease) / Increase In Cash And Cash Equivalents**	**(35,208)**	**(27,622)**
	Cash And Cash Equivalents At The End Of The Year		
	In Current Account	26,312	36,544
	In Deposit Account	11,879	36,855
		38,191	**73,399**
	Cash And Cash Equivalents At The Beginning Of The Year	**73,399**	**1,01,021**
	Changes In Cash & Cash Equivalents	**(35,208)**	**(27,622)**
	Cash And Cash Equivalents At The End Of The Year	**38,191**	**73,399**
	Cash and Cash Equivalents as per note no. "11"	**38,191**	**73,399**

See accompanying notes forming part of financial statements

In terms of our report attached
For **S. Panse & Co.**
Chartered Accountants
Firm Reg. No.: 113470W

Supriya Panse
Partner
Membership No.: 46607
Place: Mumbai
Date: April 18, 2019

For and on behalf of the Board of Directors

S. Sundareshan
Chairman

Devika Shah
Managing Director & CEO

Myna Venkatraman
Chief Financial Officer

Shilpa Pawar
Company Secretary

Significant Accounting Policies and Notes to Accounts

Notes annexed to and forming part of Financial Statements for the year ended March 31, 2019.

1. Corporate information

Indian Clearing Corporation Limited ("ICCL" or "Company") was incorporated in 2007 as a wholly owned subsidiary of BSE Ltd. ICCL carries out the functions of clearing, settlement, collateral management and risk management for various segments of different stock exchanges. The registered office of the Company is at 25th floor, P. J. Towers, Dalal Street, Mumbai 400 001, Maharashtra, India.

2. Significant Accounting Policies

2.1. Statement of Compliance

The financial statements have been prepared in accordance with Ind ASs notified under the (Indian Accounting Standards) Rules, 2015. Up to the year ended March 31, 2016, the Company prepared its financial statements in accordance with the requirements of IGAAP as the previous GAAP, which include Standards notified under the Companies (Accounting Standards) Rules, 2006.

The Company has adopted all the Ind AS standards and the adoption was carried out in accordance with Ind AS 101 First time adoption of Indian Accounting Standards. The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP and the date of transition is April 1, 2015. Further company has availed exemption under Ind AS first time adoption.

2.2. Basis of preparation and presentation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of Ind AS 102, leasing transactions that' are within the scope of Ind AS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in Ind AS 2 or value in use in Ind AS 36.
In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

2.2.1 Revenue Recognition:

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from Service is recognized as and when the service is performed as per the relevant agreements and when there is a reasonable certainty of ultimate realization.

Effective April 1, 2018, the Company has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue. The Company has adopted Ind AS 115 using the cumulative effect method. The effect of initially applying this standard is recognised at the date of initial application (i.e. April 1, 2018). There was no impact on the adoption of the standard on the financial statements of the Company.

2.2.2 Interest Income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition

2.2.3 Dividend Income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

2.2.4 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.
Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rental expense from operating leases is generally recognised on a straight-line basis over the term of the relevant lease. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2.2.5 Foreign currency transactions and balances

Foreign currency transactions are recorded at the exchange rate prevailing on the date of transaction. All foreign currency current assets/liabilities are translated at the rates prevailing on the date of the Balance Sheet. Foreign Exchange rate differences arising on settlement(s) / conversion(s) are recognised in the Statement of Profit and Loss.

2.2.6 Employee benefits

a. Retirement benefit costs and termination benefits – Gratuity

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest), is reflected immediately in the balance sheet with a charge or credit recognised in Other Comprehensive Income in the period in which they occur. Remeasurement recognised in Other Comprehensive Income is reflected immediately in retained earnings and is not reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Re-measurement

The Company presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefits expense. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the balance sheet represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. Gains and losses through re-measurements of the net defined benefit liability/(asset) are recognized in Other Comprehensive Income.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

b. Short-term employee benefits - Compensated absences

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilised accumulating compensated absences and utilise it in future periods or receive cash at retirement or termination of employment. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Company measures the expected cost of compensated absences as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. The Company recognizes accumulated compensated absences based on actuarial valuation. Non-accumulating compensated absences are recognized in the period in which the absences occur. The Company recognizes actuarial gains and losses immediately in the statement of profit and loss

2.2.7 Cost recognition

Costs and expenses are recognized when incurred and have been classified according to their primary nature.

2.2.8 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

b. Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset-to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Minimum Alternate Tax (MAT):

In accordance with the guidance note issued by the Institute of Chartered Accountants of India (‘ICAI’) on accounting for credit available in respect of MAT under the Income-tax Act, 1961, the Company recognizes MAT credit as an asset only when and to the extent there is convincing evidence that the Company will be liable to pay normal income tax during the specified period.

d. Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in Other Comprehensive Income or directly in equity, in which case, the current and deferred tax are also recognised in Other Comprehensive Income or directly in equity.

2.2.9 Property, plant and equipment

Depreciation on tangible assets is provided on the ‘Written Down Value’ basis, except depreciation on Motor Vehicle, as per useful life of the assets as prescribed under Schedule II of the Companies Act, 2013 for the number of days the assets have been ready to put to use for their intended purposes.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives. Depreciation on Motor Vehicle assets is depreciated over a useful life of 3 years which represent the lease period of the asset purchased on finance lease.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit of loss.

Estimated useful lives of the tangible assets are as follows:

Computer Equipment	3-6 years
Motor Vehicles-	3 years
Furniture, Fixtures	10 years
Office & Electronics Equipments-	5-10 years

2.2.10 Intangible assets

a. Intangible assets acquired separately

Intangible assets consisting of computer software are being depreciated at 40% on the 'Written Down Value' basis for the number of days the assets have been ready to put to use for their intended purposes.

b. Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2.2.11 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.2.12 Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets

b. Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost (except for debt instruments that are designated as at fair value through profit or loss on initial recognition):

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For the impairment policy on financial assets measured at amortised cost, refer note 2.2.12.e

Equity instruments are subsequently measured at Fair Value through Other Comprehensive Income (FVTOCI) and all other financial assets are subsequently measured at fair value.

c. Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.
Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. Interest income is recognised in profit or loss and is included in the "Revenue from Investments and Deposits" line item.

d. Financial assets at fair value through profit or loss

Investments in equity instruments are classified as at FVTPL, unless the Company irrevocably elects on initial recognition to present subsequent changes in fair value in Other Comprehensive Income for, investments in equity instruments which are not held for trading Debt instruments that do not meet the amortised cost criteria or FVTOCI criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria or the FVTOCI criteria but are designated as at FVTPL are measured at FVTPL. A financial asset that meets the amortised cost criteria or debt instruments that meet the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instrument as at FVTPL.
Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'Other income' line item. Dividend on financial assets at FVTPL is recognised when the Company's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably.

e. Impairment of financial assets

The Company applies the expected credit loss model for recognising impairment loss on financial assets measured at amortised cost, trade receivables, other contractual rights to receive cash or other financial asset, and financial guarantees not designated as at FVTPL. Expected credit losses are the weighted average of credit losses with the respective risks of default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The Company estimates cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument.

The Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. 12-month expected credit losses are portion of the life-time expected credit losses and represent the lifetime cash shortfalls that will result if default occurs within the 12 months after the reporting date and thus, are not cash shortfalls that are predicted over the next 12 months.

If the Company measured loss allowance for a financial instrument at lifetime expected credit loss model in the previous period, but determines at the end of a reporting period that the credit risk has not increased significantly since initial recognition due to improvement in credit quality as compared to the previous period, the Company again measures the loss allowance based on 12-month expected credit losses.

