

## **MMTC Limited**

### **Expression of Interest invited from entities interested in acquiring stake in Indian Commodity Exchange Limited**

*(This announcement is neither a prospectus nor an offer of invitation to the public for sale of shares)*

MMTC Limited (MMTC) holds 26% equity shareholding in Indian Commodity Exchange Limited (ICEX). ICEX is a privately held company operating a national commodity exchange duly accredited by Forward Markets Commission (FMC). The 26% shareholding of MMTC is in the form of fully paid-up 5,20,00,000 equity shares of ICEX having a face value of Rs 5/- each. MMTC intends to divest all or part of its equity shareholding in ICEX. YES Securities (India) Limited is the appointed advisor to MMTC for the proposed transaction.

Entities interested in acquiring a stake in ICEX are invited to submit their 'Expression of Interest' including bid price and quantity of shares to be purchased at the below mentioned address on or before 1700 hours on 28<sup>th</sup> August, 2015 in the prescribed format. The minimum reserve price and the minimum number of shares to be acquired in the proposed bidding by bidders shall be Rs 10/- per share and 20,00,000 shares (equivalent to 1% shareholding in ICEX) respectively. The bidders shall be required to adhere to FMC guidelines related to ownership, net-worth, fit and proper criteria, etc of the Nationwide Multi Commodity Exchanges.

The format for submission of Expression of Interest, Information Memorandum and ICEX financials can be downloaded from MMTC website [www.mmtclimited.gov.in](http://www.mmtclimited.gov.in) or <http://eprocure.gov.in> or can be obtained from the below mentioned address on or after 14<sup>th</sup> August, 2015.

MMTC reserves the right to accept or reject any or all applications at its sole discretion without giving any reasons.

For any clarifications, please contact:

**Mr. Kanishka Garg**

**YES Bank Tower, IFC 2, 18th Floor, Elphinstone (W), Senapati Bapat Marg, Mumbai - 400 013**

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# **Information Memorandum**

**Indian Commodity Exchange Limited**

**August 2015**

**Strategic & Financial Advisors  
YES Securities (India) Ltd.**



## **Disclaimer and Important Notice**

This Information Memorandum (hereinafter referred to as the 'IM') has been prepared by YES Securities (India) Limited ('YES Securities') based on 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 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.

The information contained in this IM is selective and is subject to updation, expansion, revision and amendment. YES Securities has not independently verified any of the information and data contained herein and neither the Company nor MMTC nor YES Securities (nor any of their respective affiliates, subsidiaries, advisors and agents thereof), make any representations or warranties, express or implied, as to the accuracy, or completeness of such information and data.

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The information contained in this IM has been prepared to assist the recipients in making their own evaluation of ICEX and does not purport to be all-inclusive or to contain all of the information that may be material to the recipients' decision to enter into a transaction. Recipients should conduct and rely upon their own examination, investigation and analysis of the business and operations of the Company and are advised to seek their own professional advice on legal, financial and taxation issues. The information and data contained herein are not substitutes for the recipient's independent evaluation and analysis. YES Securities has no obligation to provide the recipient with access to any additional information or to update this IM with additional information or correct any inaccuracies herein, which may become apparent.

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In no circumstances must recipients or their officers, employees, agents and professional advisers make direct contact with the management, employees, customers, agents or suppliers of the Company and its affiliates until permission to do so is given by YES Securities. All communications, inquiries and requests for information should be directed to YES Securities as advised below:

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## **1. Submission of Expression of Interest**

### **1.1 Introduction**

- 1.1.1 MMTC Limited ('MMTC') holds 26% shareholding in Indian Commodity Exchange Limited ('ICEX'). The 26% shareholding of MMTC is in the form of fully paid-up 5,20,00,000 equity shares of ICEX having a face value of Rs 5/- each.

MMTC intends to divest all or part of its 26% 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 Rs 10/- per share and 20,00,000 shares (equivalent to 1% shareholding in ICEX) respectively. The bidders shall be required to adhere to FMC guidelines related to ownership, net-worth, fit and proper criteria, etc of the Nationwide Multi Commodity Exchanges.

Divestment of all or part of 26% equity shareholding in ICEX by MMTC will be subject to few restrictions and approval requirements, which shall be sought at appropriate time.

The proposed disinvestment by MMTC is hereinafter referred to as the 'Transaction'.

