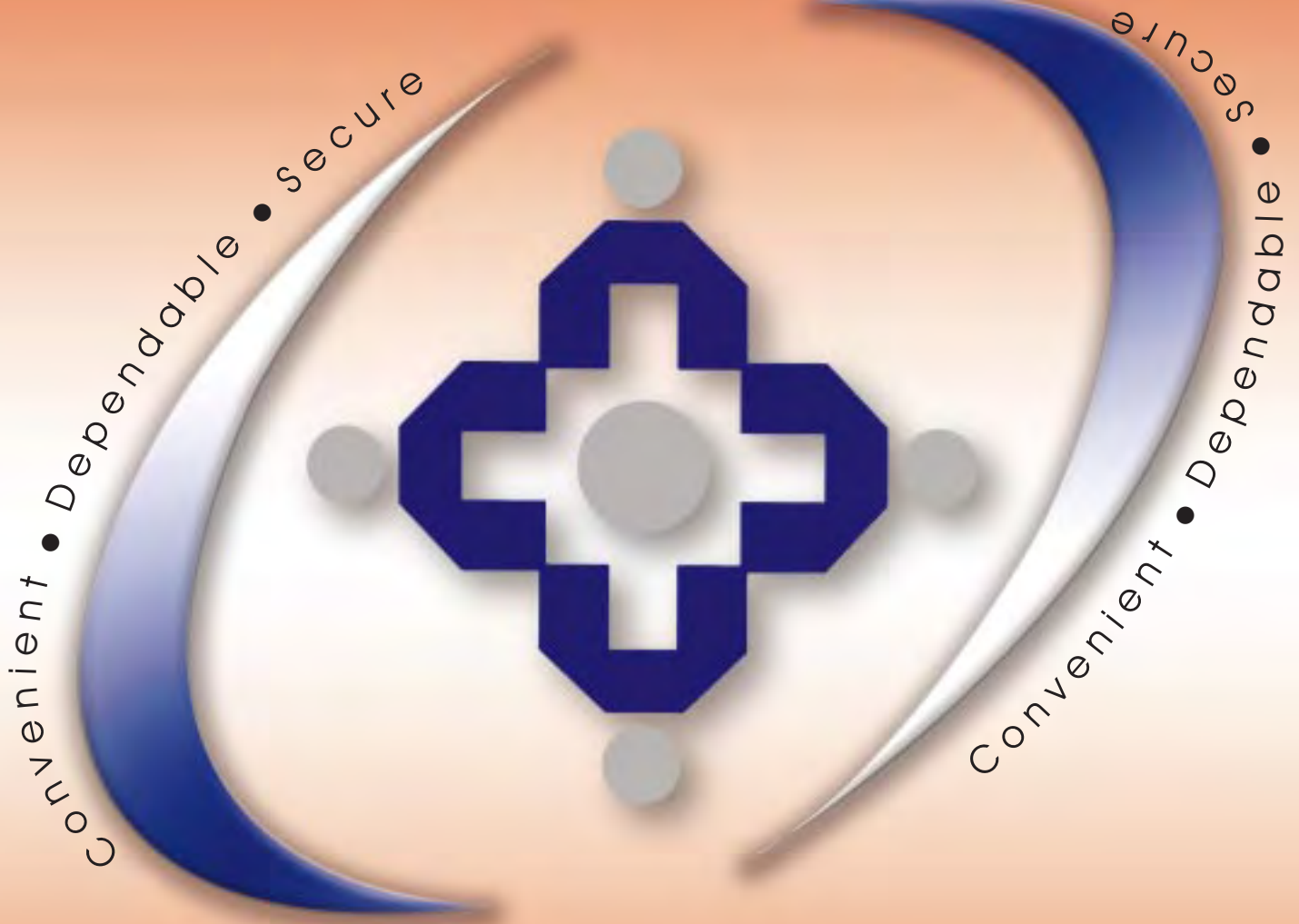


ANNUAL REPORT
2002-2003



Central Depository Services (India) Ltd.

Central Depository Services (India) Ltd.

BOARD OF DIRECTORS

Shri S. S. Thakur	Chairman
Shri A. S. Khurana	(Sponsor Director of Bank of Baroda)
Shri C. E. S. Azariah	(Sponsor Director of State Bank of India)
Shri K. H. Vora	(Sponsor Director of Bank of India)
Dr. Manoj Vaish	(Sponsor Director of The Stock Exchange, Mumbai)
Shri Prakash Kacholia	(Sponsor Director of The Stock Exchange, Mumbai)
Shri Prithvi Haldea	
Shri S. B. Patankar	(Sponsor Director of The Stock Exchange, Mumbai)
Shri V. V. Raut	Executive Director

MANAGEMENT TEAM

Shri V. V. Raut	Executive Director
Shri Hitendra Patil	Vice President - Business Development & Operations
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
6, Karim Chambers,
40 A.D. Marg (Hamam Street)
Mumbai - 400 023

REGISTERED OFFICE

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

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DIRECTORS' REPORT

The Directors have pleasure in presenting the Fifth Annual Report and Audited Statement of Accounts of your company for the year ended 31st March, 2003.

Financial Highlights

Particulars	Year ended 31st March 2003 (Rs. lakhs)	Year ended 31st March 2002 (Rs. lakhs)
Income	1,650.19	2,100.96
Expenditure	913.71	987.21
Profit before Depreciation and Taxation	736.48	1,113.75
Depreciation	552.77	879.21
Profit before Tax	183.71	234.54
Provision for Taxation	15.03	17.07
Provision for Deferred Tax for the year	65.94	—
Profit after Tax	102.74	217.47
Balance brought forward	111.59	(105.88)
Provision for Deferred Tax for the earlier years	48.59	—
Profit carried to Balance Sheet	165.74	111.59

Your Directors are pleased to report that despite adverse market conditions, the income from operations increased to Rs. 868.68 lakhs representing a growth of 10% over the previous year. The transaction charges increased by a significant 36% over the previous year to Rs.269.10 lakhs. This clearly reflects a better acceptability of the CDSL system by various market participants. The total income before adding back the provision for diminution in the value of investments no longer required, was Rs. 1,580 lakhs for the year, compared to Rs. 1,548 lakhs in the previous year. Your company has registered a Profit before Tax (PBT) of

Rs.183.71 lakhs as against Rs.234.54 lakhs during the previous year. However, the adjusted PBT (i.e., PBT less write back of the provision no more required plus additional depreciation of Rs.178.54 lakhs) works out to Rs. 292.12 lakhs as compared to the adjusted PBT of Rs.89.45 lakhs for the previous year.

Dividend

With a view to enhancing the net worth of the company, your Directors have decided not to recommend payment of dividend for the year under review.

Operational Highlights

The capital market remained subdued throughout the year resulting in a decrease in trading volumes and the number of transactions. A depository which provides the necessary infrastructure for processing the settlement of transactions in the capital market, is no exception to this general trend. Your company constantly reviewed and re-designed its policies, products and services in order to suit the changing requirements of the users.