When making the assessment of whether there has been a significant increase in credit risk since initial recognition, the Company uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. For trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115, the Company always measures the loss allowance at an amount equal to lifetime expected credit losses. Further, for the purpose of measuring lifetime expected credit loss allowance for trade receivables, the Company has used a practical expedient as permitted under Ind AS 109. This expected credit loss allowance is computed based on a provision matrix which takes into account historical credit loss experience and adjusted for forward-looking information. The impairment requirements for the recognition and measurement of a loss allowance are equally applied to debt instruments at FVTOCI except that the loss allowance is recognised in Other Comprehensive Income and is not reduced from the carrying amount in the balance sheet.

f. Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in Other Comprehensive Income and accumulated in equity is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company' allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those pasts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in Other Comprehensive Income is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset. A cumulative gain or loss that had been recognised in Other Comprehensive Income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

2.2.13 Financial liabilities and equity instruments

a. Classification as debt or equity

Debt and equity instruments issued by the company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

b. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

c. Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVP.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Company, and commitments issued by the Company to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

d. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either contingent consideration recognised by the Company as an acquirer in a business combination to which Ind AS applies or is held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument. A financial liability other than a financial liability held for trading or contingent consideration, recognised by the Company as an acquirer in a business combination to which Ind AS 103 applies, m. be designated as at FVTPL upon initial recognition if:
- Such designation eliminates or significantly reduces a measurement or recognition inconsistent that would otherwise arise;
- the financial liability forms part of a company of financial assets or financial liabilities or both, whit is managed and its performance is evaluated on a fair value basis, in accordance with the Company documented risk management or investment strategy, and information about the company : provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and Ind AS 109 permit the entire combined contract to be designated as at FVTPL in accordance with Ind AS 109.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Other income' line item.

However, for non-held-for-trading financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in Other Comprehensive Income, unless the recognition of the effects of changes in the liability's credit risk in Other Comprehensive Income would create or enlarge an accounting mismatch in profit or loss, in which case these effects of changes in credit risk are recognised in profit or loss. The remaining amount of change in the fair value of liability is always recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in Other Comprehensive Income are reflected immediately in retained earnings and are not subsequently reclassified to profit or loss.

Gains or losses on financial guarantee contracts and loan commitments issued by the Company that are designated by the Company as at fair value through profit or loss are recognised in profit or loss.

e. Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'Finance costs' line item.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a company entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of loss allowance determined in accordance with impairment requirements of Ind AS 109; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of Ind AS 115.

2.2.14 Settlement Obligation:

Pay-in/Pay-out obligation (Settlement Obligation) of the Company are accounted based on settlement dates.

2.2.15 Current / Non-current classification

The company present assets and liabilities to be classified as either Current or Non-current.

Assets

- An asset is classified as current when it satisfies any of the following criteria:

a) it is expected to be realised in, or is intended for sale or consumption in, the entity’s normal operating cycle;

b) it is held primarily for the purpose of being traded;
c) it is expected to be realised within twelve months after the balance sheet date; or
d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date

- All other assets are classified as non-current.

Liabilities

- A liability is classified as current when it satisfies any of the following criteria:

a) it is expected to be settled in, the entity's normal operating cycle;
b) it is held primarily for the purpose of being traded; it is due to be settled within twelve months after the balance sheet date; or
c) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

- All other liabilities are classified as non-current.

Operating Cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

2.2.16 Earnings per equity share

Basic earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

The number of equity shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

2.2.17 Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

2.2.18 Earmarked Funds:

Earmarked Funds represent deposits, margins, etc. held for specific purposes. These amounts are invested and the same are earmarked in the Balance Sheet. The income earned on the investments from those earmarked funds are shown as liabilities and are not routed through the Statement of Profit and Loss.

2.2.19 Core Settlement Guarantee Fund (Core SGF):

As per SEBI vide circular no. CIR/MRD/DRMNP/25/2014 dated August 27,2014 every recognised clearing corporation shall establish and maintain a Fund for each segment, to guarantee the settlement of trades executed in that respective segment of a recognised stock exchange. The Clearing Corporation shall have a fund called Core SGF for each segment of each Recognised Stock Exchange (SE) to guarantee the settlement of trades executed in the respective segment of the SE. In the event of a clearing member(member) failing to honour settlement commitments, the Core SGF shall be used to fulfill the obligations of that member and complete the settlement without affecting the normal settlement process. The Core SGF shall be contributed by Clearing Corporation (ICCL), Stock exchange (BSE) and the clearing members, in a manner as prescribed by SEBI. This fund is represented by earmarked Core SGF investments. The income earned on such investments (ICCL) is credited to the respective contributor’s funds. Penalties and fines levied by the Company are directly transferred to Core SGF as Other Contributions.

3. PROPERTY, PLANT AND EQUIPMENT AND CAPITAL WORK-IN-PROGRESS

₹ in Lakh

Particulars	As at Mar 31, 2019	As at March 31, 2018
Carrying amount of:		
Computer Equipment	32	53
Motor Vehicles	-	-
Furniture, Fixtures	4	4
Office & Electronics Equipments	2	3
Total	**38**	**60**

₹ in Lakh

Particulars	Computer Equipment	Motor Vehicles	Furniture, Fixtures	Office & Electronics Equipments	Total
Cost					
Balance as at April 1, 2017	63	5	7	6	81
Additions during the year	42	-	-	-	42
Balance as at March 31, 2018	**105**	**5**	**7**	**6**	**123**
Balance as at April 1, 2018	105	5	7	6	123
Additions during the year	4	-	1	-	5
Balance as at Mar 31, 2019	**109**	**5**	**8**	**6**	**128**

₹ in Lakh

Particulars	Computer Equipment	Motor Vehicles	Furniture, Fixtures	Office & Electronics Equipments	Total
Accumulated depreciation and impairment					
Balance as at April 1, 2017	35	4	1	1	41
Depreciation for the year	17	1	2	2	22
Balance as at March 31, 2018	**52**	**5**	**3**	**3**	**63**
Balance as at April 1, 2018	52	5	3	3	63
Depreciation for the year	25	-	1	1	27
Balance as at Mar 31, 2019	**77**	**5**	**4**	**4**	**90**

₹ in Lakh

Particulars	Computer Equipment	Motor Vehicles	Furniture, Fixtures	Office & Electronics Equipments	Total
Net Book Value					
As at March 31, 2018	53	-	4	3	60
As at Mar 31, 2019	32	-	4	2	38

₹ in Lakh

Particulars	Computer Equipment	Motor Vehicles	Furniture, Fixtures	Office & Electronics Equipments	Total
Carrying amount					
Balance as at April 1, 2017	28	1	6	5	40
Additions during the year	42	-	-	-	42
Depreciation for the year	17	1	2	2	22
Balance as at March 31, 2018	**53**	**-**	**4**	**3**	**60**
Balance as at April 1, 2018	53	-	4	3	60
Additions during the year	4	-	1	-	5
Depreciation for the year	25	-	1	1	27
Balance as at Mar 31, 2019	**32**	**-**	**4**	**2**	**38**

4. OTHER INTANGIBLE ASSETS AND INTANGIBLE ASSETS UNDER DEVELOPMENT

₹ in Lakh

Particulars	As at Mar 31, 2019	As at March 31, 2018
Carrying amount of:		
Software	94	153
Intangible assets under development	30	-
Total	**124**	**153**

₹ in Lakh

Particulars	Software
Cost	
Balance as at April 1, 2017	446
Additions during the year	5
Balance as at March 31, 2018	**451**
Balance as at April 1, 2018	451
Additions during the year	2
Balance as at Mar 31, 2019	**453**

₹ in Lakh

Particulars	Software
Accumulated depreciation and impairment	
Balance as at April 1, 2017	197
Amortisation for the year	101
Balance as at March 31, 2018	**298**
Balance as at April 1, 2018	298
Depreciation for the year	61
Balance as at Mar 31, 2019	**359**

Particulars	Software
Net Book Value	
As at March 31, 2018	153
As at Mar 31, 2019	94

Particulars	Software
Carrying amount	
Balance as at April 1, 2017	249
Additions during the year	5
Depreciation for the year	101
Balance as at March 31, 2018	**153**
Balance as at April 1, 2018	153
Additions during the year	2
Depreciation for the year	61
Balance as at Mar 31, 2019	**94**

