Draft Red Herring Prospectus
Dated March 14, 2006
Please read Section 60B of the Companies Act, 1956
(The Draft Red Herring Prospectus will be updated upon filing with the RoC)
100% Book Building Issue

MCX
Trade with Trust

MULTI COMMODITY EXCHANGE OF INDIA LIMITED

(We were incorporated as a private limited company under the Companies Act, 1956 on April 19, 2002 under the name Multi Commodity Exchange of India Private Limited. Subsequently, we were converted into a public limited company on May 16, 2002 and we changed our name to Multi Commodity Exchange of India Limited.)

Registered Office: 102A, Landmark, Suren Road, Chakala, Andheri (East), Mumbai- 400 093, India
Tel: (91 22) 5649 4000; Fax: (91 22) 5649 4151.
Contact person: Ranjit Samantaray; E-mail: ipo@mcxindia.com; Website: www.mcxindia.com

PUBLIC ISSUE OF 5,000,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. [•] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS [•] PER EQUITY SHARE) AGGREGATING RS. [•] MILLION, CONSISTING OF A FRESH ISSUE OF 1,400,000 EQUITY SHARES ("FRESH ISSUE") BY MULTI COMMODITY EXCHANGE OF INDIA LIMITED ("COMPANY" OR "ISSUER") AND AN OFFER FOR SALE OF 3,600,000 EQUITY SHARES ("OFFER FOR SALE") BY FINANCIAL TECHNOLOGIES (INDIA) LIMITED AND CORPORATION BANK (THE "SELLING SHAREHOLDERS"). THE FRESH ISSUE AND THE OFFER FOR SALE ARE JOINTLY REFERRED TO HEREIN AS THE "ISSUE". THE ISSUE COMPRISES A NET ISSUE OF 4,036,000 EQUITY SHARES TO THE PUBLIC, A RESERVATION OF UP TO 500,000 EQUITY SHARES FOR THE EXISTING FTIL SHAREHOLDERS, A RESERVATION OF UP TO 214,000 EQUITY SHARES FOR THE ELIGIBLE EMPLOYEES AND A RESERVATION OF UP TO 250,000 EQUITY SHARES FOR THE BUSINESS ASSOCIATES. THE ISSUE WOULD CONSTITUTE 12.39% OF THE FULLY DILUTED POST ISSUE PAID-UP EQUITY CAPITAL. THE NET ISSUE WOULD CONSTITUTE 10.00% OF THE FULLY DILUTED POST ISSUE PAID-UP EQUITY CAPITAL.

PRICE BAND: Rs. [•] TO Rs. [•] PER EQUITY SHARE OF FACE VALUE Rs. 10

THE FACE VALUE OF THE SHARES IS RS. 10 AND THE FLOOR PRICE IS [•] TIMES OF THE FACE VALUE AND THE CAP PRICE IS [•] TIMES OF THE FACE VALUE.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of the Price Band subject to the Bid /Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding /Issue Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Managers and at the terminals of the Syndicate.

In terms of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957, this being an Issue for less than 25% of the post Issue equity share capital, the Issue is being made through the 100% book building process wherein at least 60% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for Allotment to the QIB Bidders including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. **The face value of the shares is Rs. 10 and the Floor Price is [•] times of the face value and the Cap Price is [•] times of the face value**. The Price Band (as determined by the Company and the Selling Shareholders in consultation with the Book Running Lead Managers ("BRLMs") on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" on page ix of this Draft Red Herring Prospectus.

ISSUER'S AND SELLING SHAREHOLDERS' ABSOLUTE RESPONSIBILITY

The Company and the Selling Shareholders having made all reasonable inquiries, accept responsibility for and confirm that this Draft Red Herring Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares offered through this Draft Red Herring Prospectus are proposed to be listed on the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited. [•] shall be the Designated Stock Exchange. We have received in-principle approval from the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited for the listing of the Equity Shares pursuant to letters dated [•] and [•], respectively.

BOOK RUNNING LEAD MANAGERS			REGISTRAR TO THE ISSUE
citigroup	DSP Merrill Lynch	kotak Investment Banking	
CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED 4th Floor, Bakhtawar, 229, Nariman Point Mumbai- 400 021 Tel: (91) 1800 2299 96 Fax: (91 22) 5631 9803 E-mail: mcx.ipo@citigroup.com Website: www.citibank.co.in Contact Person: Ashish Adukia	**DSP MERRILL LYNCH LIMITED** Mafatlal Centre, 10th Floor Nariman Point Mumbai 400 021, India Tel: (91 22) 2262 1071 Fax: (91 22) 226 21187 E-mail: mcx_offer@ml.com Website: www.dspml.com Contact Person: N.S. Shekhar	**KOTAK MAHINDRA CAPITAL COMPANY LIMITED** 3rd Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021, India. Tel.: (91 22) 5634 1100 Fax. : (91 22) 2284 0492 E-mail: mcx.ipo@kotak.com Website: www.kotak.com Contact Person: Ajay Vaidya	**INTIME SPECTRUM REGISTRY LIMITED** C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai – 400 078, India Tel. : (91 22) 2596 0320 Fax. : (91 22) 2596 0329 Email: mcxipo@intimespectrum.com Website: www.intimespectrum.com Contact Person: Vishwas Attavar
BID / ISSUE OPENS ON	**[•]**	**BID / ISSUE CLOSES ON**	**[•]**

TABLE OF CONTENTS

DEFINITIONS AND ABBREVIATIONS

Term	Description
The "Company" or "our Company" or "MCX" or "we" or "our" or "us"	Unless the context otherwise requires, refers to Multi Commodity Exchange of India Limited, a company incorporated under the Companies Act, 1956 on a consolidated basis

Company Related Terms

Term	Description
Articles/ Articles of Association	The Articles of Association of Multi Commodity Exchange of India Limited
Auditors	The statutory auditors of the Company, M/s Deloitte, Haskins & Sells, Chartered Accountants
Board of Directors/ Board	The board of directors of the Company or a committee of the Board constituted thereof
Director(s)	Director(s) of Multi Commodity Exchange of India Limited, unless otherwise specified
Equity Shares	Equity shares of the Company of face value Rs. 10 each
ESOS	The employee stock option scheme of the Company adopted at the meeting of the shareholders held on January 13, 2006 pursuant to which stock options have been granted to employees and directors of the Company and FTIL in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999
Memorandum of Association/ Memorandum	The Memorandum of Association of Multi Commodity Exchange of India Limited
Registered Office	The registered office of the Company, being 102A, Landmark, Suren Road, Chakala, Andheri (East), Mumbai- 400 093, India

Issue Related Terms

Term	Description
Allotment/ Allotted	Unless the context otherwise requires, the issue and/ or transfer of Equity Shares pursuant to the Issue to the successful Bidders
Allottee	The successful Bidder to whom the Equity Shares are being/have been Allotted
Banker(s) to the Issue	[●]
Bid	An indication to make an offer during the Bidding/Issue Period by a prospective investor to subscribe to or purchase our Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form
Bid/Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in an English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation
Bid/Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to or purchase the Equity Shares of our Company and which will be considered as the application for issue of the Equity Shares pursuant to the terms of the Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form
Bidding / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines,

Term	Description
	in terms of which the Issue is made
BRLMs/ Book Running Lead Managers	Book Running Lead Managers to the Issue, in this case being Citigroup Global Markets India Private Limited, DSP Merrill Lynch Limited and Kotak Mahindra Capital Company Limited
CBRLM/ JMMS	Co Book Running Lead Manager to the Issue, in this case being JM Morgan Stanley Private Limited, company incorporated under the Companies Act and having its registered office at 141, Maker Chambers III, Nariman Point, Mumbai 400 021, India
Business Associates	The members of MCX, except existing shareholders of the Company, having trading and/ or clearing rights, as of [•], who are Indian Nationals, are based in India and are physically present in India on the date of submission of the Bid- cum-Application Form
Business Associates Reservation Portion	The portion of the Issue being up to 250,000 Equity Shares available for allocation to Business Associates
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Citigroup	Citigroup Global Markets India Private Limited, a company incorporated under the Companies Act and having its registered office at 4th Floor, Bakhtawar, 229, Nariman Point, Mumbai- 400 021
Cut-off Price	Any price within the Price Band finalised by the Company and the Selling Shareholders in consultation with the BRLMs. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band
Designated Date	The date on which funds are transferred from the Escrow Account(s) to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board shall Allot Equity Shares and the Selling Shareholders shall give delivery instructions for transfer of Equity Shares constituting the Offer for Sale, to the successful Bidders
Designated Stock Exchange	[•]
Draft Red Herring Prospectus	This Draft Red Herring Prospectus filed with SEBI, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue
DSPML	DSP Merrill Lynch Limited, a company incorporated under the Companies Act and having its registered office at Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021, India
Electronic Transfer of Funds	Refunds through ECS, direct credit or RTGS, as applicable
Eligible Employees	Permanent employees of the Company and FTIL who are Indian Nationals based in India and are present in India on the date of submission of the Bid-cum-Application Form
Employee Reservation Portion	The portion of the Issue being up to 214,000 Equity Shares available for allocation to Eligible Employees
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount
Escrow Agreement	Agreement entered into amongst the Company, the Selling Shareholders, the Registrar, the Escrow Collection Bank(s), the Syndicate Members and the BRLMs for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker(s) to the Issue, at which the Escrow Account will be opened in this case, being [•]
Existing FTIL Shareholders	Equity shareholders of FTIL as of [•], who are Indian Nationals, are based in India and are physically present in India on the date of submission of the Bid- cum-Application Form
Existing FTIL Shareholders Reservation Portion	The portion of the Issue being up to 500,000 Equity Shares available for allocation to Existing FTIL Shareholders
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or

Term	Description
	Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
Fresh Issue	The issue of 1,400,000 Equity Shares at the Issue Price by the Company pursuant to this Draft Red Herring Prospectus
Issue	Collectively, the Fresh Issue and the Offer for Sale
Issue Price	The final price at which Equity Shares will be Allotted in terms of the Prospectus, as determined by the Company and the Selling Shareholders in consultation with the BRLMs on the Pricing Date
KMCC	Kotak Mahindra Capital Company Limited, a company incorporated under the Companies Act, having its registered office at 3rd Floor, 229, Bakhtawar, Nariman Point, Mumbai 400 021
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, which may range between 10% to 100% of the Bid Amount
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Mutual Fund Portion	5% of the QIB Portion or 121,080 Equity Shares (assuming the QIB Portion is for 60% of the Net Issue size) available for allocation to Mutual Funds only, out of the QIB Portion
Net Issue	The Issue less the Reservation Portion
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000
Non-Institutional Portion	The portion of the Net Issue being 403,600 Equity Shares of Rs. 10 each available for allocation to Non Institutional Bidders
Offer for Sale	The offer for sale by the Selling Shareholders of 3,600,000 Equity Shares of Rs. 10 each at the Issue Price comprising 3,358,000 Equity Shares and 242,000 Equity Shares offered by FTIL and Corporation Bank respectively
Pay-in-Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid/ Issue Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending up to the close of the Pay-in-Date
Price Band	The price band with a minimum price (Floor Price) of Rs. [•] and the maximum price (Cap Price) of Rs. [•], including any revisions thereof
Pricing Date	The date on which the Company and the Selling Shareholders in consultation with the BRLMs finalize the Issue Price
Promoter Group Companies	Unless the context otherwise requires, refers to those companies mentioned in the section titled "Our Promoters- Promoter Group" on page 105 of this Draft Red Herring Prospectus
Promoter/ FTIL	Financial Technologies (India) Limited, a company incorporated under the Companies Act, having its registered office at III Floor, 16, Surya Flats, IInd Cross Street, Seethammal Colony Extension, Teynampet, Chennai - 600 018
Prospectus	The Prospectus, filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Accounts for the Issue on the Designated Date
QIB Margin Amount	An amount representing 10% of the Bid Amount
QIB Portion	The portion of the Net Issue to public and not less than 2,421,600 Equity Shares of Rs. 10 each at the Issue Price, available for allocation to QIBs
Qualified Institutional Buyers or QIBs	Public financial institutions as defined in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance

Term	Description
	companies registered with the Insurance Regulatory and Development Authority, provident funds with a minimum corpus of Rs. 250 million, pension funds with a minimum corpus of Rs. 250 million, and multilateral and bilateral development financial institutions
Registrar /Registrar to the Issue	Registrar to the Issue, in this case being Intime Spectrum Registry Limited
Reservation Portion	Collectively the Business Associates Reservation Portion, the Employees Reservation Portion and the Existing FTIL Shareholders Reservation Portion
Retail Individual Bidders	Individual Bidders (including HUFs) who have Bid for Equity Shares for an amount less than or equal to Rs. 100,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Net Issue to the public being 1,210,800 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
RHP or Red Herring Prospectus	Means the document issued in accordance with the SEBI Guidelines, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus which will be filed with the RoC in terms of section 60B of the Companies Act, at least 3 days before the Bid/ Issue Opening Date and will become a Prospectus after filing with the RoC after pricing and allocation
Selling Shareholders	Collectively FTIL and Corporation Bank offering 3,358,000 and 242,000 Equity Shares for sale respectively
Stock Exchanges	NSE and BSE
Syndicate	The BRLMs, CBRLM and the Syndicate Members
Syndicate Agreement	The agreement to be entered into among the Company, the Selling Shareholders and the Syndicate, in relation to the collection of Bids in this Issue
Syndicate Members	Kotak Securities Limited, JM Morgan Stanley Financial Services Limites and Sunidhi Financial Consultants Private Limited
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	The agreement among the members of the Syndicate, the Selling Shareholders and the Company to be entered into on or after the Pricing Date

Technical and Industry Terms

Term	Description
ATS	Alternative Trading Systems
BOLT	BSE's Online Trading System
CCX	Chicago Climate Exchange
Commodity/ Commodities	Distinct contracts traded on commodity exchanges
CTCL	Computer to Computer Link
DGCX	Dubai Gold and Commodities Exchange
FIA	Futures Industry Association
IDS	Intrusion Detection and Prevention System
IDUs	Indoor Units
ITCM	Institutional Trading cum Clearing Members
LME	London Metal Exchange
MMT	Million Metric Tones
MPLS	Multi-Protocol Label Switching
MTM	Mark to Market
NABARD	National Bank for Agriculture and Rural Development
NAFED	National Agricultural Co-operative Marketing Federation of India Limited

Term	Description
NBHC	National Bulk Handling Corporation
NCDEX	National Commodity and Derivatives Exchange Ltd
NMCE	National Multi Commodity Exchange
NSEAP/NSEL	National Spot Exchange for Agriculture Produce (Nataional Spot Exchange Limited)
NYBOT	New York Board of Trade
NYMEX	New York Mercantile Exchange
PCM	Professional Clearing Members
SGF	Settlement Guarantee Fund
TCM	Trading-Cum-Clearing Members
TOCOM	Tokyo Commodity Exchange
Turnover	Single sided traded value of contracts on an exchange
TWSs	Trader Work Stations
VPN	Virtual Private Network

Conventional/General Terms

Term	Description
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BIFR	Board for Industrial and Financial Reconstruction
BSE	The Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
Companies Act	The Companies Act, 1956, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A body corporate registered under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
ECS	Electronic Clearing Service
EGM	Extraordinary General Meeting
EPS	Earnings per share
FCRA	Forward Contract (Regulation) Act, 1952
FCRR	Forward Contract (Regulation) Rules, 1954
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
FII	Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
Financial Year /fiscal year/ FY/ fiscal	Period of twelve months ended March 31 of that particular year, unless otherwise stated
FMC	Forwards Market Commission constituted under the FCRA
Government/ GOI/ Central Government	The Government of India
HUF	Hindu Undivided Family
I.T. Act	The Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally accepted accounting principles in India
Mn /mn	Million
NAV	Net asset value
Non Residents/ NR	Non-Resident is a Person resident outside India, as defined under FEMA and includes a Non- Resident Indian
NRE Account	Non Resident External Account
NRI/Non-Resident Indian	Non-Resident Indian, is a Person resident outside India, who is a citizen of India or a Person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000

Term	Description
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB/ Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are not allowed to invest in this Issue.
p.a. / P.A.	Per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires
RBI	The Reserve Bank of India
RONW	Return on Net Worth
RoC	The Registrar of Companies, Maharashtra at Mumbai located at Everest, 100, Marine Drive, Mumbai- 400 002
Rs.	Indian Rupees
RTGS	Real Time Gross Settlement
SCRR	Securities Contract Regulation Rules, 1957, as amended
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI, as amended, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time
SICA	Sick Industrial Companies (Special Provisions) Act, 1995
U.S. GAAP	Generally accepted accounting principles in the United States of America

CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our financial statements prepared in accordance with Indian GAAP and included in this Draft Red Herring Prospectus. Our current fiscal year commenced on April 1, 2005 and ends on March 31, 2006. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by Persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

Any percentage amounts, as set forth in "Risk Factors", "Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Draft Red Herring Prospectus, unless otherwise indicated, have been calculated on the basis of our financial statements prepared in accordance with Indian GAAP.

All references to "India" contained in this Draft Red Herring Prospectus are to the Republic of India, all references to the "US", "USA", or the "United States" are to the United States of America, and all references to "UK" are to the United Kingdom.

For definitions, see the section titled "Definitions and Abbreviations" on page i of this Draft Red Herring Prospectus. In the section entitled "Main Provisions of Articles of Association", defined terms have the meaning given to such terms in the Articles.

Use of Market data

Unless stated otherwise, industry data used throughout this Draft Red Herring Prospectus has been obtained from various sources including public sources, industry publications, FIA and FMC. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified.

Currency of Presentation

In this Draft Red Herring Prospectus, all references to "Rupees" and "Rs." are to the legal currency of India, all references to "U.S. Dollars", and "US$" are to the legal currency of the United States of America.

For your convenience, this Draft Red Herring Prospectus contains translations of some Rupee amounts into U.S. Dollars, which should not be construed as a representation that those Rupee or U.S. Dollar amounts could have been, or could be, converted into U.S. Dollars or Rupees, as the case may be, at any particular rate, the rate stated below, or at all. Except as otherwise stated in this Draft Red Herring Prospectus, all translations from Rupees to U.S. Dollars contained in this Draft Red Herring Prospectus have been based on the noon buying rate in the City of New York on December 30, 2005 for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. The noon buying rate on December 30, 2005 was Rs. 44.95 per US$1.00.

FORWARD-LOOKING STATEMENTS

We have included statements in this Draft Red Herring Prospectus, that contain words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions that are "forward-looking statements".

All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- our ability to successfully implement our strategy, growth and expansion plans and technological initiatives;
- our ability to retain our current members;
- market fluctuations and industry dynamics beyond our control;
- our ability to manage the third party risks faced by our clearing house operations;
- general economic and business conditions in India and other countries;
- changes in the value of the Rupee and other currencies;
- potential mergers, acquisitions or restructurings and increased competition;
- changes in political conditions in India;
- changes in the foreign exchange control regulations in India;
- changes in technology;
- occurrence of natural disasters; and
- changes in the laws and regulations that apply to our industry, including tax laws.

For further discussion of factors that could cause our actual results to differ, see the section titled "Risk Factors" on page ix of this Draft Red Herring Prospectus. By their nature, certain risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. The Company, the Selling Shareholders, the members of the Syndicate and their respective affiliates do not have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company, the Selling Shareholders and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

RISK FACTORS

Prospective investors should carefully consider the risks described below, in addition to the other information contained in this Draft Red Herring Prospectus, before making any investment decision relating to our Equity Shares. If any of the following risks actually occur, our business, financial condition and/or operations could be seriously harmed, the market price of our Equity Shares could decline and investors could lose all or part of their investment in our Equity Shares.

Risks Relating to our Business

The ongoing criminal cases pending against Joseph Massey, our Deputy Managing Director and. C. Subramaniam, our Director, could harm our reputation and adversely affect our business.

There are three criminal complaints pending against Joseph Massey, our Deputy Managing Director and one criminal complaint pending against C. Subramaniam, our director. For further details, see the section titled "Outstanding Litigation" on page 167 of this Draft Red Herring Prospectus. Any adverse publicity from these criminal proceedings or the potential indictment or conviction of Joseph Massey or C. Subramaniam could have a material adverse impact on our business or cause the price of our Equity Shares to decline.

We have a limited operating history and our recent financial and business results may not be representative of what they may be in the future.

We began our operations on November 10, 2003, and as such, we have a limited operating history for you to evaluate in assessing our future prospects. As a result, our historical and recent financial business results may not be representative of what they may be in the future. Accordingly, we cannot assure you that our growth will continue at the same rate or at all or that we will not experience declines in revenue and profitability in the future. You should consider our business and prospects in light of the risks and difficulties we will encounter as an early-stage company with a new business model for a commodities futures exchange.

Our trading volume, and consequently our revenues and profits, could be materially adversely affected if we are unable to retain our current members or attract new members to our exchange.

The success of our business depends, in part, on our ability to maintain and increase the number of our trading members, our trading volume and the resulting transaction fees we charge to our members. To do so, we must maintain and expand our product offerings, our member base and our trade execution alternatives. Our success also depends on our ability to offer competitive prices and services in an increasingly price-sensitive business. We cannot assure you that we will be able to continue to expand our product lines, or that we will be able to retain our current members or attract new members. We also cannot assure you that we will not lose members to other competitors with comparable or superior products, services or trade execution facilities. Our success may also depend upon our ability to maintain a liquid market, and therefore offer competitive quotes to attract larger volumes of trading. If we fail to expand our product offerings or execution facilities, or lose a substantial number of our current members, or are unable to attract new members, our business, financial results and/or operations and market price of the Equity Shares could be materially adversely affected.

Our trading volume, and consequently our revenues and profits, is concentrated in three commodities.

The aggregate trading volume on our exchange is currently concentrated in three commodities: gold, silver and crude oil. As of December 31, 2005, the year-to-date trading volume in these three commodities accounted for 84% of the total trading volume on our exchange and these three commodities constituted significant proportion of our transaction fees. The transaction fees for all of the commodities traded on our exchange for the nine months ended December 31, 2005 accounted for around 50% of our total revenues. Transaction fees are directly related to our trading volume and are thus also dependent on these three commodities. We have no direct control over the level of trading in gold, silver or crude oil contracts. A decrease in the level of trading in any of these commodities could materially adversely affect our results of business and operations.

We may face competition from existing and new entrants that could negatively impact our contract trading volume and profitability.

Our ability to continually maintain and enhance our competitiveness and respond to threats from existing or new competitors will have a direct impact on our results of operations. There can be no assurance that we will be able to continue to compete effectively. If our products, markets and services are not competitive, our business, financial condition and/or operating results will be materially adversely affected. We may also be adversely affected by competition from new entrants into our markets. Competition within the commodities futures trading industry could increase if new commodities futures exchanges are established or if existing securities exchanges that do not currently trade commodities futures determine to do so. Our experience indicates that the regulatory and financial barriers to entry for new exchanges are surmountable. The appearance of new competitors may reduce margins for all existing exchanges, including us, and increase the importance of scale efficiencies. In addition, if new entrants significantly erode our contract trading volume, we may be required to reduce our fees significantly to remain competitive, which could have a material adverse effect on our profitability. In addition, we cannot assure you that we will not lose members because of more economical alternatives offered from competitors with comparable or possibly superior products, services or trade execution services. Our business and operations could be materially adversely affected if we fail to attract new customers or lose a substantial number of our current customers to competitors.

Market fluctuations and industry dynamics beyond our control could adversely affect our business and operations.

Our revenues are highly dependent upon the level of market activity on our exchange, including the volume and value of commodities contracts traded, the number of market participants, market volatility and turnover velocity. We have no direct control over such variables. Among other things, we are dependent upon the relative attractiveness of the commodities futures traded on our exchange. Our trading volumes are directly affected by many factors beyond our control, including, among others: economic, political and market conditions, broad trends in industry and finance, changes in the level of trading activity, price trends and price volatility in futures markets, legislative and regulatory changes, competition, changes in governmental monetary policies, foreign exchange rates and inflation. Declines in the overall volume of trading in contracts based on commodities and futures, over which we have no control, would negatively impact market liquidity in our exchange, which would result in lower fee revenues and would materially adversely affect our business and operations.

Our clearing house operations expose us to substantial credit risk of third parties. Our financial condition will be adversely affected in the event of a significant default.

Our clearing house acts as a counterparty to all trades consummated through our exchange. As a result, we are exposed to significant credit risk of third parties, including our professional clearing members ("PCM"). These parties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. These policies and procedures may not succeed in detecting problems or preventing defaults. Our measures intended to cover default and maintain liquidity, as detailed in the section titled "Business—Market Safeguards and Risk Management" on page 74 of this Draft Red Herring Prospectus may not be sufficient to protect us from a default or that we will not be materially and adversely affected in the event of a significant default. For a more detailed discussion of our clearing house operations, see the section titled "Business—Clearing, Settlement and Delivery" on page 72 of this Draft Red Herring Prospectus.

We are dependent on certain material contracts with our Promoter relating to the technology we use and on third party suppliers for services that are important to our business.

Pursuant to contracts we entered into with our promoter, Financial Technologies (India) Ltd. ("FTIL"), we have the right to use FTIL's exchange technology framework and proprietary software to power our electronic trading platform. Our ability to continue to use the technology licensed from FTIL is essential to our business. The premature termination of our agreements with FTIL or the loss of the ability to use the technology we license from FTIL due to other factors will have a material adverse impact on our business, operating results and financial condition. We are also dependent on a number of suppliers, such as VSAT providers, telephone companies, Internet service providers, data processors and software and hardware vendors, as well as warehouses, banks and quality certification companies, for important elements of our trading, clearing and other systems, communications and networking equipment, computer hardware and software and related support and maintenance, as well as other functions necessary for the operation of our business. We cannot assure you that any of these providers will be able to continue to provide these services in an efficient, cost-effective manner or that they will be able to adequately expand their services to meet our needs. An interruption in or the cessation of service by any service provider and our inability to make alternative arrangements in a timely manner, or at all, could have a material adverse effect on our business, financial condition and operating results.

We are subject to certain risks relating to the operation of an electronic trading platform and we may be unable to keep up with rapid technological changes.

Exchange markets are characterized by rapidly changing technology, evolving industry standards, frequent enhancements to existing services and products and the introduction of new products and services. All trading on our exchange is conducted exclusively on an electronic basis. We are heavily dependent on our information technology system and the technology used to run our electronic trading platform.

We are subject to risks relating generally to our electronic trading platform, which includes our failure or inability to:

- acquire, develop or implement new, enhanced or updated versions of electronic trading software;
- increase the number of devices, such as trader work stations ("TWS") and other connectivity devices capable of sending orders to our electronic trading platform;
- respond effectively to technological developments or service offerings by competitors or to emerging industry standards and practices on a cost-effective and timely basis; and
- develop new services and technology that address the increasingly sophisticated and varied needs of our existing and prospective clients;

If our electronic trading platform does not operate successfully, our business or future financial condition or operating results will be materially adversely affected. We cannot assure you that we will be able to successfully implement new technologies or adapt our technology and transaction-processing systems to customer requirements or emerging industry standards. We cannot assure you that we will be able to respond in a timely manner to changing market conditions or customer requirements, and a failure to so respond could have a material adverse effect on our business, financial condition and operating results.

Computer and communications systems failures and capacity constraints could harm our reputation and our business.

The main components of our core exchange platform, including computer systems, networks and servers, are located in Mumbai and our back up facilities are located in Chennai. Our failure to operate, monitor or maintain our computer systems and network services, including those systems and services related to our electronic trading platform, or, if necessary, to find replacements for our technology in a timely and cost-effective manner, could have a material adverse effect on our reputation, business, financial condition and operating results. We rely and expect to continue to rely on third parties for various computer and communications systems, such as telephone companies, VSAT service providers, on-line service providers, data processors, clearance organizations and software and hardware vendors. Our systems or those of our third party providers may in the future fail, causing one or more of the following effects:

- suspension of trading;
- failure to execute customer orders;
- unanticipated disruptions in service to customers;
- slower response times;
- decreased customer satisfaction;

- incomplete or inaccurate accounting, recording or processing of trades;
- financial losses;
- security breaches;
- litigation or other customer claims; and
- regulatory sanctions.

Heavy trading on our online platform during peak trading times or at times of unusual market volatility could cause our systems to operate slowly or even to fail for periods of time. We cannot assure you that we will not experience system failures, outages or interruptions on our electronic trading platform that will materially adversely affect our business. Any such system failures, outages or interruptions could result from a number of factors, including power or telecommunications failure, acts of God, war or terrorism, human error, natural disasters, fire, sabotage, hardware or software malfunctions or defects, computer viruses, acts of vandalism or similar events. Any failures that cause an interruption in service or decrease our responsiveness, including failures caused by customer error or misuse of our systems, could impair our reputation, damage our brand name and have a material adverse effect on our business, financial condition and operating results.

Our network may be vulnerable to security risks.

We expect the secure transmission of confidential information over public networks to continue to be a critical element of our operations. Our network may be vulnerable to unauthorized access, computer viruses and other security problems. Persons who circumvent security measures could wrongfully use our information or cause interruptions or malfunctions in our operations, any of which could have a material adverse effect on our business, financial condition and operating results. We may be required to expend significant resources to protect against the threat of security breaches or to alleviate problems, including reputational harm and litigation, caused by any breaches. Although we intend to continue to implement industry-standard security measures, these measures may prove to be inadequate and result in system failures and delays that could lower trading volume and have a material adverse effect on our business, financial condition and operating results.

Member misconduct could harm us and is difficult to detect.

We run the risk that our members, their sub-brokers and constituents who use our electronic trading platform or our employees will engage in fraud or other misconduct, which could result in regulatory sanctions and serious reputational harm. It is not always possible to deter misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases.

Our compliance and risk management methods might be ineffective and may result in outcomes that could adversely affect our reputation, financial condition and operating results.

The Forward Markets Commission has broad power to censure, fine and prohibit us from engaging in our business or suspend or revoke our approval to operate as a national commodities futures exchange. Our ability to comply with applicable laws and regulations is largely dependent on our establishment and maintenance of compliance, audit and reporting systems, as well as our ability to attract and retain qualified compliance and other risk management personnel. We face the risk of significant intervention by regulatory authorities, including extensive examination and surveillance activity. In the case of non-compliance or alleged non-compliance with applicable laws or regulations, we could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits, including by customers, for damages, which can be significant. Any of these outcomes could adversely affect our reputation, financial condition and operating results. In extreme cases, these outcomes could adversely affect our ability to conduct our business.

Our policies and procedures to identify, monitor and manage our risks may not be fully effective. Some of our risk management methods depend upon evaluation of information regarding markets, customers or other matters that are publicly available or otherwise accessible by us. That information may not in all cases be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to be recorded properly and verification of a large number of transactions and events. We cannot assure you that our policies and procedures will always be effective or that we will always be successful in monitoring or evaluating the risk to which we are or may be exposed.

Strategic alliances and joint ventures may not produce the results we expect.

We currently believe that strategic alliances and joint ventures are an important component of our growth strategies and could play an important role in our long-term success. We have in the past formed alliances and/or joint ventures including the Dubai Gold and Commodities Exchange. We may continue to seek to enter into alliances or other arrangements with other parties in the future. However, we may not be able to identify suitable investment or alliance opportunities. If we do identify suitable opportunities, we may have difficulty assessing the candidates, risks, placing an accurate valuation on it and we may be unable to negotiate terms commercially favorable to us or complete these transactions at all. Further, we cannot assure you that we will be successful in either developing, or fulfilling the objectives of, any such alliance or that we will be able to effectively synergize with the entity with which we form an alliance. Further, our participation in alliances may strain our resources and may limit our ability to pursue other strategic and business initiatives, which could have a material adverse effect on our business, financial condition and operating results.

We may not be able to sustain effective implementation of our business and growth strategies.

The success of our business will depend greatly on our ability to effectively implement our business and growth strategies. We may not be able to execute our strategies in the future. Further, rapid growth could place significant demand on our management team and other resources and would require us to continuously develop and improve our operational, financial and other controls, none of which can be assured. Any failure on our part to scale up our infrastructure and management to meet the challenges of rapid growth could cause disruptions to our business and could be detrimental to our long-term business outlook.

Our future operating results are difficult to predict and are subject to fluctuations caused by various factors beyond our control.

Our operating results may fluctuate in the future due to a number of factors, many of which are beyond our control. As such, our results of operations during any fiscal year and from period to period are difficult to predict. Our business and results of operations may be adversely affected by:

- economic downturns or stagnant economic growth in Indian and global markets;
- a decrease in demand for commodities and futures in the Indian and global markets;
- an increase in prevailing interest rates in India;
- adverse fluctuations in the exchange rate of the Indian rupee versus major international currencies, including the U.S. dollar;
- competition from global and Indian commodity exchanges;
- changes in government policies affecting the commodities and futures industry in India; and
- accidents or natural disasters.

Due to all or any of these factors, you should not rely on past performance to predict our future performance. Unfavorable changes in any of the above factors may significantly affect our business and results of operations, which may vary significantly from the expectations of shareholders, market analysts and the investing public.

We depend on our executive officers and other key personnel.

Our future success depends in large part upon the continued service of our executive officers, as well as various key management, technical and trading operations personnel. The loss of key management such as our Managing Director, Jignesh P. Shah, our Deputy Managing Director, Joseph Massey, our Directors V. Hariharan and Anjani Sinha and our Director, Finance, Shreekant Javalgekar could have a material adverse effect on our business, financial condition and operating results. We do not carry keyman life insurance for our senior managers.

Our future success also depends, in significant part, upon our ability to recruit and retain highly skilled and often specialized individuals as employees, particularly in light of the rapid pace of technological changes and advances. The level of competition in our industry for people with these skills is intense. Significant losses of key personnel, particularly to other employers with which we compete, could have a material adverse effect on our business, financial condition and operating results.

We are subject to significant risks of litigation.

Many aspects of our business involve substantial risks of liability. For example, dissatisfied members could make claims regarding quality of trade execution, improperly settled trades, improper or failed delivery of commodities, mismanagement or even fraud. We may become subject to these claims as the result of failures or malfunctions of systems and services provided by us. We could incur significant legal expenses defending claims, even those without merit.

We have received a notice from the Central Board of Excise and Customs, Ministry of Finance, Government of India.

The Mumbai Office of Central Board of Excise and Customs ("CBEC"), Department of Revenue, Ministry of Finance has issued summons against us via a letter dated October 7, 2005 calling for certain documents and information in relation to an inquiry being conducted by CBEC to ascertain whether service tax is liable to be paid on the services rendered by us to our customers under the service tax heading "Banking and Other Financial Services". If it is determined that the nature of services provided by us is assessable for service tax, we may be required to pay service tax in respect of transactions already consummated. Accordingly, in the future, we may be required to recover service tax from our customers at the prevailing rate of twelve percent (including an education cess of two percent). This may lead to a decrease in our profit margins and may even significantly affect the number of customers who trade on our exchange. Further, there is no guarantee that the Government of India will not further increase the rate of this levy in the future which may lead to a further reduction in our profit margins.

We have limited protection of our intellectual property.

We have not registered our brand name or the "MCX- Trade with Trust" logo as trademarks though we have made an application for regulation of the same with the Registrar, Trade Mark. Use of our brand name or logo by third parties could adversely affect our reputation which could in turn adversely affect our financial performance and the market price of our Equity Shares. Intellectual property rights and our ability to enforce them may be unavailable or limited in some circumstances. We have recently obtained a copyright on some of our contract specifications for certain commodities futures traded on our exchange. In addition, our trademark and copyright applications may not be allowed or competitors may challenge the validity or scope of our intellectual property. If we fail to successfully obtain or enforce intellectual property rights, our competitive position could suffer, which could harm our operating results.

The commodity futures exchange industry is subject to extensive regulation which imposes significant costs, and limits our operational freedom and our ability to respond to market demands.

The commodity futures exchange industry is extensively regulated by the Forward Markets Commission ("FMC") and the Ministry of Consumer Affairs, Government of India pursuant to the Forward Contracts (Regulation) Act, 1952. Many aspects of our operations are subject to oversight and regulation by the FMC, including:

- the terms and specifications of each contract launched on our exchange;

- our risk management procedures, including mandatory margin requirements and open position limits;
- our record keeping and reporting procedures;
- our membership requirements and procedures;

Such extensive regulation may considerably limit our operational freedom and our ability to respond to market demands.

If we fail to comply with applicable rules and regulations, we may be subject to fines, suspension of our business, removal of personnel or other sanctions, including revocation of our approval to operate as a national exchange. Changes in laws, regulations or governmental policies could have a material adverse effect on the way we conduct our business. The FMC has broad powers to enforce compliance and punish non-compliance with its rules and regulations. We cannot assure you that we and/or our directors, officers and employees will be able to fully comply with these rules and regulations. We also cannot assure you that we will not be subject to actions by the FMC.

In addition, the Government of India places restrictions on the type of securities that can be traded, and the type of investors that can participate in investment activities, in India. For example, under current legislation, trading in futures contracts based on intangibles and trading in options are prohibited in India. The Government of India also currently prohibits investments in derivatives by institutional investors and foreign institutional investors. Further, any adverse change in existing regulation or the imposition of additional restrictions and conditions that affect our business and operations could adversely affect our business and operations.

Amendments to regulations governing the Indian commodities futures industry may not take place.

Under current legislation, trading in futures contracts based on intangibles and trading in options are prohibited in India. Further, foreign institutional investors, banks and Mutual Funds cannot trade on commodity exchanges. If the Government of India does not carry out amendments relaxing these restrictions, our ability to introduce new products to our exchange and implement our growth strategy could be impacted.

Our results of operations could be adversely affected by strikes, work stoppages.

As of December 31, 2005, we had 227 full-time employees, of which 188 employees were employed at our corporate offices in Mumbai and 39 employees were employed at our branch offices in various locations. Currently, our employees are not represented by labor unions.

There can be no assurance that we will not experience future disruptions to our operations due to strikes, work stoppages or other problems with our work force, which may adversely affect our business and results of operations.

Financial Technologies (India) Ltd. will continue to retain majority control in the Company after this Issue.

Prior to this Issue, our promoter company Financial Technologies (India) Ltd ("FTIL") owned 64.30% of our equity share capital. Following this Issue, FTIL will own approximately 53.75% of our post-Issue equity share capital. As a result, FTIL will continue to have the ability to control our business including matters relating to any sale of all or substantially all of our assets, the timing and distribution of dividends and the election or termination or appointment of our officers and directors. This control could delay, defer, or prevent a change in control of the Company, impede a merger, consolidation, takeover or other business combination involving the Company, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company even if it is in the Company's best interest. Also, so long as FTIL continues to exercise significant control over they Company, it may influence the material policies of the Company in a matter that could conflict with the interests of our other shareholders.

Our Managing Director is also the Chairman and Managing Director of FTIL.

Our Managing Director is also the Chairman and Managing Director of FTIL. This dual responsibility could create conflicts of interest between our other shareholders and our Managing Director.

We have entered into a significant number of related party transactions.

We have entered into various transactions with related parties. Such transactions or any other future transactions with our related parties may potentially involve conflicts of interest and impose certain liabilities on our Company. For more detailed information on our related party transactions, see the section titled "Related Party Transactions" on page 111 of this Draft Red Herring Prospectus.

We have not entered into any definitive agreements to utilize a substantial portion of the net proceeds of this Issue.

We intend to use the net proceeds of this Issue for technology upgrades, strategic initiatives, acquisitions and for general corporate purposes. See "Objects of the Issue" on page 29 of this Draft Red Herring Prospectus. We have not entered into any definitive agreements to utilize the net proceeds for capital expenditures relating to investments (in equipment, technology, etc.) or for general corporate purposes. There can be no assurance that we will be able to conclude definitive agreements for such capital expenditures on terms anticipated by us. Pending any use of the net proceeds of this Issue, we intend to invest the funds in high quality, interest bearing liquid investments including deposits with banks. These investments will be authorized by our Board or a duly authorized committee thereof. These proposed expenditures have not been appraised by any bank or financial institution.

We propose to use part of our proceeds to fund strategic initiatives and/or acquisitions, as and when the opportunities arise. We have not yet identified any potential targets for these initiatives or acquisitions and may not be able to identify suitable initiatives or acquisitions. Further, we cannot assure you that we will be successful in either developing, or fulfilling the objectives of, any such initiatives or acquisitions or that we will be able to effectively synergize with the entity with which we form an alliance. We may also spend a portion of the proceeds of the Issue for expansion of our business instead of financing joint ventures with strategic partners. Accordingly, the management will have significant flexibility in applying the proceeds received by us from the Issue. We intend to rely on our internal systems and controls to monitor the use of such proceeds.

Out of the Issue proceeds, only the Net Proceeds from the Fresh Issue will be available to us.

The Issue is a combination of Fresh Issue and Offer for Sale and hence the entire Issue proceeds will be shared by the Selling Shareholders and us. The amount (net of issue expenses) proportionate to the number of shares sold under the Offer for Sale will be remitted to the Selling Shareholders and the amount (net of issue expenses) proportionate to the Fresh Issue would be available to us. Accordingly, we will not benefit from the entire proceeds of the Issue.

Our insurance coverage may not adequately protect us against certain operating hazards and this may have an adverse effect on our business.

Our insurance policies currently consist of general fire, damage and flood coverage. We also have a stock brokers' indemnity policy in relation to incomplete transactions, forgery, computer crimes, etc. There can be no assurance that any claim under the insurance policies maintained by us will be honored fully, in part or on time. To the extent that we suffer any loss or damage that is not covered by insurance or exceeds our insurance coverage, our results of operations and cash flow could be adversely affected. For details of the insurance covers taken by us see the section titled "Business—Insurance" on page 77 of this Draft Red Herring Prospectus.

One of our Promoter Group companies, IBS Forex Limited, has incurred losses in the last three years.

One of our Promoter Group companies, IBS Forex Limited, has incurred losses (as per their standalone financial statements) in the last three years, as set forth in the table below:

Name of Promoter Group Company	Fiscal (in Rs. million)		
	2003	2004	2005
IBS Forex Ltd (Incorporated on February 9, 2001)	**(1.67)**	**(1.97)**	**(2.24)**

We have made issuances of Equity Shares during the last 12 months at a price that may be lower than the Issue Price.

We have made issuances of Equity Shares during the last 12 months at a price that may be lower than the Issue Price. For further details, see note 1 under "Notes to Capital Structure" on page 20 of the Draft Red Herring Prospectus.

Future issuances or sales of our Equity Shares could significantly affect the trading price of our Equity Shares.

After this Issue, our promoter FTIL will hold in the aggregate approximately 53.75% of our issued and outstanding Equity Shares. On January 13, 2006 the Company adopted the ESOS under which bona fide permanent employees of the Company will be eligible for stock options. The ESOS complies with the SEBI (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999, as amended and the issuance of Equity Shares pursuant thereto will be subject to compliance with all applicable laws and regulations. The aggregate number of Equity Shares to be issued under the ESOS will be up to 650,000 and the exercise price will be approximately Rs. 28 per share. The stock options issued under the ESOS may be exercised within three years of the date of issuance.

Any future issuance of Equity Shares by the Company, the disposal of Equity Shares by any of our major shareholders and our issuance of stock options under the ESOS could dilute your shareholding, adversely affect the trading price of our Equity Shares or impact our ability to raise capital through another offering of securities. In addition, any perception by investors that such issuance or sales may occur may significantly affect the trading price of our Equity Shares.

In addition, upon completion of the Issue, 20% of our post-Issue paid up equity capital on a fully diluted basis held by our Promoters will be locked up for a period of three years following the date of allotment of Equity Shares in this Issue. All other remaining Equity Shares that are outstanding prior to the Issue will be locked up for a period of one year from the date of allotment of Equity Shares in the Issue. See the section titled "Capital Structure" on page 19 of this Draft Red Herring Prospectus.

External Risks Factors

After this Issue, the price of our Equity Shares may be volatile, or an active trading market for our Equity Shares may not develop.

Prior to this Issue, there has been no public market for our Equity Shares. The trading price of our Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, volatility in the Indian and global securities markets, the performance of the Indian economy and significant developments in India's fiscal regime. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the price at which our Equity Shares are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue.

Your ability to sell your Equity Shares may be subject to delays if specific Government approval is required.

Investors seeking to sell any Equity Shares may, in certain off-exchange transactions, require regulatory approvals for such sale. We cannot guarantee that any such approval will be obtained in a timely manner or at all. Because of possible delays in obtaining requisite approvals, investors in our Equity Shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines.

Notes to Risk Factors:

- Public issue of 5,000,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [•] per Equity Share (including a share premium of Rs [•] per Equity Share) aggregating Rs. [•] million, consisting of a Fresh Issue of 1,400,000 Equity Shares by the Company and an Offer For Sale of 3,600,000 Equity Shares by FTIL and Corporation Bank

- The average cost of acquisition of Equity Shares by our promoter is Rs. 10 per Equity Share. The average cost of acquisition of Equity Shares by our promoter has been calculated by taking the average amount paid by them to acquire our Equity Shares. For details, see section titled "Capital Structure" on page 19 of this Draft Red Herring Prospectus.

- Our net worth before the Issue (as of December 31, 2005) was Rs. 787.68 million and the book value per Equity Share as of December 31, 2005 was Rs. 22.28 per Equity Share.

- The related party transactions with the following parties for Fiscal 2005 and for nine months ended December 31, 2005 are as follows:

    - With the holding company :

(Rs. Million)

Sr. No.	Nature of Transaction	Fiscal 2005	Nine Months ended December 31, 2005
A	**Loan taken**		
	Balance as at the start of the year / on the date of relationship coming into existence	9.31	-
	Taken during the year/period	-	-
	Repaid during the year/ period	(9.31)	-
	Balance as at the close of year/ period	-	-
B	Purchase of intangible assets	-	100.00
C	Cost of assets reimbursed	6.97	2.63
D	Rent and Service charges	1.00	5.30
E	Software support charges	25.50	48.00
F	Establishment expenses	18.00	9.00
G	Rent deposit	-	-
H	Interest paid	0.14	-
I	Investment sold	-	0.80
J	Sundry creditors, Balance as on	10.41	113.72

Sr. No.	Nature of Transaction	Fiscal 2005	Nine Months ended December 31, 2005
	close of year/ period		

- o With the subsidiary, joint venture company, fellow subsidiaries :

(Rs. Million)

Sr. No.	Nature of Transaction	Fiscal 2005	Nine Months ended December 31, 2005
A	Advances given:		
	Balance as at the start of the year/ period	-	5.49
	Given during the year/ period	5.49	14.91
	Repaid during the year / period	-	(19.83)
	Balance as at the close of year/ period	5.49	0.57
B.	Investments made during the period	-	44.50
	Sold during the period	-	(0.80)
	Balance as at the close of year / period	-	43.70
C	Sundry debtors, balance as on close of year/period	-	45.20
D	Interest income	-	0.48
E	Content development/ Knowhow fees	-	45.79
F	Share application money (given/refunded) net of shares issued out of application money and disclosed under investments in 'B' above	-	0.20

- o With key management personnel - Rs. 1.51 million and Rs. 1.55 million respectively (excluding gratuity covered under Group Gratuity Scheme and where separate amount is not identifiable)

For further details relating to related party transactions, see section titled "Related Party Transactions" on page 111 of this Draft Red Herring Prospectus.

- Investors may contact any of the BRLMs for any complaints, information or clarifications pertaining to the Issue.

- Investors are advised to refer to the section titled "Basis for Issue Price" on page 35 of this Draft Red Herring Prospectus.

- Investors should note that in case of oversubscription in the Issue, Allotment would be made on a proportionate basis to QIB Bidders, Retail Individual Bidders and Non-Institutional Bidders. See the paragraph titled “Basis of Allocation” under section titled “Terms of the Issue” on page 182 of this Draft Red Herring Prospectus.

SUMMARY

Overview

We are an independent, de-mutualized exchange with permanent recognition from the Government of India to facilitate nationwide online trading, clearing and settlement operations for the commodities futures market. The total value of contracts traded on our exchange between April 1, 2005 and December 31, 2005 was Rs. 5,583,692 million (US$124,220.07 million). According to data maintained by the Forward Markets Commission ("FMC"), this amount represented approximately 40.23% of the market share of the Indian commodities futures industry in terms of the value of commodities traded in futures markets during that period, as the total value of contracts traded on all commodities exchanges in India between April 1, 2005 and December 31, 2005 Rs.13,877,851 million (US$308,740 million). For the month of January, 2006, our market share of the Indian commodities futures industry reached 57.79%, according to data from the FMC.

We focus on offering futures trading in commodities which are significant in the Indian and global context and traded on international exchanges. As of December 31, 2005, we offered futures trading in 58 commodities, defined in terms of the type of contracts we offer, from various market segments including bullion, energy, ferrous and non-ferrous metals, oils and oil seeds, cereals, pulses, plantations, spices, plastics and fibers. (Different types of contracts with the same underlying physical asset such as Gold, Gold Mini and Gold HNI are treated separately as three different commodities for the purpose of computing the total number of commodities). Among the top ten commodity derivatives exchanges in the world, we are the world's second largest silver exchange and world's third largest gold exchange in terms of the trading volume for each of these commodities for the period January 1, 2005 to December 31, 2005.

We strive to be at the forefront of developments in the commodities future industry in India. We were the first commodity futures exchange in India to offer trading in steel futures, and the first in India to launch futures trading in crude oil. In August 2005, we introduced trading in plastics futures, making us one of only two exchanges among the top ten commodity exchanges in the world to offer trading in this commodity, along with the London Metal Exchange. We have formed strategic alliances with international exchanges to introduce new types of futures contracts in India, such as contracts based on gas emissions and ocean freight rates, in anticipation of expected government regulations permitting the trading of intangible futures in India. We were the first exchange in India to initiate evening sessions to coincide our trading with trading on exchanges in Tokyo, Shanghai, London, New York and other international markets. We were also the first commodity futures exchange in India to enable real-time wireless Internet trading on our exchange. We are certified under ISO 9001:2000 Quality Standards with respect to developing derivatives trading in India and providing services for online trading, clearing, settlement, and risk management systems.

We have grown since our inception:

- On November 10, 2003, we recorded a daily Turnover (i.e., single sided traded value of contracts on an exchange) of Rs. 8.32 million (US$0.19 million).

- Our membership base has increased from 182 registered members trading from 660 trader work stations ("TWS") as of March 31, 2004 to 1,115 registered members trading from 5,941 TWSs as of December 31, 2005.

- The number of commodities offered for trading on our exchange has increased from 15 as of March 31, 2004 to 49 as of March 31, 2005 and to 58 as of December 31, 2005.

- On January 20, 2006, we recorded our highest daily Turnover since our inception which was Rs.85,875.54 million (US$1,910.47 million).

- For the month of January, 2006, our market share of the Indian commodities futures industry reached 57.79%, according to data from the FMC.

- Our average monthly Turnover increased from Rs. 4,918.50 million (US$ 109.42 million) for the fiscal 2004 to Rs.138,771.86 million (US$ 3,087.25 million) for fiscal 2005, an increase of 2,721.43%.

- Our average monthly Turnover increased from Rs.101,740.52 million (US$2,263.42 million) for the nine months ended December 31, 2004 to Rs.620,410.22 million (US$13,802.23 million) for the nine months ended December 31, 2005, an increase of 509.80%.

- Our average daily Turnover increased from Rs. 250.94 million (US$ 5.58 million) for the fiscal 2004 to Rs. 5,742.28 million (US$ 127.75 million) for fiscal 2005, an increase of 2,188.28%.

- Our average daily Turnover increased from Rs. 4,239.19 million (US$ 94.31 million) for the nine months ended December 31, 2004 to Rs. 23,861.72 million (US$ 530.85 million) for the nine months ended December 31, 2005, an increase of 462.88%.

- In fiscal 2003-2004 and fiscal 2004-2005 we earned total revenues of Rs.43.8 million (US$0.97 million) and Rs.336.5 million (US$7.49 million), respectively, while in the nine months ended December 31, 2004 and 2005, we earned total revenues of Rs.247.79 million (US$5.51 million) and Rs. 648.01 million (US$14.42 million), respectively.

The following list illustrates some of the key milestones of our business:

- **September 26, 2003 -** Received permanent recognition from Ministry of Consumer Affairs, Food and Public Distribution, Government of India.

- **November 10, 2003 –** First day of trading

- **December 8, 2003 -** Online futures trading during evening session and through Internet trading facilities pioneered. .

- **April 5, 2004** – Union Bank of India became our shareholder.

- **May 14, 2004 -** Corporation Bank became our shareholder.

- **June 7, 2004 -** Bank of India became our shareholder.

- **July 1, 2004 -** State Bank of India became our shareholder.

- **July 9, 2004 –** Canara Bank became our shareholder.

- **November 29, 2004 -** Signed MOU with TOCOM.

- **November 11 2004** – Along with FTIL and NAFED, we announced the establishment of the NSEAP.

- **March 9, 2005 -** HDFC Bank became our shareholder.

- **March 31, 2005 –** Tie up with Corporation Bank for Corp Agriculture Produce Loan ("CAPL") scheme for farmers.

- **May 5, 2005 –**NSE became our shareholder.

- **June 1, 2005 –**NABARD became our shareholder.

- **June 7, 2005** – Launch of first composite Commodity Futures Index in India: 'MCX-COMDEX'.

- **June 14, 2005 –** 'Commodity Suchana Kendra', a joint initiative with Maharashtra State Agricultural Marketing Board ("MSAMB") and NSEAP to link up all Agriculture Produce Market Committee ("APMC") markets, launched at the Agriculture Produce Market Committee, Navi Mumbai.

- **October 7, 2005 –** MOU signed with NYMEX.

- **October 17, 2005 –** In association with Welingkar Institute of Management, introduced Diploma in Commodities Trading ("DICT").

- **October 25, 2005 –** Announced of licensing agreement with LME to launch LME based products on our exchange.

- **November 22, 2005 -** DGCX goes live.

- **December 1, 2005 -** 'MCX Chair' for research in commodities established at University of Mumbai.

- **December 6, 2005 –** Together with Bharat Sanchar Nigam Ltd ("BSNL") and Mahanagar Telephone Nigam Ltd ("MTNL"), launched SMS query services to provide Real-Time Commodity Futures and Spot prices delivered via SMS on mobile phones.

- **January 20, 2006 -** MCX registered record Turnover of Rs. 85,875.54 million (US$1,910.47 million).

- **February 3, 2006 –** FID Funds (Mauritius) Limited, a subsidiary of Fidelity Funds – India Focus Fund) becomes our shareholder.

- **February 16, 2006-** MOU signed with NYBOT

The successful operation of our business is supported by the infrastructure we have developed and our network of strategic alliances, which we believe will help us to grow our business and expand our market presence. This includes the MOU's we have entered with the NBHC, a national warehousing and supply chain company to provide warehouse and collateral management services, and NSEAP, an electronic market for spot trading in agricultural commodities aimed at linking traders in wholesale centers known as "Agricultural Produce Market Committees" ("APMC") across the country. In addition, we have formed strategic alliances in India with the Bombay Bullion Association, the Solvent Extractors' Association of India, the Pulses Importers Association, the India Pepper and Spice Trade Association, the United Planters' Association of Southern India and the Bombay Metal Exchange Ltd. On the international front, we have formed strategic alliances with the Chicago Climate Exchange, the London Metal Exchange, the New York Mercantile Exchange, NYBOT and the Tokyo Commodities Exchange. The objective of these alliances is to provide Indian market participants who trade on our exchange access to global products in order to manage their risk more efficiently, as well as to position India on the global commodity map. See "Business- Strategic Alliances and Joint Ventures" on page 75 of this Draft Red Herring Prospectus.

As part of our efforts to promote widespread participation in the Indian commodities market, we have focused our efforts on disseminating information, providing training and educational programs to increase awareness of the Indian commodity industry to direct and indirect market participants. Accordingly, we have entered into agreements with several well-known financial information service agencies including Bloomberg L.P., IQS, Telequote Network Singapore Pte. Ltd., Reuters and DowJones Commodity News to provide market participants with prices, trading activity and real-time market information on the commodities being traded on our exchange. We have also teamed up with the Welingkar Institute of Management and Technology and the Symbiosis Institute of International Business to conduct seminars and provide training and certification programs aimed at educating existing and potential market participants, particularly those located in rural India, about the dynamics of the commodities market to enable them to benefit from trading in commodities futures. We have formed an association with the Indian Institute of Management, Indore. The objective of the association is to provide high-level management development programs for decision makers and industry leaders in the commodity markets in India, which we believe will help to further develop the elements of price discovery and risk management in the commodity markets in India. We have also teamed up with the International College of Financial Planning Ltd. (New Delhi) to provide training and certification programs relating to the commodities market in India. We believe that these efforts will help to increase the overall market size of the Indian commodity industry, as well as help to expand our membership base.

Our key shareholders include Financial Technologies (India) Ltd. ("FTIL"), our promoter, which as of the date of filing of this Draft Red Herring Prospectus held a 64.30% ownership stake in our Company, FID

Funds (Mauritius) Ltd., the State Bank of India, Union Bank of India, Corporation Bank, the Bank of India, the Bank of Baroda, the NABARD and the NSE.

Competitive Strengths

We believe the following are our core competitive strengths:

Leadership Position in the Commodities Futures Industry. We are a leading commodities futures exchange in India with respect to the value of futures contracts traded in metals, energy and certain globally significant agricultural commodities. Among the national exchanges in India, our market share based on the total value of contracts traded in the period from April 1, 2005 to December 31, 2005 for gold and silver was approximately 89% and 73%, respectively. Among the top ten exchanges in the world, we are the second largest silver exchange, the third largest gold exchange and the fourth largest crude oil exchange in terms of the value of contracts traded for each of these commodities for the period from April 1, 2005 to December 31, 2005.

Product and Service Innovation. We believe part of our success lies in our ability to successfully introduce new products on our exchange. We were the first exchange in India to offer trading in steel futures, and were also the first exchange to launch futures trading in crude oil and plastics in India. We are one of only two exchanges among the top ten commodity exchanges in the world to provide a futures trading facility in plastics, second only to the London Metal Exchange. We have formed strategic alliances with the Chicago Climate Exchange to develop futures contracts based on emissions allowances and sulfur allowances approved by the U.S. Environmental Protection Agency. We intend to launch these futures contracts on our exchange after the necessary regulatory changes are made to permit trading in futures based on intangibles in India. In June 2005, we launched MCX-COMDEX, India's first composite commodity futures index, which provides our members with valuable information regarding market movements in the top ten economically important commodities determined by physical market size in India, which are actively traded on our exchange. We have additionally launched several other indices including: MCX-Agri (agricultural commodities index), MCX-Energy (energy commodities index), MCX-Metal (metal commodities index) and RAINDEXMUM (Mumbai) and RAINDEXIND (Indore), which track the progress of monsoon rains in their respective geographic locations. We were the first exchange in India to initiate evening sessions to coincide our trading with trading on exchanges in Tokyo, Shanghai, London, New York and other international markets. In addition, we provide our members with valuable, real-time market information regarding prices and trading activity which we believe may help refine investment decisions.

Effective Use and Application of Technology. Our ability to effectively use and apply technology is a key factor in the successful development of our business. Our online trading platform is accessible to our members through multiple mediums of connectivity including full form VSATs, Virtual Private Networks ("VPN"), leased lines, the Internet and mobile phones. Our electronic platform is supported by our robust infrastructure and advanced technology, which enables our exchange to operate efficiently and reliably, allowing our members immediate trade execution, anonymity and price transparency, prompt and reliable order routing, trade reporting, market data dissemination and market surveillance. Through our technology, we deploy a sophisticated risk management and surveillance system, some features of which are unique to our exchange. For example, our system tracks mark to market ("MTM") loss online and if a member's MTM loss exceeds 75% of his total deposit with the exchange then his terminal will be automatically put in "square-up" mode, whereby the member is prohibited from taking any new positions until the member's current open position amounts are reduced. The technology for our electronic trading platform is supplied by our promoter FTIL. Our relationship with FTIL enables us to introduce new products and services quickly and efficiently in comparison to other electronic exchanges, as FTIL is a well-established player in the development and deployment of exchange related technical products in India.

Integrated Infrastructure and Strong Network of Alliances. The successful operation of our business is supported by the infrastructure we have developed and our network of strategic alliances, which we believe enables us to grow our business and expand our market presence. This includes our Promoter Group Company, the NBHC, a national warehousing and supply chain company which will provide warehouse and collateral management services and implement quality systems for receipt, storage, fumigation, product classification, weight certification as well as out-loading services for agricultural commodities; and also includes the MOU we have signed to establish the NSEAP, a parallel electronic market for spot trading in agricultural commodities. In addition, we have formed strategic alliances in India with the Bombay Bullion Association, the Solvent Extractors' Association, the Pulses Importers Association, the India Pepper and

Spice Trade Association, the United Planters' Association of Southern India and the Bombay Metal Exchange. On the international front, we have formed strategic alliances with the Chicago Climate Exchange, the London Metal Exchange, the New York Mercantile Exchange and the Tokyo Commodities Exchange. These alliances facilitate the sharing of information across regional and global exchanges, enabling us to penetrate new markets, enhance our product offerings and increase our market presence.

Strong, Seasoned Management Team. Our management team has significant experience in the exchange industry and the technology sector. We are led by Jignesh Shah, our Managing Director, who brings to our Company more than ten years of expertise in the securities exchange industry. Jignesh Shah is a promoter of FTIL and played an integral role in The Bombay Stock Exchange Limited, Mumbai ("BSE")'s automation team which designed and implemented the BSE's online trading system known as "BOLT." Joseph Massey, our Deputy Managing Director, was formerly the managing director of the Inter-Connected Stock Exchange of India and the executive director of the Vadodara Stock Exchange. Prior to joining our Company, three of our other departmental heads were executive directors of regional stock exchanges and/or commodity exchanges. Other members of our management team also have extensive knowledge of the exchange industry. Our management's in-depth knowledge of the exchange industry enables us to quickly and efficiently respond to market opportunities, adapt to changes in the regulatory environment and bring innovations to our exchange and to the commodities futures industry in India.

Growth Strategy

We believe that there are several global trends which are re-shaping the marketplace and driving volume growth in exchange traded commodities. Globalization, deregulation, advances in technology and increasingly sophisticated market participants offer significant opportunities for expanding the Indian commodities futures markets. We intend to capitalize on these factors to increase our trading volume, revenues and profitability and to expand our market share in the commodities futures industry in India. We intend to achieve this by implementing the following strategies:

Expand Market Presence and Increase Customer Base. As of December 31, 2005, we had 1,115 registered members operating from across 102 cities with terminals spread over 400 cities and towns, trading from 5,941 TWSs, nationwide. We intend to continue to increase our customer base by introducing new products on our exchange, by establishing footholds in additional geographic areas and by continuing our efforts to disseminate knowledge and information about the commodities futures industry. Along with our alliance partners, we plan to establish and grow our presence in additional regions across India. For example, we believe the NSEAP, a parallel electronic market for spot trading in agricultural commodities, will attract new market participants and will be a potentially significant source of new members for our exchange. We also intend to leverage our relationships with our institutional shareholders to expand our customer base once these entities are allowed to trade in commodity derivatives as these entities have a nationwide distribution network. As part of our ongoing efforts to promote participation in the commodities market in India, we have introduced training and certification programs to educate existing and potential market participants, particularly those located in rural India and corporate and management students, about the dynamics of the commodities market, to enable them to benefit from trading in commodities futures or to pursue professional careers in the commodities industry. We intend to continue to provide these and other similar programs to disseminate knowledge about the commodities industry which will help increase our membership and user base. Finally, we plan to increase our sales and marketing efforts to attract additional market participants and expand our customer base via the following methods: conducting seminars, meeting with brokers and other members within the industry, utilizing print and electronic media to promote knowledge and awareness of the commodities industry, and participating in various programs to market to other industries.

Introduce New Products. Since our inception, we have introduced a variety of new commodities-based futures contracts on our exchange. The number of products we offer on our exchange has grown significantly from 15 as of March 31, 2004 to 58 as of December 31, 2005. We focus on offering futures trading in commodities which are significant in the Indian and global context and which are traded on international exchanges. We plan to increase our product portfolio through our research and development efforts and through our alliances with other exchanges. We believe we are well-positioned to capitalize on changes in regulations governing the Indian commodities futures industry which we expect to permit trading in options and intangibles, including indices, in the next year. In connection with this, we have already formed a strategic alliances with the Chicago Climate Exchange to develop and launch trading of futures contracts based on gas emissions and another alliance to launch trading of ocean freight indices.

Further, once trading in commodity indices is permitted, investors will be able to trade in our composite commodity index, MCX-COMDEX, and in our other indices.

Continue to Pursue Strategic Initiatives. We plan to supplement our internal growth through the formation of strategic alliances, joint ventures and/or select acquisitions of businesses. We will seek alliances and acquisitions that help us to enter new markets, provide services that we currently do not offer or enable access to our markets. In addition to the strategic alliances we have formed with domestic associations and global exchanges, we have entered into MoU's to establish the NBHC, a national warehouse and supply chain company and the NSEAP, a national electronic market for spot trading in agricultural commodities. We have also formed a joint venture to establish the DGCX, which is a strategic opportunity for us to expand our global reach. We believe these strategic alliances and joint ventures will allow us to develop new markets, enhance our services and increase our market presence.

Pursue New Revenue Sources. We believe there are significant opportunities for us to broaden our service offerings to develop new revenue sources that are not transaction driven. We believe that market data products and information offerings have the potential to become a source of revenue for us in the future, as is the case for various leading exchanges in the world. We have entered into agreements with several well known financial information service agencies including Bloomberg L.P., IQS, Telequote Network Singapore Pte. Ltd., Reuters and DowJones Commodity News to provide market participants with prices, trading activity and real-time market information on the commodities being traded on our exchange and on the spot market. Currently, this information is provided free of charge to market participants. In the future we intend to charge for these services. At present we also directly provide our market data to some of our members free of charge, and in the future we intend to charge for this information as well. In our last financial quarter, we have billed the amount of Rs. 45.79 million (US$1.02 million) for our content development/know how fees and services in respect of verification and validation of software we provided in connection with the establishment of the DGCX, and we believe that we could earn additional income from the DGCX in the future.