Admission of Securities

During the year, your company registered a significant 30% progress in terms of the number of securities admitted, which increased from 5,607 as on 31st March, 2002 to 7,283 as on 31st March, 2003. The securities that are available for dematerialisation include equity shares, debt instruments, government securities, preference shares, certificates of deposit as well as units of mutual funds and exchange-traded funds. The details of the securities admitted with CDSL are given below:

	31.03.2003		31.03.2002		Increment over the previous year	
	Signed	Live	Signed	Live	Signed	Live
Equity Shares	4628	4628	4296	4284	332	344
Debt Instruments	2358	2358	1152	1152	1206	1206
Other Securities*	297	297	159	159	138	138
Total	7283	7283	5607	5595	1676	1688

* Other securities include preference shares, convertible warrants, units of mutual funds, exchange-traded funds and government securities.

Depository Participants and DP Branches

The year witnessed an encouraging growth in the number of Depository Participants (DPs). The net number of DPs registered with CDSL increased to 191 as on 31st March 2003 (after taking into account the withdrawal of 6 DPs during the year) from a net of 161 DPs as on 31st March 2002. The new DPs who established connectivity with CDSL and commenced depository services during the year under review include UTI Bank Ltd., IDBI Bank Ltd., Reliance Capital Ltd., The Jammu and Kashmir Bank Ltd., IndusInd Bank Ltd., South Indian Bank Ltd. and Cosmos Co-operative Bank Ltd.

The CDSL system continues to offer a unique facility for DPs to extend services through a branch network directly connected to CDSL, so as to reach investors even in remote areas of the country. During the year, 39 branches were admitted, taking the total number of such branches to 237 as on 31st March, 2003. As at the end of the year, CDSL services were available at 414 locations in 110 cities across 21 states and one Union territory. Keeping in view the shortening settlement cycles, SEBI has directed that DPs must electronically connect their centres/branches and as such the CDSL facility of 'branch connectivity' will be of immense utility and convenience to both the investors and the DPs in meeting the guidelines prescribed for faster settlements.

Beneficial Owner Accounts

Your Directors are pleased to report that a total of 1,19,117 Beneficial Owner (BO) accounts were added during the year reflecting a growth of 93% over the previous year. The total number of BO accounts reached 2,47,369 as on 31st March, 2003.

	31.03.2003	31.03.2002	Increment over the previous year
Beneficial Owner Accounts	2,47,369	1,28,252	93%

Holding of Dematerialised Securities

In terms of value and volume of securities held, your company witnessed a substantial growth of 70% and 49% respectively during the year as compared to the previous year.

Securities Settled through CDSL System

After the abolition of the "carry-forward system" last year, the number and value of securities settled through the CDSL system during the year registered a growth

of 68% and 56% respectively over the corresponding figures of the previous year.

Connectivity with Stock Exchanges

During the year under review, Jaipur Stock Exchange Ltd. established connectivity with CDSL. With this, connectivity has now been established between 17 Stock Exchanges and CDSL.

Seminars and Exhibitions

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 and also participated in various exhibitions relating to the capital market.

Investor Education and Awareness

Your company published a thoroughly revised and updated 'Investors' Guide' in English, Hindi and Gujarati - a booklet which besides providing information on the benefits of dematerialisation, lists out the facilities offered by the CDSL system. "Q & A - Demat the CDSL Way" - a kind of beginner's guide to the depository system and a brochure on CDSL's internet facility 'easi' in English and Hindi, were also published.

Straight Through Processing (STP) based Settlement Facilities

a) Unique Facility of Direct Pay-in

CDSL's unique facility for pay-in of securities directly from the demat account of the investors to the Clearing House / Clearing Corporation for settlement of trades has been very popular amongst investors dealing on BSE. This facility, which is offered only by CDSL, has now been extended to investors trading on NSE, OTCEI, DSE and CSE as well. The direct pay-in facility, based on the principles of straight-through processing (STP), offers a host of benefits to the investors and brokers. Under this facility, brokers can ask their clients to deliver securities from their demat accounts directly to the Clearing House / Clearing Corporation to ensure delivery of securities within the time schedule prescribed under the recently introduced T+2 settlement cycle. This CDSL facility comes to investors / Clearing Members (CMs) without any additional cost.

The new facility has a built-in-feature for pick-up of securities which are available in the demat account of the investor at the time of pay-in, even if

the quantity at that time is found to be lesser than the required quantity. This avoids failure of the trade for the full quantity in case of an insufficient balance. Thus, by using this unique CDSL facility, the possibility of incurring losses, if any, on account of short delivery could be minimized to the extent of available quantity. In addition, since the securities are moved only at the pay-in-time, this facility enables the investors, especially Indian and foreign institutional investors, to reduce their counter party risks by achieving near-DVP settlements.

b) Normal Pay-in or Auto Pay-in Facility

When Beneficial Owners (BOs) sell securities and issue instructions for transfer of securities to their CMs, either directly or through their sub-broker, the securities are automatically picked up by CDSL for settlement obligations from the CM accounts of all exchanges other than BSE. The auto pay-in facility would also be available to those BSE CMs who have opted for it.

c) Early Pay-in Facility

Under this module, if the securities are available, BOs/CMs can issue instructions to deliver them directly to the Clearing Corporation / Clearing House, immediately after execution of the order. The securities are immediately utilized to settle the delivery obligations giving confirmed pay-in assurance and saving on margin payment to the BO/CM.

Technology Initiatives

Your company, being in an IT enabled services industry, has been constantly upgrading the infrastructure with the latest technology in order to offer convenient, dependable and secure depository services to all categories of users. During the year, several initiatives were taken to tune up the End-of-Day (EOD) processing and take an on-line back-up of the database using the features of Oracle 8i - thereby enhancing the availability of the system to users. The system is now made available to users for nearly 20 hours per day. The extended availability of the system along with the facilities of direct pay-in from the investors' accounts has helped your company to positively contribute to SEBI's initiatives towards shorter settlement cycle. These initiatives would contribute to further improving and enhancing your company's services and promoting the overall efficiency of the settlement mechanism.

Your company upgraded its hardware by installing rp7410 servers from Hewlett Packard, the first of its kind in India. These are the latest, state-of-the-art servers that deliver a robust and efficient performance.

Software Enhancement

Several new features and functionalities have been added to the application software to cater to the changing market practices and needs of the users. The software has also been continuously upgraded to yield enhanced performance.

Launching of New Products and Services

a) On-line Inter Depository Transfer Module

Earlier, the transfer of securities between CDSL and NSDL used to be effected in two batches i.e. at 10.00 a.m. and 6.00 p.m. daily. The "On-line Inter Depository Transfer" (OLIDT) facility, which was released on 14th December 2002 facilitates quick movement of securities from BO accounts in one depository to BO accounts in the other depository continuously during the business hours. This has reduced the counter party risk, especially for high-value transactions, including those in debt instruments.

b) DPs serviced through e-ARMS

CDSL has launched a state-of-the-art facility named "electronic-Automated Remote Management Support" (e-ARMS) as a utility for instant, on-line technical support and service to DPs through CDSL's own secured network. With the introduction of 'e-ARMS', any software /operating system-related fault that may develop at the DP end is analyzed at CDSL thereby eliminating the need of deputation of its engineers. This has enhanced the service standards, with savings in both time and cost. The 'Chat' facility available in 'e-ARMS', besides saving cost of communication, will further reduce the down-time at the DP's end. 'e-ARMS' is one more step forward towards fulfillment of CDSL's vision of providing "centrally-managed and supported service" environment to its users, so that they can devote more attention to the promotion of their business.

