

Information Memorandum

Indian Commodity Exchange Limited (“ICEX”)



February 2018

Consultant/Investment Banker
Keynote Corporate Services Limited



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1. Disclaimer and Important Notice

This Information Memorandum (hereinafter referred to as the “IM”) has been prepared by Keynote Corporate Services Limited (“Keynote”) based on the information provided by the management of MMTC Limited (hereinafter referred to as “MMTC”). This IM has been prepared for the purposes of providing information on the Indian Commodity Exchange Limited (hereinafter referred to as “ICEX” or “Company”). This information is being provided for the limited purposes of enabling the recipients to be appraised of the basic details of ICEX and no other purpose.

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Mr. Nipun Lodha

Head of Investment Banking

Keynote Corporate Service Limited

The Ruby, 9th Floor
Senapati Bapat Marg
Dadar (West), Mumbai – 400028

Email: nipun@keynoteindia.net

Tel: +91 22 30266000

Mr. Shwetank Jain

Associate – Investment Banking

Keynote Corporate Service Limited

The Ruby, 9th Floor
Senapati Bapat Marg
Dadar (West), Mumbai – 400028

Email: shwetank@keynoteindia.net

Tel: +91 22 302660000

2. Submission of Expression of Interest

2.1 Introduction

MMTC Limited (“MMTC”) holds 9.55% shareholding in Indian Commodity Exchange Limited (“ICEX”) in the form of fully paid-up 32,000,000 equity share of ICEX having a face value of INR 5.00/- each. MMTC intends to divest all of its 9.55% equity shareholding in ICEX through a competitive bidding process. The minimum reserve price and the minimum number of shares to be acquired by the bidder shall be INR 10.00/- and 3,350,000 shares (equivalent to 1% shareholding in ICEX) respectively. The bidders shall be required to adhere to SEBI guidelines related to ownership, net-worth, fit and proper criteria, etc of the Commodity Derivatives Market Regulation Department. Divestment of all of MMTC’s 9.55% equity shareholding in ICEX will be subject to few restrictions and approval requirements, which shall be sought at appropriate time.

The proposed divestment by MMTC is hereinafter referred to as the “Transaction”.

An Information Memorandum (“IM”) has been prepared to enable potential bidders to submit their bid.

Keynote Corporate Services Limited (“Keynote”) has been appointed as the consultant and investment banker for the transaction.

2.2 Advertisement

An advertisement (“Advertisement”) dated **20th February 2018** has been issued in business newspapers inviting interested parties to submit their bid to participate in the divestment process. MMTC reserves the right to terminate or alter the Transaction at any stage, without prior notice or assigning any reasons whatsoever and without incurring any liability in respect thereof.

This IM along with its annexures does not constitute any commitment on the part of MMTC or any of their respective officers, employees, advisors or agents, whether in respect of the divestment process or otherwise. Furthermore, this invitation confers neither any right nor expectation to any other subsequent additions and modifications thereof.

MMTC reserves the right to withdraw from the Transaction or any part thereof, to accept or reject any or all offers at any stage of the Transaction and/modify the process or any part thereof or to vary any terms at any time without assigning any reason whatsoever. In such an event no financial obligation whatsoever shall accrue to MMTC or any of their respective officers, employees, advisors or agents.

2.3 Bidding Process

- Interested parties shall be required to submit their respective bids in the format specified in Annexure I labelled “Expression of Interest”
- All bids shall be submitted in Indian Rupees (INR) only
- MMTC reserves the right to accept or reject any or all applications at its sole discretion without giving any reasons thereof

2.4 Filing Requirements

Interested parties shall submit their bids and shall ensure that the bid is complete as to requirements of the specified documents. The minimum bidding lot shall not be less than 1% of the paid up capital of ICEX. Hence, bidders have to submit minimum bidding lot of 3,350,000 shares.

The bid must be signed by a duly authorized representative of the interested party.

Interested parties shall be entitled to submit only one bid. Multiple bids by the same entity shall be rejected.

The bid shall be submitted not later than 17:00 hours (Indian Standard Time) on **March 16th, 2018** in the prescribed format at the following addresses/via e-mail:

Mr. Shwetank Jain, Keynote Corporate Services Limited
The Ruby, 9th Floor, Senapati Bapat Marg
Dadar (West), Mumbai – 400028
Phone: +91 22 30266000
Email: shwetank@keynoteindia.net

In case the bid is submitted by e-mail, then the bid shall be the scanned copy of the actual signed document. Further, the bidder shall be required to send the original signed bid document in the physical form to the above mentioned address within 3 working days from the email submission.

2.5 Disqualification

MMTC shall not consider any bid that is found to be incomplete in content and/or attachments and/or legal capacity/authenticity.

