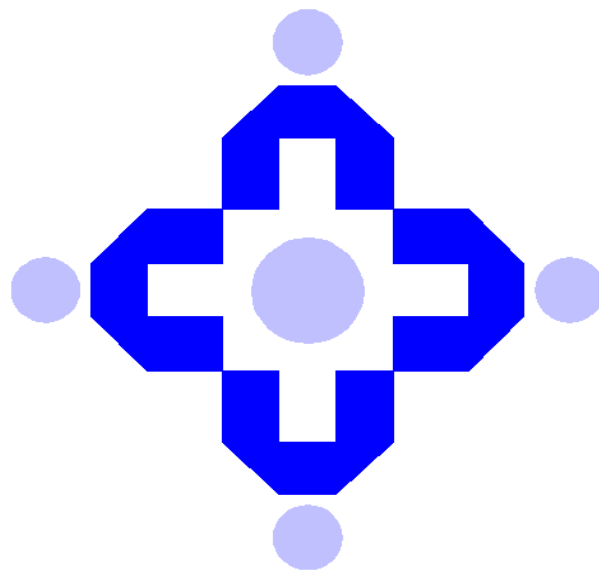


Central Depository Services (India) Limited



**THIRD
ANNUAL REPORT
(2000 – 2001)**



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BOARD OF DIRECTORS

Shri S.S. Thakur	Chairman
Shri P. Rajeshwar Rao	
Shri K. Ramakrishnan	
Shri A.S. Khurana	
Shri N.P. Sarda	
Shri A.N. Joshi	
Shri V.V. Raut	Executive Director

MANAGEMENT TEAM

Shri Umesh P. Maskeri	Vice President – Finance & Company Secretary
Shri Hitendra Patil	Vice President – Operations
Shri J.B. Ram	Vice President – Marketing
Shri Pramod Deshpande	Vice President – Information Technology
Shri Prem Mariwala	Asst. Vice President – Marketing
Shri Cyrus Khambata	Asst. Vice President – Operations
Shri T.P. Ganapathy	Asst. Vice President – Information Technology

BANKERS

Bank of India, Stock Exchange Branch
Mumbai

AUDITORS

M/s. Lodha & Co.
Chartered Accountants

REGISTERED OFFICE

Central Depository Services (India) Limited
28th Floor, Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 023



CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED

NOTICE

NOTICE is hereby given that the **Third Annual General Meeting** of the Members of Central Depository Services (India) Limited will be held at 12.00 Noon on Friday, the **17th August, 2001** at the Board Room, 26th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 023 to transact the following business :

ORDINARY BUSINESS:

1. To consider and adopt the Audited Statement of Profit and Loss Account for the year ended 31st March, 2001 and the Balance Sheet as on that date and the Report of the Directors and the Report of the Auditors thereon.
2. To appoint a Director in place of Shri A.N. Joshi, who retires by rotation and being eligible, offers himself for re-appointment
3. To appoint Auditors and to fix their remuneration and in this connection, to consider and if thought fit, to pass, with or without modifications(s), the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 224 A and other applicable provisions, if any, of the Companies Act, 1956, M/s. Lodha & Co., Chartered Accountants, who are retiring at this Annual General Meeting and being eligible, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Members of the Company, at such remuneration as may be determined by the Board of Directors of the Company in mutual consultation with the said Auditors."

SPECIAL BUSINESS

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT Shri S.S. Thakur, who was appointed as an Additional Director of the company on 16th June, 2001 pursuant to the provisions of Section 260 of the Companies Act, 1956 and whose term expires at the Third Annual General Meeting of the Company and for appointment of whom the Company has received a notice under Section 257 of the said Act from a member proposing the candidature of Shri S.S. Thakur for the office of a Director of the Company, be and is hereby appointed as a Director of the Company whose period of office shall be subject to determination by rotation".



5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT Shri N.P. Sarda, who was appointed as an Additional Director of the company on 16th June, 2001 pursuant to the provisions of Section 260 of the Companies Act, 1956 and whose term expires at the Third Annual General Meeting of the Company and for appointment of whom the Company has received a notice under Section 257 of the said Act from a member proposing the candidature of Shri N.P. Sarda for the office of a Director of the Company, be and is hereby appointed as a Director of the Company whose period of office shall be subject to determination by rotation".

By order of the Board of Directors

Sd/-

Umesh P Maskeri
Vice President - Finance and Company Secretary

Place : Mumbai

Date : 19th July, 2001

REGISTERED OFFICE

28th Floor, Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai-400 023

NOTES :

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR COMMENCEMENT OF THE MEETING.***
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item Nos. 3, 4 and 5 are annexed hereto.
3. All documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all days except Sundays and public holidays between 11 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 :****ITEM NO 3 :**

M/s Lodha & Co., Chartered Accountants, who were re-appointed as the Auditors of the Company at the Second Annual General Meeting, hold office till the conclusion of the Third Annual General Meeting of the Members of the Company. The said Auditors are eligible for re-appointment as Auditors of the company to hold office till the conclusion of the Fourth Annual General Meeting of the Company.

Section 224 A of the Companies Act, 1956 provides, inter alia, that in case of a company in which not less than twenty five per cent of the subscribed share capital is held, whether singly or in any combination, by a public financial institution or a Government company or the Central or any State Government or any nationalised bank or such other agencies/bodies/entities as specified under Clauses (a), (b) and (c) of sub-section 1 thereof. The Auditors shall be appointed or re-appointed at each Annual General Meeting by a special resolution. Bank of India, Bank of Baroda and State Bank of India, jointly hold more than 25 % of the subscribed share capital in the Company. Hence, a special resolution is required to be passed by the members of the Company for re-appointment of M/s.Lodha & Co.,Chartered Accountants as the Statutory Auditors of the Company.

Resolution No 3 is recommended for the approval of the members.

None of the Directors of the Company shall be deemed to be concerned or interested in the above resolution.

ITEM NO. 4 :

The Board of Directors had appointed Shri S.S. Thakur as an additional director of the Company under Section 260 of the Companies Act, 1956 and elected him as the non-executive Chairman of the company on 16th June, 2001. The term of office of the above director expires at the Third Annual General Meeting of the company. In the meantime, the company has received a notice under Section 257 of the Companies Act, 1956 from a member of the company proposing the candidature of the above mentioned additional director for the office of the director of the company. The Board recommends the appointment of Shri S.S. Thakur as a Director and approval of Resolution No. 4 by the members.

Except Shri S.S. Thakur, none of the Directors of the Company shall be deemed to be concerned or interested in the above resolution.

ITEM NO. 5 :

The Board of Directors had appointed Shri N.P. Sarda as an additional director of the Company on 16th June, 2001 under Section 260 of the Companies Act, 1956. The term of office of the above director expires at the Third Annual General Meeting of the company. In the meantime, the company has received a notice under Section 257 of the Companies Act, 1956 from a member of the company proposing the candidature of the above mentioned additional director for the office of



the director of the company. The Board recommends the appointment of Shri N.P. Sarda as a Director and approval of Resolution No. 5 by the members.

Except Shri N.P. Sarda, none of the Directors of the Company shall be deemed to be concerned or interested in the above resolution.

By order of the Board of Directors

Sd/-

Umesh P Maskeri
Vice President - Finance and Company Secretary



DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting their Third Annual Report and Audited Statement of Accounts for the year ended 31st March 2001.

1. Financial Results :

Particulars	(Rs. in Year ended 31st March, 2001	Lacs) Year ended 31st March, 2000
Income	1244.42	1309.01
Expenditure	718.92	469.11
Profit before Depreciation and Taxation	525.50	839.90
Depreciation	441.78	364.21
Profit before Tax	83.72	475.69
Provision for diminution in the value of investments	622.51	--
Provision for Taxation	1.86	46.64
Profit/(Loss) after Tax	(540.65)	429.05
Balance brought forward	434.77	5.72
Profit/(Loss) carried to Balance Sheet	(105.88)	434.77

2. Change in Tariff :

In order to fulfil the avowed objective of providing qualitative and low cost services to the users, the company has revised tariff with effect from 1st August, 2000. The transaction charges have been slashed to 1/4th of the original rates from 0.02% to 0.005% on purchase and sale transactions. This is in addition to the continuation of the decision of not levying any custody charges since the inception of your company's operations.

3. Working Results :

The income from operations during the year has increased to Rs.503.57 lakhs from Rs.167.38 lakhs for the last year. Significantly, this sizeable increase is against the backdrop of a radical reduction in tariff from 1st August, 2000. Your directors are of the view that the competitive



pricing policy coupled with user education as to the advantages of CDS will augment volumes and improve the bottom line in the coming years.

The enduring depression in secondary markets has led to erosion in the net asset value of certain investments in equity schemes of mutual funds. Necessary provision has been made in the accounts for diminution in the values of investments for the year. The Board is working out a suitable risk management policy to protect its investments from volatile fluctuating market conditions and to avoid such situation in future.

4. Dividend :

Your Directors have not recommended payment of dividend for the year under review due to the loss incurred for the year ended 31st March, 2001.