Web Initiative

The unique facilities offered through the "Electronic Access to Securities Information" (easi) system have been widely welcomed by all market participants. The new facilities through **easi** both for Beneficial Owners (BOs) and Clearing

Members (CMs) were introduced during the year under review. Encouraged by the positive market response, your company now proposes to move ahead with Phase II of its web project under which BOs will be able to issue electronic delivery instructions to their DPs. This new facility, aptly named "Electronic Access to Securities Information and Execution of Secured Transactions" (easiest), will obviate the need of BOs visiting DP office to lodge instruction slips, thereby facilitating easy compliance of shorter settlement cycles. BOs will also be given the facility to lock and unlock their demat accounts by themselves. With the Indian capital market moving towards shorter settlement cycles, this would be an important step in the direction of introducing 'Straight Through Processing' (STP). CDSL's STP initiative is undergoing testing and is expected to be launched in the near future.

Disaster Recovery Site (DRS)

Along with the shifting of DRS to another city, your company has already initiated steps to make the DRS seamlessly operational in the near future.

Convenient Procedures for Investors and DPs

a) 'Single' Format of Instruction Slip for Delivery and Receipt

Alongwith the introduction of the settlement number, your company has revised the format of the instruction slip to be used for issuing delivery and receipt instructions. In the CDSL system, BOs do not have to use different types of instruction slips for on-market, off-market and inter-depository instructions. While revising the format, it has been ensured that the settlement number is conveniently split into "exchange", "settlement type" and "settlement number". The single format for instruction slips, while reducing costs for DPs, saves BOs from the hassles of maintaining multiple documents for operating their demat account.

b) Simple Procedure for Effecting Change of Names

In the past, whenever companies, Financial Institutions (FIs), Foreign Institutional Investors (FIIs) and Clearing Members changed their names, they were required to open a new demat account in their new name and securities were then transferred from the old account to the new one. Your company has introduced a new procedure whereby in the event of a change of name by these entities, the existing account name itself is updated on submission of relevant documents and it is no longer necessary to open a new account and to transfer holdings to the new account.

The new procedure expedites trading and settlement of securities for the above mentioned entities. It also reduces the risk of securities sold under the new name being unavailable for settlement due to delays in transferring them to the new account.

Depository Reforms

The year witnessed various reforms in depository related areas due to the initiatives taken by SEBI for the benefit of investors. Some of these are as follows:

a) Introduction of T + 2 Rolling Settlement Cycle

In July 2001, T + 5 rolling settlement cycle was introduced in the equity market. This was then shortened to T + 3 rolling settlement cycle in April 2002. SEBI has now introduced T + 2 rolling settlement from April 2003. This has resulted in further shortening of the time available for effecting settlement-related transactions.

b) Admission of Debt Instruments

SEBI, through its circular dated November 1, 2002, has made it mandatory for issuer companies to admit their debt instruments with both CDSL and NSDL. The admission of debt instruments with both the depositories permits unfettered movement of these securities between buyers and sellers across the depositories. This has improved the marketability of such securities.

c) Abolition of Account Closure Charges

In order to reduce the cost to the beneficial owners your company, as directed by SEBI, decided not to levy any account closure charges with effect from November 1, 2002.

d) SEBI Directive to Issuers/ RTAs

On December 27, 2002, SEBI issued instructions to all issuer companies to subject themselves to a Secretarial Audit by a qualified Chartered Accountant or a Company Secretary for reconciling issued, admitted and listed capital. SEBI has also made it obligatory for the Registrars and Share Transfer Agents to reconcile the issued, admitted and listed capital and submit a quarterly report to the stock exchanges. In the event of any discrepancy the same is required to be reported to SEBI and to the depositories.

e) Common Agency

SEBI made it mandatory with effect from 28th February, 2003 for all work

related to share registry covering securities both in physical form and electronic form to be handled by a single entity, i.e. either in-house by the company or through a SEBI-registered R&T Agent. This date was extended to 31st March, 2003. These directions will ensure harmonization of various functions on an integrated basis, thereby helping the investors.

f) Transfer-cum-Dematerialisation

The facility of Transfer-cum-Dematerialisation (TCD) was introduced in order to expedite the process of dematerialisation. The TCD facility is, however, restricted only upto 500 shares.

Future Prospects

Your Directors are pleased to inform that on account of the timely onset of monsoon, the Indian economy is expected to grow at a much faster rate during the forthcoming year. The macro economic fundamentals are also showing a healthy upward trend. The steady increase in foreign exchange reserves, together with the strengthening of the Rupee, the buoyancy of the secondary market and the expected revival of IPO market are early indications of a possible strong economic recovery. During the first quarter of the year 2003-04, your company has seen a larger number of transactions processed through its system and the investor base too is growing. In view of the continuing interest of the institutional investors and the return of the small investors to the market, the prospects for your company appear to be bright and your company is fully geared to seize the emerging business opportunities.

Broadbasing the Ownership Pattern

With a view to broadbase the ownership pattern, The Stock Exchange, Mumbai (BSE), one of the major promoters of your company, sold 2 million shares of the company in favour of The Jammu and Kashmir Bank Ltd., who is also a depository participant of CDSL. As at the end of the year, the shareholding pattern of your company was as under:

	%
Banks	55.97
Stock Exchanges	44.02
Others	0.01
Total	100

Fixed Deposits

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

Directors

Shri A. N. Joshi resigned from the directorship on 12th February, 2003 and Dr. Manoj Vaish, Executive Director and CEO, The Stock Exchange, Mumbai (BSE) was appointed as a sponsor director of BSE in his place. Shri Prakash Kacholia was also appointed as a sponsor director of BSE on 8th May, 2003.

Shri S. S. Thakur was relieved from the position of a BSE sponsored director on 12th February, 2003 and was re-designated as an independent professional director in line with the good corporate governance practice. He continues to be the non-Executive Chairman of your company.

Extra-ordinary General Meeting held on 13th June 2003

An Extra-ordinary General Meeting (EGM) of the shareholders of your company was held on 13th June, 2003 as requisitioned jointly by Bank of Baroda, State Bank of India and Bank of India. Pursuant to the decision taken at the EGM, Shri B.G. Daga has ceased to be the Managing Director of CDSL.

Auditors

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 limit specified under Section 224(1B) 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.

Directors' Responsibility Statement

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.

Particulars of Employees

None of the employees of the company employed throughout the financial year was in receipt of remuneration aggregating more than Rs. 24 lakhs per annum or if employed for part of financial year was in receipt of Rs. 2 lakhs per month. The provisions relating to disclosure under section 217(2A) of the Companies Act, 1956 are, therefore, not applicable to your company.

Implementation of Code of Corporate Governance

Your company has voluntarily decided to adopt the SEBI Code of Corporate Governance, although the same is not applicable to it, being an unlisted company. The status of implementation of the Code is given in Annexure A.

Human Resource Development

Your company considers the quality of its human resources to be its most important asset. It is, therefore, continuing efforts to enhance the competence of its employees across the organisation.

Acknowledgement

Your Directors place on record their appreciation and gratitude for the continued support extended by the Beneficial Owners, Depository Participants, vendors of the company, the Government of India, Securities and Exchange Board of India, Reserve Bank of India, Stock Exchanges and Clearing Houses. This has enabled your company to achieve consistent growth in its operations.

Your Directors also wish to place on record their appreciation for the dedicated services rendered by the employees of the company at all levels.