Without prejudice to any other rights or remedies available to MMTC, the bidder may be disqualified and its bid dropped from further consideration for any reason whatsoever including but not limited to those listed below:

- Misrepresentation by the bidder; or
- Failure on the part of the parties interested to provide necessary and sufficient information required to be provided in the bid

2.6 Future Process

The bidder(s) shortlisted for the next stage will be communicated via e-mail. The shortlisted bidder(s) will be provided access to further data including Annual Reports and other documents. The binding bids will be invited within a period of 10 days once the shortlist is communicated to the shortlisted bidder(s). The format and formalities related to binding bid will be communicated in due-course.

3. Information about ICEX

3.1 Background and History

With the approval of Board of Directors in their 350th meeting held on September 7th, 2007, MMTC participated in setting up a joint venture in association with India Bulls Financial Services Limited (“IBFSL”) for setting up a national commodity exchange.

MMTC and IBFSL submitted application for setting up of national commodity exchange and pursuant to the application, Forward Markets Commission (“FMC”) granted in principal approval vide letter dated July 17th, 2008. A company by the name of International Multi-Commodity Exchange (subsequently renamed as Indian Commodity Exchange Limited or “ICEX”) was incorporated on August, 12th 2008.

FMC granted recognition to ICEX on October 9th, 2009 and commercial operations commenced on November 27th, 2009.

A shareholder agreement dated February 12th, 2009 was signed between MMTC, IBFSL and ICEX. IBFSL and MMTC held 40% and 26% in ICEX respectively. The balance 34% shareholding was held by other investors. The shareholder agreement provided for Affirmative Voting Rights to MMTC on account of its 26% shareholding in ICEX.

Subsequently in December 2010, IBFSL transferred 26% shareholding in ICEX to Reliance Exchange Next Infrastructure Limited (“R Next”) and in January 2016 MMTC sold 10% stake in ICEX to Bharti Airtel group veteran Akhil Gupta and another Delhi-based investor, Vijay Sharma of BN Enterprises.

3.2 Significant Communication by FMC

Poor financial performance during FY13-14 and eroding net worth led to the ICEX suspending trading operations in April, 2014 causing the following letters being issued by the FMC:

- FMC issued a letter for Revocation of Exchange Recognition and asking for explanation vide letter No. 9/8/2013-MD-I dt. 03.07.2014
- FMC issued a letter for Business Plan for Continuation of the Exchange and SGF details vide letter No. 9/8/2013-MD-I dt. 07.08.2014
- FMC issued a letter for Revival Plan for Continuation of the Exchange by 20.09.2014 vide letter No. 9/8/2013-MD-I dt. 04.09.2014
- FMC issued a directive order to refund the Members’ BMC and TMC (Deposits) vide letter No. 9/1/2014-MKT-I (Vol-II) dt. 19.05.2015 to Exchange.
 - The Exchange refunded the BMC & TMC deposit from its SGF account
- FMC issued a Show cause notice for cancellation Exchange Recognition vide letter No. 9/8/2013-MD-I dt. 02.06.2015 & 9/8/2013 MD-I dt. 01.07.2015
 - The Exchange submitted to FMC timeline based milestones for revival of Exchange

ICEX’s main shareholders were thus to present a credible Revival Plan before FMC to prevent the government from cancelling its licence.

3.3 Revival of Exchange

Post the preparation and submission of the Revival Plan, the Board further decided to recapitalize and restart the operations of the Exchange, regularizing all compliance and re-setting up infrastructure & resources in the process.

- On April 8th, 2016 the Exchange closed a rights issue of INR 500 mn at 100% premium of INR 5.00/- per share on a face value of INR 5.00/- per share
- ICEX completed a second Rights Issue of INR 850 mn on March 9th, 2017 at 100% premium of INR 5.00/- per share on a face value of INR 5.00/- per share
- MMTC did not participate in either Rights Issue, hence post Rights issue, MMTC stake stands at 9.55%

ICEX, which was then regulated by the Securities and Exchange Board of India (SEBI) successfully, complied with all SEBI mandated norms prescribed for the commodity exchanges, and implemented world-class technology and risk management systems in order to reinstate operations. To revive the Exchange, a new management team has been appointed and ICEX has successfully built the core team and has also been able to attract human resource with deep domain knowledge and experience in Exchange industry to further strengthen the departments.

Realizing the key role that technology plays in the exchange industry ICEX has also tied up with leading technology provider Millennium IT (Part of London Stock Exchange Group) for exchange software.

SEBI vide its letter dated July 7th, 2017 granted approval to ICEX for re-commencement of the trading operations. ICEX also subsequently received approval from SEBI for its Diamond, Light Sweet Crude Oil (WTI) & Brent Crude Oil contracts.

3.4 Current Scenario

ICEX is currently a deemed recognized Stock exchange under the Securities Contract Regulations Act, 1956 in terms of Section 131(B) of Finance Act, 2015 pursuant to the central Government notification dated August 28th, 2015 having demutualised corporate structure and providing a nation-wide online trading platform in commodity derivative, with best international practices in online trading, clearing and settlement.