- 1.1.2 An Information Memorandum ('IM') has been prepared to enable potential bidders to submit their bid.
- 1.1.3 YES Securities (India) Limited ('YES Securities'), a wholly owned subsidiary of YES Bank Limited ('YES Bank'), has been appointed as the strategic and financial advisor for the Transaction.
- 1.1.4 For the purpose of this Transaction, the potential bidder shall ascertain the applicability and implications of all laws pertaining to the Transaction and shall ensure compliance with all the laws of the land.

### **1.2 Advertisement inviting Bids**

- 1.2.1 An advertisement ("Advertisement") dated August 14, 2015 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.
- 1.2.2 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.
- 1.2.3 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.

### **1.3 Bidding Process**

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

### **1.4 Filing Requirements**

- 1.4.1 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 20,00,000 shares (twenty lakh shares).
- 1.4.2 The bid must be signed by a duly authorized representative of the interested party.
- 1.4.3 Interested parties shall be entitled to submit only one bid. Multiple bids by the same entity shall be rejected.
- 1.4.4 The bid shall be submitted not later than 17:00 hours (Indian Standard Time) on August 28, 2015 in the prescribed format at the following addresses / via e-mail:

Mr. Kanishka Garg, YES Securities (India) Limited  
YES Bank Tower, IFC 2, 18th Floor, Elphinstone (W), Senapati Bapat Marg, Mumbai - 400 013  
Ph: +91 22 3347 9604, +91 9987228811  
Email: [kanishka.garg@yesbank.in](mailto:kanishka.garg@yesbank.in)

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 2 working days.

### **1.5 Disqualification**

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

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1.5.2 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.

## **1.6 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 Shareholders Agreement, Annual Reports, Revival Plan 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.

## **2. Information about ICEX**

### **2.1 Background and History**

- *Setting up and recognition of commodity exchange*

With the approval of Board of Directors in their 350<sup>th</sup> meeting held on September 7, 2007, MMTC Limited ('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 17, 2008. A company by the name of International Multi-Commodity Exchange (subsequently renamed as Indian Commodity Exchange Limited or 'ICEX') was incorporated on August, 12, 2008.

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

- *Shareholders Agreement*

A shareholder agreement dated February 12, 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





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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').

- *Business Overview*

ICEX commenced a national commodity exchange duly accredited with FMC in 2009. The exchange facilitates nationwide trading in different types of contracts in commodities in India through its online exchange trading platform.

The exchange offers future trading in agriculture commodities, bullions, base metals and energy. The products traded on the exchange include gold, silver, copper, lead, minerals, crude oil, natural gas, oils and oilseed complex.

- *Key Differentiators*

The key factors which differentiate Indian Commodity Exchange from other commodity exchanges are as under:

- **Impeccable Lineage**

- ICEX is a joint venture between public/ private entities
- ICEX has a pan India presence
- 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

- **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 can provide rapid trade execution and is one of the world's most flexible, efficient and secure commodities trading systems
- The Electronic 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

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- The platform solution is 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 obligations of the market participants
- Efficient delivery mechanism through accredited warehouses
- Independent and professional logistical support

## 2.2 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.

The address of registered office and corporate office is as under:

Registered Office	Corporate Office
Dev House, 260-261 Tribhuwan Complex, Ishwar Nagar, New Friends Colony (W), New Delhi - 110065	8th Floor, Romel Technology Park, Nirlon Compound, Western Express Highway, Goregaon (East), Mumbai - 400 063

## 2.3 Management

The management of ICEX consists of highly qualified people with a rich experience in their area of expertise. For details of Board members, kindly visit ICEX website <http://www.icexindia.com>

## 2.4 Capital structure

The authorised share capital of ICEX is Rs 110 crore consisting of 22,00,00,000 equity shares of Rs 5/- each. The issued and fully paid up share capital consists of 20,00,00,000 equity shares of Rs 5/- each aggregating to Rs 100 crore as at March 31, 2015.

The current shareholding pattern of ICEX (subject to order of CLB) is as under:



Shareholder	No of shares held	% Shareholding
IBFSL	28,000,000	14%
MMTC	52,000,000	26%
R Next	52,000,000	26%
Indian Potash Limited	20,000,000	10%
KRIBH Co	10,000,000	5%
IDFC	10,000,000	5%
Abhinay Trading Corporation	28,000,000	14%
<b>Total</b>	<b>200,000,000</b>	<b>100%</b>

### **3. Current status of ICEX**

#### **3.1 Shareholding status**

On August 2, 2010, IBFSL informed MMTC about divesting 26% stake in favour of Reliance Exchange Next ('R Next') who would be their new anchor investor. Vide letter dated August 19, 2010, IBFSL offered upto 26% of their equity holding to MMTC on same terms as offered to R Next.