For and on behalf of the Board

sd/-

Place : Mumbai
Date : 10th July, 2003

S. S. Thakur
Chairman

ANNEXURE A

CORPORATE GOVERNANCE

CDSL remains committed to high standards of corporate governance. The company's corporate governance system seeks to protect and enhance the interests of all stakeholders consistent with applicable regulatory norms and requirements.

Board of Directors

a) Composition

The Board comprises of nine directors – one Executive Director and eight non-executive directors of whom six are sponsor directors and two are independent directors. Shri S. S. Thakur is currently an independent director and is also the non-Executive Chairman of the company.

The names of the CDSL Board members and the particulars of their directorships as well as memberships / office of the chairman of the Board committees of other public limited companies in India are given below:

Name of the Director	Category	No. of Directorships in other Companies	No. of Board Committee Memberships in other Companies	No. of Chairmanships in Board Committees of other Companies
Shri S. S. Thakur, Chairman	Non-Executive-Independent	6	8	2
Shri K. H. Vora	Non-Executive	1	1	1
Shri C. E. S. Azariah	Non-Executive	1	1	—
Shri A. S. Khurana	Non-Executive	4	—	—
Dr. Manoj Vaish	Non-Executive	1	—	—
Shri S. B. Patankar	Non-Executive	—	—	—
Shri Prithvi Haldea	Non-Executive - Independent	2	—	—
Shri Prakash Kacholia	Non-Executive	—	—	—
Shri V. V. Raut, Executive Director	Executive	—	—	—

b) Meetings and Attendance

During the year 2002-2003, six Board meetings were held on the following dates: (i) 16th May, 2002; (ii) 11th July, 2002; (iii) 4th September, 2002; (iv) 3rd October, 2002; (v) 25th November, 2002; (vi) 12th February, 2003.

Details of attendance of Directors at the Board meetings and the last Annual General Meeting (AGM) are given hereunder:

Name of the Director	No. of Board meetings held during the tenure	No. of Board meetings attended	Attendance at the last AGM
Shri S. S. Thakur	6	6	Yes
Shri K. H. Vora	6	4	Yes
Shri C.E.S. Azariah	5	5	Yes
Shri A. S. Khurana	6	4	No
Shri A. N. Joshi	5	5	Yes
Dr. Manoj Vaish	1	1	N.A.
Shri S. B. Patankar	6	6	Yes
Shri Prithvi Haldea	6	6	Yes
Shri B. G. Daga	6	6	Yes
Shri V. V. Raut	6	6	Yes

Committees of the Board

The Board of Directors has constituted several Board Committees to ensure smooth working of the company. These committees include Audit Committee, Membership Committee, Securities Committee, Share Allotment and Transfer Committee, Finance and Investment Committee, Remuneration Committee and Organisational Committee.

Audit Committee

a) Composition of the Committee

The Audit Committee comprises of four non-executive directors who have professional expertise in the fields of finance, accounting, banking, information technology and capital market. The heads of all functional departments, internal auditors and statutory auditors are permanent invitees to the Audit Committee meetings. The Company Secretary of CDSL acts as the secretary to the Committee.

b) Role of the Committee

The Audit Committee oversees the financial reporting process and disclosure of financial information to ensure correctness, sufficiency and credibility of financial statements. The Committee reviews the annual financial statements before these are submitted to the Board and interacts with the external and internal auditors on the adequacy of financial control systems. The Committee also reviews financial and risk management policies of the company.

c) Meetings and Attendance

During the year 2002-2003, three meetings of the Committee were held on the following dates – 9th May 2002, 8th November 2002 and 27th March 2003. Details of attendance of Directors at the Audit Committee meetings are given hereunder:

Sr. No.	Name of the Director	No. of meetings held during the tenure	No. of meetings attended
1.	Shri K. H. Vora	3	3
2.	Shri A. N. Joshi	2	-
3.	Shri S. B. Patankar	3	2
4.	Shri C. E. S. Azariah	2	2
5.	Dr. Manoj Vaish	1	-

Remuneration of Directors

The details of the remuneration paid to the Managing Director and Executive Director during the financial year 2002-2003 are given below:-

Name	Salary	Commission
Shri B. G. Daga – Managing Director	Rs.22,20,329	Nil
Shri V. V. Raut – Executive Director	Rs.13,59,096	Nil

Non-executive directors are paid Rs. 2000/- as sitting fees for each Board meeting and Board Committee meeting.

Management Discussion and Analysis Report

The Management Discussion and Analysis Report for the year ended 31st March, 2003 is attached as Annexure B.

Appointment of Directors

A brief resume of each director who are retiring and are eligible for re-appointment at the ensuing Annual General Meeting is given in Annexure C.

For and on behalf of the Board

Place	: Mumbai	sd/-
Date	: 10th July, 2003	S . S. Thakur Chairman

ANNEXURE B

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Introduction

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

Industry Structure

The depository extends its services to the investors through agents, i.e. the Depository Participants, who provide an interface between the depository and beneficial owners. The issuers of securities and Registrars and Share Transfer Agents establish electronic connectivity with the depository to carry out activities like confirmation of dematerialisation requests, corporate actions like issue of additional securities, buyback, redemption, rematerialisation, etc. The Clearing Houses of Stock Exchanges are also electronically connected for processing the settlement of transactions entered through the Stock Exchange trading mechanism. The depository provides infrastructure for maintenance of records of the beneficial owners and facilitates transfer of securities. CDSL, ever since its establishment in 1999, has been unstinting in its efforts to spread the concept of dematerialisation amongst investors and has been able to attract a reasonable volume of business. Several initiatives have been taken to boost the business volumes.

Risk Management

Steps have been taken to evolve and put in place an effective risk management system compatible with the size and type of operations as well as management risk perception. To take care of operational risks, an internal audit and inspection system has been introduced. Besides augmenting the staff strength in CDSL, the services of external audit firms are availed of for inspecting the offices of the DPs and their branches.

Opportunities and Threats

The unparalleled success of the depository concept in the Indian capital market is reflected in the ongoing reduction in the settlement cycle period. In July 2001, a T+5 rolling settlement cycle was introduced for the equity market. This was

shortened to T+3 settlement cycle with effect from April, 2002 and a year thereafter, SEBI introduced the T+2 rolling settlement system. While this has resulted in further shortening of the settlement timings, it has cast an obligation on investors to issue delivery instructions promptly. The shortening of settlement cycle has been the direct result of the capability of the depository to facilitate delivery of securities from far off regions within the country. The compulsory admission of debt instruments has also opened new vistas for the depository.

Risks and Concerns

Catering to a fast changing market and addressing the needs of different types of users is a challenge offered by the emerging business scenario. The management has been constantly striving to improve and enhance the existing facilities and also to introduce new products and services. The risk arising out of such changed circumstances has been addressed by the internal risk management mechanism, like internal audit and inspection by professionals. The residual risk, if any, is adequately covered by the comprehensive insurance policy obtained by your company for itself and the depository participants.

For and on behalf of the Board

Place : Mumbai
Date : 10th July, 2003

sd/-
S. S. Thakur
Chairman

ANNEXURE C

PROFILE OF DIRECTORS WHO ARE SEEKING REAPPOINTMENT AND CANDIDATES FOR WHOM NOTICE IS RECEIVED FOR ELECTION

1. Shri S. S. Thakur, Chairman:

Shri S.S. Thakur (73 years) was unanimously elected as the non-Executive Chairman of the Company at the Board meeting held on 16th June, 2001. Shri Thakur has held important positions in his long professional career in the field of banking and foreign exchange. He was the Controller of Foreign Exchange, Reserve Bank of India, Senior Adviser of United Nations Development Programme and Chairman, HDFC Bank.