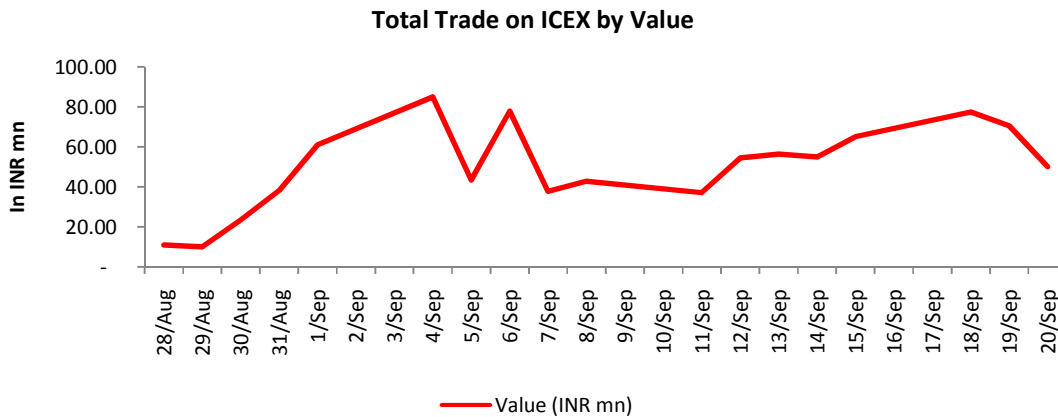
ICEX offers an electronic, transparent and high technology platform for trading in commodity futures. The Company facilitates online trading and clearing & settlement of commodity future transactions, thereby providing a platform for risk management. It focuses on providing commodity value chain participants with neutral, secure and transparent trade mechanisms and formulating quality parameters and trade regulations in conformity with the regulatory framework.

It aims to fulfil the objectives of the National Agricultural Policy Statement declared by the Government of India in the year 2000 that the price discovery and risk management benefits of the commodity derivatives market should reach to the producers.

3.5 Business Status

With 59 registered members as of June 2017, inclusive of 14 members from the Diamond industry, ICEX has launched the world’s first diamond futures contract on August 28th to provide exporters with a hedging tool. The ICEX only allows trade in natural diamonds and the 1 carat contract for expiry in November, December and January has a delivery centre at Surat.

At the launch, the first diamond contract for delivery in November was traded at Rs 3,279/cent (one-hundredth of a carat). Its current total trade by value until 20th September 2017 is INR 895.36 mn and the trading volumes by day are displayed below:



After launching monthly contracts, there will be three separate monthly contracts of diamonds having lot sizes of a carat, 50 cents and 30 cents contracts with compulsory delivery in electronic units. The seller will have to deliver diamond stone at the ICEX platform after getting it certified with the exchange-designated certifying agency for quality checks. All stones will also be certified by global major De Beers for genuineness, quality, cut, polish, etc.

Carat 1.01 ct

Carat Weight
1.01 ct

Measurements
6.41 • 6.43 • 3.98mm

Colour H

Colour Grade

D	E	F	G	H	I	J	K	L	M	N
---	---	---	---	---	---	---	---	---	---	---

Fluorescence
None

Your Grading Report Number
XXXXXXXXXX

Summary	
SUN	SUN-100X
Inscription Number	XXXXXXXXXX
Shape	Round Brilliant
Measurements	6.41 • 6.43 • 3.98mm
Carat	1.01 ct
Colour	H
Clarity	VS2
Cut	Excellent
Polish	Excellent
Symmetry	Excellent
Fluorescence	None
Culet	Pointed
Comments	No Stones, Grown, Tilly, No Black or Dark Inclusions

Clarity VS2

Clarity Grade

I1	I2	I3	SI1	SI2	SI3	VS1	VS2	VS3	VS4	VS5	VS6	VS7	VS8	VS9	VS10	VS11	VS12	VS13	VS14	VS15	VS16	VS17	VS18	VS19	VS20	VS21	VS22	VS23	VS24	VS25	VS26	VS27	VS28	VS29	VS30	VS31	VS32	VS33	VS34	VS35	VS36	VS37	VS38	VS39	VS40	VS41	VS42	VS43	VS44	VS45	VS46	VS47	VS48	VS49	VS50
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Symbols
Ovoid
Crest
Feather

Cut Excellent

Cut Grade

EXCELLENT	VERY GOOD	GOOD	FAIR	POOR
-----------	-----------	------	------	------

Shape
Round Brilliant

Polish
Excellent

Cut Grade
Excellent

Symmetry
Excellent

International Institute of Diamond Grading & Research
110 Cannon House Terrace
London EC3A 3AF
United Kingdom
www-IIDGR.com

Upon certification, the physical stone will be deposited in the exchange-appointed vault at Surat. Malca, the world's largest courier of diamonds, is the depository and transporter for the same through its Indian arm Malca Amit.

Once the stone is deposited, electronic units equivalent to the weight will be created and transferred into the account of the seller. At the time of contract expiry, the electronic units shall be delivered at the exchange platform. The buyer shall get electronic units in his account at the time of expiry. For the delivery of stone in physical form, the buyer has to accumulate the units' equivalent to the stone size in the contract.