THE ISSUE

Equity Shares offered by	
The Company	1,400,000 Equity Shares
The Selling Shareholders	3,600,000 Equity Shares
Of which	
FTIL	3,358,000 Equity Shares
Corporation Bank	242,000 Equity Shares
Total	**5,000,000 Equity Shares**
Business Associates Reservation Portion	Up to 250,000 Equity Shares
Employee Reservation Portion	Up to 214,000 Equity Shares
Existing FTIL Shareholders Reservation Portion	Up to 500,000 Equity Shares
Reservation Portion	**Up to 964,000 Equity Shares**
Therefore,	
Net Issue to the Public	**4,036,000 Equity Shares**
of which:	
QIB Portion	2,421,600 Equity Shares
Of which	
Mutual Fund Portion	121,080 Equity Shares
Non-Institutional Portion	Up to 403,600 Equity Shares
Retail Portion	Up to 1,210,800 Equity Shares
Equity Shares outstanding prior to the Issue	38,956,825 Equity Shares
Equity Shares outstanding after the Issue	40,356,825 Equity Shares
Use of proceeds by the Company	See the section titled "Objects of the Issue" on page 29 of this Draft Red Herring Prospectus. The Company will not receive any proceeds from the Offer for Sale.

Allocation of Equity Shares to all categories shall be on proportionate basis.

SELECTED FINANCIAL INFORMATION

SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED

(Rs. Million)

	Financial year ended			*Nine months ended*	
	March 2003	***March , 2004***	***arch , 2005***	***:cember , 2004***	***:cember , 2005***
Income					
Admission and application processing fees	*-*	*42.19*	*217.44*	*184.60*	*160.72*
Annual subscription fees	*-*	*-*	*16.45*	*10.25*	*17.28*
Transaction fees	*-*	*-*	*53.07*	*26.28*	*322.23*
Terminal Charges	*-*	*-*	*10.62*	*6.53*	*21.61*
Content development/ know-how fees	*-*	*-*	*-*	*-*	*45.79*
Total	*-*	***42.19***	***297.58***	*227**.66***	***567.63***
Other Income	*-*	*1.57*	*38.96*	*22.20*	*81.60*
Total Income	*-*	***43.76***	***336.54***	***249.86***	***649.23***
Expenditure					
Staff costs	*-*	*4.42*	*19.66*	*12.79*	*42.74*
Administration and other operating expenses	*-*	*48.74*	*121.72*	*84.38*	*188.02*
Depreciation/ amortization	*-*	*22.92*	*38.34*	*27.78*	*37.42*
Interest	*-*	*1.85*	*0.24*	*0.21*	*0.92*
Total Expenditure	*-*	***77.93***	***179.96***	***125.16***	***269.10***
Net (loss)/profit before tax	***-***	***(34.17)***	***156.58***	***124.70***	***380.13***

					(Rs. Million)
	Financial year ended			Nine months ended	
	March 31, 2003	**March 31, 2004**	**March 31, 2005**	**December 31, 2004**	**December 31, 2005**
Provision for tax					
- Current tax	-	-	17.20	12.90	95.60
- Prior period tax	-	-	-	-	2.48
- Deferred tax	-	-	28.22	21.16	3.83
- Wealth tax	-	-	-	-	0.03
- Fringe benefit tax	-	-	-	-	1.47
Net (loss)/profit after tax as per audited financial statements	**-**	**(34.17)**	**111.16**	**90.64**	**276.72**
Impact of changes in accounting policies and prior period adjustments	(7.37)	17.14	(10.55)	(7.31)	0.78
Net (loss)/profit, as restated	**(7.37)**	**(17.03)**	**100.61**	**83.33**	**277.50**
Balance brought forward from previous year/period, as restated	-	(7.37)	(24.40)	(24.40)	51.68
(Loss)/profit before appropriation, as restated	**(7.37)**	**(24.40)**	**76.21**	**58.93**	**329.18**
Appropriations:					
Proposed dividend on equity shares	-	-	21.51	-	-
Corporate dividend tax	-	-	3.02	-	-
Balance carried to balance sheet, as restated	**(7.37)**	**(24.40)**	**51.68**	**58.93**	**329.18**

SUMMARY STATEMENT OF ASSETS AND LIABLITITES, AS RESTATED

						(Rs. Million)
		As at				
		March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
A.	**Fixed Assets :**					
	Gross block	0.01	168.57	234.38	215.24	399.08
	Less : Depreciation/ amortisation	-	22.92	60.97	50.41	98.39
	Net block	**0.01**	**145.65**	**173.41**	**164.83**	**300.69**
	Add: Capital work-in-progress	35.00	-	4.50	-	4.78
	Total (A)	**35.01**	**145.65**	**177.91**	**164.83**	**305.47**
B.	**Investments (B)**	**-**	**-**	**467.04**	**80.07**	**2,529.00**
C.	**Deferred tax asset (net) (C)**	**0.32**	**9.84**	**-**	**-**	**-**
D.	**Current Assets, Loans and Advances :**					
	Sundry debtors	-	-	13.98	11.51	111.99
	Cash and bank balances	0.39	109.74	545.18	866.94	320.85
	Loans and advances	0.06	4.52	53.79	26.13	291.99
	Total (D)	**0.45**	**114.26**	**612.95**	**904.58**	**724.83**
	Total (A+B+C+D)	**35.78**	**269.75**	**1,257.90**	**1,149.48**	**3,559.30**
E.	**Liabilities and Provisions:**					
	Secured loans	-	1.33	0.43	0.45	-
	Unsecured loans	7.53	9.31	-	-	-
	Current liabilities and provisions	35.12	128.81	952.47	860.50	2,739.58
	Total (E)	**42.65**	**139.45**	**952.90**	**860.95**	**2,739.58**
F.	**Deferred tax liability (net) (F)**	**-**	**-**	**28.22**	**18.70**	**32.04**
G.	**Networth (A+B+C+D-E-F)**	**(6.87)**	**130.30**	**276.78**	**269.83**	**787.68**

(Rs. Million)

		As at				
		March 31, 2003	**March 31, 2004**	**March 31, 2005**	**December 31, 2004**	**December 31, 2005**
H.	**Represented by**					
	1. Share capital	0.50	150.50	215.10	210.90	353.57
	2. Share application money (Allotted subsequent to year end)	-	4.20	10.00	-	-
	3. Reserves and Surplus					
	- Securities Premium Account	-	-	-	-	104.93
	- Balance in Profit and Loss Account	(7.37)	(24.40)	51.68	58.93	329.18
	Total (H)	**(6.87)**	**130.30**	**276.78**	**269.83**	**787.68**
I.	**Miscellaneous expenditure (I)**	-	-	-	-	-
J.	**Networth (H - I)**	**(6.87)**	**130.30**	**276.78**	**269.83**	**787.68**

GENERAL INFORMATION

We were incorporated as a private limited company under the Companies Act, 1956 on April 19, 2002 under the name Multi Commodity Exchange of India Private Limited. Subsequently, we were converted into a public limited company on May 16, 2002 and we changed our name to Multi Commodity Exchange of India Limited.

Registered Office of our Company

Multi Commodity Exchange of India Limited
102A, Landmark,
Suren Road, Chakala,
Andheri (East),
Mumbai- 400 093, India
Registration No.: U51909 MH 2002 PTC 135594

Our Board comprises:

1. Venkat R. Chary (Non Executive Independent Chairman);
2. Jignesh P. Shah (Managing Director);
3. Joseph Massey (Deputy Managing Director);
4. V. Hariharan (Non Executive Director);
5. Dr. S. Narayan (Non Executive Independent Director);
6. Bharat Tripathi (Non Executive Independent Director);
7. Urjit R. Patel (Non Executive Independent Director);
8. P. G. Kakodkar (Non Executive Director);
9. Dr. Madhookar Pavaskar (Non Executive Independent Director);
10. A. Mahendran (Non Executive Independent Director);
11. C.M. Maniar (Non Executive Independent Director);
12. Shevtal S. Vakil (Non Executive Independent Director);
13. Sandeep Bajoria (Non Executive Independent Director);
14. Ashish S. Dalal (Non Executive Director);
15. C. Subramaniam (Non Executive Director); and
16. P. Satish (Non Executive Director)

For further details in relation to our Board and the Directors see the section titled "Our Management" on page 90 of this Draft Red Herring Prospectus.

Company Secretary and Compliance Officer

Ranjit Samantaray
102A, Landmark, Suren Road,
Chakala,
Andheri (East),
Mumbai 400 093, India
Tel: (91 22) 5649 4000
Fax: (91 22) 5649 4151
E-mail: ipo@mcxindia.com

Investors can contact the Compliance Officer in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of Allotment, credit of Allotted shares in the respective beneficiary account, refund orders, etc.

Legal Advisors to the Issue

Domestic Legal Counsel to the Issuer
J. Sagar Associates
Vakils House, 1st Floor,
18, Sprott Road,
Ballard Estate,

Mumbai- 400 021, India
Tel: (91 22) 5656 1500
Fax: (91 22) 5656 1515

Domestic Legal Counsel to the Underwriters

Amarchand & Mangaldas
& Suresh A. Shroff & Co.
5th Floor, Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg, Lower Parel
Mumbai 400 013
Tel: (91 22) 2496 4455
Fax: (91 22) 2496 3666

International Legal Counsel to the Underwriters

Jones Day
31/F Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong
Tel: (852) 2526 6895
Fax: (852) 2868 5871

Book Running Lead Managers

Citigroup Global Markets India Private Limited
4th Floor, Bakhtawar,
229, Nariman Point
Mumbai- 400 021
Tel: (91) 1800 2299 96
Fax: (91 22) 5631 9803
E-mail: mcx.ipo@citigroup.com
Website: www.citibank.co.in
Contact Person: Ashish Adukia

DSP Merrill Lynch Limited
Mafatlal Centre,
10th Floor
Nariman Point
Mumbai 400 021, India
Tel: (91 22) 2262 1071
Fax: (91 22) 226 21187
E-mail: mcx_offer@ml.com
Website: www.dspml.com
Contact Person: N.S. Shekhar

Kotak Mahindra Capital Company Limited
3rd Floor, Bakhtawar,
229, Nariman Point,
Mumbai 400 021, India.
Tel.: (91 22) 5634 1100
Fax. : (91 22) 2284 0492
E-mail: mcx.ipo@kotak.com
Website: www.kotak.com
Contact Person: Ajay Vaidya

Co Book Running Lead Manager

JM Morgan Stanley Private Limited
141, Maker Chambers III,
Nariman Point,
Mumbai 400 021, India
Tel. :(91 22) 5630 3030
Fax.: (91 22) 2202 8224
Email: utkarsh.katkoria@jmmorganstanley.com
Website: www.jmmorganstanley.com
Contact Person: Utkarsh Katkoria

Syndicate Members

Kotak Securities Limited
7th Floor, Bakhtawar,
229, Nariman Point,
Mumbai 400 021
Tel. :(91 22) 5634 1100
Fax.: (91 22) 2284 0492
Email: ulhas.sawant@kotak.com
Website: www.kotak.com
Contact Person: Ulhas Sawant

JM Morgan Stanley Financial Services Limited
Apeejay House,
3, Dinshaw Waccha Road
Churchgate,
Mumbai- 400 021, India
Tel: (91 22) 5504 0404
Fax: (91 22) 5630 1694
mail :
mcxipo@jmmorganstanley.com
Contact Person: Deepak Vaidya

Sunidhi Consultancy Services Private Limited.
Maker Chamber IV, 14th Floor,
Nariman Point,
Mumbai 400 021, India.
Tel : (91 22) 5636 9669
Fax : (91 22) 5631 8639
Email: amitmehta@sunidhi.com
Contact person: Amit Mehta

Registrar to the Issue

INTIME SPECTRUM REGISTRY LIMITED
C-13, Pannalal Silk Mills Compound, LBS Marg,
Bhandup (West),
Mumbai – 400 078, India

Registrar to the Issue

Tel. : (91 22) 2596 0320
Fax. : (91 22) 2596 0329
Email: mcxipo@intimespectrum.com
Website: www.intimespectrum.com
Contact Person: Vishwas Attavar

Auditors

Deloitte, Haskins and Sells, Chartered Accountants
12, Dr. Annie Besant Road,
Opp. Shiv Sagar Estate,
Worli, Mumbai – 400 018
Tel: (91 22) 5667 9000
Fax: (91 22) 5667 9100

Banker(s) to the Issue and Escrow Collection Bank(s)

[●]

Banker to the Company

Bank of India Bullion Exchange Branch, 185, Sheikh Memon Street, Post Box no. 2313, Mumbai – 400 002, India Tel: (91 22) 2342 8841 Fax: (91 22) 2340 1575 Email: boibullionbr@vsnl.net	**Citibank N.A.** Citigroup Center, 6th Floor, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051, India. Tel: (91 22) 5001 5669 Fax: (91 22) 2653 5872 Email: ravi.banta@citigroup.com	**Corporation Bank** Nariman Point Branch, First Floor, Earnest House, Nariman Point, Mumbai –400 021, India Tel: (91 22) 2285 2073 Fax: (91 22) 2285 1284 Email: ibd@corpbank.co.in
HDFC Bank Limited Motwani Chambers, Manekji Wadia Building, Fort Branch, Mumbai 400 023, India Tel: (91 22) 2498 8484 Fax: (91 22) 2492 3411 Email: shivayogia.kubasad@hdfcbank.com	**The Hongkong and Shanghai Banking Corporation Limited** Kamala Bhavan Swami Nityanand Marg, Andheri (East), Mumbai - 400 069, India Tel: (91 22) 5691 0111 Fax: (91 22) 2682 3719 Email: rahulvarma@hsbc.co.in	**Indusind Bank Limited** Sonawalla Building, 57, Mumbai Samachar Marg, Fort, Mumbai- 400 001, India Tel: (91 22) 5636 6591 Fax: (91 22) 5636 6590 Email : boms@indusind.com
Kotak Mahindra Bank Limited, Nariman Point Branch, 13th Floor, Nariman Bhavan, 277, Nariman Point, Mumbai –400 021, India Tel: (91 22) 5659 6174 Fax: (91 22) 5659 6430 Email: anindita.rungta@kotak.com	**State Bank of India** Mumbai Main Branch, Institutional Banking Division, M.S.Marg, Fort, Mumbai –400 023, India Tel: (91 22) 2266 1765 Fax: (91 22) 2265 2742 Email: agminstmmb@vsnl.net	**Union Bank of India** Zaveri Bazar Branch, Venkatesh Bhavan, 2nd Floor, 86,Mirza Street, Mumbai –400 003, India Tel: (91 22) 2341 0338 Fax: (91 22) 2344 4719 Email: cmcmsm@unionbankofindia.com
UTI Bank Limited First Floor, Janambhoomi Marg, Fort, Mumbai – 400 001, India Tel: (91 22) 2204 1193 Fax: (91 22) 2202 4620	**Yes Bank Limited** Nehru Centre, 9th Floor, Discovery of India, A.B. Road, Worli, Mumbai- 400 018, India	

Banker to the Company	
Email: naresh.devadiga@utibank.com	Tel: (91 22) 2497 5588 Fax: (91 22) 2490 0314 Email: h.srikrishnan@yesbankltd.com

Statement of Inter Se Allocation of Responsibilities for the Issue

The following table sets forth the distribution of responsibility and coordination for various activities amongst the BRLMs:

Sr. No	Activities	Responsibility	Co-ordinator
1.	Capital structuring with relative components and formalities such as type of instrument etc.	Citigroup, DSPML, KMCC	Citigroup
2.	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Draft Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. (The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing).	Citigroup, DSPML, KMCC	Citigroup
3.	Drafting and approval of all publicity material including road show marketing presentation, other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, etc.	Citigroup, DSPML, KMCC	DSPML
4.	Appointment of other intermediaries viz., Registrar(s), Printer(s), Advertising Agency and Banker(s) to the Issue	Citigroup, DSPML, KMCC	DSPML
5.	Domestic institutions / banks/ mutual funds marketing strategy: finalise the list and division of investors for one to one meetings	Citigroup, DSPML, KMCC	KMCC
6.	International institutional marketing strategy: finalise the list and division of investors for one to one meetings	Citigroup, DSPML, KMCC	Citigroup
7.	Retail / Non Institutional marketing strategy – Finalise centers for holding conference for brokers etc. – Finalise media, marketing & PR Strategy – Follow up on distribution of publicity and issue materials including form, prospectus and deciding on the quantum of the Issue material – Finalise bidding centers	Citigroup, DSPML, KMCC, JMMS	DSPML
8.	Pricing, managing the book and coordination with Stock-Exchanges for book building software, bidding terminals etc.	Citigroup, DSPML, KMCC	KMCC
9.	The post bidding activities including management of escrow accounts, co-ordinate non-institutional and institutional allocation, intimation of allocation and	Citigroup, DSPML, KMCC	KMCC

Sr. No	Activities	Responsibility	Co-ordinator
	dispatch of refunds to bidders etc		
10.	The Post Issue activities for the Issue will involve essential follow up steps, which include the finalisation of basis of allotment, dispatch of refunds, demat of delivery of shares, finalisation of listing and trading of instruments with the various agencies connected with the work such as the Registrar to the Issue and Bankers to the Issue. (The merchant bankers shall be responsible for ensuring that these agencies fulfill their functions and enable them to discharge this responsibility through suitable agreements with the Company)	Citigroup, DSPML, KMCC	KMCC

CREDIT RATING

As the Issue is of Equity Shares, credit rating is not required.

TRUSTEES

As the Issue is of Equity Shares, the appointment of Trustees is not required.

BOOK BUILDING PROCESS

Book building refers to the process of collection of Bids, on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is fixed after the Bid /Issue Closing Date.

The principal parties involved in the Book Building Process are:

- The Company;
- The Selling Shareholders;
- Book Running Lead Managers;
- Syndicate Members who are intermediaries registered with SEBI or registered as brokers with NSE/BSE and eligible to act as Underwriters. Syndicate Members are appointed by the BRLMs;
- Escrow Collection Banks; and
- Registrar to the Issue.

The SEBI Guidelines read with rule 19(2) (b) of the SCRR, have permitted an issue of securities to the public through the 100% Book Building Process, wherein not less than 60% of the Net Issue shall be allocated on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs including the Mutual Funds subject valid bids being received at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and up to 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. We will comply with the SEBI Guidelines and any other ancillary directions issued by SEBI for this Issue. In this regard, the Company and the Selling Shareholders have appointed the BRLMs to manage the Issue and to procure subscriptions to the Issue.

Pursuant to amendments to the SEBI Guidelines, QIB Bidders are not allowed to withdraw their Bid(s) after the Bid /Issue Closing Date. **In addition, QIBs are required to pay 10% Margin Amount upon submission of the Bid cum Application Form during the Bidding/ Issue Period and allocation to QIBs**

will be on a proportionate basis. For further details see the section titled "Terms of the Issue" on page 182 of this Draft Red Herring Prospectus.

The process of Book Building under SEBI Guidelines is subject to change from time to time and investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

Illustration of Book Building and Price Discovery Process *(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)*

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Suscription
500	24	500	16.67%
1000	23	1500	50.00%
1500	22	3000	100.00%
2000	21	5000	166.67%
2500	20	7500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The issuer, in consultation with the book running lead managers, will finalise the issue price at or below such cut off price, i.e., at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Key steps to be taken for bidding:

- Check eligibility for bidding, see the section titled "Issue Procedure-Who Can Bid?" on page 189 of this Draft Red Herring Prospectus;

- Ensure that the Bidder has a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;

- If the Bid is for Rs. 50,000 or more, ensure that the PAN is mentioned and the copy of the PAN card is attached to the Bid cum Application Form (see "Issue Procedure- PAN" on page 208 of this Draft Red Herring Prospectus.); and

- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form.

UNDERWRITING AGREEMENT

After the determination of the Issue Price but prior to filing of the Prospectus with the RoC, our Company and the Selling Shareholders will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that their respective Syndicate Members do not fulfill their underwriting obligations.

The amount mentioned herein is indicative underwriting and this would be finalized after pricing and actual allocation. The above Underwriting Agreement is dated [●].

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the RoC)

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. million)
Citigroup Global Markets India Private Limited 4th Floor, Bakhtawar, 229, Nariman Point Mumbai- 400 021	[•]	[•]
DSP Merrill Lynch Limited Mafatlal Centre, 10th Floor Nariman Point Mumbai 400 021, India	[•]	[•]
Kotak Mahindra Capital Company Limited 3rd Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021, India.	[•]	[•]
JM Morgan Stanley Private Limited 141, Maker Chambers III, Nariman Point, Mumbai 400 021, India	[•]	[•]
Kotak Securities Limited 1st Floor, Bakhtawar, 229, Nariman Point, Mumbai-400 020	[•]	[•]
JM Morgan Stanley Financial Services Limited Apeejay House, 3, Dinshaw Waccha Road Churchgate, Mumbai- 400 021, India	[•]	[•]
Sunidhi Consultancy Services Private Limited. Maker Chamber IV, 14th Floor, Nariman Point, Mumbai 400 021, India.	[•]	[•]

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the Securities and Exchange Board of India Act, 1992 or registered as brokers with the Stock Exchange(s).

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement will also be required to procure/subscribe to the extent of the defaulted amount.

CAPITAL STRUCTURE

Our share capital as at the date of filing of this Draft Red Herring Prospectus with SEBI (before and after the Issue) is set forth below:

	(Rs. in million)	Aggregate Value at nominal value	Aggregate Value at Issue Price
A)	**AUTHORISED SHARE CAPITAL** 50,000,000 Equity Shares of Rs. 10 each	500.00	
B)	**ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL** 38,956,825 Equity Shares of Rs. 10 each	389.57	
C)	**PRESENT ISSUE IN TERMS OF THIS DRAFT RED HERRING PROSPECTUS** 5,000,000 Equity Shares of Rs. 10 each fully paid up*	50.00	[•]
	Out of the above:		
	a) Fresh Issue 1,400,000 Equity Shares of Rs. 10 each fully paid up	14.00	[•]
	b) Offer for Sale 3,600,000 Equity Shares of Rs. 10 each fully paid up**	36.00	[•]
D)	**RESERVATION PORTION** Up to 964,000 Equity Shares of Rs. 10 each fully paid up	9.64	[•]
	Out of the above:		
	a) Business Associates Reservation Portion Up to 250,000 Equity Shares of Rs. 10 each fully paid up	2.50	[•]
	b) Employee Reservation Portion Up to 214,000 Equity Shares of Rs. 10 each fully paid up	2.14	[•]
	c) Existing FTIL Shareholders Reservation Portion Up to 500,000 Equity Shares of Rs. 10 each fully paid up	5.00	[•]
E)	**NET ISSUE TO THE PUBLIC** 4,036,000 Equity Shares of Rs. 10 each fully paid up	40.36	[•]
F)	**SHARE PREMIUM ACCOUNT (in Rs. million)**		
	Before the Issue		2,228.93
	After the Issue		[•]
H)	**EQUITY CAPITAL AFTER THE ISSUE** 40,356,825 Equity Shares of Rs. 10/- each fully paid-up shares	403.56	

* The Fresh Issue in terms of this Draft Red Herring Prospectus has been authorized pursuant to a resolution passed at the general meeting of our shareholders on January 13, 2006 at Mumbai. The Offer for Sale has been authorized pursuant to a resolution of the board of directors of FTIL and Corporation Bank passed on January 28, 2006 and December 17, 2005, respectively.

** Out of the Offer for Sale for 3,600,000 Equity Shares, 3,358,000 Equity Shares are being offered by FTIL and 242,000 Equity Shares by Corporation Bank.

1. The initial authorised share capital of Rs. 500,000 was increased to Rs. 110,000,000 pursuant to a resolution of the shareholders passed at the general meeting dated March 17, 2003.

2. The authorised share capital of Rs. 110,000,000 was increased to Rs. 180,000,000 pursuant to a resolution of the shareholders passed at the general meeting dated February 27, 2004.

3. The authorised share capital of Rs. 180,000,000 was increased to Rs. 300,000,000 pursuant to a resolution of the shareholders passed at the general meeting dated April 3, 2004.

4. The authorised share capital of Rs. 300,000,000 was increased to Rs. 500,000,000 pursuant to a resolution of the shareholders passed at the general meeting February 5, 2005.

Notes to Capital Structure

1. Share Capital allotment history of the Company

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons for Allotment	Cumulative Paid-up Capital (Rs. millions)	Cumulative Share Premium (Rs. millions)
April 19, 2002	5,000	10	10	Cash	Subscribers to Memorandum	0.05	Nil
April 19, 2002	5,000	10	10	Cash	Subscribers to Memorandum	0.10	Nil
April 22, 2002	39,600	10	10	Cash	Further allotment to La-Fin Financial Services Private Limited	0.496	Nil
April 22, 2002	100	10	10	Cash	Further allotment to Sajit Dayanandan	0.497	Nil
April 22, 2002	100	10	10	Cash	Further allotment to Dewang Neralla	0.498	Nil
April 22, 2002	100	10	10	Cash	Further allotment to Ajay Narsimhan	0.499	Nil
April 22, 2002	100	10	10	Cash	Further allotment to Manjay Shah	0.50	Nil
September 6, 2003	10,000,000	10	10	Other than Cash*	Further allotment to FTIL	100.50	Nil

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons for Allotment	Cumulative Paid-up Capital (Rs. millions)	Cumulative Share Premium (Rs. millions)
March 10, 2004	5,000,000	10	10	Other than Cash*	Further allotment to FTIL	150.50	Nil
April 5, 2004	420,000	10	10	Cash	Further allotment to Union Bank of India	154.70	Nil
May 14, 2004	420,000	10	10	Cash	Further allotment to Corporation Bank	158.90	Nil
June 7, 2004	420,000	10	10	Cash	Further allotment to Bank of India	163.10	Nil
July 1,2004	2,100,000	10	10	Cash	Further allotment to State Bank of India	184.10	Nil
July 9, 2004	420,000	10	10	Cash	Further allotment to Canara Bank	188.30	Nil
August 31, 2004	210,000	10	10	Cash	Further allotment to State Bank of Indore	190.40	Nil
August 31, 2004	420,000	10	10	Cash	Further allotment to Bank of Baroda	194.60	Nil
October 22, 2004	210,000	10	10	Cash	Further allotment to State Bank of Hyderabad	196.70	Nil
December 28, 2004	1,000,000	10	10	Cash	Further allotment to Corporation Bank	206.70	Nil
December 28, 2004	210,000	10	10	Cash	Further allotment to SBI Life Insurance Co. Limited	208.80	Nil

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons for Allotment	Cumulative Paid-up Capital (Rs. millions)	Cumulative Share Premium (Rs. millions)
December 28, 2004	210,000	10	10	Cash	Further allotment to State Bank of Surashtra	210.90	Nil
March 9, 2005	420,000	10	10	Cash	Further allotment to HDFC Bank Limited	215.10	Nil
April 11, 2005	10,000,000	10	10	Cash	Further allotment to FTIL	315.10	Nil
May 5, 2005	1,000,000	10	10	Cash	Further allotment to NSE	325.10	Nil
June 1, 2005	1,250,000	10	10	Cash	Further allotment to NABARD	337.60	Nil
July 1, 2005	210,000	10	10	Cash	Further allotment to State Bank of Patiala	339.70	Nil
August 1, 2005	756,825	10	148.65	Cash	Further allotment to Bennett Coleman & Co. Limited	347.27	104.93
November 2, 2005	210,000	10	10	Cash	Further allotment to State Bank of Travancore	349.37	104.93
November 2, 2005	210,000	10	10	Cash	Further allotment to State Bank of Mysore	351.47	104.93
November 2, 2005	210,000	10	10	Cash	Further allotment to State Bank of Bikaner & Jaipur	353.57	104.93
February 3, 2006	3,600,000	10	600	Cash	Further allotment to FID Funds (Mauritius)	389.57	2,228.93

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons for Allotment	Cumulative Paid-up Capital (Rs. millions)	Cumulative Share Premium (Rs. millions)
					Limited		

* These Equity Shares were allotted to FTIL in consideration for software provided by FTIL to the company under certain software agreements. For more details, see the section titled "History and Certain Corporate Matters- Agreement with our Promoter" on page 87 of this Draft Red Herring Prospectus.

2. Promoter's Contributions and Lock-In

All Equity Shares which are being locked in are eligible for computation of promoter's contribution and lock in under clause 4.6.1 of the SEBI Guidelines. The shareholding of the Promoter would be locked-in for a period of three years from the date of Allotment in this Issue, as provided herein:

Name	Date on which the Equity Shares were allotted / acquired	Nature of Allotment	Nature of consideration	Number of Equity Shares	Par value	Issue/ Transfer Price	% of post-Issue paid-up equity capital
FTIL	July 1, 2004	Transfer	Cash	5,200	10	10	0.01
	September 1, 2004	Transfer	Cash	5,200	10	10	0.01
	March 10, 2004	Further allotment	As consideration for software provided by FTIL to the Company*	5,000,000	10	N.A.	12.39
	September 6, 2003	Further allotment	As Consideration for software provided by FTIL to the Company*	3,060,965	10	N.A.	7.58
Grand Total				**8,071,365****			**20.00**

* For more details, see the section titled "History and Certain Corporate Matters- Agreement with our Promoter" on page 87 of this Draft Red Herring Prospectus.

** The Equity Shares arising out of exercise of options granted pursuant to the ESOS has not been considered for calculation the promoter contribution for lock in as none of the options have vested as of the date of this Draft Red Herring Prospectus.

Further other than the options granted under the ESOS and the equity shares constituting the Offer for Sale, the entire pre-Issue equity share capital of the Company will be locked-in for the period of one year from the date of Allotment of Equity Shares in this Issue.

The Equity Shares to be locked-in for a period of three years have been computed as 20% of our equity capital after the Issue.

Locked-in Equity Shares held by the promoters can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions provided that the pledge of the equity shares is one of the terms of the sanction of the loan.

In terms of clause 4.16.1(b) of the SEBI Guidelines, Equity Shares held by the promoters may be transferred to and amongst the promoters/ promoter group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

Further, in terms of clause 4.16.1(a) of the SEBI Guidelines, Equity Shares held by shareholders other than the promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

3. No Equity Shares have been sold or purchased by our Promoter and our Promoter Group Companies, during the period of six months preceeding the date on which the Draft Red Herring Prospectus is filed with SEBI.

4. None of the Directors and Key Managerial Personnel holds Equity Shares as of the date of filing this Draft Red Herring Prospectus. However, Directors and Key Managerial Personnel have been granted options under the ESOS. For details see note 8 on page 26 of this Draft Red Herring Prospectus.

5. Equity Shares held by top ten shareholders

Our top ten shareholders and the Equity Shares held by them on the date of filing the Draft Red Herring Prospectus and ten days prior to the date of filing the Draft Red Herring Prospectus with SEBI are as follows:

Sr. No.	Name	Number of Equity Shares held			
		On the date of filing the Draft Red Herring Prospectus with SEBI	Percentage shareholding	Ten days prior to the date of filing the Draft Red Herring Prospectus with SEBI	Percentage shareholding
1.	FTIL	25,050,000	64.30%	25,050,000	64.3%
2.	FID Funds (Mauritius) Limited	3,600,000	9.24%	3,600,000	9.24%
3.	State Bank of India	2,100,000	5.39%	2,100,000	5.39%
4.	Corporation Bank	1,420,000	3.64%	1,420,000	3.64%
5.	NABARD	1,250,000	3.21%	1,250,000	3.21%
6.	NSE	1,000,000	2.56%	1,000,000	2.56%
7.	Bennett, Coleman & Company Limited	756,825	1.94%	756,825	1.94%
8.	Union Bank of India	420,000	1.08%	420,000	1.08%
9.	Bank of India	420,000	1.08%	420,000	1.08%
10.	Canara Bank	420,000	1.08%	420,000	1.08%
11.	Bank of Baroda	420,000	1.08%	420,000	1.08%
12.	HDFC Bank Limited	420,000	1.08%	420,000	1.08%

Our top ten shareholders and the Equity Shares held by them two years prior to the date of filing the Draft Red Herring Prospectus are as follows:

Sr. No.	Name	No. of Equity Shares
1.	FTIL	150,39,600
2.	V. Hariharan*	5,000
3.	Rinsy Ansalam*	5,000
4.	Sajit Dayanandan*	100
5.	Dewang Neralla*	100
6.	Ajay Narsimhan*	100
7.	Manjay Shah*	100

* As nominee of FTIL

6. As of the date of the Draft Red Herring Prospectus, except the 650,000 options issued pursuant to the ESOS, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares.

7. Shareholding pattern before and after the Issue

The table below presents our shareholding pattern before the proposed Issue and as adjusted for the Issue

	Equity Shares owned prior to the Issue		Equity Shares owned after the Issue	
Shareholder Category	**Number**	**%**	**Number**	**%**
Promoter				
FTIL	25,050,000	64.30	21,692,000	53.75
Sub Total (A)	25,050,000	64.30	21,692,000	53.75
Other Investors				
Union Bank of India	420,000	1.08	420,000	1.04
Corporation Bank	1,420,000	3.64	1,178,000	2.92
Bank of India	420,000	1.08	420,000	1.04
State Bank of India	2,100,000	5.39	2,100,000	5.20
Canara Bank	420,000	1.08	420,000	1.04
State Bank of Indore	210,000	0.54	210,000	0.52
Bank of Baroda	420,000	1.08	420,000	1.04
State Bank of Hyderabad	210,000	0.54	210,000	0.52
SBI Life Insurance Company Limited	210,000	0.54	210,000	0.52
State Bank of Saurashtra	210,000	0.54	210,000	0.52
HDFC Bank Limited	420,000	1.08	420,000	1.04
NSE	1,000,000	2.56	1,000,000	2.48
NABARD	1,250,000	3.21	1,250,000	3.10
State Bank of Patiala	210,000	0.54	210,000	0.52

Shareholder Category	Equity Shares owned prior to the Issue Number	%	Equity Shares owned after the Issue Number	%
Bennett, Coleman & Company Limited	756,825	1.94	756,825	1.88
State Bank of Travancore	210,000	0.54	210,000	0.52
State Bank of Mysore	210,000	0.54	210,000	0.52
State Bank of Bikaner & Jaipur	210,000	0.54	210,000	0.52
FID Funds (Mauritius) Limited	3,600,000	9.24	3,600,000	8.92
Sub Total (B)	13,906,825	35.70	13,664,825*	33.86
Total pre Issue share capital (C=A+B)	**38,956,825**	**100**	**40,356,825**	**100**

* This is based on the assumption that the existing shareholders shall not subscribe for Equity Shares in the Issue.

8. Employee Stock Option Scheme (ESOS)

We have instituted a stock option plan to reward and help retain our employees and to enable them to participate in our future growth and financial success. We have granted stock options to employees pursuant to the Plan. The following table sets forth the particulars of options granted under ESOS as of March 8, 2006:

A.	**Options outstanding**	650,000
B.	**Options granted**	650,000
C.	**Exercise Price**	Rs. 28
D.	**Options vested**	Nil
E.	**Options exercised**	Nil
F.	**Total number of Equity Shares arising as a result of exercise of options**	650,000
G.	**Options forfeited / lapsed**	Nil
H.	**Extinguishment or modification of options**	Nil
I.	**Money realised by exercise of options**	Nil
J	**Fully Diluted EPS (on a pre-Issue basis)**	Rs. 9.34*
K.	**Vesting schedule**	The vesting schedule for the options granted is as follows: 1. at the end of 12 months from the date of grant: 20% 2. at the end of 24 months from the date of grant: 30% 3. at the end of 36 months from the date of grant: 50%
L.	**Lock-in**	In accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

* Profit after Tax for nine months ended December 31, 2005 annualized/ Pre Issue Equity Share Capital adjusted for the options granted under the ESOS

9. Neither we nor our Directors nor the Promoter or its directors, nor the BRLMs have entered into any buyback and/or standby arrangements for the purchase of our Equity Shares from any person.

10. This Issue comprises an Offer for Sale by the following shareholders of our Company

Name of shareholder	Number of Equity Shares being offered for sale
FTIL	3,358,000
Corporation Bank	242,000
Total	**3,600,000**

11. We have not raised any bridge loan against the proceeds of the Issue. For details on use of proceeds, see the section titled "Objects of the Issue" on page 29 of this Draft Red Herring Prospectus.

12. Not less than 60% of the Net Issue shall be allocated to QIBs on a proportionate basis. 5% of the QIB Portion shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for Allotment to the QIB Bidders including Mutual Funds. Further, up to 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue will be available for allocation to Retail Individual Bidders, subject to valid Bids being received from them at or above the Issue Price. Under-subscription, if any, in the Non-Institutional and Retail Individual categories would be allowed to be met with spill over from any other category at the discretion of the Company, the Selling Shareholders and the BRLMs. The Issue includes the Business Associates Reservation Portion of up to 250,000 Equity Shares, Employee Reservation Portion of up to 214,000 Equity Shares and Existing FTIL Shareholders Reservation Portion of up to 500,000 Equity Shares, which are available for allocation to Business Associates, Eligible Employees and Existing FTIL Shareholders respectively, on a proportionate basis.

13. Only Business Associates, Eligible Employees and Existing FTIL Shareholders would be eligible to apply in this Issue under the Business Associates Reservation Portion, Employee Reservation Portion and Existing FTIL Shareholders Reservation Portion respectively, on competitive basis. Bid/ Application by Business Associates, Eligible Employees and Existing FTIL Shareholders can be made also in the "Net Issue" and such Bids shall not be treated as multiple Bids.

14. Under-subscription, if any, in the Reservation Portion will be added back to the Retail Portion. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Reservation Portion.

15. A Bidder cannot make a Bid for more than the number of Equity Shares offered in this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

16. An oversubscription to the extent of 10% of the Issue can be retained for the purpose of rounding off while finalizing the basis of Allotment.

17. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Draft Red Herring Prospectus with SEBI until the equity shares offered hereby have been listed.

18. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months commencing from the date of opening of this Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares or securities convertible into Equity Shares, whether on a preferential basis or otherwise. However, during such period or at a later date, we may issue Equity Shares pursuant to the ESOS or issue equity shares or securities linked to equity shares to finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture, or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in the interest of the Company.

19. We have not issued any Equity Shares out of revaluation reserves. We have issued Equity Shares to FTIL as consideration for software. For more details see the section titled "History and Certain Corporate Matters- Agreement with our Promoter" on page 86 of this Draft Red Herring Prospectus. Further, we have not made any bonus issues.

20. There will be only one denomination of the Equity Shares of the Company unless otherwise permitted by law and the Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

21. We had 20 shareholders as of March 14, 2006.

OBJECTS OF THE ISSUE

The objectives of the Fresh Issue are:

- Upgradation of the technology for the exchange; and
- Strategic initiatives, acquisition and general corporate purposes.

The net proceeds of the Issue, after deducting all Issue related expenses, are estimated to be Rs. [•] million. We will not receive any proceeds from the sale of the Equity Shares by the Selling Shareholders.

The main objects and objects incidental or ancillary to the main objects set out in our Memorandum of Association enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue. The fund requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution. The fund requirement below is based on our current business plan. In view of the highly competitive and dynamic nature of the industry in which we operate, we may have to revise our business plan from time to time and consequently our fund requirement may also change. This may include rescheduling of our capital expenditure programmes and increase or decrease the capital expenditure for a particular purpose vis-à-vis current plans at the discretion of our management. In case of any variations in the actual utilization of funds earmarked for the above activities, increased fund deployment for a particular activity will be met from internal accruals of the Company.

As of date of this Draft Red Herring Prospectus, we have not incurred any expenditure in relation to our objects for the Issue.

The details of the proceeds of the Issue are summarized in the table below:

Means of Finance	**Rs. million**
Gross proceeds of the Issue	[•]
Issue related expenses	[•]
Net proceeds of the Issue	[•]

The following table summarizes the intended use of proceeds:

Use of Proceeds	**Estimated Use (in Rs. Million)**
Upgradation of the technology for the exchange	**500.20**
Strategic initiatives, acquisitions and general corporate purposes	[•]
Total	[•]

Upgradation of technology for the exchange

Technology plays an important role in our success and therefore, we are committed to the ongoing improvement and maintenance. We believe that a well designed technical setup along with a structured technology road map will increase the reliability and scalability of our trading system. To accommodate the ever increasing transaction load, we regularly monitor the technical infrastructure and plan upgrades to the technical system. The periodicity of such exercises is determined in such manner as to enable us to take advantage of the latest technology including increased processing power and security features. The primary objective of this proposed technology upgradation is to establish a disaster recovery site at Chennai and upgrade the existing system which shall be equipped to handle more than 1 million transactions per day. The following table sets out the various components of our intended use of proceeds for the upgradation of technology for the exchange:

Sr. No.	**Name of the Project**	**Cost (in Rs. Million)**	**Location**	**Implementation Schedule**
1.	Setting up of a disaster recovery site (DRS) at Chennai	156.10	Chennai	Fiscal 2007
2.	Enhancement of the security infrastructure	26.50	Mumbai	Fiscal 2007

Sr. No.	Name of the Project	Cost (in Rs. Million)	Location	Implementation Schedule
3.	Upgradation of the software and hardware capacity	57.80	Mumbai	First quarter, fiscal 2007
4.	Upgradation of the network and testing infrastructure and expansion of data centre.	30.50	Mumbai	First quarter, fiscal 2007
5.	Setting up of Commodity Suchana Kendra	55.00	Nation wide	Fiscal 2007
6.	Data warehousing	174.30	Mumbai	Fiscal 2007
	Total Cost	**500.20**		

Setting up of a DRS at Chennai

We currently have a site in Chennai which provides us with back up facilities for our data requirements in the event of any failures at our primary site in Mumbai. This facility is situated in leased premises. However, the proposed DRS would be set up in owned premises in Chennai and enable transition of the entire trading and clearing operations of the exchange to the DRS at Chennai in the event of a disaster at the primary site at Mumbai. The technology infrastructure for operating the exchange is proposed to be replicated at the DRS, including connectivity to the primary site which would enable online replication of data from the primary site to the DRS through multiple links. The DRS is proposed to have links to various service providers of the exchange, which in turn would enable the members to resume trading in the event of a failure at the primary site.

Based on the quotes received from management estimates and vendors, we estimate that the fund requirements to set up the DRS shall be as follows:

Sr. No.	Particulars	Cost in Rs. Million	Vendors from whom quotations have been received/ Management Estimates
1.	Premises (4,000 sq. ft.) for the DRS setup including furnishing and utilities cost	19.00	Management estimates
2.	Bandwidth and bandwidth management tools	8.50	Tata Indicom, Bharti Infotel Limited, Computech Engineers, Net 4 India Limited and HCL Comnet
3.	Hardware and network equipment for the exchange setup	20.10	Pentagon System and Services Private Limited, Nirmal Datacomm Private Limited, Stratus Technologies and HCL Infosystems
4.	Exchange application software license	70.00	FTIL
5.	Security Infrastructure	24.00	SIFY Limited, Symantec India and Inflow Technologies Private Limited
6.	Infrastructure Management Solutions	6.50	Pentagon System and Services Private Limited, Wipro Infotech Limited and DC Infotech
7.	Data center set up	8.00	Powerica Limited, Choice Solutions Limited, Emerson Network Power India Private Limited and Nitin Fire

Sr. No.	Particulars	Cost in Rs. Million	Vendors from whom quotations have been received/ Management Estimates
			Protection Industries Limited
	Total	**156.10**	

We are in the process of evaluating quotations that we have received from vendors. We shall finalize the same based on various parameters best suited to our business requirements.

Enhancement of the security infrastructure

The current security setup at the exchange has to be enhanced to meet future security requirements. Therefore, we propose to undertake the following:

a. Implementation of Secure Socket Layer Vitual Private Network (SSL VPN) solution in a high-availability mode at the primary site as well as the DRS. This will increase security, ensure better manageability and reduce initial setup costs for internet based traders;

b. Upgrade of the firewall setup to handle higher loads;

c. Implementation of latest intrusion prevention systems to counter the growing security threats at the primary site as well as the DRS;

d. Implementation of anti-spam appliances; and

e. Incorporation of centralised security management tools which would collate inputs received from different security devices/ sources.

We estimate that fund requirements for enhancing the security infrastructure at Rs. 26.5 million based on the quotations received from vendors including SIFY Limited, Symantec India and Inflow Technologies Private Limited. We are in the process of evaluating quotations received from these vendors. We shall finalize the same based on parameters best suited to our business requirements.

Upgradation of the software and hardware capacity

The current exchange software we use is equipped to handle up to 500,000 transactions per day. We intend to implement an upgraded version of this software which is equipped to handle more than 1 million transactions per day. The upgradation of the software will also enable better help desk management.

We propose to procure the upgraded Stratus ftServer for testing, live trading and disaster recovery. Setting up of this server will enable us to increase the processing capabilities and therefore improve the transaction handling capacity of the system.

Based on the quotations received from vendors, we estimate that the fund requirements for upgradation of the software and hardware capacity shall be as follows:

Sr. No.	Particulars	Cost (in Rs. Million)	Vendors from whom quotations have been received
1.	Application Software upgrade	50.0	FTIL
2.	Hardware upgrade	6.3	Stratus Technologies
3.	Systems Integration charges	1.5	FTIL
	Total	**57.8**	

We are in the process of evaluating quotations received from these vendors. We shall finalize the same based on parameters best suited to our business requirements.

Upgradation of the network and testing infrastructure and expansion of data centre

We propose to replace the current core routers and switches with an upgraded version to support higher data loads and enable faster turn around time. We intend to procure higher internet bandwidth to improve our capabilities in handling higher volumes in the internet trading segment. Further, we propose to install a network and systems management software which will centralise management of our systems and network infrastructure

In addition, we intend to upgrade the present testing infrastructure, which would enable us to replicate the current exchange setups during the testing processes. This upgradation would entail procurement of additional servers and network equipments.

The data centre is the physical space where the entire exchange hardware is placed. With higher volumes, the number of equipment has been increasing and therefore, we need to expand and upgrade our current facilities. For this, we shall be required to upgrade the uninterrupted power system (UPS) and the diesel generator set. In addition, we require precision cooling equipment for better cooling of the data centre and enhancement of the current fire detection and suppression systems.

The estimated fund requirement for enhancing the network is as follows:

Sr. No.	Particulars	Cost (in Rs. Million)	Vendors from whom quotations have been received
1.	Upgradation of the Network	21.0	Tata Indicom, Bharti Infotel Limited, Wipro Infotech Limited, Pentagon System and Services Private Limited, Nirmal Datacomm Private Limited and Net 4 India Limited
2.	Upgradation of the testing infrastructure	1.5	Pentagon System and Services Private Limited
3.	Datacentre expansion	8.0	Powerica Limited, Choice Solutions Limited, Emerson Network Power India Private Limited and Nitin Fire Protection Industries Limited
	Grand Total	**30.5**	

We are in the process of evaluating quotations received from these vendors. We shall finalize the same based on parameters best suited to our business requirements.

Setting up of Commodity Suchana Kendra

We are undertaking a project of electronically linking the APMC markets in centres spread across India so as to set up necessary connectivity for price dissemination. The nationwide information sharing shall facilitate the creation of common commodity markets. The initiative is aimed at reaching grass-root level commodity participants through technology and creating awareness among the farming community, thus, narrowing the gap between the producer and consumer. This information shall provide an opportunity to the farmers to hedge their price risk by participating in the agriculture commodity futures market.

Extensive use of information communication technology (ICT) will be the driver for achieving this initiative. Satellite technology will be used apart from terrestrial links. Networking components will form part of the large-scale integration required for the same. The proposal is to set up approximately 100 such sites, to be called "Commodity Suchana Kendra". Linking up the APMC markets would include following: (i) setting up the VSAT; (ii) setting up the electronic display boards; (iii) installation of the computer system, UPS and Peripherals; (iv) Connectivity and administrative costs; (v) Site survey and preparation, including related charges such as transportation, installation cost, site deposit, site rentals, packing, handling etc; and (vii) recurring cost like bandwidth cost, maintenance charges, operational cost etc.

The estimated fund requirements for setting up per Commodity Suchana Kendra is Rs. 0.55 million which has been arrived at based on the quotations received from vendors including HCL Comnet for the VSAT and Jaydeep Industrial Corporation for the electronic display boards. The total estimated fund requirement for 100 centres would therefore be Rs. 55 million. We are in the process of evaluating quotations received from these vendors. We shall finalize the same based on parameters best suited to our business requirements.

Data warehousing

We intend to build electronic data warehousing application for enhanced risk management and for business trend analysis to automise this process. This would involve procurement of data storage solutions, third party software tools, database licensing, operating systems and hardware for the same. A data warehousing application shall be developed using these tools to suit our requirements.

The estimated fund requirements for data warehousing is as follows:

Sr. No.	**Particulars**	**Cost in Rs. Million**	**Vendors from whom quotations have been received**
1.	Software and hardware tools for data warehousing	119.3	IBM
2.	Application development cost	55.0	FTIL
	Grand Total	**174.3**	

We are in the process of evaluating quotations received from vendors. We shall finalize the same based on parameters best suited to our business requirements.

Strategic initiatives, acquisition and general corporate purposes

Our goal is to ensure that our portfolio of products is comprehensive, complete, and keeps pace with the trends in the marketplace. Apart from ongoing investment in in-house product development and enhancement, it is also a key component of our strategy to expand our capability through strategic alliances, partnerships, investments in joint ventures and strategic acquisitions including global strategic instruments. For instance, we have filed an expression of interest to develop a terminal market for fresh fruits and vegetables, a project floated by the Ministry of Agriculture, GoI, which will be developed on the public private partnership model. These initiatives will be governed by our strategy of optimal investment and leveraging the core competencies of our partners and ourselves.

Accordingly, we intend to use a part of the net proceeds received by us from the Fresh Issue for investment in joint ventures and other strategic investments and acquisitions and strengthening our existing alliances.

We intend to use Rs. [●] million for strategic initiatives, acquisitions and general corporate purposes.

Issue Expenses

The expenses of this Issue include, among others, underwriting and management fees, printing and distribution expenses, legal fees, advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Activity	**Expense (in Rs. million)***
Lead management fee and underwriting commissions...............	[●]
Advertising and Marketing expenses	[●]
Printing and stationery	[●]
Others (Registrars fee, legal fee, etc.)	[●]
Total estimated Issue expenses..	[●]

* will be incorporated after finalisation of Issue Price

The Issue expenses, except the listing fee, shall be shared between the Company and the Selling Shareholders in the proportion of the number of shares sold as part of the Issue. The listing fees will be paid by the Company.

Interim use of funds

Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds, deposit with banks for necessary duration and other investment grade interest bearing securities as may be approved the Board of Directors or a Committee thereof. Such transactions would be at the prevailing commercial rates at the time of investment. We may apply part of the proceeds of the Issue, pending utilization for the purposes described above, towards working capital requirements. Should we utililise the funds towards working capital requirements, we undertake that we would ensure consistent and timely availability of the issue proceeds so temporarily used for working capital requirements to timely meet the fund requirement of for the objects of the Issue contained herein.

Shortfall of funds

The shortfall in funds, if any, shall be met by internal accruals.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by the Company and the Selling Shareholders in consultation with BRLMs on the basis of assessment of market demand for the Equity Shares, by way of Book Building Process. The face value of the Equity Shares is Rs. 10 each and the Issue Price is [●] times the face value.

Qualitative Factors

Factors external to the Company

Attractive growth prospects for the Indian Commodity Markets: We believe the growth of the overall economy in India is expected to drive the underlying demand for commodities. An increase in physical commodity market volumes should increase the hedging requirements driving commodity derivative volumes.

The government has taken steps to eliminate regulatory barriers to commodities futures trading and to modernize the commodity futures markets and stimulate trading interest in commodities by establishing national, multi-commodity exchanges.

Widening Investor Participation: New participants are expected to enter the trading markets as exchanges become more accessible, the availability of market information increases and awareness regarding the benefits of hedging becomes more widespread. Although currently not permitted, the Government of India may also permit banks, mutual funds and foreign institutional investors to invest in India's commodity futures market, and the entry of these new market participants is expected to boost trading volumes as and when permitted by the Government.

Factors internal to the Company

Leadership Position in several Commodities in the Commodities Futures Industry. We are a leading commodities futures exchange in India with respect to the value of futures contracts traded in metals, energy and certain globally significant agricultural commodities. Among the national exchanges in India, our market share for gold and silver was approximately 89% and 73%, respectively, from April 1, 2005 to December 31, 2005. Among the top ten commodity derivative exchanges in the world, we are the second largest silver exchange, the third largest gold exchange and the fourth largest exchange crude oil exchange in terms of the trading volumes for each of these commodities for the period April 1, 2005 to December 31, 2005.

Product and Service Innovation. We were the first exchange in India to offer trading in steel futures, and were also first commodity derivative exchanges to launch futures trading in crude oil and plastics in India. We have formed strategic alliances to develop futures contracts based on emissions allowances and sulphur allowances cleared by the U.S. Environmental Protection Agency, and to develop futures contracts based on intangibles in India, when permitted by the Government. In June 2005, we launched MCX-COMDEX, India's first composite commodity futures index, although index trading is not allowed yet by the Government. We were the first exchange in India to initiate evening sessions to coincide our trading with trading on exchanges in Tokyo, Shanghai, London, New York and other international markets.

Effective Use and Application of Technology. Our ability to effectively use and apply technology is a key factor in the development of our business. Our online trading platform is accessible to our members through multiple mediums of connectivity including VSAT, VPN, leased lines, the Internet and mobile phones.

Integrated Infrastructure and Strong Network of Alliances. The operation of our business is supported by the infrastructure we have developed and our network of strategic alliances, which we believe enables us to grow our business and expand our market presence. We have formed strategic alliances with various Indian commodity associations and international commodity exchanges to enhance our membership, product offerings and volumes.

Experienced Management Team. Our management team's experience in the exchange industry and the technology sector enables us to quickly and efficiently respond to market opportunities, adapt to changes in the regulatory environment and bring innovations to our exchange and to the commodities futures industry.

Quantitative Factors

Adjusted Earning per Share (EPS)

Financial Period	EPS based on Restated Financial Statements (Rs.)	Weight
Fiscal 2003	(156.49)	1
Fiscal 2004	(2.83)	2
Fiscal 2005	5.31	3
Weighted Average	**(24.37)**	

i. EPS has been calculated as per the following formula: (Net Profit)/ (Weighted average number of Equity Shares)

ii. Net Profit, as restated and appearing in the restated financial statements has been considered for the purpose of computing the above ratio.

Price Earnings Ratio (P/E Ratio)

a. Based on the year ended March 31, 2005 EPS based on restated financial statements is Rs 5.31.

b. P/E based on year ended March 31, 2005 EPS based on restated financial statements is [•].

Average Return on Networth (RONW)

The figures disclosed below are based on the standalone restated financial statements of the Company.

Financial Period	RoNW (%)	Weight
Fiscal 2003	(107.28)	1
Fiscal 2004	(13.07)	2
Fiscal 2005	36.35	3
Weighted Average	**(4.06)**	

Minimum Return on Total Net Worth post-Issue to maintain pre-Issue EPS is [•].

RONW has been calculated as per the following formula: (Net Profit)/ (Equity shareholder's funds outstanding at the end of the year)

Net Asset Value (NAV) per share

(i) As at December 31, 2005	Rs. 22.28
(ii) After Issue	[•]
(iii) Issue Price	[•]

Financial Period	NAV	Weight
Fiscal 2003	(137.40)	1
Fiscal 2004	8.66	2
Fiscal 2005	12.87	3
Weighted Average	**(13.58)**	

NAV has been calculated as per the following formula: (Equity shareholders' funds)/ (Total number of Equity Shares outstanding at the end of the period)

Comparison with other listed companies

There are no other listed companies in India that engage in a business similar to that of the Company. Hence, it is not possible to provide an industry comparison in relation to the Company.

STATEMENT OF TAX BENEFITS

March 6, 2006

Multi Commodity Exchange of India Limited
102 A, Landmark, Suren Road,
Chakala, Andheri (East),
Mumbai – 400 093.

Dear Sirs,

Re: Statement of Possible Direct Tax Benefits

We hereby report that the enclosed annexure states the possible tax benefits available to Multi Commodity Exchange of India Ltd. ("Company") and its shareholders under the current tax laws in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue. In the statement we have not considered proposals in the Finance Bill, 2006.

We do not express any opinion or provide any assurance as to whether:

- the Company or its shareholders will continue to obtain these benefits in future; or
- the conditions prescribed for availing the benefits have been or would be met with.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

Thanking you,

Yours faithfully,

Deloitte, Haskin & Sells

STATEMENT OF POSSIBLE DIRECT TAX BENEFITS AVAILABLE TO MULTI COMMODITY EXCHANGE OF INDIA LIMITED AND TO ITS SHAREHOLDERS

A. Under the Income Tax Act, 1961 ("the Act")

I. Benefits available to the company

1. Tax holiday under section 10A of the Act

   As per section 10A of the Act and subject to the conditions specified in the section, the Company will be eligible to claim a benefit with respect to profits derived by its undertaking/s established in a Software Technology Park from the export of articles or things or computer software for a period of ten consecutive assessment years, beginning with the assessment year relevant to the previous year in which the undertaking/s begin to manufacture or produce such articles or things or computer software. No benefit under this section shall be allowed with respect to any such undertaking for the assessment year beginning on the 1st day of April, 2010 and subsequent years.

2. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by the Company) is exempt from tax.

3. As per section 10(35) of the Act, the following income shall be exempt in the hands of the Company:

   a. Income received in respect of the units of a Mutual Fund specified under clause (23D) of section 10; or

   b. Income received in respect of units from the Administrator of the specified undertaking; or

   c. Income received in respect of units from the specified company:

   However, this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified Company or of a mutual fund, as the case may be.

   For this purpose (i) "Administrator" means the Administrator as referred to in section 2(a) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 and (ii) "Specified Company" means a Company as referred to in section 2(h) of the said Act.

4. As per section 10(38) of the Act, Long Term Capital Gains arising to the company from the transfer of long term capital asset being an equity share in a company or a unit of an equity oriented fund where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the Company.

   For the purpose "Equity Oriented Fund" means a fund –

   (i) where the investible funds are invested by way of equity shares in domestic companies to the extent of more than fifty percent of the total proceeds of such funds; and

   (ii) which has been set up under a scheme of a Mutual Fund specified under section 10(23D) of the Act.

5. The company is eligible for amortisation of preliminary expenses being the expenditure on public issue of shares under section 35D(2)(c)(iv) of the Act, subject to the limit specified in section 35D(3).

6. As per section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

7. As per section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

   - the issue is made by a public company formed and registered in India; and
   - the shares forming part of the issue are offered for subscription to the public.

8. As per section 111A of the Act, short term capital gains arising to the Company from the sale of equity share or a unit of an equity oriented fund transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess).

9. As per section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or units or zero coupon bonds (in cases not covered under section 10(38) of the Act) would be charged to tax at the concessional rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits in accordance with and subject to the provisions of section 48 of the Act or at 10% (plus applicable surcharge and education cess) without indexation benefits at the option of the shareholder. Under section 48 of the Act, the long term capital gains arising out of sale of capital assets excluding bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition/ improvement.

II. Benefits available to Resident Shareholders

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by the Company) is exempt from tax.

2. As per section 10(38) of the Act, long term capital gains arising from the transfer of a long term capital asset being an equity share of the Company, where such transaction is chargeable to securities transaction tax, would not be liable to tax in the hands of the shareholder.

3. As per section 111A of the Act, short term capital gains arising from the sale of equity shares of the Company transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess).

4. As per section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital

asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

5. As per section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term capital assets, being listed securities or units, shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

   - the issue is made by a public company formed and registered in India; and

   - the shares forming part of the issue are offered for subscription to the public.

6. As per section 54F of the Act, long term capital gains (in cases not covered under section 10(38)) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family (HUF) shall be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:

   (a) if the individual or Hindu Undivided Family-

      – owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or

      – purchases another residential house within a period of one year after the date of transfer of the shares; or

      – constructs another residential house within a period of three years after the date of transfer of the shares; and

   (b) the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

   If only a part of the net consideration is so invested, so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

   If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

7. As per section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or units or zero coupon bonds (in cases not covered under section 10(38) of the Act) would be charged to tax at the rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits or at 10% (plus applicable surcharge and education cess) without indexation benefits, whichever is less. Under section 48 of the Act, the long term capital gains arising out of sale of capital assets

excluding bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition/ improvement.

8. As per section 88E of the Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered into in the course of the business would be eligible for deduction from the amount of income tax on the income chargeable under the head “Profits and Gains of Business or Profession” arising from taxable securities transaction, subject to certain limit specified in the section. As such, no deduction will be allowed in computing the income chargeable to tax as “capital gains” or under the head “Profit and gains of Business or Profession” for such amount paid on account of securities transaction tax.

III. Benefits available to Non-Resident Indians/Non-Resident Shareholders (Other than FIIs and Venture Capital Companies / Funds)

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by the Company) is exempt from tax.

2. As per section 10(38) of the Act, long term capital gains arising from the transfer of long term capital asset being an equity share of the Company, where such transaction is chargeable to securities transaction tax, would not be liable to tax in the hands of the shareholder.

3. As per section 111A of the Act, short term capital gains arising from the sale of equity shares of the Company transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess).

4. As per section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or units or zero coupon bonds (in cases not covered under section 10(38) of the Act) would be charged to tax at the rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits or at 10% (plus applicable surcharge and education cess) without indexation benefits, whichever is less.

5. As per section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

6. As per section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term capital assets, being listed securities or units, shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an “eligible issue of share capital” within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

   - ➢ the issue is made by a public company formed and registered in India; and
   - ➢ the shares forming part of the issue are offered for subscription to the public.

7. As per section 54F of the Act, long term capital gains (in cases not covered under section 10(38)) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family (HUF) shall be exempt from capital gains tax

if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:

(a) if the individual or Hindu Undivided Family-

- owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or

- purchases another residential house within a period of one year after the date of transfer of the shares; or

- constructs another residential house within a period of three years after the date of transfer of the shares; and

(b) the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

If only a part of the net consideration is so invested, so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

8. As per section 88E of the Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered into in the course of the business would be eligible for deduction from the amount of income tax on the income chargeable under the head "Profits & Gains of Business or Profession" arising from taxable securities transaction subject to certain limit specified in the section. As such, no deduction will be allowed in computing the income chargeable to tax as "capital gains" or under the head "Profit and gains of Business or Profession" for such amount paid on account of securities transaction tax.

9. As per first proviso to section 48 of the Act, in case of a non resident shareholder, in computing capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange (as per Exchange Control Regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which original investment was made. Cost Indexation benefits will not be available in such a case. The capital gain / loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively incurred in connection with such transfer, into the same foreign currency which was utilized in the purchase of shares.

10. In the case of a shareholder being a non-resident Indian, and subscribing to the shares of the Company in convertible foreign exchange, in accordance with and subject to the prescribed conditions, long term capital gains arising on transfer of the shares of the Company (in cases not covered under section 10(38) of the Act) will be subject to tax at the rate of 10% (plus applicable surcharge and education cess), without any indexation benefit.

11. As per section 115F of the Act and subject to the conditions specified therein, in the case of a shareholder being a non-resident Indian, gains arising on transfer of a long term capital asset being shares of the Company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed

period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. Further, if the specified asset or savings certificates in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.

12. As per section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from specified investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

13. As per section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

14. As per section 115I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

IV. Provisions of the Act vis-à-vis provisions of the Tax Treaty

In respect of non-residents, the tax rates and consequent taxation mentioned above shall be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the non-resident.

V. Benefits available to Foreign Institutional Investors ('FIIs')

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by the Company) is exempt from tax.

2. As per section 10(38) of the Act, long term capital gains arising from the transfer of long term capital asset being an equity share of the Company, where such transaction is chargeable to securities transaction tax, would not be liable to tax in the hands of the FII.

3. As per section 111A of the Act, short term capital gains arising from the sale of equity shares of the Company transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess).

4. As per section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under the section 10(38) of the Act at the following rates:

Nature of income	**Rate of tax (%)**

Long term capital gains	10
Short term capital gains (other than referred to section 111A)	30

The above tax rates have to be increased by the applicable surcharge and education cess.

In case of long term capital gains, (in cases not covered under section 10(38) of the Act), the tax is levied on the capital gains computed without considering the cost indexation and without considering foreign exchange fluctuation.

5. The tax rates and consequent taxation mentioned above shall be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the FII has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the FII.

6. As per section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

7. As per section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising from transfer of long term capital assets, being listed securities or units, shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:

   - the issue is made by a public company formed and registered in India; and
   - the shares forming part of the issue are offered for subscription to the public.

VI. Benefits available to Mutual Funds

As per section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax, subject to such conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

VII. Benefits available to Venture Capital Companies / Funds

As per section 10(23FB) of the Act, all Venture Capital Companies / Funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from sale of shares of the company.

B. Benefits available under the Wealth Tax Act, 1957

Asset as defined under section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

C. Benefits available under the Gift Tax Act.

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax.

The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

NOTES:

(i) All the above benefits are as per the current tax laws.

(ii) In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her investments in the shares of the company.

(iii) The above statement does not consider proposals in the Finance Bill, 2006.

Our views expressed herein are based on the facts and assumptions indicated by you. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. The views are exclusively for the use of Multi Commodity Exchange of India Limited. Deloitte Haskins & Sells, India shall not be liable to Multi Commodity Exchange of India Limited for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. Deloitte Haskins & Sells will not be liable to any other person in respect of this statement.

THE INDIAN COMMODITY MARKET OVERVIEW

The information presented in this section, some of which is produced elsewhere in this Draft Red Herring Prospectus has been extracted from publicly available documents and reports prepared by professional organizations and analysts and from other external sources. These sources have not been prepared or independently verified by the Company, the Book Running Lead Managers or any of their respective affiliates or advisors and the Company and the Book Running Lead Managers make no representation as to the accuracy or completeness of the information provided in these sources. Unless mentioned otherwise, references to a particular year in this section are to the calendar year ended on December 31. Certain data has been reclassified for the purpose of presentation and much of the available information is based on best estimates, and should therefore be regarded as indicative only and treated with appropriate caution. Certain financial and other numerical amounts specified in this section have been subject to rounding adjustments; figures shown as totals may not be the arithmetic aggregation of the figures which precede them.