In the meantime, IBFSL transferred 26% of their equity holding in ICEX to R Next. Ministry of Consumer Affairs vide letter dated September 23, 2010 approved the induction of R Next as the new anchor investor of ICEX and the same was conveyed by FMC on October 4, 2010. MMTC approached FMC to recall its order dated October 4, 2010.

Based on legal opinion received, MMTC filed the petition before Company Law Board (CLB) u/s 397 and 398 of Companies Act, 1956 in October 2011. The matter has been adjourned to August 17, 2015.

#### **3.2 Business status**

The following events / developments have had a negative impact on commodity markets:

- National Spot Exchange Limited (NSEL) episode where most of the underlying commodities did not exist and the buying and selling of commodities were being conducted only on paper.
- Guidelines of FMC on the Settlement Guarantee Fund (SGF) that 5% of the gross revenue be apportioned to SGF
- Introduction of Commodity Transaction Tax (CTT) and
- Imposition of additional margin of 5% on commodities like gold, copper, silver, crude oil etc.

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In December 2013, the board of ICEX had decided to wind up operations of ICEX and trading was accordingly suspended from December 24, 2013. ICEX has been in dormant stage since April 2014.

FMC's guidelines provided for national commodity exchanges to have sufficient net worth. This called for infusion of funds from existing shareholders as well as investment by fresh shareholders. Accordingly, MMTC has decided to divest all or part of its 26% shareholding in ICEX.

FMC had issued Show Cause Notice to ICEX in June 2015 since no business has been generated since December 2013. A revival plan is under active consideration of ICEX.

#### **4. Revival Proposal for ICEX**

In September 2014, the anchor investor R Next had placed proposal for revival of exchange before the board of ICEX. FMC's guidelines also provided for National Commodity Exchanges to have sufficient net worth. This also calls for infusion of funds from existing shareholders as well as investment by fresh shareholders. R Next has proposed to conduct a Rights Issue for infusion of fresh funds in the Company. Pursuant to this, MMTC Board has decided to divest all or a part of its stake in the Company.

A brief summary of the proposed revival plan is provided below.

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. This could be possible by introducing newer, innovative products and new segment. An illustrative list of suggested products is as under:

<b>Non Agri Products</b>	Diamond, Gold / Silver (Multiple Delivery Centres), Single day Gold / Silver Futures or Spot Gold / Silver, Brent Crude Oil (ICE), Copper (LME), Platinum / Palladium, Tin, Steel Long, Iron Ore
<b>Agri Products</b>	Cotton, Basmati Paddy Pusha - 1121, Wheat (Delhi contract), Rubber, Black Pepper, Maize (Bihar contract), Chana (MP contract)

Introduction of aforesaid products over the Indian Commodity Exchange will increase the trading volume over the exchange and help in turning around the present situation.

#### **4.1 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 billion 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 Rs. 20,000 crores 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 house.

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 100 units (100 units= 1 carat).

#### **4.2 Platinum and Tin**

Platinum and Tin have potential, but are not yet developed on Indian futures Exchanges. These metals are traded on international exchanges.

MMTC is the largest importer of Tin. Although MMTC mostly imports on consignment basis, ICEX can leverage MMTC's strength in the physical market as all the Tin users are clients of MMTC

Platinum is a precious metal, which is in demand and has a potential of being developed as a successful futures contract.

#### **4.3 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.

#### **4.4 Basmati Paddy**

Currently, paddy is not traded on the Indian commodity exchange.

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 and so, highly standardized.

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 is natural 'carry forward' product, because stockiest and mills have to store it.

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

#### **4.5 Gold**

- Ex Ahmadabad Bi – monthly futures contracts, based on delivery of imported Gold bar with multiple delivery centres
- Enter into alliance with major refiners and approve such gold bar as deliverable in the futures contract at par (good delivery).
- MMTC can play a crucial role in offering delivery at multiple centres by way of stock transfer.
- Launch a single day futures/forwards contract (spot), in which refiners can quote their sale price on daily basis, which will be linked to futures contract.