ICEX is creating entirely a new market, where sellers can offload their certified quality diamonds among different sets of buyers. The launch of diamond futures trading on ICEX will mean the price discovery of diamonds will now happen out of India, and based on the demand and supply.

3.6 Financials

Income Statement (In INR mn)	FY15	FY16	FY17	1Q 18
Revenue from Operations	0.05	0.04	13.02	5.06
Other Income	2.30	7.10	30.12	6.33
Total Revenue	2.36	7.14	43.14	11.38
Expenses				
Operating Costs	23.93	32.34	71.46	11.59
Employee Benefit Expenses	13.26	25.01	68.51	17.60
Other Expenses	32.15	19.10	46.17	8.04
Total Expenses	69.34	76.45	186.15	37.23
EBITDA	(66.99)	(69.32)	(143.01)	(25.85)
Financial Costs	0.01	0.00	0.10	0.00
Depreciation	14.56	5.24	5.48	3.85
Profit before Tax	(81.56)	(74.56)	(148.58)	(29.70)
Tax	-	-	-	-
PAT	(81.56)	(74.56)	(148.58)	(29.70)

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Balance Sheet (in INR mn)	FY15	FY16	FY17
Share Capital	1,000.00	1,000.00	1,675.00
Reserves and Capital	(1,009.89)	(961.91)	(535.50)
Total Shareholders' Funds	(9.89)	38.09	1,139.50
Share Application Money Pending Allotment	-	250.00	-
Settlement Guarantee Fund	165.21	-	103.50
Non-Current Liabilities			
Long-term Provisions	0.87	0.60	2.91
Current Liabilities			
Trade Payables	6.23	6.15	6.44
Other Current Liabilities	56.52	6.04	13.67
Short-Term Provisions	18.15	81.71	70.49
Total Current Liabilities	80.90	93.90	90.60
Total Liabilities and Equity	237.09	382.59	1,336.50
Non-Current Assets			
Fixes Assets			
Tangible Assets	5.51	4.19	17.07
Intangible Assets	0.05	0.16	10.40
Long Term Loans and Advances	0.08	2.23	2.59
Other Non-Current Assets	-	0.12	-
Total Non-Current Assets	5.64	6.71	30.06
Current Assets			
Current Investments	-	-	818.10
Receivables	1.61	-	-
Cash and Bank Balances	167.58	285.73	357.91
Short Term Loans and Advances	62.26	86.35	119.83
Other Current Assets	-	3.80	10.60
Total Current Assets	231.45	375.88	1,306.44
Total Assets	237.09	382.59	1,336.50

3.7 Directors, Management & Employees of ICEX

ICEX has successfully built the core team and also been able to attract human resource with deep domain knowledge and experience in Exchange industry to further strengthen the departments. As on March 31st, 2017 the Company had 52 employees, against 44 employees as on March 31st, 2016. As a part of the strategy to improve operational efficiency, the Company regularly organizes in-house and external training programs for its employees. The following is a brief profile of the Directors:

Name	Profile
Mr. Sanjit Prasad <i>Managing Director & CEO</i>	Mr. Prasad has been part of Indian Commodities and Currency Markets for more than a decade, playing a pivotal role in the development of commodity and currency derivatives market in India. He has rich experience in product designing and has successfully launched Commodities contracts like Gold, Silver, Crude, Copper, Mentha, Potato and CPO at Multi Commodity Exchange Limited (MCX). In his prior organization MCX and MCX-SX, he has built and led the largest department in the organization with Pan-India team of 40-45 business developments representatives since 2004.
Mr. Ajit Kumar Mittal <i>Nominee Director – IBFSL</i>	Mr. Mittal, with over twenty years of experience with the Reserve Bank of India, has an excellent grasp of regulatory, financial services, governance and compliance related matters. He holds a Masters Degree in Management from University of Illinois, U.S.A in addition to a Master’s Degree in Economics
Mr. Ashok Sinha <i>Public Interest Director</i>	Mr. Sinha is a former member of Indian Administrative Service and has worked for the State of Maharashtra and Central Government of India in various capacities. He has also served as the Managing Director of MAFCO Limited and CIDCO limited. He holds Master’s degree in Physics and Financial management and is an alumnus of Delhi University, Cambridge University, U.K. and Jamnalal Bajaj Institute, Mumbai.
Mrs. D. Vijayalakshmi <i>Public Interest Director</i>	Mrs. Vijayalakshmi is a post graduate in Economics from Madras University and presently working as Chair Professor (Life Insurance) at National Insurance Academy, Pune. She also worked with LIC from 1977 to 2013 and retired as Executive Director from Investment Department of LIC dealing with Risk Management and Research.
Mr. Lav Chaturvedi <i>Nominee Director - R-Next</i>	Mr. Chaturvedi is presently working as Chief Risk Officer for Reliance Capital. Associated with the Reliance Group since October 2008 and he is responsible for assessing and managing enterprise-wide risks at the group level across all businesses and geographies and risk aggregation for centralized risk and capital management. He has been instrumental in developing best-in-class risk management capabilities and culture by creating a clear direct line of sight from risk management to stakeholder value. Before this he was the Head, Risk Management in Reliance Mutual Fund
Mr. Parvinder Singh Gahlaut <i>Nominee Director – IPL</i>	Dr. Gahlaut is Managing Director of India Potash Limited. He has been associated with Indian Fertiliser Industry for more than 35 years. He is a former Chairman of The Fertilizer Association of India (FAI) and is currently Vice President – South Asia, International Fertilizer Industry Association (IFA). He was also Chairman of several agriculture and environment related projects implemented in India. Dr. Gahlaut is a Post Graduate in Chemistry and a Doctorate in Business Management.
Mr Radhkrishnan Nair <i>Public Interest Director</i>	Mr. Nair was in-charge of Finance, Investments and Anti-Money Laundering Department Insurance Regulatory and Development Authority (IRDA), Hyderabad India. In SEBI Mr. Nair was in-charge of several departments and regional offices. He also served as the interface between the Ministry of Finance, Government of India and SEBI in the areas of Parliamentary Committees and several statutory bodies.