5. Increase of Share Capital :

In order to meet the request of certain banks and financial institutions to participate in the equity share capital of your company, its authorised share capital was increased from Rs.105 crores to Rs.150 crores during the year. The Securities and Exchange Board of India (SEBI) has made appropriate amendments to the provisions of the SEBI (Depositories and Participants) Regulations, 1996 which will enable the new shareholders to assume the status of sponsors, even after the commencement of operations by the depository.

Equity shares for Rs.1 crore have been allotted to Calcutta Stock Exchange Association Limited, who joined as sponsor during the year. HDFC Bank Limited, an existing sponsor, increased its equity stake from Rs.5 crores to Rs. 7.50 crores during the year. The paid up capital of the company has thus increased to Rs.104.50 crores.

6. Broad basing the ownership pattern :

The Stock Exchange, Mumbai (BSE) which promoted the depository project has always believed that the ownership of the depository should be broad based and should preferably vest with banks, institutions and service providers i.e. the depository participants. BSE has accordingly decided to disinvest a portion of the equity share capital held by it in favour of the following institutions :

<i>Sr.No.</i>	<i>Banks</i>	<i>Amount Rs. in crores</i>
<i>1.</i>	<i>Global Trust Bank Ltd.</i>	<i>7.50</i>
<i>2.</i>	<i>Standard Chartered Bank Ltd.</i>	<i>7.50</i>
<i>3.</i>	<i>Centurion Bank Ltd.</i>	<i>7.50</i>
<i>4.</i>	<i>Union Bank of India</i>	<i>2.00</i>
<i>5.</i>	<i>Bank of Maharashtra</i>	<i>2.00</i>
<i>6.</i>	<i>Jammu & Kashmir Bank Ltd.</i>	<i>2.00</i>
	<i>Total</i>	<i>28.50</i>



BSE has since effected transfer of shares as aforesaid in favour of Bank of Maharashtra (Rs.2 crores) on 14th June, 2001 and Union Bank of India (Rs.2 crores) on 3rd July, 2001.

7. Operations :

Your Directors are pleased to report the progress achieved during the year on various parameters of performance as under:

→ Issuers

The data on different categories of Issuers that have signed agreement with their live status is as follows:

Sr. No.		31.3.2001		31. 03 2000		Increment over the previous year	
		Signed	Live	Signed	Live	Signed	Live
1.	SEBI Mandatory for all investors	2380	2356	692	511	1688 244%	1845 361%
2.	Other Issuers	343	315	73	44	270 370%	271 616%
	Total *	2723	2671	765	555	1958 256%	2116 381%
3.	Debt Instruments	364	364	NIL	NIL	364	364
4.	Other Securities **	19	19	NIL	NIL	19	19
5.	Rolling Settlement	142	142	63	25	63 125%	117 468%

* 3397 ISINs of 2673 issuers are available for dematerialisation.

** Other securities include preferential shares, convertible warrants and units of mutual funds, etc.



➔ Depository Participants

83 Depository Participants (DPs) were registered during the year taking the cumulative total to 144. (+ 236%). The break up of each category of DPs is as follows :

<i>Category of DP</i>	<i>31.03.2001</i>	<i>31.03.2000</i>	<i>Increment over the previous year</i>
<i>Custodian DPs</i>	9	8	12%
<i>Banks</i>	16	6	166%
<i>Stock Broker DPs</i>	112	45	149%
<i>Clearing House DPs</i>	7	2	250%
<i>TOTAL</i>	144	61	136%

➔ Branches of Depository Participants

Your company has established connectivity with 121 additional branches during the year. The total number of branches directly connected to your company was 133 as on 31st March, 2001. “Live” Depository Participant services are available from 256 centres (**an increase of 1209%**) from 70 cities in 18 States and one Union Territory. Further, the facility of collection centers is also made available to the Depository Participants.

➔ Investor Accounts

During the year, 47,458 additional beneficial owners opened accounts with your company. The overall status of Investor Accounts opened with the Company is as under:

	<i>31.03.2001</i>	<i>31.03.2000</i>	<i>Increment over the previous year</i>
<i>Investor Accounts</i>	76003	28545	47458 +166%

➔ Investor Seminars

In order to accelerate the on-going process of investor awareness and promote the concept of dematerialisation, your company conducted several investor seminars throughout the length and breadth of India where the investors were also made aware of the benefits of joining your company. The investor seminars were held at Ahmedabad, Ajmer, Allahabad, Bangalore, Bikaner, Calicut, Chandigarh, Cochin, Ernakulam, Gandhinagar, Ganga Shahr, Hyderabad, Jaipur, Kottayam, Ludhiana, Madurai, Ranchi, Surat, Thiruchirapally, Trichur, Trivandrum, Udaipur and Varanasi. Investor seminars were also held in association with the Stock Exchange, Mumbai at Baroda, Chennai, Coimbatore, Goregaon, Nasik, Pune, Surat and Thane.



➔ Custody of securities dematerialised

The value of securities dematerialised as on 31st March, 2001 as compared to that of 31st March 2000 is stated hereinbelow:

<i>Parameters</i>	<i>Year ended 31st March, 2001</i>	<i>Year ended 31st, March, 2000</i>	<i>Increment over the previous year</i>
<i>Custody of Securities: Value (figures in million)</i>	Rs. 109055.2	Rs. 81880	+ 33%
<i>Volume (quantity of securities in million)</i>	1920.04	566.8	+ 239%

➔ Connectivity with Stock Exchanges

Your company established connectivity during the year under review with Vadodara Stock Exchange, Bangalore Stock Exchange, Madras Stock Exchange, Saurashtra Kutch Stock Exchange, Pune Stock Exchange, OTC Exchange of India, Inter Connected Stock Exchange of India and Hyderabad Stock Exchange, for facilitating delivery of securities in dematerialised mode. With this, CDS has established connectivity with 13 exchanges, thus covering most of the active stock exchanges in the country.

➔ Value of securities delivered

The value of securities delivered through your company increased by 850% during the year under review as compared to the last year. The volume of securities delivered has also shown a steep increase of 861%.

<i>Parameters</i>	<i>Year ended 31st March, 2001</i>	<i>Year ended 31st, March, 2000</i>	<i>Increment over the previous year</i>
<i>Value of Securities delivered (figures in million)</i>	Rs. 1287369.6	Rs. 135462.3	850%

➔ Inter-corporate PSU transfers

During the year under review, the Government of India dematerialised a part of its holdings in several public sector undertakings, through CDS - a reflection of the Government confidence in the CDS system. The value of the securities dematerialised and transferred by way of disinvestment by the Government of India amounted to more than Rs.1,900 crores. Inter-corporate PSU transfers amounted to over **Rs. 1,658 crores** during the year under review. CDS is thus proud of its contribution to Central Government's efforts in the direction of PSUs disinvestment.



8. Membership of Asia Pacific Central Securities Depository Group (ACG) :

Your company has attained membership of Asia Pacific Central Securities Depository Group (ACG). 21 organisations in 16 Asia Pacific countries including Hongkong, Singapore, Malaysia, Australia, Japan, etc. are the members of ACG. The Group identifies and benchmarks the standards for functioning of depositories and also prescribes best practices to be followed. The Group also lays down risk management standards, recommends I.T. standards and stipulates common protocol for exchange of data for settlement of cross-border transactions.

Membership of this organisation will help your company in enhancing its knowledge base and contributing to the development of other member organisations. Your company will also get an opportunity to widen its horizons, keep abreast of global thinking and get exposure to first hand information of the developments in the global market.

9. Dematerialisation of Government Securities :

Your Directors are pleased to inform that the Reserve Bank of India (RBI) has granted permission for opening current account and SGL accounts to enable the beneficial owners of CDS to hold Government securities in SGL form. Accordingly, your company has opened such accounts with RBI for holding money balances and security balances. This will help the retail investors to participate in Government securities to a larger extent.

10. Training of Personnel of Market Intermediaries :

Your company has established a training centre on 29th Floor at P.J. Towers and the same was inaugurated by Shri B. V. Goud, Managing Director of Stock Holding Corporation of India Limited on 27th July, 2000. During the year under review, your company has provided training to representatives of DPs, Issuers / RTAs and Clearing Members, as detailed hereinbelow. While explaining the features of the CDS system they were also apprised of the procedures. Similarly, training programs were conducted at various branches of DPs:

<i>Sr. No.</i>	<i>Participants</i>	<i>Year ended 31st March, 2001</i>	<i>Year ended 31st, March, 2000</i>	<i>Variation over the previous year</i>
1.	<i>Representatives of Depository Participants</i>	540	219	321
2.	<i>Representatives of Issuers/RTAs</i>	86	127	- 41
3.	<i>Clearing Members</i>	525	4	521
	<i>Total</i>	1151	350	801



11. Enhancement of Software :

→ System Availability

System availability and response time to users has been enhanced. Users can now access the system from 8:00 hours to 21:00 hours on all business days. This will facilitate faster response to the inquiries from beneficial owners. Further, in order to facilitate **easy access to Help Desk**, an “Interactive Voice Response (IVR) System” has been installed.