Introduction

A commodity (as traded on an exchange) is an undifferentiated product whose market value arises from the owner's right to sell the product rather than the right to use the product. Examples of commodities currently traded globally on exchanges include oil (sold by the barrel), wheat, bulk chemicals, such as sulfuric acid, and even pork-bellies.

A commodities futures contract is a commitment to make or accept delivery of a specified quantity and quality of a commodity at a set time in the future for a price established at the time the commitment is made. Commodities futures contracts are generally traded through a centralized auction or computerized matching process, with all bids and offers on each contract made public. Through this process, a prevailing market price is reached for each contract, based primarily on the laws of supply and demand.

Commodities futures traded on commodity exchanges are required to be delivered at the contracted price, ignoring all changes in the market prices. As such, trading in commodities futures allows both hedging to protect against serious losses in a declining market and speculation for gain in a rising market. For example, a seller may sign a contract agreeing to deliver grain in two months at a set price. Even if the grain market declines at the end of two months, the seller will still get the higher price quoted in the futures contract. If the market rises, however, the buyer stands to profit by paying the lower contract price for the grain and reselling it at the higher market price.

An effective and efficient market for trading in commodity futures requires the following:

- Volatility in the prices of the underlying commodities;
- Large numbers of buyers and sellers with diverse profiles (e.g., hedgers and speculators);
- Fungibility of the underlying physical commodities;
- Efficient and liquid exchange platform.

The Global Commodities Futures Market

Worldwide, there are over 29 major commodity futures exchanges that trade commodities ranging from energy, agriculture, metals, livestock to softs in over 15 countries including the United States, China, Japan, the United Kingdom, South Africa, Malaysia and Brazil, according to the Futures Industry Association. The commodities exchanges trade in physical commodity products, as well as in financial instruments. Most trading is done in futures contracts. Spot contracts, a less widely used form of trading, call for immediate delivery of a specified commodity and are often used to obtain the goods necessary to fulfill a futures contract.

Methods of Trading

Trading in futures products at futures exchanges has traditionally occurred primarily on physical trading floors in arenas called "pits" through an auction process known as "open outcry." Open outcry trading is face-to-face trading, with each trader serving as his or her own auctioneer. The traders stand in pits and make bids and offers to one another, via shouting or flashed hand signals, to buy and sell futures contracts. Only members owning or leasing a seat on the exchange may trade in the pit, and orders from individual and institutional traders are sent to these members on the trading floor, usually through a broker. The rules of many exchanges also permit block trading, which involves the private negotiation of large purchases and sales away from the trading floor, but which are settled and cleared through the exchange's clearing facilities.

In order to expand access to their markets, most futures exchanges, either exclusively or in combination with open outcry trading facilities, are beginning to provide electronic trading platforms that allow subscribing customers to obtain real-time information about bid and ask prices and trading volumes and to enter orders directly into the platform's centralized order book, subject to the agreement of a clearing firm to accept responsibility for settling resulting transactions on behalf of the customer. The emergence of electronic trading has been enabled by the ongoing development of sophisticated electronic order routing and matching systems, as well as advances in communications networks and protocols.

Liquidity of Markets

Liquidity of markets is a key component in attracting customers and ensuring the success of a market. Liquidity is important because it means a contract is easy to buy or sell quickly with minimal price disturbance. Liquidity is a function of the following: the number of participants making a market or otherwise trading in a contract; the size, or notional value, of the positions participants are willing to accommodate; and the prevailing spread between the levels at which bids and offers are quoted for relevant contracts. As a result, the volume of contracts or transactions executed on an exchange is a widely recognized indicator of liquidity on the exchange. Volume is stated in round-turn trades, which represent matched buy and sell orders. In addition, the daily total of positions outstanding on an exchange, or "open interest", and notional values of contracts traded are widely recognized indicators of the level of customer interest in a specific contract.

A neutral, transparent and relatively anonymous trading environment, as well as a reputation for market integrity, are critical to the establishment and maintenance of a liquid market. In addition, a successful exchange must provide cost-effective execution and have access to an advanced technology infrastructure that enables reliable and efficient trade execution, as well as dependable clearing and settlement capabilities.

Market Participants

An efficient market for commodity futures requires a large number of market participants with diverse risk profiles. Market participants can be broadly divided into three categories:

- Hedgers: Hedgers are generally commercial producers and consumers of traded commodities who participate in the commodities futures market to manage their cash market price risk. As commodity prices are volatile, participation in the futures markets allow hedgers to protect themselves against the risk of losses from fluctuating prices.

- Speculators: Speculators are traders who speculate on the direction of futures prices with the goal of making a profit. Since speculators participate in commodity futures market for investment purposes, they typically do not accept physical delivery of commodities and instead liquidate their positions upon expiry of their futures contracts.

- Arbitrageurs: Arbitrageurs are traders who buy and sell futures contracts to make money on price differentials across markets or exchanges.

Clearing and Settlement

Transactions executed on futures exchanges are settled through an entity called a "clearing house" which acts as a central counterparty to the clearing firm on each side of the transaction. When a futures transaction has been executed in the pit or on an electronic platform and matched, the clearing house facilitates the consummation of the transaction by substituting itself as the counterparty to both the clearing firm that represents the buyer and the clearing firm that represents the seller in the transaction. By interposing itself between the two transacting parties, a clearing house guarantees the contractual obligations of the transaction.

The measures used to evaluate the strength and efficiency of a clearing house include the following: the number of transactions that are processed per day, the amount of settlement payments that are handled per day and the amount of collateral deposits managed by the clearing house.

Industry Growth

According to the Futures Industry Association, in 1984, total trading volume for all contracts traded globally was 188 million contracts, while in 2004, the total contract volume reached 8.9 billion contracts per year, representing an average annual growth rate of 21% for the past 20 years. In the United States, the total number of futures and options traded on derivatives exchanges increased from about 592.9 million in 1999 to about 1.6 billion in 2004. In Europe, the total number of futures and options on futures contracts traded on derivatives exchanges grew from about 565.2 million in 1999 to about 1.3 billion in 2004, and in Asia this number grew from 206.5 million in 1999 to 607.0 million in 2004, according to data from the Futures Industry Association.

The following chart indicates the volumes of futures and options contracts in terms of number of contracts traded globally for the periods indicated:

GLOBAL FUTURES VOLUME			
(in millions)	**Jan - Dec. 2003**	**Jan - Dec. 2004**	**% Change**
U.S. Futures	1,042.97	1,324.03	26.95%
Non-U.S. Futures	1,952.48	2,163.53	9.75%
Total Futures Volume	***2,995.45***	***3,487.56***	***16.43%***

GLOBAL OPTIONS VOLUME			
(in millions)	**Jan - Dec. 2003**	**Jan - Dec. 2004**	**% Change**
U.S. Options	1,129.55	1,471.18	30.06%
Non-U.S. Options	4,012.63	3,901.94	-2.76%
Total Options Volume	***5,142.18***	***5,378.95***	***4.45%***
Grand Total	**8,137.63**	**8,866.51**	**8.96%**

Source: Futures Industry Association: Futures Industry Magazine, "Trading Volume: Global Futures and Options Volume 2004," March/April 2005.

As indicated in the above chart, in 2004, options constituted about 60.66% of the total derivative volumes traded globally.

The following table gives comparative data for the volume of financial derivatives and non-financial derivatives traded globally for the periods indicated:

FINANCIALS AND NON-FINANCIALS				
(in millions)	**Jan - Dec. 2003**	**Jan - Dec. 2004**	**Computed % breakup (2003)**	**Computed % breakup (2004)**
Financials	5,918.29	6,152.05	90.0%	89.6%
Non-Financials	658.51	711.16	10.0%	10.4%
Total	***6,576.80***	***6,863.21***	***100.0%***	***100.0%***

Source: Futures Industry Association: Futures Industry Magazine, "Trading Volume: Global Futures and Options Volume 2004," March/April 2005.

The following chart gives comparative data for the volume of commodity derivatives traded globally for the periods indicated:

AGRICULTURAL, METALS & ENERGIES				
(in millions)	**Jan - Dec. 2003**	**Jan - Dec. 2004**	**Computed % breakup (2003)**	**Computed % breakup (2004)**
Agricultural	286.10	301.91	43.5%	42.5%
Metals	154.85	165.79	23.5%	23.3%
Energies	217.56	243.46	33.0%	34.2%
Total	***658.51***	***711.16***	***100.0%***	***100.0%***

Source: Futures Industry Association: Futures Industry Magazine, "Trading Volume: Global Futures and Options Volume 2004," March/April 2005.

We believe that the substantial recent growth in global futures and options on futures trading volume to the following factors:

- increasing awareness of the importance of risk management;
- greater price volatility in key market sectors, such as in the fixed-income sector;
- greater access to futures and options on futures markets through technological innovation;
- relaxation of regulatory barriers; and
- growing awareness of the opportunities to obtain or hedge market exposure through the use of futures and options on futures contracts at a lower cost than the cost of obtaining or hedging comparable market exposure by purchasing or selling the underlying financial instrument or commodity.

According to the Futures Industry Association, the top ten commodity futures exchanges in order of volume of futures contracts traded during Jan-Dec 2005 are set forth in the table below:

Rank	Futures Exchange	Country of Location	2005 Volume (Million)(1)
1	New York Mercantile Exchange (NYMEX)	United States	166.61
2	Dalian Commodity Exchange (DCE)	China	99.17
3	Chicago Board of Trade (CBOT)	United States	76.78

Rank	Futures Exchange	Country of Location	2005 Volume (Million)(1)
4	London Metal Exchange (LME)	United Kingdom	70.42
5	Tokyo Commodity Exchange (TOCOM)	Japan	61.78
6	Intercontinental Exchange (ICE)	United Kingdom	41.94
7	Shanghai Futures Exchange (SHFE)	China	33.79
8	Zhengzhou Commodity Exchange (ZCE)	China	28.47
9	Tokyo Grain Exchange (TGE)	Japan	25.57
10	NYBOT	United States	24.49

(1) Volume is expressed in terms of number of contracts traded. This data is for a single-sided trade.

Source: Futures Industry Association

The following table details the top 10 commodity exchanges according to sector type:

Commodity	Exchange	Available on MCX
Energy	Inter Continental Exchange New York Mercantile Exchange Shanghai Futures Exchange Tokyo Commodity Exchange	Yes
Metals	Chicago Board of Trade London Metal Exchange New York Mercantile Exchange Shanghai Futures Exchange Tokyo Commodity Exchange	Yes
Electricity	New York Mercantile Exchange	No
Grains & Oilseeds	Chicago Board of Trade Dalian Commodity Exchange NYBOT Tokyo Grain Exchange Zhengzhou Commodity Exchange	Yes
Softs	NYBOT Tokyo Grain Exchange Zhengzhou Commodity Exchange	Yes

Source: Futures Industry Association, Exchanges' Websites

Trends in the Industry

Globalization, increasingly sophisticated market participants, deregulation, advances in technology and consolidation are changing the way both the futures and broader commodities and derivatives exchange markets operate. Each of these trends is described briefly below.

Globalization

In recent years, the world's financial and commodity derivatives markets, have experienced an accelerating pace of globalization. The emphasis on greater geographic diversification of investments, investment opportunities in emerging markets such as Asian economies, including India, Korea and China, and expanded cross-border commercial activities are leading to increasing levels of cross-border trading and capital movements. Robust growth and increasing standards of living in emerging economies such as China and India are causing imbalances in supply and demand of both industrial and agricultural commodities. In response to these trends, derivatives exchanges within particular geographic regions are both expanding access to their markets across borders and consolidating.

Although the Indian market is currently domestic in nature, commodities have a global nature and the Indian commodities derivatives market is highly correlated with the global commodities derivatives market. Large actual users and producers of commodities are permitted to hedge their risk in global markets and have also gradually started using the domestic market. The commodity futures exchanges in India have formed strategic alliances globally to increase integration of the Indian market with the larger global markets. It is expected that FII's, Mutual Funds and banks may be permitted to participate in commodities derivatives markets in the near future, which will further integrate the Indian market with global commodities derivatives markets.

Increasingly Sophisticated Market Participants

An increasing sophisticated investment community is creating pressure on the financial services industry to utilize more sophisticated risk management techniques, including derivatives. In particular, financial institutions, hedge funds and proprietary trading firms have committed, and are expected to continue to commit, increasing amounts of capital to trading in futures and options on futures contracts.

In addition, increasing pressure from a variety of market participants to improve transparency and to manage more effectively counter-party risks is causing a shift from over-the-counter to exchange-traded derivatives. The Indian commodity derivatives market initially began with physical market participants predominately taking membership and now there is an increased participation of securities markets players in the commodities futures market. Along with the increased participation of FII's, Mutual Funds and banks in the commodities derivatives markets when permitted, the service levels and penetration of markets will be further enhanced.

Deregulation

Deregulation and the opening of markets within the financial services industry in the United States, Europe and Asia has increased customer access to products and markets, reduced regulatory barriers to product innovation and encouraged consolidation. In particular, in the United States, many regulatory barriers to product development were largely repealed by the enactment of the Commodity Futures Modernization Act of 2000. The financial services industry in Europe and Asia has experienced similar changes in their regulatory regimes.

In India, the financial sector has already started participating in commodities derivatives markets, which has diversified the quality of service and improved the penetration of market access. The proposed amendments the Forward Contracts (Regulation) Act, 1952 ("FRCA") may enable us to provide more products and in a more strengthened regulatory environment. For additional information regarding the proposed amendments to the FCRA, see the section titled "Regulations and Policies" on page 79 of this Draft Red Herring Prospectus.

Technological Advances

Technological advances have led to significant changes both to the decentralization of exchanges and the introduction of alternative trading systems ("ATS").

- Decentralization. Exchanges are no longer required to operate in specific geographic locations, and customers no longer need to act through local financial services intermediaries in some markets. Market participants around the world are now able to trade certain products nearly 24 hours a day through electronic platforms.

- ATSs. Advances in electronic trading technology have also led to the emergence of ATSs. These systems bring together the orders of buyers and sellers of financial instruments and have the capacity both to route orders to exchanges, as well as to internalize customer order flow within their own order book. In recent years, Asia has witnessed the proliferation of cross border ATSs.

The advent of the Internet, which allows for greater and quicker dissemination of information to a wider audience, coupled with advances in exchange-related technologies have resulted in a significant reduction in transaction costs and facilitated greater market access by investors and market participants. Recent years have witnessed increased spending on technology by exchanges around the world in order to stay competitive. We believe India has been at the forefront of integrating technology in the commodities futures exchange industry in India as it has done so in the securities markets in India during the last decade.

Consolidation

Deregulation and competition has encouraged exchanges to consolidate across borders to gain operating efficiencies necessary to compete for customers and intermediaries, and has prompted the consolidation of exchanges. For example, the Singapore Derivatives Exchange, the Tokyo Stock Exchange, Deutsche Börse Group, which owns a controlling interest in Eurex, and Euronext N.V. are major securities exchanges which also operate as futures exchanges. In addition, Euronext N.V., which resulted from the merger of the Amsterdam Exchanges N.V., Paris BourseSBF SA and Societe de la Bourse de Valeurs Mobilieres de Bruxelles S.A. (the "Brussels Exchange"), recently acquired a controlling interest in LIFFE and has integrated its derivatives markets to form Euronext.liffe. Further, as investors become more adept at cross-border trading, competition among global exchanges has become more intense and has resulted in linkages and alliances between national and international exchanges.

The Indian Commodities Market

Commodities play an important role in India's economy. India has over 7,500 regulated agricultural markets, or *mandis*, and the majority of the nation's agricultural production is consumed domestically, according to the Agricultural International Marketing Network ("AGMARKNET"). India is the world's leading producer of several agricultural commodities. In 2004-05, agriculture and related industries accounted for approximately 21.13% of India's GDP of US$629.69 billion, as stated in the Handbook of Statistics on the Indian Economy (RBI Publication 2005). At present, there are 24 commodity exchanges recognized by the FMC in India covering approximately 100 commodities, according to the Forward Markets Commission ("FMC"). In fiscal years 2003-2004, 2004-2005 and the nine months ended December 31, 2005, the total value of commodities traded was Rs.1,293,637 million, Rs.5,717,596 million and Rs.13,877,851 million, respectively, on commodities futures exchanges in India, according to data from the FMC. While India's commodity futures markets are still in the early stages of development, they have experienced dramatic growth in recent years and are expected to continue to grow at an accelerated pace in the future.

Background

Agricultural Commodity Markets

India, being a predominantly agrarian economy, has a long history of commodity markets. India's agricultural commodity markets initially formed when producers and buyers met in designated locations to engage in trade. Today, the wholesale spot markets for agricultural commodities remain relatively unchanged: agricultural commodities are predominantly traded in *mandis*, or government-regulated wholesale markets located in or near important towns or centers of production, consumption or shipping where sellers, buyers and intermediaries converge to buy and sell goods. Since almost all order flow goes through the *mandis*, they become a source of daily information about the quantity of commodities and the price at which they trade for the particular geographic area in which the *mandis* are located.

Non-agricultural Commodity Industry in India

The role of energy products, non-ferrous metals and precious metals like gold and silver in the growth of the Indian economy is significant and vital.

Many markets are connected with the global oil market in some way. Crude oil is used for the production of a wide range of products from petrol, diesel and kerosene to ATF and asphalt, and from LPG to Naphtha and other petrochemicals. According to the Annual Report 2004-05 as published by the Indian Petroleum Ministry, the total quantity of 90.434 million metric tones ("MMT") of crude oil, valued at Rs.835,280 million, was imported into India during 2003-04. During the same period, crude oil production in the country was 33.37 MMT. India, which imports 74.2% of its crude oil requirements, was highly exposed to global crude oil price movements in 2003-04.

Bullion, especially gold, occupies an important role in India. In addition to finance, many social and cultural elements of Indian culture are associated with this rare yellow metal. However, despite being the largest consumer of gold, India is not in a position to decide the price of bullion on the world market owing to heavy dependence on imports and widely scattered markets across the country.

Among the non-ferrous metals, copper is one of the largely consumed commodities apart from aluminum in India. At present, the demand for copper minerals for primary copper production is met through two sources: copper ore mined from indigenous mines, and imports. The production of refined copper in India has increased considerably since 1998-99 after private sector manufacturers started production of refined copper, and now a considerable portion of consumption is met through domestic production. Other metals like nickel and tin are largely imported into India, due to low domestic mine production.

Commodity Derivatives Markets

The history of commodity futures markets in India dates back to 1875 when trading in cotton contracts began under the aegis of the Bombay Cotton Trade Association, considered to be India's first organized futures market. Derivatives trading then expanded to oilseeds, jute and food grains, and by World War II, futures trading in organized form had also commenced in other commodities such as castor seed, wheat, rice, sugar and precious metals like gold and silver. In 1953, the Forward Markets Commission was established to regulate futures trading. The growth and development of futures markets, however, was halted in the 1960's when futures trading was banned, en masse, by the Government of India. From the late 1970s, selective commodities were permitted for future trading. Futures trading witnessed a renewed surge in the 1990's in the wake of India's economic liberalization, as the growing realization of imminent globalization under the WTO regime and the Indian Government's difficulty in supporting the commodity sector led the Government of India to explore alternative market-based mechanisms, such as futures trading to offer protection to the commodity sector from price volatility. On April 1, 2003, the Government of India issued a Notification which rescinded previous regulatory barriers to trading in commodity futures. Until this point there were 21 regional exchanges mainly concentrating on single or few commodities, according to the FMC. Subsequently, the Indian Government authorized the establishment of national multi-commodity exchanges to facilitate electronic trading of commodity derivatives. At present, there are three such electronic multi-commodity national exchanges which are recognized by the Indian Government:

- Multi Commodity Exchange ("MCX"), located in Mumbai;
- National Commodity and Derivatives Exchange Ltd. ("NCDEX"), located in Mumbai; and
- National Multi Commodity Exchange ("NMCE"), located in Ahmedabad.

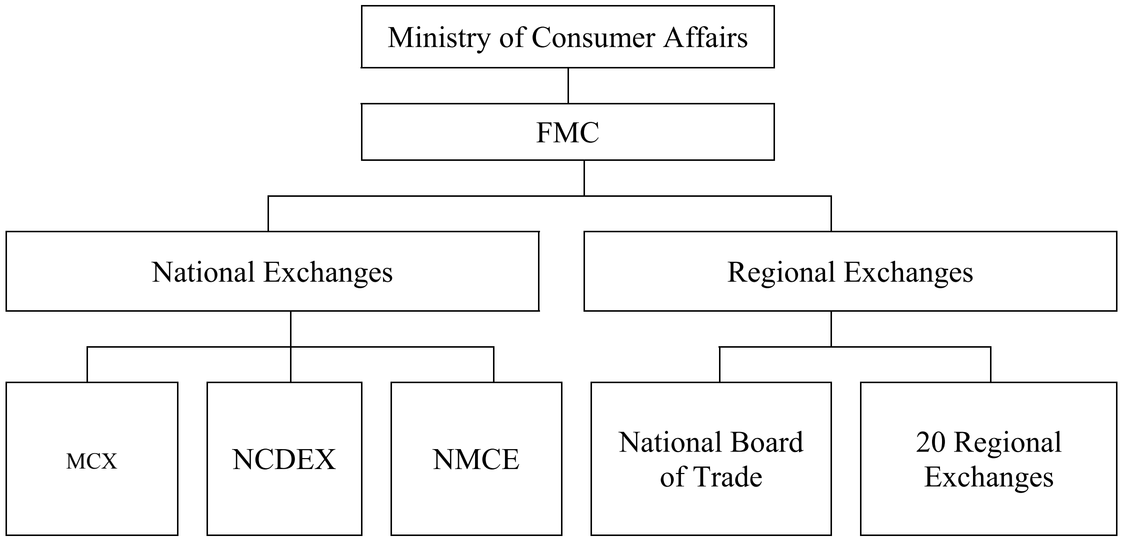
The Forward Contracts (Regulation) Act, 1952 regulates the commodities futures market in India. Under this legislation, commodity futures trading in India is regulated under a three-tier regulatory system which consists of the following governing bodies:

(a) Ministry of Consumer Affairs, the Government of India;

(b) FMC; and

(c) An exchange or association recognized by the Central Government on the recommendation of FMC.

The following chart depicts the regulatory structure established under the Forward Contracts (Regulation) Act, 1952:



Source: FMC website

The Exchanges

There are presently 24 commodity exchanges and associations recognized by the Government of India which are authorized to organize and regulate futures trading in various commodities. Most of the exchanges follow the "open-outcry" system. Some of them trade in just a few commodities. These exchanges are spread across India, resulting in dispersed and fragmented commodities markets and are considered to be "regional" or "localised" exchanges.

There are three national, multi-commodity exchanges on which trading in commodities futures is done electronically, which together account for 94.7% of the volume of commodities and commodities futures traded nationwide from April 1, 2005 to December 31, 2005:

Multi Commodity Exchange of India Limited ("MCX"): Headquartered in Mumbai, MCX from April 1, 2005 to December 31, 2005 had 40.2% of the market share of the Indian commodities exchange industry. MCX received permanent recognition from the Government of India to facilitate nationwide online trading, clearing and settlement operations for commodity futures markets in September 2003. Trading commenced on MCX in November 2003. MCX as at December 31, 2005 offered commodities futures trading in 58 commodities. Its key promoters include Financial Technologies (India) Ltd., the State Bank of India, Fid Funds (Mauritius) Ltd., NABARD, NSE, the Bank of Baroda and Canara Bank, among others.

National Commodity & Derivatives Exchange Limited ("NCDEX"): Also headquartered in Mumbai, NCDEX from April 1, 2005 to December 31, 2005 had 53.8% of the market share of the Indian commodities exchange industry. NCDEX commenced operations in December 2003 and as at December 31, 2005 facilitated commodities futures trading in over 50 commodities. Its key promoters include ICICI Bank Limited, the Life Insurance Corporation of India and the NABARD, among others.

National Multi Commodity Exchange of India Limited ("NMCE"): Headquartered in Ahmedabad, NMCE was India's first de-mutualized national multi-commodity exchange in India, having commenced futures trading in November 2002. From April 1, 2005 to December 31, 2005 NMCE had 0.6% of the market share of the Indian commodities exchange industry and as at December 31, 2005 facilitated commodities futures trading in over 60 commodities. Its key promoters include the Central Warehousing Corporation, the NAFED and Punjab National Bank, among others.

The following chart contains additional details for each of the exchanges described above:

Exchange	Number of Commodities Traded	Turnover (Rs. million)			Market Share [2]
		Fiscal 2004	Fiscal 2005	April 1, 2005 to December 31, 2005	
MCX	58[1]	24,592	1,665,262	5,583,692	40.23%
NCDEX	50+[1]	14,903	2,663,383	7,467,751	53.81%
NMCE	60+[1]	238,409	139,882	86,545	0.62%
Others		1,015,763	1,262,862	739,863	5.33%
TOTAL	**168+**	**1,293,667**	**5,731,389**	**13,877,851**	**100.0%**

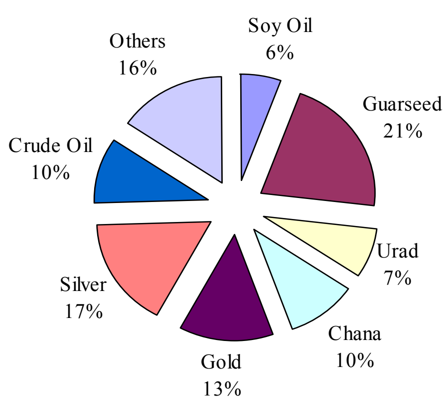
(1) As of December 31, 2005.
(2) From April 1, 2005 to December 31, 2005.
Source: FMC website

Industry Growth

Commodities trading in India has experienced exponential growth since the Indian Government issued its Notification on April 1, 2003 permitting futures trading in commodities. The total value of commodities traded in India in 2004-2005 was Rs.5,717,596 million, representing a growth of 859% over the value of commodities in 2002-2003 (Rs.665,307 million). Commodity trading volumes have risen at a compound annual growth rate of over 200% between 2002-2003 and 2004-2005.

There are currently over 100 commodities being traded on Indian exchanges, with guar, silver, gold, crude oil and soybean oil comprising the majority of the volumes being traded, as depicted in the graph below.

Market Share of Major Commodities (in Value Terms)
April '05 to Dec '05



Source: FMC website

Growth Drivers in the Industry

The following factors are expected to fuel the future growth of the Indian commodities futures markets:

Indian Economic Growth: India is currently one of the fastest growing economies in the world and is expected to be the third largest economy by 2050 according to Goldman Sachs' Research Report: "BRICS –A Path to 2050". We believe the growth of the overall economy in India is expected to drive the underlying demand for commodities and an increase in physical market volumes may increase the hedging requirements driving derivative volumes. In developed markets, commodity derivatives volumes are generally a multiple of the underlying physical commodity volumes. Therefore, as the consumption of physical commodities increases in India, it is expected that the volumes of commodities derivatives being traded will also increase.

Indian Government Initiatives to Modernize Commodity Futures Markets:

- The Indian Government's elimination of regulatory barriers to commodities futures trading and government initiatives to modernize the commodity futures markets and stimulate trading interest in commodities;
- The establishment of national, multi-commodity exchanges;
- Proposed relaxation of regulations including introduction of options, new commodities and provision for FIIs, Mutual Funds and banks to trade in commodity futures.

Introduction of Options: In developed markets, options volumes are approximately one-fourth to one-third of futures volumes. For example, between January and December 2005, on the New York Mercantile Exchange, energy options volumes comprised approximately 23.71% of the energy futures volumes traded between January 1, and December 31, 2005, options on metals comprised approximately 15.96% of metals futures volumes, gold options comprised approximately 18.19% of gold futures volumes and silver options volumes comprised approximately 20.44% of silver futures volumes. Although currently not permitted, the Government of India may allow trading in options contracts on commodities, which we believe will boost volumes and overall growth in the Indian commodity market.

Introduction of New Commodities: Under current regulations, the FMC must approve of all commodities that can be traded on exchanges in India. If the FMC allows futures trading in intangibles such as gas, freight and electricity, we believe that the introduction of these and similar new commodities to the Indian commodity market will drive growth in the Indian commodities trading market.

Widening Investor Participation: New participants are expected to enter the trading markets as exchanges become more accessible, the availability of market information increases and awareness regarding the benefits of hedging becomes more widespread. It is expected that these new market participants will include, for example:

- Farmers, seeking to hedge against output price risks;
- Equity investors, seeking to diversify their equity portfolios;
- Manufacturers, seeking to hedge against input price risks;
- Oil manufacturers, seeking to hedge their reserve positions;
- Hedge funds seeking to capitalize on price differentials; and
- Banks seeking to hedge their risk against collateral.

The Government of India may also consider permitting banks, mutual funds and foreign institutional investors ("FIIs") to invest in India's commodity futures markets, and we believe that the entry of these new market participants will boost trading volumes.

Technological advancements and the adoption of the same by the national exchanges enables electronic trading and increased geographical reach. Other factors such as reliability of systems, risk management tools, price transparency and real time information through improved technology has also led to increased participation in the commodity futures markets.

Migration of Volumes: At present, regional exchanges recognized by the Government of India are fragmented and suffer from illiquidity. A substantial volume of commodity futures trading also occurs in unregulated markets. Trading volumes from regional and unregulated markets are expected to migrate to national, multi-commodity exchanges with higher liquidity, transparent pricing, online third party clearing, lower transaction costs, and lower delivery and cash risks.

OUR BUSINESS

Overview

We are an independent, de-mutualized exchange with permanent recognition from the Government of India to facilitate nationwide online trading, clearing and settlement operations for the commodities futures market. The total value of contracts traded on our exchange between April 1, 2005 and December 31, 2005 was approximately Rs. 5,583,692 million (US$124,220.07 million). According to data maintained by the Forward Markets Commission ("FMC"), this amount represented approximately 40.23% of the market share of the Indian commodities futures industry in terms of the value of commodities traded in futures markets during that period, as the total value of contracts traded on all commodities exchanges in India between April 1, 2005 and December 31, 2005 was was Rs.13,877,851 million (US$308,740 million).. For the month of January, 2006, our market share of the Indian commodities futures industry reached 57.79%, according to data from the FMC.

We focus on offering futures trading in commodities which are significant in the Indian and global context and traded on international exchanges. As of December 31, 2005, we offered futures trading in 58 commodities, defined in terms of the type of contracts we offer, from various market segments including bullion, energy, ferrous and non-ferrous metals, oils and oil seeds, cereals, pulses, plantations, spices, plastics and fibers. (Different types of contracts with the same underlying physical asset such as Gold, Gold Mini and Gold HNI are treated separately as three different commodities for the purpose of computing the total number of commodities). Among the top ten commodity derivatives exchanges in the world, we are the world's second largest silver exchange and world's third largest gold exchange in terms of the trading volume for each of these commodities for the period January 1, 2005 to December 31, 2005.

We strive to be at the forefront of developments in the commodities future industry in India. We were the first commodity futures exchange in India to offer trading in steel futures, and the first in India to launch futures trading in crude oil. In August 2005, we introduced trading in plastics futures, making us one of only two exchanges among the top ten commodity exchanges in the world to offer trading in this commodity, along with the London Metal Exchange. We have formed strategic alliances with international exchanges to introduce new types of futures contracts in India, such as contracts based on gas emissions and ocean freight rates, in anticipation of expected government regulations permitting the trading of intangible futures in India. We were the first exchange in India to initiate evening sessions to coincide our trading with trading on exchanges in Tokyo, Shanghai, London, New York and other international markets. We were also the first commodity futures exchange in India to enable real-time wireless Internet trading on our exchange. We are certified under ISO 9001:2000 Quality Standards with respect to developing derivatives trading in India and providing services for online trading, clearing, settlement, and risk management systems.

We have grown since our inception:

- On November 10, 2003, we recorded a daily Turnover of Rs.8.32 million (US$0.19 million).
- Our membership base has increased from 182 registered members trading from 660 trader work stations ("TWS") as of March 31, 2004 to 1,115 registered members trading from 5,941 TWSs as of December 31, 2005.
- The number of commodities offered for trading on our exchange has increased from 15 as of March 31, 2004 to 49 as of March 31, 2005 and to 58 as of December 31, 2005.
- On January 20, 2006, we recorded our highest daily Turnover since our inception which was Rs.85,875.54 million (US$1,910.47 million).
- For the month of January, 2006, our market share of the Indian commodities futures industry reached 57.79%, according to data from the FMC.
- Our average monthly Turnover increased from Rs. 4,918.50 million (US$ 109.42 million) for the fiscal 2004 to Rs.138,771.86 million (US$ 3,087.25 million) for fiscal 2005, an increase of 2,721.43%.

- Our average monthly Turnover increased from Rs.101,740.52 million (US$2,263.42 million) for the nine months ended December 31, 2004 to Rs.620,410.22 million (US$13,802.23 million) for the nine months ended December 31, 2005, an increase of 509.80%.

- Our average daily Turnover increased from Rs. 250.94 million (US$ 5.58 million) for the fiscal 2004 to Rs. 5,742.28 million (US$ 127.75 million) for fiscal 2005, an increase of 2,188.28%.

- Our average daily Turnover increased from Rs. 4,239.19 million (US$ 94.31 million) for the nine months ended December 31, 2004 to Rs. 23,861.72 million (US$ 530.85 million) for the nine months ended December 31, 2005, an increase of 462.88%.

- In fiscal 2003-2004 and fiscal 2004-2005 we earned total revenues of Rs.43.8 million (US$0.97 million) and Rs.336.5 million (US$7.49 million), respectively, while in the nine months ended December 31, 2004 and 2005, we earned total revenues of Rs.247.79 million (US$5.51 million) and Rs.648.01 million (US$14.42 million), respectively.

The following list illustrates some of the key milestones of our business:

- **September 26, 2003 -** Received permanent recognition from Ministry of Consumer Affairs, Food and Public Distribution, Government of India.

- **November 10, 2003-** First day of trading

- **December 8, 2003 -** Online futures trading during evening session and through Internet trading facilities pioneered. .

- **April 5, 2004** – Union Bank of India became our shareholder.

- **May 14, 2004 -** Corporation Bank became our shareholder.

- **June 7, 2004 -** Bank of India became our shareholder.

- **July 1, 2004 -** State Bank of India became our shareholder.

- **July 9, 2004 –** Canara Bank became our shareholder.

- **November 29, 2004 -** Signed MOU with TOCOM.

- **November 11 2004 –** Along with FTIL and NAFED, we announced the establishment of NSEAP.

- **March 9, 2005 -** HDFC Bank became our shareholder.

- **March 31, 2005** – Tie up with Corporation Bank for Corp Agriculture Produce Loan ("CAPL") scheme for farmers.

- **May 5, 2005 –**NSE became our shareholder.

- **June 1, 2005 –**NABARD became our shareholder.

- **June 7, 2005 –** Launch of first composite Commodity Futures Index in India: 'MCX-COMDEX'.

- **June 14, 2005 –** 'Commodity Suchana Kendra', a joint initiative with Maharashtra State Agricultural Marketing Board ("MSAMB") and NSEAP to link up all Agriculture Produce Market Committee ("APMC") markets, launched at the Agriculture Produce Market Committee, Navi Mumbai.

- **October 7, 2005 –** MOU signed with NYMEX.

- **October 17, 2005 –** In association with Welingkar Institute of Management, introduced Diploma in Commodities Trading ("DICT").

- **October 25, 2005 –** Announced of licensing agreement with LME to launch LME based products on our exchange.

- **November 22, 2005 -** DGCX goes live.

- **December 1, 2005 -** 'MCX Chair' for research in commodities established at University of Mumbai.

- **December 6, 2005 –** Together with Bharat Sanchar Nigam Ltd ("BSNL") and Mahanagar Telephone Nigam Ltd ("MTNL"), launched SMS query services to provide Real-Time Commodity Futures and Spot prices delivered via SMS on mobile phones.

- **January 20, 2006 -** MCX registered record Turnover of Rs.85,875.54 million (US$1,910.47 million).

- **February 3, 2006 –** FID Funds (Mauritius) Limited, a subsidiary of Fidelity Funds – India Focus Fund) becomes our shareholder.

- **February 16, 2006-** MOU signed with NYBOT

The successful operation of our business is supported by the infrastructure we have developed and our network of strategic alliances, which we believe will help us to grow our business and expand our market presence. This includes the MOU's we have entered with NBHC, a national warehousing and supply chain company to provide warehouse and collateral management services, and NSEAP, an electronic market for spot trading in agricultural commodities aimed at linking traders in wholesale centers known as "Agricultural Produce Market Committees" ("APMC") across the country. In addition, we have formed strategic alliances in India with the Bombay Bullion Association, the Solvent Extractors' Association of India, the Pulses Importers Association, the India Pepper and Spice Trade Association, the United Planters' Association of Southern India and the Bombay Metal Exchange Ltd. On the international front, we have formed strategic alliances with the Chicago Climate Exchange, the London Metal Exchange, the New York Mercantile Exchange, NYBOT and the Tokyo Commodities Exchange. The objective of these alliances is to provide Indian market participants who trade on our exchange access to global products in order to manage their risk more efficiently, as well as to position India on the global commodity map. See "Business- Strategic Alliances and Joint Ventures" on page 77 of this Draft Red Herring Prospectus.

As part of our efforts to promote widespread participation in the Indian commodities market, we have focused our efforts on disseminating information, providing training and educational programs to increase awareness of the Indian commodity industry to direct and indirect market participants. Accordingly, we have entered into agreements with several well-known financial information service agencies including Bloomberg L.P., IQS, Telequote Network Singapore Pte. Ltd., Reuters and DowJones Commodity News to provide market participants with prices, trading activity and real-time market information on the commodities being traded on our exchange. We have also teamed up with the Welingkar Institute of Management and Technology and the Symbiosis Institute of International Business to conduct seminars and provide training and certification programs aimed at educating existing and potential market participants, particularly those located in rural India, about the dynamics of the commodities market to enable them to benefit from trading in commodities futures. We have formed an association with the Indian Institute of Management, Indore. The objective of the association is to provide high-level management development programs for decision makers and industry leaders in the commodity markets in India, which we believe will help to further develop the elements of price discovery and risk management in the commodity markets in India. We have also teamed up with the International College of Financial Planning Ltd. (New Delhi) to provide training and certification programs relating to the commodities market in India. We believe that these efforts will help to increase the overall market size of the Indian commodity industry, as well as help to expand our membership base.

Our key shareholders include Financial Technologies (India) Ltd. ("FTIL"), our promoter, which as of date of filing of this Draft Red Herring Prospectus held a 64.30% ownership stake in our Company, FID Funds (Mauritius) Ltd., the State Bank of India, Union Bank of India, Corporation Bank, the Bank of India, the Bank of Baroda, the NABARD and NSE.

Competitive Strengths

We believe the following are our core competitive strengths:

Leadership Position in the Commodities Futures Industry. We are a leading commodities futures exchange in India with respect to the value of futures contracts traded in metals, energy and certain globally significant agricultural commodities. Among the national exchanges in India, our market share based on the total value of contracts traded in the period from April 1, 2005 to December 31, 2005 for gold and silver was approximately 89% and 73%, respectively. Among the top ten exchanges in the world, we are the second largest silver exchange, the third largest gold exchange and the fourth largest crude oil exchange in terms of the value of contracts traded for each of these commodities for the period from April 1, 2005 to December 31, 2005.

Product and Service Innovation. We believe part of our success lies in our ability to introduce new products on our exchange. We were the first exchange in India to offer trading in steel futures, and were also the first exchange to launch futures trading in crude oil and plastics in India. We are one of only two exchanges among the top ten commodity exchanges in the world to provide a futures trading facility in plastics, second only to the London Metal Exchange. We have formed strategic alliances with the Chicago Climate Exchange to develop futures contracts based on emissions allowances and sulfur allowances approved by the U.S. Environmental Protection Agency. We intend to launch these futures contracts on our exchange after the necessary regulatory changes are made to permit trading in futures based on intangibles in India. In June 2005, we launched MCX-COMDEX, India's first composite commodity futures index, which provides our members with valuable information regarding market movements in the top ten economically important commodities determined by physical market size in India, which are actively traded on our exchange. We have additionally launched several other indices including: MCX-Agri (agricultural commodities index), MCX-Energy (energy commodities index), MCX-Metal (metal commodities index) and RAINDEXMUM (Mumbai) and RAINDEXIND (Indore), which track the progress of monsoon rains in their respective geographic locations. We were the first exchange in India to initiate evening sessions to coincide our trading with trading on exchanges in Tokyo, Shanghai, London, New York and other international markets. In addition, we provide our members with valuable, real-time market information regarding prices and trading activity which we believe may help refine investment decisions.

Effective Use and Application of Technology. Our ability to effectively use and apply technology is a key factor in the successful development of our business. Our online trading platform is accessible to our members through multiple mediums of connectivity including full form VSATs, Virtual Private Networks ("VPN"), leased lines, the Internet and mobile phones. Our electronic platform is supported by our robust infrastructure and advanced technology, which enables our exchange to operate efficiently and reliably, allowing our members immediate trade execution, anonymity and price transparency, prompt and reliable order routing, trade reporting, market data dissemination and market surveillance. Through our technology, we deploy a sophisticated risk management and surveillance system, some features of which are unique to our exchange. For example, our system tracks mark to market ("MTM") loss online and if a member's MTM loss exceeds 75% of his total deposit with the exchange then his terminal will be automatically put in "square-up" mode, whereby the member is prohibited from taking any new positions until the member's current open position amounts are reduced. The technology for our electronic trading platform is supplied by our promoter FTIL. Our relationship with FTIL enables us to introduce new products and services quickly and efficiently in comparison to other electronic exchanges, as FTIL is a well-established player in the development and deployment of exchange related technical products in India.

Integrated Infrastructure and Strong Network of Alliances. The successful operation of our business is supported by the infrastructure we have developed and our network of strategic alliances, which we believe enables us to grow our business and expand our market presence. This includes our Promoter Group Company, the NBHC, a national warehousing and supply chain company which will provide warehouse and collateral management services and implement quality systems for receipt, storage, fumigation, product classification, weight certification as well as out-loading services for agricultural commodities; and also includes the MOU we have signed to establish the NSEAP, a parallel electronic market for spot trading in agricultural commodities. In addition, we have formed strategic alliances in India with the Bombay Bullion Association, the Solvent Extractors' Association, the Pulses Importers Association, the India Pepper and Spice Trade Association, the United Planters' Association of Southern India and the Bombay Metal Exchange. On the international front, we have formed strategic alliances with the Chicago Climate Exchange, the London Metal Exchange, the New York Mercantile Exchange and the Tokyo Commodities Exchange. These alliances facilitate the sharing of information across regional and global exchanges, enabling us to penetrate new markets, enhance our product offerings and increase our market presence.

Strong, Seasoned Management Team. Our management team has significant experience in the exchange industry and the technology sector. We are led by Jignesh Shah, our Managing Director, who brings to our Company more than ten years of expertise in the securities exchange industry. Jignesh Shah is a promoter of FTIL and played an integral role in The Bombay Stock Exchange Limited, Mumbai ("BSE")'s automation team which designed and implemented the BSE's online trading system known as "BOLT." Joseph Massey, our Deputy Managing Director, was formerly the managing director of the Inter-Connected Stock Exchange of India and the executive director of the Vadodara Stock Exchange. Prior to joining our Company, three of our other departmental heads were executive directors of regional stock exchanges and/or commodity exchanges. Other members of our management team also have extensive knowledge of the exchange industry. Our management's in-depth knowledge of the exchange industry enables us to quickly and efficiently respond to market opportunities, adapt to changes in the regulatory environment and bring innovations to our exchange and to the commodities futures industry in India.

Growth Strategy

We believe that there are several global trends which are re-shaping the marketplace and driving volume growth in exchange traded commodities. Globalization, deregulation, advances in technology and increasingly sophisticated market participants offer significant opportunities for expanding the Indian commodities futures markets. We intend to capitalize on these factors to increase our trading volume, revenues and profitability and to expand our market share in the commodities futures industry in India. We intend to achieve this by implementing the following strategies:

Expand Market Presence and Increase Customer Base. As of December 31, 2005, we had 1,115 registered members operating from across 102 cities with terminals spread over 400 cities and towns, trading from 5,941 TWSs, nationwide. We intend to continue to increase our customer base by introducing new products on our exchange, by establishing footholds in additional geographic areas and by continuing our efforts to disseminate knowledge and information about the commodities futures industry. Along with our alliance partners, we plan to establish and grow our presence in additional regions across India. For example, we believe the NSEAP, a parallel electronic market for spot trading in agricultural commodities, will attract new market participants and will be a potentially significant source of new members for our exchange. We also intend to leverage our relationships with our institutional shareholders to expand our customer base once these entities are allowed to trade in commodity derivatives as these entities have a nationwide distribution network. As part of our ongoing efforts to promote participation in the commodities market in India, we have introduced training and certification programs to educate existing and potential market participants, particularly those located in rural India and corporate and management students, about the dynamics of the commodities market, to enable them to benefit from trading in commodities futures or to pursue professional careers in the commodities industry. We intend to continue to provide these and other similar programs to disseminate knowledge about the commodities industry which will help increase our membership and user base. Finally, we plan to increase our sales and marketing efforts to attract additional market participants and expand our customer base via the following methods: conducting seminars, meeting with brokers and other members within the industry, utilizing print and electronic media to promote knowledge and awareness of the commodities industry, and participating in various programs to market to other industries.

Introduce New Products. Since our inception, we have introduced a variety of new commodities-based futures contracts on our exchange. The number of products we offer on our exchange has grown significantly from 15 as of March 31, 2004 to 58 as of December 31, 2005. We focus on offering futures trading in commodities which are significant in the Indian and global context and which are traded on international exchanges. We plan to increase our product portfolio through our research and development efforts and through our alliances with other exchanges. We believe we are well-positioned to capitalize on changes in regulations governing the Indian commodities futures industry which we expect to permit trading in options and intangibles, including indices, in the next year. In connection with this, we have already formed a strategic alliances with the Chicago Climate Exchange to develop and launch trading of futures contracts based on gas emissions and another alliance to launch trading of ocean freight indices. Further, once trading in commodity indices is permitted, investors will be able to trade in our composite commodity index, MCX-COMDEX, and in our other indices.

Continue to Pursue Strategic Initiatives. We plan to supplement our internal growth through the formation of strategic alliances, joint ventures and/or select acquisitions of businesses. We will seek alliances and acquisitions that help us to enter new markets, provide services that we currently do not offer or enable access to our markets. In addition to the strategic alliances we have formed with domestic associations and global exchanges, we have entered into MoU's to establish the NBHC, a national warehouse and supply chain company and the NSEAP, a national electronic market for spot trading in agricultural commodities. We have also formed a joint venture to establish the DGCX, which is a strategic opportunity for us to expand our global reach. We believe these strategic alliances and joint ventures will allow us to develop new markets, enhance our services and increase our market presence.

Pursue New Revenue Sources. We believe there are significant opportunities for us to broaden our service offerings to develop new revenue sources that are not transaction driven. We believe that market data products and information offerings have the potential to become a source of revenue for us in the future, as is the case for various leading exchanges in the world. We have entered into agreements with several well known financial information service agencies including Bloomberg L.P., IQS, Telequote Network Singapore Pte. Ltd., Reuters and DowJones Commodity News to provide market participants with prices, trading activity and real-time market information on the commodities being traded on our exchange and on the spot market. Currently, this information is provided free of charge to market participants. In the future we intend to charge for these services. At present we also directly provide our market data to some of our members free of charge, and in the future we intend to charge for this information as well. In our last financial quarter, we have billed the amount of Rs. 45.79 million (US$1.02 million) for our content development/know how fees and services in respect of verification and validation of software we provided in connection with the establishment of the DGCX.

Brief History and Background

We were incorporated on April 19, 2002, and on September 26, 2003, we received "permanent recognition" from the Government of India to establish a nationwide online multi-commodity exchange. Online trading on our electronic platform commenced on November 10, 2003. FTIL became our shareholder on September 6, 2003, and at the same time we became a wholly-owned subsidiary of FTIL. Union Bank and Corporation Bank became our shareholders on April 5, 2004 and May 14, 2004, respectively. The Bank of India became our shareholder on June 7, 2004. On July 1, 2004, the State Bank of India became our shareholder. On March 9, 2005, HDFC Bank Limited became our shareholder. The NSE and NABARD also became our shareholders on May 5, 2005 and June 1, 2005, respectively. On February 3, 2004, FID Funds (Mauritius) Ltd. became our shareholder.

Products

We offer trading in futures contracts based on 58 commodities from various market segments including bullion, energy, ferrous and non-ferrous metals, oils and oil seeds, cereals, pulses, plantations, spices, plastics and fibers. The following chart illustrates the range of commodities traded on our exchange:

Bullion	**Cereals**	**Industrial Products**	**Oil & Oil Seeds**
• Gold	• Rice	• Copper	• Castor seed
• Gold Mini	• Basmati rice	• Nickel	• Cotton seed
• Gold HNI (High Net Worth Individual)	• Wheat	• Tin	• Mustard seed - Jaipur
		• Sponge Iron	
• Silver	• Maize	• Aluminum	• Sesame seed
• Silver Mini	• Sarbati rice	• Steel Long Govindgarh	• Soy seed
• Silver HNI (High Net Worth Individual)		• Steel Long Bhavnagar	• Castor oil
		• Steel Flat	• Crude palm oil
Pulses		• HDPE (High Density Polyethylyne	• Groundnut oil
• Chana		• PP (Poly Propylene)	• Mustard oil
• Tur	**Others**		• RBD palmolien
• Urad	• Rubber		• Refined soy oil
• Masur	• Cashew kernels		• Kapas Khalli
• Yellow peas	• Gur		• Soy meal
	• Guarseed	**Fibers**	
Spices	• Guargum	• Medium staple	

- Black Pepper
- Red chilly
- Turmeric
- Cumin Seed

- Mentha Oil
- Sugar
- Sugar S (Small)

cotton

- Long staple cotton
- Kapas
- Cotton shortstaple

Energy

- Crude oil
- Brent crude Oil
- Furnace Oil

The following table indicates the number of commodities offered for trading on our exchange as compared to the number of commodities traded on other top commodity exchanges globally, determined by volume of trades as of December 31, 2005:

Futures Exchange	**Country of Location**	**No of Commodities Traded**
Multi-Commodity Exchange of India Ltd	India	58
New York Mercantile Exchange (NYMEX)	United States	16
Chicago Board of Trade (CBOT)	United States	16
NYBOT	United States	12
London Metal Exchange (LME)	United Kingdom	11
Tokyo Commodity Exchange (TOCOM)	Japan	10
Tokyo Grain Exchange (TGE)	Japan	8
Intercontinental Exchange (ICE)	United Kingdom	6
Dalian Commodity Exchange (DCE)	China	4
Shanghai Futures Exchange (SHFE)	China	4
Zhengzhou Commodity Exchange (ZCE)	China	3

Source : FIA and Exchange websites

The following table presents information on the value of contracts traded on our exchange for gold, silver and crude oil, which were the top three products traded on our exchange during the nine months ended December 31, 2005, for the periods indicated:

	Fiscal						**Nine Months Ended December 31,**					
	2004			**2005**			**2004**			**2005**		
	Value			**Value**			**Value**			**Value**		
Product	**Rs.**	**US$**	**% Total**	**Rs.**	**US$**	**% Total**	**Rs.**	**US$**	**% Total**	**Rs.**	**US$**	**% Total**
	(in millions, except percentages)											
Gold	21,649.04	481.62	88.03	563,662.53	12.539.77	33.85	383,956.13	8,541.85	41.93	1,658,483.09	36,896.18	29.70
Silver	2,783.59	61.93	11.32	829,280.59	18,448.96	49.80	462,274.69	10,284.20	50.49	1,668,036.72	37,108.71	29.88
Crude Oil(1)	-	-	-	19,001.37	422.72	1.14	-	-	-	1,377,671.47	30,648.98	24.67
Other Products	159.85	3.56	0.65	253,317.86	5,635.55	15.21	69,443.87	1,544.69	7.58	879,500.72	19,566.20	15.75
Total Value	24592.48	547.11	100.00	1,665,262.35	37,047	100.00	915,664.69	20,370.74	100.00	5,583,692.00	124,220.07	100.00

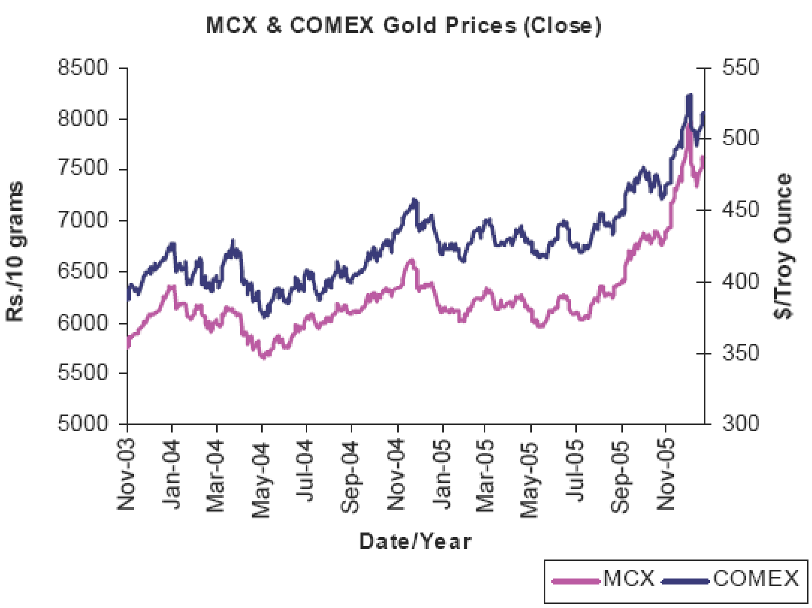
(1) Trading on our exchange commenced on November 10, 2003.
(2) The trading of contracts based on crude oil commenced on our exchange on February 9, 2005.
(3) Figures calculated on a per-side basis
(4) Calculated for convenience purposes only at the noon buying rate for Rupees in the City of New York on December 30, 2005, which was Rs.44.95 = US$1.00

Product Trading Data

For the month of January 2006, we had an average daily Turnover of Rs.51,314.64 million (US$1,141.59 million) per day, with our highest daily Turnover recorded at Rs.85,875.54 million (US$1,910.47 million) on January 20, 2006.

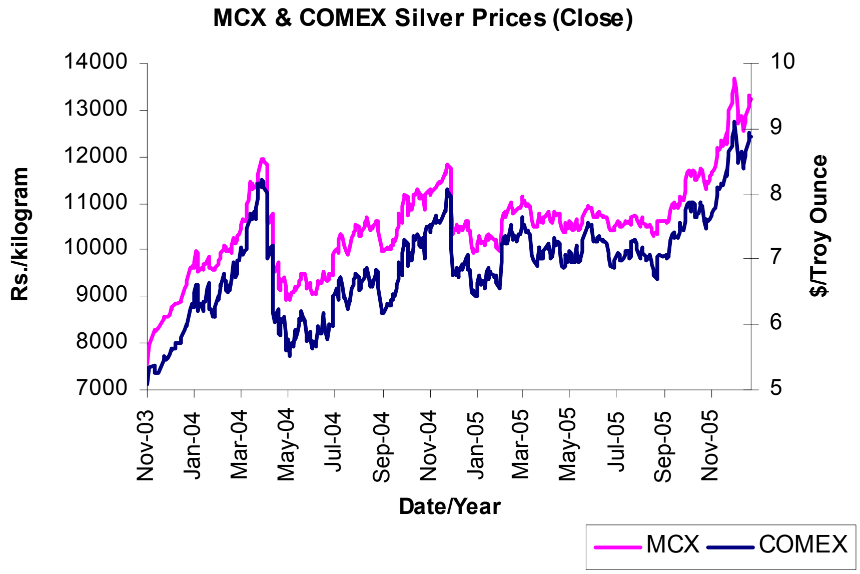
The following charts provide information regarding the price trends of gold, silver and crude oil, the top three commodities traded on our exchange in terms of volume as of December 31, 2005, as compared to the price trends of these commodities traded on the NYMEX the largest international exchange for gold, silver and crude oil.

GOLD



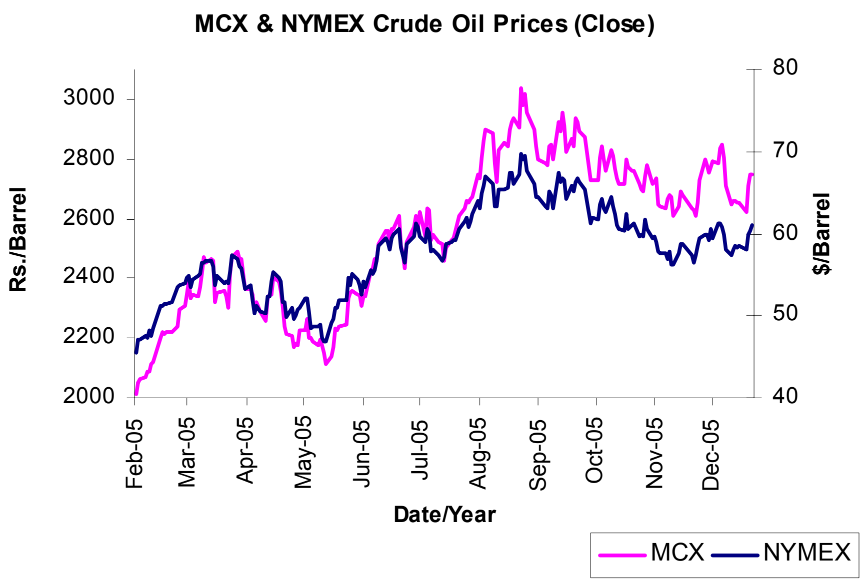
Source: Metastock

SILVER



Source: Metastock

CRUDE OIL



Source:Metastock

We believe the existence of a high correlation between prices on our exchange for global commodities such as gold, silver and crude oil with those of the global benchmark exchanges demonstrates a strong linkage between the Indian and global commodities markets.

Product Innovation

Since our inception, we have introduced a variety of new commodities-based futures contracts to our exchange. The number of products we offer on our exchange has grown from 15 as of March 31, 2004 to 58 as of December 31, 2005. We generally focus on offering futures trading in commodities which are significant in the Indian and global context and are also traded on international exchanges. We were the first exchange in India to offer trading in steel futures. We were the first exchange to launch futures trading in crude oil and plastics in India. In addition, we are one of the only two exchanges among the top ten commodity future exchanges in the world to provide a futures trading facility in plastics, second only to the London Metal Exchange. We have formed strategic alliances with the Chicago Climate Exchange to develop futures contracts based on emissions allowances and sulfur allowances. We intend to launch these products on our exchange once the necessary regulatory changes are made to allow trading in futures based on intangibles in India.

On June 7, 2005, we launched the following commodity indices on our exchange:

- MCX-COMDEX: MCX-COMDEX is India's first composite commodity futures price index, and is composed of commodities including wheat, urad (black gram), soy oil, guar seed, kapas khalli (cotton seed meal), gold silver, copper and crude oil. The commodities which comprise the index have been selected based on their economic importance based upon physical market size in India within the Indian economy and the Turnover for each of these commodities on our exchange for the specific quarter.

- MCX-Agri: MCX-Agri is composed of agricultural commodities including wheat, urad (black gram), soy oil, rubber, guar seed and kapas khalli (cotton seed meal).

- MCX-Metal: MCX-Metal is composed of gold, silver and copper, taking into account the futures prices of each of these commodities.

- MCX-Energy: MCX-Energy is presently composed of only crude oil, taking into account the futures prices of crude oil. Other energy commodities may be added as they are introduced on our exchange.

Our commodity indices provide our members with valuable information regarding market movements in the prices of futures contracts of the commodities included in each index, thus serving as barometers of the performance of certain baskets of commodities over time. In addition, we believe that once trading in commodities indices is permitted by the Government of India, these indices will give investors the ability to hedge against the price movements of a basket of commodities.

In addition, we have also launched two rain indices, RAINDEXMUM (Mumbai), and RAINDEXIND (Indore), each of which tracks the progress of monsoon rains in their respective geographic locations.

Product Development and Improvement

As of December 31, 2005, we had 24 full-time employees on our research and development and product knowledge management team dedicated to identifying and introducing new products on our exchange. Typically, our product development process includes conducting primary and secondary research on potential new products, testing with our market participants and research and make comparisons to similar products traded on global markets as necessary. Once completed, we submit our product reports and proposed futures contracts to the FMC for approval. After approval from the FMC is received, we conduct seminars and publicize the introduction of a new product on our exchange before launching the contract on our exchange.

Our research department also monitors the performance of existing contracts traded on our exchange and regularly communicates with market participants to ensure that changes (if required) are made to make the contracts more efficient. In addition, our research team monitors the physical markets, as well as futures markets, in India and abroad to evaluate the performance of our products. Our research and development team also works with our product advisory committee and other internal departments to share and obtain feedback and other information on our products.

We intend to continue introducing new products on our exchange and expand our existing product lines which we believe will generate new business and capture business from other markets or exchanges.

Standardized Contracts

The process of developing a standardized futures contract is core to the success of the product on the futures exchange platform. This is because all futures exchanges trade only in standardized contracts in an anonymous environment to foster ideal price discovery.

A standardized contract indicates the specifications of the contract in which the buyers and sellers will enter into. The contract should specify all the parameters regarding the quantity, quality, and terms of trade etc. Overall, the contract should specify all aspects of the physical trade except the price and quantity, which is specified by the participants in the exchange platform.

In order to design such a uniform standardized contract, our research and development department with the help of the other relevant departments that deal with the physical market and its participants and advisory members try to understand the common practice of trading in the physical market. The most prevalent parameters and practices are replicated in the futures contract so that the participants are in agreement when entering into and exiting the contract.

Our advisory board reviews and comments on the standardized contract, which is subsequently reviewed and approved by the management. After management approval, the FMC also reviews and approves the contract before it is launched for trading on the exchange.

Business Development, Sales and Marketing

Our business development and marketing department, which was composed of 52 employees as of December 31, 2005, focuses primarily on educating clients and potential clients about the commodities futures industry. Our business development team makes frequent presentations at local *mandis* (or government-regulated Agriculture Produce Committee markets "APMC") and meets with farmers, traders, exporters, importers and manufacturers to explain the mechanisms for trading in futures contracts and the benefits of trading in commodities futures contracts from both a price discovery and price risk management perspective. Our business development department also conducts formal seminars on these and other topics at various locations across India. In addition, once a new product is launched on our exchange, our business development department is responsible for publicizing and creating awareness about our new product.

Our business development team members are located in various cities across India and our corporate office in Mumbai coordinates our national business development and marketing efforts.

Membership

Our members are classified into three general categories:

- Trading-Cum-Clearing Members ("TCM"), which are divided into two sub-categories: Non-Deposit Based Members and Deposit-Based Members. The TCMs are authorized to appoint sub-brokers which enables them to widen their network for sourcing clients;

- Institutional Trading cum Clearing Members ("ITCM"), who are authorized to appoint sub-brokers and trading members who are permitted to register with our exchange as Trading Members ("TM") and have their trades cleared through an ITCM; and

- Professional Clearing Members ("PCM").

We require all of our members to pay fees consisting of a combination of the following: a one-time admission fee, a security deposit, annual subscription fees, annual insurance premiums, a non-refundable deposit for VSAT installation at members' locations and monthly VSAT usage fees. In addition, we require each of our members to maintain minimum net worth requirements. The details for each member are described in the table below:

	Trading-Cum-Clearing Member ("TCM")			
	Non-Deposit Based Member	**Deposit-Based Member**	**Institutional Trading cum Clearing Member ("ITCM")**	**Professional Clearing Member ("PCM")**
Eligible Entities	Individuals (including sole proprietorships), registered partnership	Individuals (including sole proprietorships),	Companies and institutions including commodity and stock	Banks and financial institutions.

	Trading-Cum-Clearing Member ("TCM") Non-Deposit Based Member	Deposit-Based Member	Institutional Trading cum Clearing Member ("ITCM")	Professional Clearing Member ("PCM")
	firms, associations and their subsidiaries, corporate bodies, banks and financial institutions and Hindu Undivided Family ("**HUF**"), and cooperative bodies.	registered partnership firms, associations and their subsidiaries, corporate bodies, banks and financial institutions and HUF/cooperative bodies.	exchanges, trade and industry associations, co-operative bodies, large retail networks and stock and commodity brokers.	
Admission Fee	Rs.750,000 (US$16,685)(1)	Rs.375,000 (US$8,343)(1)	Rs.750,000 (US$16,685)(1)	None
Security Deposit	Rs.750,000 (US$16,685)1	Rs.3,000,000(2) (US$66,741)(1)	Rs.5,000,000 (US$111,235)(1)	Rs.5,000,000 (US$111,235)(1)
Annual Subscription	Rs.25,000 (US$556)(1)	Rs.25,000 (US$556)(1)	Rs.25,000 (US$556)(1)	Rs.25,000 (US$556)(1)
Insurance Premium	Rs.5,510 (US$123)(1)	Rs.5,510 (US$123)(1)	Rs.5,510 (US$123)(1)	Rs.5,510 (US$123)(1)
VSAT Deposit	Rs.165,000 (US$3,671)(1)	Rs.165,000 (US$3,671)(1)	Rs.165,000 (US$3,671)(1)	Rs.165,000 (US$3,671)(1)
Monthly Terminal Fee	Rs.1,000 (US$22)(1)	Rs.1,000 (US$22)(1)	Rs.1,000 (US$22)(1)	Rs.1,000 (US$22)(1)
Minimum Net Worth	Rs.2,500,000 (US$55,617)(1)	Rs.5,000,000 (US$111,235)(1)	Rs.5,000,000 (US$111,235)(1)	Rs.50,000,000 (US$1,112,347)(1)
Authorized Activities	Trading and clearing of trades on behalf of themselves and clients and appointment of sub-brokers and other authorized agents.	Trading and clearing of trades on behalf of themselves and clients and appointment of sub-brokers and other authorized agents.	Trading and clearing of trades on behalf of themselves and clients and appointment of sub-brokers and other trading members ("**TM**") whose trades are cleared by the ITCM.	Clearance and settlement of trades made by TMs or TCMs. PCMs are not allowed to trade on their own account or for their clients.
Transferability of Membership/Refund	Membership is fully transferable after three years	Membership is not transferable; Deposit is refundable after three years	Membership is fully transferable after three years	Membership is fully transferable after three years

1 Calculated for convenience purposes only at the noon buying rate in the City of New York which as of December 31, 2005 was Rs.44.95 = US$1.00.