Shri Thakur is currently associated as an Adviser for an ambitious project to set up an International Financial Services Centre in India. He is also on the Board of Directors of several companies and is a public nominee Director on the Governing Board of the Stock Exchange, Mumbai (BSE).

2. Shri S. B. Patankar

Shri S.B. Patankar (51 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 Burroughs 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 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 with 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. Dr. Manoj Vaish

Dr. Manoj Vaish (42 years) is a Master of Business Administration from Delhi University and is a double gold medallist. He obtained the Ph.D. in 'Venture Capital – Problems and Prospects' from Delhi University in the year 1996. He started his career as a management trainee at ANZ Grindlays Bank and worked as a Manager in several areas of Treasury and Investment Banking - Foreign Exchange, Mutual fund, custodial services, Investments and Risk Control. At FERM Institute, as a Co-founder and director, he organised over 100 training programmes for companies and executives in the areas of Foreign Exchange, Capital Markets and Investment Banking. He looked after sales in Debt Capital Markets, FX and Derivatives as well as Business Development for Global Markets Division at Deutsche Bank. Since November 1998, Dr. Vaish is associated with BSE and currently he holds the position of Executive Director and CEO of BSE.

4. Shri Prakash Kacholia

Shri Prakash Kacholia (37 years) is a qualified Chartered Accountant having experience of more than 15 years in the Stock Market operations. His experience is enriched by all the variables of the securities market. His hard work and focussed approach to the capital market and commitment to the customized services have enabled him to win a wide range of clientele. Presently, as a Whole time director, he is handling Settlement, Risk Management and administration of Emkay Share and Stock Brokers Pvt. Ltd. His knowledge and expertise in Derivative Operations has enabled the company to grow significantly. Presently he is a member of the Governing Board of BSE, a member of Finance Committee and Advisory Committee for Business Development with BSE. He had worked as a member of Advisory Committee - Derivatives segment with the SEBI and as a member of Governing Council with BSE.

For and on behalf of the Board

sd/-

Place : Mumbai
Date : 10th July, 2003

S. S. Thakur
Chairman

AUDITORS' REPORT

TO THE MEMBERS OF CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED

1. We have audited the attached Balance Sheet of CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED as at 31st March, 2003 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 made 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 enclose 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 in 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 Balance Sheet and Profit and Loss Account dealt with by this report 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 comply 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 31.03.2003 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31.03.2003 from being appointed as a Director of the Company in terms of clause (g) of Sub-section (1) of Section 274 of the Act.
- f) In our opinion and to the best of our information and explanations given to us, the said accounts read together with 'Significant Accounting Policies and Notes to Accounts' in Schedule 11 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 31st March, 2003 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 : 10th July, 2003

N. KISHORE BAFNA
Partner

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2003 OF CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED.

On the basis of such checks as were 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. The fixed assets have been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The Company has not taken/granted 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 is no company under the same management as defined in Section 370(1-B) (Non-operative) of the Act.
4. 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.
5. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of computer system, equipment and other assets.
6. No deposits within the meaning of Section 58A of the Act and Rules framed thereunder have been accepted by the Company.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. According to the records of the Company, Provident Fund and Employees' State Insurance dues have been regularly deposited with the appropriate authorities.

9. 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, 2003 for a period of more than six months from the date they became payable.
10. 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 : 10th July, 2003

N. KISHORE BAFNA
Partner

BALANCE SHEET AS AT MARCH 31, 2003.

	Schedule	31.3.2003 Rs. in '000	31.3.2002 Rs. in '000
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	1,045,000	1,045,000
Reserves and Surplus	2	16,574	11,159
		<u>1,061,574</u>	<u>1,056,159</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	327,884	302,869
Less : Depreciation		228,988	174,068
Net block		<u>98,896</u>	<u>128,801</u>
Investments	4	392,152	329,349
Current Assets, Loans & Advances			
Sundry Debtors	5	6,780	7,830
Cash and Bank balances		565,541	546,926
Loans and Advances		86,747	107,439
		<u>659,068</u>	<u>662,195</u>
Less:			
Current Liabilities & Provisions			
Liabilities	6	70,103	59,032
Provisions		6,986	5,154
		<u>77,089</u>	<u>64,186</u>
Net Current Assets		581,979	598,009
Net Deferred Tax Liability		(11,453)	—
		<u>1,061,574</u>	<u>1,056,159</u>
Significant Accounting Policies and Notes to Accounts			
Schedules referred to above form an integral part of the Financial Statements			
	11		

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

For and on behalf of the Board of Directors

S. S.Thakur
Chairman

V. V. Raut
Executive Director

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

N Kishore Bafna
Partner

Place : Mumbai,
Date : 10th July, 03

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2003.

	Schedule	2002-2003 Rs. in '000	2001-2002 Rs. in '000
INCOME			
Operational Income	7	86,868	79,026
Other Income	8	78,151	131,070
		<u>165,019</u>	<u>210,096</u>
EXPENDITURE			
Personnel Cost	9	24,545	24,381
Other Expenses	10	66,826	74,340
Depreciation		55,277	87,921
		<u>146,648</u>	<u>186,642</u>
Profit before Tax		<u>18,371</u>	<u>23,454</u>
Provision for Current Tax (MAT)		1,500	1,700
Provision for Wealth Tax		3	7
Provision for Deferred Tax for the year		<u>6,594</u>	<u>—</u>
Profit After Tax		10,274	21,747
Balance of Profit/(Loss) brought forward from previous year		11,159	(10,588)
Provision for Deferred Tax for the earlier years		4,859	—
Surplus being Profit carried to the Balance Sheet		<u>16,574</u>	<u>11,159</u>
Significant Accounting Policies and Notes to Accounts	11		
Schedules referred to above form an integral part of the Financial statements			

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

For and on behalf of the Board of Directors

S. S.Thakur
Chairman

V. V. Raut
Executive Director

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

N Kishore Bafna
Partner

Place : Mumbai,
Date : 10th July, 03

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2003

SCHEDULE 1	31.3.2003 Rs. in '000	31.3.2002 Rs. in '000
SHARE CAPITAL		
Authorised 15,00,00,000 Equity shares of Rs.10 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued, Subscribed and Paid-up 10,45,00,000 Equity shares of Rs.10 each	<u>1,045,000</u>	<u>1,045,000</u>
SCHEDULE 2		
RESERVES & SURPLUS		
Surplus as per Profit & Loss Account	<u>16,574</u>	<u>11,159</u>

SCHEDULE 3 FIXED ASSETS										
Rs. in '000s										
DESCRIPTION	GROSS BLOCK				DEPRECIATION **				NET BLOCK	
	As on 1.4.2002	Additions	Deduct- ions	As on 31.3.2003	Upto 31.3.2002	For the year 2002-03	Deduct ions	Upto 31.3.03	As on 31.3.03	As on 31.3.02
Building *	17,377	—	—	17,377	917	283	—	1,200	16,177	16,460
Computer Hardware & Software (Automated Depository System)	265,983	23,745	100	289,628	165,021	52,273	51	217,243	72,385	100,962
Equipment	15,711	1,815	445	17,081	7,153	2,377	306	9,224	7,857	8,558
Furniture & fixtures	412	—	—	412	130	22	—	152	260	282
Vehicles	3,386	—	—	3,386	847	322	—	1,169	2,217	2,539
Total	302,869	25,560	545	327,884	174,068	55,277	357	228,988	98,896	128,801
Previous Year	300,455	2,723	309	302,869	86,191	87,921	44	174,068	128,801	
<p>*Includes face value of shares in a co - operative society - Gross Block Rs. 500 (Previous year Rs. 500); Net Block Rs. 466 (Previous Year Rs.474)</p> <p>** Refer note no. 4 in Schedule 11.</p>										

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2003.