→ Network Performance

The overall network performance during the last year was satisfactory and necessary steps were taken to improve performance for users on VSAT. During the year 2000-2001, many users have upgraded connectivity to leased line & ISDN as back-up.

→ Alternate Network Project(VPN) with Dishnet DSL

In order to provide cost-effective and efficient system to users and to overcome the limitations of VSAT network, a VPN based networking is being implemented with the help of Dishnet DSL Limited. Two sites, one of DP and the other of RTA have been identified for the first trial. The process to implement the VPN project has been initiated.

→ DP Back Office Software

→ Institutional DPs

In order to meet the pressing need for back-office software from DPs, suitable software vendors have been identified for conducting functional review of products. The solution is available on various platforms & technology to suit DP requirements. CMC Ltd., PSI Data Systems Limited and SDG Software are providing high-end solution based on browser based technology.

→ Stock Broker DPs

Choudhary International Limited and Acer Software are developing DP back-office software on client server technology. Infotech Resources has developed application in ACCESS to suit the requirements of Stock Broker DPs having lesser transactional volume and accounts, which is recommended to such DPs.

→ System Audit

The System Audit was carried out by a leading audit firm, Price Waterhouse Coopers in January 2001. The focus of audit was on Operating System, Database Security, Network Security, General Controls and CDAS Application Documentation.

12. Disaster Recovery Site (DRS) :

Your company has established Disaster Recovery Site at Saki Naka, Andheri (East) Mumbai where data is updated once in every 15 minutes.

**13. Protection of Interest of Beneficial Owners :**

In the general interest of the investing community, your company has taken a pro- active step by terminating the agreement with Century Consultants Limited, a Depository Participant whose offices were closed without any prior notice. The timely action taken and the alternate arrangements made by your company were widely appreciated by the investigating authorities and investors at large.

14. Fixed Deposits :

Your company has not accepted any fixed deposits during the year under review.

15. Insurance :

Your company has effected renewal of the Comprehensive Crimes and Professional Indemnity Insurance policy with New India Assurance Company Ltd.(NIAC) to indemnify the loss caused to beneficial owners due to negligence of the depository or any of its participants.

16. Directors :

During the year under review, Dr. S.A. Dave tendered his resignation as Chairman and Director on 8th August, 2000 due to personal reasons.

Shri V.H. Ramakrishnan, General Manager, Bank of India tendered his resignation from the post of Director due to change in responsibility. In his place, Shri K. Ramakrishnan, General Manager, Bank of India was appointed as Nominee Director on 20th October, 2000 under Article 113 of the Articles of Association.

Dr. K.C. Chakraborty, General Manager, Bank of Baroda tendered his resignation from the post of Director due to change in responsibility. Shri A.S Khurana, General Manager, Bank of Baroda was appointed as Nominee Director in his place on 16th June, 2001 under Article 113 of the Articles of Association.

The Board of Directors places on record its appreciation of the valuable services rendered by Dr. S.A. Dave, Shri V.H. Ramakrishnan and Dr. K.C. Chakraborty during their respective tenures as Chairman and Directors of the company.

Shri M.G. Damani was appointed as Chairman and Managing Director of the company on August 8, 2000. Shri Damani tendered his resignation as Chairman & Managing Director on 15th June, 2001. The Board of Directors places on record its appreciation of the valuable services rendered and guidance provided by Shri M.G. Damani first as a Director and Chairman and then as Chairman and Managing Director of the company.

Shri V.V. Raut has been appointed as the Executive Director of the Company with effect from 1st October, 2000.



Shri Anand Rathi, who was appointed as a Director on December 12, 1997, tendered his resignation on 12th June, 2001.

Shri Cyril Shroff, who was appointed as a Director on October 6, 1998, tendered his resignation on 25th June, 2001.

Shri Kirit B. Shah who was appointed as an Additional Director on August 18, 2000 has tendered his resignation.

The Board places on record its appreciation of the valuable services rendered by Shri Anand Rathi, Shri Cyril Shroff and Shri Kirit B. Shah as Directors of the company.

Shri S.S. Thakur, former Chairman of HDFC Bank Limited joined the Board on 16th June, 2001 and has been appointed as Non-executive Chairman of the company.

Shri N.P. Sarda, former President of the Institute of Chartered Accountants of India was appointed as an Additional Director on 16th June, 2001.

Shri A.N. Joshi retires by rotation at the 3rd Annual General Meeting and being eligible, offers himself for re-appointment.

17. Auditors :

M/s. Lodha & Co., Chartered Accountants, Statutory Auditors of the company retire at the ensuing Annual General Meeting of the company and are eligible for re-appointment.

The Auditors have furnished a certificate to the effect that their re-appointment, if made, would be in accordance with the limits specified under Section 224 (1) (B) of the Companies Act, 1956. Their re-appointment is required to be made by a Special Resolution pursuant to Section 224A of the Companies Act, 1956.

18. Auditors Report :

The observations made by the Auditors in their report read with relevant notes in the Notes on Accounts vide **Schedule 12** are self explanatory and do not require any further clarifications as required under Section 217 of the Companies Act, 1956.

However, with respect to clause (f) of Note 2 of the Auditors' Report read with Note 3(a) of Schedule 12 relating to payment of managerial remuneration in excess of the statutory limit amounting to Rs.9,44,072/- for the period from 8th August, 2000 to 31st March 2001 to Shri M.G. Damani, Chairman and Managing Director of the company pending approval of the Central Government, the Directors would like to state that Shri M.G. Damani resigned from the said post effective from 15th June 2001. The company has since received a letter from the Central Government bearing No:1/380/2000-CL.VII dated 12th July, 2001 granting approval for salary of Rs.2,00,000 per month plus exempted perks in terms of Section II, Part II of Schedule XIII to the Act. In accordance with the said approval, the excess payment of managerial remuneration to Shri M.G. Damani for the period from 8th August, 2000 to 15th June, 2001 has amounted to Rs.12,48,282/-. The company will take necessary action for recovery of the excess



payment of managerial remuneration from Shri M.G. Damani pursuant to the provisions of Section 309 of the Companies Act, 1956.

19. Particulars of Employees :

Particulars as per sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March 2001, are furnished in **Annexure A**.

20. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo :

Considering the nature of operations of the company, provisions of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, for information to be furnished on Conservation of Energy, Technology Absorption etc., are not applicable.

Foreign exchange earnings and outgo during the year under review are as under :

	<i>Year ended 31st March, 2001 (Rs. in Lacs)</i>	<i>Period ended 31st March, 2000 (Rs. in Lacs)</i>
<i>Earnings</i>	Nil	Nil
<i>Outgo :</i>		
<i>Travelling Expenses</i>	Nil	3.16
<i>Consultancy Fees</i>	Nil	----
<i>Total</i>	Nil	3.16

21. Directors Responsibility Statement :

Your Board has, pursuant to sub-section 2AA of Section 217 of the Companies Act, 1956 attached the Directors Responsibility Statement as **Annexure B**.

22. Implementation of code of Corporate Governance :

Your company has voluntarily decided to adopt the code of Corporate Governance, although the same is not applicable to it, being an unlisted company. The statement of status of implementation of the same is attached in **Annexure C**.

23. Human Resources Development (HRD):

High turnover is a phenomenon in the case of hi-tech sector employees and we are no exception. The staff turnover during the current year as compared to the previous year is as follows:



Year	As on 31.03.2001	As on 31.03.2000
<i>Beginning of the year</i>	63	56
<i>Employees joined during the year</i>	57	28
<i>Employees left during the year</i>	34	21
<i>Employees as on 31st March 2001</i>	86	63

In order to cater to the expanding business operations, your company has appointed 57 staff partly to provide replacements for the 34 employees, who have resigned and partly to fill up new vacancies created during the year. The strength of the employees of your company has now increased to 86. The company believes in retaining skilled employees and has rationalized the remuneration package in consultation with the HRD Consultant. Your company has also introduced a performance appraisal system with effect from 1st April, 2000 to evaluate the performance of the employees and to work out a proper remuneration structure for rewarding meritorious contribution.

24. Acknowledgement :

Your Directors would like to place on record their gratitude for the continuous support and co-operation received from the Government of India, Securities and Exchange Board of India, Reserve Bank of India, The Stock Exchange, Mumbai, The Calcutta Stock Exchange Association Limited, other Stock Exchanges, Bank of India, Bank of Baroda, State Bank of India, HDFC Bank Limited, other financial institutions and banks, Issuers, DPs, Registrar & Transfer Agents, Share & Stock Brokers, Clearing Corporations, Clearing Houses, Central and State Government Departments, vendors of computer hardware and software etc. The Directors also convey their sincere thanks to the shareholders for their unfailing trust, confidence and encouragement.

The company's success is reflected not merely by earning ratios. The numbers are simply by-products of the time and effort expended for taking proactive stance in this dynamic market place. Your company's most valuable asset is the team of knowledgeable and talented people dedicated to excellence and the Directors are confident that the company will achieve significant progress on various fronts in the years ahead.