5. INVESTMENTS

₹ In Lakh

Particulars	As at Mar 31, 2019	As at Mar 31, 2018
A. Non Current Investment		
Non Trade Investments (At cost, unless otherwise specified):		
(Fully Paid-up, unless otherwise stated)		
Unquoted - Investments in Equity Instruments		
25,000 Shares of BSE CSR Integrated Foundation of ₹ 1/- each	-	-
Quoted - Investment in Govt Securities at Amortised cost		
Core SGF	3,934	-
Earmarked - Augmentation	1,929	-
Total	**5,863**	**-**

Scrip-wise Details of Investment

Particulars	Units	As at Mar 31, 2019	As at Mar 31, 2018
Investment in Govt Securities at at Amortised cost			
Core SGF			
6.65% Govt Sec 09-Apr-2020	5,00,000	496	-
6.84% Govt Sec 19-Dec-2022	20,00,000	1,935	-
7.37% Govt Sec 16-Apr-2023	15,00,000	1,503	-
Sub Total - A	**40,00,000**	**3,934**	**-**
Earmarked - Augmentation			
6.84% Govt Sec 19-Dec-2022	20,00,000	1,929	-
Sub Total - B	**20,00,000**	**1,929**	**-**
Aggregate value of quoted Bonds (A+B)	**60,00,000**	**5,863**	**-**
Aggregate value of Govt Securities		**5,863**	**-**
Market value of Govt Securities		**6,037**	**-**

6. LOANS

₹ In lakh

Particulars	As at Mar 31, 2019	As at Mar 31, 2018
Non Current		
Unsecured, considered good		
Other Loans - Loans to Employee	8	9
Current		
Unsecured, considered good		
Other Loans - Loans to Employee	4	4
Total	**12**	**13**

7. OTHERS FINANCIAL ASSETS

₹ In lakh

Particulars	As at Mar 31, 2019	As at Mar 31, 2018
Non Current		
Deposit with Others	30	30
In Deposit with Bank		
Own	49	575
Core SGF	2,711	1,325
Earmarked Augmentation	1,019	-
Others Receivable from defaulter member	-	78
Sub-Total - A	**3,809**	**2,008**
Current		
Unamortised Cost	1	-
Others Receivable from defaulter member (Refer Note 32)	104	26
Impairment allowance for doubtful debts (Refer Note 32)	(104)	-
Accrued interest :		
Deposits		
Own Fund	831	11
Clearing and Settlement Fund	5	36
G - Sec		
Own Fund	39	-
Core SGF	105	-
Sub-Total - B	**981**	**73**
Total (A+B)	**4,790**	**2,081**

8. DEFERRED TAX ASSETS (NET)

₹ In lakh

Particulars	As at Mar 31, 2019	As at Mar 31, 2018
Deferred Tax Assets:		
Provision for Bad & Doubtful Debts	51	-
Provision for Compensated Absences	40	23
MAT Credit Entitlement	3,091	2,732
Less : Deferred Tax Liabilities		
On difference between book balance and tax balance of Property, Plant and Equipment and Intangible assets	22	38
Net Deferred Tax Assets	**3,160**	**2,717**
Note: The carry-forward of unused tax losses of ₹ 2,621 Lakh is not considered		

9. OTHER CURRENT ASSETS

₹ In lakh

Particulars	As at Mar 31, 2019	As at Mar 31, 2018
Current Assets		
Prepaid Expenses	26	181
Cenvat Credit Receivable	655	540
Total	**681**	**721**

10. TRADE RECEIVABLES

₹ In lakh

Particulars	As at Mar 31, 2019	As at Mar 31, 2018
Secured and Considered Good	4	6
Unsecured, considered good	164	2
Less: Provision for doubtful loans (Refer Note 32)	(42)	-
Holding Company	68	46
Total	**194**	**54**

11. CASH AND CASH EQUIVALENTS

₹ In lakh

Particulars	As at Mar 31, 2019	As at Mar 31, 2018
Cash on hand	-	-
Balances with banks		
In Current accounts		
Own Fund	509	14
Clearing and Settlement Fund	25,773	36,474
Core SGF	30	56
In Deposit accounts		
Own Fund	-	6,855
Clearing and Settlement Fund	5,320	30,000
Core SGF	-	-
Earmarked Augmentation	6,559	-
Total	**38,191**	**73,399**

12. BANK BALANCES OTHER THAN (II) ABOVE

₹ In lakh

Particulars	As at Mar 31, 2019	As at Mar 31, 2018
In Deposit accounts		
Own Fund	29	19,547
Clearing and Settlement Fund	26,022	25,051
Core SGF	32,638	34,451
Earmarked Augmentation	15,493	-
Total	**74,182**	**79,049**

Notes:

- Balances in Deposits with Banks of ₹ 22,033 Lakh (As at March 31, 2018 ₹ 23,063 Lakh), are pledged against bank over draft.

13. EQUITY SHARE CAPITAL

₹ In lakh

Particulars	As at Mar 31, 2019	As at Mar 31, 2018
Authorised		
5,00,00,00,000 Equity Shares of ₹ 1/- each with voting rights (As at March 31, 2018: 5,00,00,00,000 Equity Shares of ₹ 1/- each)	50,000	50,000
Issued, Subscribed and Fully Paid - up 3,54,00,00,000 Equity Shares of ₹ 1/- each with voting rights (As at March 31, 2018: 3,54,00,00,000 Equity Shares of ₹ 1/- each)	35,400	35,400
Total	**35,400**	**35,400**

2(a). Reconciliation of number of shares outstanding at the beginning and at the end of the year

Particulars of issue	As at March 31, 2019		As at March 31, 2018	
	No. of Shares	₹ In lakh	No. of Shares	₹ In lakh
Opening Balance	3,54,00,00,000	35,400	3,54,00,00,000	35,400
a) Right Issue	-	-	-	-
b) Bonus	-	-	-	-
c) Preferential Allotment	-	-	-	-
d) Others	-	-	-	-
Closing Balance	**3,54,00,00,000**	**35,400**	**3,54,00,00,000**	**35,400**

2(b). List of shareholders holding more than 5% shares

Name of Shareholders	As at March 31, 2019		As at March 31, 2018	
	No. of Shares	% of total shares	No. of Shares	% of total shares
BSE Limited and its nominees	3,54,00,00,000	100	3,54,00,00,000	100

2(c) I. The holders of equity shares are entitled to dividends, if any, proposed by the board of directors and approved by the shareholder at the Annual General Meeting.

2(c) II. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of preferential amount. However, no such preferential amount exists currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

14. OTHER EQUITY

₹ In lakh

Particulars	As at Mar 31, 2019	As at Mar 31, 2018
Core Settlement Guarantee Fund - Core SGF		
Opening Balance	21,844	18,094
Add : Contribution for earlier year (Refer Note 31)	-	2,256
Add : Contribution for the year	684	-
Add : Income Earned during the year	1,660	1,494
Sub-Total - A	**24,188**	**21,844**
Retained earnings		
Opening Balance	(2,466)	283
Add : Profit for the year	2,032	1,612
Less : Appropriations		
Dividend	1,307	3,623
Tax on Dividend	269	738
Sub-Total - B	**(2,010)**	**(2,466)**
Total (A+B)	**22,178**	**19,378**

Notes:

Core Settlement Guarantee Fund:

ICCL has created a dedicated Core Settlement Guarantee Fund (Core SGF), which is readily and unconditionally available to meet settlement obligations of ICCL in case of clearing member(s) failing to honour settlement obligation.

ICCL maintains a dedicated Core SGF for each segment, effectively ring fencing each segment of ICCL from defaults in other segments. ICCL carries out daily stress tests for credit risk, daily liquidity stress test to assess the adequacy of liquidity arrangements, periodic reverse stress tests and daily back tests for adequacy of margins.

Retained earnings:

The same reflects surplus/deficit after taxes in the Statement of Profit and Loss. The amount that can be distributed by the Company as dividends to its equity shareholders is determined based on the balance in this reserve and also considering the requirements of the Companies Act, 2013.