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2003

SCHEDULE 4					
INVESTMENTS (Unquoted, Non Trade & Fully paid up)					
Particulars	Face Value (Rs.)	31.3.2003		31.3.2002	
		Quantity in nos.	Rs. in '000	Quantity in nos.	Rs. in '000
Long Term Investments:					
Government Securities					
11.50% GOI 2015	10000	—	10	—	10
Current Investments:					
Unquoted					
1. Units of Mutual Fund					
HDFC Income Fund	10	1,161,654	13,500	792,909	8,500
Kothari Pioneer Income Builder	10	—	—	1,820,060	30,000
Templeton India Income Fund	10	606,428	10,000	606,428	10,000
Zurich India High Interest Fund - Regular Growth	10	633,312	10,000	633,312	10,000
Prudential ICICI Income Plan - Growth	10	3,632,925	46,001	3,632,925	46,001
DSP Merrill Lynch Bond Fund - Regular Growth	10	2,117,663	34,964	2,117,663	34,964
Alliance Income Fund (Regular Growth)	10	703,511	10,891	703,511	10,891
Birla Income Plus - Plan B (Growth)	10	1,824,326	40,579	765,478	15,008
Alliance Cash Manager	1000	—	—	4,782	6,629
Birla Advantage Fund (Dividend)	10	411,729	33,155	411,729	33,155
Alliance Equity Fund (Dividend)	10	471,589	26,297	471,589	26,297
Birla Gilt Plus - Long Term	10	—	—	331,851	5,000
GIC Liquid Fund - Dividend	10	—	—	502,885	5,033
IDBI Principal - FMP	10	500,000	5,000	500,000	5,000
Birla Cash Plus	10	—	—	2,816,700	42,649
DSP Liquidity Fund	10	—	—	703,739	9,699
Prudential ICICI Liquid Plan	10	—	—	742,787	10,026
IL & FS Fixed Maturity Plan	10	500,000	5,000	500,000	5,000
JM Income Fund	10	1,746,026	39,212	477,110	10,000
Pioneer ITI Gilt Fund	10	—	—	250,000	2,500
Prudential ICICI Gilt Fund	10	—	—	335,805	5,000
Sun F & C Fixed Maturity Series	10	—	—	500,000	5,000
IL & FS Liquid Fund	10	222,904	2,500	—	—
Alliance Frontline Equity	10	150,000	1,500	—	—
Deutsche Alpha Equity	10	401,004	4,000	—	—
HSBC Income Fund	10	450,051	4,501	—	—
IDBI Principal Income	10	190,402	2,500	—	—
KMMS K Bond - Wholesale	10	1,182,641	17,521	—	—
Tata Short Term Fund	10	100,000	1,000	—	—
Templeton Short Term Fund	1000	7,067	7,560	—	—

Particulars	Face Value (Rs.)	31.3.2003		31.3.2002	
		Quantity in nos.	Rs. in '000	Quantity in nos.	Rs. in '000
Reliance Growth Fund	10	95,767	3,000	—	—
Jm Short Term Fund	10	724,789	7,500	—	—
Prudential ICICI Short Term Plan	10	746,944	8,176	—	—
Reliance Short Term Plan	10	1,137,705	11,416	—	—
Templeton India Income Builder Account	10	4,627,497	46,369	—	—
			<u>392,152</u>	<u>336,362</u>	
Less: Provision for diminution in the value of investments			—	7,013	
Total			<u>392,152</u>	<u>329,349</u>	
Aggregate amount of investments:			Rs. in '000		Rs. in '000
		Book Value	Market Value/Repurchase price	Book Value	Market Value/Repurchase price
Quoted investments		—	—	—	—
Unquoted investments : in units of Mutual funds		392,142	405,129	329,339	329,339
: others		10	—	10	—
Investments Purchased and Sold during the year					
Particulars		Face Value (Rs.)		No. of Units	
Alliance Cash Manager - Growth		1,000		825,448	
Birla Cash Plus		10		544,883	
Birla Gilt Plus		10		484,216	
Deutsche Insta Cash Plus		10		1,496,812	
DSP Govt Sec.		10		152,946	
DSP Liquidity Fund		10		193,626	
GIC Liquid Fund		10		496,010	
Grindlays Cash Fund		10		448,041	
HSBC Cash Plus		10		296,042	
HSBC Income Fund		10		299,949	
IDBI Index Fund		10		184,581	
IDBI Principal Liquid Fund		10		130,817	
JM High Liquidity		10		3,790,556	
JM G-Sec Fund		10		157,107	
KMMS K Liquid		10		853,228	
Prudential ICICI Gilt Fund		10		489,315	
Prudential ICICI Liquid Fund		10		579,547	
Reliance Liquid Fund		10		2,934,926	
Sun F & C FISF - Long Term		10		509,005	
Sun F & C Money Value Fund		10		382,895	
Templeton India TMA		10		31,964	
Templeton India Short Term		10		6,954	

SCHEDULE 5	31.3.2003 Rs. in '000	31.3.2002 Rs. in '000
CURRENT ASSETS, LOAN AND ADVANCES		
SUNDRY DEBTORS (Unsecured, considered good except otherwise stated)		
Outstanding for a period exceeding 6 months (Net of Rs 9320 thousands; previous year Rs. 8000 thousands, considered doubtful and fully provided for)	2,560	1,597
Other Debts	4,220	6,233
	<u>6,780</u>	<u>7,830</u>
CASH AND BANK BALANCES		
Cash on hand	20	6
Cheques on Hand	23,160	437
Balances with Scheduled Banks:		
- in current account	1,843	3,485
- in term deposit accounts (inclusive of interest accrued Rs. 10418 thousands; Previous Year Rs. 2898 thousands)	540,418	542,898
In current Account with Reserve Bank of India	100	100
	<u>565,541</u>	<u>546,926</u>
LOANS AND ADVANCES (Unsecured, considered good except otherwise stated)		
Advances recoverable in cash or in kind or for value to be received (Net of Rs 1248 thousands; previous year Rs. 1400 thousands, considered doubtful and fully provided for)	5,239	1,616
Capital advances	1,354	2,217
Income tax (TDS) net of provision	16,404	39,856
Deposit with The Stock Exchange, Mumbai	63,750	63,750
	<u>86,747</u>	<u>107,439</u>
SCHEDULE 6		
CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors - other than to Small Scale Industrial Undertakings	6,013	6,222
Security Deposit from depository participants	55,750	46,250
Other Deposits	3,000	3,000
Income received in advance	2,522	736
Other liabilities	2,818	2,824
	<u>70,103</u>	<u>59,032</u>
PROVISIONS		
For Wealth Tax	3	7
For Income Tax	3,200	1,700
For Gratuity	1,107	1,052
For Ex-Gratia	900	900
For Leave Encashment	1,776	1,495
	<u>6,986</u>	<u>5,154</u>