For and on behalf of the Board
Sd/-

Place : Mumbai
Date : 13th July, 2001

S.S. Thakur
Chairman

**ANNEXURE A****PARTICULAR OF EMPLOYEES**

Information required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 in respect of the employees who are in receipt of remuneration of Rs.12,00,000/- or more per annum, if employed throughout the year under review, or Rs.1,00,000/-or more per month, if employed for part of the year under review, is as follows:

Part A						
Employed throughout the year and in receipt of remuneration aggregating to Rs. 1,200,000/- or more during 2000 – 2001.						
Name & Qualification	Age in year	Designation	Remuneration Received (Rs.)	Experience (No. of years)	Date of Commencement of Employment	Last employment and Designation
NIL	--	--	--	--	--	--
Part B						
Employed for part of the year and in receipt of remuneration aggregating to Rs.1,00,000/- or more during 2000-2001.						
Name & Qualification	Age in year	Designation	Remuneration Received (Rs.)	Experience (No. of years)	Date of Commencement of Employment	Last employment and Designation
Mr. M.G.Damani (Secretarial Diploma from the Institute of Secretaries, London)	64	Chairman & Managing Director	26,85,492/-	48	8 th August 2000	Self employed M/s. M.G.Damani, Member, The Stock Exchange, Mumbai.

- NOTES:
1. Remuneration includes basic salary and other allowances, company's contribution to provident fund, medical reimbursement and taxable value of perquisites.
 2. The employee was in employment of the company on contractual basis, governed by the employment terms and conditions and service rules.
 3. Mr. M.G. Damani is not a relative of any Director of the company.

For and on behalf of the Board

Place : Mumbai
Date : 13th July, 2001

Sd/-
S.S. Thakur
Chairman



Directors Responsibility Statement

Pursuant to sub-section 2AA of Section 217 of the Companies Act, 1956

Your Directors have prepared the accompanying financial statements and are responsible for the same. This statement has been prepared in conformity with the Generally Accepted Accounting Principles (GAAP) as deemed appropriate in the circumstances.

The company's accounting systems include internal controls designed to provide reasonable assurance of the reliability of its financial records and proper safeguarding and uses of its assets. Such controls are based on established policies and procedures, and are implemented by trained, skilled personnel with appropriate segregation of duties. The internal controls are complemented by the company's internal auditors who conduct regular and extensive internal audits. The company has set up an Audit Committee in conformity with the Corporate Governance requirements. The Audit Committee has wide ranging powers to investigate any activity and also to review the financial statements and changes in the accounting policies. The Audit Committee has carried out the assigned functions and approved the financial statements. The Company's internal audit has been conducted by M/s. A.J. Shah & Co., Chartered Accountants. Their reports were considered by the Audit Committee and the suggestions accepted have been implemented. The company's independent auditors M/s. Lodha & Co., Chartered Accountants, have audited the financial statements. The company's audit was conducted in accordance with the generally accepted auditing standards as indicated in their report.

The Company Law provisions require the Board of Directors to prepare the financial statements for each year in a manner that presents a true and fair view of the state of affairs of the company as reflected in the balance sheet and profit and loss account.

The Directors affirm and declare as under:

1. That in preparation of the annual accounts, the applicable accounting standards have been followed and proper explanation relating to material departure, if any, has been provided;
2. That they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
3. That they have taken proper and sufficient care for the maintenance of the adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. That they have prepared the annual accounts on a going concern basis.

For and on behalf of the Board

Place : Mumbai
Date : 13th July, 2001

Sd/-
S.S. Thakur
Chairman



COMPLIANCE REPORT ON CODE OF CORPORATE GOVERNANCE

Company's Corporate Governance Policies

The company has voluntarily adopted the SEBI approved code of corporate governance although the same is not applicable to it, being an unlisted company. The company is committed to good corporate governance, to enhance shareholder value and protect the interest of customers and other stakeholders. It has benchmarked itself against the best global practices. A compliance report on the Code of Corporate Governance to the extent applicable to the company is furnished hereunder:

I. Board of Directors:

→ Requirements:

- The company shall have an optimum combination of executive and non-executive directors with not less than 50% of the Board of Directors comprising of non-executive directors.

The number of independent directors would depend whether the chairman is executive or non-executive. In case of a non-executive chairman, at least one third of board should comprise of independent directors and in case of an executive chairman, at least half of the board should comprise independent directors.

→ Compliance:

- During the year under review, the company's Board comprised of 11 directors - two executive directors, including the Chairman and Managing Director, and 9 non-executive directors.

The break-up of independent directors as on 31st March, 2001 was as under:

<i>Category</i>	<i>No. of Directors</i>
<i>Independent</i>	8
<i>Others</i>	3
<i>Total</i>	11

- The company agrees that all pecuniary relationship or transactions of the non-executive directors vis-à-vis the company should be disclosed in the Annual Report.

→ Compliance:

Other than Smt. Deena Mehta, Director, none of the non-executive directors has any pecuniary relationship or transactions with the company.



II. Audit Committee:

→ Requirements:

- The company shall constitute a qualified and independent Audit Committee. The Audit Committee shall have minimum three members, all being non-executive directors, with majority of them being independent and with at least one director having financial and accounting knowledge.
- The chairman of the committee shall be an independent director and shall be present at the Annual General Meeting to answer shareholders queries.
- The Audit Committee should invite such of the executives, as it considers appropriate to be present at the meetings of the committee apart from finance director, head of internal audit and would require representative of the external auditors.
- The Audit Committee shall meet at least thrice a year. One meeting shall be held before finalisation of Accounts and one every six months.
- The Audit Committee shall have necessary powers.

→ Compliance:

- *The company has set up an Audit Committee which currently consists of 4 non-executive directors. All the members of the Committee are accomplished professionals and specialise in the fields of finance, accounting and banking.*
- The Audit Committee is responsible for overview of the financial reporting process and disclosure of the company's financial information and to ensure correctness, sufficiency and credibility of the financial statements. The Committee reviews the annual financial statements before they are submitted to the Board and interacts with the external and internal auditors on the adequacy of accounting control systems. The Committee also oversees financial and risk management policies.
- As required, the Chairman of the Audit Committee will be present at the ensuing General Meeting to answer the queries of the shareholders, if any.

→ Invitees to the Audit Committee:

Heads of Operations, I.T., Finance and Audit functions are present at all Audit Committee meetings. The Committee also requires the presence of other officials concerning matters which pertain to them, as and when it deems fit. Both the internal and external auditors of the company attend Audit Committee meetings.

→ Frequency of meetings:

The Audit Committee met thrice during the year under review.

III. Remuneration of Directors :

→ Requirements:

- The remuneration of directors should be decided by the Board.



- Full disclosure on the remuneration of directors be made in the Annual Report.

➔ **Compliance:**

- None of the non-executive directors of the company are entitled to any remuneration, other than sitting fees.
- The details of the remuneration given to the then Chairman and Managing Director and Executive Director are furnished hereunder:

Chairman & Managing Director (Shri M.G. Damani)

From 8th August, 2000 to 31st March, 2001

Basic Salary @Rs.200000 p.m.	15,54,839.00
HRA @ Rs.120000 p.m.	9,32,903.00
Car Value @ Rs.900 p.m.	6,997.00
Medical Expenses - Actual Reimbursement	4,172.00
Total Salary	24,98,911.00
Amount sanctioned by the Central Government of India from 8 th August, 2000 to 31 st March, 2001.	15,54,839.00
Amount in excess of Statutory Limits	9,44,072.00
Co. Contribution to Provident Fund @12%	1,86,581.00

Executive Director (Shri V.V. Raut)

Basic Salary @ Rs.55000 p.m.	3,30,000.00
HRA @ Rs.27,500 p.m.	1,65,000.00
Medical Allowance @ Rs.4,583 p.m.	27,498.00
Total salary for 6 months From 1 st October, 2000 to 31 st March, 2001	5,22,498.00
Car Value : @ Rs.900 p.m. * 6 months	5,400.00
Co. Contribution to Provident Fund @ 12%	39,600.00
Total	5,67,498.00

IV. Board Procedure :

➔ **Requirements:**

- The Board meetings should be held at least four times a year with a maximum time gap of four months between any two meetings.
- No director shall be a member of more than ten committees or act as chairman of more than 5 committees across all companies in which he is a director.

➔ **Compliance:**

- 9 Board meetings were held during the year under review.

