

ANNUAL REPORT  
2001 - 2002



Central Depository Services (India) Ltd.



*SEBI Chairman Shri G. N. Bajpai inaugurating 'easi' facility*



*Distinguished invitees who graced the 'easi' inaugural function.*

# Central Depository Services (India) Ltd.

## BOARD OF DIRECTORS

Shri S.S. Thakur, *Chairman*  
 Shri B.G. Daga, *Managing Director*  
 Shri Prithvi Haldea  
 Shri A.N. Joshi  
 Shri A.S. Khurana  
 Shri S.B. Patankar  
 Shri V.V. Raut, *Executive Director*  
 Shri K.H. Vora

## MANAGEMENT TEAM

Shri B.G. Daga, *Managing Director*  
 Shri V.V. Raut, *Executive Director*  
 Shri Hitendra Patil, *Vice President - Operations & Marketing*  
 Shri J.B. Ram, *Vice President - Finance & Accounts*  
 Shri Pramod Deshpande, *Vice President - Information Technology*  
 Shri Umesh P. Maskeri, *Vice President - Legal & Company Secretary*

## AUDITORS

Lodha & Co.  
*Chartered Accountants*

## REGISTERED OFFICE

28<sup>th</sup> Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 023.

## C O N T E N T S

Chairman's Statement.....	2
Directors' Report.....	4
Auditors' Report.....	24
Annual Accounts .....	28
Schedules to the Accounts .....	30

## CHAIRMAN'S STATEMENT



Dear Members,

The year 2001-2002 has been a year of change at Central Depository Services (India) Limited (CDSL). Besides several Board level changes, there were many developments which had direct impact on the business of the Depository. In the previous years, a major amount of our revenue came from carry-forward business. With the abolition of "Badla" system, this source of income has ceased. At the same time, introduction of rolling settlement in place of weekly settlement cycle has increased the overall settlement business. CDSL has taken several initiatives to garner larger share of this business. For handling PSU divestment, CDSL had created a special facility of 'earmarking' and with the increased activity on this front it was expected that this business would provide substantial revenue to the company. However, with the introduction of settlement fees based on the number of transactions as against on the value of transactions, PSU divestment no longer remains an attractive business opportunity. The company has, therefore, initiated several measures to get a larger share from the retail segment to maintain its revenue stream. Handling of large number of transactions will require augmentation of transaction processing capacity, both in terms of hardware and software. Many effective steps have been taken in this direction and it is expected that by the end of the current financial year we will have one of the finest technical set-up to handle our increasing business volumes to the satisfaction of all users as well as regulators.

CDSL has been readying itself to seize the emerging business opportunities. Today, the company offers demat facilities for all kinds of debt instruments and government securities. Recently, our system has been enabled to facilitate two-way fungibility of ADR/GDR as permitted by the Government of India / Reserve Bank of India (RBI). RBI has approved our application to join "Indian Financial Network" (INFINET) and with this, CDSL will be able to participate in settling trades entered under "Negotiated Dealing System" (NDS). SEBI has recently set up a group to examine various aspects of "Straight Through Processing" (STP). CDSL's centralised database architecture should be most suitable to handle STP related changes. Further, Phase II of "Electronic Access to Securities Information" (easi) to be launched during the current year will be taking care of all the requirements for introducing STP facility through CDSL system.

CDSL is on the threshold of emerging as the preferred depository for not only all kinds of depository services, but also for other value added services. I am sure, all market participants whether FIs, FIIs, mutual funds, clearing members, brokers, sub-brokers or investors are recognising the user friendly services offered by CDSL and will derive full satisfaction by using its services increasingly in the time to come.

S.S. Thakur  
Chairman

## DIRECTORS' REPORT

The Directors have pleasure in presenting the Fourth Annual Report and Audited Statement of Accounts of your company for the year ended 31st March, 2002.

### 2. Financial Highlights

	Year ended 31st March, 2002 Rs. in Lakhs	Year ended 31st March, 2001 Rs. in Lakhs
Income	2100.96	1244.42
Expenditure	987.21	718.92
Profit before Depreciation and Taxation	1113.75	525.50
Depreciation	879.21	441.78
Profit before Tax	234.54	83.72
Provision for diminution in the value of investments	—	622.51
Provision for Taxation	17.07	1.86
Profit/(Loss) after Tax	217.47	(540.65)
Balance brought forward	(105.88)	434.77
Profit/(Loss) carried to Balance Sheet	111.59	(105.88)

3. As you are aware, your company had reported a profit in the very first full year of operations. However, it went into red the next year due to provisions required to be made on account of diminution in the value of investments. Your Directors are happy to report that this year your company has effected a turnaround and has reported a profit before tax of Rs.234.54 lacs after making additional provision of Rs.407.29 lacs towards depreciation, writing off the preliminary and share issue expenses and writing back Rs.552.38 lacs being provision for diminution in the value of investments no longer required.

#### Dividend

4. Your Directors have not recommended payment of dividend for the year under review considering the need to improve the net worth of the company.

### Operational Highlights

5. During the year, your company registered significant progress. Number of securities admitted with CDSL more than doubled from 2763 as on 31st March, 2001 to 5607 as on 31st March, 2002. The securities include equity, various types of debt instruments, preference shares, convertible warrants as well as units of mutual funds, as detailed below :

	31.03.2002		31.03.2001		Increment over the previous year	
	Signed	Live	Signed	Live	Signed	Live
Equity	4296	4284	2380	2356	1916	1928
Debt Instruments	1152	1152	364	364	788	788
Other Securities*	159	159	19	19	140	140
<b>Total</b>	<b>5607</b>	<b>5595</b>	<b>2763</b>	<b>2739</b>	<b>2844</b>	<b>2856</b>

\* Other securities include preference shares, convertible warrants and units of mutual funds

### Depository Participants & DP Branches

6. During the year, 25 additional Depository Participants (DPs) were registered with your company. The new DPs included Union Bank of India, United Western Bank, Sahara India Financial Corporation and CLSA India Limited. The total number of DPs registered with CDSL has increased to 161 DPs as at 31st March, 2002 after taking into account the withdrawal of 8 DPs during the year.
7. As you are aware, the CDSL system offers the unique facility for the DPs to extend services directly through their branch network to reach investors even in the remote areas. During the year, 75 additional branches were admitted to establish direct connectivity with CDSL thereby taking the number of such branches to 208 as at 31st March, 2002. As at the end of the year, CDSL services were available from 341 locations in 97 cities across 19 states and one union territory.

### Beneficial Owner Accounts

8. With a view to increasing the number of Beneficial Owner (BO) accounts, a special bonus scheme for DPs was launched from 26th January, 2002 to 31st March, 2002. The Directors are pleased to report that as a consequence, 13,110 new accounts were added during this period. The year witnessed an overall growth of 59% in the number of total beneficial

owner accounts which reached to 128,252 as at 31st March, 2002 from 80,646 as at 31st March, 2001.

	31.03.2002	31.03.2001	Increment over the previous year
Beneficial Owner Accounts	128,252	80,646	59%

#### Holding of Dematerialised Securities

9. Both in terms of value as well as volume of securities held with the CDSL your company has witnessed a substantial growth of 123% and 151% respectively over the previous year.

#### Securities delivered through CDSL System

10. During the year, the number of securities settled in respect of non-badla 'on market' transactions registered a growth of over 250% over the number of transactions settled during the preceding year. The number of non-badla transactions grew by over 400% during the year.

#### PSU Disinvestment

11. Your company continued to be the preferred depository for handling transfers arising on account of divestment of PSU holdings. Some of the noteworthy disinvestments handled through the CDSL system during the year were in respect of CMC, VSNL, IBP and Paradeep Phosphates.