2 50% of the deposit amount can be in the form of a fixed deposit/bank guarantee.

As of December 31, 2005, we had 1,115 registered members, of which 1,055 were Non-Deposit Based TCMs, 32 were Deposit-Based TCMs, 14 were ITCMs and 2 were PCMs. In addition, we also had 12 TMs, who use the services of the PCMs for clearing and settlement. The following chart indicates the growth in our membership base for the period April 1, 2004 to December 31, 2005:

	2004				2005			
Data as of	**March 31**	**June 30**	**Sep. 30**	**Dec. 31**	**March 31**	**June 30**	**Sep. 30**	**Dec. 31**
TCM	179	304	637	728	816	884	997	1087
ITCM	3	8	12	13	14	14	14	14

	2004				2005			
Data as of	**March 31**	**June 30**	**Sep. 30**	**Dec. 31**	**March 31**	**June 30**	**Sep. 30**	**Dec. 31**
PCM	0	1	1	1	2	2	2	2
TM	0	0	4	10	11	12	12	12
Total	**182**	**313**	**654**	**752**	**843**	**912**	**1025**	**1115**

The following table provides information regarding the total revenues from transaction fees generated by each category of membership for the periods indicated:

Rs	Apr 05	May 05	June 05	July 05	Aug 05	Sep 05	Oct 05	Nov 05	Dec 05	Total
TCM	11,885,793	22,658,244	24,600,739	28,034,760	34,692,345	44,914,135	43,192,597	42,395,702	60,236,247	312,610,562
ITCM	254,578	611,667	580,144	825,925	1,216,947	1,578,029	1,327,849	1,597,950	1,609,519	9,602,608
PCM	742	2,409	1,669	1,550	1,776	1,608	656	216	--	10,626
Total	**12,141,113**	**23,272,320**	**25,182,552**	**28,862,235**	**35,911,068**	**46,493,772**	**44,521,102**	**43,993,868**	**61,845,766**	**322,223,796**

The top ten members trading on our exchange accounted for 31.66% of the volume traded on our exchange for the period from April 1, 2005 to December 31, 2005 and only one member (accounting for 5.43%) accounted for more than 5% of our total volume during that same period.

Market Data and Information Services

We have entered into agreements with several well known financial information service agencies including Bloomberg L.P., IQS, Telequote Network Singapore Pte. Ltd., Reuters and DowJones Commodity News to provide market participants with prices, trading activity and real-time market information on the commodities being traded on our exchange. Currently this information is provided free of charge to market participants. In the future we intend to charge for these services. We also provide our market data to some of our members free of charge, and in the future we intend to charge for this information as well.

Trading Technology

We operate a nationwide, fully automated online exchange for commodities futures trading. Our exchange technology framework is supplied by FTIL, our Promoter.

Core Exchange Platform. Our core exchange platform consists of the following:

- Central matching engine;
- Central broadcast engine;
- Clearing and settlement system;
- Centralized surveillance system;
- Order management system;
- Market operation system;
- Information dissemination system for members;
- Feed system for information vendors; and
- Computer to Computer Link ("**CTCL**") Gateway system

Our exchange framework is designed to provide high-availability for all critical components. Our central matching engine is hosted on a fully fault tolerant Stratus ftServer, which has "continuous processing" features and delivers an uptime of 99.999%, providing continuous availability. Additional features of the Stratus system include lockstep technology, failsafe software, and ActiveServiceT architecture. Other components of our exchange framework are hosted on high-end Intel Nocona processor-based servers using Microsoft Windows with various redundancy features. The databases for our trading system, as well as for our clearing and settlement systems, are clustered using a redundant EMC Clarion 300 fiber channel-based storage area network. Our current exchange framework can handle loads up to 500,000 transactions per day, and as of December 31, 2005 our system has already handled 200,000 transactions per day.

Our core trading platform and clearing and settlement systems are protected by redundant firewalls in a load-balancing and high-availability mode. Additional security measures in the form of an intrusion detection and prevention system ("IDS") is also implemented to protect our trading platform.

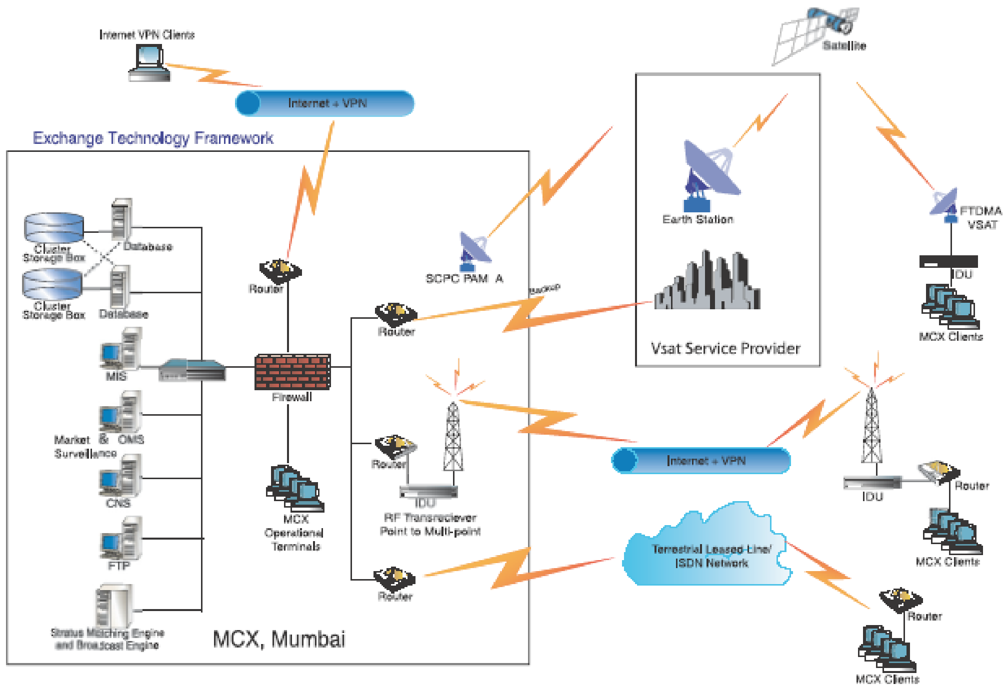
Our core exchange platform is the heart of our marketplace, having the ability to perform various functions including the following:

- Processing quotes and orders;
- Tracking activity with respect to underlying commodities;
- Executing trades;
- Broadcasting trade details to our members;
- Receiving market data feeds;
- Reporting real-time trades and quotes; and
- Transmitting records of activity to appointed clearing banks.

Connectivity. Since our inception, we have worked continuously to provide reliable and cost efficient modes of connectivity to our members. We provide our members with a quick and low cost option of connectivity. At present, our members can access our online trading platform through various means of connectivity which include the following:

- Trader Workstations ("**TWS**"): A TWS is a Windows-based workstation product which allows members to enter orders and view market information.
- CTCL Gateway system: The CTCL Gateway system is a client-server application which enables our members to provide trading terminals to their customers and to expand their networks. The CTCL server acts as a bridge between our members' clients and our exchange.
- VSAT: We have entered into an agreement with HCL Comnet, to provide VSAT based connectivity to members through HCL's central hub in Noida.
- Leased lines: Leased lines are 64Kbps point to point data circuits leased by our members and used to connect to our exchange.
- MPLS VPN: We have entered into an agreement with Bharat Sanchar Nigam Limited to enable our members to connect to our exchange via a terrestrial multi-protocol label switching ("MPLS") virtual private network ("VPN").
- Mobile phones: Connectivity to our exchange is also possible via mobile phones manufactured by Nokia which have built-in software enabling connectivity to online exchanges.

The following chart illustrates the framework for our exchange technology:



Disaster Recovery System:

We maintain a disaster recovery site ("DRS") located in Chennai to back up the main components of our core exchange platform. Our current DRS is a backup site where online replication of the data from our primary site in Mumbai is done over a 2Mbps leased circuit. At present, our DRS acts as a data backup repository and aide for the partial recovery of data through the Internet. In order to ensure complete recovery of all data at our primary site, we intend to establish a new DRS which contain redundancy and high availability features, among other features, will enable connectivity to our DRS by all service providers of our exchange, and contain other additional upgrades to our existing DRS.

Technology plays an important role in our success and we are committed to the ongoing improvement and maintenance of the technology used for our electronic trading platform. We believe that a well-designed system along with a structured technology road map will ensure reliability, scalability and functionality of our trading system. Up to December 31, 2005, we have spent Rs.356.24 million (US$7.93 million) on our trading, clearing and settlement technology.

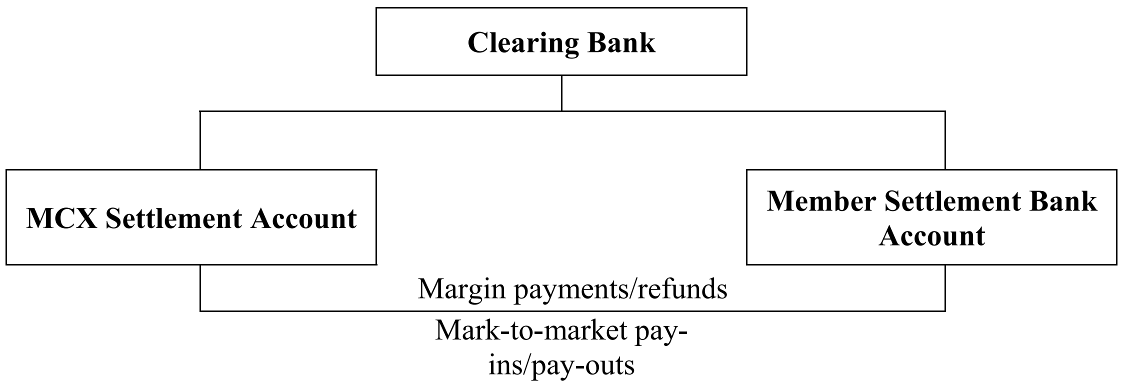
We have already commenced efforts to upgrade our software to enable options trading on our exchange which we believe will enable us to launch options trading on our exchange immediately after the Government permits options trading in India.. The software to enable options trading on our exchange is being developed by FTIL, and is currently undergoing pilot testing.

To accommodate ever-increasing business demands and transactional loads, we periodically monitor our technology infrastructure and plan for upgrades to our system every two years, which helps us to take advantage of advances in technology which include, among others, increased processing capacities and enhanced security features. At present, our exchange can handle up to 500,000 transactions per day. We plan to upgrade our technology system to enable our exchange to handle 1.0 million transactions per day, which will involve the implementation of a VSAT hub infrastructure to accommodate increased connectivity to our exchange, enhancement of our security infrastructure, implementation of a centralized management system and expansion of our database, among other improvements.

Clearing, Settlement and Delivery

We have our own clearing house which manages the final settlement of all contracts including cash settlement and physical delivery of commodities. As of December 31, 2005, there were eight clearing banks approved by us to support electronic funds transfers for settlement purposes and 54 warehouses accredited by us across approximately 30 cities to support the physical delivery of commodities.

Clearing and Settlement of Financial Obligations. We coordinate with clearing banks which have been appointed by us for all fund transfers. We require each of our members to maintain a settlement account with an approved clearing bank which is to be used for the sole purpose of settling trades made on our exchange, as well as a separate client account in which client funds are deposited and from which funds can be transferred in or out to clients. The following chart illustrates the fund settlement process:



At the end of each trading day, our system generates a file containing the details of each member's trading transactions, including the position carried forward from the previous day, the closing position of the day and the net obligation of the member. This file is downloaded to the member's TWS at the end of each trading day. On the basis of this file, we generate an automated statement for the debit or credit of settlement accounts which is sent electronically to the appropriate clearing bank for effecting debits and credits the following morning before the market opens. Upon receipt of the report, the clearing bank is authorized to either debit the member's settlement account and transfer appropriate funds to a settlement account maintained by us, or credit the member's account by transferring funds from our settlement account to the members' account. The clearing banks are instructed to inform our exchange immediately of any shortage of funds in members' settlement accounts.

In case a member fails to make a payment of his settlement obligations as per the scheduled time, we impose a penalty at the rate of 0.5% of the shortage/default amount subject to a minimum of Rs.500 (US$11.12) and a maximum of Rs.10,000 (US$222.47). In the event that the shortfall continues, an interest rate of 18% per annum is charged for the shortage period in addition to the aforementioned penalty. The default penalties we impose are debited at the end of each day from the margin deposits deposited by members with our exchange. If, after the default penalties are deducted from a member's margin deposit, the member has an insufficient margin amount on deposit to maintain his open positions on our exchange, the member is suspended from trading on our exchange until the member deposits additional funds to maintain his open positions.

Physical Delivery

In the case of settlement of physical delivery of commodities, we coordinate with sellers, buyers, warehouses accredited by us and the NBHC and quality certifying companies to ensure that the quality and quantity specified in a contract for the commodity is delivered on a timely basis to the buyer and the seller's settlement account is appropriately credited with the sales proceeds.

Physical delivery of the underlying commodity can be specified in a futures contract in one of three ways:

Seller's Option: Physical delivery of the underlying commodity will be effected if the seller indicates an intention to deliver the goods. If the seller does not wish to deliver the goods, then all open positions for the commodity on the expiry date of the contract are closed out at the price which is calculated by way of taking the simple average of the spot market prices of the commodity over the last day, three days or five days of the contract expiry date, depending on the contract specifications (the “Due Date Rate”) and no penalties are imposed.

Compulsory Delivery: For a contract which requires compulsory delivery, a seller having an open position on the expiry date of the contract must deliver the underlying commodity on the working day after the expiry date. Penalties are imposed for non-delivery of the commodity at such rates as are indicated in the contract specification.

Buyer’s and Seller’s Option: Physical delivery of the underlying commodity will be effected only when both the buyer and seller give their consent to take and give delivery. Any remaining unmatched quantity of underlying goods and any open positions for which delivery intentions were not made will be closed out at the Due Date Rate without the imposition of any penalty.

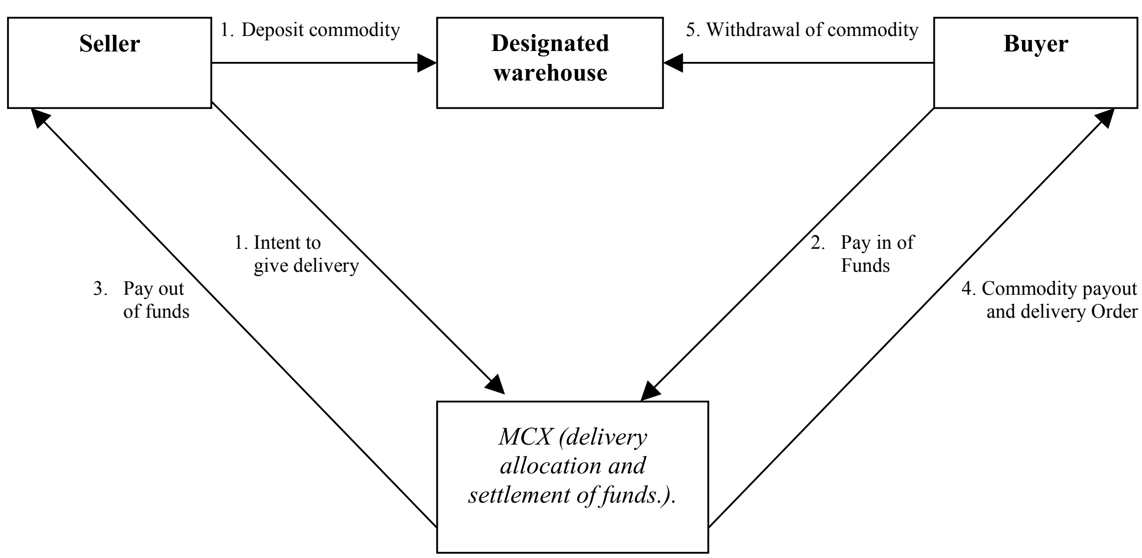
When a contract enters into a delivery period towards the end of its life cycle, which is typically five days before the expiration of the contract, a delivery period margin is imposed. Such a margin is imposed on members having open positions during the tender period specified in the contract, and remains imposed until the settlement of a delivery obligation or the expiry of the contract, whichever is earlier. The delivery period margin is calculated according to a rate which varies according to the type of commodity. When a seller submits delivery documents along with a surveyor’s certificate, the position is treated as settled and the delivery period margin to such extent is reduced. When a buyer pays money for the delivery allocated, the delivery period margin is reduced to the extent of the amount paid.

The matching of positions for the physical delivery of the underlying commodities is done according to contract specifications. After completion of the matching process, clearing members are informed of the deliverable/receivable positions and the unmatched positions for contracts for which delivery is optional. Unmatched positions must be settled in cash at the Due Date Rate. Cash settlement of the contract is done the day after the contract expiry date. Delivery of the underlying commodities must take place at the location specified in the contract.

A seller intending to make delivery of the commodities must take the goods to a warehouse which has been accredited by our exchange. At the warehouse, an assayer appointed by our exchange inspects the commodities to determine whether they meet the contract specifications and issues an assayer’s certificate indicating whether the delivery is acceptable. The seller must provide the warehouse receipt and assayer’s certificate indicating acceptable delivery to the exchange within the tender period as specified in the contract.

On intimation to take physical delivery, the buyer will deposit adequate funds into his settlement account with the clearing bank. The exchange will debit this account on the pay-in date and then transfer those funds to the seller’s settlement account. A buyer intending to take delivery must produce to the exchange valid written evidence of assignment of goods from the Clearing Member registered with the exchange. Upon receipt of such evidence, we furnish to the buyer the delivery details of the warehouse where the goods are located, and we notify the warehouse, which in turn arranges for the release of the goods after due verification of the identity of the recipient. The buyer may take physical delivery of goods on any day after the buyer pays in funds according to the schedule set forth in the contract.

The following chart illustrates the delivery process:



Market Safeguards and Risk Management

We employ the following risk management and surveillance techniques to minimize instances of possible default by members. We have adopted the following market safeguards and risk management techniques to ensure that our members meet their financial obligations promptly to protect the marketplace from undesirable events:

Minimum Net Worth Requirements. As a prerequisite for membership on our exchange, we require all members to have and maintain a minimum net worth, as detailed in the chart appearing under "Management's Discussion and Analysis—Membership." We require our members to confirm their net worth every year to ensure that minimum net worth requirements are maintained, which enables us to monitor and ensure the financial strength of our members.

Margin Requirements. We require all members to pay a security deposit at the time of registration which serves as an initial margin. If members desire to hold larger open position amounts, they are required to deposit additional amounts to serve as margins to support the aggregate open position of each member, computed on a real-time basis. We determine these margins for each commodity based on its historical volatility and these margins are then approved by the Forward Markets Commission ("FMC"). Members are suspended from trading if they do not maintain sufficient margins with our exchange. The margin requirements for the top three commodities traded on our exchange based on trading volume as of December 31, 2005 are as follows:

Rank	**Commodity**	**Margin Requirement** (% of aggregate open position)
1	Gold	4.0%
2	Silver	5.0%
3	Crude Oil	5.0%

We impose margin requirements in order to mitigate the risk of daily price movements in commodities and collect initial margins at rates higher than the historical volatility of the commodities to ensure that our exchange always has more funds than the risk due to price volatility.

Mark to Market Loss Monitoring. Our trading platform tracks losses incurred by each member on a real-time basis after each and every trade is made by a member by comparing the difference between the contracted trade price and the last trade price on the market. We transmit alerts to each member each time the loss amounts calculated by us exceed 60%, 75% and 90% of the margin deposited by the member with our exchange. When a loss amount exceeds 75% of the member's deposit with the exchange, the member is put in "square-up" mode until additional funds are deposited with the exchange to bring the loss amount within the prescribed limit of 75% of the amount deposited with the exchange. While the member is in square up mode, the member is prohibited from taking any new positions until the member's current open position amounts are reduced. This system of loss monitoring is unique to our exchange and is not required by the FMC, and is in place to safeguard the interests of the members and the exchange. Our system of mark to market loss monitoring is designed to minimize the risk of default by individual members.

Maximum Allowable Open Positions. For the purpose of managing liquidity risk and a member's susceptibility to default, we impose limits on net open positions as approved by the FMC. In the event a member exceeds our maximum open position limit, the member is required to reduce his open holding positions such that they fall below the approved limit. If the member fails to reduce his open position limits, our exchange may compulsorily reduce his open positions at the risk and cost of the member. Our exchange also imposes a penalty for such non-compliance by the member.

Circuit Filter Limitations. In order to safeguard against fluctuations in prices due to market volatility, we also enforce the daily circuit filter limit for each commodity imposed by the FMC which specifies the maximum and minimum price range within which a contract can be traded. In conjunction with our exchange's margin requirements and open position limits, we enforce the FMC's daily circuit filter limits in order to mitigate the risk of sudden rises and falls in the prices of individual commodities.

Insurance Coverage. We have a Stock Broker's Indemnity Policy for members who trade on our exchange with New India Assurance Company Limited. The policy is valid from March 29, 2005 to March 28, 2006 and the indemnity limit is between Rs.0.5 million to Rs.5 million for each broker with a cap of Rs.50 million annually on an aggregate basis. The policy indemnifies us for members' erroneous transactions, forgery, computer crimes, forged tele-facsimile, electronic transmissions and electronic securities.

Settlement Guarantee Fund: We maintain a settlement guarantee fund ("SGF") which comprises the security deposits made by each member applicable towards their initial margins. Whenever a member fails to meet his settlement obligations to our exchange arising out of his clearing and settlement operations in respect of his transactions, or has insufficient funds in his account to meet his settlement obligations, or is declared a defaulter, we utilize the SGF, and other funds in the members' settlement account maintained with the clearing bank to the extent necessary, to cover the member's obligations to our exchange. In the event that after we utilize money in the SGF pertaining to the member's security deposit, if the member still has insufficient funds on deposit to maintain his open positions, the member is suspended from trading until the member deposits additional amounts with our exchange to sustain his exposure amount. If the settlement dues required from the member are much greater than the amount deposited by the member with our exchange, the member is required to immediately deposit additional amounts with our exchange, failing which he is declared a defaulter. In this instance, our exchange may utilize the SGF to fulfill the member's obligation to the exchange. Upon declaration of a default, we immediately notify our insurance provider to register a claim. However, our exchange has an effective risk management and surveillance system such that we have never faced a default by any of our members.

Strategic Alliances and Joint Ventures

As part of our continuing efforts to introduce new products on our exchange and strengthen our product offerings, we have formed strategic alliances and joint ventures with domestic institutions and leading international associations and exchanges which include the following:

Joint Ventures

Dubai Gold & Commodities Exchange. In June 2005, we signed a MOU with Financial Technologies (India) Limited and The Dubai Metals and Commodities Center to establish, as a joint venture, the DGCX. Trading in bullion has already commenced on the DGCX and trading in other commodities such as metals, agricultural products and energy products on the DGCX is expected to commence in 2006. We have invested Rs.43.7 million (US$0.97 million) in the DGCX, for a 10% stake as on December 31, 2005. For additional information see "History and Certain Corporate Matters" on page 86 of this Draft Red Herring Prospectus.

Strategic Alliances and Memoranda of Understanding - Domestic

National Bulk Handling Corporation Ltd. In December 2004, we signed a MOU with the National Grain & Feed Association and FTIL to establish NBHC, a national warehousing and supply chain company aimed at providing warehousing and collateral management services and end to end solutions to customers, including the establishment of quality systems for receipt, storage, product classification and weight certification and out-loading services for agricultural commodities.

National Spot Exchange for Agricultural Produce. (also known as the National Spot Exchange Limited). In February 2005, we signed a MOU with the NAFED and FTIL to establish, as a joint venture, NSEAP to create a parallel electronic market for spot trading in agricultural commodities. Expected to be operational by June 2006, the NSEAP aims to bridge the information and communication gap existing in agricultural markets in India by connecting consumers and producers of agricultural commodities with support infrastructure, such that from any point of access, users can obtain all assistance typically required for buying, selling, storing, transporting and paying for agricultural commodities. This would enable nationwide integration of the agricultural commodities marketplace and create a common market. . We held 59.80% of the equity share capital of National Spot Exchange Ltd.,which we transferred to FTIL on September 30, 2005.

Indian Regional Commodity Associations. We have formed alliances with the following regional commodity associations in India: the Bombay Bullion Association, the Solvent Extractors' Association, the Pulses Importers

Association, the India Pepper and Spice Trade Association and the United Planters' Association of Southern India.

Strategic Alliances and Memoranda of Understanding - International

Tokyo Commodity Exchange. In November 2004, we signed a MOU with TOCOM, with the goal of further developing our respective commodities markets by exchanging knowledge regarding our respective products and services and evaluating the cross-trading of commodities on both exchanges. Pursuant to the MOU, we and TOCOM have each agreed to share with each other information concerning our contract specifications, delivery terms and conditions and risk management procedures.

Chicago Climate Exchange. In September 2005, we entered into an agreement with the Chicago Climate Exchange ("CCX") to offer trading on our exchange of newly created small-sized versions of futures contracts based on emissions allowances that have been developed by the CCX and are currently trading on other exchanges. The arrangement also covers futures contracts based on sulfur allowances cleared by the U.S. Environmental Protection Agency. The trading of these futures on our exchange is expected to commence if necessary regulatory changes are made to permit trading in futures based on intangibles in India. Pursuant to our agreement with the CCX, we have been granted an exclusive license, which cannot be transferred or subleased, to offer these futures contracts on our exchange.

New York Board of Trade. In February 2006, we signed a MOU with the NYBOT to explore areas of cooperation that could mutually benefit both exchanges. This agreement allows both exchanges to gain through mutual efficiencies and develop new and promising business ventures together.

New York Mercantile Exchange. In October 2005, we signed a MOU with the NYMEX to explore areas of cooperation that could mutually benefit both exchanges. Together with NYMEX, we will develop areas of cooperation and business opportunities with the goal of assisting and benefiting producers, end-users, and investors in commonly traded products by applying international best practices for price risk management and exchange operations.

London Metal Exchange. In October 2005, we signed a licensing agreement with LME to launch futures contracts in non-ferrous metals on our exchange using the LME's prices as benchmarks for settling the futures contracts on our exchange. Subsequently, we have started trading of Aluminium, Tin and Nickel.

We have entered into preliminary discussions for other possible strategic alliances and/or joint ventures. We cannot assure you that any joint venture or alliance that we have or may enter into will be successful.

Competition

We encounter competition in all aspects of our business and compete directly with two other national electronic commodity exchanges in India: the National Commodity & Derivatives Exchange Limited ("NCDEX") and the National Multi Commodity Exchange of India Limited ("NMCE"). We believe the principal factors affecting competition with our exchange involves liquidity, transaction costs, transparency, speed of execution, quality of technology (which includes ease of use, connectivity, security, scalability, customer service) and product portfolio.

Historically, the futures industry has been characterized by significant specialization. Exchanges generally develop niches in product categories based on the performance of the trade and product specification and support mechanism provided by the exchange. Although there is no regulatory provision which prohibits trading of similar products on different exchanges, the market generally converges to a particular exchange in a manner such that the exchange further develops the product and provides support and services to market participants. The liquidity provided by trading in a particular contract on an exchange, as described above, typically creates a competitive advantage for that exchange as compared to other exchanges considering offering rival contracts. With certain limited exceptions, most of the trading conducted in a futures product occurs on a single futures exchange within a particular country.

The following chart provides comparative data for our exchange, NCDEX, NMCE and other exchanges in India.

Exchange	Number of Commodities Traded	Turnover (Rs. million)			Market Share (2)
		Fiscal 2004	Fiscal 2005	April 1, 2005 to December 31, 2005	
MCX	58(1)	24,592	1,665,262	5,583,692	40.23%
NCDEX	50+(1)	14,903	2,663,383	7,467,751	53.81%
NMCE	60+(1)	238,409	139,882	86,545	0.62%
Others		1,015,763	1,262,862	739,863	5.33%
TOTAL	**168+**	**1,293,667**	**5,731,389**	**13,877,851**	**100.0%**

(1) As of December 31, 2005.
(2) From April 1, 2005 to December 31, 2005.
Source: Except for data in relation to MCX, all data has been taken from FMC website. The information in relation to MCX has been taklen from internal data.

Currently, our competition is primarily domestic, but may become global if the Indian Rupee becomes fully convertible and Indian participants are able to freely trade on global markets. We believe that if governmental regulations are liberalized to allow FII's, banks and mutual funds to trade in derivative markets, increased global interest in Indian exchanges will develop.

Intellectual Property

We do not have ownership of the "MCX – Trade with Trust" logo but have applied to obtain a trademark for the "MCX – Trade with Trust " logo. We have obtained a copyright for some of our contract specifications for the commodities traded on our exchange.

Insurance

We have entered into agreements with four private warehouses for the storage of commodities, and have the following insurance policies in place with respect to each warehouse: In connection with goods stored at a warehouse located in Unjha, we have an insurance policy with Cholamandalam MS General Insurance which insures up to Rs.40.0 million and covers fire and special perils like earthquakes, burglary and housebreaking. This policy is valid from March 7, 2005 to March 6, 2006. In respect of the goods stored at warehouses in New Delhi and Mumbai, we have taken insurance cover from ICICI Lombard for fire and special perils for the amount of Rs.10.0 million, and for burglary for the amount of Rs.10.0 million.

We also have a policy with New India Assurance Company which provides coverage of up to Rs.5.0 million, to insure money transited between banks and our office and money stored in locked safes.

Finally, the various electronic equipment we use, including VSATs and IDU, is insured by our policy with the New India Assurance Company Limited which provides coverage at 101 VSAT locations and 34 IDU locations.

Employees

As of December 31, 2005, we had 227 full time employees handling various responsibilities as stated below:

Broad Functional Area	No. of Employees
Top Management	5
Business Development and Marketing	52
Market Operations	45
Systems and Networking	24
Research and Development and Product Knowledge Management	24
Support	77

Broad Functional Area	No. of Employees
Total	**227**

Our employees are not represented by trade unions.

In addition to a base salary, per the industry standard, and a performance linked variable pay, we provide a number of benefits to our employees, such as medical expenses, housing or rent assistance, educational loans, healthcare, loans for education and retirement benefits. Our employees are also covered under specific insurance schemes. These insurance schemes provide coverage in the event of injuries or death sustained in the course of employment. Production linked and productivity incentive schemes are a regular part of our employee evaluation process. These schemes are worked out through a consultative process. We have stable manpower levels and a relatively low attrition rate. Our employees are not allowed to trade on our exchange.

Legal Proceedings

As of the date of this Draft Red Herring Prospectus, except as described in section "Outstanding Litigation" on page 167 of this Draft Red Herring Prospectus, we are not a party to or threatened with any litigation or other legal proceedings that, in our opinion, could have a material adverse effect on our business, operating results or financial condition.

Properties and Facilities

Our registered and corporate office is located at 102A, Landmark, Suren Road, Chakala, Andheri (East), Mumbai- 400 093. We occupy approximately 9,000 square feet of office space under a lease that expires on February 17, 2007. We have also entered into an agreement for the provision of various services and facilities like security, air conditioning and a fire fighting system on our office premises.

We have taken on lease additional office space in several other cities including Ahmedabad, Cochin, Kolkata and Hyderabad. In addition, we take on lease residential property for certain of our employees.

Regulatory Matters

See the section titled "Regulations and Policies" on page 79 of this Draft Red Herring Prospectus.

REGULATIONS AND POLICIES

The Department of Consumer Affairs in the Ministry of Consumer Affairs, Food and Public Distribution, Government of India is the apex regulatory body governing all commodity exchanges. It exercises overall regulatory supervision over the commodity exchanges, and also has the authority to grant or withdraw recognition of any commodity exchange.

The primary statute applicable to a commodity exchange is the Forward Contracts (Regulation) Act, 1952 ("**FCRA**") and the rules formulated thereunder, the Forward Contracts (Regulation) Rules, 1954 ("**FCRR**"). The FCRA provides for the setting up of the Forward Markets Commission to implement the provisions thereof. Pursuant to this, the Forward Markets Commission ("**FMC**") was set up in 1953. Most of the regulatory powers of the Central Government were delegated to the FMC. However, the powers relating to the grant and withdrawal of recognition to the associations are with the Central Government, which acts on the advice of the FMC.

The FCRA categorizes commodities into 3 categories for purposes of regulation:

- commodities in which forward trading can be undertaken through a recognized association;
- commodities in which forward trading is prohibited; and
- commodities which have neither been regulated for being traded under the recognized association nor prohibited. Such commodities are referred to as 'free commodities' and the associations dealing in such free commodities are required to obtain a certificate of registration from the FMC for trading thereof.

The FCRA classifies contracts into ready delivery contracts and forward contracts. Ready delivery contracts are contracts where both the supply/delivery of goods and payment is completed within eleven days from the date of the contract. Such contracts are outside the purview of FCRA. Forward Contracts on the other hand are contracts for supply of goods and payment, where supply of goods or payment or both take place after eleven days from the date of contract or where delivery of goods is totally dispensed with. These forward contracts are regulated and governed by the FCRA. The FCRA empowers the FMC to prohibit forward contracts in a particular commodity by a notification in addition to those already prohibited under the FCRA.

Forward Markets Commission

Establishment of the FMC

The FMC has its headquarter at Mumbai and a regional office at Kolkata. Under the FCRA, the FMC can consist of a minimum of two members but not exceeding four members all of whom are appointed by the Central Government for a term of three years. Currently, the FMC consists of four members.

Powers and Functions of the FMC

The FMC exercises a wide array of functions under the FCRA, which can be summarized as below:

- Provision of advice to the Central Government in respect of the recognition or the withdrawal of recognition of any association/exchange;

- Providing advice to the Central Government in respect of all matters arising out of the administration of the FCRA;

- Monitor and regulation of the forward markets, and taking any action as it may consider necessary, in exercise of the powers assigned to it by or under the FCRA;

- Collection and publication of information in relation to the trading conditions in respect of goods to which the FCRA is made applicable;

- Submission of periodical reports to the Central Government on the working of forward markets relating to such goods where the FCRA is applicable;

- Recommendations to the Central Government for the improvement of the organization and working of forward markets; and

- Inspection of the accounts and other documents of any of the recognized or registered association or any member of such association whenever it considerers necessary.

The FMC has been vested with the powers of a civil court under the Code of Civil Procedure, 1908 (5 of 1908) for the exercise of its functions. Therefore, the FMC can summon and enforce the attendance of any person and examine him on oath, receive evidence on affidavits, requisition any public record, require the discovery and production of any document. Any person who fails to furnish information/ documents required by FMC would be liable for criminal action against him.

Organizational Structure of FMC

The FMC is divided into different divisions as described below:

Commodity Division: The main function of this division includes the monitoring of trading in various commodities, especially forward trading conducted on various recognized commodity exchanges. It also conducts studies into economics of commodities, examines need for permitting or banning futures trading in commodities, analyses trading and other returns of recognized associations, maintains a close watch on price trends and other developments in the market and suggests suitable remedial measures.

Enforcement Division: It closely liaisons with State Police authorities in the country in order to take action against illegal forward trading and assist the police in raids and searches. Any information received by the FMC regarding illegal forward trading etc., is passed on the concerned police authorities. The division also scrutinizes the documents seized during raids and also testifies in court regarding the contents of the seized documents. The Enforcement Division also conducts surprise checks of the recognized commodity exchanges whenever necessary.

Administrative Division: The Administrative Division provides the necessary secretarial assistance to the commodity and enforcement divisions and looks after the establishment of the FMC.

Grant of recognition to an association dealing in forward contracts

Any association dealing with forward contracts is required to obtain recognition from the Central Government by applying for the same in the prescribed format. The Central Government acts in consultation with the FMC while granting such recognition. The following are required to be provided to the Central Government while applying for such recognition:

- rules and bye-laws for the regulation and control of forward contracts
- rules in relation to the constitution of the association
- rules relating to the governing body of such association, its constitution and powers of management and the manner in which its business is proposed to be transacted
- rules relating to the admission into the association of various class of members

Under the FCRA, the rules or bye-laws cannot be amended without the approval of the Central Government. This power has since been delegated to FMC. Hence, any amendment to rules or bye-laws would therefore require the prior approval of the FMC. The Central Government also has the power to withdraw the recognition granted an association in public interest or interest of trade. However, the Central Government is required to grant an opportunity to the concerned association before withdrawing such recognition.

In addition, under the FCRA, no association which deals in forward contracts can carry on such business without having obtained a certificate of registration from the FMC.

Under the FCRR, an application for recognition of an association must be made to the FMC and must be accompanied by application fees as prescribed as well as the draft rules and bye-laws of the association. Before granting recognition, the Central Government may make inquiries and obtain further information. The Central Government may also consider the advice of the FMC. The FCRR provides that the Central Government recognition shall specify the period for which the recognition is granted and also the goods or classes of good in respect of which forward contracts may be entered into between the members of such association or through or any such member.

Powers to make rules and bye laws

Under the FCRA, an association that has been granted recognition by the Central Government on the advice of the FMC, has the power to make rules in relation to the conduct of the members and the relationship with and among its members. Such rules may pertain to admission, grouping of members, reservation of seats on its governing body for groups of members, voting rights, etc. Recognized associations can also make bye laws for the regulation and control of forward contracts dealt with by them. Under the bye laws, the associations have the power to prescribe that the contravention of any of the bye-laws shall render the member concerned liable to fine or render the member concerned liable to expulsion or suspension from the recognized association or to any penalty of a like nature not involving the payment of money. In addition, the Central Government also has the power to promulgate and amend bye-laws and rules either on the request of the association or on its own accord when it deems expedient to do so. Further, unless expressly waived by the FMC, the draft bye laws which are proposed to be amended/revised are required to be published for the notice of all the persons likely to be affected by it to take into consideration any objections or suggestions with respect to the said draft.

After having obtained recognition from the Central Government, the recognized association requires the approval of the FMC in respect of all commodities and forward contracts traded on the exchanges along with their contract specifications which describe the quantity, quality and the place of delivery of the commodity traded. The permission specifies the goods or classes of goods with respect to which forward contracts may be entered into between members of such association or through or with any such member.

Regulation of trading

The FCRA completely prohibits options in goods. An Option is defined as an agreement which gives the option buyer the right, but not the obligation, to buy or sell a particular forward contract at a stated price at any time prior to a specified date or on the specified date.

FMC has prescribed certain measures for effective management of trading on commodity exchanges:

- Limit on net open position as on the close of the trading hours. Limits may be imposed on intra-day net open positions. The limit may be is imposed operator-wise or member-wise;
- Circuit-filters or limit on price fluctuations to allow cooling of market in the event of abrupt upswing or downswing in prices;
- Special margin deposit to be collected on outstanding purchases or sales when price moves up or down sharply above or below the previous day closing price. By making further purchases/sales relatively costly, the price rise or fall is sobered down. This measure is imposed only on the request of the exchange;
- Circuit breakers or minimum/maximum prices: These are prescribed to prevent futures prices from falling below as rising above not warranted by prospective supply and demand factors. This measure is also imposed on the request of the exchanges;
- Skipping trading in certain derivatives of the contract, closing the market for a specified period and even closing out the contract: This extreme measure is taken only in emergency situations.

Supervision

The FMC has powers to conduct inspection of accounts of the exchanges and their members and to inquire into the affairs of the exchanges. In the event of an emergency situation, it is empowered to suspend trading.

The FCRR provide that every recognized association is required to submit periodical returns relating to its affairs and the affairs of its members in such form and in such manner and at such times as may be specified in this behalf by the FMC. Further, the FCRR also lists out details that are required to be included by the recognized associations in their annual reports.

The Central Government may, if it is of the opinion that the governing body of any recognized association should be superseded, after giving a reasonable opportunity to the governing body of the recognized association, declare the governing body of such association to be superseded for period upto six months. The Central Government may appoint any person or persons to exercise and perform all the powers and duties of the governing body. On the reconstitution of a governing body, all the property of the recognized association which had vested in, or was in the possession of, the person or persons appointed by the Central Government shall vest or revest, as the case may be, in the governing body so reconstituted.

Further, the Central Government may also direct a recognized association to suspend such business for period not exceeding seven days and may also extend the period from time to time. However, an extension beyond one month will be permitted only if the governing body of such association has been given an opportunity of being heard in the matter.

The Central Government may suspend a member from the membership of any recognized association or prohibit such members from entering into any forward contract for the sale or purchase in his own name or through another member of a recognized association of any goods or class of goods in the interest of trade or in the public interest after giving an opportunity to the member concerned of being heard. Such order shall specify the period for which the suspension or prohibition is to have effect and such period may be extended from time to time but so as not to exceed three years in the aggregate. In all such matters, the Central Government usually seeks the advice of the FMC.

Penal Provisions

The FCRA provides for penal provisions in relation to offences involving contravention of the FCRA and most offences under the FCRA constitute cognizable offences. The powers of search, seizure and investigation are with the respective State Police Authorities.

The FCRA provides that in case a person enters into any forward contract during the period of suspension of business of a recognized association in pursuance of a notification or is a member of any association, other than a recognized association, to which a certificate of registration has not been granted under FCRA, or enters into any forward contract or any option in goods in contravention of FCRA, the person shall, on conviction, be punishable for a first offence, with imprisonment which may extend to one year or with a fine of not less than one thousand rupees, or with both. For a second or subsequent offence in relation to entering into a forward contract or any option in goods in contravention of FCRA, the person may be punished with imprisonment which may extend to one year along with fine. However, in the absence of special and adequate reasons which is required to be mentioned in the judgment of the court, the imprisonment shall be not less than one month and the fine shall not be less than one thousand rupees. Further, the court may, if it thinks fit and in addition to any sentence which it may impose for such offence, direct that any money, goods or other property in respect of which the offence has been committed, be forfeited to the Central Government.

The FCRA provides that in the event that an offence has been committed by a company, every person who at the time the offence was committed, was in charge of, and was responsible to the company for the conduct of, the business of the company, as well as the company, shall be deemed to be guilty of the offence and may be proceeded against accordingly.

Proposed Amendments

The Ministry of Consumer Affairs, Food and Public Distribution has proposed to introduce a Bill in the Parliament to amend the FCRA which would permit options trading and trading in intangible commodities, like indices. It is also proposed to amend the FCRA in order to strengthen the commodities market regulator, the FMC, and setting up of a Forward Markets Appellate Tribunal along the lines of the Securities Appellate Tribunal. Pursuant to the amendment, the FMC would become an independent and autonomous body. It is also proposed to allow participation of Foreign Institutional Investors, banks and Mutual Funds in commodity exchanges.

Other Applicable Regulations

The Company, in its business of providing an exchange platform for trading activities, is governed by various legislations in addition to the FCRA and FCRR. Since agricultural commodities, among other goods are traded on the Company's exchange, various legislations viz the Prevention of Food Adulteration Act, 1954, the Essential Commodities Act, 1965**,** Agricultural Produce Marketing Regulations Act and the Central Warehousing Corporations Act, 1962 are also applicable. Further, the Company is required to comply with the provisions of the Standards of Weights and Measures Act, 1976.

Prevention of Food Adulteration Act, 1954

The Prevention of Food Adulteration Act, 1954 ("PFA") primarily aims at protecting public health. The legislation promotes purity of food and prevents misbranding of foods. The provisions of PFA are also directed towards providing information to the consumers in relation to the food purchased in the market.

The PFA prohibits the manufacture, sale or storage of adulterated and misbranded food. Food is said to be adulterated if it is not of the nature, substance or quality demanded by the purchaser or has been produced, packaged or stored under unsanitary conditions such that it has become contaminated or injurious to health or if it contains any poisonous or other ingredient harmful to health. Further, the presence of excessive preservatives or colouring matter is also prohibited.

Food may be said to be misbranded if it is falsely stated to be the product of any place or country or if it is sold by a name which belongs to another article of food or if any false claims are made for it upon the label or otherwise.

The PFA provides that no person shall himself or through another person manufacture for sale or store, sell or distribute any adulterated or any misbranded food or any article of food for which a license is required.

A person who manufactures for sale, or stores, sells or distributes adulterated or misbranded food shall be punishable with imprisonment for a term which shall not be less than one year but which may extend to six years and with fine which shall not be less than two thousand rupees. Further, in case any food consumed by any person is likely to cause his death or is likely to cause such grievous hurt, then the person shall be publishable with imprisonment for a term which shall not be less than three years but which may extend to term of life and with fine which shall not be less than five thousand rupees. Under the PFA, the person who has been nominated by the company to be in charge of and responsible to the company for the conduct of the business of the company shall be liable to be proceeded against and punished in accordance with the PFA.

Most states provide for mandatory licensing of persons selling and storing food products. Therefore, it is ensured that all the warehouses nominated by the Company have valid PFA licenses (unless exempt from this requirement). The Company does not own any warehouses and usually leases storage space. It is the obligation of the warehouse owner to obtain licenses. However, the Company takes adequate steps to ensure that the warehouses have obtained PFA licenses, and further that such PFA licenses are valid.

Essential Commodities Act, 1955

The Essential Commodities Act, 1955 ("ECA") has been enacted to ensure easy availability of essential commodities to consumers and protect them from exploitation by traders.

Under the ECA, the Central Government may regulate or prohibit the production, supply and distribution of commodities if it is necessary or expedient to do so for maintaining or increasing supplies of any essential commodity or for securing their equitable distribution and availability at fair prices. The Central Government may also provide for regulation by licenses or permits the production or manufacture of any essential commodity and the storage, transport, distribution, disposal, acquisition, use or consumption of, any essential commodity and may control the price at which any essential commodity may be bought or sold. However, the Central Government may by notification delegate the powers mentioned above to the State Governments. In pursuance of the above, various State Governments have issued various Control Orders to regulate various aspects of trading in Essential Commodities as defined in the ECA. .

The ECA regulates stocking of eighteen Essential Commodities such as cattle fodder, including oilcakes and other concentrates, coal, including coke and other derivatives, component parts and accessories of automobiles, cotton and woollen textiles, drugs, foodstuffs, including edible oilseeds and oils, iron and steel, including manufactured products, paper including newsprint, paperboard and strawboard, petroleum and petro products, ginned and unginned raw cotton and cotton seeds, raw jute, jute textiles, inorganic and organic fertilisers, cotton yarn, exercise books, insecticides, fungicides and weedicides, seeds of food crops, fruits, vegetables, jute and seeds for cattle fodder and onions.

Under the ECA, there is a provision for the seizure of any essential commodity in respect of which there has been any contravention of any order made by the Central Government regarding the production, supply, distribution or pricing of the commodity. A report of such seizure must be made to the Collector of the district or the presidency town in which such essential commodity is seized and the Collector may order confiscation of the seized goods if there has been a confiscation order in respect of the commodity. Under the ECA, the contravention of any order passed by the Central/State Governments prohibiting the production, supply and distribution of commodities or setting prices for essential commodities is punishable with imprisonment for a term which shall not be less than three months but which may extend to seven years and shall also be liable to fine.

The person from whom the commodities are to be confiscated shall be given written notice of the grounds on which it is proposed to confiscate the commodities and a person aggrieved by an order of confiscation may, within one month from the date of the communication to him of such order, appeal to the State Government concerned and the State Government shall, after giving an opportunity to the appellant to be heard, pass such order as it make think fit, confirming, modifying or annulling the order appealed against.

Further, most states provide for mandatory licensing to buy, sell and store of essential commodities. The members trading on the platform provided by the Company who affect deliveries are required to take licenses and comply with the provisions of the ECA.

Agricultural Produce Marketing Regulations Act

Pursuant to Entry 28 of the State List, several states have enacted the Agricultural Produce Marketing Regulations Act ("**APMRA**") (the name of the Act may differ in different states). Agricultural markets are established and regulated under these state acts. The whole geographical area in the state is divided and market areas declared wherein the markets are managed by the Market Committees constituted by the State Governments. Once a particular area is declared a market area and falls under the jurisdiction of a Market Committee, no person or agency is allowed to freely carry on wholesale marketing activities. The APMRA restricts establishments of markets and dealing in agricultural produce and may prescribe licenses for the same.

Further, the APMRA provides for the constitution of a Market Committee and a State Agricultural Marketing Board and may also provide for the levy of a market fee. The Market Committee consists of the agriculturists residing in the market area as well as the traders and commission agents holding licenses to operate in the market area.

The Market Committee is required to implement the provisions of the APMRA as well as the rules and bye-laws made there under in the market area to provide various facilities for marketing of agricultural produce as well as in relation to the superintendence, direction and control of markets or for relating marketing of agricultural produce in any place in the market area.

Central Warehousing Corporations Act, 1962

The Central Warehousing Corporations Act, 1962 ("**CWC Act**") provides for the incorporation and regulation of corporations for the purpose of warehousing of agricultural produce and certain other commodities.

The CWC Act also sets up a Central Warehousing Corporation and State Warehousing Corporations. The main purpose of the CWC Act is to acquire and build godowns and warehouses at suitable places in India and to run warehouses for the storage of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities offered by individuals, co- operative societies and other institutions.

The Company generally stores agricultural goods and other commodities at the warehouses set up under the CWC Act.

Standards of Weights and Measures Act, 1976

The Standards of Weights and Measures Act, 1976 ("**SWMA**") establishes standards of weights and measures, regulates inter-State trade or commerce in weights, measures and other goods which are sold or distributed by weight, measure or number.

Under the SWMA, the base unit of length shall be the metre while the base unit of mass shall be the kilogram. The SWMA provides that no weight or measure or numeral, other than the weight, measure or numeral provided under the SWMA shall be used as a standard weight, measure or numeral. Under the SWMA, a license, issued by the Controller, Weights and Measures, is required by the manufacturer, dealer and repairer of any weights or measures. A license is also required for dealing in weights and measuring instruments.

All trading on the exchange platform provided by the Company is in terms of standard units of weight, measure or number as specified under the SWMA.

HISTORY AND CERTAIN CORPORATE MATTERS

We are an independent and de-mutualised multi commodity exchange and was incorporated on April 19, 2002 under the name Multi Commodity Exchange of India Private Limited. Subsequently, on May 16, 2002, it was converted into a public company and its name was changed to Multi Commodity Exchange of India Limited. We received permanent recognition from the Government of India for facilitating online trading, clearing and settlement operations for commodity futures markets across the country on September 26, 2003. Online futures trading commenced on MCX in November 2003. We received non-promoter equity participation for the first time in May 2004 when Bank of India, Union Bank and Corporation Bank invested in the Equity Shares of the Company. Since then, we received equity participation from various banks and financial institutions, including State Bank of India in July 2004, HDFC Bank in March 2005, NSE in May 2005 and NABARD in June 2005. Fidelity Funds-India Focus Funds (FID Funds (Mauritius) Limited) also invested into the Company by of subscribing to 3,600,000 Equity Shares on February 3, 2006. We also entered into alliances with various trading associations and commodity exchanges. We entered into an alliance with the Bombay Bullion Association, Bombay Metal Exchange and Solvent Extractors' Association of India in October 2003. We entered into an alliance with an overseas exchange for the first time in November 2004 by way of a MOU with the Tokyo Commodity Exchange. Since then, we have entered into alliances with various exchanges and trading associations, including NYMEX and LME in October 2005 and NYBOT in February 2006. See the section titled "Business- Strategic Alliances" on page 77 of this Draft Red Herring Prospectus.

Joint Ventures

Memorandum of Understanding with Dubai Metal and Commodities Centre, Dubai Gold and Commodities Exchange and FTIL

The Company along with FTIL entered into a MOU dated June 9, 2005 with the Dubai Metal and Commodities Centre (DMCC) for setting up a joint venture company with limited liability to set up and run a commodity exchange in Dubai. This MoU provides that 50% of the share capital of the company so formed will be held by the DMCC, 40% by FTIL and 10% by the Company. This MoU provides that the initial funding requirements are anticipated to be in the range of US$10 million of which, FTIL and the Company shall contribute US$ 4 million (approximately Rs. 179.80 million) and US$ 1 million (Rs. 43.70 million) respectively, while DMCCA shall contribute US$ 5 million (approximately Rs. 224.75 million). DMCC shall appoint three directors on the board of the company so formed and FTIL and the Company shall jointly appoint three directors. This MOU is valid for a period of 9 months. However, the parties may renew this MoU for one or more periods of 3 months each. This MoU is governed by the laws of Dubai.

The Company along with FTIL entered into a MOU dated June 9, 2005 with the DGCX, which is a joint venture company between FTIL, DMCC and MCX situated in the United Arab Emirates. Under the terms of the MOU, the Company is required to transfer know- how to DGCX for the operation of the exchange in relation to membership rules and guidelines, trading, clearing and settlement procedures, business rules, regulations and bye-laws as well as a self-regulatory framework for DGCX. Under the terms of the MoU, DGCX was required to pay US$ 1 million (approximately Rs. 44.95 million) for the transfer of this know-how. This MOU shall be valid and binding until the signing of a Know How Transfer Agreement and a Technology License Agreement between the parties reflecting the terms of the MoU. The MOU is governed by the laws of Dubai and dispute resolution shall be by way of arbitration proceedings in Dubai.

MoU with in relation to National Bulk Handling Corporation Limited

The Company and FTIL had entered into a MOU dated October 28, 2004 with Paras Ram Brothers (Australia) Private Limited (PRB) whereby the parties have agreed to set up a joint venture company to acquire warehouses and create a network of accredited warehouses to offer international services for unloading, storage and outloading of commodities traded on MCX.

According to the terms of this MoU, unless this MoU is extended by a written document executed by both parties or terminated by 15 days notice, this MoU shall terminate in 36 months from the date of entering into this agreement or when the purpose of this MoU is accomplished.

In furtherance of this MoU, National Bulk Handling Corporation Limited was incorporated on April 20, 2005. Currently, FTIL holds the entire equity share capital of NBHC. We held 100 % of the equity share capital of NBHC, which we transferred to FTIL on September 30, 2005.

MoU in relation to National Spot Exchange for Agricultural Produce

The Company entered into a MOU dated November 29, 2004 with the NAFED to create a platform which would establish a parallel electronic market for spot trading in agricultural commodities and to provide a nationwide integration for the agricultural commodities marketplace. NAFED has an option to acquire an equity stake in the venture. Under the terms of the MoU, NAFED will provide business domain knowledge, distribution and procurement network, warehouses, testing and logistics support. In furtherance of this MoU, the National Spot Exchange Limited (NSEAP) was incorporated on May 18, 2005. Currently, FTIL holds 99.98 % of the equity share capital NSEAP while the remaining is held by NAFED. 59.80 % of the equity share capital of NSEAP which was held by us was transferred to FTIL on September 30, 2005.

Agreements with our Promoter

We have entered into several agreements with our Promoter, FTIL in relation to supply of technical services:

1. The Company entered into a Software Development Agreement (SDA) with FTIL on February 27, 2003 whereby FTIL agreed to supply to the Company customized software to be used for integrated online trading, clearing and settlement system. This customised software includes computer programs or object codes containing executable or set up files or data files and an electronic customised software for on-line trading and matching consisting of server side application technologies and software products as also client side application software technologies. It is provided that any right, interest, property or benefit in the intellectual property in the said software vests solely and exclusively with FTIL. The SDA is valid for a term of 50 years and there will be automatic renewal for 49 years thereafter unless the SDA is terminated earlier. As per the SDA, the consideration payable by the Company to acquire the right to use the said software is Rs 100 million. However, in lieu of and in complete satisfaction of this amount, the Company agreed to issue and allot 10,000,000 equity shares of Rs 10 each to FTIL, which were allotted on September 6, 2003.Under the terms of the SDA, FTIL has warranted that the customised software supplied herein does not infringe intellectual of any third party and that it shall facilitate free electronic distribution of any releases of version upgrades or patches to the Company.

2. The Company entered into another Software Development Agreement (SDA-1) with FTIL on December 23, 2003 whereby FTIL agreed to supply certain other customised software to be used for integrated online trading, clearing and settlement system including the CTCL gateway System which is a server side component that has been designed using a standards based approach. It is provided that any right, interest, property or benefit in the intellectual property in the said software vests solely and exclusively with FTIL. SDA-1 is valid for a term of 50 years and there will be automatic renewal for 49 years thereafter unless SDA-1 is terminated earlier. As per SDA-1, the consideration payable by the Company to acquire the right to use the said software is Rs 50 million. However, in lieu of and in complete satisfaction of this amount, the Company agreed to issue and allot 5,000,000 equity shares of Rs 10 each to FTIL, which were allotted on March 10, 2004. Under the terms of SDA-1, FTIL has warranted that the customised software supplied herein does not infringe intellectual of any third party and that it shall facilitate free electronic distribution of any releases of version upgrades or patches to the Company.

3. The Company entered into a technical services agreement with FTIL on October 1, 2005 whereby FTIL has agreed to provide services in relation to upgradation and modification of software and maintenance of system for a period of one year, with an option to renew by mutual consent. Either party has the right to terminate this agreement with ninety days written notice. The Company is required to pay a fee of Rs. 6,000,000 per month and Rs. 1,500,000 per month for upgradation and maintenance services respectively.

Share Subscription Agreement with Bennett, Coleman and Company Limited

The Company entered into a tripartite Share Subscription Agreement (SSA) with Bennett, Coleman and Company Limited (BCCL) and FTIL on June 27, 2005 whereby BCCL subscribed to 756,825 at the price of Rs. 148.65 per share amounting to an aggregate consideration of Rs. 11,25,02,036. Under the terms of the SSA, the Company and FTIL in its capacity as promoter have jointly and severally given an undertaking that they shall use reasonable endeavours to cause an IPO of the Company within three years of the closing date as defined in the SSA. It is also provided that in the event that the Company issues any further shares at any point of time prior to the completion of the IPO at a price lower than the price at which shares are allotted to BCCL, then the Company shall offer such number of Shares forming part of the fresh offering to BCCL. Further the price at which such shares are offered to BCCL should be determined in such manner so as to ensure that that the weighted average price of the shares acquired by BCCL under the SSA and the shares to be acquired pursuant to such fresh offering by BCCL shall be equal to the price paid for the shares issued at the fresh offering by another person. The SSA provides that this right to BCCL shall not be available to BCCL in the event that a fresh offering of shares is made to certain persons as mentioned in the SSA upto such number of shares as mentioned in the SSA. In addition, the Company may also issue up to 1,190,000 equity shares upto five persons (not being FTIL) and BCCL shall not have the aforementioned rights in such cases. The equity shares acquired by BCCL are subject to lock in for a period of four years from the closing date or such period as determined by applicable law at the time of the IPO, whichever is earlier.

The SSA provides that in the event that the IPO of the Company is not completed within four years from the closing date as defined in the SSA, BCCL shall have the right to require FTIL to purchase all or some of the equity shares owned by BCCL. The price at which such sale shall have to be made should not be less than the price at which shares were allotted to BCCL and a return of 12% per annum on the share allotment price compounded annually on the basis of a 365-day year. The right of BCCL is subject to the condition that the same shall be exercised at any time after the end of four years from the closing date upto such date when the equity shares of the Company are listed on a recognized stock exchange following the IPO.

The SSA provides that in the event that FTIL proposes to transfer its shareholding to any third party which is not an affiliate of FTIL, BCCL shall have a tag along right whereby FTIL cannot carry out this transaction unless such third party agrees to purchase such number of equity shares from BCCL determined at a pro rata basis at the same terms and conditions as offered to FTIL. In the event, that the third party refuses to purchase such number of equity shares from BCCL, FTIL shall be required to reduce the number of shares offered by it such that the third party purchases a proportionate number of equity shares from BCCL. However, in the event that FTIL proposes to transfer such number of shares such that the transfer would amount to FTIL transferring more than 1,900,000 equity shares, FTIL cannot carry out this sale unless the third party makes an offer to purchase whole of the shareholding of BCCL. BCCL, through its letter dated February 22, 2006, has granted its no objection to FTIL disposing Equity Shares as part of the Offer for Sale.

Further, if BCCL proposes to transfer part or whole of its shareholding through negotiated deals after the expiry of 48 months from the closing date or an IPO, whichever is earlier, it shall have to offer the same to FTIL at first instance. However, this right is not available to FTIL if BCCL proposes to carry out this transaction on the floor of a stock exchange.

The SSA may be terminated by either party in case the terms and conditions of the SSA are breached by way of a 14 days notice. The SSA is governed by Indian Law and all disputes are required to be resolved according to the provisions of the Indian Arbitration and Conciliation Act, 1996.

Advertising Agreement with Bennett, Coleman and Company Limited

The Company entered into an Advertising Agreement (AA) with Bennett, Coleman and Company Limited (BCCL) on June 27, 2005 whereby the Company agreed to advertise its products in newspapers, journals, magazines, books, TV and radio networks and websites of BCCL in accordance with BCCL's policies. Under the AA, the Company has committed to place advertisements of total value of Rs. 102.5 million (net of agency fees)in the print media and Rs 10 million (net of agency fees) in the non-print media aggregating to a total advertising value of Rs. 112,500,000 over a period of three years commencing from June 1, 2005. Under the terms of the AA, the Company was required to pay this entire amount on or prior to the signing of the AA. The Company is not entitled to any refunds from such payment. Further, the rates at which such ads shall be offered shall be according to the extant BCCL rates at the time of issuing such ads. However, any rate revision done by BCCL shall be deferred for a period of three months in respect of ads issued by the Company. The AA entitles the Company to do space banking with BCCL print media which shall be based on the Company's meeting a certain minimum of the volume of business placed as compared to the total volume consumed in the total print media for advertising by the Company in all markets where the Company places its advertisements. Such space banking shall be computed in accordance with BCCL's client incentive scheme, prevailing at that particular point of time and shall be exercised by the Company within three months from June1, 2006 and June 1, 2007.

Either party may terminate the AA in case of a breach by the other party unless such breach is cured or remedied by the other party within sixty days of the receipt of written notice of such breach or failure. The AA is governed by the laws of India and provides for dispute resolution by way of arbitration by a panel of three arbitrators under the Arbitration and Conciliation Act, 1996.

Share Subscription Agreement with Fidelity Funds-India Focus Funds (Fidelity)

The Company entered into a Share Subscription Agreement (Fidelity SSA) with Fidelity Funds-India Focus Funds (Fidelity) on January 26, 2006 whereby Fidelity subscribed to 3,600,000 shares of the Company at a price of Rs 600 per share (Subscription Price) amounting to an aggregate consideration of Rs 2,160 million. Under the Fidelity SSA, it is provided that the equity shares subscribed to by Fidelity shall have the same voting rights as the other shares of the Company and shall not constitute a separate class.

Under the Fidelity SSA, it is provided that during the period from the date of the SSA and the earlier of the completion of the proposed IPO of the Company or till Fidelity ceases to hold any shares of the Company (Special Rights Period), the Company shall not issue any preference shares, warrants, rights, options, debentures, appreciation rights or instruments or any securities which would have the effect of diluting Fidelity's investment in the Company. It is also provided in the Fidelity SSA that if the proposed IPO is not completed by September 30, 2006, the Company shall make efforts to arrange the sale of the Fidelity shares, either by way of a private negotiation or by way of an offer for sale by an investment/ merchant banker at a price not lower than the Subscription Price.

The Fidelity SSA provides that at all time during the Special Rights Period, the Company shall keep Fidelity informed about the process and progress of the proposed IPO and provide copies of documents filed with the SEBI and responses received. Further, the Company shall provide Fidelity with copies of any filings made by it or its subsidiaries with any securities exchange or any governmental authority. The Company has also agreed to grant Fidelity the right to inspect the facilities, records and books of the Company and its subsidiaries, as well as to discuss their operations and business with their respective Directors, employees, accountants, legal counsel and merchant bankers.

The Fidelity SSA also provides that Fidelity may invest in the equity of any company engaged in the same or similar business and may enter into collaborations, arrangement or agreements into any other company engaged in the same or similar business.

Main Objects of the Company

Our main objects as contained in our Memorandum are as follows:

To establish, operate, regulate, maintain and manage facilities in Mumbai and elsewhere in India and abroad enabling the members of the Exchange, their authorised agents and constituents and other participants to transact, clear and settle trades done on the Exchange in different types of contracts in commodities, securities and other instruments and derivatives thereof, in ready, forward and futures markets and to provide accessibility to the markets to various members of the Exchange and their authorised agents and constituents and other participants within and/ or outside India, and to provide, initiate, facilitate and undertake all support services relating thereto as per the Articles of Association, Bye-Laws, Rules and Regulations of the Exchange.