The details of attendance of the directors at the Board meetings and the AGM are as under:



<i>Directors</i>	<i>No. of Board meetings held</i>	<i>No of Board meetings attended</i>	<i>Attended last AGM</i>
<i>Shri M.G. Damani</i>	9	7	No
<i>Shri Anand Rathi</i>	9	6	Yes
<i>Smt. Deena Asit Mehta</i>	9	4	No
<i>Shri Bhagirat Merchant</i>	9	6	No
<i>Shri Cyril Shroff</i>	9	0	No
<i>Shri K. Ramakrishnan</i>	1	1	N.A
<i>Dr. K.C. Chakraborty</i>	9	4	No
<i>Shri P. Rajeshwar Rao</i>	9	6	Yes
<i>Shri A.N. Joshi</i>	9	7	Yes
<i>Shri Kirit B. Shah</i>	4	4	N.A.
<i>Shri V.V. Raut</i>	2	2	N.A
<i>Dr.Surendra A. Dave</i>	6	5	Yes
<i>Shri V.H. Ramakrishnan</i>	8	5	No

No director is a member of more than 10 committees or chairman of more than 5 committees.

V. Management:

A management discussion and analysis report should form a part of the Annual Report to the shareholders.

The report is attached as **Annexure D**.

VI. Shareholders:

In case of appointment or re-appointment of any director, shareholders must be provided with the following information:

A brief resume of the directors retiring and who are eligible for re-appointment at the ensuing Annual General Meeting is enclosed as **Annexure E**.



Management Discussion and Analysis Report

In addition to the financial statements and historical information contained herein, the following discussion includes the overall structure of the depository business, the outlook as well as the opportunities ahead and the initiatives and strategies for growth.

→ Objective:

CDS seeks to serve a large investor population spread across a vast geographical area and offer efficient depository services at competitive prices. Significant progress has been made to achieve this objective. The growth in the number of companies who have signed agreement with CDS, depository participants registered, the branches of depository participants with live connectivity and the number of investor accounts opened amply demonstrate this. The establishment of CDS has constantly driven the cost of depository services downwards, which has resulted in substantial savings to the investors.

→ Structure

The facility of electronic holding of securities has gained immense popularity. SEBI continued its policy initiation and declared the securities of 3103 companies to be in compulsory demat mode for trading and settlement. Stretching the same analogy further, it is expected that securities of other companies would also be in compulsory mode for trading and settlement in dematerialised form by the end of the financial year 2002.

The Government of India has exempted the transfer of debt instruments from stamp duty and thereby removed a hurdle, which impeded the growth of active secondary market in such instruments. Recently, Reserve Bank of India has decided that commercial papers must be in demat form only. RBI has also made a reservation up to 5% in all issues of government securities for retail investors.

→ Opportunities

SEBI's directive of compulsory trading and settlement in the traded scrips has driven most of the active investors to open beneficiary owner accounts and hold their securities in dematerialised form. Yet a large number of individual investors who are not engaged in periodic transactions are still holding their securities in physical form. A major portion of debt instruments, continue to be in physical form. Your company has initiated several measures to cater to this segment effectively.

→ Outlook

In a competitive environment, innovation and customisation of products and services will be decisive factors to clinch business opportunities for your company. The company has been constantly striving to evaluate the business needs and design tailor made products proactively



which has offered considerable advantage. We believe that these efforts and initiative will propel the market share further, in all potential areas of operation. With the enrolment as a member of the Asia Pacific Central Securities Depository Group (ACG), your company will move towards adopting best practices in tune with global standards.

➔ **Risks and concern**

Being an IT driven service organisation, your company will have to constantly upgrade its systems and make investments in hardware, development and enhancement to software and absorb new technologies in communication facilities for networking. The company periodically reviews the developments and effects steps to upgrade the capacities and enhance the software to improve system availability and performance.

➔ **Internal control**

Appropriate delegation of powers for functionaries at each department coupled with stringent guidelines and checks and balances provides adequate control mechanism for various activities. The internal auditors and statutory auditors have confirmed the adequacy and effectiveness of the internal control systems prevalent in the company.

➔ **Financial performance**

The audited financial statements contained herein reflect the financial performance of the company. The company's revenues are generated principally through income from operations and investments. The contribution from operational income has increased during the year and this shift will gain further momentum in the coming year with the increase in scale of operations and the expanding range of services and products. However, in view of the existing scenario of falling interest rates and the sagging capital market, the return from investments is likely to remain depressed during the ensuing year.

➔ **Human Resources Department (HRD)**

Your company strongly believes in retaining skilled employees. In this direction, the company has in consultation with Dr. Krishna Murthy, HRD Consultant, rationalised the remuneration package during the year and has introduced performance appraisal system to evaluate and reward meritorious performance. This has considerably reduced the labour turnover ratio during the year.



ANNEXURE E

Profile of Directors who are seeking reappointment and candidates from whom notice is received for election.

1. Shri A.N. Joshi, Director

Shri A.N. Joshi (59 years) is a post graduate in Science and a Certified Associate of Indian Institute of Bankers. He has held various managerial assignments in State Bank of India for 34 years and took voluntary retirement in 1998, when he was the Deputy Managing Director. He was appointed as the Executive Director of The Stock Exchange, Mumbai on 07.08.1999 and is still holding that position.

2. Shri S.S. Thakur, Chairman:

Shri S.S. Thakur (71 years) was unanimously elected as the non-executive Chairman of the Company at the Board meeting held on 16th June, 2001. Shri Thakur is a member of the Governing Board of BSE, ex-Chairman, HDFC Bank Ltd., and ex-Controller of Foreign Exchange, Reserve Bank of India. He was also associated with the United Nations International Civil Service as a Senior Advisor and worked as Advisor to the Governor, Bank of Zambia on UN assignment for six years.

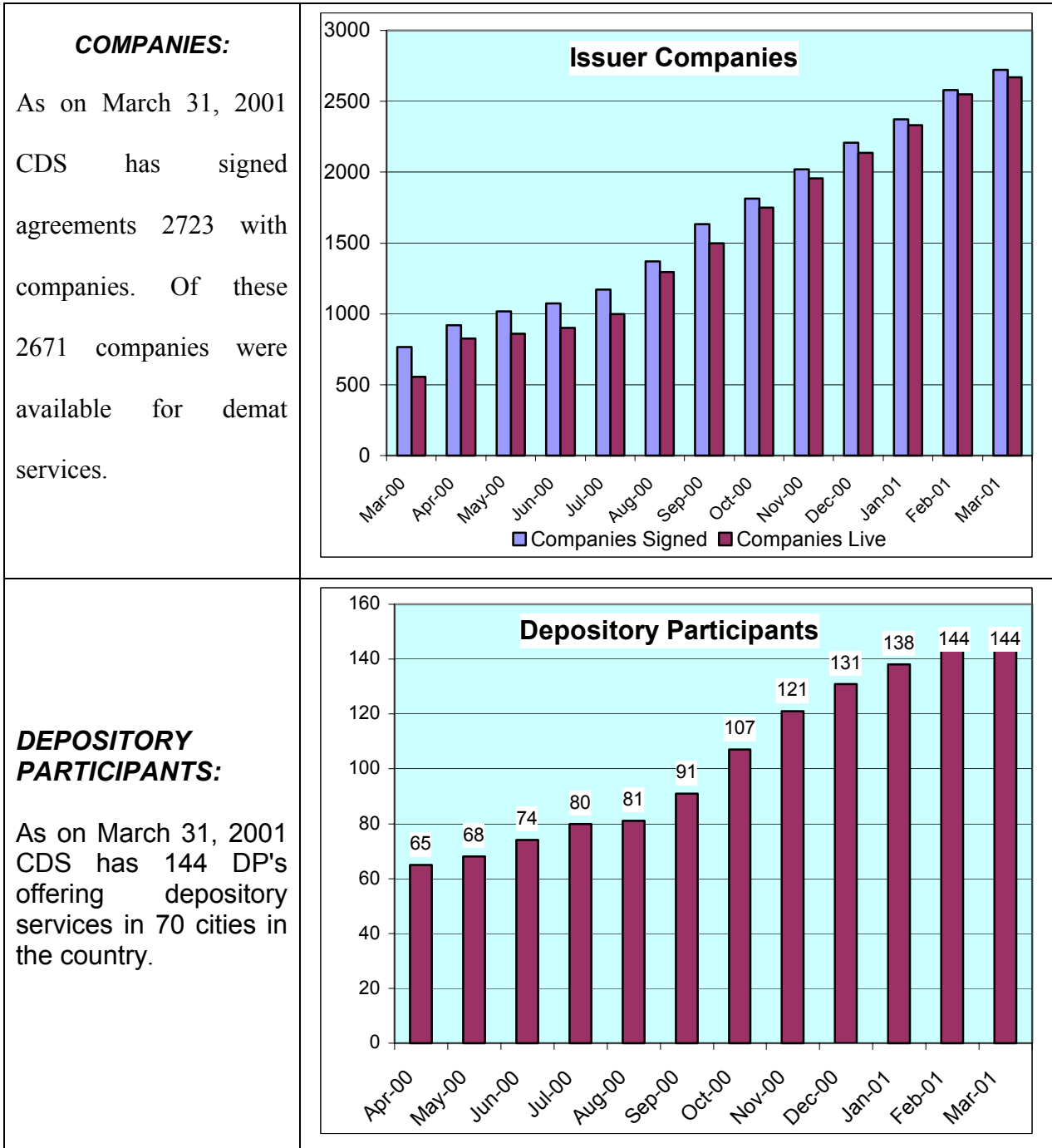
Shri Thakur has recently taken up an assignment as Advisor for an ambitious project to set up an International Financial Services Centre as part of a Special Economic Zone. He is also associated with several corporate bodies as a director.