#### Connectivity with Stock Exchanges

12. During the year under review, Ludhiana Stock Exchange, Kochi Stock Exchange and Madhya Pradesh Stock Exchange established connectivity with CDSL. With this, the connectivity has now been established between 16 Stock Exchanges and CDSL.

#### Technology Initiatives

13. Your company, being engaged in I.T. enabled services industry, has been constantly upgrading the technological infrastructure so as to offer convenient, dependable and secure depository services to all types of users. During the year, several initiatives, like upgradation of database to higher version of oracle, implementation of channelised E1 system of BSE to ensure better manageability of communication network and upgradation of the servers were undertaken. Installation of 2 RP 7410 series servers of Hewlett Packard has been done to replace the existing V class servers in order to substantially enhance





the processing capacity and other features. These initiatives would contribute to further improving and enhancing your company's services.

#### Software Enhancement

14. Several new features and functionalities have been added to the application software as a part of the ongoing exercise to cater to ever changing market practices and needs of the users. The software has also been upgraded from time to time to yield enhanced performance.

#### Launching of New Products and Services

15. During the year, your company introduced a new facility which allows earmarking of the securities, especially to meet the requirement of PSU disinvestment where the securities transferred from the government to strategic investors have to be earmarked in favour of the government. Moreover, early pay-in and auto pay-in facilities were introduced for clearing members. In addition, Certificates of Deposit (CDs) and government securities have been added to the list of securities which can be dematerialised with the CDSL system.

#### Web Initiative

16. During the year, your company introduced the first phase of CDSL's web project 'easi' (electronic Access to Securities Information) which allows beneficial owners to avail of the facility of viewing the security balances in their accounts and also to know the details / status of transactions. 'easi' also offers a unique facility of marking to market the value of holdings in the beneficial owner's account. This phase of 'easi' was inaugurated by Shri G.N. Bajpai, SEBI Chairman on 22nd April, 2002. The facility of effecting transactions through the internet by BOs is proposed to be extended after the ongoing second phase of the web project is completed.

#### Shifting of Disaster Recovery Site (DRS)

17. The disaster recovery site which was located at Andheri (Mumbai) was shifted to a new site at Navi Mumbai offering state-of-the-art infrastructure. The DRS is presently serving as a back up site for data updation. Steps are being initiated to convert this into seamlessly functional DRS.

#### Investor Seminars

18. In order to accelerate the on-going process of investor awareness and to promote the concept of dematerialisation, your company conducted several investor seminars across the country.

### Training of Personnel of Market Intermediaries

19. During the year, the thrust on providing training to personnel of DPs, Issuers / RTAs and Clearing Members continued. Also, a special refresher seminar was organised for personnel of Clearing Members at Mumbai, apprising them of new features and upgradations. Action is now being initiated to have external training facility and certification course for the CDSL system.

### Additional Shareholders

20. Further broad-basing of the ownership of your company continued during the financial year 2001-2002 also. Standard Chartered Bank, Centurion Bank and Union Bank of India joined as sponsors and Bank of Maharashtra as depository participant acquired your company's capital. As at the end of the year, the broad shareholding pattern of the company was as under :-

Banks	54.06%
Stock Exchanges	45.93%
Others	0.01%
<b>Total</b>	<b>100%</b>

### Fixed Deposits

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

### Directors

22. Shri B.G. Daga was appointed as the Managing Director of your company on 1st November, 2001. He is a matured professional having vast experience in the securities market. His joining has given a new direction to the functioning of your company and the progress achieved is amply reflected both in qualitative and quantitative terms, as highlighted elsewhere in this report.

23. Shri S. B. Patankar, Director, Information Systems, The Stock Exchange, Mumbai was appointed as a Director on 20th August, 2001. Shri Prithvi Haldea, Managing Director, Praxis Consulting & Information Services Pvt. Ltd., was appointed as a Director on 8th March, 2002.

24. Shri K. Ramakrishnan, General Manager, Bank of India resigned from the Board and in his place Smt. T. A. D'mello, General Manager of the same bank joined the Board. She was then replaced by Shri S.N. Mallapur, General Manager of the same bank. Due to change in Shri Mallapur's responsibility, Bank of India nominated Shri K.H. Vora, General Manager, on CDSL



Board with effect from 23rd April, 2002. Shri P. Rajeshwar Rao, Chief General Manager, State Bank of India resigned from the Board with effect from 1st April, 2002 and his replacement is awaited.

25. Shri Anand Rathi, Smt. Deena Asit Mehta and Shri Bhagirat Merchant who were appointed as Directors on 12th December, 1997, tendered resignations from the Board with effect from 12th June, 2001, 14th July, 2001 and 14th July, 2001 respectively. Shri Narendra P. Sarda who joined as a Director on 16th June, 2001 resigned on 14th September, 2001. The Board places on record its deep appreciation for the valuable services rendered by Shri K. Ramakrishnan, Smt. T. A. D'mello, Shri S.N. Mallapur, Shri P. Rajeshwar Rao, Shri Anand Rathi, Smt. Deena Asit Mehta, Shri Bhagirat Merchant and Shri Narendra P. Sarda as Directors of the company.
26. Shri M.G. Damani, the Chairman and Managing Director of the company resigned from the Board with effect from 15th June, 2001. It is sad to note that Shri Damani expired on 25th July, 2001. The Board records its appreciation for the valuable services rendered by Shri Damani during his short tenure as the company's Chairman and Managing Director and places its profound condolence on his sad demise.
27. In terms of the amendments to the Articles of Association approved by the shareholders at the Extraordinary General Meeting held on 6th April, 2002, all directors except the whole time directors are liable to retire by rotation. Accordingly, Shri A. S. Khurana retires by rotation and being eligible offers himself for re-appointment.

#### Auditors

28. Lodha & Co., Statutory Auditors of your company retire at the ensuing Annual General Meeting 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.

#### Auditors Report

- 29 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.

### Particulars of Employees

30. 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, 2002, are furnished in Annexure A.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

31. 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 was as under :

	Year ended 31st March, 2002 (Rs. in Lacs)	Year ended 31st March, 2001 (Rs. in Lacs)
Earnings	Nil	Nil
Outgo :		
Travelling Expenses	3.67	Nil
Consultancy Fees	Nil	Nil
Total	3.67	Nil

### Directors' Responsibility Statement

32. Pursuant to Section 217(2AA) of The Companies Act, 1956, the Board of Directors report that:

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed and proper explanation relating to material departure, if any, has been provided;
- ii. accounting policies have been selected and applied consistently and the judgements and estimates made 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 or loss of the company for that period;
- iii. proper and sufficient care has been taken for the maintenance of 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;



iv. the annual accounts have been prepared on a going concern basis.

#### Implementation of Code of Corporate Governance

33. Even though it is unlisted, your company has decided voluntarily to adopt SEBI's Code of Corporate Governance. The statement of status of implementation of the same is attached in Annexure B.

#### Human Resources Development (HRD)

34. Human capital continues to be a vital resource for your company. The development of human resources and the reinforcing of an empowering work culture focussed on prompt and courteous customer service has been receiving constant attention of the management. The HR policies adopted by your company have substantially arrested the high employee turnover that had been experienced last year.

#### Acknowledgement

35. Your Directors would like to place on record their gratitude and appreciation 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, National Stock Exchange of India Limited, The Calcutta Stock Exchange Association Limited, other Stock Exchanges, National Securities Depository Limited, National Securities Clearing Corporation Limited and last but not the least BOI Shareholding Limited, the clearing house of The Stock Exchange, Mumbai.