3.8 Offices of ICEX

ICEX has a head office located in Mumbai and has regional offices spread across the country which covers agri-belt, with a vision to encourage participation of farmers, traders and actual users to hedge their positions against the wide price fluctuations in the commodity market.

Registered Office	Corporate Office
1st Floor, Office-109, Nodh No.-1158 to 63/65/9, Hat Faliyu, Mahidharpura, Surat, Gujarat - 395003, India. Tel.No. +91-261-260 9960/300 9960	Reliable Tech Park, 403-A, B-Wing, 4th Floor, Thane – Belapur Road, Airoli, Navi Mumbai-400708, India. Tel. No. : +91-22-40381500 Fax No. : +91-22-40381511

3.9 Shareholding Pattern

Share capital of Exchange as on March 31st, 2017 is INR 1,675 mn and net worth of INR 1,240 mn. The current shareholding pattern of ICEX is as:

Shareholder's Name	No. of Shares	% Holding
Reliance Exchangenext Limited	87,100,000.00	26.00%
Indiabulls Housing Finance Limited	35,000,000.00	10.45%
MMTC Limited	32,000,000.00	9.55%
Abinay Trading Private Limited	28,000,000.00	8.36%
Indian Potash Limited	26,800,000.00	8.00%
Akhil Kumar Gupta	16,750,000.00	5.00%
Vijay Sharma	16,750,000.00	5.00%
Asian Star Company Limited	16,750,000.00	5.00%
Adventz Finance Private Limited	15,000,000.00	4.48%
Krishak Bharti Cooperative Limited	13,400,000.00	4.00%
IDFC Bank Limited	10,000,000.00	2.99%
Uday Suresh Shah	6,000,000.00	1.79%
Vinod Chopra Films Private Limited	5,775,000.00	1.72%
Ohm Equity Solution India Private Limited	5,750,000.00	1.72%
NJ India Invest Private Limited	5,000,000.00	1.49%
Vinod Dinanath Chopra	5,000,000.00	1.49%
Rajan Jetley	2,500,000.00	0.75%
Indo Pacific Investment Private Limited	2,500,000.00	0.75%
Aamir Khan	2,000,000.00	0.60%
Priti Romy Mehta	1,675,000.00	0.50%
Ranbir Rishi Kapoor	1,000,000.00	0.30%
Sneha Bimal Parekh	250,000.00	0.07%

3.10 Future Prospects

Product Launches

The ICEX plans to introduce newer, innovative products and new segments. A list of the potential products as per the revival plan is as follows:

<u>Non-Agri Products</u>	<u>Agri Products</u>
<ul style="list-style-type: none"> • Diamond • Brent Crude Oil • Plastic* 	<ul style="list-style-type: none"> • Cotton* • Basmati Paddy*

* Subject to Regulatory Approval

Projections

The estimates for the volume by value/turnover for the first year of operations and the growth of certain key drivers are depicted in the two tables below:

Details (In INR bn)	Diamond Import	Diamond Export	Brent Crude Oil	Paddy	Cotton
Annual Production/Consumption/Trade			1,560 mm bbl	10 mm MTs	35 mm bales
Physical Trade Value	1,300.00	1,640.00	4,791.09	155.11	621.45
Physical to futures multiple	20.0x	20.0x	20.0x	20.0x	20.0x
Potential Annual turnover in future contract	26,000.00	32,800.00	95,821.73	3,102.18	12,428.91
No. of Potential Trading Days	250 Days	250 Days	250 Days	250 Days	250 Days
Market Potential Daily Turnover at full maturity	104.00	131.20	383.29	12.41	49.72
Expected % Turnover to ICEX	1.25%	1.25%	0.99%	1.00%	1.00%
Average Expected ICEX Turnover in First Year	1.30	1.64	3.79	0.12	0.50
Total ICEX Average Daily Volume for First Year					7.35