15. TRADE PAYABLES

₹ In lakh

Particulars	As at Mar 31, 2019	As at Mar 31, 2018
Current		
i) Total outstanding due of Micro & Small Enterprises Payable to service providers	-	-
ii) Total outstanding due of Creditors other than Micro & Small Enterprises Payable to service providers	139	149
Total	**139**	**149**

16. OTHER FINANCIAL LIABILITIES

₹ In lakh

Particulars	As at Mar 31, 2019	As at Mar 31, 2018
Non Current		
Accrued Employee Benefits Expense	51	48
Sub-Total - A	**51**	**48**
Current		
Deposit from Clearing Banks & Warehouses	12,351	12,301
Deposit and Margins from Members	27,191	25,519
Settlement Obligation Payable	4,729	40,176
Clearing and Settlement - Others	11,551	12,335
Accrued Employee Benefits Expense	195	169
Others	6	5
Sub-Total - B	**56,023**	**90,505**
Total (A+B)	**56,074**	**90,553**

17. OTHER CURRENT LIABILITIES

₹ In lakh

Particulars	As at Mar 31, 2019	As at Mar 31, 2018
Non Current		
Core Settlement Guarantee Fund (Refer to Note 2.2.19 & 30) (Exchange Contribution and Others Contributions)	15,230	13,988
Sub-Total - A	**15,230**	**13,988**
Current		
Statutory Remittances	28	24
Sub-Total - B	**28**	**24**
Total (A+B)	**15,258**	**14,012**

18. PROVISIONS

Particulars	As at Mar 31, 2019	As at Mar 31, 2018
Current		
Provision for Employee Benefits		
Other Provision		
Provision for Compensated Absences	94	61
Provision for Gratuity	1	51
Total	**95**	**112**

19. REVENUE FROM OPERATIONS

₹ In Lakh

Particulars	For the Year Ended Mar 31, 2019	For the Year Ended Mar 31, 2018
Sale of services		
Clearing and Settlement Services	443	250
Auction Fees	88	124
Others	114	24
Other Operating Revenue		
Treasury Income from Clearing and Settlement Funds		
A. Interest income earned on financial assets that are measured at amortised cost:		
Deposits	2,869	3,804
B. Income earned on financial assets that are mandatorily measured as at fair value through profit or loss:		
Dividend From Mutual Funds measured at FVTPL	196	273
Total	**3,710**	**4,475**

20. REVENUE FROM INVESTMENTS AND DEPOSITS

₹ In Lakh

Particulars	For the Year Ended Mar 31, 2019	For the Year Ended Mar 31, 2018
A. Interest income earned on financial assets that are measured at amortised cost:		
Deposits	1,486	1,664
G Sec	90	-
B. Income earned on financial assets that are mandatorily measured as at fair value through profit or loss:		
Dividend From Mutual Funds measured at FVTPL	236	199
Total	**1,812**	**1,863**

21. OTHER INCOME

₹ In Lakh

Particulars	For the Year Ended Mar 31, 2019	For the Year Ended Mar 31, 2018
Interest Income on Income Tax Refund	-	139
Miscellaneous Income	11	7
Total	**11**	**146**

22. EMPLOYEE BENEFITS EXPENSES

₹ In Lakh

Particulars	For the Year Ended Mar 31, 2019	For the Year Ended Mar 31, 2018
Salaries, Allowances and Bonus	832	686
Contribution to Provident and Other Funds	40	29
Provision for Compensated Absence	66	41
Staff Welfare Expenses	21	35
Total	**959**	**791**

23. OTHER OPERATING EXPENSES

₹ In Lakh

Particulars	For the Year Ended Mar 31, 2019	For the Year Ended Mar 31, 2018
Auditors' Remuneration	7	6
Business Promotion Expenses	28	40
Contribution to Corporate Social Responsibility	99	266
Electricity Charges	12	13
Rent	189	151
Computer Technology Related Expenses	821	765
Contribution to Core SGF	684	2,256
Insurance	176	188
Rates and taxes, excluding taxes on income	20	23
Clearing House Charges	11	10
Directors' Sitting Fees	9	13
Legal Fees	4	-
Membership & Subscription Fees	30	13
Maintenance Expenses	5	5
Professional Fees	86	89
Impairment loss allowance on receivable (Refer No 7, 10 & 32)	146	-
Stamp Duty, Registration Charges & Regulatory Fees	3	2
Travelling Expenses	44	46
Committee Meeting Sitting Fees	45	56
Miscellaneous Expenses	24	27
Total	**2,443**	**3,969**

23.1 Auditors' Remuneration

Particulars	For the Year Ended Mar 31, 2019	For the Year Ended Mar 31, 2018
Auditors' Remuneration Includes:		
Statutory Audit Fees	5	4
Tax Audit Fees	1	1
Other services	1	1
Total	**7**	**6**

23.2 Contribution to Corporate Social Responsibility

Particulars	For the Year Ended Mar 31, 2019	For the Year Ended Mar 31, 2018
The gross amount required to be spent by company during the year	99	118

Amount debited to statement of profit and loss account were paid in cash during the respective year and were incurred for the purpose other than construction / acquisition of any asset.

24. Commitments (to the extent not provided for)

₹ in lakh

Sr. No.	Particulars	As at March 31, 2019	As at March 31,2018
(a)	Estimated amount of unexecuted capital contracts	42	-

25. Contingent Liabilities (to the extent not provided for)

₹ in lakh

Sr. No.	Particulars	As at March 31, 2018	As at March 31,2018
(a)	Claims against the company not acknowledged as debts in respect of : - Income tax matters (The company is contesting the demand and the management including its tax advisors believes that its position will likely be upheld in the appellate process.)	820	826

26. The Managing Director & CEO of the company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. The CODM evaluates the Company's performance and allocates resources based on only one class of operations i.e. facilitating clearing and settlement activities and the activities incidental thereto, hence there are no reportable Segments as per Indian Accounting Standard 108 "Operating Segments".

27. Related party Transactions:

1. <u>List of Related Party and Relationships</u>

Sr.	Name of Related Party & Relationship
1.	BSE Limited - Holding Company
2.	Marketplace Technologies Private Ltd - Fellow Subsidiary
3.	Marketplace Tech Infra Services Private Limited - Fellow Subsidiary
4.	BFSI Sector Skill Council of India (Section 8 Company) - Fellow Subsidiary
5.	BSE Skills Limited - Fellow Subsidiary (Upto June 28, 2018)
6.	BIL - Ryerson Technology Startup Incubator Foundation (BRTSIF) (Section 8 Company) - Fellow Subsidiary
7.	BSE CSR Integrated Foundation - Fellow Subsidiary (Being a Section 8 company under companies Act, 2013) (w.e.f March 20, 2018)
8.	BSE Institute Limited – Fellow Subsidiary
9.	BSE Investments Limited – Fellow subsidiary
10.	BSE Sammaan CSR Limited – Fellow subsidiary
11.	India International Exchange (IFSC) Limited - Fellow subsidiary
12.	India International Clearing Corporation (IFSC) Limited – Fellow subsidiary
13.	Indian INX Global Access IFSC Limited – Fellow subsidiary
14.	Pranurja Solution Limited – Fellow subsidiary

Sr.	Name of Related Party & Relationship
15.	Central Depository Services (India) Ltd - Associate of Holding Company
16.	CDSL Ventures Limited - Associate of Holding Company
17.	CDSL Insurance Repository Limited - Associate of Holding Company
18.	CDSL Commodity Repository Limited - Associate of Holding Company
19.	BSE EBIX Insurance Broking Private Limited – Associate of Holding Company
20.	Marketplace EBIX Technology Services Pvt Limited – Associate of Holding Company
21.	Asia Index Private Ltd - Associate of Holding Company
22.	BSE Investors Protection Fund (Trust set-up by Holding Company)
23.	ICCL Employees Gratuity Fund (Trust set-up by the Company)
24.	Smt Devika Shah - Managing Director & CEO (w.e.f. January 01, 2018)
25.	Shri K. Kumar - Managing Director & CEO (Till December 31, 2017)
26.	Shri S. Sundareshan – Chairman
27.	Smt. Maya Swaminathan Sinha – Public Interest Director (Till January 16, 2018)
28.	Shri Ramabhadran S Thirumalai – Public Interest Director
29.	Shri Prasad Dahapute – Public Interest Director
30.	Shri Nehal Vora – Shareholder Director
31.	Shri Neeraj Kulshreshtha – Shareholder Director