36. Your company's success is reflected not merely by earning ratios. The numbers are simply by-products of the time and efforts expended for taking proactive stance in this dynamic market place. Your company's most valuable asset is its team of knowledgeable and talented people dedicated to excellence. The Directors record their appreciation for the services rendered by officers at all levels.

For and on behalf of the Board

Sd/-

Place : Mumbai  
Date : 16<sup>th</sup> May, 2002

S. S. Thakur  
Chairman

## ANNEXURE A

### PARTICULARS 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 is as follows:

Part A						
Employed throughout the year and in receipt of remuneration of Rs.12, 00,000/- or more during 2001 - 2002						
Name and Qualification	Age in years	Designation	Remuneration received Rs.	Experience (No. of years)	Date of Commencement of employment	Last employment and designation
Mr.V.V.Raut – BA	48	Executive Director	12,56,498/-	27	October 1, 2000	General Manager, The Stock Exchange Mumbai
Part B						
Employed for part of the year and in receipt of remuneration aggregating to Rs.1, 00,000/- or more during 2001 – 2002						
Name and Qualification	Age in years	Designation	Remuneration received Rs.	Experience (No. of years)	Date of Commencement of employment	Last employment and designation
Shri M. G. Damani - Secretarial Diploma from the Institute of Secretaries, London	64	Chairman & Managing Director	8,64,210/-	48	August 8, 2000	Self employed M/s. M.G. Damani, Member, The Stock Exchange Mumbai

Name	Age in years	Designation	Remuneration received Rs.	Experience (no. of years)	Date of Commencement of employment	Last employment and designation
Mr. B.G. Daga	58	Managing Director	8,21,223/-	39	November 1, 2001	Executive Director, Unit Trust of India
Qualification: M.Com, CAIIB, Govt. Commercial Diploma of Maharashtra, Certified Corporate Secretary (London); Associate International Accountant (London); Diploma in Co-operation of the Indian Institute of Bankers						

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. None of the directors mentioned above is a relative of any Director of the company .

For and on behalf of the Board

Place : Mumbai  
Date : 16<sup>th</sup> May, 2002

Sd/-  
S. S. Thakur  
Chairman

## ANNEXURE B

### CORPORATE GOVERNANCE

The company is committed to good corporate governance with a view to enhancing and protecting the value and interest of all stakeholders. Accordingly, the company has voluntarily adopted SEBI's Code of Corporate Governance to the extent applicable to it.

#### Board of Directors

##### (a) Composition

The Board of Directors comprises eight directors - two executive directors and six are non-executive directors. The non-executive directors are acknowledged professionals in the area of capital market, finance, information technology, banking etc. Till 15th June, 2001, the company had executive Chairman and the Chairman appointed subsequently holds non-executive position. None of the non-executive directors has any pecuniary relationship or had transactions with the company during the year.

(b) During the year 2001-2002, the Board met 12 times. Details of attendance of Directors at the Board meetings and the last Annual General Meeting (AGM) are given hereunder :-

Directors	Category of Directorship	No. of Board meetings held during the tenure	No. of Board meetings attended	Attendance at the last AGM
Shri M.G. Damani	Chairman-MD	1	1	-
Shri Anand Rathi	NED	1	1	-
Dr.K.C.Chakraborty	NED	1	-	-
Shri Cyril Shroff	NED	3	-	-
Smt. Deena Asit Mehta	NED	5	4	-
Shri Bhagirat Merchant	NED	5	3	-
Shri N.P. Sarda	NED	6	-	No



Directors	Category of Directorship	No. of Board meetings held during the tenure	No. of Board meetings attended	Attendance at the last AGM
Shri K. Ramakrishnan	NED	9	6	No
Shri P. Rajeshwar Rao	NED	12	6	Yes
Shri A.N. Joshi	NED	12	10	Yes
Shri Kirit B. Shah	NED	3	-	-
Shri V.V. Raut	ED	12	12	Yes
Shri A.S. Khurana	NED	11	5	No
Shri S.S. Thakur	NED	11	10	No
Shri S.B. Patankar	NED	6	5	-
Smt. T.A. D'mello	NED	1	1	-
Shri B.G. Daga	MD	3	3	-
Shri S.N. Mallapur	NED	2	2	-
Shri Prithvi Haldea	NED	1	1	-

ED - Executive Director NED - Non-executive Director MD - Managing Director

(c) The particulars of Board directorships of public limited companies and membership / office of the Chairman of the Board committees of these companies held by CDSL's existing directors are given below :-

Name of Director	No. of directorship in other Boards	No. of memberships in other board committees	No. of chairmanships in other board committees
Shri A.N. Joshi	2	-	-
Shri V.V. Raut	-	-	-
Shri S.S. Thakur	6	7	1
Shri A.S. Khurana	3	-	-
Shri S.B. Patankar	-	-	-
Shri B.G. Daga	-	-	-
Shri Prithvi Haldea	1	-	-
Shri K.H. Vora	2	2	-

### Audit Committee

(a) The Audit Committee comprises three non-executive Directors, who belong to the fields of finance, accounting, banking, information technology or capital market.

#### (b) Terms of Reference

The terms of reference of the Audit Committee include a review of draft financial statements (before submission to the Board), accounting policies and practices, internal control and review of internal audit reports both in respect of the company & depository participants. The Committee also oversees the financial reporting process and adequacy of internal audit functions in the company.

#### (c) Invitees to the Audit Committee

The heads of all functional departments, internal auditors and statutory auditors are invitees to the Audit Committee meetings. The Company Secretary of the company acts as the secretary to the Committee.

(d) During the year under review, the Audit Committee met 6 times. The details of attendance of the members of the Committee are given below :-

Name of Directors	No. of meetings held during the tenure	No. of meetings attended
Shri P. Rajeshwar Rao	3	3
Shri Bhagirat Merchant	3	3
Shri K. Ramakrishnan	4	4
Shri Kirit Shah	3	0
Shri K.C. Chakraborty	3	0
Shri A.N. Joshi	3	2
Shri N.P. Sarda	1	0
Shri S.B. Patankar	2	2
Shri S.N. Mallapur	1	1
Smt. T.A. D'mello	1	0

### Remuneration of Directors

Remuneration of the Executive Director consists of fixed salary, perquisites (including contribution to provident fund) and ex-gratia incentive. Remuneration of the Managing Director consists of fixed salary, perquisites (including contribution to provident fund) and commission of 1% of the net profit of the company

subject to ceiling of Rs.5 lakhs per annum.

The details of the remuneration paid to the Executive Director and Managing Director are given below :-

Name of the ED / MD	Period	Salary	Commission
Shri M.G. Damani - Chairman & MD	1st April 2001 to 15th June,2001	Rs.8,64,210/-	Nil
Shri V.V. Raut - Executive Director	1st April, 2001 to 31st March, 2002	Rs.12,56,498/-	Nil
Shri B.G. Daga - Managing Director	1st November, 2001 to 31st March, 2002	Rs.8,21,223/-	Nil

Non-executive directors are paid sitting fee of Rs.2000/- for each meeting of the Board or the Board Committee.

#### Management Discussion and Analysis Report

The Management Discussion and Analysis Report for the year ended 31st March, 2002 is attached as Annexure C.

#### Appointment of Directors

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

For and on behalf of the Board

Place	: Mumbai	Sd/-
Date	: 16 <sup>th</sup> May, 2002	S. S. Thakur Chairman

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### Introduction

1. CDSL is engaged in the business of providing depository services in India in respect of various types of securities. Over the three years of its commencement of operations, CDSL has successfully matured as a convenient, dependable and secure depository.