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

SCHEDULE 7	2002-2003	2001-2002
	Rs. in '000	Rs. in '000
OPERATIONAL INCOME		
Fees towards:		
- Account Maintenance	4,081	3,621
- Transactions	26,910	19,756
- Settlements	13,716	17,833
- Users Facilities	12,367	10,479
- Issuer (Annual)	25,498	26,385
- Training (Net of Training Expenses Rs 345 thousands; P Y.Rs 83 thousands)	27	130
- Others	4,269	822
	<u>86,868</u>	<u>79,026</u>
SCHEDULE 8		
OTHER INCOME		
Income from/Interest on :		
Long Term Investments (TDS NIL; P Y Rs. 2539 thousands)	—	11,999
Fixed Deposits (TDS Rs 3326 thousands; P Y Rs.9798 thousands)	49,233	49,432
Others	5,817	692
Miscellaneous Income	1,753	1,468
Profit on sale of Investments (Net) *	13,503	10,131
Income from Mutual Funds *	472	1,750
Rent (TDS Rs 75 thousands; P Y Rs 75 thousands)	360	360
"Provision for diminution in the value of investments" no longer required written back	7,013	55,238
	<u>78,151</u>	<u>131,070</u>
(* Income from Current Investments)		
SCHEDULE 9		
PERSONNEL COST		
Salaries and other allowances	21,963	22,422
Contribution to PF and other funds	1,714	1,654
Staff welfare expenses	868	305
	<u>24,545</u>	<u>24,381</u>

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

SCHEDULE 10	2002-2003	2001-2002
	Rs. in '000	Rs. in '000
OTHER EXPENSES		
Rent	6,428	3,453
Rates & Taxes	15	36
Electricity & Water Charges	1,960	2,459
Insurance	5,190	4,397
Repairs and Maintenance :		
Computers	32,462	30,182
Others	950	3,381
Legal, Professional and Consultancy Fees	3,970	3,445
Directors' Sitting Fees	98	166
Travelling and Conveyance	2,209	1,875
Annual SEBI Fees	1,000	1,000
Postage, Telephone & Communication Charges	4,609	3,178
Advertisement Expenses	260	106
Printing & Stationery	1,246	2,107
Business Promotion Expenses	1,521	750
Bad Debts Written off	2,419	522
Preliminary/ Share Issue Expenses written off	—	6,514
Loss on Discarded Assets	139	263
Provision for Doubtful Debts/Advances	1,169	9,400
Miscellaneous Expenses	1,181	1,106
	<u>66,826</u>	<u>74,340</u>



SCHEDULE TO BALANCE SHEET AS AT AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2003

SCHEDULE 11

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

All expenses and income to the extent ascertainable with reasonable certainty are accounted for on accrual basis.

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. Software Costs

Systems Software, Application Software and additions of new modules thereto are capitalized and any modifications, changes thereto are charged to revenue.

v. 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.

vi. 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.

vii. 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) Liabilities for leave encashment and Gratuity are actuarially evaluated as at the year end and provided for.

viii. Income Tax

Provision for current tax is made as per the provisions applicable to Minimum Alternative Tax or on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax, 1961. The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax assets arising from timing differences are recognised to the extent there is reasonable certainty that these would be realised in the future.

ix. Contingent Liabilities

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed in the notes to accounts.

2. Contingent Liability Rs NIL (Previous Year Rs NIL)
3. Estimated amount of contracts to be executed on capital account and not provided for (net of advances) Rs. 5065 thousands, (Previous Year Rs. 20136 thousands)
4. The Company has during the year provided additional depreciation of Rs 17854 thousands (Previous year Rs 40729 thousands) on certain computer hardwares taking into account technological obsolescence and their effective use.
 - a) During the year, the Company has changed the method of accounting for taxes to fall in line with the mandatory Accounting Standard 22 – “Accounting for Taxes on Income” issued by the Institute of Chartered Accountants of India. Accordingly, the timing differences relating to the items mentioned in para (b) below have resulted in net deferred tax liability of Rs 11453 thousands as at the year ended 31st March 2003.
 - b) Deferred Tax Asset & Liability as on 31st March, 2003 comprising timing differences on account of : -

(Rs. In '000)

Deferred Tax Assets	
Provision for Gratuity & Leave Encashment	1034
Provision for Doubtful Debts/Advances	3791
	<u>4825</u>
	(A) 4825
Deferred Tax Liability	
Depreciation	16278
	<u>16278</u>
	(B) 16278
Net Deferred Tax Liability (B-A)	11453

6. a) **Managerial Remuneration :**
(Excluding gratuity provision)

	Current Year Rs. in '000	Previous Year Rs. in '000
Salary and other allowances	3272	2403
Company's Contribution to P.F.	240	203
Value of perquisites (At cost or as per Income Tax Rules as the case may be)	67	32
Total	3579	2638

- b) Loans & Advances include Rs. 1248 thousands (Previous Year Rs. 1248 thousands) due from the former Chairman & Managing Director (CMD) Late Shri M.G. Damani being excess remuneration paid in an earlier year as a result of the Central Government's refusal to approve the remuneration (though approved by the shareholders). 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. In the previous year, the said dues were considered doubtful of recovery and fully provided for.
- c) Computation of Net Profit for the current year under Section 198 read with Section 349 of the Companies Act, 1956 is given below.

	Current Year Rs. in '000	Previous Year Rs. in '000
Profit/(Loss) as per Profit & Loss Account	18371	23454
Add :-		
Managerial Remuneration :		
- Salary and other allowances	3272	2403
- Contribution to Provident Fund.	240	203
- Value of perquisites	67	32
- Directors' Sitting Fees.	98	166
Sub Total	22048	26258
Less :-		
Profit on Sale of investments.	13503	10130
Provision for diminution in the value of investments no longer required written back	7013	55238
Excess of expenditure over income computed under section 349 in the earlier years, to the extent not deducted	70372	31261
Net (Loss) as per Section 198 r.w.s. 349 of the Act.	<u>(68840)</u>	<u>(70372)</u>
Commission payable	<u>Nil</u>	<u>Nil</u>

7. Fees towards users facilities are on account of facilities provided such as telecom leased lines, software maintenance and insurance.

8. **Auditors' Remuneration :**
(including service tax)

	Current Year Rs. in '000	Previous Year Rs. in '000
Audit Fees	147	130
Tax Audit Fees	33	33
For Other Services	5	11
Out of Pocket Expenses	6	4
Total	<u>191</u>	<u>178</u>

9. **Expenses in foreign currency (on payment basis)**

	Current Year Rs. in '000	Previous Year Rs. in '000
Travelling Expenses	307	367
Training Fees	53	—

10. 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 fees 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 15950 thousands (Previous Year Rs. 16628 thousands)

11. "Other Liabilities" in Schedule 6 includes the balance of Rs. 2574 thousands (Previous year Rs. 2502 thousands) net of Rs. 947 thousands (Previous year Rs. 299 thousands) 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.

12. 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.

13. Basic and Diluted Earning Per Share is calculated as under :-

	Current Year	Previous Year
(i) Numerator Net Profit as per Profit & Loss Account (Rs. In '000)	5415	21747
(ii) Denominator – Weighted Average Number of Equity Shares outstanding during the year (In '000)	104500	104500
(iii) Nominal Value of Shares (Rs.)	10	10
(iv) Basic and Diluted Earnings Per Share. (Rs)	0.05	0.21

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

Signatures to Schedules 1 to 11.