Changes in Memorandum of Association

Date	Changes
May 16, 2002	Conversion of private company into public company
March 17, 2003	Increase in the authorized capital from Rs. 0.5 million to Rs.110 million
September 1, 2003	Amendment to the object clause
February 27, 2004	Alteration of the object clause and increase in authorized capital from Rs. 110 million to Rs. 180 million
April 3, 2004	Increase in the authorized capital from Rs. 180 million to Rs. 300 million
February 5, 2005	Increase in the authorized capital from Rs.300 million to Rs. 500 millions

OUR MANAGEMENT

The following table sets forth details regarding our Board of Directors as of the date of filing the Draft Red Herring Prospectus with SEBI:

Board of Directors

Sr. No.	Name, Designation, Father's Name, Address, Occupation	Age	Date of Appointment and Term	Other Directorships
1.	**Venkat R. Chary** **Non-executive Chairman** S/o Late G.R. Gopal Flat 5, Third Floor, Tahiti, Juhu Versova Link Road, Near Four Bunglows, Andheri (West), Mumbai *Advocate* **Nominee of FMC**	65	September 6, 2003 One year w.e.f August 9, 2005	Jamnalal Bajaj Foundation
2.	**Jignesh P. Shah** **Managing Director** S/o Prakash Shah B-6/202, Kamala Nagar, MG Road, Kandivali (West), Mumbai *Business*	38	May 8, 2003 5 years	1. Financial Technologies (India) Limited 2. National Bulk Handling Corporation Limited 3. National Spot Exchange Limited 4. La Fin Financial Services Private Limited 5. IBS Forex Limited 6. Tickerplant Infovending Limited 7. Atom Technologies Limited 8. Riskraft Consulting Limited 9. DGCX 10. Financial Technologies Middle East DMCC
3.	**Joseph Massey** **Deputy Managing Director** S/o Daniel Massey 204, Nirman Apartment, Amrit Nagar, Chakala, Andheri (E) , Mumbai *Service*	44	May 8, 2003 3 years	1. National Spot Exchange Limited 2. DGCX
4.	**V. Hariharan** **Non Executive Director** S/o Vaidyaligam Sharma Plot no 104, Tower B, Flat 502 Dosti Elite, Next to Sion Telephone Exchange, Sion (E), Mumbai – 400 022 *Service*	46	April 19, 2002 Liable to retire by rotation	1. National Spot Exchange Limited 2. National Bulk Handling Corporation Limited 3. IBS Forex Limited 4. Tickerplant Infovending Limited 5. Atom Technologies Limited 6. Riskraft Consulting Limited 7. Financial Technologies Middle East DMCC 8. e-Logistics Private Limited
5.	**Dr. S. Narayan** **Non Executive Independent Director** S/o Subbaraman 8, Golf Apartments, Sujan Singh Park, New Delhi 110003, *Retd IAS Officer*	62	July 1, 2005 Liable to retire by rotation	1. Apollo Tyres Limited 2. Dabur India Limited 3. Athena Ventures (Proprietor)

Sr. No.	Name, Designation, Father's Name, Address, Occupation	Age	Date of Appointment and Term	Other Directorships
6.	**Bharat Tripathi** **Non Executive Independent Director** S/o Jagdish Nath Tripathi B-10, Hyderabad Estate, Napeansea Road, Mumbai – 400 006 *IRS Officer* **Nominee of FMC**	41	September 27, 2005 Appointed for such term as decided by FMC	1. Rajkot Seeds Oil and Bullion Merchant Association Limited
7.	**Urjit R. Patel** **Non Executive Independent Director** S/o Ravindra Patel B-1/3F , Harbour Heights, N. A. Sawant Marg, Colaba, Mumbai *Service*	42	June 17, 2005 Liable to retire by rotation	1. IDFC Trustee Company Limited
8.	**P. G. Kakodkar** **Non Executive Director** S/o Ghanshayam P. Kakodkar 6, Palm Grove, Behind Hotel Goa International, Tonca, Panaji 403003,Goa *Retired Bank Executive* **Nominee of FTIL**	68	April 1, 2005 Appointed for such term as decided by FTIL	1. Goa Carbon Limited 2. SESA Industries Limited 3. SBI Funds Management Private Limited 4. Mastek Limited 5. Hexaware Technologies Limited 6. Fomento Resorts and Hotels Limited 7. Centrum Finance Limited 8. SESA Goa Limited 9. Uttam Galva Steel Limited 10. Audit Time Information System (India) Private Limited 11. Financial Technologies (India) Limited 12. IBS Forex Limited
9.	**Dr. Madhookar Pavaskar** **Non Executive Independent Director** S/o Ghanshyam Shankar Pavaskar 59-60, Rukimini Niwas, Third Floor, DV Pradhan Road, Hindu Colony, Dadar, Mumbai-400014 *Economist and Advisor* **Nominee of FMC**	76	September 29, 2003 One year w.e.f August 9, 2005	None
10.	**A. Mahendran** **Non Executive Independent Director** S/o Natrajan Arumughan 5, Godrej Bay View, Worli Sea face, Mumbai-400018 *Service* **Nominee of FMC**	50	September 13, 2003 One year w.e.f August 9, 2005	1. Harvey Health Care Limited 2. Godrej Sara Lee Limited 3. Godrej Tea Limited 4. Godrej Hicare Limited 5. Good Life Products Limited 6. Great Lakes Institute of Management
11.	**C.M. Maniar** **Non Executive Independent Director** S/o Manbhai Balubhai Maniar Garden House, First Floor, Dadyseth, Second Cross Lane, Chowpathy Bandstand, Mumbai-40007	70	September 29, 2003 Liable to retire by rotation	1. Agfa India Private. Limited 2. Akzo Nobel Coatings India Private. Limited 3. Amsar Pvt. Ltd. 4. Chemtex Engineering Of India Limited 5. Foods & Inns Limited.

Sr. No.	Name, Designation, Father's Name, Address, Occupation	Age	Date of Appointment and Term	Other Directorships
	Advocate			6. Godfrey Phillips India Limited 7. Gujarat Ambuja Exports Ltd. 8. HGC Foundation Pvt. Limited 9. Hindalco Industries Limited 10. Indo – Euro Investment Company Limited. 11. Indian Card Clothing Company Ltd. 12. Lintas India Private Limited 13. Machine Tools (India) Limited 14. MAS Consulting Group Private Limited 15. Northpoint Centre Of Learning Private Limited 16. Pioneer Investcorp Limited 17. Sudal Industries Limited 18. Twenty –First Century Printers Limited 19. Varun Shipping Company Limited 20. Vadilal Industires Limited
12.	**Shvetal S. Vakil** **Non Executive Independent Director** S/o Shatrughan R.Vakil 17, No 3 Darya Mahal, 80 Napean Sea Road, Mumbai- 400 006 *Consultant*	54	October 3, 2003 Liable to retire by rotation	1. Bunge India Private Limited 2. The Solvent Extractors Association of India 3. The Vanaspati Manufacturers Association of India 4. Branded Edible Oils Manufacturers Association
13.	**Sandeep Bajoria** **Non Executive Independent Director** S/o Bhawani Shankar Bajoria 18, Jay Mahal, A Road, Churchgate, Mumbai- 400 020 *Industrialist*	45	October 3, 2003 Liable to retire by rotation	1. Sunvin Agro Products Private Limited 2. Pranav Impex Private Limited. 3. Veena Holdings & Marketing Private Limited 4. Bajoria Fats & Proteins Private Limited 5. The Solvent Extractors Association of India Limited . 6. Central Organization of Oil Industry and Trade 7. All India Cotton Seed Crushers Associations 8. Bombay Commodity Exchange Limited.
14.	**Ashish S. Dalal** **Non Executive Director** S/o Sharad Ramnik lal Dalal Pallav, First Floor, Near Lalubhai Park, Andheri (West), Mumbai- 400058 *Chartered Accountant* **Nominee of FTIL**	49	April 1, 2005 Appointed for such term as decided by FTIL	1. Finanacial Technolgies (India) Limited 2. Akzo Nobel Chemicals (India) Limited 3. ICICI Investment Management Company Limited 4. Senior Partner, Dalal & Shah, Mumbai 5. Senior Partner, Dalal & Shah, Ahmedabad
15.	**C. Subramaniam** **Non Executive Director** S/o P. Chandrashekar 302, Everest Residency, Park Road, Vile Parle (East), Mumbai -400057 *Business* **Nominee of FTIL**	50	January 4, 2005 Appointed for such term as decided by FTIL	1. National Bulk Handling Corporation Limited 2. Finanacial Technolgies (India) Limited 3. Compuage Infocom (India) Limited 4. Ticker plant Infovending Limited 5. ATOM Technologies Limited 6. Riskraft Consulting Limited
16.	**P Satish** **Non Executive Director** S/o P. Venugopal Rao	48	September 24, 2005 Appointed for such	None

Sr. No.	Name, Designation, Father's Name, Address, Occupation	Age	Date of Appointment and Term	Other Directorships
	NABARD, Plot No C-24, G Block Bandra Kurla Complex, Bandra (East) Mumbai 400 051 *Banker* **Nominee of the NABARD**		term as decided by NABARD	

Venkat R Chary, Chairman, holds a M. Com, LL.B from the Bombay University and a Post Graduate Diplome from the Istitut International d'Administration Publique, Paris, France. He has been a part of various committees and quasi-judicial bodies such as the Maharashtra Electricity Regulatory Commission, an autonomous statutory commission set up for the first time in Maharashtra under the E1ectricity Regulatory Commissions Act, 1998, to provide for rationalization of electricity tariffs in the state, transparent policies regarding subsidies, promotion of efficient and environmentally benign policies. He was also a part of the State Government Committee on Operation, Maintenance and Management of Rural and Urban Water-supply schemes (also known as the Sukthankar Committee), which recommended the setting up of the Maharashtra Water and Wastewater Regulatory Commission and has included in its Report draft legislation for this purpose. He now practices law at the Bombay High Court and was the legal consultant for one of the companies of the Shriram Group. The Government of Maharashtra had nominated him as the non-official Chairman of a committee consisting of l2 experts, non-officials and officials, to review the development of the Handloom Sector in the State. He was the Addition Chief Secretary Finance, Planning and Home Department of State of Maharashtra.

Jignesh Shah, Managing Director, holds a Bachelor of Engineering degree from Bombay University and has received specialised training in Money and Capital Markets as well as Futures and Options Trading at the New York Institute of Finance. He has been instrumental in the incorporation of our promoter company, Financial Technologies (India) Limited. He was earlier with the Bombay Stock Exchange Limited, where he was responsible for designing and implementing the exchange technology platform.

Joseph Massey, Deputy Managing Director, holds a M.A. in Economics from Osmania University and a Masters degree in financial management from Jamnalal Bajaj Institute of Management Studies and has attended training programs on Capital Market Regulations at the International Law Institute, Washington and on Derivatives Instruments at the New York Institute of Finance.He has over sixteen years of experience with organizations like Life Insurance Corporation of India, Reserve Bank of India, Stock Holding Corporation of India and the Vadodara Stock Exchange. He was earlier the Managing Director at Interconnected Stock Exchange of India, a collaboration of 15 regional stock exchanges creating a unified national market system.

V. Hariharan, non-executive director, holds a masters degree in Statistics and Mathematics from Kerala Agricultural University and holds a university gold medal. He has over sixteen years of experience in analysis, coding, implementing and maintaining brokerage and Exchange related mainframe transaction technologies. He has previously worked with companies like NSE, Bombay Stock Exchange and has also been associated with the Indian Institute of Management, Ahmedabad.

Dr. S. Narayan, non-executive independent director, holds an MBA from the University of Cambridge. He has served in the capacity of Economic Advisor to the Prime Minister of India, and was responsible for the monitoring of the special economic agenda of the Cabinet on behalf of the Prime Minister's Office. He has also handled key portfolios in the Government of India such as those of the Finance Secretary and Petroleum Secretary.

Bharat Tripathi, non-executive independent director, holds a masters equivalent diploma in International Taxation from the Harvard Law School and a Masters Degree in Public Administration from the Kennedy School of Government, USA. He is an Indian Revenue Services officer and belongs to the 1988 batch. He has over seventeen years of experience in taxation, accounts, finance and administration. He has previously worked with the Enforcement Directorate at Mumbai and the Ministry of Finance, Government of India.

Urjit R. Patel, non-executive independent director, holds a Doctorate in Economics from the Yale University, and is a graduate from the University of London and Oxford. He is an Executive Director of Infrastructure Development Finance Company Limited (IDFC) and has been with IDFC since its inception in 1997. He was also a Consultant to the Ministry of Finance, Government of India (1998-2001). He has worked for the International Monetary Fund and between 1995-1997, he was on deputation to the Reserve Bank of India.

P. G. Kakodkar, non-executive director, holds a Masters degree in Economics. He has been the Chairman of the State Bank of India. He has experience in the fields of marketing, operations and personnel management. He has been associated with various financial institutions and banks including the State Bank of Hyderabad, State Bank of Mysore and the NABARD.

Dr. Madhookar Pavaskar, non executive independent director, holds doctorate in economics from University of Mumbai and also holds M.Com and LL.B degrees. He worked with the FMC as a Research Officer and later joined the Mumbai University as Senior Research Officer and Head of the Futures Trading Cell. He later went on to join Tata Economic Consultancy Services as a senior Economist and subsequently was appointed as its Executive Director. He has authored several books.

A Mahendran, non executive independent director, holds a graduate degree from the Loyola College, Madras in 1976 and he is also a qualified Chartered Accountant. He is the founder member of the Household Insecticides Manufacturers Association. He is also the Promoter-Director of Harvey Heart Hospitals, Madras, a super speciality hospital in cardiac care. He is the Managing Director of Godrej Sara Lee Ltd and has also worked with Transelektra Domestic Products Ltd.

C. M. Maniar, non executive independent director, holds M.A. in Economic and Politics. He also holds B.Com and LL.B. He is a Senior Partner in the law firm Crawford Bayley & Co. He specializes in Corporate and Commercial Laws as well as Intellectual and Industrial Property Laws.

Shevtal S. Vakil, non executive independent director, holds a B.Com from the Mumbai University. He previously worked with Hindustan Lever Limited and is currently the Director of Bungle India Private Limited. He has also been a visiting faculty at Indian Institute of Management, Ahmedabad and the Sydenham Institute of Management, Mumbai.

Sandeep Bajoria, non executive independent director, has studied commerce and law and has over fifteen years of experience. He is the President of the Central Organisation of Oil Industry and Trade and the Chairman of the All India Cottonseed Crushers Association.

Ashish S. Dalal, non executive independent director, is a partner in M/s. Dalal & Shah, a firm of Chartered Accountants. His areas of expertise include Corporate Accounting, Finance and Audit, Business Evaluations, Mergers, Acquisitions and strategic Alliances and other fields of Corporate Consultancy.

C. Subramaniam, non executive director, is a self-employed entrepreneur and holds a M.Com and he holds additional professional qualifications in management and cost accountancy. He has over twenty five years of experience in the financial services industry including various aspects of merchant banking. He

P. Satish, non-executive director, holds a MBA from the Osmania University, Hyderabad and has also obtained a Masters Degree in Economic Policy from University of Illinois, USA. He is the Chief General Manager of NABARD. He has extensive experience in the banking sector and has worked with the Reserve Bank of India in addition to a long association with NABARD.

Remuneration of our Whole Time Directors

Joseph Massey was appointed as the Deputy Managing Director for a term of three years by way of the resolution of the Remuneration Committee of the Board dated May 7, 2003. He is entitled to an annual remuneration of in the range of Rs. 1,200,000 – Rs. 1,800,000. In addition, he is also entitled to gratuity at the rate of half a month's salary for each completed year of service.

Jignesh Shah does not draw any remuneration from the Company.

Payment or benefit to directors/ officers of our Company

Except as stated in section titled "Our Management" on page 90 of this Draft Red Herring Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as Directors, officers or employees.

Corporate Governance

We have a broad-based Board of Directors, constituted in compliance with the Companies Act and listing agreements with the Stock Exchanges. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. Our executive management provides the Board detailed reports on its performance periodically.

As on the date of filing this Draft Red Herring Prospectus, there are sixteen directors on our Board. The chairman of the Board is a non-executive director. There are two Executive Directors and nine Independent Directors. There are four nominee directors who represent the Forward Markets Commission, three nominee directors who represent our Promoter and one nominee director representing NABARD.

Committees of the Board

Our Board functions through the following committees:

Audit Committee

The members of the Audit Committee are:

- A. Mahendran (Chairman) (Non executive Independent Director);
- Joseph Massey (Deputy Managing Director); and
- C. Maniar (Non executive Independent Director)

The Audit was constituted on July 3, 2004. The scope and functions of the Audit Committee are as per Section 292A of the Companies Act and clause 49 of the Listing Agreement. Its main functions are to:

- create an open avenue for communication between the Board of Directors, internal auditors and the independent auditors;

- recommend the appointment and removal of statutory and internal auditors, fix audit fees and approve payment for other services;

- provide directions and oversee the operation of the total audit function in the Company (internal as well as external);

- monitor the adequacy of the internal control environment including computerized information control system and security and management information systems;

- review the half yearly report obtained from the compliance officer appointed by the Company;

- interact with the external auditors before finalizing the annual or half yearly financial statements;

- review the annual financial statements and analyze the performance of the Company, along with the management, before the same are forwarded to the Board with primary focus on accounting policies and practices, compliance with accounting standards and legal requirements having financial statement implications;

- to scrutinize the reasons for default, if any, in payments to depositories, debenture holders, shareholders, creditors, etc, and legal matters that could have a significant impact on the financial statements;

- review functioning of the Whistle Blower Mechanism, if the same is existing;

- review all related party transactions; and

- if necessary, institute special investigation teams with complete access to all records, information and personnel of the Company.

Investor Relations Committee

The members of the Investor Relations Committee are:

- A.Mahendran (Chairman) (Non executive Independent Director);
- Joseph Massey (Deputy Managing Director)and
- C. Subramaniam (Non executive Director);

The Investor Relations Committee was constituted on September 24, 2005. The Investor Relations Committee has been set up for the following purposes:

- redressing complaints from shareholders such as non-receipt of dividend, annual report, transfer of shares and issue of duplicate share certificates; and

- monitoring transfers, transmissions, dematerialization, rematerialization, splitting and consolidation of shares and bonds issued by the Company.

Remuneration Committee

The Remuneration Committee was constituted on September 24, 2005. The committee shall function in accordance with Clause 49 of the listing agreements of the stock exchanges.

The members of the Remuneration Committee are:

- Ashish Dalal (Non executive Director);
- C. Subramaniam (Non executive Director); and
- V. Hariharan (Non executive Director);

IPO Committee

The IPO Committee was constituted on September 24, 2005. The Board has appointed this committee to oversee and administer the activities to be undertaken for this Issue.

The members of the IPO Committee are:

- Joseph Massey;
- C. Subramaniam;
- V. Hariharan; and
- Shreekant Javalgekar

Compensation Committee

The Compensation Commitee was constituted on March 3, 2006 for the administration and superintendence of the ESOS.

The members of the Compensation Committee are:

- Madhookar Pavaskar (Non executive Independent Director);
- A.Mahendran (Non executive Independent Director); and
- Joseph Massey (Deputy Managing Director)

In addition to the committees mentioned above, certain key functions of the Company are carried out by the following committees:

Management Committee

The members of the Management Committee are:

- Joseph Massey; (Chairman);
- V. Hariharan; and
- Jignesh P. Shah

The Management Committee was constituted on October 3, 2003. The Management Committee has been set up for the following purposes:

- to ensure compliance with all the statutory requirements of the Company;
- to allot and issue shares and other securities from time to time;
- to make investments, disinvestments or take loans or borrow subject to the limits specified by law and the Company; and
- to constitute, reconstitute and suspend other committees by whatever name called for the purpose of day to day running of the exchange.

Members Admission Committee

The members of the Members Admission Committee are:

- Joseph Massey (Chairman)
- Jignesh Shah ; and
- Anthony Rodrigues

The Members Admission Committee was constituted on November 6, 2003. The Members Admission Committee has been set up for the purposes of taking decisions in relation to the admission of new members as per the rules and bye-laws of the Company as applicable to different classes of members.

Executive Committee

The members of the Executive Committee are:

- Jignesh Shah;
- Joseph Massey;
- V. Hariharan;
- Anjani Sinha; and
- Girish Raipuria

The Executive Committee was constituted on November 6, 2003. The Executive Committee has been set up for purpose of looking after the day to management of the affairs of the Company and to ensure implementation of the Articles, bye-laws, rules and regulations and other matters decided by the Board.

Shareholding of the Directors

Our Articles do not require our Directors to hold any qualification shares in our Company. No Directors hold Equity Shares (other than options granted pursuant to ESOS) in their individual capacity as of the date of filing this Draft Red Herring Prospectus.

Interests of Directors

All our Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Articles of Association. The Directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of the Company. Further, some of our Directors have also been granted options under the ESOS. All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives in the Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of the Draft Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Joseph Massey is entitled to receive remuneration from us. See “Remuneration of Directors” above. For more details, see the section titled "Related Party Transactions" on page 111 of this Draft Red Herring Prospectus.

Borrowing Powers of our Board

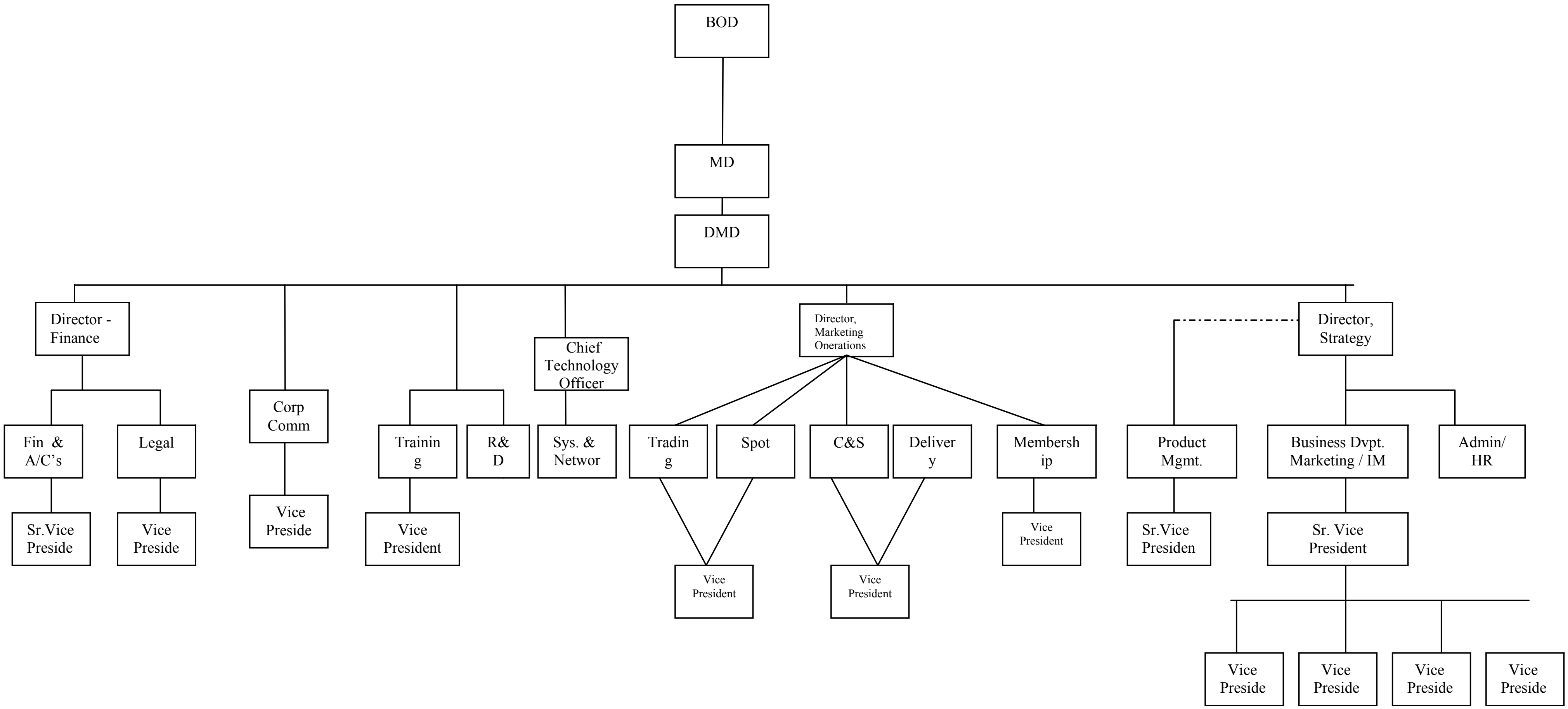
Our Articles authorise our Board, to borrow moneys and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit. See section titled "Main Provisions of the Articles of Association" on page 220 of this Draft Red Herring Prospectus. Our shareholders at an EGM on February 27, 2004 authorised our Board to borrow a maximum of Rs.1000 million.

Changes in our Board of Directors in the last three years

The following changes have occurred in Board of Directors of the Company in the last three years:

Name	Date of Appointment	Date of Resignation
Rinsy Ansalam	-	May 8, 2003
Jignesh P. Shah	May 8, 2003	-
Joseph Massey	May 8, 2003	-
R. Muralimohan	-	May 15, 2003
Shailender Tiwari	-	May 15, 2003
Ghanshyam L. Rohira	-	May 15, 2003
Manjay Prakash Shah	-	August 14, 2003
Venkat R. Chary	September 6, 2003	-
A. Mahendran	September 13, 2003	-
Dr. Madhookar Pavaskar	September 29, 2003	-
C.M. Maniar	September 29, 2003	-
Shevtal S. Vakil	October 3, 2003	-
Sandeep Bajoria	October 3, 2003	-
C. Subramaniam	January 4, 2005	-
P. G. Kakodkar	April 1, 2005	-
Ashish S. Dalal	April 1, 2005	-
Yogesh Shayam Krishna Agarwal	-	June 4, 2005
Ashwini Kumar Sharma	-	June 17, 2005
Ashok Kini	June 17, 2005	-
Urjit R. Patel	June 17, 2005	-
Dr. S. Narayan	July 1, 2005	-
P Satish	September 24, 2005	-
D. S Kolamkar	-	September 29, 2005
Bharat Tripathi	September 27, 2005	-
Ashok Kini	-	December 26, 2005

Organizational Structure



Key Managerial Personnel of our Company

For details on Jignesh Shah and Joseph Massey see the section titled "Our Management" on page 90 of this Draft Red Herring Prospectus.

All the key managerial personnel as mentioned herein are permanent employees of the Company. None of the key managerial personnel are related to each other. None of the key managerial personnel are appointed pursuant to any arrangement or understanding with major shareholders, customers or suppliers:

Shreekant Javalgekar, 50, Director, Finance, is the Head of the finance, accounting and treasury management function. He joined the Company in October 2004. He holds a B.Com and MBA from the Bombay University. He has more than 27 years experience in Accounting, Treasury and Fund Management. He has worked with Nexgen Financial Solutions, Lazard Birla Fund and the Creditcapital Asset Management Company. He has also been associated with Compton Greaves, Larsen and Turbo and Toyo Engineering India Ltd. The gross remuneration paid to him in fiscal 2005 was Rs. 522,581.

Anjani Sinha, 40, Director, Strategy, looks after general management and administration in our Company and is also a core member in strategic decisions committee related to futures trading. He joined us in June 2003 and was previously working with the Ahmedabad Stock Exchange for a year. He has also worked with the Bombay Commodity Exchange and the Inter-connected Stock Exchange of India Limited. He has over fourteen years experience in stock and commodity exchanges. He is a Chartered Accountant and also holds a B.Com, M.Com, M.A. and LL.B degrees from the Patna University. The gross remuneration paid to him in fiscal 2005 was Rs. 1,182,984.

Dipak Shah, 46, Director, Market Operations, is overall in charge of market operations including trade, settlements and delivery transactions. He joined us in August 2005 and was previously working with Over the Counter Exchange of India for a year. He has over twelve years of experience and has also worked with the Ahmedabad Stock Exchange, the GIC Mutual Fund and United India Insurance. He holds a B.Com from Bangalore University and he is also a Chartered Accountant, CS (Inter) and a Fellow of Insurance Institute of India. He did not draw any compensation in fiscal 2005 as he joined us in August 2005. The annual gross remuneration payable to him in fiscal 2006 is Rs. 1,558,065.

P. P. Kaladharan, 50, Chief Technology Officer, is overall in charge of technology including the system and networking and customer/technical support functions. He joined us in February 2006 and he was previously working with BSE for over fifteen years. He holds a Post Graduate Diploma in Computer Science and also holds a M.Com and B.Com from Agra University. He did not draw any compensation in fiscal 2005 as he joined us in February 2006. The annual gross remuneration payable to him in fiscal 2006 is Rs. 1,800,000

Shyamal Gupta, 38, Senior Vice President, is the head of product development team responsible for design of contracts and dissemination of information related to our commodities. He joined us in November 2005 ansd was previously working with HDFC Bank Limited. He has over ten years of experience and he has also worked with Krishna Valley Agro India Limited. He holds a Post Graduate Diploma in Rural Management from IRMA and also holds a B.A. from Patna University. He did not draw any compensation in fiscal 2005 as he joined us in November 2005. The annual gross remuneration payable to him for the fiscal 2006 is Rs. 1,500,000.

Joe Jacob, 38, Senior Vice President, is the head of business development team which focuses on southern part of the country, especially the broking/agricultural trading community. He joined us in October 2005 and was previously working with Krishna Valley Agro India Limited. He has over 14 years of experience. He holds a Post Graduate Diploma in Business Administration from IIM, Ahmedabad and he also holds a B.SC from Kerala University. He did not draw any compensation in fiscal 2005 as he joined us in October 2005. The annual gross remuneration payable to him in fiscal 2006 is Rs. 1,550,469.

Nayan Mehta, 38, Senior Vice President, is incharge of the finance, accounting and treasury management function. He joined us in February 2006 and he was previously working with NSE for over twelve years. He is a Chartered Accountant and a Cost Accountant and also holds a B.Com from Mumbai University.. He has over 13 years of experience and has worked previously with NSE. He did not draw any compensation in fiscal 2005 as he joined us in February 2006. The annual gross remuneration payable to him in fiscal 2006 is Rs. 1,800,000.

Girish Raipuria, 40, Vice President, in involved in surveillance and risk management areas of market operations and collection of spot market related information. He joined us in April 2003 and he was previously working with NMCE. He has over fifteen years of experience and he has also worked with the NSE and Delhi Stock Exchange. He holds a Post Graduate Diploma in Business Management and also holds a B.Com(Hons) from the Delhi University. The gross remuneration paid to him for the fiscal 2005 was Rs. 875,130.

Jayesh Shah, 43, Vice President, looks after the clearing and settlement areas of market operations and is also responsible for physical delivery transactions. He joined us in January 2005 and he was previously working with Karvy Stock Broking Limited for over two years. He has over fifteen years of experience and he has also worked with Anagram Stock Broking Limited and Vadilal Dairy International Limited. He holds a post graduate degree in Computer Science and Application and a B.Sc from the Gujarat University. The gross remuneration paid to him for the fiscal 2005 was Rs. 154,556.

Ranjit K. Samantaray, 42, Vice President, is overall in charge of the secretarial and legal functions of the Company. He joined us in June 2004 and he was previously working with DSE Financial Services Limited, a wholly owned subsidiary of Delhi Stock Exchange. He has over 14 years of experience and he has also worked with the Vadodara Stock Exchange and the Bhubaneswar Stock Exchange. He is a Company Secretary and he also holds B.Com and LL.B degrees from Utkal University and a certified financial consultant degree from Canada University. The gross remuneration paid to him for the fiscal 2005 was Rs. 510,662.

Sanjit Prasad, 35, Vice President, is the head of business development team which focuses on northern part of the country, especially the broking/agricultural trading community. He joined us in January 2004 and he was previously working with Stock Holding Corporation of India Limited for over one and half years. He has over eleven years of experience. He holds a Post Graduate Diploma in Business Administration from IRMA. The gross remuneration paid to him for the fiscal 2005 was Rs. 424,999.

Kalpesh Shukla 39, Vice President, is overall in charge of membership, compliances and arbitration. He joined us in September 2005 and he previously worked with SKSE Securities Limited for over a year. He has over 12 years of experience. He is a Chartered Accountant and he holds a B.Com from Gujarat University. He did not draw any compensation in fiscal 2005 as he joined us in September 2005. The annual gross remuneration payable to him in fiscal 2006 is Rs. 740,844.

Nimish Shukla 37, Vice President, is the head of business development team which focuses on the state of Gujarat, especially the broking/agricultural trading community. He joined us in November 2004 and he previously worked with Bennett Coleman and Company Limited for over three years. He has over 13 years of experience. He holds a M.A. from Gujarat University and a B.A. from Saurashtra University. The gross remuneration paid to him in fiscal 2005 was Rs. 235,000.

Salim Andrews, 50, Vice President, is in charge of the training division and educational initiatives with various management and agro-business management institutes. He joined us in April 2005 and he previously workd with Sahara India Pariwar for over one and a half years. He has over 17 years of experience. He holds Masters degree in Business Administration from Cochin University and he also holds M.A and B.A from Kerala University. He did not draw any compensation in fiscal 2005 as he joined us in April 2005. The annual gross remuneration payable to him in fiscal 2006 is Rs. 1,052,527.

S.A. Srinivas, 48, Vice President, is a key member of strategic business team for creating new initiatives for us with the related agro-business partners. He joined us in November 2004 and he previously worked with HCL Comnet for over six years. He holds a Post Graduate Diploma in Public Relations from Mumbai University and he also holds B.Com and M.Com from Mumbai University. The gross remuneration paid to him in fiscal 2005 was Rs. 229,170.

Madhav Reddy, 39, Vice President, is in charge of the business development team which focuses on the states of Andhra Pradesh and Tamil Nadu, especially the especially the broking/agricultural trading community. He joined us in September 2005 and he previously worked with Stock Holding Corporation of India Limited for two years. He has over 15 years of experience. He holds a Masters degree in Business

Administration (Agriculture) and he also holds a B.Sc from the JN Krishi Vishwa Vidyalaya. He did not draw any compensation in fiscal 2005 as he joined us in September 2005. The annual gross remuneration payable to him in fiscal 2006 is Rs. 846,164.

Roy Sabestian, 49, Vice President, is the head of business development team which focuses on the states of Kerala and Karnataka, especially the especially the broking/agri trading community. He joined us in April 2005 and he previously worked with NCDEX for almost a year. He has over 21 years of experience and he has also worked with FMC . He holds a B.Com and M.Com from Calicut University. He did not draw any compensation in fiscal 2005 as he joined us in April 2005. The annual gross remuneration payable to him in fiscal 2006 is Rs. 951,485.

Employee Stock Option Scheme (ESOS)

We have instituted a stock option plan to reward and help retain our employees and to enable them to participate in our future growth and financial success. Pursuant to the ESOS, we have granted 650,000 options to our employees at an exercise price of Rs. 28. Under the terms of the ESOS, vesting shall commence on the expiry of twelve months from the date of grant of stock options and the entitlement to vesting will be in the following manner:

Period of service from the date of grant of stock options	Percentage of stock options that shall vest
End of 12 months	20%
End of 24 months	30%
End of 36 months	50%

Shareholding/ Interest of the Key Managerial Personnel

None of our key managerial personnel hold Equity Shares (excluding options granted under the ESOS) in their individual capacity as of the date of filing this Draft Red Herring Prospectus.

Changes in the Key Managerial Personnel

The following are the changes in our key managerial personnel since our inception:

Name of the Employee	Date of Resignation	Date of Appointment
Shreekant Javalgekar	-	October 25, 2004
Girish Raipuria	-	April 9, 2003
Anjani Sinha	-	June 29, 2003
Sanjit Prasad	-	January 9, 2004
R.K.Samantaray	-	June 7, 2004
S.A. Srinivas	-	November 1, 2004
Nimish Shukla	-	November 1, 2004
Jayesh Shah	-	January 6, 2005
Salim Andrews	-	April 1,2005
Roy Sebastian	-	April 18, 2005
Deepak Shah	-	August 30, 2005
T.V. Rangaswamy	June 1, 2005	-
Kalpesh Shukla	-	September 1, 2005
Madhav Reddy	-	September 19, 2005
Shyamal Gupta	-	November 25, 2005
Joe Jacob	-	October 14, 2005
P.P. Kaladharan	-	February 4, 2006
Nayan Mehta	-	February 10, 2006

OUR PROMOTER

Promoter

Financial Technologies (India) Limited (FTIL)

Corporate Information

FTIL was originally incorporated as Worldwide Technologies (Electronics) Private Limited with its registered office at A-3, Gajel, Greams Road, Chennai-600 006 on April 12, 1988 in the state of Tamil Nadu. It was converted into a public limited company on August 11, 1994. Its name was changed to FTIL on April 10, 2001and its registered office waschanged to Third Floor, 16, Surya Flats, IInd Cross Street, Seethammal Colony Extension, Teynampet, Chennai - 600 018, Tamil Nadu. It is mainly engaged in the business of developing software and acting as technical service provider in respect of automated electronic markets in the areas of finance and technology like foreign exchange, commodities, debts, treasuries, securities, insurance and bank. It is listed on the BSE and the NSE.

Shareholding Pattern (as on December 31, 2005)

Sr. No.	Category	Number of shares held	Percentage of holding
A.	**Promoter's Holding**		
1.	**Promoters**		
	Indian Promoters:	20,978,170	47.67
	Foreign Promoters:	-	-
	Sub Total (a)	**20,978,170**	**47.67**
B.	**Non-Promoters holding**		
2.	Institutional Investors:		
	a) Mutual Funds and UTI	956,710	2.17
	b) Banking, Financial institutions, Insurance Companies (Central/State Government Institutions, Non-Government Institutions)	2,008	0.00
	c) FIIs	10,212,524	23.21
	Sub Total (b)	**11,171,242**	**25.38**
4.	**Others**		
	a) Private Corporate bodies	1,742,786	3.96
	b) Indian public	5,512,724	12.53
	c) NRIs/ OCBs	262,942	0.60
	d) Any other	4,341,072	9.86
	Sub Total (c)	**11,859,524**	**26.95**
	Grand Total (a+b+c)	**44,008,936**	**100.00**

Board of Directors

The board of directors of Financial Technologies (India) Limited comprises the following:

1. Jignesh P. Shah;
2. Dewang Neralla;
3. C. Subramaniam;
4. Ravi K. Sheth;
5. Ashish Dalal; and
6. P.G. Kakodkar.

Share Quotation

Highest and lowest price on BSE in the last six months:

Month	High (Rs.)	Low (Rs.)
September, 2005	1,659.00	930.00
October, 2005	1,340.00	947.00
November 2005	1,420.00	970.00
December 2005	1,390.00	1,144.75
January 2006	1,395.00	1,250.00
February 2006	1,349.80	1,240.00

(Source: BSE Website)

Highest and lowest price on NSE in the last six months:

Month	High (Rs.)	Low (Rs.)
September, 2005	1659.00	920.00
October, 2005	1345.00	947.00
November 2005	965. 05	1,420.00
December 2005	1,145.30	1,390.00
January 2006	1,395.00	1,230.00
February 2006	1,352.00	1,150.10

(Source: NSE Website)

Closing price on the BSE as of March 7, 2006 was Rs. 1,246.05.

Market Capitalisation on the BSE as of March 7, 2006 was Rs. 54,837.30 million.

Closing price on the NSE as of March 7, 2006 was Rs. 1,245.45

Market Capitalisation on the NSE as of March 7, 2006 was Rs. 54,810.00 million.

Financial Performance

The audited financial results of FTIL for fiscal 2003, 2004 and fiscal 2005 are as follows:

(In Rs. millions, except share data)

	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005
Income	146.36	276.55	335.09
Profit after tax	26.21	127.41	99.13
Equity Share Capital	74.81	82.15	88.02
Reserve and Surplus	149.41	478.47	1,298.49
Earning per Share (of Rs. 10 each)	0.70	3.38	2.26
Net Asset Value per share (of Rs.10 each)	6.00	13.65	31.51

Other details relating to FTIL

PAN	AACCT3014G
Bank Account Details	Account No. .No.2272320000644 with HDFC Bank Ltd, Manek Smruti,TPS II, Nehru Road Vile Parle-East, Mumbai-400 057
RoC Registration Number	18 – 15586

<u>Other details relating to FTIL</u>

Address of the RoC	The Registrar of Companies, Tamil Nadu, Shastri Bhavan , No.26, Haddows Road , Chennai -600 006

Details of the last public/ rights issue made

Worldwide Technologies (now known as FTIL) made its initial public issue in 1995. Worldwide Technologies made an issue of 750,800 Equity Shares. The issue opened on February 9, 1995 and closed on February 20, 1995. The date of allotment was April 10, 1995.

The proceeds of the issue were applied for the expansion of existing production facilities, to meet the cost of getting approvals from various agencies abroad to enable exports of the Company's products, to enhance research and development facilities for meeting the future technological requirements and innovations and to meet the working capital requirements of the Company.

Promise v/s Performance

No promises were made in the Prospectus for the initial public issue.

Mechanism for redressal of investor grievance

FTIL has a Shareholders/ Investor Grievance Committee which meets as and when required, to deal and monitor redressal of complaints from shareholders relating to transfers, non receipt of balance sheet, non receipt of dividend declared etc. Typically, the investor grievances are dealt within a fortnight of receipt of the complaint from the investor. As of January 31, 2006, there is no investor grievance pending against FTIL.

Promoter Group

National Bulk Handling Corporation Limited (NBHC)

Corporate Information

The National Bulk Handling Corporation Limited (NBHC) was incorporated on April 20, 2005 in the state of Maharashtra. Its registered office is located at 102 A, Landmark, Suren Road, Chakala, Andheri (East), Mumbai- 400 093. NBHC seeks to provide quality warehousing services by appointing warehouses as their franchisees, which then undergo various accreditation processes on technical, functional and financial parameters. The entire equity share capital of NBHC is held by FTIL.

Board of Directors

The board of directors of NBHC consists of:

1. Jignesh P. Shah;
2. V. Hariharan; and
3. Chandrashekhar Subramaniam

Financial Performance

This company has had limited operations since it was incorporated on April 20, 2005 and therefore, no financial data is available in respect of last three fiscals.

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

National Spot Exchange Limited

Corporate Information

The National Spot Exchange Limited (NSEAP) (also known as the National Spot Exchange for Agricultural Produce), was incorporated on May 18, 2005 in the state of Maharashtra. Its registered office is located at 102 A, Land Mark, Suren Road, Andheri -Kurla Road, Andheri (East), Mumbai. The NSEAP seeks to create an integrated common market for trading of agricultural produce from all over India. It seeks to provide national level price discovery in agricultural spot prices as well as procurement, marketing and financial support.

Shareholding Pattern (as of December 31, 2005)

Sr. No.	Name of the shareholder	No. of equity shares	Percentage of total equity holding
1.	Financial Technologies India Limited	549,900	99.98
2.	NAFED	100	0.02
	Total	**550000***	**100.00%**

* 6 shares held by other individuals as nominees of FTIL

Board of Directors

The board of directors of NSEAP consists of:

1. Jignesh P. Shah;
2. V. Hariharan; and
3. Joseph Massey

Financial Performance

This company has had limited operations since it was incorporated on May 18, 2005 and therefore, no financial data is available in respect of last three fiscals.

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

Dubai Gold and Commodities Exchange (DGCX)

Corporate Information

DGCX was incorporated on July 19, 2005 in Dubai. Its registered office is located at Unit No 9, Emaar Business Park, Building No.2, Number 15 (383-217), Sheikh Zayed Road, Dubai, United Arab Emirates. It is an online commodities derivatives exchange which commenced trading on November 22, 2005 and seeks to offer a range of commodities, commencing with gold futures, with electronic trading accessible from anywhere in the world.

Shareholding Pattern (as of December 31, 2005)

Sr. No.	Name of the shareholder	No. of equity shares	Percentage of total equity holding
1.	Dubai Metal and Commodities Centre	5,000	50
2.	Financial Technologies India Limited	4,000	40
3.	Multi Commodity Exchange of India Limited	1,000	10
	Total	10,000	**100.00%**

Board of Directors

The board of directors of DGCX consists of:

1. Dr. David Rutledge;
2. Jignesh Shah;
3. Ahmed Bin Sulayem;
4. Joseph Massey;
5. Colin Griffith; and
6. Arshan Khan

Financial Performance

This company has commenced operations on November 22, 2005 and therefore, no financial data is available in respect of last three fiscals.

This company is an unlisted company and it has not made any public or rights issue in the preceding three years.

IBS Forex Limited

Corporate Information

IBS Forex Limited (IBS) was incorporated on February 9, 2001 in the state of Maharashtra. Its registered office is Trade Avenue, Second Floor, Suren Road, Chakala, Andheri (East), Mumbai- 400 093. The main object of the Company is to undertake the business of foreign exchange dealers, brokers, consultants and to deal in instruments denominated in foreign currencies and to undertake all acts permitted by the RBI in the conduct of foreign business in India or abroad either through electronics trading exchanges, platforms and the internet.

Shareholding Pattern (as of December 31, 2005)

Sr. No.	Name of the shareholder	No. of equity shares	Percentage of total equity holding
1.	Financial Technologies India Limited	3,040,000	76.00%
2.	Others	960,000	24.00%
	Total	**4,000,000**	**100.00%**

Board of Directors

The board of directors of IBS consists of:

1. P. G. Kakodkar;
2. Jignesh P. Shah;
3. V. Hariharan; and
4. Nihal C. Chauhan

Financial Performance

The audited financial results of IBS Forex Limited for fiscal 2003, 2004 and fiscal 2005 are as follows:

(In Rs. Million except per share data)

	Fiscal 2003	Fiscal 2004	Fiscal 2005
Income	2.44	1.56	2.89
Loss after tax	(1.67)	(1.97)	(2.24)
Equity Share Capital	7.85	10.00	40.00

	Fiscal 2003	Fiscal 2004	Fiscal 2005
Reserve and Surplus	Nil	Nil	Nil
Earning per Share (of Rs. 10 each)	(2.12)	(1.97)	(0.56)
Net Asset Value per share (of Rs.10 each)	7.87	8.02	9.43

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

Tickerplant Infovending Limited

Corporate Information

Tickerplant Infovending Limited (Tickerplant) was incorporated on February 4, 2005. Its registered office is located at First Floor, Malkani Chambers, Off Nehru Road, Vile Parle (E), Mumbai - 4000 099. The main object of Tickerplant is to provide information technology enabled services particularly in the fields of commodities, foreign exchange and equity. The entire equity share capital of this company is held by FTIL.

Board of Directors

The board of directors of Tickerplant consists of:

1. Jignesh P. Shah;
2. C. Subramaniam; and
3. Dewang Neralla

Financial Performance

This company has had limited operations since it was incorporated on February 4, 2005 and therefore, no financial data is available in respect of last three fiscals.

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

Atom Technologies Limited

Corporate Information

Atom Technologies Limited was incorporated on October 13, 2005. Its registered office is located at First Floor, Malkani Chambers, Off Nehru Road, Vile Parle (E), Mumbai - 4000 099. The main object of Atom Technologies is to carry on the business of providing information technology services to any type of electronic transactions or e-purse transactions or debit/credit card transactions through mobile phones or any wireless or any other devices and to offer services, particularly in the fields of commodities, equity, forex and finance. The entire equity share capital of this company is held by FTIL.

Board of Directors

The board of directors of this company consists of:

1. Jignesh P. Shah;
2. C. Subramaniam; and
3. Dewang Neralla

Financial Performance

This company has had limited operations since it was incorporated on October 13, 2005 and therefore, no financial data is available in respect of last three fiscals.

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

Riskraft Consulting Limited

Corporate Information

Riskraft Consulting Limited was incorporated on November 28, 2005. Its registered office is located at First Floor, Malkani Chambers, Off Nehru Road, Vile Parle (E), Mumbai - 4000 099. The main object of Riskraft Consulting Limited is to carry on the business of providing consulting services and solutions in the area of risk management for banks, financial institutions, insurance companies, stock exchanges, stock broking houses, commodity exchanges, housing finance companies, asset management companies, investment banking firms, hedge funds etc. The entire equity share capital of this company is held by FTIL.

Board of Directors

The board of directors of this company consists of:

1. Jignesh P. Shah;
2. C. Subramaniam; and
3. Dewang Neralla

Financial Performance

This company has had limited operations since it was incorporated on November 28, 2005 and therefore, no financial data is available in respect of last three fiscals.

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

Financial Technologies Middle East DMCC

Corporate Information

FT Technologies Middle East DMCC was incorporated on August 1, 2005. Its registered office is located at Unit No.8, Floor No.1, Emaar business park Bldg 2, Plot no. 15, (383-217)01, Sheikh Zayed Rd, Dubai UAE. The main object of this company is to provide technology and software services. The entire equity share capital of this company is held by FTIL.

Board of Directors

The board of directors of this company consists of:

1. Jignesh P. Shah;and
2. V. Hariharan

Financial Performance

This company has had limited operations since it was incorporated on August 1, 2005 and therefore, no financial data is available in respect of last three fiscals.

This company is an unlisted company and it has not made any public or rights issue in the preceding three years.

e-Logistics Private Limited

Corporate Information

E-Logistics Private Limited was incorporated on November 28, 2000 in the state of Tamilnadu. Its registered office is located at 16, Second Main Road, Kalaimagal Nagar, Ekkaduthangal, Chennai - 600

097. The main object of this company is to focus on products, ideas and solutions in market segments of electronic commerce especially logistics, supply chain management (including trading) of chemicals, commodities, books, toys, consumable items of daily needs and to undertake physical storage, transportation, handling of materials, and other logistics services, such as packing, repacking, consolidating, distributing, clearing and forwarding and acting as consignment agents..

Shareholding Pattern (as of January 31, 2006)

Sr. No.	Name of the shareholder	No. of equity shares	Percentage of total equity holding
1.	Financial Technologies India Limited	1,499,943	27.00%
2.	V Sanjivi & group	1,971,583	35.49%
3.	La Fin Financial Services Pvt. Ltd.	277,767	5.00%
4.	Others	1,806,073	32.51%
	Total	**5,555,348**	**100.00%**

Board of Directors

The board of directors of e-Logistic Limited consists of:

1. V. Sanjeevi;
2. S. Chandru Babu;
3. Dewang Narella; and
4. V. Hariharan

Financial Performance

The audited financial results of e-Logistics Limited for fiscal 2003, 2004 and fiscal 2005 are as follows:

(In Rs. Million except per share data)

	Fiscal 2003	Fiscal 2004	Fiscal 2005
Income	1.4	3.39	15.61
Profit after tax	0.06	0.02	0.03
Equity Share Capital	8.79	15.27	24.34
Reserve and Surplus	(0.12)	(0.1)	6.81
Earning per Share (of Rs. 10 each)	0.07	0.01	0.01
Net Asset Value per share (of Rs.10 each)	9.78	9.85	14.59

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

RELATED PARTY TRANSACTIONS

Names of related parties and nature of relationship :

Related parties	Financial year ended			Nine months ended	
	March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
Company whose control exists (Holding Company):					
Financial Technologies (India) Limited (FTIL)	-	w.e.f. August 25, 2003	Y	Y	Y
Subsidiaries/joint ventures/Fellow subsidiaries:					
National Bulk Handling Corporation Limited (NBHC) - A subsidiary company upto September 29, 2005 fellow subsidiary thereafter (Date of incorporation-April 20, 2005)	-	-	Y	-	Y
National Spot Exchange Limited (NSEL) - A subsidiary company upto September 29, 2005 fellow subsidiary thereafter. (Date of incorporation-May 18, 2005)	-	-	Y	-	Y
Dubai Gold and Commodities Exchange DMCC ('DGCX') - a joint venture with 10% holding.	-	-	Y	-	Y
Key Management Personnel (KMP):					
Mr. Jignesh Shah (Managing Director)	-	w.e.f. August 1, 2003	Y	Y	Y
Mr. Joseph Massey (Deputy Managing Director)	-	w.e.f. May 8, 2003	Y	Y	Y
Mr. V. Hariharan (Director)	-	-	Y	Y	Y

Note: Y signifies existence of relationship**.**

(ii) Related party transactions:

(Rs. Million)

Sr.No.	Nature of Transaction.	Holding Company				
		Financial year ended			Nine months ended	
		March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
A	**Loan taken**					
	Balance as at the start of	-	9.83	9.31	9.31	-

Sr.No.	Nature of Transaction.	Holding Company				
		Financial year ended			Nine months ended	
		March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
	the year / on the date of relationship coming into existence					
	Taken during the year/period	-	1.06	-	-	-
	Repaid during the year/ period	-	(1.58)	(9.31)	(9.31)	-
	Balance as at the close of year/ period	-	9.31	-	-	-
B	Purchase of intangible assets	-	80.00	-	-	100.00
C	Cost of assets reimbursed	-	-	6.97	6.97	2.63
D	Rent and Service charges	-	1.75	1.00	1.00	5.30
E	Software support charges	-	-	25.50	19.13	48.00
F	Establishment expenses	-	7.00	18.00	13.50	9.00
G	Rent deposit	-	3.00	-	-	-
H	Interest paid	-	0.79	0.14	0.14	-
I	Investment sold	-	-	-	-	0.80
J	Sundry creditors, Balance as on close of year/ period	-	-	10.41	8.64	113.72

(Rs. Million)

Sr.No.	Nature of Transaction	Subsidiaries / Joint venture company / Fellow subsidiaries				
		Financial year ended			Nine months ended	
		March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
A	Advances given:					
	Balance as at the start of the year/ period	-	-	-	-	5.49
	Given during the year/ period	-	-	5.49	-	14.91
	Repaid during the year / period	-	-	-	-	(19.83)
	Balance as at the close of year/ period	-	-	5.49	-	0.57
B.	Investments made during the period	-	-	-	-	44.50
	Sold during the period	-	-	-	-	(0.80)
	Balance as at the close of year / period	-	-	-	-	43.70
C	Sundry debtors, balance as on close of year/period	-	-	-	-	45.20
D	Interest income	-	-	-	-	0.48

Sr.No.	Nature of Transaction	Subsidiaries / Joint venture company / Fellow subsidiaries				
		Financial year ended			Nine months ended	
		March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
E	Content development/ Knowhow fees	-	-	-	-	45.79
F	Share application money (given/refunded) net of shares issued out of application money and disclosed under investments in 'B' above	-	-	-	-	0.20

(Rs. Million)

Sr.No.	Nature of transaction	Key Management Personnel				
		Financial year ended			Nine months ended	
		March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
A	Remuneration to Deputy Managing Director *	-	1.16	1.51*	1.13*	1.55*

* Excluding gratuity covered under Group Gratuity Scheme and where separate amount is not identifiable.

Out of the above items, transactions with related parties in excess of 10% of the total related party transactions are:

(Rs. Million)

Sr. No.	Nature of transaction	Financial year ended			Nine months ended	
		March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
A	Advances given to NBHC:					
	Balance as at the start of the year/ period	-	-	-	-	0.47
	Given during the year/ period	-	-	0.47	-	5.47
	Repaid during the year/ period	-	-	-	-	(5.94)
	Balance as at the close of year/ period	-	-	0.47	-	-
B	Advances given to NSEL:					
	Balance as at the start of the year/ period	-	-	-	-	3.11
	Given during the year/ period -	-	-	3.11	-	3.96
	Repaid during the year/ period	-	-	-	-	(6.50)
	Balance as at the close of year/ period	-	-	3.11	-	0.57
C	Advances given to DGCX:					
	Balance as at the start of the year/ period	-	-	-	-	1.92

Sr. No.	Nature of transaction	Financial year ended			Nine months ended	
		March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
	Given during the year/ period	-	-	1.92	-	5.47
	Repaid during the year/ period	-	-	-	-	(7.39)
	Balance as at the close of year/ period	-	-	1.92	-	-
D	Investments made in :					
	- NBHC	-	-	-	-	0.50
	- NSEL	-	-	-	-	0.30
	- DGCX	-	-	-	-	43.70
	Sold during the year / period					
	- NBHC	-	-	-	-	0.50
	- NSEL	-	-	-	-	0.30
	- DGCX	-	-	-	-	-
E	Interest Income from:					
	- NBHC	-	-	-	-	0.19
	- NSEL	-	-	-	-	0.29
F	Content development/ Knowhow fees					
	- DGCX	-	-	-	-	45.79
G	Sundry debtors balance as at the close of the year / period					
	- DGCX	-	-	-	-	45.20
H	Share application money (given/refunded)					
	- NSEL	-	-	-	-	0.20

Notes:

1. Related party relationship is as identified by the Company and relied upon by the auditors.
2. There are no amounts written off or written back in any period in respect of debts due from or to related parties

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The Board may also from time to time pay interim dividend. The dividend paid by the Company since its incorporation is as provided herein:

	Fiscal 2003	**Fiscal 2004**	**Fiscal 2005**
Face value of Equity Share (per share)	10	10	10
Dividend on Equity Shares (in Rs. million)	Nil	Nil	21.51
Dividend rate (%)	N.A.	N.A.	10%
Dividend tax (in Rs. million)	N.A.	N.A.	3.02

However, the amounts paid as dividends in the past are not necessarily indicative of our dividend amounts, if any, or our dividend policy, in the future.

FINANCIAL STATEMENTS

AUDITORS' REPORT

To,
The Board of Directors,
Multi Commodity Exchange of India Limited
102-A, Landmark, Suren Road,
Chakala, Andheri (East),
Mumbai – 400 093

Dear Sirs,

Multi Commodity Exchange of India Limited ('the Company') has proposed to make a public offering of its equity shares for cash. We have been requested by the Company to report on the financial information of the Company, described below in A and B and annexed to this report, which has been prepared in accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act'), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('SEBI Guidelines') and related clarifications thereto issued by the Securities and Exchange Board of India under section 11 of the Securities and Exchange Board of India Act, 1992 and terms of reference agreed upon by us with the Company. The financial information has been prepared by the Company and approved by its Board of Directors.

A. Financial Information As Per Audited Financial Statements:

We have examined:

a) the attached summary statement of profits and losses of the Company for the financial years ended March 31, 2003, 2004 and 2005 and for the nine months ended December 31, 2004 and 2005, as restated, to reflect the retrospective effect of the accounting policies adopted by the Company for the nine months ended December 31, 2005 (Annexure I);

b) the attached summary statement of assets and liabilities as at those financial year/period end dates, as restated, to reflect the retrospective effect of the accounting policies adopted by the Company as at December 31, 2005 (Annexure II);

c) the attached statement of cash flows, as restated, for the financial years/periods ended on those dates (Annexure III); and

d) the significant accounting policies adopted by the Company as at and for the period ended December 31, 2005 and notes to the summary statements (Annexure IV);

e) together referred to as the 'Summary Statements'.

Our examination consisted of:

i. comparing the numbers in the audited financial statements of the respective years/periods with those in the Summary Statements; and

ii. auditing the adjustments made to the numbers in the audited financial statements to arrive at the numbers in the Summary Statements.

The financial statements of the Company have been approved by the Board of Directors, audited (1) by Mukesh P.Shah & Co., Chartered Accountants as at and for the financial year ended March 31, 2003 and (2) by us as at and for the years ended March 31, 2004 and 2005, and adopted by the members. The financial statements of the Company as at and for the nine months ended December 31, 2004 and 2005 are approved by the Board of Directors and audited by us.

Based on our examination and in accordance with the requirements of the Act, SEBI Guidelines and terms of reference agreed upon by us with the Company, we state that:

i. the restated profits/ losses of the Company for the financial years ended March 31, 2003, 2004 and 2005 and for the nine months ended December 31, 2004 and 2005, are as set out in Annexure I, which have been arrived at after charging all expenses, including depreciation, and after making such adjustments and regroupings as, in our opinion. are appropriate and are to be read with the significant accounting policies and notes in Annexure IV;

ii. the restated assets and liabilities of the Company as at March 31, 2003, 2004 and 2005 and as at nine months ended December 31, 2004 and 2005 are as set out in Annexure II, which are after making such adjustments as, in our opinion, appropriate, and are to be read with the significant accounting policies and notes in Annexure IV;

iii. the cash flows of the Company for the financial years ended March 31, 2003, 2004 and 2005 and for the nine months ended December 31, 2004 and 2005 are as set out in Annexure III;

iv. the Company has paid dividend on equity shares only for the year ended March 31, 2005 as disclosed in statement of dividend paid (Annexure V);

v. in respect of financial information contained in the Summary Statements relating to the year ended March 31, 2003, we have relied upon the accounts of the Company audited and reported upon by M/s Mukesh P.Shah & Co., Chartered Accountants;

vi. there are no qualifications in the auditors' reports that require any adjustment to the Summary Statements; and

vii. there are no extra-ordinary items in any of the financial statements that need to be disclosed separately in the Summary Statements.

B. Other Financial Information As Per Audited Financial Statements

We have also examined the following financial information relating to the Company, which is based upon the Summary Statements/ audited financial statements and approved by the Board of Directors for the purpose of inclusion herein:

i. Principal terms of loans taken and assets charged as securities (Annexure VI)

ii. Statement of accounting ratios based on the restated profits/losses relating to earnings per share, net asset value and return on net worth (Annexure VII)

iii. Tax shelter statement (Annexure VIII)

iv. Capitalisation statement (Annexure IX)

v. Statement of other income (Annexure X)

vi. Statement of sundry debtors and loans and advances (Annexure XI)

vii. Statement of investments (Annexure XII)

In respect of 'Other financial information' stated above, we have relied upon the audited financial statements for the year ended March 31, 2003 which were audited and reported by M/s Mukesh P.Shah & Co., Chartered Accountants, as stated above.

In our opinion, the financial information of the Company attached to this report, as mentioned in paragraphs (A) and (B) above, read with significant accounting policies and notes as annexed to this report, and after making such adjustments as are considered appropriate has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed public offering of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For Deloitte Haskins & Sells
Chartered Accountants

P.R. Barpande
Partner
Membership No. 15291
Place: Mumbai
Dated: February 27, 2006

ANNEXURE I : SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED

(Rs. Million)

	Financial year ended			*Nine months ended*	
	March ', 2003	***March 31, 2004***	***March 31, 2005***	***December 31, 2004***	***December 31, 2005***
Income					
Admission and application processing fees	-	*42.19*	*217.44*	*184.60*	*160.72*
Annual subscription fees	-	-	*16.45*	*10.25*	*17.28*
Transaction fees	-	-	*53.07*	*26.28*	*322.23*
Terminal charges	-	-	*10.62*	*6.53*	*21.61*
Content development/ know-how fees [Refer Note 10 to Annexure IV-II]	-	-	-	-	*45.79*
Total	**-**	***42.19***	***297.58***	***227.66***	***567.63***
Other Income	-	*1.57*	*38.96*	*22.20*	*81.60*
Total Income	**-**	***43.76***	***336.54***	***249.86***	***649.23***
Expenditure					
Staff costs	-	*4.42*	*19.66*	*12.79*	*42.74*
Administration and other operating expenses (Refer Note 5 to Annexure IV – II)	-	*48.74*	*121.72*	*84.38*	*188.02*
Depreciation/ amortisation	-	*22.92*	*38.34*	*27.78*	*37.42*
Interest	-	*1.85*	*0.24*	*0.21*	*0.92*
Total Expenditure	**-**	***77.93***	***179.96***	***125.16***	***269.10***
Net (loss)/profit before tax	**-**	***(34.17)***	***156.58***	***124.70***	***380.13***

					(Rs. Million)
	Financial year ended			Nine months ended	
	March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
Provision for tax					
- Current tax	-	-	17.20	12.90	95.60
- Prior period tax	-	-	-	-	2.48
- Deferred tax	-	-	28.22	21.16	3.83
- Wealth tax	-	-	-	-	0.03
- Fringe benefit tax	-	-	-	-	1.47
Net (loss)/profit after tax as per audited financial statements	**-**	**(34.17)**	**111.16**	**90.64**	**276.72**
Impact of changes in accounting policies and prior period adjustments [Refer Note 1 to Annexure IV-II]	(7.37)	17.14	(10.55)	(7.31)	0.78
Net (loss)/profit, as restated	**(7.37)**	**(17.03)**	**100.61**	**83.33**	**277.50**
Balance brought forward from previous year/period, as restated	-	(7.37)	(24.40)	(24.40)	51.68
(Loss)/profit before appropriation, as restated	**(7.37)**	**(24.40)**	**76.21**	**58.93**	**329.18**
Appropriations:					
Proposed dividend on equity shares	-	-	21.51	-	-
Corporate dividend tax	-	-	3.02	-	-
Balance carried to balance sheet, as restated	**(7.37)**	**(24.40)**	**51.68**	**58.93**	**329.18**

The accompanying significant accounting policies and notes are an integral part of this statement (Annexure IV)

ANNEXURE II: SUMMARY STATEMENT OF ASSETS AND LIABLITITES, AS RESTATED

(Rs. Million)

		As at				
		March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
A.	**Fixed Assets :**					
	Gross block	0.01	168.57	234.38	215.24	399.08
	Less : Depreciation/ amortisation	-	22.92	60.97	50.41	98.39
	Net block	**0.01**	**145.65**	**173.41**	**164.83**	**300.69**
	Add: Capital work-in-progress	35.00	-	4.50	-	4.78
	Total (A)	**35.01**	**145.65**	**177.91**	**164.83**	**305.47**
B.	**Investments (B)**	**-**	**-**	**467.04**	**80.07**	**2,529.00**
C.	**Deferred tax asset (net) (C)**	**0.32**	**9.84**	**-**	**-**	**-**
D.	**Current Assets, Loans and Advances :**					
	Sundry debtors	-	-	13.98	11.51	111.99
	Cash and bank balances	0.39	109.74	545.18	866.94	320.85
	Loans and advances	0.06	4.52	53.79	26.13	291.99
	Total (D)	**0.45**	**114.26**	**612.95**	**904.58**	**724.83**
	Total (A+B+C+D)	**35.78**	**269.75**	**1,257.90**	**1,149.48**	**3,559.30**
E.	**Liabilities and Provisions:**					
	Secured loans	-	1.33	0.43	0.45	-
	Unsecured loans	7.53	9.31	-	-	-
	Current liabilities and provisions	35.12	128.81	952.47	860.50	2,739.58
	Total (E)	**42.65**	**139.45**	**952.90**	**860.95**	**2,739.58**
F.	**Deferred tax liability (net) (F)**	**-**	**-**	**28.22**	**18.70**	**32.04**
G.	**Networth (A+B+C+D-E-F)**	**(6.87)**	**130.30**	**276.78**	**269.83**	**787.68**

					(Rs. Million)
			As at		
	March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
H. Represented by					
1. Share capital [Refer Note 11 to Annexure IV-II]	0.50	150.50	215.10	210.90	353.57
2. Share application money (Allotted subsequent to year end)	-	4.20	10.00	-	-
3. Reserves and Surplus					
- Securities Premium Account	-	-	-	-	104.93
- Balance in Profit and Loss Account	(7.37)	(24.40)	51.68	58.93	329.18
Total (H)	**(6.87)**	**130.30**	**276.78**	**269.83**	**787.68**
I. Miscellaneous expenditure (I) [Refer Note 1(a) of Annexure IV- II]	-	-	-	-	-
J. Networth (H-I)	**(6.87)**	**130.30**	**276.78**	**269.83**	**787.68**

The accompanying significant accounting policies and notes are an integral part of this statement (Annexure IV)

ANNEXURE III: STATEMENT OF CASH FLOW, AS RESTATED.