2. Transactions with Related Parties

(a) BSE Ltd (Holding Company):

₹ in Lakh

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Income		
Clearing and settlement fees	273	183
Rental Income	5	4
Expenditure		
Computer Technology Related Expenses	118	186
Rent	164	133
Electricity Charges	11	12
Membership & Subscription	9	-
Property Tax	4	3
Staff welfare	8	17
Others Expenses	1	5

Particulars	As at March 31, 2019	As at March 31, 2018
Assets		
Prepaid Expenses	8	5
Receivable (net)	68	46
Liability		
Contribution towards Core SGF (excluding income earned thereon)	11,668	11,534

(b) Marketplace Technologies Private Ltd (Fellow Subsidiary):

₹ in Lakh

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Expenditure		
Computer Technology Expenses	429	414
Purchase of Intangible Assets	30	-

Particulars	As at March 31, 2019	As at March 31, 2018
Liability		
Payable (net)	48	69

(c) BSE Sammaan CSR Limited (Fellow Subsidiary)

₹ in Lakh

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Income		
Rental Income	1	1

(d) BSE CSR Integrated Foundation (Fellow Subsidiary – w.e.f. March 20, 2018)

₹ in Lakh

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Expenditure		
CSR Contribution	99	251

Particulars	As at March 31, 2019	As at March 31, 2018
Assets		
Investment (25,000 Equity shares of ₹ 1/- each)	-	-

(e) BFSI Sector Skill Council of India - Fellow Subsidiary

₹ in Lakh

Particulars	As at March 31, 2019	As at March 31, 2018
Income		
Rental Income	1	-

(f) BSE Institute Limited – Fellow Subsidiary

₹ in Lakh

Particulars	As at March 31, 2019	As at March 31, 2018
Income		
Rental Income	1	-

(g) Central Depository Services (India) Ltd (Fellow Associate):

₹ in Lakh

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Expenditure		
Administrative & Other Expenses	6	6

Particulars	As at March 31, 2019	As at March 31, 2018
Assets		
Deposits (Asset)	5	5
Prepaid Expenses	-	1

(h) BSE Investors Protection Fund (Trust set-up by Holding Company):

₹ in Lakh

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Expenditure		
Rent	6	4

Particulars	As at March 31, 2019	As at March 31, 2018
Liability		
Payable (Net)	1	1

(i) ICCL Employees Gratuity Fund (Trust set-up by the Company):

₹ in Lakh

Particulars	As at March 31, 2019	As at March 31, 2018
Net defined benefit assets		
ICCL Employee's Gratuity Fund	145	94

(j) Key Management Personnel (KMP):

₹ in Lakh

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Shri K. Kumar (Managing Director & CEO) Gross remuneration and other benefits paid *	-	112
Smt. Devika Shah (Managing Director & CEO) Gross remuneration and other benefits paid *	59	13

* Excludes the variable pay of the prior years which has been paid in the current year based on Securities Contract (Regulations) (Stock Exchanges and Clearing Corporations) Regulations 2012

28. Earnings per Share:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Profit after tax (₹ in lakh)	2,040	1,608
Weighted average number of Equity shares used in computing Basic and Diluted earnings per share (Nos.)	3,54,00,00,000	3,54,00,00,000
Face Value of equity shares (₹)	1	1
Basic and Diluted earnings per share (₹)	**0.06**	**0.05**

29. Expenditure in Foreign Currency: (on accrual basis)

₹ in Lakh

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Software Expenses	24	23
Travel Expenses	15	7
Membership Fees	21	13
Professional Fees	16	16
Others	3	2

30. (a) As per SEBI circular no. CIR/MRD/DRMNP/25/2014 dated August 27, 2014, ICCL has established a fund called Core SGF for each segment (Equity, Equity Derivative, Debt & Currency Derivative) of each Recognised SE to guarantee the settlement of trades executed in respective segment of the SE. Accordingly, an amount ₹ 24,188 lakh as at March 31, 2019 (₹ 21,844 lakh as at March 31, 2018) has been contributed towards the Core SGF maintained for various segment by ICCL including income earned thereon. The contribution made by BSE Ltd to the said Core SGF amounts to ₹ 14,001 lakh as at March 31, 2019 (₹ 13,020 lakh as at March 31, 2018) including income earned thereon and also include the amount received towards "Transfer of Profits" under Regulation 33 of SECC Regulations 2012, from the date the SECC Regulations, 2012 came into effect till August 29, 2016, and which has not been allocated to any specific segment. Further, Other Contribution represent an amount (i) ₹ 1,229 lakh as at March 31, 2019 (₹ 968 lakh as at March 31, 2018) includes (i) amount received under the Scheme of amalgamation between United Stock Exchange of India Limited and BSE Ltd, (ii) as per SEBI direction, BSE has transferred the penalty collected from client to our Core SGF of Currency Derivative and Equity Derivative segment respectively, (iii) fines & penalties collected from members by ICCL and income earned thereon.

₹ in lakh

Particulars	BSE Contribution	ICCL Contribution	Other Contributions	Total
Equity Segment	5,137	15,289	542	20,968
Equity Derivative Segment	487	1,447	32	1,966
Currency Derivative Segment	6,232	6,597	654	13,483

Particulars	BSE Contribution	ICCL Contribution	Other Contributions	Total
Commodity Derivative Segment	700	706	1	1,407
Debt	-	149	-	149
Others	1,445	-	-	1,445
Grand Total	**14,001**	**24,188**	**1,229**	**39,418**

31. During the current year, the contribution to Core SGF of ₹ 684 lakhs is charged to Statement of Profit & Loss. Such contribution in the earlier years were earmarked from investments and not charged to Statement of Profit & Loss account. Due to this, comparative figures of the previous year have been re-stated. The details of financial statement line items have been given below:

₹ in lakh

Balance Sheet as on March 31, 2018	**As reported previously**	**Amount re-stated**
Assets		
(a) Non Current Tax Assets (Net)	1,373	1,357
(b) Deferred tax assets (net)	1,329	2,717
(c) Total Other Non-Current assets (exclude (a) and (b) above)	2,230	2,230
(d) Total Current Assets	1,53,300	1,53,300
Total Assets	**1,58,232**	**1,59,604**
Equity and Liabilities		
Equity		
(a) Equity Share capital	35,400	35,400
(b) Other Equity	18,006	19,378
(c) Total Non-current liabilities	14,036	14,036
(d) Total Current liabilities	90,790	90,790
Total Equity and Liabilities	**1,58,232**	**1,59,604**

₹ in lakh

Statement of Profit and Loss for the year ended March 31, 2018	**As reported previously**	**Amount re-stated**
(a) Total Revenue	6,484	6,484
(b) Total Expenses	2,727	4,983
Profit Before Tax	**3,757**	**1,501**
Tax Expense		
Current Tax	699	711
Deferred Tax	(711)	(723)

Statement of Profit and Loss for the year ended March 31, 2018	As reported previously	Amount re-stated
Tax Adjustment For Earlier Years	(95)	(95)
Profit After Tax	**3,864**	**1,608**
Other Comprehensive Income	4	4
Total Comprehensive Income	**3,868**	**1,612**

₹ in lakh

Statement of change in Equity	As reported previously	Amount re-stated
Opening Retained Earnings as on 01-04-2017	3,408	284
Core Settlement Guarantee Fund (Core SGF) as on 01-04-2017	13,598	18,094

Earnings per Share for the year ended March 31, 2018	As reported previously	Amount re-stated
Profit after tax (₹ in lakh)	3,864	1,608
Weighted average number of Equity shares used in computing Basic and Diluted earnings per share (Nos.)	3,54,00,00,000	3,54,00,00,000
Face Value of equity shares (₹)	1	1
Basic and Diluted earnings per share (₹)	0.11	0.05

32. A sum of ₹ 104 lakh (P. Y. ₹ 104 Lakh) shown under other financial assets (Refer No 7) and ₹ 42 lakh (P. Y. Nil) shown under Trade receivable (Refer Note 10) represent receivable towards the dues from members and the company has made full provision against said receivable during the year.