For and on behalf of the Board of Directors

S. S.Thakur
Chairman

V. V. Raut
Executive Director

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

Place : Mumbai,

Date : 10th July, 03

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	31.03.2003

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
1150116	1150116

Sources of Funds		Application of Funds	
Particulars	Amount	Particulars	Amount
Paid up capital	10,45,000	Net Fixed Assets	98,896
Reserves and Surplus	16,574	Investments	392,152
Secured Loans	NIL	Net Current Assets	581,979
Unsecured Loans	NIL	Net Deferred Tax Liability	(11,453)
	10,61,574		10,61,574

4. Performance of the Company:

Total Income	Total Expenditure	Profit/Loss before tax	Profit/Loss after tax
1,65,019	1,46,648	18,371	5,415
Earnings per share in Rs.		Dividend Rate (%)	
0.05		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

V. V. Raut
Executive Director

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

Place : Mumbai,

Date : 10th July, 03

CDSL DP NETWORK

HARYANA

Ambala Cantt	124
Faridabad	9
Hissar	6
Panipat	7
Rohtak	8
Sirsa	5

NEW DELHI

New Delhi	10
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GUJARAT

Ahmedabad	28
Anand	32
Bharuch	37
Bhavnagar	122
Borsad	41
Dahod	33
Jamnagar	30
Junagadh	123
Khambhat	36
Mithapur	40
Nadiad	34
Rajkot	29
Surat	38
Vadodara	35
Vapi	39
Veraval	31
Visnagar	27

MADHYA PRADESH

Bhopal	127
Guna	44
Gwalior	42
Indore	46
Jabalpur	45
Piparaya	128

MAHARASHTRA

Ahmednagar	129
Akola	50
Bhiwandi	53
Dhule	48
Dombivli	55
Ichalkranji	85
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-Gulawadi	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
Nasik	52
Navi Mumbai	80
Pune	82
Sangamner	81
Sangli	83
Thane	54

RAJASTHAN

Abu Road	130
Alwar	15
Balotra	132
Beawar	20
Bharatpur	131
Bhilwara	21
Bikaner	19
Chittorgarh	22
Churu	13
Gangapur	16
Hanumangarh	12
Hidnaun	133
Jaipur	17
Jhunjhunu	14
Jodhpur	18
Kota	23
Sirohi	26
Sriganganagar	11
Udaipur	25

PUNJAB

Bhatinda	4
Jalandhar	1
Ludhiana	2

CHANDIGARH

Chandigarh	3
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GOA

Panajim	86
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KARNATAKA

Bangalore	92
Belgaum	87
Hospet	89
Hubli	88
Mangalore	91
Udipi	90

KERALA

Cochin	93
Thiruvanthapuram	94
Thrissur	126

UTTARANCHAL

Dehradun	109
Haldwani	110

UTTAR PRADESH

Agra	105
Allahabad	108
Bareilly	134
Kanpur	106
Lucknow	107
Meerut	103
Moradabad	104
Varanasi	135

ASSAM

Guwahati	121
Tinsukia	120

WEST BENGAL

Bardhaman	118
Kolkata	119
Raniganj	136
Siliguri	137

ORISSA

Bhubaneswar	117
Cuttack	116
Rourkela	115

CHHATTISGARH

Raipur	102
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ANDHRA PRADESH

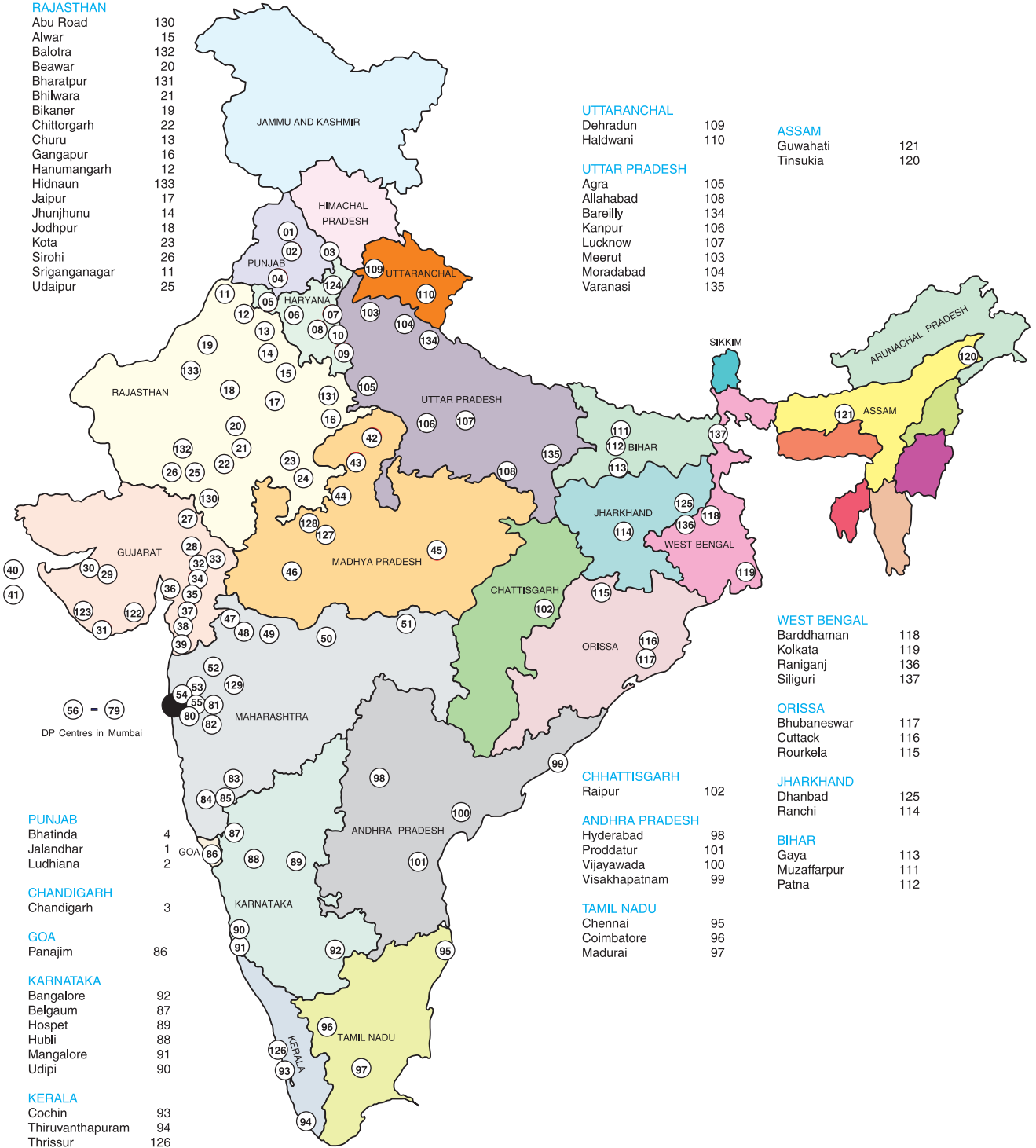
Hyderabad	98
Proddatur	101
Vijayawada	100
Visakhapatnam	99

TAMIL NADU

Chennai	95
Coimbatore	96
Madurai	97

BIHAR

Gaya	113
Muzaffarpur	111
Patna	112



* Map not to scale

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