3. Shri N.P. Sarda, Director

Shri N.P. Sarda (55 years) is a leading Chartered Accountant and is associated with many large corporate bodies. He has in depth knowledge of accounting standards and has served on several committees appointed by the Institute of Chartered Accountants of India, SEBI, RBI and Insurance and Credit Guarantee Corporation. He was the President of the Institute of Chartered Accountants of India.



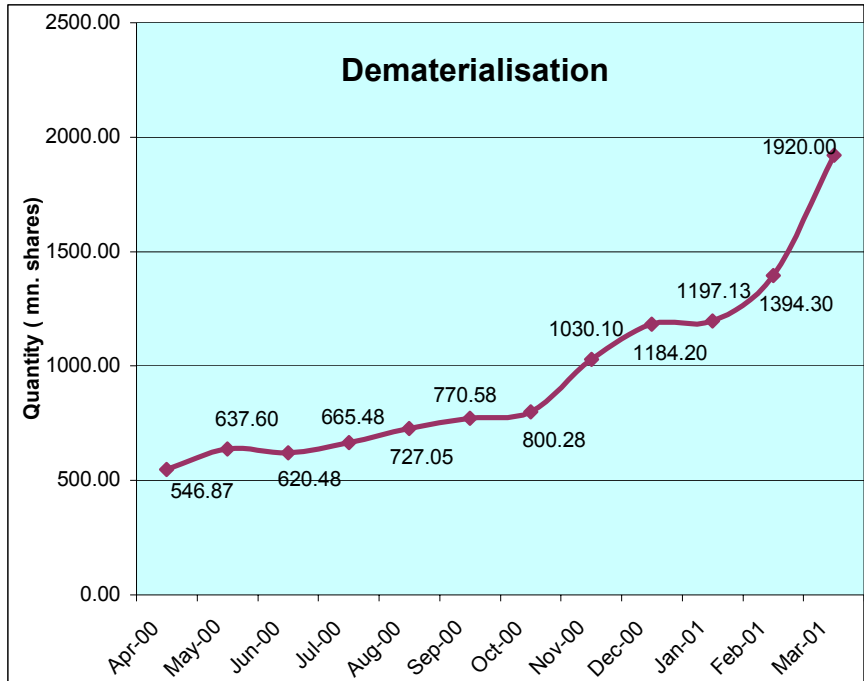
CDS at a Glance





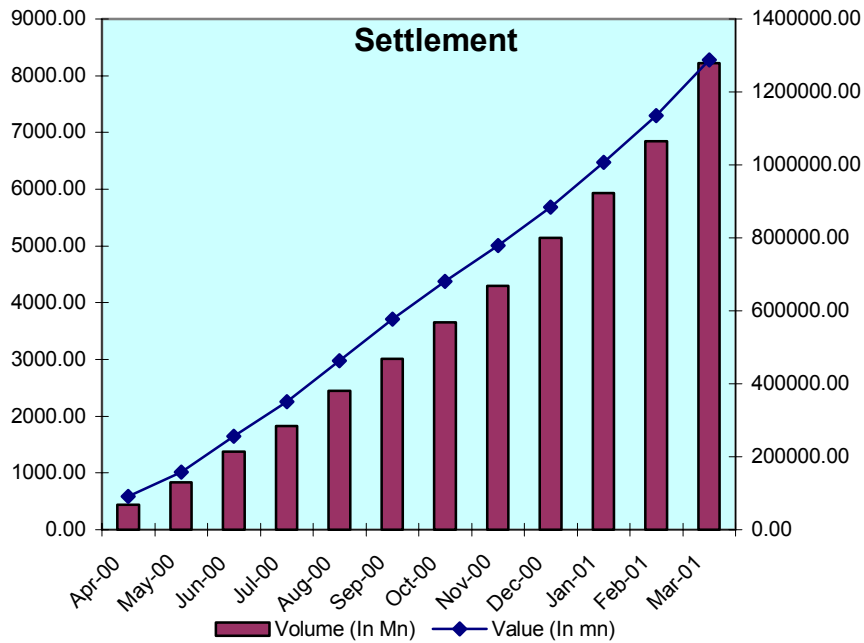
DEMATERILISATION:

As on March 31, 2001, the total number of shares held in CDS was 1920 mn shares.



SETTLEMENT:

As on March 31, 2001 shares amounting to a total value of Rs.1287369.6 mn were settled in demat form.





AUDITORS' REPORT

TO THE MEMBERS OF

CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED

We have examined the attached Balance Sheet of **CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED** as at 31st March, 2001 and the annexed Profit & Loss Account of the Company for the year ended on that date and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, (hereinafter referred to as the 'Act'), we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.

2. Further to our comments in the Annexure referred to paragraph 1 above, we report that :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) The said Balance Sheet and Profit and Loss Account are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report have been prepared in compliance with the accounting standards referred to in sub-section (3C) of section 211 of the Act, to the extent applicable;



- e) On the basis of the written representations received from certain Directors as on 31.03.2001 and taken on record by the Board of Directors and considering the response from the Department of Company Affairs to a specific query raised by Federation of Indian Chambers of Commerce and Industry that the provisions of Section 274(1) (g) of the Act will apply prospectively, none of the Directors is disqualified as on 31.03.2001 from being appointed as a Director of the Company in terms of the above said Section.
- f) In our opinion and to the best of our information and explanations given to us, the said accounts subject to Note 3(a) in Schedule 12 of the “ Significant Accounting Policies and Notes to Accounts” regarding payment of remuneration to the then Chairman and Managing Director in excess of the limit sanctioned by the Central Government by Rs. 9.44 Lakhs, now shown as recoverable from him and other notes appearing in the said Schedule and elsewhere in the accounts give the information required by the Act, in the manner so required and give a true and fair view:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2001 and
 - ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date.

For LODHA & CO.
Chartered Accountants

Place : Mumbai
Date : 13th July,01

N. KISHORE BAFNA
Partner



Annexure referred to in paragraph 1 of Auditors' Report of even date on the accounts for the year ended 31st March, 2001 of CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED.

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of audit, we state that :

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. We are informed that all the fixed assets have been physically verified by the management at reasonable intervals during the year. We are informed that no discrepancies were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The Company has not taken any loans secured or unsecured, from the companies, firms and other parties listed in the register maintained under Section 301 of the Act. As informed to us, there are no companies under the same management as defined in Section 370(1B) of the Act. (Non-operative)
4. The Company has not granted any loans secured or unsecured, to the companies, firms and other parties listed in the register maintained under Section 301 of the Act. As informed to us, there are no companies under the same management as defined in Section 370(1B) of the Act. (Non-operative)
5. The parties to whom loans and advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.
6. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of computers, equipment and other assets.
7. No deposits within the meaning of Section 58A of the Act and Rules framed thereunder have been accepted by the Company.
8. In our opinion, the Company has an internal audit system, commensurate with the size and nature of its business.



9. According to the records of the Company, Provident Fund and Employees' State Insurance dues have been regularly deposited with the appropriate authorities.
10. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty, and Excise Duty were outstanding as on 31st March, 2001 for a period of more than six months from the date they became payable.
11. On the basis of our examination of the Books of Account, the vouchers produced to us for our verification, the explanations given and representations made to us on our inquiries, unqualified report of internal auditors and the check and control relating to authorising the expenditure on the basis on contractual obligations to the employees / directors, accepted business practices having regard to the Company's needs and exigencies, we have not come across any expenses charged to revenue, which, in our opinion and judgement and to the best of our knowledge and belief, could be regarded as personal expenses.