33. The company has started clearing and Settlement for new Commodity Derivative Segment of the BSE. As per SEBI approval letter company has earmarked its investments of ₹ 25,000 lakh towards augmentation of Settlement Guarantee Fund.

34. Disclosure as required on "Employee Benefits" is as under:

34.1. Gratuity - Defined Benefit Plan

The Company offers its employees defined-benefit plans in the form of a gratuity scheme (a lump sum amount). Benefits under the defined benefit plans are typically based on years of service and the employee's compensation (generally immediately before retirement). The gratuity scheme covers substantially all regular employees.

Such plan exposes the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk: The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to market yields at the end of the reporting period on government bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities and debt instruments.

Interest risk: A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Demographic risk: This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, medical cost inflation, discount rate and vesting criteria.

Salary risk: The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

a. The following tables set out the funded status of the gratuity plans and the amounts recognized in the Company's financial statements As at March 31, 2019 and March 31, 2018.

₹ in lakh

Particulars	**As at March 31, 2019**	**As at March 31, 2018**
Change in benefit obligations		
Benefit obligations at the beginning	138	86
Current Service Cost	10	8
Interest on defined benefit obligation	10	6
Re-measurements - Actuarial Loss / (Gain)	7	(6)
Benefits Paid	(2)	(2)
Liability assumed on acquisition/(Settled on Divestiture)	(16)	46
Closing Defined Benefit Obligation	147	138
Change in plan assets		
Opening Fair Value of Plan Assets	94	86
Contributions by Employer	46	6
Interest on Plan Assets	7	6
Re-measurements - Actuarial Loss / (Gain)	-	(2)
Benefits Paid	(2)	(2)
Closing Fair Value of Plan Assets	145	94
Funded status	145	94

b. Amount For the year ended March 31, 2019 and year ended March 31, 2018.

₹ in lakh

Particulars	**March 31, 2019**	**March 31, 2018**
Current Service Cost	10	8
Interest on net defined benefit obligations / (asset)	3	-
Total Included in "Employee Benefit Expense"	13	8

c. Amount for the year ended March 31, 2019 and year ended March 31, 2018 recognised in the statement of other comprehensive income:

₹ in lakh

Particulars	March 31, 2019	March 31, 2018
Opening amount recognised in "Other Comprehensive Income"	3	(1)
Re-measurement for the year – Obligation gains / (losses)	(7)	4
Re-measurement for the year – Plan asset gains / (losses)	-	-
Total amount recognised in "Other Comprehensive Income"	(4)	3

d. Principle actuarial assumption

Assumptions	As at March 31, 2019	As at March 31, 2018
Discount Rate	7.50%	7.40%
Salary escalation	7.00%	7.00%

- **Discount Rate:** The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.
- **Salary Escalation Rate:** The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

e. Sensitivity Analysis: The following table summarizes the impact in percentage terms on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the reported assumption by 50 basis points:-

Particulars	Year ended March 31, 2019	
	Discount rate	Salary escalation rate
Impact of increase in 50 bps on defined benefit obligation	-2.77%	2.90%
Impact of decrease in 50 bps on defined benefit obligation	2.90%	-2.80%

f. Disclosure related to indication of effect of the defined benefit plan on the entity's future cash flow: Expected benefit payment

₹ in lakh

Maturity Profit	As at March 31, 2019
Expected benefits for year 1	10
Expected benefits for year 2	10
Expected benefits for year 3	9
Expected benefits for year 4	18
Expected benefits for year 5	85
Expected benefits for year 6	5
Expected benefits for year 7	25
Expected benefits for year 8	15
Expected benefits for year 9	13
Expected benefits for year 10 and above	54

The weighted average duration to the payment of these cash flows is 5.67 years.

g. Composition of Plan Assets

₹ in lakh

Particulars	As at March 31, 2019	As at March 31, 2018
Insurer Managed Funds	145	94
Others	-	-

Actual return on the assets for the year ended March 31, 2019 and year ended March 31, 2018 were ₹ 6 lakh and ₹ 1 lakh respectively.

34.2. Provident Fund – Defined Contribution Plan

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contribution along with interest thereon is paid on cessation of services. Both the employee and the company make monthly contributions to the "BSE Employees' Provident Fund", a trust set up and administered by the BSE Ltd. The company is liable for any shortfall in the fund assets based on the minimum rate of return specified by the Government, which is debited to the Statement of Profit and Loss as and when services are rendered by the employees.

The Company recognised charge for the year ended March 31, 2019 and for the year ended March 31, 2018 of ₹ 23 lakh and ₹ 18 lakh respectively for provident fund in the statement of profit & loss.

34.3. Other long-term employee benefit obligations

The leave obligation covers the company liability for sick and earned leave. Under these Compensated absences plans, leave encashment is payable to all eligible employees on separation from the Company due to death, retirement, superannuation or resignation. At the rate of daily salary, as per current accumulation of leave days. Refer Note 22 and Note 18 with respect to item of profit and loss and Balance Sheet where such charge/provision has been presented.

35. During the year the Board of Directors has declared interim dividend in its meeting held during the year, for an amounting ₹ 760 lakh excluding tax thereon and same has been paid to shareholder.

36. Critical accounting judgments and estimates

In the course of applying the policies outlined in all notes stated above, management makes estimations and assumptions that impact the amounts recognised in the financial statements. The Company believes that critical judgment and estimation have been made in the following areas:

36.1. Intended use, useful lives and residual value of property, plant and equipment and intangible assets

Based on technical evaluations, management makes its judgement when property, plant and equipment and intangible assets are capable to operate in the manner intended by them.

Management reviews the useful lives and residual values of property, plant and equipment and intangible assets at least once a year. Such lives are dependent upon an assessment of both the technical lives of the assets and also their likely economic lives based on various internal and external factors including relative efficiency and operating costs. Accordingly depreciable lives are reviewed annually using the best information available to the Management.

36.2. Provisions and liabilities

Provisions and liabilities are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events that can reasonably be estimated. The timing of recognition requires application of judgement to existing facts and circumstances which may be subject to change.

36.3. Contingencies

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Company. Potential liabilities that are possible but not probable of crystallising or are very difficult to quantify reliably are treated as contingent liabilities. Such liabilities are disclosed in the notes but are not recognised.

36.4. Income taxes

The Company's tax jurisdiction is in India. Significant judgments are involved in determining the provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions.

36.5. Defined employee benefit assets/liabilities

Determined based on the present value of future pension obligations using assumptions determined by the Company with advice from an independent qualified actuary.

36.6. Other estimates

The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analyzing historical payment patterns, customer status, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

37. Financial instruments

Risk Management:

The Company has an elaborate Risk Management procedure, which is based on three pillars: Business Risk Assessment, Operational Controls Assessment and Policy Compliance processes. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. These are discussed with the Audit Committee.

The Company's internal control systems are commensurate with the nature of its business and the size and complexity of its operations. These are routinely tested. Significant audit observations and follow up actions thereon are reported to the Audit Committee. The Audit Committee reviews adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations, including those relating to strengthening of the Company's risk management policies and systems.

The Company manages cash and cash flow processes assiduously, involving all parts of the business. The Company's low debt equity ratio provides ample scope for gearing the Balance Sheet, should the need arise.