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## 5. Financials

### 5.1 Balance Sheet

Rs in million

	FY 2015 (Unaudited)	FY 2014 (Audited)	FY 2013 (Audited)
<b>Sources of funds</b>			
<i>Shareholders Funds</i>			
Capital	1,000.00	1,000.00	1,000.00
Reserves and Surplus	(1,009.89)	(927.33)	(737.49)
<i>Total Shareholders Funds</i>	<i>(9.89)</i>	<i>72.67</i>	<i>262.51</i>
<i>Settlement Guarantee Fund</i>	<i>165.21</i>	<i>166.59</i>	<i>-</i>
<i>Non-current liabilities</i>			
Deferred Tax Liability	-	-	2.67
Long-term Provisions	0.87	1.37	2.72
<i>Total Non-Current Liabilities</i>	<i>0.87</i>	<i>1.37</i>	<i>5.39</i>
<i>Current liabilities</i>			
Trade Payables	6.23	20.78	33.20
Other Current Liabilities	56.52	86.28	181.92
Short-term Provisions	18.15	4.03	0.12
<i>Total Current Liabilities</i>	<i>80.90</i>	<i>111.09</i>	<i>215.25</i>
<b>Total of Sources of Funds</b>	<b>237.09</b>	<b>351.72</b>	<b>483.15</b>
<b>Application of Funds</b>			
<i>Non-Current assets</i>			
Fixed assets	-	-	-
Tangible assets	5.51	25.44	38.35
Intangible assets	0.05	0.64	9.96
Capital work-in-progress	-	-	-
Long Term Loans and Advances	0.08	8.69	10.32
<i>Total Non-Current Assets</i>	<i>5.64</i>	<i>34.76</i>	<i>58.64</i>
<i>Current assets</i>			
Trade Receivables	1.61	7.57	32.12
Cash and Cash Equivalents	167.58	238.19	312.09
Short-term Loans and Advances	62.26	68.15	70.20
Other Current Assets	-	3.05	10.08
<i>Total Current Assets</i>	<i>231.45</i>	<i>316.96</i>	<i>424.50</i>
<b>Total of Application of Funds</b>	<b>237.09</b>	<b>351.72</b>	<b>483.15</b>



5.2 Profit & Loss Account

Rs in million

	FY 2015 (Unaudited)	FY 2014 (Audited)	FY 2013 (Audited)
<b><i>Income</i></b>			
Revenue from Operations	0.05	30.60	52.92
Other Income	2.30	18.66	34.73
<i>Total Revenue</i>	<i>2.36</i>	<i>49.26</i>	<i>87.65</i>
<b><i>Expenses</i></b>			
Operating Costs	23.93	30.70	37.45
Employee benefit expenses	13.26	45.42	58.66
Financial Costs	0.01	0.33	0.15
Depreciation	14.56	21.78	27.82
Other Expenses	32.15	43.55	70.85
<i>Total Expenses</i>	<i>83.92</i>	<i>141.77</i>	<i>194.93</i>
	-	-	-
<b><i>PBT</i></b>	<b><i>(81.56)</i></b>	<b><i>(92.51)</i></b>	<b><i>(107.29)</i></b>
<b><i>Tax</i></b>			
Deffered tax (expense)/credit	-	2.67	4.69
<b><i>PAT</i></b>	<b><i>(81.56)</i></b>	<b><i>(89.84)</i></b>	<b><i>(102.60)</i></b>

## **6. Industry Outlook**

### **6.1 Existing scenario**

Currently 6 national commodity exchanges, viz. Multi Commodity Exchange, Mumbai (MCX), National Commodity and Derivatives Exchange, Mumbai (NCDEX), National Multi Commodity Exchange, Ahmedabad (NMCE), Indian Commodity Exchange Ltd., Mumbai (ICEX), ACE Derivatives and Commodity Exchange, Mumbai (ACE) and Universal Commodity Exchange Ltd., Navi Mumbai (UCX), regulate forward trading in 113 commodities. Besides, there are 11 Commodity specific exchanges recognized for regulating trading in various commodities approved by the Commission under the Forward Contracts (Regulation) Act, 1952.

The commodities traded at these exchanges comprise the following:

- Edible oilseeds complexes like 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.

More than 95% of the volumes in the market are from two exchanges viz. MCX and NCDEX. Further, out of the 113 commodities, regulated by the FMC, 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.