For LODHA & CO.
Chartered Accountants

Place : Mumbai
Date : 13th July, 01

N. KISHORE BAFNA
Partner

**BALANCE SHEET AS AT MARCH 31, 2001.**

SOURCES OF FUNDS	Schedule	31.3.2001	31.3.2000
		Rs. in Lakhs	Rs. in Lakhs
Shareholder's Funds			
Share Capital	1	10,450.00	10,100.00
Reserves and Surplus	2	-----	434.77
		10,450.00	10,534.77
APPLICATION OF FUNDS			
Fixed Assets	3		
Gross Block		3,004.55	2,608.55
Less: Depreciation		861.91	420.13
Net block		2,142.64	2,188.42
Investments	4	3,515.88	3,043.89
Current Assets ,Loans & Advances	5		
Sundry Debtors		108.50	65.06
Cash and Bank balances		4,214.35	4,519.89
Interest accrued on Investments		4.48	4.47
Loans and Advances		943.05	931.77
		5,270.38	5,521.19
Less			
Current Liabilities and Provision	6		
Liabilities		640.10	261.24
Provisions		9.82	5.99
		649.92	267.23
Net Current Assets		4,620.46	5,253.96
Miscellaneous Expenditure(to the extent not written off or adjusted)	7	65.14	48.50
Profit & Loss Account (Loss)		105.88	-
		10,450.00	10,534.77
Significant Accounting Policies and Notes to Accounts	12		

As per our attached report of even date
Directors

For and on behalf of the Board of

For Lodha & Company
Chartered Accountants

S.S. Thakur
Chairman

N Kishore Bafna
Partner

Umesh P. Maskeri
Vice President (Finance)
& Company Secretary

A.N. Joshi
Director

V.V. Raut
Executive Director

Mumbai,
Date: 13th July, 01
Third Annual Report



Profit And Loss Account For The Year Ended March 31, 2001

	Schedule	2000-2001 Rs. in Lakhs	1999-2000 Rs. in Lakhs
INCOME			
Operational Income	8	503.57	167.38
Other Income	9	740.85	1,141.63
		1,244.42	1,309.01
EXPENDITURE			
Personnel Cost	10	188.75	133.34
Other Expenses	11	530.17	335.77
Provision for diminution in the value of investments		622.51	-
Depreciation		441.78	364.21
		1,783.21	833.32
Profit/(loss) before Tax		(538.79)	475.69
Provision for Income Tax (MAT)		-	44.93
Provision for Wealth Tax		1.86	1.71
Profit/(Loss) After Tax		(540.65)	429.05
Balance of Profit brought forward form Previous year		434.77	5.72
Balance being Loss carried to the Balance Sheet		(105.88)	434.77
Significant Accounting Policies and Notes to Accounts	12		

Schedules referred to above form an integral part of the profit & Loss Account

As per our attached report of even date

For and on behalf of the Board of Directors

For Lodha & Company
Chartered Accountants

S.S. Thakur
Chairman

N Kishore Bafna
Partner

Umesh P. Maskeri
Vice President (Finance)
& Company Secretary

A.N. Joshi
Director

V.V. Raut
Executive Director

Mumbai,
Date: 13th July, 01



SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2001.

	31.3.2001 Rs. in Lakhs	31.3.2000 Rs . in Lakhs
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
15,00,00,000 (Previous Year 10,10,00,000 Equity shares of Rs.10 each	15,000.00	10,500.00
Issued, Subscribed and Paid-up		
10,45,00,000 (previous Year 10,10,00,000 Equity shares of Rs.10 each	10,450.00	10,100.00
SCHEDULES 2		
RESERVES & SURPLUS		
Surplus as per Profit & Loss account	-	434.77

**SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2001.****SCHEDULES 3****FIXED ASSETS**

Rs. In Lakhs

DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As on 1.4.2000	Additions	As on 31.3.2001	Upto 31.3.2000	For the year 2000-01	Upto 31.03.2001	As on 31.3.2001	As on 31.3.2000
Building *	173.77	-	173.77	3.51	2.83	6.34	167.43	170.26
Computers (Automated Depository System)	2,303.32	338.00	2,641.32	390.80	415.06	805.86	1,835.46	1,912.52
Equipment	105.92	43.06	148.98	22.86	20.70	43.56	105.42	83.06
Furniture & fixtures	6.01	0.61	6.62	0.48	0.42	0.90	5.72	5.53
Vehicles	19.53	14.33	33.86	2.48	2.77	5.25	28.61	17.05
Total	2,608.55	396.00	3,004.55	420.13	441.78	861.91	2,142.64	2,188.42
Previous Year	2,301.95	306.60	2,608.55	55.92	364.21	420.13	2,188.42	

* Includes face value of shares in a co-operative society – Gross Block Rs.500 (Previous year Rs.500) ; Net Block Rs.482 (Previous Year Rs.490)



SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2001
SCHEDULE 4
INVESTMENTS

Particulars	Face Value (Rs.)	31.03.2001		31.03.2000	
		Quantity in nos.	Cost in Lakhs	Quantity in nos.	Cost in Lakhs
Long Term Investments:					
Unquoted					
1. Bonds	100000	1,000	1,000.00	1,000	1,000.00
ICICI LTD.					
2. Government Securities	10000		0.10		
11.50% GOI 2015					
3. Units of Mutual Fund					
• Prudential ICICI Income Plan – Growth	10	—	—	4,459,514	509.06
• Alliance Liquid Income (Regular Growth)	10	—	—	3,568,570	497.21
• Birla Income Plus – Plan B (Growth	10	—	—	790,287	139.25
• Birla Advantage Fund (Dividend)	10	—	—	611,729	498.37
• Alliance Equity Fund (Dividend)	10	—	—	706,589	400.00
* Reclassified on 31.03.2001 as Current Investments					
Current Investments					
Quoted					
Equity Shares					
Aftek Infosys Ltd.	10	100	1.79	-	-
Unquoted					
Units of Mutual Fund					
• HDFC Balance Fund	10	650,000	65.00	-	-
• HDFC Income Fund	10	350,000	35.00	-	-
• Kothari Pioneer Income Builder	10	954,807	150.00	-	-
• Tempelton India Income Fund	10	606,428	100.00	-	-
• Zurich India High Interest Fund – Regular Growth	10	633,312	100.00	-	-
• Prudential ICICI Income Plan- Growth	10	5,937,073	710.01	-	-
• DSP Merrill Lynch Bond Fund – Regular Growth	10	1,786,643	275.11	-	-
• Alliance Liquid Income (Regular Growth)	10	3,568,570	497.21	-	-
• Brila Income Plus – Plan B (Growth)	10	1,309,498	239.25	-	-
• Alliance Cash Manager	1000	6,094	78.31	-	-
• Birla Advantage Fund (Dividend)	10	611,729	492.61	-	-
• Alliance Equity Fund (Dividend)	10	706,589	394.00	-	-
				-	-
Less Provision diminution in the value of investments			4,138.39	-	3,043.89
			622.51	-	--
Total			3,515.88		3,043.89
Aggregate Amount of Investments		Book Value	Market Value/ Repurchase Price	Book Value	Market Value/ Repurchase Price
Quoted Investments		1.79	0.15	-	-
Unquoted Investments in units of Mutual Funds		3,136.49	2,741.08	2,043.89	1,852.39
Others		1,000.10	-	1,000.00	-
Investments purchased and sold during the year			Face Value (Rs.)	No. of Units	
Particulars					
• Alliance Cash Manager – Growth			1000	54,130	
• DSP Merrill Lynch Liquidity Fund			10	621,668	
• Prudential ICICI Liquid Plan			10	1,966,708	


SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2001
SCHEDULE 5

	31.03.2001 Rs. in Lakhs	31.03.2000 Rs. in Lakhs
CURRENT ASSETS, LOANS AND ADVANCES		
SUNDRY DEBTORS (Unsecured, considered good)		
Sundry debtors		
More than six months	19.39	-
Less than six months	<u>89.11</u>	<u>65.06</u>
(includes Rs.5.52 lakhs (Previous year Rs.1.33 lakhs) due from private limited companies in which a director is interested as director/member)	<u>108.50</u>	<u>65.06</u>
CASH AND BANK BALANCES		
Cash on hand	0.04	0.01
Cheques on Hand	33.62	
Balances with Scheduled Banks:		
- in current account	11.86	55.93
- in term deposit accounts	4,167.83	4,463.95
(inclusive of interest accrued Rs.267.83 lakhs; Previous Year (Rs.163.95 lakhs)		
In current Account with Reserve Bank of India	<u>1.00</u>	-
-	<u>4,214.35</u>	<u>4,519.89</u>
INTEREST ACCRUED ON INVESTMENTS	4.48	4.47
LOANS AND ADVANCES (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received (Refer note no.3(a) in Schedule "12")	37.11	171.46
Capital advances	15.44	23.60
Income tax (TDS) less provision	290.50	136.71
Deposit with The Stock Exchange, Mumbai	<u>600.00</u>	<u>600.00</u>
	<u>943.05</u>	<u>931.77</u>
	<u>5,270.38</u>	<u>5,521.19</u>

**SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2001****SCHEDULE 6**

	31.03.2001 Rs. in Lakhs	31.03.2000 Rs. in Lakhs
CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors – other than to Small Scale Industrial Undertakings	157.74	76.43
Security Deposit from depository participants	445.00	182.50
Other deposits	30.00	-
Income received in advance	4.48	2.30
Other liabilities	<u>2.88</u>	<u>0.01</u>
	<u>640.10</u>	<u>261.24</u>
PROVISIONS		
For Wealth Tax	1.86	1.71
For Leave Encashment	7.96	4.28
	<u>9.82</u>	<u>5.99</u>
	<u>649.92</u>	<u>267.23</u>
SCHEDULE 7		
Miscellaneous Expenditure	0.19	0.22
(to the extent not written off or adjusted)	64.95	48.28
Preliminary Expenses	<u>65.14</u>	<u>48.50</u>
Share Issue Expenses		