ICCL's primary objective as a recognised Clearing Corporation providing full novation, is to manage the risk arising out of Clearing and Settlement activities i.e. Regulatory, Credit, Liquidity, Settlement, Collateral, among others. The primary focus is to implement measures that mitigate these risks and minimise potential adverse effects on the performance of the company. ICCL has a sound risk framework, and has established documented policies, procedures and systems and controls to identify measure, monitor and manage such risks. ICCL has a dedicated risk management function and a Risk Management Committee comprising of Independent Directors and outside experts. The Chief Risk Officer has a dual reporting – to the Managing Director & CEO as well as the Risk Management Committee.

Regulatory risk:

The Company operates in areas that are highly regulated

Clearing Corporations (CCPs) have been the focus of the Global as well as Indian Regulators. SEBI introduced the guidelines on stress testing, Core Settlement Guarantee Fund ("Core SGF") and Default Waterfall, to ensure that Indian CCPs are compliant with International benchmarks and regulations, including the Principles for Financial Market Infrastructures ("PFMI") issued by the Committee on Payments and Market Infrastructures ("CPMI") and the International Organisation of Securities Commissions ("IOSCO") and the European Market Infrastructure Regulation ("EMIR"). IOSCO has issued discussion papers on Recovery and Resolution and Cyber Risk, areas which are expected to witness regulatory guidance in the next few years. The CPMI and the IOSCO continue to closely monitor the implementation of the PFMI. The Third Update to the Level 1 Assessment Report of the Implementation Monitoring of PFMIs has accorded India with the highest rating of 4. SEBI being a member of IOSCO, these international regulatory changes would impact ICCL. ICCL has received Third Country Central Counterparty ("TC-CCP") recognition from the European Securities and Markets Authority ("ESMA") under EMIR on September 27, 2017. ICCL has also received temporary recognition pursuant to the UK Statutory Instrument the Central Counterparties (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2018 ("the SI"). The Temporary Recognition Regime ("TRR") will enable ICCL to provide clearing services and activities in the UK for up to three years from the commencement of the TRR, extendable by HM Treasury in increments of twelve months.

The Company continues to focus on remaining well positioned to respond to regulatory developments and further opportunities exist for the Company to deliver solutions to help the market address the changing regulatory environment.

There have been several changes to the form and manner in which recognized stock exchanges must make contributions to a Settlement Guarantee Fund and Core Settlement Guarantee Fund in the last few years. Should SEBI in the future vary the required contribution amounts to the Settlement Guarantee Fund, the Company may have to contribute more of profit to the Settlement Guarantee Fund which could materially and adversely affect the Company's financial ability. The regulatory team keeps a track regarding the amendments in SEBI circulars/regulations pertaining to such settlement guarantee fund.

Liquidity risk:
The Company holds a significant amount of cash and securities deposited by clearing members as margin or default funds.
Potential liquidity risks faced by the Company includes:

- Margin payments: Open positions are settled at least daily. The Company has to ensure that sufficient funds are available to fulfil their obligations
- Market disruptions: Such as unusual market volatility driving large margin movements; liquidity squeezes in the cash or securities markets and central bank action.
- Failed settlements: Arise when a member fails to deliver funds or securities, leaving the Company short of funds or securities which may have been designated to meet the obligations of another member.

The Company monitors its liquidity needs daily using stressed assumptions and reports to the Risk committee.

ICCL has created a dedicated Core Settlement Guarantee Fund (Core SGF), which is readily and unconditionally available to meet settlement obligations of ICCL in case of clearing member(s) failing to honour settlement obligation.

ICCL maintains a dedicated Core SGF for each segment, effectively ring fencing each segment of ICCL from defaults in other segments. ICCL carries out daily stress tests for credit risk, daily liquidity stress test to assess the adequacy of liquidity arrangements, periodic reverse stress tests and daily back tests for adequacy of margins. ICCL maintains a Business Continuity Plan ("BCP") and Disaster Recovery ("DR") Plan for systems as well as manpower. ICCL has a far DR, situated in a different seismic zone.

ICCL provides full novation and has the responsibility of guaranteeing contractual performance by playing the role of a central counterparty for all trades on BSE, thereby eliminating counterparty risk for the members. In essence, it splits the original contract between the initiating counterparties into two new contracts; one each between ICCL and the initiating counterparties. ICCL has put in place a risk management framework to mitigate the risk it undertakes in its capacity as a Clearing Corporation.

Further, as a second line of defence to the margining and risk management systems, ICCL has subscribed to the Insurance policy. As per the default waterfall, in the case of loss arising out of defaults, the capital of Clearing Corporation and its non-defaulting members would be at risk. The magnitude of potential loss due to default that a clearing corporation can undertake without affecting the capital of non-defaulting members is contingent upon the networth of the Clearing Corporation and additional capital cushions, which insulate the default loss and the non-defaulting members' resources.

ICCL remains committed to the safety of investors and members and to further add to this security, ICCL has subscribed to a unique Insurance Policy for INR 415 Crore across all segments. The objective of the Policy is to protect ICCL against counterparty defaults, and add a further capital cushion to the ICCL net-worth making the resources of the non- defaulting members even safer. The policy also adds to the ability of ICCL to absorb higher losses before any resources of the non-defaulting members are put at risk.

ICCL, with its net-worth of over INR 500 Crore, is well capitalized and instils a high level of confidence in its members and investors in the ability of ICCL to handle extreme loss situations. The additional capital cushion of INR 390 Crore, provided by the Insurance cover, along with the net-worth covers nearly 3 times the Core SGF requirement of ICCL and further increases the safety for domestic and international participants alike.

ICCL conducts daily liquidity stress tests on a hypothetical stress scenario basis to ensure that it maintains sufficient liquid resources to manage liquidity risk from its clearing members. ICCL carries out the stress tests on the liquidity position by assuming the default of the two clearing participants to which it has the largest exposures in equity derivatives and currency derivatives segment. In addition, ICCL has lines of credit with various commercial banks in excess of its entire average daily funds pay-out, to build redundancy in case of one or more banks being unable to provide the liquidity support. The investments made in liquid resources are based on ICCL's investment policy, which is periodically reviewed by its investment committee and duly approved by its audit committee and the board of directors. The investment policy specifies the quality as well as exposure limits for each type of the qualified liquid resources.

The management monitors the Company's net liquidity position through forecasts on the basis of expected cash flows. The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2019 and March 31, 2018

As at March 31, 2019: **₹ in lakh**

Particulars	**< 1 year**	**1-5 years**	**> 5 years**	**Total**
Non-current liabilities				
Accrued Employee benefit expenses	-	51	-	51
Total Non-Current Liabilities	**-**	**51**	**-**	**51**
Current Liabilities				
Deposits and Margin Received	39,542	-	-	39,542
Settlement Obligation Payable	4,729	-	-	4,729
Accrued Employee benefit expenses	195	-	-	195
Others Clearing Settlement Liability	11,551	-	-	11,551
Trade Payable	139	-	-	139
Others	6	-	-	6
Total Current Liabilities	**56,162**	**-**	**-**	**56,162**

As at March 31, 2018: **₹ in lakh**

Particulars	**< 1 year**	**1-5 years**	**> 5 years**	**Total**
Non-current liabilities				
Accrued Employee benefit expenses	-	48	-	48
Total Non-Current Liabilities	**-**	**48**	**-**	**48**
Current Liabilities				
Deposits and Margin Received	37,820	-	-	37,820
Settlement Obligation Payable	40,176	-	-	40,176
Accrued Employee benefit expenses	169	-	-	169
Others Clearing Settlement Liability	12,335	-	-	12,335
Trade Payable	149	-	-	149
Others	5	-	-	5
Total Current Liabilities	**90,654**	**-**	**-**	**90,654**

Credit risk:

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration risks. The Company has adopted a policy of obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above.