(Rs. Million)

	Financial year ended			Nine months ended	
	March 31, 2003	**March 31, 2004**	**March 31, 2005**	**December 31, 2004**	**December 31, 2005**
Cash flow from operating activities					
Net (loss)/profit before tax as restated	(7.69)	(26.55)	155.87	124.77	380.91
Adjustments for:					
Depreciation/amortization	-	22.92	38.34	27.78	37.42
Interest expenses	-	1.85	0.24	0.21	0.92
Dividend from investment	-	-	(2.71)	(0.07)	(42.38)
Loss on surrender of premises	-	-	0.95	0.95	-
Exchange difference (Net)	-	-	-	-	0.61
Loss on dimunition in the value of current investment	-	-	-	-	0.02
Profit on sale of investment (net)	-	-	-	-	(0.68)
Interest income	-	(1.01)	(23.98)	(15.83)	(17.11)
Operating (loss)/profit before working capital changes	**(7.69)**	**(2.79)**	**168.71**	**137.81**	**359.71**
Adjustments for:					
Trade and other receivables	(0.06)	(4.25)	(47.77)	(19.58)	(240.29)
Trade payables and provisions	35.12	128.70	781.94	718.79	1,712.02
Cash generated from operations	27.37	121.66	902.88	837.02	1,831.44
Taxes paid	-	(0.21)	(15.50)	(3.48)	(101.47)
Net cash generated from operating activities	**27.37**	**121.45**	**887.38**	**833.54**	**1,729.97**
Cash flow from investing activities					
Additions to fixed assets	(35.01)	(18.56)	(71.55)	(47.91)	(164.98)
Purchase of investments (including fixed deposits placed)	**-**	**-**	(967.77)	(1,022.38)	(5,801.90)
Redemption/sale of investment (Including fixed deposits placed)	-	-	40.00	336.67	3,958.48
Dividend from investment	-	-	2.71	0.07	42.38
Interest received	-	1.01	14.91	5.76	22.06
Net cash used in investing activities	**(35.01)**	**(17.55)**	**(981.70)**	**(727.79)**	**(1,943.96)**

(Rs. Million)

	Financial year ended			Nine months ended	
	March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
Cash flow from financing activities					
Proceeds from borrowings	7.53	3.10	-	-	-
Repayment of borrowings	-	-	(10.20)	(10.18)	(0.43)
Proceeds from:					
- Equity share capital	0.50	-	60.40	56.20	128.47
- Securities premium	-	-	-	-	104.93
- Share application money	-	4.20	10.00	-	-
Dividend paid (including tax thereon)	-	-	-	-	(24.53)
Interest paid	-	(1.85)	(0.24)	(0.21)	(0.92)
Net cash generated from financing activities	**8.03**	**5.45**	**59.96**	**45.81**	**207.52**
Net cash flows during the years/periods	**0.39**	**109.35**	**(34.36)**	**151.56**	**(6.47)**
Net increase/ (decrease) in cash and cash equivalents	**0.39**	**109.35**	**(34.36)**	**151.56**	**(6.47)**
Cash and cash equivalents (opening balance)	-	0.39	109.74	109.74	75.38
Cash and cash equivalents (closing balance)	0.39	109.74	75.38	261.30	68.91

Notes to statement of cash flow, as restated:

1. Purchase of fixed assets are stated inclusive of movements of capital work in progress between the commencement and end of the year/period and are considered as part of investing activities.

2. The statement of cash flow has been prepared under the “ Indirect Method “ as set out in Accounting Standard 3 (‘AS 3’) on ‘Cash Flow Statement’ issued by the Institute of Chartered Accountants of India.

3. Closing balance of Cash and cash equivalents consists of

(Rs. Million)

	Financial year ended			Nine months ended	
	March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
Cash and cheques on hand	0.24	0.01	1.20	0.77	5.02
Bank Balances:					
- in current accounts	0.15	11.97	14.63	44.88	26.02
- in deposit accounts	-	97.76	59.55	215.65	37.87
	0.39	109.74	75.38	261.30	68.91

4. Fixed deposits with banks with maturity period of more than three months are classified and grouped in investing activities and not included in cash and cash equivalents.

5. (Loss)/Profit before tax, as restated is computed as under:

(Rs. Million)

	Financial year ended			Nine months ended	
	March 31, 2003	**March 31, 2004**	**March 31, 2005**	**December 31, 2004**	**December 31, 2005**
Net (Loss)/Profit before tax as per audited financial statements (A)	-	(34.17)	156.58	124.70	380.13
Adjustment on account of change in accounting policies and prior period items: [Refer Note 1 to Annexure IV-II]					
Pre-operative expenses	(6.19)	6.19	-	-	-
Preliminary expenses	(0.90)	0.90	-	-	-
Prior period expenses	(0.60)	0.53	(0.71)	0.07	0.78
Total of adjustments (B)	**(7.69)**	**7.62**	**(0.71)**	**0.07**	**0.78**
(Loss)/profit before tax as restated (A+B)	**(7.69)**	**(26.55)**	**155.87**	**124.77**	**380.91**

ANNEXURE IV: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE SUMMARY STATEMENTS

I. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of preparation of financial statements

The accompanying financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles and the accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

B. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Difference between actual results and estimates are recognized in the period in which the results are known/materialize.

C. Fixed assets

Fixed Assets are stated at cost of acquisition or construction. They are stated at historical cost.

D. Intangible assets

Intangible Assets are stated at cost of acquisition less accumulated amortization. Computer software and trademark are amortized over a period of sixty months on a straight-line basis.

E. Depreciation

Depreciation on assets other than leasehold improvements and networking equipments (VSAT) has been provided for on Straight Line Method (SLM) at the rates and in the manner prescribed in Schedule – XIV of the Companies Act, 1956. Leasehold improvements are depreciated over the period of the lease and networking equipments (VSAT) are depreciated over a period of sixty months.

F. Revenue recognition

Revenue (income) is recognized when no significant uncertainty as to measurement and realization exists.

i. Admission fees are non refundable and collected from new members on their joining the commodity exchange. They are recognized on collection.

ii. Annual subscription fees (non refundable) are collected from members and accrued annually.

iii. Transaction fees are charged to members based on the volume of transactions entered into by the members through the exchange. These are accrued when orders are placed by members on the network are matched and confirmed.

iv. Revenue from terminal charges is accrued on creation of a new chargeable user identification.

v. Revenue from other services is recognized when services are rendered.

vi. Dividend income is recognized when the Company's right to receive dividend is established. Interest income is recognized on time proportion basis.

G. Foreign exchange transaction

Transaction in foreign currency are recorded at the original rates of exchange in force at the time transactions are effected. Exchange differences arising on repayment of foreign currency liabilities incurred for the purpose of acquiring fixed assets from a country outside India are adjusted in the carrying amount of the respective fixed assets. Exchange differences arising on settlement of all other transactions are recognized in the profit and loss account.

Monetary items (other than those related to acquisition of fixed assets from a country outside India) denominated in foreign currency are restated using the exchange rate prevailing at the date of the balance sheet and the resulting net exchange difference is recognized in the profit and loss account. The exchange gain/loss arising on restatement of foreign currency liability relating to fixed assets acquired from a country outside India, is adjusted in the value of the related fixed assets.

H. Retirement benefits

Retirement benefits are expensed to revenue as incurred. The Company's contribution to provident fund is made in accordance with the relevant statute. The Company's liability towards gratuity is funded through a scheme (Group Gratuity) administered by the Life Insurance Corporation of India. Leave encashment is provided for an actual basis in accordance with the Company's scheme in this respect.

I. Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying assets is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

J. Investments

Current investments are carried at the lower of cost and quoted / fair value. Long term investments are stated at cost. Provisions for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

K. Income taxes

Income taxes are accounted for in accordance with Accounting Standard 22 ('AS 22') on ' Accounting For Taxes on Income', issued by the Institute of Chartered Accountants of India. Tax expense comprises both current tax and deferred tax. Deferred tax assets and liabilities are recognized for future tax consequence attributable to timing difference between taxable income and accounting income that are capable of reversing in one or more subsequent periods and are measured at enacted / substantive tax rates. At each Balance sheet date, the Company reassesses unrealized deferred tax assets, to the extent they become reasonably certain or virtually certain of realization, as the case may be.

L. Operating leases

Assets taken on lease under which all the risk and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognized as expenses on accrual basis in accordance with the respective lease agreements.

M. Contingent liabilities

Contingent liabilities as defined in Accounting Standard 29 ('AS 29') on 'Provisions, Contingent Liablities and Contingent Assets' are disclosed by way of notes to the financial statements. Provision is made if it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability.

II. NOTES TO THE SUMMARY STATEMENTS:

1. Impact of changes in accounting policies, and prior period adjustments.

(Rs. Million)

	Financial year ended			Nine months ended	
	March 31, 2003	**March 31, 2004**	**March 31, 2005**	**December 31, 2004**	**December 31, 2005**
(Loss)/Profit before tax as per audited financial statements (A)	**-**	**(34.17)**	**111.16**	**90.64**	**276.72**
Adjustment on account of change in accounting policies and prior period items:					
Pre-operative expenses [Refer Note 1(a) to Annexure IV-II]	(6.19)	6.19	-	-	-
Preliminary expenses [Refer Note 1(a) to Annexure IV-II]	(0.90)	0.90	-	-	-
Prior period expenses [Refer Note 1(b) to Annexure IV-II]	(0.60)	0.53	(0.71)	0.07	0.78
Deferred Tax [Refer Note 1(c) to Annexure IV-II]	-	9.84	(9.84)	(7.38)	-
Total of adjustments	**(7.69)**	**17.46**	**(10.55)**	**(7.31)**	**0.78**
Tax impact on above adjustments [Refer Note 1(d) to Annexure IV-II]	0.32	(0.32)	-	-	-
Total of adjustments – net of tax impact (B)	**(7.37)**	**17.14**	**(10.55)**	**(7.31)**	**0.78**
Adjusted (Loss)/profit (A+B)	**(7.37)**	**(17.03)**	**100.61**	**83.33**	**277.50**

Notes on re-statement / adjustments

a. Preoperative and preliminary expenses

The Company early adopted Accounting Standard 26 ('AS 26') on 'Intangible Assets' during the year ended March 31, 2004 and fully wrote off the balance of preoperative expenses and preliminary expenses as on April 1, 2003 to the profit and loss account in the year ended March 31, 2004. These expenses have now been charged to the summary statement of profits and losses in the financial year ended March 31, 2003 since pertaining to that year.

b. Prior period adjustments

Prior period income and expenses are reported in the financial statements for the financial years ended March 31, 2004 and 2005 and Nine months ended December 31, 2004 and 2005 have been adjusted in the summary statement of profits and losses in the years to which these amounts pertain.

c. Deferred tax

As at March 31, 2004, the Company had a net deferred tax asset (mainly on account of carry forward loss and unabsorbed depreciation) aggregating to Rs.9.84 Million, which was not recognized in the financial statements of the Company for the year then ended considering the requirement of the Accounting Standard ('AS – 22') on 'Accounting for taxes on Income' regarding virtual certainty. For the purpose of restated Summary Statements, the said deferred tax asset has been recognized for the year ended March 31, 2004 on the basis that it has been entirely utilized during the year ended March 31, 2005 and to have comparability among the years / periods presented.

d. Tax impact of adjustments.

Tax impact of adjustments pertain to tax effect on restatement adjustments provided at the tax rates applicable in the respective years / periods.

2. Notes on non re-statement / adjustments

a. Upto March 31, 2004, the Company amortised its 'operation computer software' to revenue uniformly over a period of thirty six months. During the year ended March 31, 2005, the Company had re-estimated the useful life of the software from thirty six months to sixty months with effect from April 1, 2004. A revision in the useful life of software being a change in accounting estimate, in accordance with Accounting Standard ('AS 5') on 'Net profit or loss for the period, prior period items and changes in accounting policies', the change has been adjusted prospectively over the remaining useful life of the software.

b. The Company accounted for the gratuity liability upto the Financial year ended March 31, 2004 on the basis of fifteen days salary for each completed year of service by eligible employees in accordance with Payment of Gratuity Act, 1972. For the subsequent years / periods, the same has been computed on actuarial basis as permissible under the Accounting Standard 15 ('AS – 15') on 'Accounting for Retirement Benefits in the Financial Statement of the Employers' issued by the Institute of Chartered Accountants of India. No adjustments on account of actuarial basis for the period prior to April 1, 2004 has been made in view of the acceptable practices in those respective years and the charge on account of gratuity itself being non material in those periods.

3. During the period ended December 31, 2005, the Company promoted two subsidiary companies, namely National Bulk Handling Corporation Limited and National Spot exchange Limited where the Company's shareholding was 100% and 59.80% respectively in value aggregating to Rs.0.80 Million. Since the investments were made by the Company exclusively with the view to dispose them off in the near future, before the period end these investments were sold to the Company's holding company at cost considering the financial position of such subsidiaries at that point of time. On that basis, and considering the principle of exclusion of subsidiaries from consolidation on account of temporary control as enunciated by Accounting Standard ('AS 21') 'Consolidated Financial Statements' 'issued by the Institute of Chartered Accountants of India, the financial results of such companies have not been considered for the purpose of consolidation of financial statements of the Company.

4.

(Rs. Million)

	As at				
	March 31, 2003	**March 31, 2004**	**March 31, 2005**	**December 31, 2004**	**December 31, 2005**
Estimated amount of contract remaining to be executed on capital account and not provided for (net of advances)	65.00	0.45	4.34	-	5.91

5. Administration and other operating expenses includes:

(Rs. Million)

	Financial year ended			**Nine months ended**	
	March 31, 2003	**March 31, 2004**	**March 31, 2005**	**December 31, 2004**	**December 31, 2005**
Establishment expenses	-	12.00	18.00	13.50	9.00
Software support charges	-	-	25.50	19.13	48.00
Rent and Service charges	-	3.05	9.16	6.58	15.80
Advertisement expenses	-	9.96	13.52	9.81	21.01
Business promotion expenses	-	2.02	3.56	3.12	3.89
Sponsorship and seminar expenses	-	0.49	6.02	2.69	9.18
Travelling and conveyance	-	2.62	10.28	6.05	11.63
Communication expenses	-	1.53	8.51	5.36	12.74
Legal and professional charges	-	6.09	11.27	7.91	14.56
Market development fees	-	-	0.20	0.20	16.04
Pre-operative expenses written off [Refer Note 1(a) to Annexure IV-II]	-	6.19	-	-	-
Preliminary expenses written off [Refer Note 1(a) to Annexure IV-II]	-	0.90	-	-	-
Other operating expenses	-	3.89	15.70	10.03	26.17
Total Expenditure	**-**	**48.74**	**121.72**	**84.38**	**188.02**

6. The Company receives non-refundable deposits from members for networking equipment ('VSAT') installed at the members' locations. VSATs once installed cannot be surrendered to the Company. The entire VSAT equipment is transferred to the members at the depreciated value as computed by the Company in the event of surrender of membership with the Company. The Company amortises the deposit received by credit to the revenue over a period of sixty months to match with the sixty months period over which depreciation on VSAT equipment is provided. Accordingly, the Company appropriates amounts (as stated below) from the deposits and includes the same under Other Income.

						(Rs. Million)
		Financial year ended			**Nine Months ended**	
		March 31, 2003	**March 31, 2004**	**March 31, 2005**	**December 31, 2004**	**December 31, 2005**
a.	Aggregate amount received from members towards deposits (non-refundable) for VSAT and outstanding at the year/period end (net of appropriation)	-	13.84	50.41	44.36	70.30
b.	Appropriation from the deposits for the year / period and included in other income.	-	0.53	6.83	4.37	11.41

7. Segment reporting

   a. Primary Segment

   The Company considers business segment (business of facilitating trading in commodities and incidental activities thereto) as its primary segment considering the risks and rewards of the services offered, nature of services, management structure and system of financial reporting. In the opinion of the management, the Company has only one reportable business segment, the results of which are disclosed in the financial statements.

   b. Secondary Segment

   Revenue and segment debtors attributable to location of customers is as follows :

		(Rs. Million)
Geographic Location	**Revenue from external customers for Nine months ended December 31, 2005**	**Segment debtors as at December 31, 2005**
Within India	521.84	45.20
Outside India	45.79	66.79
Total	**567.63**	**111.99**

All the fixed assets of the Company are located in India and the total cost incurred towards acquisition of fixed assets is incurred within India for all the years / periods presented

8. The Company has entered into operating lease agreements for its office premises for a period of 33 months. The lease rental expenses recognized in the profit and loss account during the financial years/periods and the future minimum lease payments under non cancelable operating leases are as under:

(Rs. Million)

	Financial year ended			Nine months ended	
	March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
Lease rentals	-	3.05	4.82	2.57	5.22

(Rs. Million)

Future minimum lease payments	As at December 31, 2005
Not later than one year	7.07
Later than-one year and not later than five years	2.78
Later than five years	-

9. Related party information.

(i) Names of related parties and nature of relationship :

Related parties	Financial year ended			Nine months ended	
	March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
Company whose control exists (Holding Company):					
Financial Technologies (India) Limited (FTIL)	-	w.e.f. August 25, 2003	Y	Y	Y
Subsidiaries/joint ventures/Fellow subsidiaries:					
National Bulk Handling Corporation Limited (NBHC) - A subsidiary company upto September 29, 2005 fellow subsidiary thereafter (Date of incorporation-April 20, 2005)	-	-	Y	-	Y
National Spot Exchange Limited (NSEL) - A subsidiary company upto September 29, 2005. fellow subsidiary thereafter. (Date of incorporation-May 18, 2005)	-	-	Y	-	Y

Related parties	Financial year ended			Nine months ended	
	March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
Dubai Gold and Commodities Exchange DMCC ('DGCX') - a joint venture with 10% holding.	-	-	Y	-	Y
Key Management Personnel (KMP):					
Mr. Jignesh Shah (Managing Director)	-	w.e.f. August 1, 2003	Y	Y	Y
Mr. Joseph Massey (Deputy Managing Director)	-	w.e.f. May 8, 2003	Y	Y	Y
Mr. V. Hariharan (Director)	-	-	Y	Y	Y

Note: Y signifies existence of relationship**.**

(ii) Related party transactions:

(Rs. Million)

Sr.No.	Nature of Transaction.	Holding Company				
		Financial year ended			Nine months ended	
		March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
A	**Loan taken**					
	Balance as at the start of the year / on the date of relationship coming into existence	-	9.83	9.31	9.31	-
	Taken during the year/period	-	1.06	-	-	-
	Repaid during the year/ period	-	(1.58)	(9.31)	(9.31)	-
	Balance as at the close of year/ period	-	9.31	-	-	-
B	Purchase of intangible assets	-	80.00	-	-	100.00
C	Cost of assets reimbursed	-	-	6.97	6.97	2.63
D	Rent and Services charges	-	1.75	1.00	1.00	5.30
E	Software support charges	-	-	25.50	19.13	48.00
F	Establishment expenses	-	7.00	18.00	13.50	9.00
G	Rent deposit	-	3.00	-	-	-
H	Interest paid	-	0.79	0.14	0.14	-
I	Investment sold	-	-	-	-	0.80
J	Sundry creditors, Balance as on close of year/ period	-	-	10.41	8.64	113.72

(Rs. Million)

Sr.No.	Nature of Transaction	Subsidiaries / Joint venture company / Fellow subsidiaries				
		Financial year ended			Nine months ended	
		March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
A	Advances given:					
	Balance as at the start of the year/ period	-	-	-	-	5.49
	Given during the year/ period	-	-	5.49	-	14.91
	Repaid during the year / period	-	-	-	-	(19.83)
	Balance as at the close of year/ period	-	-	5.49	-	0.57
B.	Investments made during the period	-	-	-	-	44.50
	Sold during the period	-	-	-	-	(0.80)
	Balance as at the close of year / period	-	-	-	-	43.70
C	Sundry debtors, balance as on close of year/period	-	-	-	-	45.20
D	Interest income	-	-	-	-	0.48
E	Content development/ Knowhow fees	-	-	-	-	45.79
F	Share application money (given/refunded) net of shares issued out of application money and disclosed under investments in 'B' above	-	-	-	-	0.20

(Rs. Million)

Sr. No.	Nature of transaction	Key Management Personnel				
		Financial year ended			Nine months ended	
		March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
A	Remuneration to Deputy Managing Director *	-	1.16	1.51*	1.13*	1.55*

* Excluding gratuity covered under Group Gratuity Scheme and where separate amount is not identifiable.

Out of the above items, transactions with related parties in excess of 10% of the total related party transactions are:

(Rs. Million)

Sr. No.	Nature of transaction	Financial year ended			Nine months ended	
		March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
A	Advances given to NBHC:					
	Balance as at the start of the year/ period	-	-	-	-	0.47
	Given during the year/ period	-	-	0.47	-	5.47
	Repaid during the year/ period	-	-	-	-	(5.94)
	Balance as at the close of year/ period	-	-	0.47	-	-
B	Advances given to NSEL:					
	Balance as at the start of the year/ period	-	-	-	-	3.11
	Given during the year/ period -	-	-	3.11	-	3.96
	Repaid during the year/ period	-	-	-	-	(6.50)
	Balance as at the close of year/ period	-	-	3.11	-	0.57
C	Advances given to DGCX:					
	Balance as at the start of the year/ period	-	-	-	-	1.92
	Given during the year/ period	-	-	1.92	-	5.47
	Repaid during the year/ period	-	-	-	-	(7.39)
	Balance as at the close of year/ period	-	-	1.92	-	-
D	Investments made in :					
	- NBHC	-	-	-	-	0.50
	- NSEL	-	-	-	-	0.30
	- DGCX	-	-	-	-	43.70
	Sold during the year / period					
	- NBHC	-	-	-	-	0.50
	- NSEL	-	-	-	-	0.30
	- DGCX	-	-	-	-	-
E	Interest Income from:					
	- NBHC	-	-	-	-	0.19
	- NSEL	-	-	-	-	0.29
F	Content development/ Knowhow fees					
	- DGCX	-	-	-	-	45.79
G	Sundry debtors balance as at the close of the year / period					
	- DGCX	-	-	-	-	45.20
H	Share application money (given/refunded)					
	- NSEL	-	-	-	-	0.20

Notes:

1. Related party relationship is as identified by the Company and relied upon by the auditors.
2. There are no amounts written off or written back in any period in respect of debts due from or to related parties

10. During the Nine months ended December 31, 2005, the Company provided entire know how with verification and validation of related systems software in the areas of self regulatory framework, trading, clearing and settlement procedures, data processing, on site liasoning etc. to Dubai Gold and Commodity Exchange DMCC ('DGCX'), a joint venture company. The fee of Rs. 45.79 million, in accordance with the agreement with DGCX towards such services rendered has been credited to Profit and Loss Account. The Company has established a set up as a Software Technology Park ('STP unit') for rendering such services based on information technology platform and expects to expand such services.
11. Share Capital:

(Nos.)

Equity shares of Rs 10 each	**As at**				
	March 31, 2003	**March 31, 2004**	**March 31, 2005**	**December 31, 2004**	**December 31, 2005**
Authorised:	11,000,000	18,000,000	50,000,000	30,000,000	50,000,000
Issued, subscribed and paid up:	50,000	15,050,000	21,510,000	21,090,000	35,356,825
Of the above, shares issued for consideration other than cash	-	15,000,000	15,000,000	15,000,000	15,000,000

(Rs. Million)

Equity Share Capital	**As at**				
	March 31, 2003	**March 31, 2004**	**March 31, 2005**	**December 31, 2004**	**December 31, 2005**
Authorised:	110.00	180.00	500.00	300.00	500.00
Issued, subscribed and paid up:	0.50	150.50	215.10	210.90	353.57
Of the above, shares issued for consideration other than cash	-	150.00	150.00	150.00	150.00

Subsequent to December 31, 2005, the Company, in accordance with the resolution of the board of directors, shareholders and the compensation committee, granted 650,000 stock options to eligible employees/directors of the Company and its holding company, in terms of an Employee Stock Option Scheme- 2005 at a price of Rs. 28 per share. The said exercise price is based on valuation carried out by an independent firm of chartered accountants.

12. The company was incorporated on April 19, 2002 and the first financial year of the Company was for the period April 19, 2002 to March 31, 2003. On that basis, summary statement of profits and losses and assets and liabilities (as restated) have been furnished for the financial years ended and as at March 31, 2003, 2004, 2005 and for the Nine months ended December 31, 2004 and 2005.
13. Current liabilities and provisions comprises of:

(Rs. Million)

	As at				
	March 31, 2003	**March 31, 2004**	**March 31, 2005**	**December 31, 2004**	**December 31, 2005**
Current Liabilities	35.12	128.65	910.15	846.99	2,621.03

Provisions	-	0.16	42.32	13.51	118.55
Total	**35.12**	**128.81**	**952.47**	**860.50**	**2,739.58**

14. Joint Venture Disclosure:

a. Jointly Controlled Entity by the Company:

Name of the Entity :- Dubai Gold and Commodities Exchange DMCC
Country of Incorporation :- United Arab Emirates
Date of Incorporation :- July 19, 2005
% Holding :- 10.00%

b. Interest in the assets, liabilities, income and expenses with respect to Jointly Controlled Entity ('JCE') on the basis of financial statements of the JCE audited by other auditors and translated at the period end rate for assets and liabilities and average rate for income and expenses.

		(Rs. Million) December 31, 2005
I.	Assets	
	1. Fixed Assets	27.21
	2. Current Assets	
	a) Accounts receivable and prepayments	0.58
	b) Bank balance and cash	97.42
II.	Liabilities	
	1. Accounts Payables and accruals	47.62
III.	Income	
	1. Admission Fees	47.21
	2. Interest income	0.52
	3. Other Income	0.02
IV.	Expenses	
	1. General and administrative expenses	10.60
	2 Selling and marketing expenses	5.48

ANNEXURE V : STATEMENT OF DIVIDEND PAID

(Rs. Million)

	Financial year ended			**Nine months ended**	
	March 31, 2003	**March 31, 2004**	**March 31, 2005**	**December 31, 2004**	**December 31, 2005**
Equity share capital	0.50	150.50	215.10	210.90	353.57
Rate of dividend	-	-	10%	-	-
Amount of dividend	-	-	21.51	-	-
Corporate dividend tax	-	-	3.02	-	-

ANNEXURE VI: PRINCIPAL TERMS OF LOANS TAKEN AND ASSETS CHARGED AS SECURITIES

ANNEXURE VI (A): SECURED LOANS

(Rs. Million)

	As at				
	March 31, 2003	**March 31, 2004**	**March 31, 2005**	**December 31, 2004**	**December 31, 2005**
<u>Secured loan</u>					
Vehicle loan	-	0.51	0.43	0.45	-
Bank overdraft account	-	0.82	-	-	-
Total secured loan	**-**	**1.33**	**0.43**	**0.45**	**-**

Notes:

a) Vehicle loan upto March 31, 2005 were secured by hypothecation of motor vehicle. These loans have been repaid during the year ended December 31, 2005. The rate of interest was approximately 8.80%

(Rs. Million)

	As at				
	March 31, 2003	**March 31, 2004**	**March 31, 2005**	**December 31, 2004**	**December 31, 2005**
b) Fixed deposits lien with banks for overdraft facilities and bank guarantee	-	10.60	139.38	48.43	197.31

ANNEXURE VI (B): UNSECURED LOANS

(Rs. Million)

	As at				
	March 31, 2003	**March 31, 2004**	**March 31, 2005**	**December 31, 2004**	**December 31, 2005**
<u>Unsecured loan</u>					
Financial Technologies (India) Limited (Holding Company)	7.53	9.04	-	-	-
Interest accrued and due	-	0.27	**-**	**-**	**-**
Total unsecured loan	**7.53**	**9.31**	**-**	**-**	**-**

Note:

Loan from holding company was unsecured and repayable on demand not earlier than September 30, 2003 and carried interest @ 14% per annum.

ANNEXURE VII : STATEMENT OF ACCOUNTING RATIOS

		Financial year ended			Nine months ended	
		March 31, 2003	**March 31, 2004**	**March 31, 2005**	**December 31, 2004**	**December 31, 2005**
(Loss)/profit, as restated (Rs. Million)	A	(7.37)	(17.03)	100.61	83.33	277.50
Equity shares outstanding at the year /period end (Nos)	B	50,000	15,050,000	21,510,000	21,090,000	35,356,825
Weighted average equity number for basic earning per share	C	47,096	6,009,041	18,941,397	18,203,092	33,694,488
Add: Potential dilutive number of equity shares (Share application money)		-	-	1,000,000	91,418	374,969
Weighted average number of equity shares for diluted earnings per share	D	47,096	6,009,041	19,941,397	18,294,510	34,069,457
Networth (Rs. Million)	E	(6.87)	130.30	276.78	269.83	787.68
<u>Ratios:</u>						
Basic Earning Per Share (Rs.)	A/C	(156.49)	(2.83)	5.31	*4.58	*8.24
Diluted Earning Per Share (Rs.)	A/D	(156.49)	(2.83)	5.05	*4.55	*8.15
Net Asset Value Per Share (Rs.)	E/B	(137.40)	8.66	12.87	12.79	22.28
Return on Net Worth (%.)	A/E	(107.28)	(13.07)	36.35	30.88	35.23

* Not annulised

Note: Ratios have been computed on the basis of restated summary statements for the respective years / periods.

ANNEXURE VIII : TAX SHELTER STATEMENT

(Rs. Million)

	Financial year ended			Nine months ended
	March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2005
(Loss)/Profit before tax as per audited financial statement	-	(34.17)	156.58	380.13
Tax rate % (including surcharge and cess)	36.75	35.88	36.59	33.66
Tax at notional rate (A)	**-**	**(12.26)**	**57.30**	**127.95**
Adjustments :				
Permanent Difference :				
Dividend from mutual funds	-	-	(2.71)	(42.38)
Expenses disallowed	-	0.50	3.70	4.62
Profit/Loss of Tax Exempt Units	-	-	-	(38.71)
Pre-operative expenses written off	-	6.79	-	-
Total	**-**	**7.29**	**0.99**	**(76.47)**
Timing Difference :				
Depreciation	-	(57.10)	(27.73)	(13.54)
Gratuity and leave encashment	-	0.16	0.44	1.06
Preliminary expenses	-	0.72	(0.18)	(0.14)
Loss on diminutions in value of current investments	-	-	-	0.02
Business loss and depreciation	-	83.11	-	-
Set off of business loss and depreciation	-	-	(83.11)	-
Expenses allowable under section 40(a) of the Income Tax Act, 1961	-	-	-	(7.03)
Total	**-**	**26.89**	**(110.58)**	**(19.63)**
Net Adjustments (B)	**-**	**34.18**	**(109.59)**	**(96. 10)**
Tax Saving Thereon (C)	**-**	**12.26**	**(40.10)**	**(32.35)**
Provision for income tax (A+C)	-	-	17.20	95.60
Prior period tax	-	-	-	2.48
Deferred tax	-	-	28.22	3.83
Total Provision for tax	**-**	**-**	**45.42**	**101.91**
(Loss)/Profit as per Income Tax Returns	**-**	**(83.11)**	**53.79**	**-**
Tax as per income tax returns	**-**	**-**	**19.68**	**-**

Note:

The above statement has been prepared based on the (loss)/profit as per the audited financial statements and is not based on the (loss)/profit as per 'Summary of Profits and Losses, as restated'.

ANNEXURE IX : CAPITALISATION STATEMENT

(Rs. Million)

Particulars	**Pre Issue As at December 31 , 2005**	**As Adjusted For Issue (see notes below)**
Short term debt	-	-
Long term debt	-	-
Total debt	**-**	**-**
Shareholders' Funds		
1.Share capital	353.57	[ ]
2.Share application money	-	-
3. Reserves	434.11	[ ]
Total Shareholders' Funds (Networth)	**787.68**	**[ ]**
Long Term Debt / Share Capital	-	-
Total Debt / Networth	-	-
Total Debt / Share Capital	-	-

Notes:

1. Since December 31, 2005 (the last date till which financial statements have been prepared), the Company has issued 3,600,000 equity shares of Rs. 10 each at a premium of Rs. 590/- per share.

(Rs. Million)

Allotted to	**Share Capital**	**Securities Premium**	**Total**
FID Funds (Mauritius) Ltd.	36.00	2,124.00	2,160.00

2. Share capital and Reserves post – issue would be further updated after the conclusion of the book building process.

ANNEXURE X : STATEMENT OF OTHER INCOME

(Rs. Million)

Particulars	Financial year ended			Nine months ended		Nature of income
	March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005	
Dividend from investments						
- Current investments	-	-	2.05	0.07	32.29	Recurring
- Long term investments	-	-	0.66	-	10.09	Recurring
Interest on bank deposits	-	1.01	23.98	15.83	16.63	Recurring
Interest others	-	-	-	-	0.48	Non Recurring
Deposit appropriation	-	0.53	6.83	4.37	11.41	Recurring
Profit on sale of investments (net)	-	-	-	-	0.68	Recurring
Penalties from members	-	-	-	0.47	6.37	Recurring
Vendor empanelment fees	-	-	-	1.25	2.29	Recurring
Certification fees	-	-	-	-	1.16	Recurring
Miscellaneous income	-	0.03	5.44	0.21	0.20	Recurring
Total other income	**-**	**1.57**	**38.96**	**22.20**	**81.60**	

ANNEXURE XI: STATEMENT OF SUNDRY DEBTORS AND LOANS AND ADVANCES.

(A) STATEMENT OF SUNDRY DEBTORS

(Rs. Million)

Particulars	As at March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
Secured and considered good:					
Outstanding for a period exceeding six months	-	-	-	-	-
Others	-	-	13.98	11.51	66.79
Unsecured and considered good:					
Outstanding for a period exceeding six months	-	-	-	-	-
Others	-	-	-	-	45.20
Total sundry debtors	**-**	**-**	**13.98**	**11.51**	**111.99**

Note: Secured debtors are secured by cash margins / bank guarantees / fixed deposit receipts and hypothecation of movables such as commodities, securities etc. from members.

(B) STATEMENT OF LOANS AND ADVANCES

(Rs. Million)

Particulars	As at March 31, 2003	March 31, 2004	March 31, 2005	December 31, 2004	December 31, 2005
Unsecured and considered good:					
Advances recoverable in cash or kind or for value to be received	-	1.14	24.72	9.25	140.18
Advance tax paid including tax deducted at source.	-	0.21	15.69	3.68	117.16
Premises and other deposits	0.06	3.17	13.38	13.20	34.65
Total loans and advances	**0.06**	**4.52**	**53.79**	**26.13**	**291.99**

ANNEXURE XII: STATEMENT OF INVESTMENTS

(Amount in Rs. Million)

		As at December 31, 2004		
		No. of Units	Face Value	Amount
A	**Long Term: (Unquoted) [at cost] Non-Trade**			
	In units of mutual fund			
1	G30 Grindlays Fixed maturity – 5th Plan-Dividend	2,000,000	10	20.00
2	Reliance Fixed Term Scheme – Monthly Plan - Dividend Option	2,000,000	10	20.00
B	**Current: (Unquoted) [At cost / Fair Value Whichever is lower] Non – Trade**			
	In units of mutual funds:			
1	Birla cash plus Institutional Plan – Daily Dividend Option	3,709,111	10	40.07
	Grand Total (A+B)			**80.07**

(Amount in Rs. Million)

Sr. No.	Particulars	As at March 31, 2005			As at December 31, 2005		
		No. of shares	Face Value	Amount	No. of shares	Face Value	Amount
	Long Term : (unquoted) [At Cost] Non – Trade						
A	**In Equity Shares**					**USD**	
	Dubai Gold and Commodities Exchange – DMCC	-	-	-	1000	1000	43.70
	Total (A)	**-**	**-**	**-**	**1000**	**1000**	**43.70**

(Amount in Rs. Million)

Sr. No.	Particulars	As at March 31, 2005 No. of Units	Face Value	Amount	As at December 31, 2005 No. of Units	Face Value	Amount
B.	**In units of Mutual Funds**						
1	Chola Fixed Maturity plan – Series (Qtrly – plan –1) Dividend	-	-	-	2,000,000	10	20.00
2	G30 Grindlays Fixed Maturity - 5th Plan – Dividend	2,000,000	10	20.00	2,000,000	10	20.00
3	ING Vysya Fixed Maturity Fund Series II – Growth Option	1,000,000	10	10.00	1,000,000	10	10.00
4	LIC Fixed Maturity Plan Series 1 Year Growth Plan	-	-	-	10,000,000	10	100.00
5	Reliance Fixed Maturity Fund – Series II Annual Plan-Growth Option	-	-	-	10,000,000	10	100.00
6	Reliance Fixed Term Scheme - Monthly Plan - Dividend Option	3,000,000	10	30.00	11,000,000	10	110.00
7	Reliance Fixed Term Scheme - Quarterly Plan - Dividend Option	3,000,000	10	30.00	18,000,000	10	180.00
8	SBI - Magnum Debt Fund Series - Growth Option (15 Months)	5,000,000	10	50.00	5,000,000	10	50.00
9	Kotak Flexi Debt Scheme-Dividend	-	-	-	13,817,957	10	140.00
10	Birla FMP – Series 1 Quarterly - Dividend Payout	1,997,483	10	20.00	-	-	-
11	Prudential ICICI FMP - Quarterly Dividend Series – XXVI	2,000,000	10	20.00	-	-	-
12	SBI – Magnum Debt Fund Series - Dividend Option	1,000,000	10	10.00	-	-	-
13	ING Vysya Fixed Maturity Fund Series IV	-	-	-	5,000,000	10	50.00
14	Reliance Fixed Tenor Fund Plan A - Growth Plan	-	-	-	1,000,000	10	10.00
15	SBI - Magnum Debt Fund Series – (13 Months) Growth Option	-	-	-	5,000,000	10	50.00
16	SBI - Magnum Debt Fund Series – (180 Days) (Nov 05) – Dividend Option	-	-	-	3,500,000	10	35.00

(Amount in Rs. Million)

Sr. No.	Particulars	As at March 31, 2005 No. of Units	Face Value	Amount	As at December 31, 2005 No. of Units	Face Value	Amount
17	Kotak FMP Series XII	-	-	-	5,000,000	10	50.00
18	DSP Merrill Lynch FTP Series I – Dividend	-	-	-	2,000,000	10	20.00
19	UTI Fixed Maturity Plan (QFMP/1205) (Dividend plan)	-	-	-	3,000,000	10	30.00
20	UTI Fixed Maturity Plan (QFMP/1105/11) (Dividend Plan)	-	-	-	5,000,000	10	50.00
21	Chola Liquid Inst. Plus Cummulative	-	-	-	97,60,033	10	135.00
22	Canfloating Rate Short Term dividend Fund	-	-	-	48,56,095	10	50.49
	Total (B)			**190**			**1,210.49**

(Amount in Rs. Million)

Sr. No.	Particulars	As at March 31, 2005 No. of Units	March 31, 2005 Face Value	March 31, 2005 Amount	December 31, 2005 No. of Units	December 31, 2005 Face Value	December 31, 2005 Amount
	Current: (Unquoted) [At Cost/Fair Value whichever is lower] Non –Trade						
C.	In units of mutual funds						
1	ING Vysya Liquid Fund – Daily Dividend Option	1,855,653	10	20.00	7,575,255	10	81.68
2	Birla Cash Plus Institutional Plan - Daily Dividend Option	3,287,176	10	35.51	4,324,113	10	46.71
3	Birla Cash Plus Institutional Premium Plan - Div-Reinvestment	-	-	-	5,000,156	10	50.10
4	HDFC Cash Management Fund - Savings Plan – Daily Dividend	8,981,150	10	95.53	-	-	-
5	Kotak Liquid (Institutional Premium) Weekly Dividend Principal Cash	-	-	-	17,224,435	10	172.81
6	Principal Cash Management Fund Liquid Option - Instl. Plan - Dividend (Daily Reinvestment)	-	-	-	16,515,484	10	165.19
7	HSBC Floating Rate Income Fund –STP – Institutional Option	-	-	-	80,35,238	10	80.46
8	SBI Magnum Institutional Income Fund – Savings Plan	5,533,812	10	55.52	4,926,656	10	49.43
9	TATA Floating Rate Short Term Inst. Plan - Daily Dividend	-	-	-	7,259,939	10	72.67
10	Templeton Floating Rate Income Fund	7,035,419	10	70.48	8,285,344	10	83.01
11	DSP Merrill Lynch Floating Rate Fund	-	-	-	180,501	1000	180.57
12	LIC MF Floating Rate Fund	-	-	-	9,417,499	10	95.00
13	UTI Floating Rate Short Term Plan (Dividend Option)	-	-	-	19,545,223	10	197.18
	Total (C)			**277.04**			**1,274.81**
	Total (A+B+C)			**467.04**			**2,529.00**

Note : As at March 31, 2003 and 2004, there were no investments made by the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our restated Indian GAAP financial statements for the fiscal years ended March 31, 2004 and 2005 and for the nine months ended December 31, 2004 and 2005, including the significant accounting policies and notes thereto and reports thereon appearing elsewhere in this Draft Red Herring Prospectus. Indian GAAP differs in significant respects from IFRS and U.S. GAAP.

Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year.

Overview

We are an independent, de-mutualized exchange with permanent recognition from the Government of India to facilitate nationwide online trading, clearing and settlement operations for the commodities futures market. The total value of contracts traded on our exchange between April 1, 2005 and December 31, 2005 was approximately Rs. 5,583,692 million (US$124,220.07 million). According to data maintained by the Forward Markets Commission, this amount represented approximately 40.23% of the market share of the Indian commodities industry in terms of the value of commodities traded in futures markets during that period, as the total value of contracts traded on all national commodities exchanges in India between April 1, 2005 and December 31, 2005 was Rs.13,877,851 million (US$308,740 million).

We focus on offering futures trading in commodities which are significant in the Indian and global context and traded on international exchanges. As of December 31, 2005, we offered futures trading in 58 commodities from various market segments including bullion, energy, ferrous and non-ferrous metals, oils and oil seeds, cereals, pulses, plantations, spices, plastics and fibers. Among the top ten commodity derivative exchanges in the world, and we were the world's second largest silver exchange and world's third largest gold exchange in terms of the trading volume for each of these commodities, during the period January 1, 2005 to December 31, 2005.

We strive to be at the forefront of developments in the commodities future industry in India. We were the first exchange in India to offer trading in steel futures, and the first in India to launch futures trading in crude oil. In August 2005, we introduced trading in plastics futures, making us one of only two exchanges among the top ten commodity exchanges in the world to offer trading in this commodity, along with the London Metal Exchange. We have formed strategic alliances with international exchanges to introduce new types of futures contracts in India, such as contracts based on gas emissions and ocean freight rates, in anticipation of expected government regulations permitting the trading of intangible futures in India. We were the first exchange in India to initiate evening sessions to coincide our trading with trading on Commodity exchanges in Tokyo, Shanghai, London, New York and other international markets. We are certified under ISO 9001:2000 Quality Standards with respect to our trading, settlement and delivery mechanisms.

In fiscal 2005 our total revenues were Rs.336.54 million (US$7.49 million) and our net profit after tax was Rs.100.61 million (US$2.24 million). In the nine months ended December 31, 2005 our total revenues were Rs.649.23 million (US$14.44 million) and our net profit after tax was Rs.277.50 million (US$6.17 million).

Key Factors Affecting Our Results of Operations

Our financial condition and results of operations are affected by numerous factors. We believe the following are of particular importance:

Growth in the Indian economy. General economic conditions in India have a significant impact on our results of operations. According to statistics maintained by the World Trade Organization, the Indian economy has grown rapidly over the past decade, with real GDP growth averaging approximately 6% annually, and is expected to continue to grow at an equal or higher rate in the future. We believe growth in the overall economy is expected to drive the underlying demand for commodities. As the consumption of physical commodities increases in India, it is expected that the volumes of commodities derivatives being traded will also increase. We expect an overall increase in the volume of commodities being traded in India to result in an increase in trading volumes on our futures exchange, which in turn is expected to have a positive impact on our results of operations.

Trading volumes and contract values. The volume and value of contracts traded on our exchange have a direct impact on our revenues, as our transaction fees are calculated on the basis of the value of contracts traded on our exchange, which is in turn affected by trading volume. Trading volume is primarily influenced by factors outside our control. These external factors include: price volatility in the underlying commodities, government initiatives to promote the commodity industry and other government changes to monetary, fiscal agricultural or trade policies, the number of market participants, domestic and international economic, political and market conditions, domestic and international trends in demand, supply and prices, weather conditions in relation to agricultural commodities, interest rates, foreign exchange rates and inflation, among others. Each of these factors has contributed to increased trading volumes on our exchange. While not certain, we expect that the favorable factors that contributed to recent volume increases will continue to contribute to future volume levels. However, additional factors may arise that could offset future increases in contract trading volume or result in a decline in contract trading volume, such as new or existing competition or other events.

New product offerings. Our revenues are dependent on the type and number of products we offer on our exchange. Under current regulations, the Forward Markets Commission ("FMC") must approve of all commodities and contracts that can be traded on any exchange in India. Although not currently permitted, GoI may allow trading in options and intangibles. We have already made plans to develop such products and to launch them on our exchange once they are approved for trading in India. We expect that our introduction of these and other new products may result in increased trading activity on our exchange which we expect to have a positive impact on our revenues.

Technological advancements. The successful operation of our business, and our operating results, are dependent in part on our efficient use and deployment of technology. Our electronic platform is supported by advanced technology which enables our exchange to operate efficiently and reliably, allowing our members immediate trade execution, anonymity and price transparency, and providing prompt and reliable order routing, trade reporting, market data dissemination and market surveillance. At present, our online exchange is accessible through multiple mediums of connectivity including VSAT, leased lines, the Internet and mobile phones. We expect that advances in technology will enable us to provide more efficient trade execution services, increase our economies of scale, and increase connectivity options to our exchange, all of which are expected to have a positive impact on our revenues.

Regulatory developments. Government initiatives play an important role in the development of the commodities industry in India. Although not currently permitted, GoI may allow trading in options and intangibles. GoI may also permit Mutual Funds, FIIs and banks to invest in commodity derivatives in India. If allowed, we believe these and other government initiatives will result in increased market activity and contribute to the overall growth of the Indian commodities futures market.

Competition. Our results of operations are affected by competition in the commodities exchange industry in India. We compete primarily against two other national, fully electronic commodity exchanges in India: the NCDEX and NMCE. We expect competition to intensify as these competitors further expand their product offerings and market presence, and if new competitors enter the market.

Revenues

We derive our revenues primarily from transaction fees, admission fees, application processing fees, subscription fees, terminal charges, deposit appropriation, dividends from investments and interest income and miscellaneous income. The following table sets forth select information for the breakdown of our revenues, expressed in terms of millions of Indian rupees and U.S. dollars, and as a percentage of total revenues, for the periods indicated:

	Year ended March 31,						Nine Months Ended December 31,					
	2004			2005			2004			2005		
	Rs.	US$[1]	%	Rs.	US$[1]	%	Rs.	US$[1]	%	Rs.	US$[1]	%
	(millions, except percentages)											

Revenue												
Transaction fees	-	-	-	53.07	1.18	16%	26.28	0.58	11%	322.23	7.17	50%
Admission and Application Processing fees	42.19	0.94	97%	217.44	4.84	64%	184.60	4.11	74%	160.72	3.58	25%
Dividends from current and long-term investments and interest from bank deposits	1.01	0.02	2%	26.69	0.59	8%	15.90	0.35	6%	59.01	1.31	9%
Content development/Know-How fees	-	-	-	-	-	-	-	-	-	45.79	1.02	7%
Other	0.56	0.01	1%	39.34	0.88	12%	23.08	0.51	9%	61.48	1.37	9%
Total Revenues	**43.76**	**0.97**	**100%**	**336.54**	**7.49**	**100%**	**249.86**	**5.55**	**100%**	**649.23**	**14.45**	**100%**

(1) Calculated for convenience purposes only at the noon buying rate for Rupees in the City of New York on December 30, 2005, which was Rs.44.95 = US$1.00.

Transaction Fees. Transaction fees consist of fees we charge to our members for the execution of trades. Both buyers and sellers are charged transaction fees. The fee charged to a member in any month depends on the average daily Turnover generated by the member in the previous month according to the following scale:

Average Daily Turnover	Transaction Fee
Up to Rs.200 million (US$4.45 million) (1)	Rs.4 (US$0.09) (1) per Rs.100,000 (US$2,224.69) (1) of Turnover
Rs.200 million (US$4.45 million) (1) up to Rs.1000 million (US$ 22.25 million) (1)	Rs.3 (US$0.07) (1) per Rs.100,000 (US$2,224.69) (1) of Turnover
Rs.1000 million (US$22.25 million) (1) to Rs.2,500 million (US$55.62 million) (1)	Rs.2 (US$0.04) (1) per Rs.100,000 (US$2,224.69) (1) of Turnover
On incremental volume above Rs.2,500 million (US$55.62 million) (1)	Rs.1 (US$0.02) (1) per Rs.100,000 (US$2,224.69) (1) of Turnover

(1) Calculated for convenience purposes only at the noon buying rate for Rupees in the City of New York on December 30, 2005, which was Rs.44.95 = US$1.00.

We calculate the average daily Turnover for all futures contracts traded by our members at the end of each month by dividing the total Turnover for each member during that month by the total number of trading days during that month, excluding Saturdays. We collect transaction fees by debiting the appropriate amounts from our members' settlement accounts during the first week of the month following the month for which transaction fees were calculated. From April 1, 2004 to September 30, 2004 we only charged transaction fees for gold and silver products. After September 30, 2004, we charged transaction fees for all commodities traded on our exchange.

Transaction fees have accounted for an increasingly large part of our revenues. In fiscal 2004, they were nonexistent as we began our operations in November 2003 and, in order to attract customers, we only charged transaction fees for gold and silver from April 1, 2004 onwards and waived transaction fees for all other commodities until September 30, 2004. In fiscal 2005, transaction fees accounted for 16% of our revenues. In the nine months ended December 31, 2005, transaction fees overtook admission and subscription fees as the primary source of our revenues and contributed 50% of our revenues. The following table indicates our transaction fees for all commodities traded on our exchange over our last five fiscal quarters:

	October 1, 2004 to December 31, 2004	January 1, 2005 to March 31, 2005	April 1, 2005 to June 30, 2005	July 1, 2005 to September 30, 2005	October 1, 2005 to December 31, 2005
Total Transaction Fees (Rs. million)	15.38	26.95	60.60	111.27	150.36
Total Transaction Fees (US$ million)(1)	0.34	0.60	1.35	2.48	3.35

(1) Calculated for convenience purposes only at the noon buying rate for Rupees in the City of New York on December 30, 2005, which was Rs.44.95 = US$1.00.

Revenues from our transaction fees are calculated as a percentage of the value of contracts traded on our exchange, which is in turn related to the volume of contracts traded on our exchange. While transaction fee rates are established by us, trading volume is primarily influenced by factors outside our control.

Generally, we have experienced increases in the overall value of contracts traded on our exchange since we began our operations in November 2003. For the nine months ended December 31, 2004 and December 31, 2005, the total value of contracts traded on our exchange, calculated on a per-side basis, was Rs.915,664.69 million (US$20,370.74 million) and Rs.5,583,692 million (US$124,220.07 million), respectively. Correspondingly, transaction revenues have increased from Rs.26.28 million (US$0.58 million) to Rs.322.23 million (US$7.17 million) during these periods. Our average daily volumes were Rs4,239.19 million (US$ 94.31 million) and Rs. 23,861.93 million (US$ 530.85 million) for the nine months ended December 31, 2004 and December 31, 2005, respectively.

Recent growth in the value of contracts traded on our exchange is largely attributable to growth in the trading volume of key commodities traded on our exchange such as gold, silver and crude oil, the introduction of new commodities futures products on our exchange, increased volatility in the commodities market and the expansion of our market which resulted in an increase in our membership base, as well as the increase in the prices of gold, silver and crude oil.

While not certain, we expect that the factors that contributed to recent volume increases will continue to contribute to increases in future volume levels. Therefore, if these same factors continue to exist, we may experience increases in contract trading volume. However, additional factors may arise that could offset future increases in contract trading volume or result in a decline in contract trading volume, such as new or existing competition, declines in the prices of key commodities or other events. Accordingly, our recent contract trading volume history may not be an indicator of future contract trading volume results.

Admission Fees. Admission fees consist of non-refundable, one-time charges to our members for the right to trade on our exchange, which are collected from members at the time of registration. The amount of fees charged to each member varies according to the type of membership. Our members are classified into three general categories:

- Trading Cum Clearing Members ("TCM"), which are divided into two sub-categories: Non-Deposit Based Members and Deposit-Based Members;
- Institutional Trading cum Clearing Members ("ITCM"), each of which is authorized to appoint sub-brokers and agents who are permitted to trade as Trading Members ("TMs"); and
- Professional Clearing Members ("PCM")

We have progressively increased the amount of admission fees we charge our members. The following table indicates the amount of admission fees we charged to our members for the periods indicated:

	As of November 30, 2003	**December 1, 2003 to September 1, 2004**	**September 2, 2004 to July 4, 2005**	**July 5, 2005 to December 31, 2005**
TCM –Non Deposit Based[(1)]	Rs.250,000 (US$5,561.74)	Rs.350,000 (US$7,786.43)	Rs.500,000 (US$11,123.47)	Rs.750,000 (US$16,685.21)
TCM – Deposit Based[(1)(2)]	-	-	-	Rs.375,000 (US$8,342.60)
ITCM[(1)]	Rs.500,000 (US$11,123.47)	Rs.500,000 (US$11,123.47)	Rs.1,000,000 (US$22,246.94)	Rs.750,000 (US$16,685.21)
PCM[(3)]	Nil	Nil	Nil	Nil

(1) Calculated for convenience purposes only at the noon buying rate for Rupees in the City of New York on December 30, 2005, which was Rs.44.95 = US$1.00

(2) We did not offer Deposit-Based TCM memberships until September 1, 2004 and did not initially charge application processing fees until July 5, 2005 to encourage membership enrollment.

(3) We do not charge admission fees for PCM memberships.

Membership. For a detailed description of the types of membership and the particulars for each category of membership, see "Business - Membership" appearing on page 67 of this Draft Red Herring Prospectus. As of March 31, 2005, the number of members on our exchange was 843, an increase of 363% over the number of members who were on our exchange as of March 31, 2004, which was 182. This resulted in an increase in the revenue generated by admission and application processing fees in the amount of Rs.175.25 million

(US$3.90 million) in fiscal 2005. As of December 31, 2005 the number of members registered on our exchange was 1,115.

The following table provides information about our membership base as of the dates indicated:

	Number of Members as of			
Membership Category	**March 31, 2004**	**March 31, 2005**	**December 31, 2004**	**December 31, 2005**
TCM – Non Deposit Based	179	809	725	1,055
TCM – Deposit Based	-	7	3	32
ITCM	3	14	13	14
PCM	-	2	1	2
TM	-	11	10	12
Total	**182**	**843**	**752**	**1,115**

Value of Contracts. The following table presents key information on the value of contracts traded on our exchange for gold, silver and crude oil, which were the top three products traded on our exchange during the nine months ended December 31, 2005, for the periods indicated:

(1) Trading on our exchange commenced on November 10, 2003.

	Fiscal						Nine Months Ended December 31,					
	2004			2005			2004			2005		
	Value		%	Value		%	Value		%	Value		%
Product	**Rs.**	**US$**	**Total**	**Rs.**	**US$**	**Total**	**Rs.**	**US$**	**Total**	**Rs.**	**US$**	**Total**
	(in millions, except percentages)											
Gold	21,649.04	481.62	88.03	563,662.53	12,539.77	33.85	383,956.13	8,541.85	41.93	1,658,483.09	36,896.18	29.70
Silver	2,783.59	61.93	11.32	829,280.59	18,448.96	49.80	462,274.69	10,284.20	50.49	1,668,036.72	37,108.71	29.88
Crude Oil(1)	-	-	-	19,001.37	422.72	1.14	-	-	-	1,377,671.47	30,648.98	24.67
Other Products	159.85	3.56	0.65	253,317.86	5,635.55	15.21	69,443.87	1,544.69	7.58	879,500.72	19,566.20	15.75
Total Value	24592.48	547.11	100.00	1,665,262.35	37,047	100.00	915,664.69	20,370.74	100.00	5,583,692.00	124,220.07	100.00

(2) The trading of contracts based on crude oil commenced on our exchange on February 9, 2005.
(3) Figures calculated on a per-side basis
(4) Calculated for convenience purposes only at the noon buying rate for Rupees in the City of New York on December 30, 2005, which was Rs.44.95 = US$1.00

Application Processing Fees. Application processing fees are one-time fees which we charge our members at the time of registration in connection with processing membership applications. In fiscal 2004 and fiscal 2005, we charged each of our new members an application processing fee in the amount of Rs.1,000 (US$22.25). Beginning on July 5, 2005, we increased the amount of our application processing fees to Rs.10,000 (US$222.47).

Subscription Fees. Subscription fees consist of annual fees we charge to our members for the continued right to trade on our exchange. Regardless of type of membership, we charge our members a subscription fee in the amount of Rs.25,000 (US$556.17) at the time of registration of membership, and thereafter on April of each year.

In fiscal 2004, admission, application and subscription fees were our only source of operating income. In the nine months ended December 31, 2005, admission fees have been overtaken by transaction charges as our predominant source of income.

Terminal Charges. We charge customers terminal charges for allotment of membership identification numbers ("IDs") that enable customers to connect to our electronic trading platform. For members who connect to our exchange via a VSAT or leased line, we charge a monthly fee in the amount of Rs.1,000 (US$22.25) which entitles our members to three trading IDs that can be used by the members and their clients. Thereafter, we charge our members Rs.1,000 (US$22.25) per month for each additional trading ID above the three trading ID's assigned for each VSAT or leased line. For our members who connect to our exchange through a computer to computer link ("CTCL") gateway, we also charge a monthly fee of Rs.1,000 (US$22.25) for each membership ID. Alternatively, in lieu of monthly terminal charges, members may pay in advance the sum of Rs.10,000 (US$222.47) which entitles them to connect to our exchange for a period of twelve months.

Dividends from Current and Long-term Investments and Interest from Bank Deposits. We invest all of our surplus cash, including internal accruals and funds deposited by members with the exchange, in a variety of investment instruments including short-term and long-term mutual funds and interest-bearing bank accounts. These investments are mostly liquid funds. Based on our past experience, we have kept a substantial portion of our investments in long-term funds: as of December 31, 2005, 44% of our investments were in long-term funds, 46% were in short term funds and 10% were invested in fixed deposits with banks. As per our internal policy, all of our investment decisions are approved of by our Investment Committee.

The amount of revenue we earn from our investments is partially affected by the value of the open interest positions on our exchange, which in turn affects the amount of margins we require our members to deposit with our exchange. Our exchange collects margins from members for all open positions on our exchange which we then invest in interest bearing bank accounts. Accordingly, if the aggregate open positions of members decrease, our corresponding interest income will also decrease. The following table presents information on the volume of open interest for gold, silver and crude oil in quantities, the top three commodities traded on our exchange, for the periods indicated below:

Product	Fiscal		Nine months ended December 31,	
	2004 Open Interest(3) Volume	2005 Open Interest(3) Volume	2004 Open Interest(3) Volume	2005 Open Interest(3) Volume
Gold (kg)	372.57	2,988.90	2,415.33	9,413.74
Silver (tons)	3.94	158.00	111.31	537.75
Crude Oil ('000 BBL)(2)	-	183.33	-	1445.44

(1) Trading on our exchange commenced on November 10, 2003.
(2) The trading of contracts based on crude oil commenced on our exchange on February 9, 2005.
(3) Open Interest is determined by units.

Deposit Appropriation. Deposit appropriation represents the amount we appropriate each year from the non-refundable VSAT deposit fees paid by our members in connection with the VSAT installation at the members' sites. Once a VSAT is installed at a members' location, it cannot be surrendered to us. In the event that a member surrenders membership, the VSAT equipment will be transferred to the member at its depreciated value which is calculated by us. We amortize the VSAT deposit fees over a period of five years to match the five year depreciation period of the VSAT equipment and credit the amount equal to the depreciation in the VSAT equipment to our revenue.

Other Income. Other income is comprised primarily of penalty fees we charge to our members for any liabilities owed to our exchange or for compliance-oriented defaults, and also includes certain warehouse charges we collect, information vending charges and fees we collect in connection with our training and certification programs.

Content Development/Know-How Fees. In our financial quarter ended December 31, 2005, we billed the amount of Rs.45.79 million (US$1.02 million) for our content development/know how fees and services in respect of verification and validation of software we provided in connection with the establishment of the Dubai Gold and Commodities Exchange DMCC ("DGCX"). We expect to derive similar additional revenue in connection with the development of other new exchanges in the near future, however we do not have any such agreement or arrangement in place at the date of this Draft Red Herring Prospectus.

Expenses

The main components of our expenses include establishment expenses and software support charges, payments to and provisions for employees, rent and service charges, electricity costs, repairs and maintenance costs, legal and professional fees, advertisement expense and business promotion expense, brokerage and commission, miscellaneous expenses, depreciation and amortization, and interest and finance costs.

Establishment Expenses and Software Support Charges. Establishment expenses and software support charges are our most significant expenses and consist primarily of charges we pay pursuant to certain agreements we have entered into with Financial Technologies (India) Ltd. ("FTIL") for the development, installation, implementation of, and support and maintenance services for, the technology for our electronic trading platform. Pursuant to a Technical Services Agreement we have entered into with FTIL, from April 1, 2005 to September 30, 2005, we paid a pay monthly fee for technical support services provided by FTIL in the amount of Rs.4.25 million (US$0.09 million) per month and Rs.1.50 million (US$0.03 million) for establishment expenses. With effect from October 1, 2005, we have paid FTIL a monthly fee of Rs.7.50 million (US$ 0.17 million) per month for technical support services towards modifications and maintenance services for our electronic trading platform. For additional details of our agreements with FTIL, see the section titled "Related Party Transactions" on page 111 of this Draft Red Herring Prospectus. Establishment expenses and software support charges expense accounted for 24% of our total expenses in fiscal 2005 and 21% of our total expenses in the nine months ended December 31, 2005.

Payments to and Provisions for Employees. Payments to and provisions for employees include employee salaries, bonuses, mandatory contributions to employee provident funds, retirement benefits and staff welfare expenses such as food, travel, medical expenses, etc. This expense accounted for approximately 11% of our total expenses in fiscal 2005 and 16% of our total expenses for the nine months ended December 31, 2005. The following table indicates the number of employees employed by us as of the dates indicated.

	Fiscal			**Nine months ended December 31,**		
	2004	**2005**	**% increase**	**2004**	**2005**	**% increase**
Number of Employees	24	98	308	85	227	167

Rent and Service Charges. Rent and service charges consist of costs we incur in connection with our registered office in Mumbai and other office space leased by us in Delhi, Hyderabad, Kolkata, Ahmedabad, Cochin and Pune. Rent and service charges accounted for 5% of our total expenses in fiscal 2005 and 6% of our total expenses in the nine months ended December 31, 2005.

Legal and Professional Fees. Legal and professional fees consist of fees paid to legal and financial professionals and commodity and industry specialists. Legal and professional fees accounted for 6% of our total expenses in fiscal 2005 and 5% of our total expenses in the nine months ended December 31, 2005.

Travelling and Conveyance Expense. Travelling and conveyance expense consist of costs incurred in traveling for business promotion and development. Travelling and conveyance expense accounted for 6% of our total expenses in fiscal 2005 and 4% of our total expenses in the nine months ended December 31, 2005.

Advertisement Expense and Business Promotion Expense. Advertisement expense and business promotion expense consist primarily of media, print and other advertising expenses, as well as expenses incurred to introduce new products and promote our existing products and services. These expenses accounted for 9% of our total expenses in fiscal 2005 and 9% of our total expenses in the nine months ended December 31, 2005.

Market Development Fees, Sponsorship and Seminar Expense. Market development fees, sponsorship and seminar expense consist primarily of expenses incurred to introduce new products and promote our existing products and services. This expense accounted for approximately 3% of our total expenses in fiscal 2005 and 9% of our total expenses in the nine months ended December 31, 2005.

Other Operating Expenses. Other operating expense include printing and stationery expenses, communication expense, insurance, rent paid for warehouse space, employee recruitment and training expenses, security expense, auditors' remuneration, directors' sitting fees, board meeting expenses, security expenses, books and periodicals and other general expenses. These expenses accounted for 14% of our total expenses in fiscal 2005 and 14% of our total expenses in the nine months ended December 31, 2005.

Depreciation/Amortization. Depreciation and amortization expense results primarily from the amortization of leasehold improvements and software licenses as well as depreciation of fixed assets including furniture, office equipment and computer hardware, networking equipment, and vehicles.

Interest. Interest includes interest paid on secured loans from FTIL and to finance the purchase of vehicles. As of December 31, 2005, we had no outstanding borrowings.

Taxation

Current tax. Current tax is the provision made for income tax liability on the profits for the applicable financial period in accordance with applicable tax law.

Deferred tax. Deferred tax arises from timing differences between book profits and taxable (accounting) profits that originates in one period and is capable of reversal in one or more subsequent periods, and is measured using tax rates and laws that have been enacted or substantially enacted as of the date of the balance sheet.

Results of Operations

The following table sets forth selected statement of operations information for the periods indicated.