### Industry Structure and Developments

2. CDSL commenced depository business in February, 1999 about two and half years after the commencement of business by NSDL in November, 1996. Due to the number of steps initiated by SEBI for giving a kick start to the process of dematerialisation, the institutional business for which compulsory demat trading was introduced since January, 1998 and for retail investors since January, 1999, a large part of physical securities had already got dematerialised before commencement of operations by CDSL. As noted by Prof. J.R. Verma in his working paper on Regulatory Implications of Monopolies in the Securities Industry, the requirement of incurring high switching cost, securities already dematerialised before the commencement of CDSL's operations did not come to it. Since the issuance of the SEBI's direction to issuers to get their listed equity admitted with both the depositories and the introduction of inter-depository transfers, business of CDSL has been progressing well. It is expected that the regulator will also direct the issuers of debt instruments to have such instruments admitted with both the depositories to enable investors having account with either of the depositories to deal in such securities. That coupled with the introduction of on-line inter-depository transfers in the current year is expected to increase the share of business of CDSL.

### Regulatory initiatives

3. The year witnessed introduction of several regulatory measures which would have direct impact on depository business. SEBI continued to add securities for mandatory settlement of trades in demat form culminating into settlement of trades in all the listed stocks to be mandatorily made in demat form

with effect from 26th March, 2001. Badla which was contributing substantially to the volumes of depositories was abolished with effect from September 1, 2001 and rolling T+5 settlement cycle was introduced for all securities on January 2, 2002. Subsequently, effective April 1, 2002, the rolling settlement cycle period has been reduced to T+3.

4. In the Monetary and Credit Policy for the year 2001-02, Reserve Bank of India (RBI) had directed commercial banks, FIs, primary dealers (PDs) and satellite dealers (SDs) to acquire and hold investments in privately placed bonds and debentures only in demat form from July 2001 and convert the existing investments in such papers held in physical form to demat form by October 31, 2001. A large part of such holdings seems to be still held in physical form. Recently, RBI has made investments in CPs and CDs also to be mandatorily issued in demat form.
5. The much awaited two way fungibility of ADR/GDR issued by Indian companies has become a reality with the issuance of necessary guidelines by the Government and RBI. This will provide an opportunity to CDSL to handle such transactions.

#### Opportunities and Threats

6. Almost entire settlement of securities traded on BSE and NSE is now taking place in demat form. This got further boost with the SEBI's decision to introduce rolling settlement, first to T+5 settlement cycle and then to T+3 settlement cycle basis. Mandatory settlement of all trade in demat form augurs well for growth of depository business in India. Trading in debt securities including government securities is gaining momentum and will certainly add to the business of CDSL which has adequate infrastructure to cater to this emerging segment.

#### Realignment of fee structure

7. Since the launch of the depository system in India, transaction settlement fee has been collected by depositories on the basis of value of the underlying securities. In February 2002, NSDL decided to switch over from the value based tariff structure to the volume of transaction based tariff structure. CDSL also realigned its tariff in which the existing 0.005% fee both for debit and credit transactions was replaced by a single fee of 0.01% only on debit transactions and making the credit transactions free. Further, CDSL put a minimum and maximum of such fees at Rs.5/- and Rs.12/- respectively to

ensure that CDSL customers and DPs are not put to undue financial hardship. CDSL continues its past investor friendly practice of not collecting any fee for custody and account maintenance as well as for dematerialisation of securities. The revised settlement fee structure has been made effective from May 1, 2002.

8. CDSL has also introduced an innovative scheme "Low Tariff Unlimited Service Scheme" (LoTUS) under which it will collect a fixed fee of Rs.2000/- per month from DPs in respect of those beneficial owners who register themselves under the LoTUS scheme. Both the realigned settlement fees structure and the LoTUS scheme have been well received among DPs, clearing members and investors.

#### Straight Through Processing (STP)

9. World over, the advanced capital markets have been shifting to the straight through processing (STP) of transactions handled by various intermediaries in the capital market. STP calls for trade processing to be conducted without manual intervention at all points of the trade processing by various participants. It is experienced that STP contributes to the development of the market by way of quicker settlement thereby reducing the risks in the system and the costs associated therewith. Recognizing the importance of STP, SEBI has constituted a group to examine various aspects of this system. CDSL is represented on this group.

#### Risks and Concerns

10. The technological obsolescence and keeping pace with the changes in the market practices and ever increasing user expectations and regulatory requirement are the core issues which have been receiving due attention of the management continuously, besides improvement in the existing infrastructure and fine tuning of the system to enhance the performance standards. The Comprehensive Crimes and Professional Indemnity insurance policy obtained by your company for itself as well as the depository participants to cover the risks associated with the depository business has been renewed with improved coverage of risks through the internet.

#### Internal Control Systems and Adequacy

11. The company has adequate internal control systems and procedures commensurate with the nature and size of its business. The operating and business control procedures have been so framed that they ensure efficient use



of resources and comply with the procedures and regulatory requirements. The company has engaged a firm of internal auditors which carries out audits extensively throughout the year with the objective of testing the adequacy and effectiveness of internal controls and suggesting improvements. The internal control system is being further strengthened by laying out well documented guidelines, authorisation and approval procedures.

#### Financial Performance

12. Your company's revenue from operational income which included collection of annual charge from issuers (introduced during the year) recorded an increase of 57% and the company has come out of red by registering a profit before tax of Rs.234.54 lacs (as against Rs.83.72 lacs for the previous year ended 31st March, 2001). Right since commencement of its operations, a sizeable amount of income is garnered by the company from investment of its surplus funds, mostly in term deposits of banks and units of debt schemes of mutual funds. With the substantial fall in interest rates, income from investments which during the current year was maintained at the previous year's levels, is likely to fall significantly this year.

#### Human Resources

13. Your company is in the process of putting in place a proper personnel policy so as to have a skill rich and motivated team capable of facing challenges and market dynamics.

For and on behalf of the Board

Sd/-

Place : Mumbai  
Date : 16<sup>th</sup> May, 2002

S. S. Thakur  
Chairman

DETAILS OF DIRECTORS TO BE REAPPOINTED

1. Shri A.S. Khurana

Shri A.S. Khurana (56 years) is a post graduate in Commerce, Certified Associate of Indian Institute of Bankers and Certified Associate of Institute of Bankers, London. He is associated with Bank of Baroda for the last 35 years and has worked both in India and abroad including an assignment as Chief Executive at BoB International Finance Ltd., Hongkong for two years. He has acquired professional expertise in the areas of forex management and money market operations. Presently, he is the bank's General Manager, in-charge of Treasury & Risk Management and is co-ordinating implementation of Risk Management Systems in association with consultants of international repute. Shri Khurana is also a director on the Boards of Clearing Corporation of India Ltd., BOB Housing Ltd., and Central Warehousing Corporation of India.

2. Shri S.B. Patankar

Shri S.B. Patankar (50 years) is an engineering graduate from VJTI and has more than 25 years of experience in Information Technology. He started his career in 1974 with IBM as customer engineer and worked on the IBM 1401 Systems. Later in 1977 he joined CMC and had the opportunity to work with large systems like Borroughs and Control data Cyber at TIFR. During his tenure at CMC, he successfully handled various projects like Impress Railway Reservation Expansion, Nagpur Durg Railway Scada, Mediterranean Games in Syria, etc.

Since 1996, Shri Patankar is the Head of IT in the Stock Exchange, Mumbai (BSE) and holds the position of Director - Information Systems. He was instrumental in implementing the BSE On-Line Trading (BOLT) System and successfully migrating from the open outcry system to a fully automated trading system. He is closely associated in conceptualisation and implementation of several technology initiatives and IT oriented projects of the Exchange like expansion of BOLT network all over India, Internet-based trading system, derivatives trading, etc.