The Company provides a counterparty guarantee to its clearing members to guarantee performance and completion of the settlement of trades. By acting as guarantor in this manner, ICCL is exposed to potential losses should a clearing member defaults. The Company protects against the risk of defaults by a clearing member before it has settled its outstanding transactions, we require the clearing member to deposit margins and collateral, at least 50% of which must be in the form of cash and cash equivalents. The Company is also required to maintain a Core Settlement Guarantee Fund as mentioned above.

Foreign Currency risk

The Company's exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in U.S. dollars and euros). Insignificant portion of the Company's revenues insignificant portion are in these foreign currencies, while a significant portion of its costs are in Indian rupees.

While the exchange rate between the Indian rupee and these foreign currencies has changed substantially in recent periods and may continue to fluctuate substantially in the future, the company is not much exposed to foreign currency risk.

Clearing and settlement risk:

Our clearing services guarantee final settlement of trades and manage counterparty risk for a range of assets and instruments including cash equities, derivatives, interbank collateralised money loans and Government bonds. The financial risks associated with clearing operations are further mitigated by strict membership rules including supervisory capital, technical and organisational criteria. The maintenance of prudent levels of margin and default funds to cover exposures to participants. Each member deposits margins, computed at least daily, to cover the theoretical costs which the clearing service would incur in order to close out open positions in the event of the member's default.

Investment (Market and Custody) risk:

The Company limits its exposure to credit risk by making investment as per the Investment Policy. Further Investment Committee of the company reviews the investment portfolio on every two months and recommend or provide suggestion to the management. The company does not expect any losses from non- performance by these Investments, and does not have any significant concentration of exposures to any specific industry sector.

The company is mainly exposed to market the investment price risk due to its investment in mutual funds and other quoted investments. The market risk arises due to uncertainties about the future market values of these investments. However, ICCL had divested its entire holding in Corporate Bonds this year in 2017, and the market risk of the current Investment portfolio is quite low.

The Investments are also exposed to Custody Risk on its Investment portfolio, due to the remote probability of an issuer or Bank or Custodian of assets defaulting and / or going bankrupt / insolvent.

In order to manage its market and custody risk arising from above, the company diversifies its portfolio in accordance with the limits set by the risk management policies. Further, the treasury department reviews the investments made in order to ensure compliance with its investment policy for the exposure and credit category of its mutual fund portfolios.

Other risks:

Since ICCL is a clearing and settlement agency, its performance is dependent upon the trading activity on BSE's trading platform, the number of active traders in the market, the number of new/further listings and the amount of capital raised through such listings.

• Adverse economic conditions could negatively affect the business, financial condition and results of operations.
• The industry ICCL operates in is highly competitive and ICCL competes with a broad range of market participants for clearing and settlement volumes.
• ICCL operates in a business environment that continues to experience significant and rapid regulatory and technological changes.
• ICCL operates in a highly regulated industry and may be subject to censures, fines and other legal proceedings if it fails to comply with its legal and regulatory obligations. Changes in government policies could adversely affect trading volumes of instruments traded on the exchange and hence the settlement volumes of ICCL.
• The continuation or recurrence of systemic events such as the global economic crisis, changes in economic policies and the political situation in India or globally may adversely affect ICCL's performance.

Interoperability of Clearing Corporations
SEBI has issued a Circular regarding implementation of Interoperability of Clearing Corporations, which is expected to be implemented wef June 1, 2019. Post implementation of Interoperability, Clearing Members may clear trades executed on exchanges through their preferred Clearing Corporations. While, this may result in an increase in clearing volume of ICCL, there is also a risk that ICCL may lose its clearing volumes to other Clearing Corporations.

Capital Management
The Company manages its capital to ensure that entity will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance and internal accrual funds.

The capital structure of the Company consists of only equity (comprising issued capital, reserves, and retained earnings), there are no external borrowings.

The capital structure of the Company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. The Company considers the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The company policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, or if necessary adjust, its capital structure.
The management monitors the return on capital as well as the level of dividends to shareholders. The Company's goal is to continue to be able to provide return by it to shareholders by continuing to distribute dividends in future periods.

Compliance with externally imposed capital requirements:

Capital requirement of the Company is regulated by Securities and Exchange Board of India (SEBI). As per SEBI notification dated June 20, 2012 Clearing corporation shall be mandated to build up to the prescribed net worth of ₹ 300 Crore over a period of three years from the date of notification. As per SECC Regulations 2018, "Every recognized clearing corporation shall maintain, at all times, a minimum net worth of one hundred crore rupees or capital as determined under regulation 14(3)(a) and 14(3)(b), whichever is higher." Minimum requirement of net worth is maintained throughout the period from effective date of notification. ICCL has been compliant with the capital requirement since the date of notification.

Categories of Financial Instruments — **₹ in lakh**

Particulars	Carrying Value		Fair Value	
	As at			
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
i) Financial assets				
(a) Measured at Amortised Cost				
Trade receivable	194	54	194	54
Cash and cash equivalents	38,191	73,399	38,191	73,399
Bank Balances other than Cash and cash Equivalents	74,182	79,049	74,182	79,049
Loans	12	13	12	13
Other financial assets	4,790	2,081	4,790	2,081
ii) Financial Liabilities				
(a) Measured at Amortised Cost				
Trade payables	139	149	139	149
Other financial liabilities	56,074	90,553	56,074	90,553

Level wise disclosure of fair value measurement of financial instruments

₹ in lakh

Particulars	Fair values As at		Fair Value Hierarchy
	March 31, 2019	March 31, 2018	
Financial assets			
Trade receivable	194	54	Level 3
Cash and cash equivalents	38,191	73,399	Level 1
Bank Balances other than Cash and cash Equivalents	74,182	79,049	Level 2
Loans	12	13	Level 3
Other financial assets	4,790	2,081	Level 3
Financial Liabilities			
Trade payables	139	149	Level 3
Other financial liabilities	56,074	90,553	Level 3

There were no transfers between Level 1 and 2 in the period.

38. Trade receivables:

The average credit period provided to customers is 0 to 60 days. Interest may be charged on overdue trade receivables. Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.
Before accepting any new customer, the Company assess the potential customer's credit quality and defines credit limits of customer.
Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts (which include interest accrued after the receivable is more than 180 days outstanding) are still considered recoverable. The Company generally hold collateral over these balances and having legal right of offset against any amounts owed by the Company to the counterparty.

The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

39. Income Tax Expense:
The following are the details of income tax assets as of March 31, 2019, March 31, 2018.

₹ in lakh

Particulars	**As at March 31, 2019**	**As at March 31, 2018**
Net Current tax at the beginning (Assets)	1,357	1,475
Current Income Tax provision including earlier tax adjustment	(359)	(616)
Income tax paid (Including TDS)	911	498
Balance at the end	**1,909**	**1,357**

A reconciliation of Income tax provision to the amount computed by applying the income tax rate to the profit before tax for year ended March 31, 2019 and March 31, 2018.

₹ in lakh

Particular	**For the year ended March 31, 2019**	**For the year ended March 31, 2018**
Profit before tax from continuing operations	1,956	3,757
Income tax expense calculated at 34.944% **(A)**	684	1,300
Adjustment:		
Effect of income that is exempt from taxation	167	178
Effect of expenses that are not deductible in determining taxable profit	(47)	(103)
Effect of Carried forward losses under tax	648	1,237
Total (B)	**768**	**1,312**
Adjustments recognised in the current year in relation to the current tax of prior years (C)	-	95
Income tax expense recognised in profit or loss (relating to continuing operations) **(A-B-C)**	(84)	(107)

40. The financial statements were approved for issue by the board of directors in their meeting held on April 18, 2019.

41. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

In terms of our report attached
For **S. Panse & Co.**
Chartered Accountants
Firm Reg. No.: 113470W

Supriya Panse
Partner
Membership No.: 46607
Place: Mumbai
Date: April 18, 2019

For and on behalf of the Board of Directors

S. Sundareshan
Chairman

Devika Shah
Managing Director & CEO

Myna Venkatraman
Chief Financial Officer

Shilpa Pawar
Company Secretary