Sources: Management Estimates, Care Ratings, Federation of Indian Petroleum Industry, ET Bureau, Cotton Corporation India, Department of Commerce

Details* (INR mn)	First Year	Second Year	Third Year	Fourth Year	Fifth Year
Average Daily Turnover One Side	7,347	14,694	23,510	29,388	33,796
Members at the End of Year	521	821	1,071	1,221	1,321

*Volume growth indicated above is in line with the historical volume growth experience in the domestic exchanges

The detailed projected income statement from FY18 to FY22 can be seen below:

Income Statement*(In INR mn)	FY2018P	FY2019P	FY2020P	FY2021P	FY2022P
Revenue from Operations	166.41	321.45	382.81	387.23	402.39
Other Income	32.21	64.11	88.35	124.93	176.72
Total Revenue	198.62	385.56	471.16	512.16	579.11
Expenses					
Operating Costs	118.78	66.11	30.54	24.93	29.98
Employee Benefit Expenses	109.56	69.92	43.20	52.64	76.46
Other Expenses	202.02	124.57	65.00	68.38	91.67
Total Expenses	430.36	260.60	138.75	145.95	198.11
EBITDA	(231.74)	124.96	332.40	366.21	381.00
Financial Costs	-	-	-	-	-
Depreciation	11.89	21.96	18.79	17.34	17.86
Profit before Tax	(243.63)	103.00	313.62	348.87	363.14
Tax	-	27.29	83.11	92.45	96.23
PAT	(243.63)	75.70	230.51	256.42	266.91

**On a standalone basis not considering the subsequent effect of the merger mentioned below*

Amalgamation & Merger

National Multi Commodity Exchange “NMCE”, India’s first demutualized online National multi commodities exchange, has decided to merge with ICEX on July 3rd 2017.

The merger has been approved by the Boards of both exchange but is subject to regulatory approvals.

The proposed merger will create India’s third largest commodities exchange, offering a wide range of contracts including Bullion, Energy, Diamond, Rubber and other Agri-commodities. The merger will not only help both the exchanges to face competition amid tight regulatory regime but also result into greater financial strength, consolidation of clients and members, enhanced product basket and higher operational synergies.

ICEX shareholders will hold 62.8% stake while NMCE shareholders own 37.2% in ICEX, post merger, based upon agreed swap ratio.

The merged entity will have prominent shareholders from both exchanges including: Indian Potash, Krishak Bharti Cooperative (Kribhco), IDFC Bank, Indiabulls Housing Finance, Reliance Capital, Bajaj Holdings, Central Warehousing Corporation, Punjab National Bank National Agriculture Co-operative Marketing Federation of India, and Gujarat Agro Industries.

3.11 Key Differentiators

The difference between market leader and second largest player in the commodity exchange market is so large that it creates an opportunity for a new player to aggressively tap the market and capitalize upon the opportunity.

ICEX is ideally positioned to leverage the huge potential of commodities market and encourage participation of farmers, traders and actual users to benefit from price discovery, risk management and supply chain management in the commodity markets.

Impeccable Lineage

- ICEX is a joint venture between public/private entities
- ICEX has a pan India presence which is only strengthened through its merger with NMCE
- Key stakeholders of ICEX have rich experience in the domain viz commodities, warehousing, financial markets
- Professionally driven exchange with an entrepreneurial mindset
- ICEX aims to remove discrepancy in the commodities market by building transparency in the exchange

Superior Technology

- Speed and accuracy of Application Software is tremendous. It has unique features for faster trading compared to Indian Software
- Fault Tolerant Application Design
- The Electronic trading platform is scalable and flexible, which means new products and functionality can be added quickly and without requiring users to upgrade their own systems
- The platform is fully equipped with leading data security and encryption
- The platform is also marked as easy to use, functionally rich and offers built-in pre trade risk management, a real-time order book and deal ticker and the industry's most sophisticated spread implication engine

Warehousing

- Effective delivery mechanism through public-private warehouses with stringent quality control
- The existing warehouse facilities are great assets in ensuring delivery obligation of market participants
- Efficient delivery mechanism through accredited warehouses
- Independent and professional logistical support

4. Industry Overview

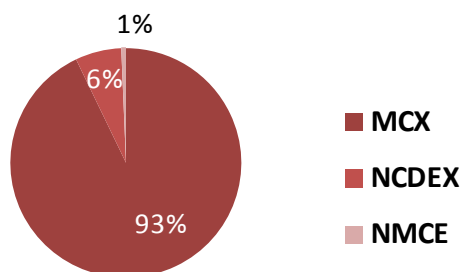
4.1 About the Competition

There exist over 50 commodity futures and options exchanges worldwide that trade commodities ranging from energy, metals, agriculture to livestock in many countries including the United States, China, Japan, Malaysia and the United Kingdom.