**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2001****SCHEDULE 8**

	2000-2001 Rs. in Lakhs	1999-2000 Rs. in Lakhs
OPERATIONAL INCOMES		
Account Maintenance Charges	30.52.	8.97
Transaction Charges	352.79	131.51
Settlement Charges	76.68	-
Leased Line Services Charges	4.07	3.92
Software Maintenance Charges (net of software installation cost of Rs.11.73 lakhs; previous year Rs. 1.30 lakhs)	<u>22.51</u>	<u>12.78</u>
Others	<u>17.00</u>	<u>10.20</u>
	<u>503.57</u>	<u>167.38</u>

SCHEDULE 9

OTHER INCOME		
Interest on :		
Long term investments (TDS Rs.30.74 lakhs; PY Rs.32.54 lakhs)	136.00	136.37
Fixed Deposits (TDS Rs.122.06 lakhs; PY Rs.126.68 lakhs)	562.97	567.42
Others (TDS Rs.Nil)	0.09	-
Miscellaneous Income	8.96	9.01
Profit on sale of investments	8.10	343.54
Income from Mutual Funds	<u>24.73</u>	<u>85.29</u>
	<u>740.85</u>	<u>1,141.63</u>

**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2001****SCHEDULE 10**

	2000-2001 Rs. in Lakhs	1999-2000 Rs. in Lakhs
PERSONNEL COST		
Salaries and other allowances	170.35	117.98
Contribution to PF and other funds	14.66	9.52
Staff welfare expenses	<u>3.74</u>	<u>5.84</u>
	<u>188.75</u>	<u>133.34</u>

SCHEDULE 11

	2000-2001 Rs. in Lakhs	1999-2000 Rs. in Lakhs
OTHER EXPENSES		
Rent	28.77	27.78
Rates & Taxes	0.70	0.56
Electricity & Water Charges	28.33	40.30
Insurance (net of recovery of Rs.30.48 lakhs; previous Year Rs.12.52 lakhs)	5.15	17.71
Repairs and Maintenance:		
Computers	253.36	155.58
Others	5.38	2.41
Legal, Professional and Consultancy Fees	24.16	8.19
Directors' Sitting Fees	1.26	1.88
Travelling and Conveyance	34.47	21.22
Annual SEBI Fees	10.00	10.00
Postage, Telephone & Communication Charges	35.80	14.73
Advertisement Expenses	29.92	2.46
Printing & Stationery	29.43	8.86
Business Promotion Expenses	7.90	-
Preliminary Expenses written off	0.02	0.02
Share Issue Expenses written off	15.17	12.51
Miscellaneous Expenses	<u>20.35</u>	<u>11.56</u>
	<u>530.17</u>	<u>335.77</u>



CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED

SCHEDULE TO BALANCE SHEET AS AT AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2001.

SCHEDULE 12

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS.

1. Significant Accounting Policies

i. General

The financial statements are prepared on the basis of historical cost convention, on the accounting principles of a going concern and are in accordance with the applicable accounting standards.

ii. Revenue Recognition

- (a) All expenses and income to the extent ascertainable with reasonable certainty, considered payable and receivable are accounted for on accrual basis except otherwise stated.
- (b) 'Entry fees' is recognised as income in the year of receipt.
- (c) Income Tax under the provisions applicable to Minimum Alternative Tax is charged to revenue in the relevant year. Subsequent benefit by way of credit against such tax is accounted in the year of availing the credit.

iii. Fixed Assets

Fixed assets are shown at their original cost of acquisition including taxes, duties, freights and other incidental expenses relating to acquisition and installation less accumulated depreciation.

iv. Depreciation

Depreciation on fixed assets is provided on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

v. Investments

Long term investments are stated at cost. In case of permanent diminution in the value of an investment, a provision is made for the same.

Current investments are stated at lower of cost and fair/market value.

vi. Retirement Benefits

- (a) Contribution to Provident Fund as per the Employees Provident Funds and Miscellaneous Provisions Act, 1952, is charged to Profit and Loss account.
- (b) Liability for leave encashment is provided as per the Company's rules.
- (c) Liability for gratuity will be provided in the year of applicability.

vii. Miscellaneous Expenditure



- (a) 'Preliminary expenses' is written off over a period of 10 years after commencement of commercial operations.
- (b) 'Share Issue Expenses' is written off over a period of 5 years after commencement of commercial operations.
2. Estimated amount of contracts to be executed on capital account and not provided for (net of advances) Rs. 22.94 Lakhs, (Previous Year Rs. 105.74 lakhs).
3. a) **Managerial Remuneration** :

	Current Year*	Previous Year
	Rs. in Lakhs	Rs. in Lakhs
Salary and other allowances	20.66	5.80
Company's Contribution to P.F.	2.26	0.59
Value of perquisites (At cost or as per Income Tax Rules as the case may be)	0.17	0.66
	23.09	7.05
<i>Total</i>		

* net of Rs.9.44 lakhs being the amount of remuneration paid to the then Chairman and Managing Director in excess of the limit sanctioned by the Central Government vide their letter dated 12th July, 2001, now shown as recoverable from him.

b) Computation of Net Profit for the current year under Section 198 read with Section 349 of the Act, 1956 (Act) is given below.

	Current Year	Previous Year
	Rs. in Lakhs	Rs. in Lakhs
Profit/(Loss) as per Profit & Loss Account	(538.79)	475.69
Add : -		
Managerial Remuneration :		
Salary and other allowances	20.66	5.80
Contribution to Provident Fund.	2.26	0.59
Value of perquisites	0.17	0.66
Depreciation as per Books	441.78	364.21
Provision for diminution in value of investments	622.51	---
Directors Sitting Fees.	1.26	1.88



	549.85	848.83
Sub Total		
Less :-		
Depreciation under section 350 of the Act	441.78	853.10
Profit on Sale of investments.	8.10	343.54
Excess of expenditure over income computed under section 349 in the earlier years, to the extent not deducted.	412.58	64.77
Net (Loss) as per Section 198 r.w.s. 349 of the Act.	(312.61)	(412.58)
Commission payable	Nil	Not Applicable



4. Auditors' Remuneration :

(including service tax)

	Current Year Rs. in Lakhs	Previous Year Rs. in Lakhs
Audit Fees	1.30	0.60
Tax Audit Fees	0.33	0.19
For Other Services	0.14	0.00
Total.	1.77	0.79

5 Expenses in foreign currency (on payment basis)

	Current Year Rs. in Lakhs	Previous Year Rs. in Lakhs
Travelling Expenses	-	3.16

6. VSAT connectivity facilities provided by the The Stock Exchange, Mumbai (BSE) are used by the Company as also by Company's Depository Participants (DP's) and other users. As agreed with the BSE the user charges invoiced by the Company to the DP's and other users are recovered by the Company and passed on to the BSE. Hence, such amount invoiced are not recognised as Company's revenue. Amount invoiced during the year is Rs. 102.55 Lakhs (Previous Year Rs. 43.80 Lakhs)

7. In the opinion of the Management, the Current Assets, Loans & Advances have a value on realisation in the ordinary course of business, at least equal to the amount at which they are stated in the Balance Sheet. The provision for depreciation and other known liabilities is adequate and not in excess of what is required.

8. Previous year's figures have been regrouped and rearranged wherever necessary.

Signatures to Schedules 1 to 12.

For and on behalf of the Board of Directors

S.S.Thakur
Chairman

Place: Mumbai
Date: 13th July, 01

Umesh Maskeri
Vice President (Finance)
& Company Secretary

A.N.Joshi
Director

V.V.Raut
Executive Director



CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED

Registered Office: Phiroze Jeejeebhoy Towers, 28th Floor Dalal Street, Mumbai – 400 023.

Additional Information pursuant to Part IV of Schedule VI to the Companies Act, 1956

1. Registration Details:

Registration Number	State Code	Balance Sheet Date
112443	11	31.03.2001

2. Capital Raised during the year (amount Rs. In thousands):

Public Issue	Rights Issue	Bonus Issue	Private Placement
NIL	NIL	NIL	35000

3. Position of mobilisation and deployment of funds (amount Rs. in thousands):

Total Liabilities	Total Assets
1109992	1109992

Sources of Funds		Application of Funds	
Particulars	Amount	Particulars	Amount
Paid up capital	10,45,000	Net Fixed Assets	214,264
Reserves and Surplus	NIL	Investments	351,588
Secured Loans	NIL	Net Current Assets	462,046
Unsecured Loans	NIL	Miscellaneous Expenditure	17,102
	10,45,000		10,45,000

4. Performance of the Company:

Total Income	Total Expenditure	Profit/Loss before tax	Profit/Loss after tax
1,24,442	1,78,321	(53,879)	(54,065)
Earnings per share in Rs.		Dividend Rate (%)	
0.00		NIL	

5. Generic names of three principal product/services of the Company (as per monetary terms) :

Item No. (ITC Code)

Activity Description

: **Providing Depository Services**

For and on behalf of the Board of Directors

S.S.Thakur
Chairman

Place: Mumbai
Date: 13th July, 01

Umesh Maskeri
Vice President (Finance)
& Company Secretary

A.N.Joshi
Director

V.V.Raut
Executive Director