### 3. Shri Prithvi Haldea

Shri Prithvi Haldea (51 years) is a Master of Business Administration from Birla Institute of Technology & Science, Pilani. He is the Managing Director & Founder of Praxis Consulting & Information Services Pvt. Ltd., - creator of PRIME Database, the country's pioneering and only resource providing information on the Indian primary capital market and has created first ever database on the Indian Venture Capital industry. He has served as a member of various committees like Primary Market Advisory Committee, Malegam Committee on Disclosure Requirements in Offer Documents, appointed by SEBI and has contributed both from conceptualisation and development angles. He is a member of the Listing Advisory Committee of NSE. He has also worked as guest faculty at various institutes like UTI Institute of Capital Markets, Institute of Chartered Financial Analysts of India, etc and provided consulting services to several corporates for their fund raising programmes including IPOs.

Shri Prithvi Haldea is an editor of various publications such as 'THE PRIME DIRECTORY', providing comprehensive information on the primary capital market and its intermediaries, 'THE COMPUTER DIRECTORY OF INDIA', the first – ever directory on the computer industry in India, etc. He has worked as Director of Sobhagya Advertising Service and has experience of marketing, advertising and PR of over 325 IPOs / rights issues of equity and debt.

### 4. Shri K.H. Vora

Shri K.H. Vora (57 years) is a post graduate in Commerce. He is General Manager in- charge of Corporate Services at the corporate office of Bank of India. He has worked as chief incumbent of Bank of India, Stock Exchange Branch and also as the Managing Director of B.O.I. Asset Management Company. Shri Vora is also a nominee director in Scindia Steam Navigation Co. Ltd. and Kamani Tubes Ltd.

For and on behalf of the Board

Sd/-

Place : Mumbai  
Date : 16<sup>th</sup> May, 2002

S. S. Thakur  
Chairman

## AUDITORS' REPORT

TO THE MEMBERS OF CENTRAL DEPOSITORY SERVICES (INDIA) LTD.

1. We have examined the attached Balance Sheet of CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED as at 31<sup>st</sup> March, 2002 and the Profit & Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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.
4. Further to our comments in the Annexure referred to paragraph 3 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 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 Directors as on 31.03.2002 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31.03.2002 from being appointed as a Director of the Company in terms of the Section 274 (1) (g) of the Act.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes appearing in Schedule 12 of Significant Accounting Policies and Notes to Accounts, particularly note no. 3(a),(b) and (c) and 4 (b) regarding valuation of current investments, additional depreciation, write off of Preliminary and Share issue expenses and managerial remuneration paid to the then Chairman and Managing Director (now deceased), respectively, 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 in conformity with the accounting principles generally accepted in India :
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2002 and
  - ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For LODHA & CO.  
Chartered Accountants

Place : Mumbai  
Date : 16<sup>th</sup> May, 2002

N. KISHORE BAFNA  
Partner

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2002 OF CENTRAL DEPOSITORY SERVICES (INDIA) LTD.

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 31<sup>st</sup> March, 2002 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 : 16<sup>th</sup> May, 2002

N. KISHORE BAFNA  
Partner

BALANCE SHEET AS AT MARCH 31, 2002

Schedule	31.3.2002 Rs. in Lakhs	31.3.2001 Rs. in Lakhs
<b>SOURCES OF FUNDS</b>		
Shareholders' Funds		
Share Capital	10,450.00	10,450.00
Reserves and Surplus	111.59	-
	<u>10,561.59</u>	<u>10,450.00</u>
<b>APPLICATION OF FUNDS</b>		
Fixed Assets		
Gross Block	3,028.69	3,004.55
Less : Depreciation	1,740.68	861.91
Net block	<u>1,288.01</u>	<u>2,142.64</u>
Investments	3,293.49	3,515.88
Current Assets, Loans & Advances		
Sundry Debtors	78.30	108.50
Cash and Bank balances	5,469.26	4,214.35
Interest accrued on Investments	-	4.48
Loans and Advances	1,074.39	943.05
	<u>6,621.95</u>	<u>5,270.38</u>
Less:		
Current Liabilities & Provisions		
Liabilities	590.32	640.10
Provisions	51.54	9.82
	<u>641.86</u>	<u>649.92</u>
Net Current Assets	5,980.09	4,620.46
Miscellaneous Expenditure (to the extent not written off or adjusted)	-	65.14
Profit & Loss Account (Loss)	-	105.88
	<u>10,561.59</u>	<u>10,450.00</u>
Significant Accounting Policies and Notes to Accounts	12	
Schedules referred to above form an integral part of the Balance Sheet		

As per our attached report of even date  
For Lodha & Company  
Chartered Accountants

N Kishore Bafna  
Partner

For and on behalf of the Board of Directors

S. S. Thakur  
Chairman

B. G. Daga  
Managing Director

V. V. Raut  
Executive Director

Umesh Maskeri  
Vice President (Legal)  
& Company Secretary

Place : Mumbai,

Date : 16th May, 2002

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2002

	Schedule	2001 - 2002 Rs. in Lakhs	2000 - 2001 Rs. in Lakhs
<b>INCOME</b>			
Operational Income	8	790.26	545.78
Other Income	9	1,310.70	740.85
		<u>2,100.96</u>	<u>1,286.63</u>
<b>EXPENDITURE</b>			
Personnel Cost	10	243.81	188.75
Other Expenses	11	743.40	572.38
Provision for diminution in the value of investments		-	622.51
Depreciation		879.21	441.78
		<u>1,866.42</u>	<u>1,825.42</u>
Profit/(Loss) before Tax		<u>234.54</u>	<u>(538.79)</u>
Provision for Income Tax (MAT)		17.00	-
Provision for Wealth Tax		0.07	1.86
Profit /(Loss) After Tax		217.47	(540.65)
Balance of Profit/(Loss) brought forward from previous year		(105.88)	434.77
Balance being Profit/(Loss) carried to the Balance Sheet		<u>111.59</u>	<u>(105.88)</u>
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 Lodha & Company  
Chartered Accountants

N Kishore Bafna  
Partner

For and on behalf of the Board of Directors

S. S. Thakur  
Chairman

B. G. Daga  
Managing Director

V. V. Raut  
Executive Director

Umesh Maskeri  
Vice President (Legal)  
& Company Secretary

Place : Mumbai,

Date : 16th May, 2002

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2002

SCHEDULE 1	31.3.2002 Rs. in Lakhs	31.3.2001 Rs. in Lakhs
SHARE CAPITAL		
Authorised 15,00,00,000 Equity shares of Rs.10 each	<u>15,000.00</u>	<u>15,000.00</u>
Issued, Subscribed and Paid-up 10,45,00,000 Equity shares of Rs.10 each	<u>10,450.00</u>	<u>10,450.00</u>
SCHEDULE 2		
RESERVES & SURPLUS		
Surplus as per Profit & Loss Account	<u>111.59</u>	<u>-</u>



SCHEDULE 3 FIXED ASSETS										
Rs. in Lakhs DESCRIPTION	GROSS BLOCK				DEPRECIATION **				NET BLOCK	
	As on 1.4.2001	Additions	Deduct- ions	As on 31.3.2002	Upto 31.3.2001	For the year 2001-02	Deduct- ions	Upto 31.3.02	As on 31.3.02	As on 31.3.01
Building *	173.77	-	-	173.77	6.34	2.83	-	9.17	164.60	167.43
Computer Hardware & Software (Automated Depository System)	2,641.32	18.51	-	2,659.83	805.86	844.35	-	1,650.21	1,009.62	1,835.46
Equipment	148.98	8.13	-	157.11	43.56	27.97	-	71.53	85.58	105.42
Furniture & fixtures	6.62	0.59	3.09	4.12	0.90	0.84	0.44	1.30	2.82	5.72
Vehicles	33.86	-	-	33.86	5.25	3.22	-	8.47	25.39	28.61
<b>Total</b>	<b>3,004.55</b>	<b>27.23</b>	<b>3.09</b>	<b>3,028.69</b>	<b>861.91</b>	<b>879.21</b>	<b>0.44</b>	<b>1,740.68</b>	<b>1,288.01</b>	<b>2,142.64</b>
Previous Year	2,608.55	396.00	-	3,004.55	420.13	441.78	-	861.91	2,142.64	-
*Includes face value of shares in a co - operative society - Gross Block Rs. 500 (Previous year Rs. 500) ; Net Block Rs. 474 (Previous Year Rs.482) ** Refer note no. 3 (c) in Schedule 12.										