	Fiscal					Nine months ended December 31,			
	2004 [1]	**2004**	**2005**	**2005**		**2004**	**2004**	**2005**	**2005**
	Rs.	**US$** [2]	**Rs.**	**US$** [2]		**Rs.**	**US$** [2]	**Rs.**	**US$** [2]
	(in millions)					(in millions)			
Revenue									
Transaction Fees	-	-	53.07	1.18		26.28	0.58	322.23	7.17
Admission and Application Processing Fees	42.19	0.94	217.44	4.84		184.60	4.11	160.72	3.58
Annual Subscription Fees	-	-	16.45	0.37		10.25	0.23	17.28	0.38
Terminal Charges	-	-	10.61	0.24		6.53	0.14	21.61	0.48
Deposit Appropriation	0.53	0.01	6.83	0.15		4.37	0.10	11.41	0.25
Dividends from Current and Long-term Investments and Interest from Bank Deposits	1.01	0.02	26.69	0.59		15.90	0.35	59.01	1.31
Other Income	0.03	-	5.45	0.12		1.93	0.04	11.18	0.25
Content Development/Know-How Fees	-	-	-	-		-	-	45.79	1.02
Total Revenues	**43.76**	**0.97**	**336.54**	**7.49**		**249.86**	**5.55**	**649.23**	**14.44**
Expenses									
Establishment Expense and Software Support Charges	12.00	0.27	43.50	0.97		32.63	0.72	57.00	1.27
Payments to and Provisions for Employees	4.42	0.10	19.66	0.44		12.79	0.28	42.74	0.95
Rent and Service Charges	3.05	0.07	9.16	0.20		6.58	0.15	15.80	0.35
Legal and Professional Fees	6.09	0.13	11.27	0.25		7.91	0.18	14.56	0.32
Travelling and Conveyance	2.62	0.06	10.28	0.23		6.05	0.13	11.63	0.26
Advertisement Expense and Business Promotion Expense	12.05	0.27	17.21	0.38		12.87	0.29	24.70	0.55
Market Development Feesand Sponsorship and Seminar Expense	0.49	0.01	6.65	0.15		2.89	0.06	24.79	0.55
Other Operating Expense	4.82	0.10	24.36	0.55		15.38	0.34	38.76	0.86
Depreciation / Amortization	22.92	0.51	38.34	0.85		27.78	0.62	37.42	0.84
Total expenses	**68.46**	**1.52**	**180.43**	**4.02**		**124.88**	**2.77**	**267.40**	**5.95**
(Loss)/Profit Before Interest and Tax	**(24.70)**	**(0.55)**	**156.11**	**3.47**		**124.98**	**2.78**	**381.83**	**8.49**
Interest	1.85	0.04	0.24	0.01		0.21	0.01	0.92	0.02
(Loss) / Profit Before Tax	**(26.55)**	**(0.59)**	**155.87**	**3.46**		**124.77**	**2.77**	**380.91**	**8.47**
Provision For Tax									
Current Tax (Including Wealth Tax and Prior Period Tax	**-**	**-**	**17.20**	**0.38**		**12.90**	**0.29**	**98.11**	**2.18**
Deferred Tax	**(9.52)**	**(0.21)**	**38.06**	**0.85**		**28.54**	**0.63**	**3.83**	**0.09**
Fringe Benefit Tax	**-**	**-**	**-**	**-**		**-**	**-**	**1.47**	**0.03**
Net (Loss) / Profit After Tax	**(17.03)**	**((0.38)**	**100.61**	**2.23**		**83.33**	**1.85**	**277.50**	**6.17**

(1) Our operations commenced on November 10, 2003.
(2) Calculated for convenience purposes only at the noon buying rate for Rupees in the City of New York on December 30, 2005, which was Rs.44.95 = US$1.00

Nine Months ended December 31, 2005 compared to Nine Months ended December 31, 2004

Revenues

Transaction Fees. Transaction fees increased 1,126% from Rs.26.28 million (US$0.58 million) for the nine months ended December 31, 2004 to Rs.322.23 million (US$7.17 million) for the nine months ended December 31, 2005. This increase was primarily attributable to a 510% increase in total trading volume during the nine months ended December 31, 2005, over the same time period in 2004, an increase in the number of members from 752 as of December 31, 2004 to 1,115 as of December 31, 2005, and an increase in our product offerings from 41 as of December 31, 2004 to 58 as of December 31, 2005. In 2004 we charged transaction fees only on gold and silver products, but in 2005 transaction fees were charged on all products.

Admission and Application Processing Fees. Admission and application processing fees decreased 13% from Rs.184.60 million (US$4.11 million) for the nine months ended December 31, 2004 to Rs.160.72 million (US$3.58 million) for the nine months ended December 31, 2005. This decrease was due to the fact that from the period of April 1, 2004 to December 31, 2004, our membership increased by an addition of 570 members, whereas from the period April 1, 2005 to December 31, 2005, our membership increased by an addition of only 272 members.

Annual Subscription Fees. Annual subscription fees increased 69% from Rs.10.25 million (US$0.23 million) for the nine months ended December 31, 2004 to Rs.17.28 million (US$0.38 million) for the nine months ended December 31, 2005. This increase was due to an increase in the number of members from 752 as of December 31, 2004 to 1,115 as of December 31, 2005.

Terminal Charges. Terminal charges increased 231% from Rs.6.53 million (US$0.14 million) for the nine months ended December 31, 2004 to Rs.21.61 million (US$0.48 million) for the nine months ended December 31, 2005. This increase was due to an increase in the total number of terminals from 3,733 as on December 31, 2004 to 5,941 as on December 31, 2005. In addition, until July 1, 2004, each member was entitled to three membership IDs. After July 1, 2004, each member was entitled to only one membership ID and we charged for additional membership IDs.

Deposit Appropriation. Deposit appropriation increased 161% from Rs.4.37 million (US$0.10 million) for the nine months ended December 31, 2004 to Rs.11.41 million (US$0.25 million) for the nine months ended December 31, 2005. This increase was due to an increase in the total number of members who installed VSATs, from 262 members as on December 31, 2004 to 521 members as on December 31, 2005.

Dividends from Current and Long-term Investments and Interest from Bank Deposits.. Dividends from current and long-term investments and interest from bank deposits. increased 271% from Rs.15.90 million (US$0.35 million) for the nine months ended December 31, 2004 to Rs.59.01 million (US$1.31 million) for the nine months ended December 31, 2005. This increase was due to increases in interest earned on our bank deposits and dividend income generated by our short-term and long-term investments.

Other Income. Other income increased 479% from Rs.1.93 million (US$0.04 million) for the nine months ended December 31, 2004 to Rs.11.18 million (US$0.25 million) for the nine months ended December 31, 2005. This increase was primarily due to revenues we derived from penalties charged to our members for shortage of funds and for non-delivery of goods in the amount of Rs.6.37 million (US$0.14 million), and additional empanelment fees we received for providing CTCL software to members. Our exchange provides a facility to empanelled software vendors providing CTCL/Internet based trading software to our members. We do not charge our members fees for procuring software from these empanelled vendors, but require empanelled vendors to pay a one time non-refundable fee of Rs.1.00 million (US$0.02 million) and an annual fee of Rs.0.25 million (US$0.01 million).

Expenses

Total expenses increased 114% from Rs.124.88 million (US$2.77 million) for the nine months ended December 31, 2004 to Rs.267.40 million (US$5.96 million) for the nine months ended December 31, 2005. The most significant components of this increase were the increase in our employee compensation and benefits expenses and increases in our establishment expense and software support charges.

Establishment Expense and Software Support Charges. Establishment expense and software support charges increased by 75% from Rs.32.63 million (US$0.72 million) for the nine months ended December 31, 2004 to Rs.57.00 million (US$1.27 million) for the nine months ended December 31, 2005. This increase was primarily due to increases in our fees paid to FTIL for management service charges, and for technical services for our exchange software provided by FTIL. This expense was 13% and 9% of our total revenue for the nine months ended December 31, 2004 and for the nine months ended December 31, 2005, respectively.

Payments to and Provisions for Employees. Payments to and provisions for employees increased by 234% from Rs.12.79 million (US$0.28 million) for the nine months ended December 31, 2004 to Rs.42.74 million (US$0.95 million) for the nine months ended December 31, 2005. This increase was primarily due to increased incentive compensation paid to our employees as well as higher costs associated with an increase in the number of employees hired to support our growth. The number of our employees increased from 85 as of December 31, 2004 to 227 as of December 31, 2005. This expense was 5% and 7% of our total revenue for the nine months ended December 31, 2004 and for the nine months ended December 31, 2005, respectively.

Rent and Service Charges. Rent and service charges increased by 140% from Rs.6.58 million (US$0.15 million) for the nine months ended December 31, 2004 to Rs.15.80 million (US$0.35 million) for the nine months ended December 31, 2005. This increase resulted from rent and service charges we incurred in connection with additional office space we leased to support our business growth. The amount of office space we leased increased from 9,000 square feet as of December 31, 2004, to 20,592 square feet as of December 31, 2005. This expense was 3% and 2% of our total revenue for the nine months ended December 31, 2004 and for the nine months ended December 31, 2005, respectively.

Legal and Professional Fees. Legal and professional fees increased by 84% from Rs.7.91 million (US$0.18 million) for the nine months ended December 31, 2004 to Rs.14.56 million (US$0.32 million) for the nine months ended December 31, 2005. This increase was primarily due to increased expenses we incurred for fees paid to commodity and industry specialists. This expense was 3% and 2% of our total revenue for the nine months ended December 31, 2004 and for the nine months ended December 31, 2005, respectively.

Travelling and Conveyance Expenses. Travelling and conveyance expenses increased by 92% from Rs.6.05 million (US$0.13 million) for the nine months ended December 31, 2004 to Rs.11.63 million (US$0.26 million) for the nine months ended December 31, 2005. This increase was primarily due to increase in expenses we incurred for hotel, food, air/train travel, hire of vehicles, local conveyance etc. These expenses were incurred in line with the growth in business. This expense was 2% and 2% of our total revenue for the nine months ended December 31, 2004 and for the nine months ended December 31, 2005, respectively.

Advertisement Expense and Business Promotion Expense. Advertisement expense and business promotion expense increased 92% from Rs.12.87 million (US$0.29 million) for the nine months ended December 31, 2004 to Rs.24.70 million (US$ 0.55 million) for the nine months ended December 31, 2005. This increase was primarily due to increased spending on our corporate branding campaign and expenses incurred in connection with the commencement of our education and certification programs. This expense was 5% and 4% of our total revenue for the nine months ended December 31, 2004 and for the nine months ended December 31, 2005, respectively.

Market Development Fees and Sponsorship and Seminar Expense. Market development fees and sponsorship and seminar expense increased 758% from Rs.2.89 million (US$0.06 million) for the nine months ended December 31, 2004 to Rs.24.79 million (US$0.55 million) for the nine months ended December 31, 2005. Market development fees were incurred for product development and for the promotion of our new products. We also sponsored events and conducted seminars to educate and promote commodities trading. This expense was 1% and 4% of our total revenue for the nine months ended December 31, 2004 and for the nine months ended December 31, 2005, respectively.

Other Operating Expenses. Other operating expenses increased 152% from Rs.15.38 million (US$0.34 million) for the nine months ended December 31, 2004 to Rs.38.76 million (US$0.86 million) for the nine months ended December 31, 2005. This increase was primarily due to increases in our communication expenses, fees paid to auditors, printing and stationary, electricity charges, repairs and maintenance, membership and subscription fees etc. This expense was 6% and 6% of our total revenue for the nine months ended December 31, 2004 and for the nine months ended December 31, 2005, respectively.

Depreciation/Amortization. Depreciation/amortization increased 35% from Rs.27.78 million (US$0.62 million) for the nine months ended December 31, 2004 to Rs.37.42 million (US$0.84 million) for the nine months ended December 31, 2005. This increase was due to depreciation charges on additional networking equipment, computer hardware and furniture and fixtures we purchased in 2005 to support the business expansion. This expense was 11% and 6% of our total revenue for the nine months ended December 31, 2004 and for the nine months ended December 31, 2005, respectively.

Interest. Interest increased from Rs.0.21 million (US$0.01 million) for the nine months ended December 31, 2004 to Rs.0.92 million (US$0.02 million) for the nine months ended December 31, 2005. Although there was a decrease in interest on loans and finance costs due to the fact that we paid off our major loan from FTIL in July 2004 and did not subsequently incur any additional indebtedness, this decrease was offset by an increase in interest we paid for an earlier year tax difference in the amount of Rs.0.78 million (US$ 0.02 million).

Profit before Tax

Profit before tax increased 205% from Rs.124.77 million (US$2.78 million) for the nine months ended December 31, 2004 to Rs. 380.91 million (US$8.47 million) nine months ended December 31, 2005.

Provision for Tax

Provision for income tax increased 150% from Rs.41.44 million (US$0.92) for the nine months ended December 31, 2004 to Rs.103.41 million (US$2.30 million) for the nine months ended December 31, 2005. This increase was primarily due to an increase in the provision for current income tax in the amount of Rs. 85.21million (US$ 1.90 million), which increased significantly due to increases in taxable profit for the nine months ended December 31, 2005. There was an additional prior period tax of Rs.2.48 million (US$ 0.06 million) due to the disallowance of expenses for the year ended March 31, 2005. Our deferred tax expense was Rs.28.54 million (US$ 0.63 million) for the nine months ended December 31, 2004 and Rs. 3.83 million (US$ 0.09 million) for the nine months ended December 31, 2005, which significantly decreased due to reversal of deferred tax liabilities primarily relating to depreciation. In addition, during the nine months ended December 31, 2005, fringe benefit tax and wealth tax provision were introduced by the government.

Profit After Tax

Our profit after tax increased 233% from Rs.83.32 million (US$1.85 million) for the nine months ended December 31, 2004 to Rs.277.50 million (US$6.17 million) for the nine months ended December 31, 2005. This increase was primarily due to an increase in our transaction fees which resulted from an increase of 874% in total trading volume during the nine months ended December 31, 2005 over the same period in 2004. There were also good returns from the investments made by the company.

Fiscal 2005 compared to Fiscal 2004

Revenues

Transaction Fees. Transaction fees increased from Nil for fiscal 2004 to Rs.53.07 million (US$1.18 million) for fiscal 2005. We started our operation from November 2003 and initially, up to September 30, 2004, we only charged transaction fees for gold and silver. Beginning from October 1, 2004, we started charging transaction fees for all products.

Admission and Application Processing Fees. Admission and application processing fees increased 415% from Rs.42.19 million (US$0.94 million) for fiscal 2004 to Rs.217.44 million (US$4.84 million) for fiscal 2005. This increase was primarily attributable to an increase in the number of our members, from 182 members as of March 31, 2004 to 843 members as of March 31, 2005, as well as an increase in the amount of admission fees we charged our members in fiscal 2005. See the chart on page 69 of this Draft Red Herring Prospectus for details regarding the increases in the amount of admission fees we charged to our members.

Annual Subscription Fees. Annual subscription fees increased from Nil for fiscal 2004 to Rs.16.45 million (US$0.37 million) for fiscal 2005. This increase was due to an increase in the number of members from 182 as of March 31, 2004 to 843 as of March 31, 2005, and the fact that we did not charge subscription fees to our members in fiscal 2004.

Terminal Charges. Terminal charges increased from Nil for fiscal 2004 to Rs.10.61 million (US$0.24 million) for fiscal 2005. This increase was due to an increase in the total number of terminals from 660 as on March 31, 2004 to 4,523 as on March 31, 2005. We waived terminal charges until June 30, 2004.

Deposit Appropriation. Deposit appropriation increased 1,189% from Rs.0.53 million (US$0.01 million) for fiscal 2004 to Rs.6.83 million (US$0.15 million) for fiscal 2005. This increase was due to an increase in the total number of members who installed VSATs, from 69 members as on March 31, 2004 to 323 members as on March 31, 2005.

Dividends from Current and Long-term Investments and Interest from Bank Deposits. Dividends from current and long-term investments and interest from bank deposits increased 2,543% from Rs.1.01 million (US$0.02 million) for fiscal 2004 to Rs.26.69 million (US$0.59 million) for fiscal 2005. This increase was due to an increase in the amount of funds we deposited in interest earning bank accounts and increases in dividend income generated by our short-term and long-term investments, which increased significantly due to higher cash resources from our operations and deposits maintained with us by our members which increased substantially.

Other Income. Other income increased from Rs.0.03 million (US$0.001 million) for fiscal 2004 to Rs.5.45 million (US$0.12 million) for fiscal 2005. This increase was primarily due to an increase in income earned from penalties charged to our members for shortage of funds and for the non-delivery of goods, fees charged for seminars and empanelment fees we received for providing CTCL software to members.

Expenses

Total expenses increased 164% from Rs.68.46 million (US$1.52 million) for fiscal 2004 to Rs.180.43 million (US$4.02 million) for fiscal 2005. This increase was primarily due to increases in our payments to and provisions for employees and increases in our establishment expense and software support charges and depreciation.

Establishment Expenses and Software Support Charges. Establishment expenses and software support charges increased by 263% from Rs12.00 million (US$0.27 million) for fiscal 2004 to Rs.43.50 million (US$0.97 million) for fiscal 2005. This increase was primarily due to the increases in charges paid to FTIL towards management service charges and for technical services for our exchange software provided by FTIL as per our agreements with FTIL. Since we began our operations in November 2003, there was no Annual Maintenance Contract ("AMC") charged by FTIL in fiscal 2004. In fiscal 2005, we are charged an AMC in the amount of Rs.25.50 million (US$0.57 million). These expenses were 27% and 13% of our total revenue for fiscal 2004 and 2005, respectively.

Payments to and Provisions for Employees. Payments to and provisions for employees increased by 345% from Rs.4.42 million (US$0.10 million) for fiscal 2004 to Rs.19.66 million (US$0.44 million) for fiscal 2005. This increase was primarily due to higher costs associated with an increase in the number of employees hired to support our growth. The number of our employees increased from 24 as of March 31, 2004 to 98 as of March 31, 2005. Employees' salaries and allowance increased from Rs.4.21 million (US$0.09 million) for fiscal 2004 to Rs.17.33 million (US$0.39 million) for fiscal 2005. This expense was 10% and 6% of our total revenue for fiscal 2004 and 2005, respectively.

Rent and Service Charges. Rent and service charges increased by 200% from Rs. 3.05 million (US$0.07 million) for fiscal 2004 to Rs.9.16 million (US$0.20 million) for fiscal 2005. This increase was due to an increase in the amount of office space we leased in fiscal 2005 from a total of 2,500 square feet in fiscal 2004 to a total of 20,592 square feet in fiscal 2005. This expense was 7% and 3% of our total revenue for fiscal 2004 and 2005, respectively.

Legal and Professional Fees. Legal and professional fees increased by 85% from Rs.6.09 million (US$0.13 million) for fiscal 2004 to Rs.11.27 million (US$0.25 million) for fiscal 2005. This increase was primarily due to an increase in the amounts paid to various consultants to provide us with technical information, market reports, and trend analyses on various commodities in connection with developing new products for our exchange. This expense was 14% and 3% of our total revenue for fiscal 2004 and 2005, respectively.

Travelling and Conveyance Expense. Travelling and conveyance expense increased by 292% from Rs 2.62 million (US$0.06 million) for the nine months ended December 31, 2004 to Rs.10.28 million (US$0.23 million) for the nine months ended December 31, 2005. This increase was primarily due to increase in expenses we incurred for hotel, food, air/train travel, hire of vehicles, local conveyance etc. This expense was 6% and 3% of our total revenue for the nine months ended December 31, 2004 and for the nine months ended December 31, 2005, respectively.

Advertisement Expense and Business Promotion Expense. Advertisement expense and business development expense increased 43% from Rs.12.05 million (US$0.27 million) for fiscal 2004 to Rs. 17.21 million (US$0.38 million) for fiscal 2005. This increase was primarily due to higher spending on our corporate branding campaign, the commencement of our education and certification programs. This expense was 28% and 5% of our total revenue for fiscal 2004 and 2005, respectively.

Other Operating Expense. Other operating expense increased 405% from Rs. 4.82 million (US$0.10 million) for fiscal 2004 to Rs. 24.36 million (US$0.55 million) for fiscal 2005. This increase was primarily due to increases in communication expenses, printing and stationery, share issue expenses, security expenses, membership and subscription fees ,office expenses, recruitment charges and warehouse rents, etc. This expense was 11% and 7% of our total revenue for fiscal 2004 and 2005, respectively.

Depreciation/Amortization. Depreciation/amortization increased 67% from Rs.22.92 million (US$0.51 million) for fiscal 2004 to Rs.38.34 million (US$0.85 million) for fiscal 2005. This increase was due to depreciation in additional networking equipment, VSAT, computer hardware and furniture and fixtures we purchased during fiscal 2005 as we expanded our operations. This expense was 52% and 11% of our total revenue for fiscal 2004 and 2005, respectively.

Interest. Interest decreased 87% from Rs.1.85 million (US$0.04 million) for fiscal 2004 to Rs.0.24 million (US$0.01 million) for fiscal 2005. This decrease was due to the fact that we paid off all of our major debts to FTIL in July 2004 and did not subsequently incur any additional indebtedness.

Profit before Tax

Profit before tax increased from a loss of Rs.26.55 million (US$0.59 million) for fiscal 2004 to a profit of Rs. 155.87 million (US$3.46 million) for fiscal 2005.

Provision for Tax

Provision for income tax increased from a credit of Rs.9.52 million (US$0.21 million) for fiscal 2004 to Rs.55.26 million (US$1.23 million) for fiscal 2005. For the year ended March 31, 2004, there were taxable losses resulting in a recognition of deferred tax assets in the amount of Rs.9.84 million (US$ 0.22 million). For the year ended March 31, 2005, a provision for current tax was made based on the taxable profits for the fiscal year and we recognized net deferred tax liability in the amount of Rs.38.06 million (US$ 0.85 million) which was primarily due to a depreciation difference..

Profit After Tax

Our profit after tax increased from a loss of Rs.17.03 million (US$0.38 million) for fiscal 2004 to a profit of Rs.100.61 million (US$2.23 million) for fiscal 2005. This increase was primarily due an increase in the amount of admission fees we collected caused by an increase in the number of members, increased transaction associated with an increase in trading volumes, as well as favorable returns on our investments made in fixed deposits and mutual funds, which resulted in an increase of 669% in our total revenue in fiscal 2005 over fiscal 2004. By comparison, our total expenses increased by 164% from Rs.68.46 million (US$1.52 million) for fiscal 2004 to Rs.180.43 million (US$4.02 million) for fiscal 2005.

Related party transactions

See the section titled "Related Party Transactions" on page 111 of this Draft Red Herring Prospectus.

Liquidity and Capital Resources

Liquidity

Our primary liquidity requirements have been to finance our working capital needs and our capital expenditures. To fund these costs we have relied primarily on equity contributions, including the sale of common stock and cash flows from operations.

Cash Flows

The table below summarizes our cash flows in fiscal 2004 and 2005 and for the nine months ended December 31, 2004 and 2005:

	Fis cal				Nine Months ended December 31,			
	2004[1] Rs.	2004 US$[2]	2005 Rs.	2005 US$[2]	2004[1] Rs.	2004 US$[2]	2005 Rs.	2005 US$[2]
	(in millions)				(in millions)			
Net cash generated from operating activities	121.45	2.70	887.38	19.74	833.54	18.54	1,729.97	38.49
Net cash from (used in) investing activities	(17.55)	(0.39)	(981.70)	(21.84)	(727.79)	(16.19)	(1,943.96)	(43.25)
Net cash from generated financing activities	5.45	0.12	59.96	1.34	45.81	1.02	207.52	4.62
Net increase (decrease) in cash and cash equivalents	109.35	2.43	(34.36)	(0.76)	151.56	3.37	(6.47)	(0.14)

(1) Our operations commenced on November 10, 2003.
(2) Calculated for convenience purposes only at the noon buying rate for Rupees in the City of New York on December 30, 2005, which was Rs.44.95 = US$1.00

Net Cash Flows Generated from Operating Activities

Net cash generated from operating activities in the nine months ended December 31, 2005 was Rs.1,729.97 million (US$38.49 million) and our profit before tax in such period was Rs.380.91 million (US$8.47 million). Cash provided by operations in the nine months ended December 31, 2005 consisted of Rs.359.71 million (US$8.00 million) of net profit before tax adjusted for dividend from investments and interest income of Rs.59.01 million (US$1.31 million) and non-cash items such as Rs.37.42 million (US$0.83 million) of depreciation/amortization.

Net cash generated from operating activities in the nine months ended December 31, 2004 was Rs.833.54 million (US$18.54 million) while profit before tax was Rs.124.77 million (US$2.78 million) in such period. Cash provided by operations in the nine months ended December 31, 2004 consisted of Rs.137.81 million (US$3.07 million) of net profit before tax adjusted for dividend from investments and interest income of Rs.15.90 million (US$0.35 million) and non-cash items such as Rs.27.78 million (US$0.62 million) of depreciation / amortization.

In fiscal 2005, net cash generated from operating activities was Rs.887.38 million (US$19.74 million), while profit before tax was Rs.155.87 million (US$3.47 million).

In fiscal 2004, net cash generated from operating activities was Rs.121.45 million (US$2.70 million), while there was a loss of Rs.26.55 million (US$0.59 million). Cash flows in fiscal 2004 were lower as compared to fiscal 2005 as we did not start operations until November 10, 2003 and we incurred significant up-front costs to establish our business operations.

Net cash generated from operating activities has significantly increased over the prior periods, primarily due to increases in the trading margins collected from our members, which is in turn due to increases in number of our members and trading volumes. The table below summarizes our trading margin balances for the periods indicated:

	Fiscal				Nine Months Ended December 31,			
	2004		2005		2004		2005	
	Rs.	US$	Rs.	US$	Rs.	US$	Rs.	US$
	(in millions)							
Trading Margin	91.03	2.03	798.50	17.76	743.51	16.54	2,310.17	51.39

Net Cash Flows Used in Investing Activities

Net cash used in investing activities in the nine months ended December 31, 2005 was Rs.1,943.96 million (US$43.25 million). Cash used in investing activities in the nine months ended December 31, 2005 consisted of capital expenditures of Rs.164.98 million (US$3.67 million) as well as Rs.5,801.90 million (US$129.07 million) of purchases of investments, units of mutual funds and fixed deposits placed with banks.

Net cash used in investing activities in the nine months ended December 31, 2004 was Rs.727.79 million (US$16.19 million). Cash used in investing activities in the nine months ended December 31, 2004 consisted of capital expenditures of Rs.47.91 million (US$1.07 million) as well as Rs.1,022.38 million (US$22.74 million) of purchases of investments, units of mutual funds and fixed deposits placed with banks.

Net cash used in investing activities in fiscal 2005 was Rs.981.70 million (US$21.84 million). Cash used in investing activities in the fiscal 2005 consisted of capital expenditures of Rs.71.55 million (US$1.59 million) as well as Rs.967.77 million (US$21.53 million) used in purchases of investments, including fixed deposits made in banks.

Net cash used in investing activities in fiscal 2004 was Rs.17.55 million (US$0.39 million). Cash used in investing activities in fiscal 2004 consisted of capital expenditures of Rs.18.56 million (US$0.41 million).

Net Cash Flows Generated from Financing Activities

Net cash generated from financing activities in the nine months ended December 31, 2005 was Rs.207.52 million (US$4.62 million). The cash inflows included proceeds from the sale of equity shares in the amount of Rs.128.47 million (US$2.86 million) and share premium of Rs.104.93 million (US$2.33 million), which were partially offset by the repayment of borrowings in the amount of Rs.0.43 million (US$0.01 million), payment of dividends (including tax thereon) in the aggregate amount of Rs.24.53 million (US$0.55 million) and the payment of interest expenses in the amount of Rs.0.92 million (US$0.02 million).

Net cash generated from financing activities in the nine months ended December 31, 2004 was Rs.45.81 million (US$1.02 million). The cash inflows included proceeds from the sale of equity shares in the amount of Rs.56.20 million (US$1.25 million) which were partially offset by the repayment of borrowings in the amount of Rs.10.18 million (US$0.23 million) and the payment of interest expenses in the amount of Rs.0.24 million (US$0.005 million).

Net cash generated from financing activities in fiscal 2005 was Rs.59.96 million (US$1.33 million). The cash inflows included proceeds from the sale of equity shares in the amount of Rs.60.40 million (US$1.34 million) and share application money in the amount of Rs.10.00 million (US$0.22 million) which were partially offset by the repayment of borrowings in the amount of Rs.10.20 million (US$0.23 million) and the payment of interest expenses in the amount of Rs.0.24 million (US$0.01 million) in fiscal 2005.

Net cash generated from financing activities in fiscal 2004 was Rs.5.45 million (US$0.12 million). The cash inflows included proceeds from borrowings of Rs.3.10 million (US$0.07 million) and share application money in the amount of Rs.4.20 million (US$0.09 million) which were partially offset by the payment of interest expenses in the amount of Rs.1.85 million (US$0.04 million) in fiscal 2004.

Capital Expenditures

Capital expenditures represent the increase in the value of our fixed assets plus changes in capital work in progress (i.e., expenses incurred in relation to work in progress but not capitalized) and advance payments on account of capital expenditures. Our capital expenditures in fiscal 2004 and fiscal 2005 were Rs.168.56 million (US$3.75 million) and Rs.70.31 million (US$1.59 million), respectively. These capital expenditures were incurred primarily towards capital investment in technology, networking equipment, software and furniture and fixtures. Subject to approval from our Investment Committee, we expect to incur capital expenditures of approximately Rs.500.20 million (US$11.13 million) through fiscal 2007 on the following:

- Technology upgrades;
- Strategic initiatives and acquisitions; and
- General corporate purposes.

We expect to finance our capital expenditures primarily through a combination of cash flow from operations and the net proceeds of this Issue, as may be required. We believe these funds will enable us to meet our capital expenditure requirements for the foreseeable future. We may also use a portion of our available cash to invest in business ventures or products that are complementary to our business. Our future liquidity and capital requirements depend on a number of factors, including product development, new business opportunities and the development and maintenance of our technology systems. If capital requirements vary materially from those currently planned, we may require additional financing sooner than anticipated. Any additional equity financing may be dilutive to our stockholders and debt financing, if available, may involve restrictive covenants with respect to dividends, raising capital and other financial and operational matters that could restrict our operations.

Quantitative and Qualitative Disclosures about Market Risk

Exchange Rate Risk

Changes in currency exchange rates influence our results of operations. Further, our future capital expenditures may be denominated in currencies other than Indian rupees. Therefore, declines in the value of the Rupee against such other currencies could increase the Rupee cost of servicing our debt and expanding our operations. The exchange rate between the Rupee and the U.S. dollar has changed substantially in recent years and may continue to fluctuate significantly in the future. Although we may enter into hedging arrangements against currency exchange rate risks, there can be no assurance that these arrangements will successfully protect us from losses due to fluctuations in currency exchange rates.

Inflation

In recent years, India has not experienced significant inflation, and accordingly inflation has not had any material impact on our business and results of operations. According to Centre for Monitoring the Indian Economy, inflation in India was approximately 3.41%, 3.55%, 5.41% in fiscal 2002, 2003 and 2004, respectively. During the first six months of the current fiscal year, WPI inflation stood at 4.4%, which was much lower than WPI inflation during the first six months of fiscal 2004, which was 6.7%. During the first six months of fiscal 2005, both primary articles and manufactured products saw relatively lower inflation compared to corresponding period in fiscal 2004. Rise in inflation rates in may adversely affect growth in the Indian economy and our results of operations.

Unusual or infrequent events or transactions

Except as described in this Draft Red Herring Prospectus, there have been no events or transactions to our knowledge which may be described as “unusual” or “infrequent”.

On February 3, 2006, FID Funds (Mauritius) Limited invested in our Company by subscribing to 3.6 million shares for Rs.2,160 million and in connection with the same, we accrued an amount of Rs. 71.41 million as professional fees and expenses.

Significant economic changes/regulatory changes

We are subject to regulation by the Forward Markets Commission ("FMC") and the Ministry of Consumer Affairs, Government of India pursuant which regulates the commodities futures industry in India. For further details, see the sections titled "Risk Factors" on page ix of this Draft Red Herring Prospectus, "The Indian Commodity Market Overview" on page 46 of this Draft Red Herring Prospectus and "Regulations and Policies" on page 78 of this Draft Red Herring Prospectus.

Known trends or uncertainties

Except as described elsewhere in this Draft Red Herring Prospectus, to our knowledge there are no known trends or uncertainties which are expected to have a material adverse impact on revenues or income of our Company from continuing operations.

Future relationship between costs and income

Except as described elsewhere in this Draft Red Herring Prospectus, to our knowledge there are no known factors which will have a material adverse impact on the operation or finances of our Company.

New product or business segment

Our business strategy includes the development and introduction of new products on our exchange. For further details, refer to our discussion in the section titled "Business- Products" on page 62 of this Draft Red Herring Prospectus.

Seasonality of business

Our business is subject to seasonality. For further details, refer to our discussion of seasonality in the section titled "Risk Factors" on page ix of this Draft Red Herring Prospectus.

Significant dependence on a single or few suppliers or customers

Our business is dependent on technology licensed from FTIL. For further details, refer to our discussions of the technology licensed from FTIL in the sections titled "Risk Factors," beginning on page ix of this Draft Red Herring Prospectus and "Our Business" beginning on page 57 of this Draft Red Herring Prospectus.

Competitive conditions

We expect competition to intensify from existing and potential new competitors. For further details, see the sections titled "Risk Factors," on page ix of this Draft Red Herring Prospectus, "The Indian Commodity Market Overview" on page 46 of this Draft Red Herring Prospectus and "Our Business - Competition" on page 74 of this Draft Red Herring Prospectus.

Critical Accounting Policies

Our financial statements prepared in accordance with Indian GAAP and the accompanying notes thereto included elsewhere in this Draft Red Herring Prospectus include information that is relevant to this discussion and analysis of our financial condition and results of operations. The preparation of our financial statements in conformity with Indian GAAP requires our management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenditures, and the related disclosure of cash flows and contingent liabilities, among others. Certain key accounting policies relevant to our business and operations have been described below. For a detailed description of our significant accounting policies, see Annexure III of the restated financial statements under Indian GAAP included in this Draft Red Herring Prospectus.

Fixed assets

Fixed Assets are stated at cost of acquisition or construction. They are stated at historical cost.

Intangible assets

Intangible Assets are stated at cost of acquisition less accumulated amortization. Computer software and trademark are amortized over a period of 60 months on a straight-line basis.

Depreciation

Depreciation on assets other than leasehold improvements and networking equipments (VSAT) has been provided for on Straight Line Method (SLM) at the rates and in the manner prescribed in Schedule – XIV of the Companies Act, 1956. Leasehold improvements are depreciated over the period of the lease and networking equipments (VSAT) are depreciated over a period of 5 years.

Revenue recognition

Revenue (income) is recognized when no significant uncertainty as to measurement and realization exists.

Admission fees are non-refundable and are collected from new members on their joining the commodity exchange. They are recognised on collection.

Annual subscription fees collected from members are-non refundable and are accrued annually.

Transaction fees are charged to members based on the volume of transactions entered into by the members through the exchange. These are accrued when orders placed by members on the network are matched and confirmed.

Revenue from terminal charges is accrued on creation of a new chargeable user ID.

Dividend income is recognised when the Company's right to receive dividend is established.

Interest income is recognised on time proportion basis.

Foreign exchange transactions

Transactions in foreign currency are recorded at the original rates of exchange in force at the time transactions are affected. Exchange differences arising on repayment of foreign currency liabilities incurred for the purpose of acquiring fixed assets from a country outside India are adjusted in the carrying amount of the respective fixed assets. Exchange differences arising on settlement of all other transactions are recognized in the profit and loss account. Monetary items (other than those related to acquisition of fixed assets from a country outside India) denominated in foreign currency are restated using the exchange rate prevailing at the date of the balance sheet and the resulting net exchange difference is recognized in the profit and loss account. The exchange gain/loss arising on restatement of foreign currency liability relating to fixed assets acquired from a country outside India, is adjusted in the value of the related fixed assets.

Retirement benefits

Retirement benefits are expensed to revenue as incurred. The Company's contribution to provident fund is made in accordance with the relevant statute. The Company's liability towards gratuity is funded through a scheme (Group Gratuity) administered by the Life Insurance Corporation of India. Leave encashment is provided for on actual basis in accordance with the Company's scheme in this respect.

Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

Investments

Current investments are carried at the lower of cost and quoted/fair value. Long term investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

Income taxes

Income taxes are accounted for in accordance with Accounting Standard 22 on "Accounting For Taxes on Income", (AS 22) issued by The Institute of Chartered Accountants of India. Tax expense comprises both current tax and deferred tax. Deferred tax assets and liabilities are recognized for future tax consequence attributable to timing difference between taxable income and accounting income that are capable of reversing in one or more subsequent periods and are measured at substantively enacted tax rates. At each Balance Sheet date, the Company reassesses unrealized deferred tax assets, to the extent they become reasonably certain or virtually certain of realization, as the case may be.

Operating leases

Assets taken on lease under which all the risk and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognized as expenses on accrual basis in accordance with the respective lease agreements.

Contingent liabilities

Contingent liabilities as defined in Accounting Standard 29 on Provisions, Contingent Liabilities and Contingent Assets are disclosed by way of notes to the accounts. Provision is made if it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability.

Material Development

There have been no developments after the date of the last balance sheet, which we believe are expected to have material impact on our reserves, profits, earnings per share or book value.

OUTSTANDING LITIGATION

Except as described below and in the notes to the financial statements in this Draft Red Herring Prospectus, there are no contingent liabilities not provided for, outstanding litigation, disputes, non payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits and arrears on cumulative preference shares issued by the Company, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956) against the Company, its Directors, its subsidiaries and its Promoter and Promoter Group companies that would have a material adverse effect on its business, except the following:-

Notice against us

The Central Board of Excise and Customs (CBEC), Department of Revenue, Ministry of Finance issued a letter dated October 7, 2005 to the Company under Section 15 of the Central Excise Act, 1944 (as made applicable to Service Tax under Section 83 of the Finance Act, 1994). The said letter relates to the inquiry being conducted by the CBEC to ascertain whether Service Tax can be levied on the services rendered by us to our customers under the service taxes head "Banking and Other Financial Services". We were directed to appear before the CBEC through our authorized representatives. We have submitted certain documents such as details of services being provided and provided a copy of operating manual/regulations, details in relation to clearing and settlement banks as directed by the CBEC. We have made our representation to the CBEC and the order of the CBEC is awaited.

Litigation/ Material Developments against our Directors

Litigations against Joseph Massey

1. Anil Lal Chetta has filed a criminal case (Case No. 1909/02) before the Chief Judicial Magistrate, Vadodara. He has alleged that the Vadodara Stock Exchange Limited("**VSE**"),Subhash Dalal and Joseph Massey, in their capacities as the Director and Executive Director respectively of the VSE, were responsible for wrongfully declaring him to be a "defaulter" and for auctioning his membership card. The VSE has filed an application for permanent exemption from appearance in respect of Subhash Dalal and Joseph Massey. The application is pending for hearing.

2. A criminal case (Criminal Case No. 1831/97) has been filed before the Judicial Magistrate, First Class at Vadodara by the Government Labour Officer, Vadodara against the VSE and Joseph Massey in his capacity as the Executive Director for non-compliance of the Minimum Wages Act in respect of requirements like maintenance of a Register, an overtime Register and Fine Register under the Act as well as the non-filing of Annual Returns for the year 1995. The case is pending.

3. Harish Chand Jain has filed a criminal case (Criminal Case No. 1288/2003) before the Chief Judicial Magistrate, Agra alleging that the Inter-connected Stock Exchange of India Limited("ISEI") and its officials , including Joseph Massey (its then Managing Director), had wrongfully refused to refund the admission fees and connectivity charges paid by him at the time of his becoming a trade member of the ISEI. The case is pending.

Litigations against C. Subramaniam

1. A criminal case (16 of 2001) is pending before the CBI Special Court, Tis Hazari, New Delhi on the grounds the Subramaniam abetted an attempt made by INDODAN to defraud Central Bank, Janpath Branch, New Delhi. It has been submitted by Subramaniam that his actions were in accordance with Negotiable Instruments Act, 1871 and therefore proceedings against him should be dismissed.

Notice to FTIL

The Chief General Manager, Investigation Department, SEBI issued the letter no. IVD/ID-5/MSR/14792/2004 dated September 20, 2004 to FTIL directing FTIL to furnish the following:

- Agenda and minutes of the board minutes held during the financial year 2003-2004;
- Details in relation initiation and consideration of the proposal for preferential allotment;
- List of related/connected associated entities;
- Balance sheets and list of creditors as on March 31, 2003 and March 31, 2004;
- The Memorandum and Articles of Association of the promoter entity Lafin Financial Services Pvt. Ltd.
- List of other directorships of the directors;
- Details of trade executed by the promoter/director/person acting in concert in the shares of FTIL; and
- Clarification whether FTIL have any relation/association/connection with Reliance Capital Ltd.

The Company, by way of its letter dated October 06, 2005 replied to the said letter. In addition, the Company has also written a letter dated October 10, 2005 stating that they believe that the letter from SEBI was erroneously dated as September 20, 2004 instead of September 20, 2005.

LICENSES AND APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any Government authority is required to continue these activities.

Approvals from the Forward Markets Commission

1. The Food and Public Distribution, Ministry of Consumer Affairs, Government of India, in consultation with the Forward Markets Commission, *vide* a notification dated September 26, 2003, granted recognition to the Company on a permanent basis in all the commodities in which Section 15 of the Forward Contracts (Regulation) Act, 1952 is applicable and in the commodities in which neither Section 15 nor Section 17 is applicable, with prior permission of the Forward Markets Commission;

2. We have vide letter no 1/1/2003-NMCE/Multi/FC dated July 31, 2003 received approval from the Forward Markets Commission, Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution for its Bye-laws, Rules, Memorandum of Association and Articles of Association, after the incorporation of certain changes suggested by the FMC.

3. Approval No 4/1/2005-MCX-COM from the FMC dated September 5, 2005 for commencement of futures trading in the following delivery contracts :

Sr. No	Commodity	Name of Contracts	Limit on Open Position for member and / Individual client	Limit on Daily Price Fluctuation
1	Gold	February, April, June August, October and December 2006 Deliveries	4 MT	2.5%
2	Silver	March, May, July, September and December 2006 Deliveries	50 MT	4%
3	Copper	March, May, July, September and December 206 Deliveries	1000 MT	4%
4	Crude Oil	Monthly Contracts- January 2006 to December 2006 Deliveries	100,000 barrel	4%
5	Chana	January 2006 to December 2006 Deliveries	4000 MT	4%
6	Masur	January 2006 to December 2006 Deliveries	4000 MT	4%

4. Approval No 4/1/2005-MCX-COM from the FMC dated September 14, 2005 for commencement of futures trading in the following delivery contracts:

Sr. No	Commodity	Name of Contracts	Limit on Open Position for member and / Individual client	Limit on Daily Price Fluctuation
1	Brent Crude Oil	January 2006 to December 2006	1,00,000 barrels	4%

5. Approval No 4/1/2005-MCX-COM from the FMC dated September 26, 2005 for commencement of futures trading in the following delivery contracts:

Sr. No	Commodity	Name of Contracts	Limit on Open Position for member and / Individual client	Limit on Open Position for member and clients collectively	Limit on Daily Price Fluctuation
1	Tur	January 2006 to December 2006	20,000 MT	25% of the total open market position collectively for Member and clients, provided that if there are no clients then the limit for the member shall be as prescribed in the preceding column	4%
2	Urad	January 2006 to December 2006	20, 000 MT	Same as above	4%
3	Yellow Peas	January 2006 to December 2006	5000 MT	Same as above	4%
4	Cashew Kernel	January 2006 to December 2006	50,000 cartons	Same as above	4%
5	Guar Seed	January 2006 to December 2006	20,000 MT	Same as above	5%
6	Guar Gum	January 2006 to December 2006	20,000 MT	Same as above	5%
7	Mentha Oil	January 2006 to December 2006	540 MT (3000 Drums)	Same as above	6%
8	Sugar M-30	January 2006 to December 2006	25,000 MT	Same as above	3%
9	Sugar S-30	January 2006 to December 2006	25,000 MT	Same as above	2%
10	Red Chilli	January 2006 to December 2006	5000 MT	Same as above	5%
11	Cumin Seed (Jeera)	January 2006 to December 2006	2500 MT	For a member collectively for all clients: 12.5% of the total market open position	6%

6. Approval No 4/4/2005-MCX-COM from the FMC dated October 3, 2005 for commencement of futures trading in the following delivery contracts:

Sr. No	Commodity	Name of Contracts	Limit on Open Position for member and / Individual client	Limit on Daily Price Fluctuation
1	Castorseed Disa	January 2006 to December 2006	20,000 MT	3%
2	Castor Oil	February ,April, June , August, October and December 2006	20,000 MT	3%
3	Crude Palm Oil	January 2006 to December 2006	20,000 MT	3%

Sr. No	Commodity	Name of Contracts	Limit on Open Position for member and / Individual client	Limit on Daily Price Fluctuation
4	Mustard seed (Jaipur)	January 2006 to December 2006	10,000 MT	2%
5	Mustard Oil(Exp)	January 2006 to December 2006	4000 MT	2%
6	RBD Palmolein	January 2006 to December 2006	20,000 MT	3%
7	Soy meal	January 2006 to December 2006	10,000 MT	2%
8	Soy seed	January 2006 to December 2006	4000 MT	3%
9	Sesame seed	January 2006 to December 2006	5000 MT	3%
10	Black Pepper	January 2006 to December 2006	1000 MT	6%
11	Cotton- Long Staple	January, March, May, July, September and November 2006	5500 bales	2%
12	Cotton-Medium Staple	January, March, May, July, September and November 2006	5500 bales	2%
13	Groundnut Oil Exp	January, March, May, July, September and November 2006	20,000 MT	3%
14	Rubber	January 2006 to December 2006	10,000 MT	4%
15	Refined Soy Oil	January 2006 to December 2006	20,000 MT	2%
16	Turmeric	April, July, September and December 2006	500 MT	4%
17	Kapasia Khalli	January 2006 to December 2006	30,000 MT	3%
18	Cotton –short staple	March, May, July and September 2006	2400 candy(5000 bales approximately)	2%
19	Cotton seed	January 2006 to December 2006	10,000 MT	3%

7. Approval No 4/1/2005-MCX-COM from the FMC dated October 6, 2005 for commencement of futures trading in the following delivery contracts:

Sr. No	Commodity	Name of Contracts	Limit on Open Position for member and / Individual client	Limit on Daily Price Fluctuation
1	Indian white Basmati Polished Sortex Rice	January 2006 to December 2006	1000 MT	6%
2	Indian Long Grain Sarbati Rice Sortex	January 2006 to December 2006	1000 MT	4%
3	Rice	January 2006 to December 2006	50000 MT	3%
4	Wheat(standard mill quality)	January 2006 to December 2006	For member –1,00,000 MT For client- 20000 MT	4%
5	Maize	February, April, June, August, October and December 2006	50000 MT	4%

8. Approval No 4/1/2005- FUR-OIL/MCX from the FMC dated October 7, 2005 for commencement of futures trading in the following delivery contracts:

Sr. No	Commodity	Name of Contracts	Limit on Open Position for member and / Individual client	Limit on Daily Price Fluctuation
1	Furnace Oil	November 2005, December 2005, January to July 2006	Client: 50,000 mt Member: 4 lakh mt or 15% of market open position, whichever is higher	6%

9. Approval No 4/1/2005-MCX-COM from the FMC dated October 13, 2005 for commencement of futures trading in the following delivery contracts:

Sr. No	Commodity	Name of Contracts	Limit on Open Position for member and / Individual client	Limit on open position for member and clients collectively	Limit on Daily Price Fluctuation
1	Nickel	January 2006 to December 2006	200 MT	25% of the total market open position collectively for Member and clients , provided that if there are no clients then the limit for the member shall be as prescribed in column 3	6%
2	Tin	January 2006 to December 2006	400 MT	Same as above	4%
3	Steel Flat	January 2006 to December 2006	1,00,000 MT	Same as above	4%
4	Steel Long (Govindgarh)	Fortnightly contracts 2006 (i.e. January 15,2006 to December 31, 2006)	1,00,000 MT	Same as above	4%
5	Steel Long (Bhavnagar)	January 2006 to December 2006	100,000 MT	Same as above	4%
6	Polypropylene	January 2006 to December 2006	5000 MT	Same as above	2%
7	High Density Polyethylene	January 2006 to December 2006	5000 MT	Same as above	2%

10. Approval No 4/1/2005-MCX-COM from the FMC dated June 20, 2005 for commencement of futures trading in the following delivery contracts:

Sr. No	Commodity	Name of Contracts	Limit on Open Position for member and /Individual client	Limit on Daily Price Fluctuation
1	Kapas	April 2006	20,000 MT	1.5%

11. Approval No 4/1/2005/FUR-OIL/MCX from the FMC dated October 7, 2005 for the commencement of futures trading in the following delivery contracts:

Sr. No	Commodity	Name of Contracts	Limit on Open Position for member and / Individual client	Limit on Daily Price Fluctuation
1	Furnace oil	November – December 2005, January to July 2006	Client: 50,000 MT Member: 4 lakh MT or 15% of the market open position whichever is higher	6%

12. Vide letter dated October 24, 2005, the Company has applied to the FMC for approval for launching the following contracts in 2006:

    a. gold(weekly clearing)
    b. gold mini (weekly clearing)

Taxation Related Approvals

13. Registration No 400099/C/1258 under the Central Sales Tax (Registration and turnover) Rules,1957 dated May 30, 2003;

14. Registration No 400099/S/1444 under the Bombay Sales Tax Act,1959 dated April 4, 2003;

15. Certificate No 1/1/29/2891 under Section 5(1) of the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975 dated June 2, 2002.

16. Certificate No 1/1/29/18/6886 for enrolment under Sections 5(2) and 5(2A) of the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975 dated June 27, 2003.

Corporate Approvals

17. Approval No 3/91/2004-CL.VII vide letter dated April 1, 2005 from the Ministry of Company Affairs to increase the total number of directors from twelve to eighteen as per Article 30 of the Articles of Association of the Company.

Miscellaneous

18. Approval from the Mahanagar Telephone Nigam Ltd dated December 19,2003 for the installation and operation of a private Closed User Group(CUG) Data Network with VSAT integration on lines leased by the Company from Mahanagar Telephone Nigam Ltd and Bharat Sanchar Nigam Ltd valid upto November 30,2006;

19. License No KE-11/014325 under the Bombay Shops and Establishments Act, 1948 dated September 24, 2003 valid upto December 31, 2008

20. Letter of Permission dated August 24, 2005 from Ministry of Communications and IT, Government of India whereby the Government of India has extended all facilities and privileges under the Foreign Trade Policy 2004-09 for setting up a Software Technology Park Unit at Unit No 1, 102A, Landmark, Suren Road, Chakala, Andheri, Mumbai and 6th Floor, Trade Avenue, Chakala, Andheri, Mumbai for Information Technology Enabled Services.

21. Certificate of Importer Exporter Code, 0304066745 issued on December 17, 2004 by the Office of Joint Director General of Foreign Trade.

22. Letter of Approval dated December 20, 2005 from the Forward Markets Commission approving the amendments to the Memorandum and Articles of Association of the Company on the basis of the amendments approved in the meetings of the Company on September 24, 2005 and February 5, 2005.

Pending Applications

1. Application dated March 7, 2006 to the Registrar of Trademark for the registration of trademark of "MCX-Trade with Trust".

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

Authority from the Company

The issue of Equity Shares in the Issue by the Company has been authorised by the resolution of the Board of Directors passed at their meeting held on September 24, 2005, subject to the approval of shareholders through a special resolution to be passed pursuant to Section 81(1A) of the Companies Act. The shareholders approved the Issue at the general meeting of the shareholders of the Company held on January 13, 2006 at Mumbai.

Authority from the Seling Shareholders

The board of directors of FTIL and Corporation Bank at their meetings held on January 18, 2006 and December 17, 2005, respectively, approved the Offer for Sale of Equity Shares by the Selling Shareholders.

Based on letters provided by the Selling Shareholders, we understand that they have not been prohibited from dealings in securities market and the Equity Shares offered by them are free from any encumberance.

Prohibition by SEBI

Neither we, nor our Directors or the Selling Shareholders or the Promoter or the Promoter Group Companies, or the directors of our Promoters or the Promotr Group Companies or companies with which our Directors are associated with as directors or promoters, have been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI.

Eligibility for the Issue

We are eligible for the Issue in accordance with Clause 2.2.2 of the SEBI Guidelines as explained under:

- The Issue is being through the book building process with at least 50% of the Issue Size being allotted to QIBs failing which the subscription monies will be refunded; and
- The minimum post issue face value capital of the Company shall be Rs. 100 million.

Further, the Issue is subject to the fulfilment of the following conditions as required by rule 19(2)(b) of the SCRR:

- A minimum 2,000,000 Equity Shares (excluding reservations, firm Allotments and promoters contribution) are offered to the public;
- The Net Issue size, which is the Issue Price multiplied by the number of Equity Shares offered to the public, is a minimum of Rs. 1,000 million; and
- The Issue is made through the Book Building method with allocation of 60% of the Net Issue size to QIBs as specified by SEBI.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED, DSP MERRILL

LYNCH LIMITED, AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED, DSP MERRILL LYNCH LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MARCH 14, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

1. **"WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**

2. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:**

   A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

   B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;

   C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;

3. **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND**

4. **WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."**

5. **WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF ITS SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS."**

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE DESIGNATED STOCK EXCHANGE IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE DESIGNATED STOCK EXCHANGE IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC., ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES IN THE NATURE OF LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS AND THE CO-BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

Disclaimer from the Company, the Selling Shareholders and the BRLMs

Our Company, our Directors, the Selling Shareholders, and the BRLMs accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in any advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.mcxindia.com, would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the memorandum of understanding entered into among the BRLMs, the CBRLM, the Selling Shareholders and the Company dated March 14, 2006 and the Underwriting Agreement to be entered into among the Underwriters, the Selling Shareholders and the Company.

All information shall be made available by the Company and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at Bidding centres.

We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in respect of Jurisdiction

This Issue is being made in India to Persons resident in India (including Indian nationals resident in India), who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted non residents including FIIs, NRIs and other eligible foreign investors. This Draft Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to or purchase Equity Shares offered hereby in any other jurisdiction to any Person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any Person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Accordingly, the Equity Shares are only being offered or sold in the United States to "qualified institutional buyers", as defined in Rule 144A under the U.S. Securities Act of 1933 (the "Securities Act"), in reliance on Rule 144A of the Securities Act and outside the United States to certain Persons in offshore transactions in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

DISCLAIMER CLAUSE OF THE NSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. NSE has given in its letter dated [•] permission to us to use NSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed, subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalization (i.e., the paid up capital shall not be less than Rs. 100 million and the market capitalization shall not be less than Rs. 250 million at the time of listing). The NSE has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that this Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every Person who desires to apply for or otherwise acquires any of our securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER CLAUSE OF THE BSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter dated [•], permission to the Company to use BSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed. BSE has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. BSE does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; or

2. Warrant that this Company's securities will be listed or will continue to be listed on BSE; or

3. Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this Draft Red Herring Prospectus has been cleared or approved by BSE. Every Person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of this Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC.

Listing

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of our Equity Shares. [●] will be the Designated Stock Exchange.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company and the Selling Shareholders will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight (8) days after our Company and the Selling Shareholders becomes liable to repay it, i.e., from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, the Selling Shareholders and every Director of the Company who is an officer in default shall, on and from such expiry of eight (8) days, be liable to repay the money, with interest at the rate of 15.0% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company and the Selling Shareholders shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within seven working days of finalization of the basis of allocation for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

(a) ***makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or***

(b) ***otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name***

shall be punishable with imprisonment for a term which may extend to five years."

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, Escrow Collection Bank(s) and the Banker to the Issue; and (b) Book Running Lead Managers, Syndicate Members, Registrar to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Draft Red Herring Prospectus with the RoC and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

Deloitte, Haskins and Sells, Chartered Accountants, our Joint Auditors, have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for filing with the RoC.

Expert Opinion

Except as stated elsewhere in this Draft Red Herring Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Activity	Expense (in Rs. millions)
Lead management fees and underwriting commissions*	[●]
Advertising and Marketing expenses	[●]
Printing and stationery	[●]
Others (Registrars fee, legal fee, etc.)	[●]
Total estimated Issue expenses	[●]

* Will be incorporated after finalisation of Issue Price

The Issue expenses, except the listing fee, shall be shared between the Company and the Selling Shareholders in the proportion to the number of shares sold to the public as part of the Issue. The listing fees will be paid by the Company.

Fees Payable to the BRLMs, Brokerage and Selling Commission

The total fees payable to the BRLMs including brokerage and selling commission for the Issue will be as per the memorandum of understanding executed between the Company, the Selling Shareholders, the BRLMs and the CBRLM dated March 14, 2006, a copy of which is available for inspection at our Registered Office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Registrar's memorandum of understanding dated [●], a copy of which are available for inspection at our Registered Office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post or speed post or under certificate of posting.

Companies Under The Same Management

Except as stated in "Our Promoters" on page 103 of the Draft Red Herring Prospectus, there are no companies under the same management.

Particulars Regarding Public Issues during the last five Years

We have has not made any public issue during the last five years**.**

Promise versus Performance

This is the first public Issue of the Company.

Outstanding Debentures or Bond Issues or Preference Shares

Our Company has no outstanding debentures or bonds or redeemable preference shares as of the date of this Draft Red Herring Prospectus..

Issues otherwise than for cash

Other than as stated in "Capital Structure" on page 19 of the Draft Red Herring Prospectus, we have not issued any Equity Shares for consideration otherwise than for cash.

Purchase of Property

Except as stated in the section titled "Objects of the Issue" in this Draft Red Herring Prospectus, there is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed on the date of this Draft Red Herring Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or

- the amount of the purchase money is not material; or

- disclosure has been made earlier in this Draft Red Herring Prospectus.

Except as stated in the section titled "Related Party Transactions" on page 111 of this Draft Red Herring Prospectus, we have not purchased any property in which any Directors, have any direct or indirect interest in any payment made thereof.

Stock Market Data for our Equity Shares

This being the initial public Issue, the Equity Shares are not listed on any stock exchange.

Mechanism for Redressal of Investor Grievances

Investor grievance will be settled expeditiously and satisfactorily by us. The agreement between the Registrar to the Issue and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of Allotment, demat credit, and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, Intime Spectrum Registry Limited giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the respective Syndicate Member or collection centre where the application was submitted.

Disposal of Investor Grievances

We estimate that the average time required by us or the Registrar to the Issue to address routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Ranjit Samantaray, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Ranjit Samantaray
102 A, Landmark, Suren Road,
Chakala,
Andheri (East)
Mumbai 400 093, India
Tel: (91 22) 5649 4000
Fax: (91 22) 5649 4151
E-mail: ipo@mcxindia.com

Changes in Auditors

Name of Auditor	Date of Appointment	Date of Resignation
Mukesh P. Shah and Company	April 22, 2002	September 6, 2003
Deloitte, Haskins and Sells	September 29, 2003	-

Capitalisation of Reserves or Profits

We have not capitalised our reserves in the last five years, which have been utilised for the issue of bonus shares currently outstanding.

Revaluation of Assets

We have not revalued our assets in the past five years.

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of this Draft Red Herring Prospectus, the Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the Allotment advice and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government, Stock Exchanges, RBI, and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Note: The SEBI Guidelines have been recently amended on September 19, 2005. Pursuant to these amendments certain significant changes have been made, including with regard to the allocation procedure for QIBs. Certain changes may be made to the terms of the Issue and the description of Issue procedure based on the discussions the BRLM may have with, or clarifications that they may obtain from, SEBI and the Stock Exchanges.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Companies Act, our Memorandum and Articles and shall rank pari passu in all respects with the existing Equity Shares of the Company, including rights in respect of dividends. The Allottees will be entitled to dividend or any other corporate benefits, if any, declared by the Company after the date of Allotment. See the section titled "Main Provisions of the Articles of Association" on page 220 of this Draft Red Herring Prospectus.

Mode of Payment of Dividend

We shall pay dividends to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being offered in terms of this Draft Red Herring Prospectus at a total price of Rs. [•] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

The face value of the shares is Rs. 10 and the Floor Price is [•] times of the face value and the Cap Price is [•] times of the face value

Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, our Memorandum and Articles and terms of the listing agreements with the stock exchanges.

For a detailed description of the main provisions of our Articles relating to, among other things, voting rights, dividend, forfeiture and lien, transfer and transmission see the section titled "Main Provisions of the Articles of Association" on page 220 of this Draft Red Herring Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. As per the existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum Allotment of [•] Equity Share. For details of allocation and allotment, see the section titled "Issue Procedure- Basis of Allotment" on page 212 of this Draft Red Herring Prospectus.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder, may nominate any one Person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A Person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any Person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the Person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or at the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee as provided under Section 109A, shall upon the production of such evidence as may be required by the Board of Directors, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board of Directors may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, the Board of Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change their nomination, they are requested to inform their respective depository participant.

Notwithstanding anything stated above, since the Allotment in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with the Company. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Fresh Issue to the public to the extent of the amount payable on application, including devolvement on Underwriters, if any, within 60 days from the Bid/ Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the Company becomes liable to pay the amount (i.e., 60 days from the Bid/ Issue Closing Date), we shall pay interest prescribed under Section 73 of the Companies Act.

The requirement for minimum subscription is not applicable to the Offer for Sale.

In case of under-subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Mumbai, India.

Application in Issue

Equity Shares being issued through this Draft Red Herring Prospectus can be applied for in the dematerialized form only.

ISSUE STRUCTURE

The present Issue of 5,000,000 Equity Shares Rs. 10 each, at a price of Rs. [•] for cash aggregating Rs. [•] million is being made through the 100% Book Building Process.

	QIBs	**Non-Institutional Bidders**	**Retail Individual Bidders**	**Business Associates**	**Eligible Employees**	**Existing FTIL Shareholders**
Number of Equity Shares*	At least 2,421,600 Equity Shares.	Up to 403,600 Equity Shares or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Up to 1,210,800 Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders.	Up to 250,000 Equity Shares	Up to 214,000 Equity Shares	Up to 500,000 Equity Shares
Percentage of Issue Size available for Allotment/ Allocation	At least 60% of Net Issue Size shall be Allotted to QIBs. However, up to 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	Up to 10% of Net Issue or Net Issue less Allotment to QIB Bidders and Retail Individual Bidders.	Up to 30% of Net Issue or Net Issue less Allotment to QIB Bidders and Non Institutional Bidders.	Up to 5 % of the Issue Size	Up to 4.28 % of the Issue Size	Up to 10 % of the Issue Size
Basis of Allotment/ Allocation if respective category is oversubscribed	Proportionate as follows: (a) Equity Shares shall be allocated on a proportionate basis to Mutual Funds in the Mutual Funds Portion; (b) Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity	Such number of Equity	[•] Equity Shares and in	[•] Equity Shares and in	[•] Equity Shares and in	[•] Equity Shares and in

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Business Associates	Eligible Employees	Existing FTIL Shareholders
	Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [•] Equity Shares thereafter.	Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [•] Equity Shares thereafter.	multiples of [•] Equity Share thereafter.	multiples of [•] Equity Share thereafter.	multiples of [•] Equity Share thereafter.	multiples of [•] Equity Share thereafter.
Maximum Bid	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. [•].	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. [•].	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. [•].
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid/ Allotment Lot	[•] Equity Shares in multiples of [•] Equity Shares	[•] Equity Shares in multiples of [•] Equity Shares	[•] Equity Shares in multiples of [•] Equity Shares	[•] Equity Shares in multiples of [•] Equity Shares	[•] Equity Shares in multiples of [•] Equity Shares	[•] Equity Shares in multiples of [•] Equity Shares
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply**	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development	NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Individuals (including HUFs, NRIs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.	Business Associates	Eligible Employees	Existing FTIL Shareholders

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Business Associates	Eligible Employees	Existing FTIL Shareholders
	Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.					
Terms of Payment	QIB Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount shall be payable at the time of at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to Business Associates at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to Eligible Employees at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to Existing FTIL Shareholders at the time of submission of Bid cum Application Form to the Syndicate Members.
Margin Amount	At least 10% of the Bid Amount	Full Bid Amount on bidding	Full Bid Amount on bidding	Full Bid Amount on bidding	Full Bid Amount on bidding	Full Bid Amount on bidding

* Subject to valid Bids being received at or above the Issue Price and subject to a minimum of 60% of the Net Issue being allocated to QIBs. The Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be allocated to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allottment on a proportionate basis to QIBs including the Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, up to 10% of the Net Issue would be allocated to Non-Institutional Bidders and up to 30% of the Net Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. Under-subscription, if any, in the Non-Institutional category and the Retail Individual category would be met with spill over from any other category at the sole discretion of our Company and the Selling Shareholders in consultation with the BRLMs.

** In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.

Undersubscription, if any, in the Reservation Portion will be added back to Retail Portion. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Reservation Portion.

Withdrawal of the Issue

The Company and the Selling Shareholders, in consultation with the BRLMs, reserves the right not to proceed with the Issue at anytime including after the Bid/ Issue Closing Date, without assigning any reason thereof.

Bidding/ Issue Period

BID / ISSUE OPENS ON	**[●]**
BID / ISSUE CLOSES ON	**[●]**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period/Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/ Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and [●] p.m.** (Indian Standard Time) and uploaded till such time as permitted by the NSE and the BSE .

The Company reserves the right to revise the Price Band during the Bidding /Issue Period in accordance with SEBI Guidelines. The cap on the Price Band shall not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.

In case of revision in the Price Band, the Bidding /Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding /Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding /Issue Period, if applicable, will be widely disseminated by notification to NSE and BSE by issuing a press release, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be allocated to QIB Bidders on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds and the remainder shall be available for Allotment on a proportionate basis to QIBs including the Mutual Funds. Further up to 30% of the Net Issue to the public shall be available for allocation on a proportionate basis to the Retail Individual Bidders and up to 10% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. In case of QIB Bidders, the Company and the Selling Shareholders in consultation with the BRLMs may reject Bids at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and the Reservation Portion, the Company and the Selling Shareholders would have a right to reject the Bids only on technical grounds.

Investors should note that Allotment to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting Allotment in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Draft Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the application form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in this Draft Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian public including resident QIBs, Non Institutional Bidders and Retail Individual Bidders	White
NRIs and FIIs	Blue
Business Associates	[•]
Eligible Employees	[•]
Existing FTIL Shareholders	[•]

Who can Bid?

- Indian nationals resident in India who are majors, or in the name of their minor children as natural legal guardian\in single or joint names (not more than three);

- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;

- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;

- Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission, as applicable);
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts and who are authorised under their constitution to hold and invest in equity shares;
- NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Multilateral and Bilateral Development Financial Institutions; and
- Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Participation by associates of BRLMs and Syndicate Member

The BRLMs and Syndicate Member shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLMs and Syndicate Member may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis. Such bidding and subscription may be on their own account or their clients.

Application by Mutual Funds

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Under the SEBI Guidelines 5% of the QIB portion i.e. 121,080 Equity Shares has been specifically reserved for Mutual Funds.