In India there are currently four SEBI recognized electronic multi-commodity national exchanges, namely:

- Multi Commodity Exchange of India Limited (MCX)
- National Commodity and Derivatives Exchange Limited (NCDEX)
- National Multi Commodity Exchange Limited (NMCE)
- Indian Commodity Exchange Limited (ICEX)

The total volume of trade by value across all exchanges in 2016-2017 was INR ~755,619 billion. Commodity Exchanges Market Share based on Total Traded Volume in August 2017:



The commodities traded at these exchanges broadly comprise the following:

- Edible oilseeds complexes - Mustard seed, Cottonseed, Soybean oil etc.
- Food grains - Wheat, Gram, Bajra, Maize etc.
- Metals – Gold, Silver, Copper, Zinc etc.
- Spices – Turmeric, Pepper, Jeera etc.
- Fibres – Cotton, Jute etc.
- Others – Sugar, Gur, Rubber, Natural Gas, Crude Oil etc.

Out of the ~113 commodities traded, in terms of value of trade Gold, Crude Oil, Silver, Copper, Natural Gas, Lead, Soy Oil, Zinc, Soybean and Castor seed are the prominently traded commodities.

As of March 2014, the different intermediaries and clients registered at these national exchanges were:

- Members - 5098,
- Warehouse service provider/ warehouse - 42
- Clients - 40,15,781
- Other intermediary - 251

None of the 3 exchanges which became operational after 2008, (United Commodity Exchange, Ace Commodity Exchange & ICEX) when the government allowed setting up of new commodity exchanges, have been sustainable and have had to suspend operations primarily due to lacklustre business performance underpinned by lack of product diversity, tightening regulations due to NSEL payment scandal and imposition of a commodity transaction tax. This scenario is changing due to the evolution of regulations and increasing transparency leading to higher customer confidence.

4.2 About the Commodities

Diamond

Russia is the world's largest producer of diamond, while India is the world's biggest manufacturing centre for cut and polished diamonds. Recently, 12 Indian companies have signed contracts to buy diamonds worth \$2.1 bn in the next three years directly from Russian diamond mining giant ALROSA. Given the size of diamond trade in India, this contract alone can generate a turnover of INR 200,000 mn per day at its full potential.

Since diamond is not traded on any other exchange in India, it will create a window for ICEX penetration in the trading room of large broking houses.

With the receding gold price and escalating diamond price, diamond is slowly becoming investors' delight. It will also catch investors' fancy because a large number of investors want to buy good quality certified diamonds but they cannot afford it.

The idea is to create a mechanism whereby retail investors can buy diamond solitaire units in small denominations, hold it in demat accounts, accumulate it and take delivery on accumulation of predetermined amounts (30 cents, 50 cents, 1 carat), making ICEX Diamond Contract as a benchmark for Diamond pricing across the globe, like what CME is for Gold.

Cotton

The largest players in physical trade of cotton are Cotton Corporation of India (CCI), National Agricultural Cooperative Marketing Federation of India Limited (NAFED), 20 large merchant exporters and large spinning mills.

To increase trading of cotton on the exchange, the following actions can be taken:

- Enter into strategic tie up with CCI and design contracts to enable their participation
- Design the futures contracts in such a manner that it enables local participation as well as hedging with New York Board of Trade (NYBOT) futures

Paddy

India is the largest producer and exporter of Basmati Rice in the world. The production is largely concentrated in Punjab and Haryana and to some extent in MP.

In Basmati Rice, Pusa 1121 is the most common and the largest produced variety. It is a new variety so it is highly standardized as well.

It is a non-perishable commodity and can be stored for 2-3 years without any deterioration. Further, paddy cannot be processed immediately after harvesting. A minimum seasoning (Storage) is required for 7-8 months, otherwise broken percentage goes up. So it's natural 'carry-forward' product because stockiest and mills have to store it.

ICEX can create unique positioning by launching Paddy futures, helping the farmers, millers as well as exporters to discover the price in advance.

Brent Crude Oil

In FY16, India had 230.06 MMT of refining capacity, making it the 2nd largest refiner in Asia, with 38.21% of refining capacity owned by private companies. India also had an oil production of 36.94 MMT in FY16 and was the 3rd largest consumer of crude oil and petroleum products in the world in 2015. The expected increase in demand for primary energy is to increase by 3-fold by 2035.

Crude oil from the North Sea, UK, is known as Brent Crude oil and is considered a pricing benchmark for crude from Europe and Africa. Brent crude oil is the second most traded variety of crude in the world and is currently traded on the MCX and NCDEX.

Various factors such as OPEC output, supply, and spare capacities, weather conditions, increased demand from emerging and developing countries; geopolitics changes in the refining sector, drop in the refinery utilisation rate or even international investors speculative buying and selling cause severe price movements in the asset.

In 2016, India had 7087 million metric tonnes of proven oil reserves and with a highly volatile underlying asset prices the contract for Brent Crude oil is essential to guarding the interest of producers, marketers, processors, importers and most importantly end users.