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2002

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2002

SCHEDULE 4					
INVESTMENTS					
Particulars	Face Value (Rs.)	31.3.2002		31.3.2001	
		Quantity in nos.	Rs. in Lakhs	Quantity in nos.	Rs. in lakhs
Long Term Investments:					
Unquoted					
1. Bonds					
ICICI LTD.	100000	-	-	1,000	1,000.00
2. Government Securities					
11.50% GOI 2015	10000	-	0.10	-	0.10
Current Investments:					
Quoted					
1. Equity Shares					
Aftek Infosys Ltd.	10	-	-	100	1.79
Unquoted					
2. Units of Mutual Fund					
HDFC Balance Fund	10	-	-	650,000	65.00
HDFC Income Fund	10	792,909	85.00	350,000	35.00
Kothari Pioneer Income Builder	10	1,820,060	300.00	954,807	150.00
Templeton India Income Fund	10	606,428	100.00	606,428	100.00
Zurich India High Interest Fund - Regular Growth	10	633,312	100.00	633,312	100.00
Prudential ICICI Income Plan - Growth	10	3,632,925	460.01	5,937,073	710.01
DSP Merrill Lynch Bond Fund - Regular Growth	10	2,117,663	349.64	1,786,643	275.11
Alliance Income Fund (Regular Growth)	10	703,511	108.91	3,568,570	497.21
Birla Income Plus - Plan B (Growth)	10	765,478	150.08	1,309,498	239.25
Alliance Cash Manager	1000	4,782	66.29	6,094	78.31
Birla Advantage Fund (Dividend)	10	411,729	331.55	611,729	492.61
Alliance Equity Fund (Dividend)	10	471,589	262.97	706,589	394.00
Birla Gilt Plus - Long Term	10	331,851	50.00	-	-
GIC Liquid Fund - Dividend	10	502,885	50.33	-	-
IDBI Principal - FMP	10	500,000	50.00	-	-
Birla Cash Plus	10	2,816,700	426.49	-	-

Particulars	31.3.2002			31.3.2001	
	Face Value (Rs.)	Quantity in nos.	Rs. in Lakhs	Quantity in nos.	Rs. in lakhs
DSP Liquidity Fund	10	703,739	96.99	-	-
Prudential ICICI Liquid Plan	10	742,787	100.26	-	-
IL & FS Fixed Maturity Plan	10	500,000	50.00	-	-
JM Income Fund	10	477,110	100.00	-	-
Pioneer ITI Gilt Fund	10	250,000	25.00	-	-
Prudential ICICI Gilt Fund	10	335,805	50.00	-	-
Sun F & C Fixed Maturity Series	10	500,000	50.00	-	-
			3,363.62		4,138.39
Less: Provision for diminution in the value of investments			70.13		622.51
<b>Total</b>			3,293.49		3,515.88
All investments are fully paid up					
Aggregate amount of investments:			Rs. in lakhs		Rs. in lakhs
	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	3,293.39		3,293.39	2513.98	2741.08
: others	0.10		-	1000.10	-
Investments Purchased and Sold during the year					
Particulars			Face Value (Rs.)		No. of Units
Alliance Cash Manager - Growth			1000		46,298
DSP Merrill Lynch Liquidity Fund			10		781,371
DSP Merrill Lynch Bond Fund			10		514,667
HDFC Liquid Fund			10		687,671
Alliance Income Fund			10		296,384
Prudential ICICI Liquid Plan			10		2,562,307
Birla Cash Plus - Dividend			10		428,289
Birla Cash Plus - Growth			10		3,705,745
Birla Income Plus			10		245,821

SCHEDULE 5		
	31.3.2002 Rs. in Lakhs	31.3.2001 Rs. in Lakhs
<b>CURRENT ASSETS, LOAN AND ADVANCES</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured, considered good except otherwise stated)		
Outstanding for a period exceeding 6 months		
	15.97	19.39
(Net of Rs 80 lakhs; previous year Rs. NIL, considered doubtful and fully provided for)		
Other Debts		
	62.33	89.11
	<u>78.30</u>	<u>108.50</u>
(includes Rs.NIL; Previous Year Rs.5.52 lakhs due from private limited companies in which a director is interested as director/member.)		
<b>CASH AND BANK BALANCES</b>		
Cash on hand		
	0.06	0.04
Cheques on Hand		
	4.37	33.62
Balances with Scheduled Banks:		
-in current account		
	34.85	11.86
-* in term deposit accounts (inclusive of interest accrued Rs. 28.98 lakhs; Previous Year Rs. 267.83 lakhs)		
	5,428.98	4,167.83
In current Account with Reserve Bank of India		
	1.00	1.00
	<u>5,469.26</u>	<u>4,214.35</u>
<b>INTEREST ACCRUED ON INVESTMENTS</b>		
	-	4.48
<b>LOANS AND ADVANCES</b>		
(Unsecured, considered good except otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
(Net of Rs 12.48 lakhs; previous year Rs. NIL, considered doubtful and fully provided for)		
	16.16	37.11
Capital advances		
	22.17	15.44
Income tax (TDS) Net of provision		
	398.56	290.50
Deposit with The Stock Exchange, Mumbai		
	637.50	600.00
	<u>1,074.39</u>	<u>943.05</u>
* Includes Rs. 1300 lakhs (PY. Rs. NIL) with a Financial institution now merged with a scheduled bank.		

SCHEDULE 6		
	31.3.2002 Rs. in Lakhs	31.3.2001 Rs. in Lakhs
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors - other than to Small Scale Industrial Undertakings	62.22	157.74
Security Deposit from depository participants	462.50	445.00
Other Deposits	30.00	30.00
Income received in advance	7.36	4.48
Other liabilities	28.24	2.88
	590.32	640.10
<b>PROVISIONS</b>		
For Wealth Tax	0.07	1.86
For Income Tax	17.00	-
For Gratuity	10.52	-
For Ex-Gratia	9.00	-
For Leave Encashment	14.95	7.96
	51.54	9.82
	641.86	649.92
<b>SCHEDULE 7</b>		
Miscellaneous Expenditure (to the extent not written off or adjusted)		
Preliminary Expenses	-	0.19
Share Issue Expenses	-	64.95
	-	65.14