Application by NRIs

Bid cum application forms have been made available for NRIs at the registered office of the Company and the offices of the members of the Syndicate.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the forms meant for reserved category.

Application by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. Under the current foreign investment policy applicable to us foreign equity participation up to 100% is permissible under the automatic route. As of now, the aggregate FII holding in us cannot exceed 24% of our total issued capital. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date, no such resolution has been recommended to the shareholders of the Company for adoption.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Application by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the corpus of the venture capital fund/ foreign venture capital investor. However, venture capital funds or foreign venture capital investors may invest not more than 33.33% of their respective investible funds in various prescribed instruments, including in initial public offers of venture capital undertakings.

The above information is given for the benefit of the Bidders. The Company, the Selling Shareholder and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Share thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of cut-off option, the Bid would be considered for allocation under the Non Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Non-Institutional Bidders and QIB Bidders**: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of [•] Equity Shares thereafter. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB Bidder should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid /Issue Closing Date.**

In case of revision in Bids, the Non Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'Cut-Off'.

(c) **For Business Associates Reservation Portion**: The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter. The maximum Bid in this category by an employee cannot exceed Rs. [•].

(d) **For Employee Reservation Portion**: The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter. The maximum Bid in this category by an employee cannot exceed Rs. [•].

(e) **For Existing FTIL Shareholders Reservation Portion**: The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter. The maximum Bid in this category by an employee cannot exceed Rs. [•].

Information for the Bidders

(a) The Company and the Selling Shareholders will file the Red Herring Prospectus with the RoC at least three days before the Bid/ Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Investors who are interested in subscribing for or purchasing our Company's Equity Shares should approach any of the BRLMs or Syndicate Members or their authorized agent(s) to register their Bid.

(d) Any investor (who is eligible to invest in our Equity Shares according to the terms of this Draft Red Hearing Prospectus and applicable law) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from our Registered Office or from any of the members of the Syndicate.

(e) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms which do not bear the stamp of the members of the Syndicate will be rejected.

Method and Process of Bidding

(a) The Company and the BRLMs shall declare the Bid /Issue Opening Date, Bid /Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with the RoC and also publish the same in three widely circulated newspapers (one each in English, Hindi and Marathi). This advertisement shall contain the salient features of the Red Herring Prospectus in the nature of the specifications under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the BRLMs, and the Syndicate Members and their bidding centers. The

Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(b) Investors who are interested in subscribing for the Equity Shares should approach any of the members of the Syndicate or their authorized agent(s) to register their Bid.

(c) The Bidding/ Issue Period shall be a minimum of three working days and not exceeding seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in three national newspapers (one each in English, Hindi and Marathi) and the Bidding/ Issue Period may be extended, if required, by an additional three days, subject to the total Bidding/ Issue Period not exceeding ten working days.

(d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details see the section titled "Issue Procedure-Bids at Different Price Levels" on page 193 of this Draft Red Herring Prospectus) within the Price Band and specify the demand (i.e. the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Issue Procedure-Build up of the Book and Revision of Bids" on page [●] of this Draft Red Herring Prospectus.

(f) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.

(h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the section titled "Issue Procedure-Terms of Payment and Payment into the Escrow Accounts" on page [●] of this Draft Red Herring Prospectus.

Bids at Different Price Levels

a) The Price Band has been fixed at Rs. [•] to Rs. [•] per Equity Share of Rs. 10 each, Rs. [•] being the Floor Price and Rs. [•] being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Rs. [•].

b) In accordance with SEBI Guidelines, the Company and the Selling Shareholders reserve the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.

c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to NSE and BSE, by issuing a public notice in two national newspapers (one each in

English, Hindi and Marathi), and also by indicating the change on the websites of the BRLMs and at the bidding terminals of the members of the Syndicate.

d) The Company and the Selling Shareholders, in consultation with the BRLMs can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

e) Bidders can bid at any price within the Price Band. Bidders have to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders and Bidders in the Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non-Institutional Bidders and Bidders in Reservation Portion bidding in excess of Rs. 100,000 and such Bids shall be rejected.**

f) Retail Individual Bidders and Bidders in the Reservation Portion who bid at the Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off Price shall deposit the Bid Amount based on the Cap Price in the respective Escrow Accounts. In the event the Bid Amount is higher than the subscription amount payable by such Bidders who Bid at Cut-off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), such Bidders who Bid at Cut off Price, shall receive the refund of the excess amounts from the respective Escrow Accounts/refund account(s).

g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Bidders in the Reservation Portion, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to the revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of allocation, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

h) In case of a downward revision in the Price Band Retail Individual Bidders, and Bidders in the Reservation Portion, who have bid at Cut-off Price who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the respective Escrow Accounts/refund account(s).

i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [•] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Escrow Mechanism

The Company and the Selling Shareholders shall open Escrow Accounts with one or more Escrow Collection Bank(s) in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the respective Escrow Account. The Escrow Collection Bank(s) will act in terms of this Draft Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Accounts shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the monies from the Escrow Accounts to the Public Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Accounts/refund account(s) as per the terms of the Escrow Agreement and this Draft Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Company, the Selling Shareholders, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details see the section titled "Issue Procedure-Payment Instructions" on page [●] of this Draft Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Accounts, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds.

Each category of Bidders, i.e., QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders, Business Associates, Eligible Employees and Existing FTIL Shareholders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Issue Structure" on page 185 of this Draft Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the appropriate Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be rejected. However, if the members of the Syndicate, do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid Form.

Electronic Registration of Bids

(a) The Member of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period/Issue Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid / Issue Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for Bids registered on the electronic facilities of NSE and BSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centers. A graphical representation of the consolidated demand and price would be made available at the bidding centers and the websites of the Stock Exchanges during the Bidding /Issue Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

    i. Name of the investor;

    ii. Investor Category –Individual, Corporate, FII, NRI or Mutual Fund, etc.;

iii. Numbers of Equity Shares bid for;

iv. Bid price;

v. Bid cum Application Form number;

vi. Whether payment is made upon submission of Bid cum Application Form; and

vii. Depository Participant Identification No. and Client Identification no. of the demat account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be Allotted either by the members of the Syndicate, the Selling Shareholders or the Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) In case of QIB Bidders, the members of the Syndicate can reject the Bids at the time of accepting the Bid provided that the reason for such rejection is provided in writing. In case of Bids under the Non-Institutional Portion, Bids under the Retail Portion and Bids under the Reservation Portion would not be rejected except on the technical grounds listed in this Draft Red Herring Prospectus.

(h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company, the Selling Shareholders, the BRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoter, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids

(a) Bids registered by various Bidders through the Members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

(c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the

Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Draft Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

(h) In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLMs, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

(a) After the Bid /Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with the Company and the Selling Shareholders.

(b) The Company and the Selling Shareholders, in consultation with the BRLMs, shall finalise the Issue Price, the number of Equity Shares to be Allotted in each portion.

(c) The allocation to QIB Bidders of at least 60% of the Net Issue (including 5% specifically reserved for Mutual Funds) would be on a proportionate basis in consultation with Designated Stock Exchange subject to valid bids being received at or above the Issue Price, in the manner as described in the section titled "Issue Procedure-Basis of Allotment – Allotment to QIB Bidders" on page 214 of this Draft Red Herring Prospectus. The allocation to Non-Institutional Bidders of up to 10% and Retail Individual Bidders of up to 30% of the Net Issue Size, would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Under subscription, if any, in the Non-Institutional, Retail categories and the Reservation Portion would be allowed to be met with spill over from any of the other categories at the discretion of the Company, the Selling Shareholders and the BRLMs. However, if the aggregate demand by Mutual Funds is less than 121,080 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be Allotted proportionately to the QIB Bidders.

(e) Allocation to FIIs, NRIs and foreign venture capital funds registered with SEBI applying on repatriation basis will be subject to the terms and conditions as are stipulated by RBI.

(f) The BRLMs in consultation with the Company and the Selling Shareholders, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(g) The Company reserves the right to cancel the Fresh Issue any time after the Bid/Issue Opening Date but before Allotment without assigning any reasons whatsoever. The Selling Shareholders reserves the right to cancel the Offer for Sale any time after the Bid/Issue Opening Date but before Allotment without assigning any reasons whatsoever.

(h) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid / Issue Closing Date.

(i) The allotment details shall be put on the website of the Registrar to the Issue.

Signing of Underwriting Agreement and Filing with the RoC

(a) The Company, the Selling Shareholders, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.

(b) After signing the Underwriting Agreement, the Company would update and file the updated Red Herring Prospectus with the RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

Filing of the Prospectus with the ROC

We will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by the Company after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) Upon approval of basis of allocation by the Designated Stock Exchange, the BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, investors should note that the Company shall ensure that the date of Allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

(b) The BRLMs or members of the Syndicate would then dispatch the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Accounts at the time of bidding shall pay in full the amount payable into the Escrow Accounts by the Pay-in Period specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Accounts. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the Allotment to such Bidder.

(d) The Issuance of CAN is 'Subject to "Allotment/ Transfer Reconciliation and Revised CANs" as set forth under the chapter "Terms of Issue" of this Draft Red Herring Prospectus.

Notice to QIBs: Allotment/ Transfer Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bid applications received. Based on the electronic book, QIBs will be sent a CAN on or prior to [●], 2006, indicating the number of Equity Shares that may be allotted to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the physical book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange and specified in the physical book. As a result, a revised CAN may be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. It is not necessary that a revised CAN will be sent. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased Allotment of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

(a) The Company and the Selling Shareholders will ensure that the Allotment of Equity Shares is done within 15 days of the Bid /Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Public Issue Account on the Designated Date, we would ensure the credit to the successful Bidders depository account within two working days of the date of Allotment.

(b) As per SEBI Guidelines, **Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the allottees**. Allottees will have the option to re-materialise the Equity Shares, if they so desire, in the manner stated in the Depositories Act.

(c) Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to this Issue.

Letters of Allotment or refund orders

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the finalisation of basis of allocation. We shall ensure despatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post only at the sole or First Bidder's sole risk within 15 days of the Bid/ Issue Closing Date, and adequate funds for the purpose shall be made available to the Registrar by us.

In accordance with the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

i. Allotment shall be made only in dematerialised form within 15 days from the Bid/ Issue Closing Date;

ii. Despatch of refund orders shall be done within 15 days from the Bid/ Issue Closing Date; and

iii. We shall pay interest at 15.0% per annum (for any delay beyond the 15-day time period as mentioned above), if Allotment is not made, refund orders are not despatched and/or demat credits are not made to Bidders within the 15-day time prescribed above, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the demat credit.

We will provide adequate funds required for despatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Bank(s) and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

GENERAL INSTRUCTIONS

Do's:

a) Check if you are eligible to apply;

b) Read all the instructions carefully and complete the Resident Bid cum Application Form (blue in colour) or Non-Resident Bid cum Application Form (white in colour), Business Associates Reservation Portion Bid cum Application Form ([•] in colour), Employee Reservation Portion Bid cum Application Form ([•] in colour), and Existing FTIL Shareholders Reservation Portion Bid cum Application Form ([•] in colour), as the case may be;

c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Allotment of Equity Shares will be in the dematerialized form only;

d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

e) Ensure that you have been given a TRS for all your Bid options;

f) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

g) Ensure that the bid is within the price band;

h) Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more and attach a copy of the PAN Card and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating Allotment of PAN along with the application for the purpose of verification of the number, with the Bid cum Application Form. In case you do not have a PAN, ensure that you provide a declaration in Form 60 prescribed under the I.T. Act along with the application.; and

i) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.

j) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

a) Do not Bid for lower than the minimum Bid size;

b) Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the Price Band;

c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

d) Do not pay the Bid Amount in cash, money order or postal order;

e) Do not provide your GIR number instead of your PAN;

f) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

g) Do not Bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders and Bidders under the Reservation Portion, for whom the Bid Amount exceeds Rs. 100,000);

h) Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

i) Do not submit Bid accompanied with Stockinvest.

j) **Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable ([●] colour for Resident Indians, [●] colour for NRIs and FIIs and applying on repatriation basis, [●] colour for Bidders under Business Associates Reservation portion, [●] colour for Bidders under Employee Reservation portion and [●] colour for Bidders under Existing FTIL Shareholders Reservation portion).

b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

c) The Bids from the Retail Individual Bidders must be for a minimum of [•] Equity Shares and in multiples of [•] thereafter subject to a maximum Bid Amount of Rs. 100,000.

d) For Non-institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [•] Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.

e) For Business Associates Reservation Category, the Bid must be for a minimum of [•] Equity Shares in multiple of thereafter subject to a maximum of Bid Amount does not exceed Rs. [•].

f) For Employee Reservation Category, the Bid must be for a minimum of [•] Equity Shares in multiple of thereafter subject to a maximum of Bid Amount does not exceed Rs. [•].

g) For Existing FTIL Shareholders Reservation Category, the Bid must be for a minimum of [•] Equity Shares in multiple of thereafter subject to a maximum of Bid Amount does not exceed Rs. [•].

h) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

i) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule of the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Business Associates

For the purpose of the Business Associates Reservation Portion, Business Associates means the trading members and clearing members of MCX as of [•], who are Indian Nationals, are based in India and are physically present in India on the date of submission of the Bid- cum-Application Form.

Bids under Business Associates Reservation Portion by Business Associates shall be

a) Made only in the prescribed Bid cum Application Form or Revision Form (i.e. [•] colour Form).

b) Business Associates, as defined above, should mention their Membership Numberat the relevant place in the Bid cum Application Form:

c) The sole/ first bidder should be Business Associates as defined above.

d) Only Business Associates would be eligible to apply in this Issue under the Business Associates Reservation Portion.

e) Bids by Business Associates will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.

f) Business Associates who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. This facility is not available to other Business Associates whose minimum Bid Amount exceeds Rs. 100,000.

g) The maximum bid in this category by any Eligible Employee cannot exceed Rs. [•].

h) Bid/ Application by Business Associates can be made also in the "Net Issue to the Public" and such bids shall not be treated as multiple bids.

i) If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allocation shall be made to the Business Associates to the extent of their demand.

j) Under-subscription, if any, in the Business Associates Reservation Portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the Company, the Selling Shareholder and the BRLMs. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Business Associates Reservation Portion.

k) If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to para "Basis of Allotment" on page 212 of this Draft Red Herring Prospectus.

l) This is not an issue for sale within the United States of any equity shares or any other security of the Company. Securities of the Company, including any offering of its equity shares, may not be offered or sold in the United States in the absence of registration under U.S. securities laws or unless exempt from registration under such laws.

Bids by Eligible Employees

For the purpose of the Employee Reservation Portion, Eligible Employee means permanent employees of the Company and FTIL who are Indian Nationals, are based in India and are physically present in India on the date of submission of the Bid- cum-Application Form.

Bids under Employee Reservation Portion by Eligible Employees shall be

a) Made only in the prescribed Bid cum Application Form or Revision Form (i.e. [•] colour Form).

b) Eligible Employees, as defined above, should mention their Employee Number at the relevant place in the Bid cum Application Form:

c) The sole/ first bidder should be Eligible Employees as defined above.

d) Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion.

e) Bids by Eligible Employees will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.

f) Eligible Employees who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. This facility is not available to other Eligible Employees whose minimum Bid Amount exceeds Rs. 100,000.

g) The maximum bid in this category by any Eligible Employee cannot exceed Rs. [•].

h) Bid/ Application by Eligible Employees can be made also in the "Net Issue to the Public" and such bids shall not be treated as multiple bids.

i) If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.

j) Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the

Company, the Selling Shareholder and the BRLMs. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.

k) If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to para "Basis of Allotment" on page 212 of this Draft Red Herring Prospectus.

l) This is not an issue for sale within the United States of any equity shares or any other security of the Company. Securities of the Company, including any offering of its equity shares, may not be offered or sold in the United States in the absence of registration under U.S. securities laws or unless exempt from registration under such laws.

Bids by Existing FTIL Shareholders

For the purpose of the Existing FTIL Shareholders Reservation Portion, Existing FTIL Shareholders means shareholders of FTIL as on [•], who are Indian Nationals, are based in India and are physically present in India on the date of submission of the Bid- cum-Application Form.

Bids under Existing FTIL Shareholders Reservation Portion by Existing FTIL Shareholders shall be

a) Made only in the prescribed Bid cum Application Form or Revision Form (i.e. [•] colour Form).

b) Existing FTIL Shareholders, as defined above, should mention the following at the relevant place in the Bid cum Application Form:

   Registered Folio Number/DP and Client ID number

c) The sole/ first bidder should be Existing FTIL Shareholders as defined above.

d) Only Existing FTIL Shareholders would be eligible to apply in this Issue under the Existing FTIL Shareholders Reservation Portion.

e) Bids by Existing FTIL Shareholders will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.

f) Existing FTIL Shareholders who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. This facility is not available to other Existing FTIL Shareholders whose minimum Bid Amount exceeds Rs. 100,000.

g) The maximum bid in this category by any Existing FTIL Shareholders cannot exceed Rs. [•].

h) Bid/ Application by Existing FTIL Shareholders can be made also in the "Net Issue to the Public" and such bids shall not be treated as multiple bids.

i) If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allocation shall be made to the Existing FTIL Shareholders to the extent of their demand.

j) Under-subscription, if any, in the Existing FTIL Shareholders Reservation Portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the Company, the Selling Shareholder and the BRLMs. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Existing FTIL Shareholders Reservation Portion.

k) If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to para "Basis of Allotment" on page 212 of this Draft Red Herring Prospectus.

l) This is not an issue for sale within the United States of any equity shares or any other security of the Company. Securities of the Company, including any offering of its equity shares, may not be offered or sold in the United States in the absence of registration under U.S. securities laws or unless exempt from registration under such laws.

Bidder's Depository Account and Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These Bank Account details would be used for giving refunds to the Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Company or the Selling Shareholders shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of CANs/Allocation Advice and printing of bank particulars on the refund order or for refunds through Electronic Transfer of Funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, Bidder would have deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case of Bidders receiving refunds through Electronic Transfer of Funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company nor the Registrar nor the Selling Shareholders nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

The Company and Selling Shareholders, in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through the Electronic Transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, the Company and the Selling Shareholders reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, the Company and the Selling Shareholders reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, the Company and the Selling Shareholders reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, the Company and the Selling Shareholders reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

The Company and the Selling Shareholders in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that the Company, the Selling Shareholders and the BRLMs may deem fit.

The Company and the Selling Shareholders in our absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and revision to Bids must be made:

a) On the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

b) In a single name or joint names (not more than three).

c) NRIs for a Bid Price of up to Rs. 1,00,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 1,00,000 would be considered under Non-Institutional Portion for the purposes of allocation; by FIIs for a minimum of such number of Equity Shares and in multiples of • thereafter that the Bid Price exceeds Rs. 1,00,000.

d) For further details, see the section titled 'Maximum and Minimum Bid Size' on page 191 of this Draft Red Herring Prospectus. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

e) Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

The Company and the Selling Shareholders shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

- The Bidders for shall with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.

- In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.

- The payment instruments for payment into the Escrow Account should be drawn in favour of:

  - In case of QIB Bidders: "Escrow Account-MCX Public Issue-QIB Resident"
  - In case of Non-resident QIB Bidders: "Escrow Account-MCX Public Issue-QIB NR"
  - In case of Resident Retail and Non-Institutional Bidders: "Escrow Account-MCX Public Issue- Resident"
  - In case of other Non Resident Retail and Non-Institutional Bidders: "Escrow Account-MCX Public Issue-NR"
  - In case of Business Associates: "Escrow Account-MCX Public Issue-Business Associates"
  - In case of Eligible Employees: "Escrow Account-MCX Public Issue-Employees"
  - In case of Existing FTIL Shareholders: "Escrow Account-MCX Public Issue-Existing FTIL Shareholders"

  In case of bids by NRIs applying on a repatriation basis, the payments must be made through Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in the NRE Accounts or the Foreign Currency Non-Resident Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non Resident Ordinary (NRO) Account of the Non Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to the NRE Account or the Foreign Currency Non-Resident Account.

  In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

- Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Accounts.

- The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

- On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Banker to the Issue.

- On the Designated Date and no later than 15 days from the Bid /Issue Closing Date, the Escrow Collection Bank(s) shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders

Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvest/money orders/postal orders will not be accepted.

Payment by Stock invest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. Each member of the Syndicate may, at its sole discretion, waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form provided however that for QIB Bidders the Syndicate Members shall collect the QIB Margin and deposit the same in a specifies escrow account.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

Other Instructions

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file as probable multiple master.

2. In this master, a check will be carried out for the same PAN/GIR numbers. In cases where the PAN/GIR numbers are different, the same will be deleted from this master.

3. Then the addresses of all these applications from the address master will be strung. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names.

4. The applications will be scanned for similar DP ID and Client ID numbers. In case applications bear the same numbers, these will be treated as multiple applications.

5. After consolidation of all the masters as described above, a print out of the same will be taken and the applications physically verified to tally signatures as also fathers/husbands names. On completion of this, the applications will be identified as multiple applications.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Funds and such Bids in respect of more than one scheme of the Mutual Funds will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

PAN

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.**

UNIQUE IDENTIFICATION NUMBER - MAPIN

Unique Identification Number ("UIN")

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs.100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of this Draft Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

Right to Reject Bids

In case of QIB Bidders, the Company in consultation with the BRLMs may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, the Company, the Selling Shareholders have a right to reject Bids on technical grounds.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on among others on the following technical grounds:

a) Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;

b) Age of First Bidder not given;

c) In case of partnership firms, shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;

d) Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;

e) PAN photocopy/ PAN Communication/ Form 60 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;

f) Submission of the GIR number instead of the PAN;

g) Bids for lower number of Equity Shares than specified for that category of investors;

h) Bids at a price less than lower end of the Price Band;

i) Bids at a price more than the higher end of the Price Band;

j) Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders applying for greater than 100,000 Equity Shares;

k) Bids for number of Equity Shares, which are not in multiples of [•];

l) Category not ticked;

m) Multiple Bids as defined in this Draft Red Herring Prospectus;

n) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;

o) Bids accompanied by Stockinvest/money order/postal order/cash;

p) Signature of sole and /or joint Bidders missing;

q) Bid cum Application Forms does not have the stamp of the BRLMs, or the Syndicate Members;

r) Bid cum Application Forms does not have Bidder's depository account details;

s) Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and this Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid cum Application Forms;

t) In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's identity;

u) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled "Issue Procedure–Bids at Different Price Levels" at page 193 of this Draft Red Herring Prospectus;

v) Bids by OCBs;

w) Bids by US Persons other than "qualified institutional buyers" as defined in Rule 144A under the Securities Act.

Equity Shares in Dematerialised Form with NSDL or CDSL

The Allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

- a tripartite agreement dated December 20, 2004 with NSDL, us and Registrar to the Issue; and
- a tripartite agreement dated May 18, 2005 with CDSL, us and Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
- Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
- It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

- The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

PAYMENT OF REFUND

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Benenficiary Account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence Bidders are adviced to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through Electronic Transfer of Funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Selling Shareholders, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor the BRLM shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centers: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned fifteen centers, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS.

2. Direct Credit – Applicants having bank accounts with the Refund Banker(s), in this case being, [•] shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.

3. RTGS – Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

4. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value upto Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY

The Company and the Selling Shareholders shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through Electronic Transfer of Funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two working days of date of Allotment of Equity Shares.

In case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Company and the Selling Shareholders shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company and the Selling Shareholders further undertake that:

- Allotment of Equity Shares shall be made only in dematerialized form within 15 (fifteen) days of the Bid/Issue Closing Date;
- Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
- The Company and the Selling Shareholders shall pay interest at 15% (fifteen) per annum for any delay beyond the 15 (fifteen)-day time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

a. ***makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or***

b. ***otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,***

shall be punishable with imprisonment for a term which may extend to five years."

Basis of Allotment

A. For Retail Individual Bidders

i. Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.

ii. The Net Issue size less allotment to Non-Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

iii. If the aggregate demand in this category is less than or equal to 1,210,800 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.

iv. If the aggregate demand in this category is greater than 1,210,800 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate basis of allotment, refer below.

B. For Non-Institutional Bidders

i. Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

ii. The Net Issue size less allotment to QIBs and Retail Portion shall be available for allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

iii. If the aggregate demand in this category is less than or equal to 403,600 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.

iv. In case the aggregate demand in this category is greater than 403,600 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate basis of allotment refer below.

C. For QIBs

i. Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the QIB Bidders will be made at the Issue Price.

ii. The QIB Portion shall be available for allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

iii. Allotment shall be undertaken in the following manner:

(a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

1. In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

2. In the event that the aggregate demand form Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.

3. Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for allotment to all QIB Bidders as set out in (b) below;

(b) In the second instance allotment to all QIBs shall be determined as follows:

1. In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

2. Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to

receive Equity Shares on a proportionate basis along with other QIB Bidders.

3. Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

iv. The aggregate allotment to QIB Bidders shall not be less than 2,421,600 Equity Shares.

D. For Business Associates Reservation Portion

i. Bids received from the Business Associates at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Business Associates will be made at the Issue Price.

ii. If the aggregate demand in this category is less than or equal to 250,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Business Associates to the extent of their demand.

iii. If the aggregate demand in this category is greater than 250,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares and in multiple of [•] Equity Share thereafter. For the method of proportionate basis of allocation, refer below.

iv. Only Business Associates eligible to apply under Business Associates Reservation Portion.

E. For Employee Reservation Portion

i. Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.

ii. If the aggregate demand in this category is less than or equal to 214,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand.

iii. If the aggregate demand in this category is greater than 214,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares and in multiple of [•] Equity Share thereafter. For the method of proportionate basis of allocation, refer below.

iv. Only Eligible Employees eligible to apply under Employee Reservation Portion.

F. For Existing FTIL Shareholders Reservation Portion

i. Bids received from the Existing FTIL Shareholders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Existing FTIL Shareholders will be made at the Issue Price.

ii. If the aggregate demand in this category is less than or equal to 500,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Existing FTIL Shareholders to the extent of their demand.

iii. If the aggregate demand in this category is greater than 500,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares and in multiple of [•] Equity Share thereafter. For the method of proportionate basis of allocation, refer below.

iv. Only Existing FTIL Shareholders eligible to apply under Existing FTIL Shareholders Reservation Portion.

Method of Proportionate Basis of Allotment in the QIB, Retail, Non-Institutional and Reservation Portions

In the event of the Issue being over-subscribed, we shall finalize the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorized according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate allotment is less than [•] Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of [•] Equity Shares; and

- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

e) If the proportionate allotment to a Bidder is a number that is more than [•] but is not a multiple of [•] (which is the marketable lot), the number in excess of the multiple of [•] would be rounded off to the higher multiple of [•] if that number is [•] or higher. If that number is lower than [•], it would be rounded off to the lower multiple of [•]. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds (MF)

A. Issue details

Sr. No.	Particulars	Issue details
1	Issue size	100 million Equity Shares
2	Allocation to QIB (50% of the Net Issue)	50 million Equity Shares
	Of which:	
	a. Reservation For Mutual Funds, (5%)	2.5 million Equity Shares
	b. Balance for all QIBs including Mutual Funds	47.5 million Equity Shares

3	Number of QIB applicants	10
4	Number of Equity Shares applied for	250 million Equity Shares

B. Details of QIB Bids

Sr. No	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	25
2	A2	10
3	A3	65
4	A4	25
5	A5	25
6	MF1	20
7	MF2	20
8	MF3	40
9	MF4	10
10	MF5	10
	TOTAL	250

 # A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

C. <u>Details of Allotment to QIB Bidders/Applicants</u>

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 2.5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 47.5 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
A1	25	0	4.80	0
A2	10	0	1.92	0
A3	65	0	12.48	0
A4	25	0	4.80	0
A5	25	0	4.80	0
MF1	20	0.5	3.74	4.24
MF2	20	0.5	3.74	4.24
MF3	40	1.0	7.48	8.48
MF4	10	0.25	1.87	2.12
MF5	10	0.25	1.87	2.12
	250	**2.5**	**47.5**	**21.2**

Please note:

1. The illustration presumes compliance with the requirements specified in this Draft Red Herring Prospectus in the section titled “Issue Structure” on page 185.

2. Out of 50 million Equity Shares allocated to QIBs, 2.5 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 100 million shares in the QIB Portion.

3. The balance 47.5 million Equity Shares (i.e. 50 – 2.5 (available for Mutual Funds only)) will be allocated on proportionate basis among 10 QIB Bidders who applied for 250 million shares (including 5 Mutual Fund applicants who applied for 100 million shares).

4. The figures in the fourth column titled "Allocation of balance 95 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under :

    - For QIBs other than Mutual Funds (A1 to A5)= Number of Equity Shares Bid for X 47.5 / 247.5
    - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 47.5/247.5
    - The numerator and denominator for arriving at allocation of 47.5 million Equity Shares to the 10 QIBs are reduced by 2.5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Undertakings by the Company

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;

- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allocation;

- that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the issue by the issuer.

- that where refunds are made through Electronic Transfer of Funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

- that no further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

The Selling Shareholders undertake that:

- the Equity Shares being sold pursuant to the offer to the public, have been held by us for a period of more than one year and the Equity Shares are free and clear of any liens or encumbrances, and shall be transferred to the eligible investors within the specified time;

- the funds required for despatch of refund orders or Allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by the Company;

- that the Complaints received in respect of this Issue shall be attended to by the Selling Shareholders expeditiously and satisfactorily. The Selling Shareholders has authorized the Compliance Officer and the Registrar to the Issue to redress complaints, if any, of the investors; and

- that the refund orders or Allotment advice to the successful Bidders shall be dispatched within specified time.

The Company and the Selling Shareholders shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

The Company shall transfer to the Selling Shareholders, the proceeds from the Offer for Sale, on the same being permitted to be released in accordance with applicable laws.

Utilisation of Issue Proceeds

The Board of Directors of the Company certifies that:

- all monies received out of the Fresh Issue to the public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;

- details of all monies utilised out of the Fresh Issue shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised;

- details of all unutilised monies out of the Fresh Issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised monies have been invested;

The Company and the Selling Shareholders shall not have any recourse to the Issue proceeds until the approval for trading the Equity Shares is received from the Stock Exchanges.

Pre-Issue and Post Issue related problems

We have appointed Ranjit Samantray, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue related problems. He can be contacted at the following address:

Ranjit Samantaray
102 A ,Landmark ,Suren Road,
Chakala,
Andheri (East)
Mumbai 400 093
Tel: (91 22) 5649 4000
Fax: (91 22) 5649 4151
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RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The Comprehensive Manual for Foreign Direct Investment- Policy & Procedures dated November, 2005 issued by the Department of Industry Policy and Promotion, Ministry of Commerce and Industry does not prescribe any cap on the foreign investments in the sector in which the Company operates. Therefore, foreign investment up to 100% is permitted in the Company under the automatic route.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

Transfers of equity shares previously required the prior approval of the FIPB. However, vide a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

Representation from the Bidders

No person shall make a Bid in Issue, unless such person is eligible to acquire Equity Shares of the Company in accordance with applicable laws, rules, regulations, guidelines and approvals.

Investors that Bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Underwriters, the Selling Shareholders and their respective directors, officers, agents, affiliates and representatives, as applicable, that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not offer, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Underwriters, the Selling Shareholders and their respective directors, officers, agents, affiliates and representatives, as applicable, accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

Subscription by Eligible Non-Residents

There is no reservation for any NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation.

As per RBI regulations, OCBs cannot participate in the Issue.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 ("the Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning that has been given to such terms in the Articles of Association of Multi Commodity Exchange of India Limited.

Pursuant to Schedule II of the Companies Act and SEBI Guidelines, the main provisions of the Articles of Association of Multi Commodity Exchange of India Limited are set forth below:

CAPITAL AND INCREASE AND REDUCTION OF CAPITAL

Increase in Capital

Article 7 provides that "The Company may from time to time, by special resolution, increase the share capital by such sum, to be divided into shares of such amount, as may be specified in the resolution."

Purchase by Company of its own shares.

Article 18 provides that "The Company may buy back its own shares in accordance with the provisions of the Companies Act, 1956."

Reduction of Capital

Article 17 provides that "The Company may by Special Resolution, after complying with the provisions of the Act, in any manner and with and subject to any incidence authorized and consent required by law, reduce its share capital; capital redemption reserve account and Any share premium account.

Variation of rights

Article 12 provides that "The right attached to any class of shares (unless otherwise provided by the terms of the issue of the shares of that class) may, subject to the provisions of Sections 106 and 107 of the Act, be varied with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of the Special Resolution passed at a separate meeting of the holders of the issued shares of that class and the provisions of these Articles relating to General Meeting shall *mutatis mutandis* apply, provided that the necessary quorum shall be two (2) persons at least holding one-tenth of the issued shares of the class."

COMMISSION AND BROKERAGE

Article 14 provides that "The Company may exercise the powers of paying commission and/or brokerage conferred by Section 76 of the Act."

CALLS ON SHARES

Article 21 provides that "Subject to the provisions of Section 91 of the Companies Act, the Board may from time to time make such calls as it thinks fit upon the Members of the Company in respect of all moneys unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof, made payable at fixed times:
a. A call may be made payable in instalments.
b. Each member shall pay the amount of every call so made on him to the person and at the time and place appointed by the Board.
c. A call may be revoked or postponed at the discretion of the Board.
d. The option or right to call of shares shall not be given to any person except with the sanction of the issuer in general meeting."

When interest on calls payable

Article 21 provides that "If sum called in respect of shares is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest upon the sum at the rate fixed by the Board, not exceeding fifteen per cent (15%) per annum, from the day appointed for the payment, but the Board shall be at liberty to waive payment of that interest wholly or in part."

Payment of calls in advance

Article 21 provides that "The Board may, if they think fit, and subject to the provision of Section 92 of the Act, receive from any Member willing to advance the same, either in money or moneys worth, all or any part of the moneys uncalled and unpaid-upon any shares held by him and upon all or any part of the moneys so advanced may, (until the same would, but for such advance become presently payable) pay without the sanction of the Company in General Meeting interest at such rate, not exceeding twelve per cent (12%) per annum, as may be agreed upon between the Member paying the sum in advance and the Board, but shall not in respect thereof confer a right to dividend or to participate in profits. The Member making such advance shall not be entitled to any voting rights in respect of such advance, until the same would but for such payment become presently payable. The provision of these Articles shall apply mutatis mutandis to calls on the debenture of the Company."

Partial payment not to preclude forfeiture

Article 21 provides that "Neither a judgement nor a decree in favour of the Company for calls or other moneys due in respect of any share nor any part payment or satisfaction there under, nor the receipt by the Company of portion of any money which shall from time to time be due from any Member in respect of any share either by way of principal or interest nor any indulgence granted by the Company in respect of the payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided."

TRANSFER AND TRANSMISSION OF SHARES

Instrument of transfer

Article 22 provides that "Subject to the provisions of Section 108 of the Act, the rules prescribed there under and these Articles, the shares in the Company shall be transferred by an instrument in writing in the prescribed form and duly stamped."

Article 22 provides that "The instrument of transfer of any shares in the Company shall be executed both by transferor and the transferee and the transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the Register of Members of the Company in respect thereof."

Board's right to refuse transfer

Article 22 provides that " Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, The Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the Company has a lien on the shares. Transfer of shares/ debentures in whatever lot shall not be refused."

Transfer Fee

Article 22 provides that "Notwithstanding any other provisions to the contrary contained in these presents, no fee shall be charged for any of the following:

a. For registration of transfer of shares or debentures, or for transmission of shares or debentures;

b. For sub-division and consolidation of share and debenture certificates and letters of allotment, and for splitting, consolidation and renewal into denominations corresponding to the market units of trading;

c. For sub-division of renounceable Letter of Right

d. For issue of certificates in replacement of those which are old, decrepit or worn out or where the cages on the reverse for recording transfers have been fully utilised; and

e. For registration of any power of attorney, letters of administration or similar other documents."

Closure of Register of Members

Article 22 provides that "The Board may, after giving not less than seven (7) days previous notice by advertisement as required by the Companies Act, close the Register of Members or the register of debenture holders for any periods not exceeding in the aggregate forty-five (45) days in each year but not exceeding thirty (30) days at any one time."

Right to shares on death of a Member

Article 22 provides that "a**.** On the death of a Member, the survivor or survivors where the Member was joint-holder, and his legal representatives where he was sole holder, shall be the only person recognized by the Company as having any title to his interest in the shares. **b.** Nothing in sub-clause (a) shall release the estate of a deceased joint-holder from any liability in respect of any shares, which had been jointly held by him with other persons."

FORFEITURE OF SHARES

If call or instalment not paid notice to be given

Article 24 provides that **"**If a Member fails to pay any call or instalment of a call or interest thereon on or before the day appointed for the payment of the same, the Board may, at any time thereafter during such time as the call or instalment or interest remains unpaid, serve a notice on such Member requiring him to pay the same together with interest at fifteen per cent (15%) per annum or such other rate as the Board may decide and all expenses that may be incurred by the Company by reason of such non-payment."

Forfeiture on failure to comply with notice

Article 24 provides that **"**If the requirements of any such notice as aforementioned are not complied with, any shares in respect of which the notice has been given may, at any time thereafter before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect and such forfeiture shall include all dividends declared in respect of forfeited shares and not actually paid before forfeiture."

Boards right to disposal of forfeited shares or cancellation

Article 24 provides that **"**A forfeited or surrendered share shall be deemed to be the property of the Company and may be sold or otherwise disposed of on such terms and in such manner as the Board may think fit, but at any time before a sale or disposition, the forfeiture may be cancelled on such terms as the Board may think fit."

Liability after forfeiture

Article 24 provides that **"**A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares but shall notwithstanding such forfeiture, remain liable to pay and shall forthwith pay the Company all moneys which at the date of forfeiture were presently payable by him to the Company in respect of shares together with interest at fifteen per cent (15%) per annum, whether such claim be barred by limitation on the date of the forfeiture or not; but his liability shall cease if and when the Company receives payment in full of all moneys due. The Board may if they shall think fit remit the payment of such interest or any part thereof."

SET-OFF OF MONEYS DUE TO SHAREHOLDERS

Article 25 provides that "Any money due from the Company to a shareholder may, without the consent of such shareholder, be applied by the Company in or towards payment of any money due from him, either alone or jointly with any other person, to the Company in respect of calls or otherwise."

CONVERSION OF SHARES INTO STOCK

Conversion of shares into stock and re-conversion

Article 26 provides that “The Company, by an ordinary resolution, may:
a. Convert any paid-up shares into stock; and
b. Re-convert any stock into paid-up shares of any denominations.”

Rights of Stock-holders

Article 26 provides that “The holders of the stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as conferred by Section 96 of the Act.”

<u>BORROWING POWERS</u>

Article 57 provides that “Subject to these Articles, the Board may, from time to time, but with such consent of the Company in general meeting as may be required under Section 293 of the Act, raise or borrow or secure the repayment of any moneys or sums of moneys for the purpose of the Company; provided that the moneys to be borrowed by the Company, apart from temporary loans obtained from the Company’s bankers in the ordinary course of business, shall not, without the sanction of the Company at a general meeting, exceed the aggregate of the paid-up capital of the Company and its free reserves.

Provided that, every resolution passed by the Company or the power to borrow as stated above shall specify the total amount up to which moneys may be borrowed by the Board. The Directors may by a resolution at a meeting of the Board delegate the above power to borrow money otherwise than on debentures to a committee of Directors or the Managing Director within the limits prescribed.”

<u>GENERAL MEETINGS</u>

Annual General Meeting

Article 27 provides that “In addition to any other meetings, Annual General Meeting of the Company shall be held within such intervals as are specified in Section 166 (1) of the Companies Act and, subject to the provisions of Section 166 (2) of the Companies Act, at such times and places as may be determined by the Board. Each such general meeting shall be called an “Annual General Meeting” and shall be specified as such in the notice of convening the meeting. Any other meeting of the Company shall be an “Extraordinary General Meeting”.”

Right to summon Extraordinary General Meeting

Article 27 provides that “The Board may whenever it think fit and shall on the requisition of the Members in accordance with Section 169 of the Companies Act proceed to call an Extraordinary General Meeting. The requisitionists may, in default of the Board convening the same, convene the Extraordinary General Meeting as provided by Section 169 of the Companies Act. Provided that, unless the Board shall refuse in writing to permit the requisitionists to hold the said meeting at the Registered Office, it shall be held at the Registered Office.”

Extraordinary General Meeting by requisition

Article 27 provides that “The Company shall comply with the provisions of Section 188 of the Act as to giving notice of resolutions proposed by the Members and circulating statements on the requisition of members.”

Notice for General Meeting

Article 27 provides that “A General Meeting of the Company may be called by giving not less than twenty one (21) days’ notice in writing, provided that, a General Meeting may be called after giving shorter notice if consent thereto is accorded in the case of the Annual General Meeting by all Members entitled to vote thereat and in the case of any other meeting, by Members of the Company holding not less than ninety-five per cent (95%)of that part of the paid-up share capital which gives the right to vote on the matters to be considered at the meeting.

Provided that where any Members of the Company are entitled to vote on some resolutions to be moved at a Meeting and not on the others, those Members shall be taken into account for the purpose of this clause in respect of the former resolution or resolutions and not in respect of the latter."

Accidental omission to give notice not to invalidate meeting

Article 27 provides that "Accidental omission to give notice of any meeting to or non-receipt of any such notice by any of the Members shall not invalidate the proceedings of or any resolution passed at such meeting."

Special business and statement

Article 27 provides that " (a) All business shall be deemed special that is transacted at an Extraordinary General Meeting and also that is transacted at an Annual General Meeting with the exception of declaration of a dividend, the consideration of the accounts, balance sheets and the reports of the Directors and Auditors, the election of the Directors in the place of those retiring by rotation and the appointment of and the fixing of the remuneration of Auditors; (b) Any Annual General Meeting may transact any item of business whether ordinary or special; (c) Where any items of business to be transacted at the meeting are deemed to be special as aforesaid, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each such item of business including in particular the nature of the concern or interest, if any, therein of every Director and the Managing Director and if any item of business consists of the according of approval to any document by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid."

PROCEEDINGS AT GENERAL MEETING

Quorum

Article 28 provides that "Five (5) Members personally present shall be a quorum for a General Meeting and no business shall be transacted at any General Meeting unless the requisite quorum is present at the time when the meeting proceeds to business.".

If quorum not present, when meeting to be dissolved and when not to be dissolved

Article 28 provides that "If within half an hour from the time appointed for the meeting, a quorum is not present, the meeting if called upon the requisition of Members, shall be dissolved; in any other case, it shall stand adjourned to the same day in the next week at the same time and place or to such other day and such other time and place as the Board may determine and if at the adjourned meeting a quorum is not present, within half an hour from the time appointed for the meeting, the Members present shall be a quorum."

Adjournment of meeting

Article 28 provides that "The chairman, may with the consent of the majority of Members personally present at a meeting at which a quorum is present (and shall if so directed by such majority), adjourn that meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which adjournment took place. When a meeting is adjourned for thirty 30) days or more, notice of the adjourned meeting shall be given as nearly as may be as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment of the business to be transacted at an adjourned meeting."

Questions at General Meeting how decided

Article 28 provides that "At any General Meeting, a resolution put to the vote in the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded in accordance with the provisions of Section 179 of the Act. Unless a poll is so demanded, a declaration by the chairman that a resolution has, on a show of hands, been carried unanimously or by a particular majority or lost and an entry to that effect in the books of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against that resolution."

Casting Vote

Article 28 provides that "In the case of an equality of votes, the chairman shall, both on a show of hands and on a poll, have a second or casting vote in addition to the vote or votes to which he may be entitled as a Member."

Taking of poll

Article 28 provides that "If poll is duly demanded in accordance with the provisions of Section 179 of the Companies Act, it shall be taken in such manner as the chairman directs and in accordance with the provisions of Sections 183 and 185 of the Companies Act and the result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken. The chairman shall appoint two (2) scrutineers in the manner required by Section 184 of the Companies Act."

VOTES AT MEETINGS

Voting rights

Article 29 provides that "Every Member of the Company holding any equity shares having voting rights, shall have a right to vote in respect of such share on every resolution placed before the Company. On a show of hands, every such Member present in person shall have one vote. On a poll, his voting right in respect of such shares shall be in proportion to his share of the paid-up equity capital of the Company."

No vote if calls unpaid
Article 29 provides that "No Member shall be entitled to vote at any General Meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid."

Vote by proxy

Article 29 provides that "On a poll, votes shall be given in person."

Representation of company or body corporate

Article 29 provides that "Where a company or body corporate (hereinafter called "member company") is a Member of the Company, a person, duly appointed by resolution of the member company's board of directors in accordance with the provisions of Section 187 of the Act to represent such member company at a meeting of the Company or at any meeting of class of members of the Company, shall not by reason of such appointment be deemed to be a proxy. A copy of such resolution duly signed by a director of such member company and certified by him as being a true copy of the resolution, upon lodging with the Company at the Office or production at the meeting, shall be accepted by the Company as sufficient evidence of the validity of his appointment; such a person shall be entitled to exercise the same rights and powers, including the right to vote on behalf of the member company, as if it were an individual Member."

Validity of vote

Article 29 provides that "No objection shall be made to the validity of any vote, except at the meeting or the adjourned meeting or poll at which such vote shall be tendered, and every vote, whether given personally and not disallowed at such meeting or poll, shall be deemed valid for all purposes of such meeting or poll whatsoever."

Chairman sole judge of validity

Article 29 provides that "The chairman of the meeting shall be the sole judge of the validity of every vote tendered at such meeting and the chairman present at the taking of the poll shall be the sole judge of the validity of every vote tendered at such poll."

Casting of vote by Postal Ballot

Article 29 provides that "In accordance with the relevant provisions of the Companies Act, 1956, and the rules made thereunder, the specified items of business to be decided by postal ballot shall be so decided and the Company shall comply with the applicable provisions."

BOARD OF DIRECTORS

Number of Directors

Article 30 provides that "The Board of Directors shall consist of not more than 18 (Eighteen) directors inclusive of 4 Government of India / FMC nominees and nominee director in public interest.Provided that any increase in the number of directors beyond twelve shall be with the approval from the Central Government

(The maximum numbers of directors of the Company has been increased from Twelve to Eighteen (12 to 18) vide, Special Resolution dated 24.09.2004 and Central Governments approval Order No. 3/91204 – CL.VII dated 1st April 2005.)."

Non-retiring Directors

Article 30 provides that "Mr. Jignesh Shah, Managing Director shall be a permanent Director of the Company and shall hold office which shall not be liable to retire by rotation."

Shareholders to appoint Directors

Article 30 provides that "Subject to the provisions of Section 255 of the Act, Directors other than the Non-retiring Directors (whose number shall not exceed one third of the total number of directors) and nominated Directors shall be appointed by the shareholders of the Company in a General Meeting and shall be liable to retire by rotation as hereinafter provided.

Share Qualification

Article 30 provides that "No share qualification shall be required to be held by any Director."

Additional Director

Article 30 provides that "The Board shall have power, at any time and from time to time, to appoint any person as a Director, as an addition to the Board, but so that the total number of Directors shall not at any time exceed the maximum number fixed by these Articles. Any Director so appointed shall hold office only until the next Annual general Meeting of the Company but shall be eligible to be elected at such meeting."

MANAGING DIRECTOR / WHOLE TIME DIRECTOR

Article 32 provides that "The Board may from time to time appoint any one or more Directors to be the Managing Director(s) or Whole Time Director(s) of the Company on such terms and conditions as the Board may think fit and for a fixed term or without any limitation as to the period for which he is to hold such office, and may from time to time (subject to the provisions of any contract between him and the Company) remove or dismiss him from office and appoint another in his place. The Board may similarly appoint one or more Deputy Managing Director(s) of the Company.
The Managing Director shall function as the Chief Executive of the Exchange and all powers in respect of the day-to-day affairs of the Company shall be vested with him. Besides, the Board may delegate on him such other powers and responsibilities, as it may deem fit, from time to time. The Managing Director shall be empowered to delegate such powers and functions to other officers or committees or Advisory Boards, as he may desire."

Removal of Directors

Article 33 provides that **"**The Company may remove any Director before the expiration of his period of office in accordance with the provisions of Section 284 of the Act and may, subject to the provisions of Sections 262 and 274 of the Act and these Articles, appoint a person in his stead.

Provided that the directors appointed by FMC cannot be removed by the company."

Remuneration of Directors

Article 35 provides that
"(a) Subject to the provisions of the Act, a Managing Director or a Director who is in the whole-time employment of the Company may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other or otherwise in any other mode not expressly prohibited by the Act. (b)Subject to the provisions of the Act, a Director, who is neither a Managing Director nor in the whole-time employment of the Company, may be paid remuneration either:
(i) By way of monthly, quarterly or annual payment with the approval of the Government; or
(ii) By way of commission, if the Company authorises such payment by a special resolution.

(c) The fee payable to a Director (excluding a Managing Director or a whole-time Director) for attending a meeting of the Board or Committee thereof shall be such sum as may be decided by the Board, not exceeding the maximum sum as may be allowed to be paid under the provisions of the Companies Act and rules made thereunder.

(d) If any Director be called upon to perform extra services or special exertions or efforts (which expression shall include work done by a Director as a member of any Committee formed by the Directors), the Board may arrange with such Director for such special remuneration for such extra services or special exertions or efforts either by a fixed sum or otherwise as may be determined by the Board and such remuneration may be either in addition to or in substitution for his remuneration above provided.

(e) The Directors shall allow and pay to any Director who is not a bona fide resident in the place where meetings of the Directors or of a Committee are ordinarily held and who shall come to such place or who incurs travelling & other expenses for attending a meeting of the Board or a Committee, such sum as the Directors may consider fair compensation for his travelling and other expenses for attending a meeting of the Board or a Committee in addition to his fee for attending such meeting."

Director may contract with the Company

Article 38 provides that
"(a) Subject to the provisions of Section 314 of the Act, no Director shall be disqualified from his office by holding any office or place of profit under the Company or under any company in which this Company shall be a share holder, or otherwise interested, or which is a shareholder in this Company, or from contracting with the Company either as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the company in which any Director shall be in any way interested, be avoided, nor shall any Director be liable to account to the Company for any profit arising from any such office or place of profit or released by any such contract or arrangement by reason only of such Director holding that office or of the fiduciary relations thereby established, but it is declared that the nature of his interest shall have been disclosed by him at the meeting of the Directors at which the contract or arrangement is determined on, if his interest then existed or in any other case, at the first meeting of the Directors after the acquisition of his interest.

(b) Subject to the relevant provisions of the Companies Act, 1956, no Director shall as a Director vote in respect of any contract / arrangement in which he is so interested as aforesaid and if he does so vote, his vote shall not be counted. Such prohibition shall not apply to any contract by or on behalf of the Company to give the Directors or any of them any security for advance or by way of indemnity.

(c) A general notice in the prescribed form that a Director is a member of any specified firm or company, and that he is to be regarded as interested in all transactions with that firm or company, shall be sufficient disclosure under this clause as regards such Director and such transactions, and after such general notice it shall not be necessary to give any special notice regarding any particular transaction with that firm or company."

Rotation and retirement of Directors

Article 39 provides that

"a. At every Annual Meeting, all directors of the company, except the Managing Director, shall retire. Provided that the FMC officer, who is on the Board of the Company, shall not be subject to retirement by rotation and he shall continue as Director upto such period, as may be decided by FMC.

b. A Retiring Director shall be eligible for re-election. The Company at the General Meeting at which a Director retires in the manner aforesaid may fill up the vacated office by electing him or another person thereto.

c**.** Subject to Section 256 of the Act, if any meeting at which an election of Directors ought to take place, the place of the vacating Director is not filled up and the meeting has not expressly resolved not to fill up the vacancy, the meeting shall stand adjourned till the same day in the next week or if that day is a public holiday till the next succeeding day which is not a public holiday at the same time and place and if at the adjourned meeting the place of vacating Directors is not filled up and that meeting has also not expressly resolved not to fill up the vacancy, then the vacating Director or such of them as have not had their places filled up shall be deemed to have been re-appointed at the adjourned meeting.

d. Financial Technologies (India) Ltd. (FTIL) shall have the right to appoint its nominee on the Board of Directors Of the Company upon such terms and conditions as it may think fit as long as it continues to hold more than 4 % of the paid up equity capital of the Company. Such a nominee shall not be required to hold any qualification shares and shall otherwise be entitled the same rights and privideges and be subject to the same obligations as any other Director of the Company. Such a nominees shall be entitled to receive notices of all Borad and General Meetings of the Company. Such a nominee shall not retire by rotation. FTIL shall have the right to replace/withdraw/remove its nominee Director at any time and from time to time. FTIL shall also have the right to nominate its nominee on each committee appointed by the Board."

General Meeting to increase or reduce the number of Directors

Article 40 provides that **"**Subject to the provisions contained in these Articles and Sections 252, 255 and 259 of the Act, the Company in General Meeting may increase or decrease the number of its Directors. Provided that the number of public / non-executive directors will always constitute one third of the Board."

Acts done by the Board valid notwithstanding defective appointment

Article 41 provides that "All acts done by Board, or by any person acting as a Director shall notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such Directors or of any person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such Director and such person had been appointed and was qualified to be a Director as the case may be."

PROCEEDINGS OF THE BOARD OF DIRECTORS

Meeting of the Board

Article 42 provides that

"a. The Board may meet for the dispatch of business, adjourn and otherwise regulate its meetings as it thinks fit; provided that a meeting of the Board shall be held at least once in every three (3) calendar months and at least four (4) such meetings shall be held every year.

b. The Chairman or Managing Director, may and the Secretary shall on the request of two or more Directors summon a meeting of the Board. Meetings of the Board of the Company shall be held pursuant to a notice of at least seven (7) days or such shorter notice as may be agreed by the directors. The notice of meeting of the Board shall be given in writing to every Director, whether absentee or alternate, at his usual address whether in India or abroad.

c. Where a notice of meeting is required to be given to a Director who is not in India, the notice shall be given by telex or facsimile (fax) or Email transmission at the telex or fax number or Email address provided by such Director. The service of notice shall be deemed to have been effected on the first working day following the day on which the telex or fax or Email is sent.

d. Every notice convening a meeting of the Board shall set out the agenda of the business to be transacted thereat in full and sufficient details. Unless otherwise agreed to by all the Directors for the time being of the

Company, no item of business shall be transacted at such meeting, which had not been stated in full and sufficient detail in the said notice convening the meeting.

Resolution by circulation

Article 43 provides that "Save as otherwise expressly provided in the Act, a resolution shall be as valid and effectual as if it had been passed by the Board or a Committee constituted by the Board, as the case may be, duly called and constituted if a draft thereof in writing is circulated with the necessary papers, if any, to all the Directors or to all the Members of the Committee (including absentee Directors / Members), as the case may be, at the usual address whether in or outside India, and has been approved in writing by a majority of such of them as are entitled to vote on the resolution."

Quorum

Article 46 provides that "The quorum for a meeting of the Board shall be one-third of its total strength, (any fraction contained in that one-third being rounded off as one) or three (3) Directors whichever is higher, provided that, where at any time the number of interested Directors is equal to or exceeds two-thirds of the total strength, the number of Directors who are not interested, present at the meeting, being not less than three (3), shall be the quorum during such time. The total strength of the Board shall mean the number of Directors actually holding office as Directors on the date of the resolution or meeting; that is, the total strength of the Board after deducting there from the number of Directors, if any, whose places are vacant at that time."

Nomination of Directors by Government or financial institution

Article 60 provides that "In case the Central Government or any State Government or any industrial finance corporation, sponsored or financed by any of the above Governments, or any other financial institution, bank or agency grants loan or accepts participation in the capital of the Company in pursuance of any underwriting of the capital of the Company, such Government, corporation, other financial institution or bank may, if the Company so consents, be entitled, so long as such Government corporation, other financial institution or bank continues to be a creditor or shareholder in terms of such arrangement, to nominate, and from time to time to substitute in the place of such nominee, a Director to protect the interests of such Government, corporation, other financial institution or bank, on the Board of Directors of the Company. The Director, so nominated, shall not be liable for retirement by rotation or to hold any qualification shares. The appointing Government, corporation, other financial institution or bank may, from time to time, remove the person so appointed and appoint or re-appoint any other person in his place. In the event of any vacancy in the office of such Director, for any reason whatsoever, the Government, corporation, other financial institution or bank that appointed him, may appoint any other person to fill up such vacancy."

DIVIDENDS AND RESERVES

Declaration of dividends

Article 69 provides that "The Company in general meeting may declare dividends but no dividend shall exceed the amount recommended by the Board.."

Interim dividend

Article 70 provides that "The Board may from time to time pay to the Members such interim dividends as appear to them to be justified by the profits of the Company."

Dividends to be paid out of profits only

Article 71 provides that "No dividend shall be payable except out of the profits of the year or any other undistributed profits except as provided by Section 205 of the Act."

Reserves
Article 72 provides that
"(a) The Board may, before recommending any dividend, set aside out of the profits of the Company, such amount as they think proper as a reserve, which shall, at the discretion of the Board, be applicable for any purpose to which the profit of the Company may be properly applied, including provision for meeting contingencies or for equalising dividends, and pending such application, may at its discretion either be employed in the business of the Company or be invested in such investment as the Board may, from time to time, think fit.

(b) The Board may also carry forward any profits, which it may think prudent not to divide, without setting them aside as reserve."

Adjustment of dividends against calls

Article 74 provides that "Members of such amount as the meeting fixes, but the call on each Member shall not exceed the dividend or bonus payable to him and the call can be made payable at the same time as the dividend or bonus and the dividend or bonus may if so arranged between the Company and the members be set off against the call."

No interest on dividend

Article 77 provides that "No dividend shall bear interest against the Company."

<u>CAPITALIZATION OF PROFITS</u>

Article 80 provides that
"(a) Subject to these Articles, the Company in General Meeting, may on the recommendation of the Board, resolve:

(b) (i) That it is desirable to capitalise any part of the amount for the time being standing to the credit of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution; and

(ii) That such sums be accordingly set free for distribution in the manner specified in these presents, amongst the Members who would have been entitled thereto if distributed by way of dividend and in the same proportions."

<u>DIRECTORS' POWER TO DECLARE BONUS</u>

Article 81 provides that
"(a) Whenever a resolution to declare and distribute bonus, as aforesaid, shall have been passed, the Board shall:
(i) Make all appropriations and applications of the undivided profits resolved to be capitalised hereby and make all allotments and issue fully paid shares if any; and
(ii) Generally do all acts and things required to give effect thereto."

<u>WINDING UP</u>

Distribution of assets upon winding up

Article 94 provides that "If the Company shall be wound up and if the assets available for distribution amongst the Members as such shall be insufficient to repay the whole of the paid-up equity capital or equity capital deemed to be paid-up, such assets shall be distributed so that the losses shall be borne by the Members in proportion to the equity capital paid-up or deemed to be paid-up at the commencement of the winding up, on the shares held by them respectively; and if in winding up, the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the equity capital paid-up at the commencement of the winding up, the excess shall be distributed amongst the Members in proportion to the equity capital paid-up or deemed to be paid-up at the commencement of the winding up, on the shares, held by them respectively. In the event of winding up, where capital is paid-up on any shares in advance of calls, upon the condition that the same shall carry interest, such capital shall be excluded and shall be repayable in full before the distribution is made on the paid-up capital or capital deemed to be paid-up together with interest at the rate agreed upon. The provisions of this Article shall be subject to any special rights or liabilities attached to any special class of shares forming part of the capital of the Company."

Indemnity and Responsibility

Article 96 provides that
"(a) Subject to the provisions of the Act, the Managing, Technical, Executive or whole- time Directors, Secretary, Auditor, Advisor and every officer or employee of the Company shall be indemnified by the Company against, and it shall be the duty of the Company to pay out of the funds of the Company, all properly documented costs, losses, and expenses including travelling expenses which any such Managing, Technical, Executive or whole-time Directors, Director, Secretary, Auditor, Advisor, Officer or employee may incur or become liable to, by reason of any contract entered into or act or deed done by him or in any other way in the discharge of his duties as such Managing, Technical, Executive, or whole-time Directors, Director, Secretary, Auditor, Officer or employee.

(b) Subject as aforesaid the Managing, Technical, Executive or whole-time Directors and every Director, Manager, Secretary or other officer or employee of the Company shall be indemnified against any liability incurred by them or him in defending any proceedings whether civil or criminal in which judgement is given in their or his favour or in which they or he is connected with any application under Section 633 of the Act in which relief is given to them or him by the Court."

Secrecy

Article 98 provides that

"(a) No Member shall be entitled to visit or inspect the Company's work without the permission of the Directors or an officer authorized by the Board or Managing Director, or to require discovery of, or any information respecting, any detail of the Company's business or any matter which is or may be in the nature of a business secret, mystery of trade or secret process, or which may relate to the conduct of the business of the Company and which in the opinion of the Board it will be inexpedient in the interest of the Company to communicate to public.

(b) Every Director, Managing, Technical, Whole-time, Executive Director, Manager, Secretary, Auditor, Trustee, member of a Committee, Officer, Agent, Accountant, Employee or other person employed in the Business of the Company shall if so required by the Board before entering upon his duties, or at any time during his term of office, sign a declaration pledging himself to strict secrecy respecting all transactions of the Company; all technical information possessed by the Company, and the state of accounts and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matter which may come to his knowledge in the discharge of his duties, except when required so to do by the Board or by any general meeting or by a Court of Law or by the persons to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions contained in these Articles."

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus, delivered to the RoC for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our from our Company between 10.00 am to 4.00 pm on working days from the date of this Draft Red Herring Prospectus until the Bid/ Issue Closing Date.

Material Contracts to the Company

1. Resolution of the Remuneration Committee dated May 7, 2003 in relation to the remuneration payable to our Deputy Managing Director.

2. Memorandum of Understanding dated November 9, 2004 with the Dubai Metal and Commodities Centre and FTIL for setting up a company with limited liability.

3. Memorandum of Understanding dated June 9, 2005 with the Dubai Gold and Commodities Exchange (DGCX) and FTIL for the transfer of know how for the operation of DGCX in relation to membership rules and guidelines, trading, clearing and settlement procedures, business rules, regulations and bye-laws.

4. Memorandum of Understanding dated November 29, 2004 with the NAFED to create a platform which would establish a parallel electronic market for spot trading in agricultural commodities.

5. Software Development Agreement with FTIL dated February 27, 2003 for supply of customized software to be used for integrated online trading, clearing and settlement system.

6. Software Development Agreement with FTIL dated December 23, 2003 for supply of customized software to be used for integrated online trading, clearing and settlement system

7. Share Subscription Agreement dated June 27, 2005 amongst the Company, FTIL and Bennett, Coleman and Company Limited.

Material Contracts to the Issue

1. Engagement Letter dated March 9, 2006 for appointment of Citigroup Global Markets Indian Private Limited, DSP Merrill Lynch Limited and Kotak Mahindra Capital Company Limited as BRLMs.

2. Memorandum of Understanding amongst our Company, the Selling Shareholders, the BRLMs and the CBRLM dated March 14, 2006.

3. Memorandum of Understanding executed by our Company, the Selling Shareholders and the Registrar to the Issue dated [●],

4. Escrow Agreement dated [•] among the Company, the Selling Shareholders, the BRLMs, the CBRLM, Escrow Collection Bank(s) and the Registrar to the Issue.

5. Syndicate Agreement dated [•] among the Company, the Selling Shareholders, the BRLMs, the CBRLM and the Syndicate Members.

6. Underwriting Agreement dated [•] among the Company, the Selling Shareholders, the BRLMs, the CBRLM and the Syndicate Members.

Material Documents

7. Certified true copies of the Memorandum and Articles of Association of the Company as amended from time to time.

8. Shareholders' resolution dated January 13, 2006 in relation to this Issue and other related matters. Resolution dated January 28, 2006 and December 17, 2005, respectively by the board of directors of FTIL and Corporation Bank authorizing the Offer for Sale.

9. Resolutions of the Board of Directors of the Company dated September 24, 2005 in relation to this Issue and other related matters.

10. Reports of the statutory Auditors dated February 27, 2006, prepared as per Indian GAAP and mentioned in this Draft Red Herring Prospectus, and consents of the Auditors for inclusion of their report on accounts in the form and context in which they appear in this Draft Red Herring Prospectus.

11. General Power of Attorney executed by the Directors of our Company favour of Person(s) for signing and making necessary changes to this Draft Red Herring Prospectus and other related documents.

12. Consents of BRLMs, CBRLM, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, Domestic Legal Counsel to the Company, Domestic Legal Counsel to the Underwriters, International Legal Counsel, Directors, Company Secretary and Compliance Officer, as referred to, in their respective capacities.

13. Initial listing applications dated [•] and [•] filed with NSE and BSE.

14. In-principle listing approvals dated [•] and [•] from NSE and BSE, respectively.

15. Tripartite agreement between NSDL, our Company and the Registrar to the Issue dated December 20, 2004.

16. Tripartite agreement between CDSL, our Company and the Registrar to the Issue dated May 18, 2005.

17. Due diligence certificate dated March 14, 2006 to SEBI from Citigroup Global Markets Indian Private Limited, DSP Merrill Lynch Limited and Kotak Mahindra Capital Company Limited.

18. SEBI observation letter no. [•] dated [•] and our reply to the same dated [•].

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.

DECLARATION

We, the Directors of the Company, hereby declare that all relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government or the guidelines issued by the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956 or the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and fair.

SIGNED BY ALL DIRECTORS

Venkat R. Chary

Jignesh P. Shah

Joseph Massey

V. Hariharan

Dr. S. Narayan

Bharat Tripathi

Urjit R. Patel

P. G. Kakodkar

Dr. Madhookar Pavaskar

A. Mahendran

C.M. Maniar

Shevtal S. Vakil

Sandeep Bajoria

Ashish S. Dalal

C. Subramaniam

P Satish

SIGNED BY

MANAGING DIRECTOR

DIRECTOR, FINANCE

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SIGNED ON BEHALF OF FINANCIAL TECHNOLOGIES (INDIA) LIMITED (BY THE DULY CONSTITUTED POWER OF ATTORNEY HOLDER)

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SIGNED ON BEHALF OF CORPORATION BANK (BY THE DULY CONSTITUTED POWER OF ATTORNEY HOLDER)

Date: March 14, 2006
Place: Mumbai