By providing further liquidity and financial efficiencies to the market for Brent Crude Oil the ICEX can help enable better price discovery, consolidate competitiveness through price risk management. And become a valuable part of the country's essential Energy trade.

4.3 About the Regulations

FMC merged with SEBI September 28th 2015, which made all commodity exchanges under the purview of the Securities Contract Regulations Act. Favourable policies are expected to give a big boost to the Commodity Exchange industry in India:

- SEBI allowed the introduction of options contracts in commodity trading as of June 13th, 2017 and it has also allowed hedge funds registered as Category III Alternative Investment Funds to participate in trading on exchanges
- SEBI has approved the amendments to increase the limit of foreign investment in Indian Stock Exchange:
 - Regulation 17 (3) of SECC Regulation has been amended to increase the limit of shareholding of foreign institutional investors mentioned therein Indian Stock Exchanges from 5% to 15%, this increase in limit of foreign investment will help all the exchanges to garner a higher valuation
 - Regulation 17(4) of SECC Regulations has been amended to allow a foreign portfolio investor to acquire shares of unlisted stocked exchanges through transactions outside of recognized stock exchange including the initial allotment
- SEBI Executive Director SK Mohanty has also said that discussions with mutual funds and PMS providers are complete and SEBI is in the final stage of announcing the regulation for this segment of market participants in order to deepen the market and improve the price discovery process

Introduction of new indirect Tax System “GST” increased service tax on exchange services from the previous 15% to 18%, but market participants expect GST to increase the participation on the exchange.

- The market is poised to grow as constraints like tax disparity have been removed; in past, participants had slow down to keep the product in warehouses due to multiple taxations and now one country one tax will encourage to the participant to hedge their position on exchanges, which in turn should have a positive effect on the spot as well as the derivative market trading volumes
- It should also help participants of the exchange from different locations to easily take and give delivery at various locations without opening offices in each state which will reduce operational costs substantially
- Goods are now also allowed to move across the country smoothly without being stopped at inter-state borders which should reduce logistics cost considerably.

Expression of Interest

(To be printed on the letterhead of the interested party submitting the bid)

Date: _____

To,

Mr. Nipun Lodha
Investment Banking Division
Keynote Corporate Service Limited,
The Ruby, 9th Floor,
Senapati Bapat Marg,
Dadar (West), Mumbai – 400028

Sub: BID FOR PURCHASE OF EQUITY SHARES OF INDIAN COMMODITY EXCHANGE LIMITED

Sir,

This is with reference to the advertisement dated **20th February, 2018** inviting Expression of Interest (“EOI”) for divestment of all or part of 9.55% stake in Indian Commodity Exchange Limited (“ICEX”).

We understand that MMTC is divesting all of part of its 9.55% equity stake in ICEX and we are interested in bidding for the same.

We understand that shares will be allotted subject to regulatory approvals and on receipt of entire share application money by MMTC.

As specified in the advertisement, we have read and understood the contents of the Information Memorandum (“IM”) and are desirous of participating in the above divestment process and for this purpose:

We propose to submit our EOI in our individual capacity as _____ (name of bidder).

OR

We have formed/propose to form a consortium of bidders comprising of the following members:

1. _____ (Insert Name)
2. _____ (Insert Name)



For the purpose of this EOI including bid price and quantity of shares to be purchased, we have obtained relevant approvals from _____ (mention the approving authority in organization). Further, in order to consummate the transaction, we would need to obtain approvals from the following authorities:

1. _____ (Insert Name and Designation)
2. _____ (Insert Name and Designation)

We certify that in regard to matters other than security and integrity of the country, we have not been convicted by any Court of Law or indicted or adverse orders passed by any regulatory authority which relates to a grave offence that outrages the moral sense of the community.

We further certify that in regard to matters relating to security and integrity of the country, we have not been charge-sheeted by any agency of the Government or convicted by any Court of Law for any offence committed by us or by any of our sister concerns.

We further certify that no investigation by any regulatory authority is pending either against us or against our sister concerns against our CEO or any of our Directors/Managers/employees.

We further certify that we qualify as an eligible bidder for the said transaction as per the existing guidelines, rules, regulations applicable in India as on date.

We further understand that the information and data received by us for this transaction is confidential and shall not be divulged or disclosed or reproduced or disseminated, in whole or part, to any person or entity except to our directors, officers, employees and professional advisers who need to know the information for the purpose of evaluating the transaction. We shall use the confidential information only for the purpose of the proposed transaction.

We also further confirm that MMTC has the right to accept or reject the bids submitted without according any reasons.

Further, the following information /documents are enclosed herewith.

- A brief background of the bidder/consortium members
- Audited Financials (Balance Sheet & Profit & Loss Account) for the last 2 years
- Sources of Funds/Financing sources for the purpose of proposed transaction
- Strategic rationale for acquiring a stake in ICEX

Yours Faithfully,

Authorised Signatory
For an on behalf of the bidder/consortium of bidders