SCHEDULES TO PROFIT & LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2002

SCHEDULE 8	2001-2002 Rs. in Lakhs	2000-2001 Rs. in Lakhs
<b>OPERATIONAL INCOME</b>		
Account Maintenance Charges	36.21	30.52
Transaction Charges	197.56	352.79
Settlement charges	178.33	76.68
Users Facility Charges	104.79	68.79
Annual Issuer Charges	263.85	-
Training Income (Net of Training Expenses Rs 0.83 lakhs)	1.30	-
Others	8.22	17.00
	<u>790.26</u>	<u>545.78</u>
<b>SCHEDULE 9</b>		
<b>OTHER INCOME</b>		
Income from/Interest on :		
Long Term Investments (TDS Rs. 25.39 Lakhs ; P Y Rs. 30.74 Lakhs)	119.99	136.00
Fixed Deposits (TDS Rs.97.98 Lakhs ; P Y Rs.122.06 Lakhs)	494.32	562.97
Others (TDS Rs. NIL)	6.92	0.09
Miscellaneous Income	14.68	6.78
Profit on sale of Investments (Net)	101.31	8.10
Income from Mutual Funds	17.50	24.73
Rent (TDS Rs. 0.75 Lakhs; P Y Rs 0.48 Lakhs)	3.60	2.18
“Provision for diminution in the value of investments” no longer required written back	552.38	-
	<u>1,310.70</u>	<u>740.85</u>

SCHEDULES TO PROFIT & LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2002

SCHEDULE 10	2001-2002 Rs. in Lakhs	2000-2001 Rs. in Lakhs
PERSONNEL COST		
Salaries and other allowances	224.22	170.35
Contribution to PF and other funds	16.54	14.66
Staff welfare expenses	3.05	3.74
	243.81	188.75
SCHEDULE 11		
OTHER EXPENSES		
Rent	34.53	28.77
Rates & Taxes	0.36	0.70
Electricity & Water Charges	24.59	28.33
Insurance	43.97	35.63
Repairs and Maintenance :		
Computers	301.82	265.09
Others	33.81	5.38
Legal, Professional and Consultancy Fees	34.45	24.16
Directors' Sitting Fees	1.66	1.26
Travelling and Conveyance	18.75	34.47
Annual SEBI Fees	10.00	10.00
Postage, Telephone & Communication Charges	31.78	35.80
Advertisement Expenses	1.06	29.92
Printing & Stationery	21.07	29.43
Business Promotion Expenses	7.50	8.82
Bad Debts Written off	5.22	-
Preliminary/ Share Issue Expenses written off	65.14	15.19
Loss on Discarded Assets	2.63	-
Provision for Doubtful Debts/Advances	94.00	-
Miscellaneous Expenses	11.06	19.43
	743.40	572.38

SCHEDULES TO BALANCE SHEET AS AT AND PROFIT & LOSS ACCOUNT FOR  
THE YEAR ENDED 31<sup>ST</sup> MARCH, 2002

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. Additional depreciation is provided on technical evaluation from time to time, as considered appropriate by the management.

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) Gratuity liability is actuarially evaluated and provided for.

2. Estimated amount of contracts to be executed on capital account and not provided for (net of advances) Rs. 201.36 Lakhs, (Previous Year Rs. 22.94 lakhs).

3. (a) The Company has during the year valued its current investments on the basis of category of investments as against hitherto, valued on individual investment basis. Consequently, profit for the year before tax and current investments are higher by Rs 342.54 Lacs.

(b) The Company has during the year fully written off preliminary and share issue expenses as against hitherto, being amortised over five years and ten years, respectively. Consequently, profit for the year before tax and Miscellaneous Expenditure (to the extent not written off or adjusted) is lower by Rs 46.30 Lacs.

(c) The Company has during the year provided additional depreciation of Rs. 407.29 lakhs (Previous year Rs. NIL) on certain computer equipments taking into account technological obsolescence and their effective use.

4. a) Managerial Remuneration :

	Current Year Rs. in Lakhs	Previous Year Rs. in Lakhs
Salary and other allowances	24.03	20.66
Company's Contribution to P.F.	2.03	2.26
Value of perquisites (At cost or as per Income Tax Rules as the case may be)	0.32	0.17
<b>Total</b>	<b>26.38</b>	<b>23.09</b>

b) The Central Government's refusal to approve the remuneration (though approved by the shareholders) to the then Chairman & Managing

Director (CMD) Shri. M.G.Damani, now deceased had resulted in excess payment (arising due to inadequacy of profits) by Rs 12.48 lakhs, out of which Rs. 3.04 lakhs for the current year . The management has been pursuing with legal heirs of CMD for recovery of the excess amount as the same was held by the deceased CMD in trust for the company as per the provisions of Section 309 (5A) of the Companies Act, 1956.

- c) 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 Rs. in Lakhs	Previous Year Rs. in Lakhs
Profit/(Loss) as per Profit & Loss Account	234.54	(538.79)
Add :-		
Managerial Remuneration :		
- Salary and other allowances	24.03	20.66
- Contribution to Provident Fund.	2.03	2.26
- Value of perquisites	0.32	0.17
- Directors' Sitting Fees.	1.66	1.26
Provision for diminution in value of investments	-	622.51
Sub Total	262.58	108.07
Less :-		
Profit on Sale of investments.	101.31	8.10
Provision for diminution in the value of investments no longer required written back	552.38	Nil
Excess of expenditure over income computed under section 349 in the earlier years, to the extent not deducted.	312.61	412.58
Net (Loss) as per Section 198 r.w.s. 349 of the Act.	(703.72)	(312.61)
Commission payable	Nil	Nil

5. Users Facility Charges income is on account of facilities provided such as telecom leased lines, software maintenance and insurance.

## 6. Auditors' Remuneration :

<i>(including service tax)</i>	Current Year Rs. in Lakhs	Previous Year Rs. in Lakhs
Audit Fees	1.30	1.30
Tax Audit Fees	0.33	0.33
For Other Services	0.11	0.14
Out of Pocket Expenses	0.04	0.03
<b>Total</b>	<b>1.78</b>	<b>1.80</b>

## 7. Expenses in foreign currency (on payment basis)

	Current Year Rs. in Lakhs	Previous Year Rs. in Lakhs
Travelling Expenses	3.67	0.00

8. 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 and therefore, are not recognised as Company's revenues : Rs 166.28 lakhs (Previous Year Rs. 102.55 Lakhs)

9. "Other Liabilities" in Schedule 6 includes the balance of Rs. 25.02 lakhs (Previous year Rs. 1.88 lakhs) net of Rs. 2.99 lakhs (Previous year Rs. 0.42 lakhs) spent during the year out of the penalty collected on account of late transfer of securities to beneficial owner accounts and to be utilised for Investor Education and Awareness Programme as per SEBI requirements.

10. 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 are adequate and not in excess of what are required.

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

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Signatures to Schedules 1 to 12.

For and on behalf of the Board of Directors

S. S. Thakur  
Chairman

B. G. Daga  
Managing Director

V. V. Raut  
Executive Director

Umesh Maskeri  
Vice President (Legal)  
& Company Secretary

Place : Mumbai,

Date : 16th May, 2002

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	31.03.2002

2. Capital raised during the year (Amount Rs. in thousands):

Public Issue	Rights Issue	Bonus Issue	Private Placement
Nil	Nil	Nil	Nil

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

Total Liabilities		Total Assets	
1120345		1120345	
Sources of Funds		Application of Funds	
Particulars	Amount	Particulars	Amount
Paid up capital	10,45,000	Net Fixed Assets	128,801
Reserves and Surplus	11,159	Investments	329,349
Secured Loans	Nil	Net Current Assets	598,009
Unsecured Loans	Nil	Miscellaneous Expenditure	Nil
Total	10,56,159	Total	10,56,159

4. Performance of the Company:

Total Income	Total Expenditure	Profit/Loss before tax	Profit/Loss after tax
2,10,096	1,86,642	23,454	21,747
Earnings per share in Rs.		Dividend rate (%)	
0.11		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 and settlement in respect of shares and securities