The total volume of trade across all exchanges in 2013-14 was 8,832.76 lakh MT at a value of Rs. 101 lakh crores. The total of deliveries of all commodities on commodity exchange platform is 9,23,893 MT during the year 2013-14.

The different intermediaries and clients registered at these recognized national exchanges as on March 31, 2014 were:

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

## **6.2 Expected changes in regulations for commodity markets**

Policy and regulatory hurdles currently restrict banks and financial institutions from participating in the commodity market. Banks are also restricted under the Banking Regulation Act, 1949.

The panel, headed by senior economic advisor in the finance ministry, D S Kolamkar, had on April 28, 2015 given a report on 'Steps to fulfil the objectives of price discovery and risk management of the commodity derivatives market'. The panel had as members Institute of Company Secretaries of India (ICSI) Secretary Mr. M S Sahoo, finance ministry advisor Mr. C K G Nair, Indira Gandhi Institute of Development Research professor Mrs. Susan Thomas and Forward Markets Commission economic advisor Mrs. Usha Suresh.

The committee made the following recommendations to the government in its report:

- The committee suggested that the policy and regulatory hurdles restricting banks and financial institutions participation in commodity market needed to be removed, to widen participation.
- The committee had told the government in the report that high transaction costs in the futures market were an impediment to arbitrage. As per the panel, these could be reduced by allowing banks and financial institutions, including FIIs, to participate in commodity futures trading.
- At present, trading hours in India overlap with the European markets, but have little or no overlap with Australia and Asia, a large trading base that remains untapped. The report said commodity exchanges should explore the idea of extending trading hours that overlap with Asian and Australian markets, to improve their international competitiveness.
- The committee also advised the government to exempt arbitrageurs from restrictions on holding inventory. It strongly objected to abrupt suspension of trading in commodities and recommended FMC to voluntarily adopt regulatory governance rules from the draft Indian Financial Code to reduce legal and regulatory risks in the eyes of financial firms.

### **New norms likely**

- The Reserve Bank of India (RBI) is set to give in-principle approval for Foreign Institutional Investors (FIIs) and banks to participate in commodity markets. The matter is in the final stage of internal review and an in-principle approval is just a matter of time.
- FMC and SEBI are considering making it compulsory for the companies to disclose their raw material holdings. Companies could be asked to disclose raw material exposure as part of their annual filing. Regulators believe this would increase accountability and transparency and will increase depth in market and encourage more companies to invest in commodities.

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

**Date:** \_\_\_\_\_

To,

**Mr. Kanishka Garg**  
**Investment Banking Division**  
**YES Securities (India) Limited**  
IFC, Tower 2, 18th Floor,  
Senapati Bapat Marg, Elphinstone (W),  
Mumbai – 400013

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

Sir,

This is with reference to the advertisement dated [14<sup>th</sup> August, 2015] inviting Expression of Interest (“EOI”) for divestment of all or part of 26% stake in Indian Commodity Exchange Limited (ICEX).

We understand that MMTC is divesting all or part of its 26% 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)

**Indian Commodity Exchange Limited**  
**Information Memorandum**  
**August 2015**

We propose to bid for acquiring \_\_\_ equity shares constituting \_\_\_% stake in ICEX Limited at Rs. \_\_\_ per share.

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 or 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 and on behalf of the bidder/consortium of bidders



**Indian Commodity Exchange Limited**  
**Information Memorandum**  
**August 2015**

**Glossary**

IM	Information Memorandum
YES Securities	YES Securities (India) Limited
MMTC	MMTC Limited
ICEX	Indian Commodity Exchange Limited
IBFSL	India Bulls Financial Services Limited
FMC	Forward Markets Commission
R Next	Reliance Exchange Next Infrastructure Limited
CLB	Company Law Board
NSEL	National Spot Exchange Limited
SGF	Settlement Guarantee Fund
CTT	Commodity Transaction Tax
MCX	Multi Commodity Exchange, Mumbai
NCDEX	National Commodity and Derivatives Exchange, Mumbai
NMCE	National Multi Commodity Exchange, Ahmedabad
ACE	ACE Derivatives and Commodity Exchange, Mumbai
UCX	Universal Commodity Exchange Ltd, Navi Mumbai
RBI	Reserve Bank of India
FIIIs	Foreign Institutional Investors
FCI	Food Corporation of India
SEBI	Securities and Exchange Board of India