For and on behalf of the Board of Directors

S. S. Thakur  
Chairman

B. G. Daga  
Managing Director

V. V. Raut  
Executive Director

Umesh Maskeri  
Vice President (Legal)  
& Company Secretary

Place : Mumbai,

Date : 16th May, 2002

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# CDSL DP NETWORK

<b>HARYANA</b>	
Faridabad	9
Hissar	6
Panipat	7
Rohtak	8
Sirsa	5

<b>PUNJAB</b>	
Bhatinda	4
Jullundhar	1
Ludhiana	2
<b>CHANDIGARH</b>	3

<b>RAJASTHAN</b>	
Alwar	15
Bewar	20
Bhilwara	21
Bikaner	19
Chittorgarh	22
Churu	13
Gangapur	16
Hanumangarh	12
Jaipur	17
Jhalrapatan	24
Jhunjhunu	14
Jodhpur	18
Kota	23
Sirohi	26
Sriganganagar	11
Udaipur	25

**NEW DELHI** 10

<b>GUJRAT</b>	
Ahmedabad	28
Anand	32
Bharuch	37
Borsad	41
Dahod	33
Jamnagar	30
Khamhat	36
Mithapur	40
Nadiad	34
Rajkot	29
Surat	38
Vadodara	35
Vapi	39
Veraval	31
Visnagar	27

<b>MADHYA PRADESH</b>	
Guna	44
Gwalior	42
Indore	46
Jabalpur	45
Shivpuri	43

**MAHARASHTRA**

Akola	50
Bhiwandi	53
Dhule	48
Dombvili	55
Ichalkaranji	86
Jalgaon	49
Kolhapur	84
Mumbai - Andheri	72
Mumbai - Bandra	69
Mumbai - Borivli	79
Mumbai - Churchgate	59
Mumbai - Colaba	56
Mumbai - Fort	58
Mumbai - Ghatkopar	70
Mumbai - Goregaon	75
Mumbai - Gulal wadi	61
Mumbai - Kalbadevi	60
Mumbai - Kandivli	78
Mumbai - Lower Parel	65
Mumbai - Mahim	67
Mumbai - Malad	76
Mumbai - Mulund	77
Mumbai - Nariman Point	57
Mumbai - Powai	74
Mumbai - Pydhonie	63
Mumbai - Sion	68
Mumbai - Vikhroli	73
Mumbai - Vile Parle	71
Mumbai - Walkeshwar	62
Mumbai - Worli	66
Mumbai - Mahalaxmi	64
Nagpur	51
Nandurbar	47
Nashik	52
Navi Mumbai	80
Pune	82
Sangamner	81
Sangli	83
Thane	54

**DP Centres in Mumbai**

<b>GOA</b>	
Panjim	10

<b>KARNATAKA</b>	
Bangalore	92
Belgaum	87
Hospet	89
Hubli	88
Mangalore	91
Udipi	90

<b>KERALA</b>	
Kochi	93
Thiruvananthapuram	94

<b>UTTARANCHAL</b>	
Dehradun	109
Haldwani	110

<b>UTTAR PRADESH</b>	
Agra	105
Allahabad	108
Kanpur	106
Lucknow	107
Meerut	103
Moradabad	104

<b>ASSAM</b>	
Guwahati	121
Tinsukhia	120

SIKKIM

BIHAR

<b>WEST BENGAL</b>	
Bardhaman	118
Kolkata	119

<b>ORISSA</b>	
Bhubaneswar	117
Cuttack	116
Rourkela	115

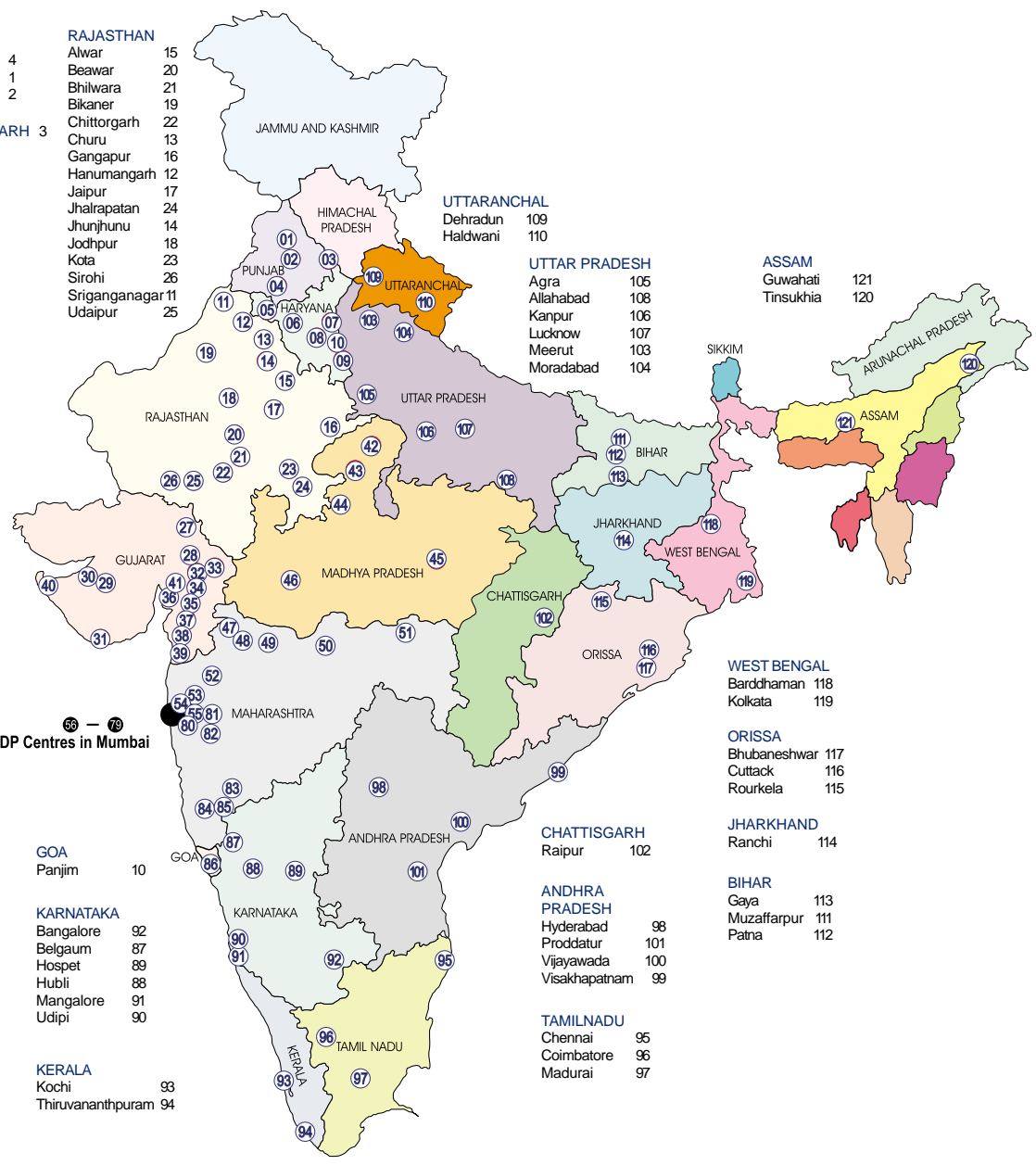
<b>JHARKHAND</b>	
Ranchi	114

<b>BIHAR</b>	
Gaya	113
Muzaffarpur	111
Patna	112

<b>CHATTISGARH</b>	
Raipur	102

<b>ANDHRA PRADESH</b>	
Hyderabad	98
Proddatur	101
Vijayawada	100
Visakhapatnam	99

<b>TAMILNADU</b>	
Chennai	95
Coimbatore	96
Madurai	97



\* Map not to scale



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Your Depository

**Central Depository Services (India) Ltd.**  
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