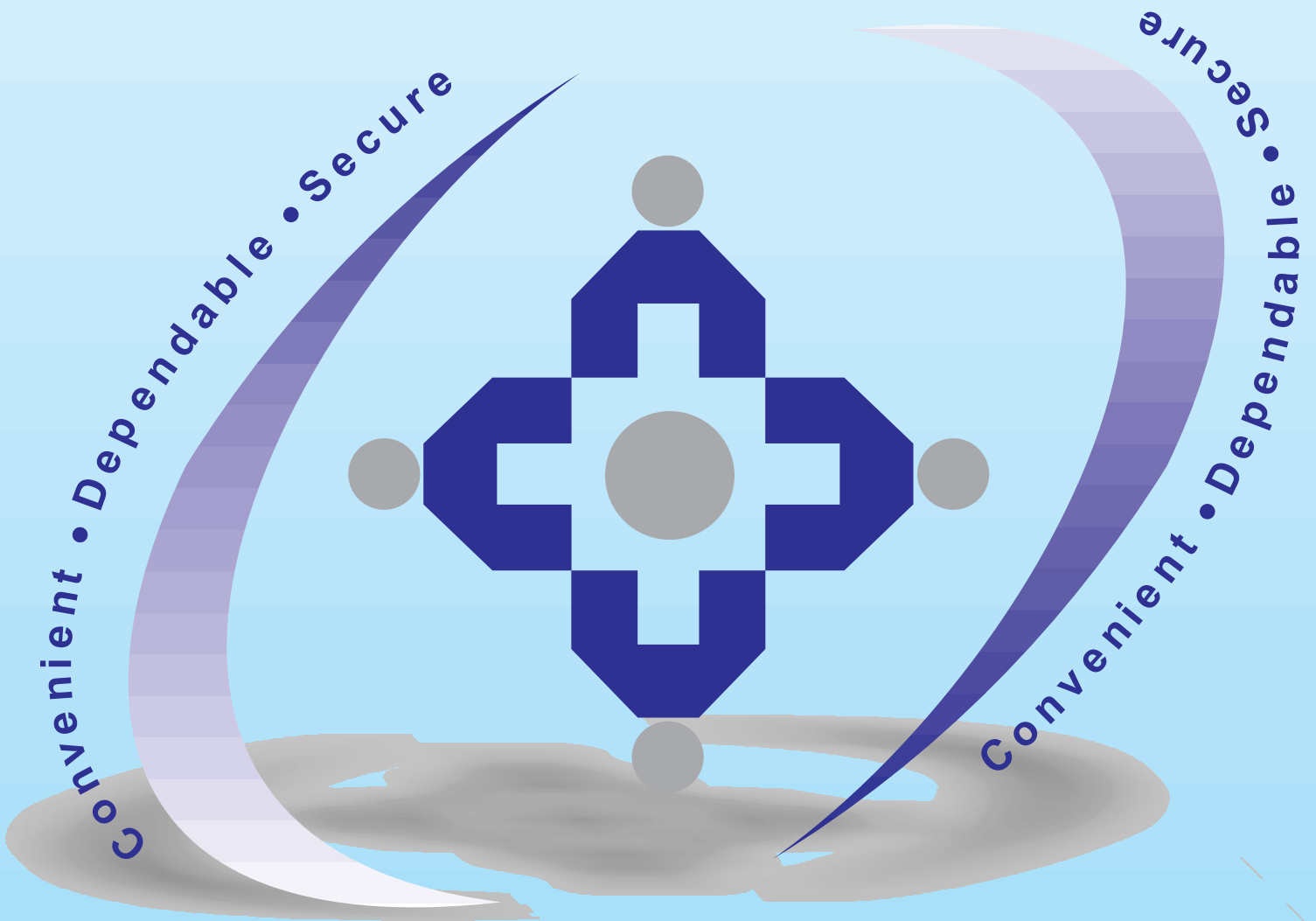


ANNUAL REPORT

2003 - 2004



Central Depository Services (India) Ltd.

Central Depository Services (India) Ltd.

BOARD OF DIRECTORS

Shri S. S. Thakur	Chairman
Shri C. E. S. Azariah	<i>Sponsor Director (State Bank of India)</i>
Shri K. H. Vora	<i>Sponsor Director (Bank of India)</i>
Shri D. Sarkar	<i>Sponsor Director (Bank of Baroda)</i>
Shri Rajnikant Patel	<i>Sponsor Director (The Stock Exchange, Mumbai)</i>
Shri Prakash Kacholia	<i>Sponsor Director (The Stock Exchange, Mumbai)</i>
Shri S. B. Patankar	<i>Sponsor Director (The Stock Exchange, Mumbai)</i>
Shri M.R. Mayya	Independent Director
Shri V. V. Raut	Executive Director

MANAGEMENT TEAM

Shri V. V. Raut	Executive Director
Shri Cyrus Khambata	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 great pleasure in presenting the Sixth Annual Report and Audited Statement of Accounts of your company for the year ended 31st March, 2004.

Financial Highlights

Particulars	Year ended 31 st March 2004 (Rs. lakhs)	Year ended 31 st March 2003 (Rs. lakhs)
Income	2883.52	1650.19
Expenditure	1181.73	913.71
Profit before Depreciation and Taxation	1701.79	736.48
Depreciation	324.33	552.77
Profit before Tax	1377.46	183.71
Provision for Taxation	328.96	15.03
Provision for Deferred Tax for the year	27.65	65.94
Profit after Tax	1020.85	102.74
Balance brought forward	165.74	111.59
Provision for Deferred Tax for the earlier years	—	48.59
Profit available for appropriation	1186.59	165.74

Your Directors are pleased to report that the income from operations increased from Rs.868.68 lakhs to Rs.1357.57 lakhs representing a growth of 56% over the previous year. The income from transaction charges at Rs.707.43 lakhs recorded a healthy growth of 163% over the previous year. This clearly reflects the growing acceptability of the CDSL system by the market participants. The total income also increased to Rs.2883.52 lakhs from Rs.1650.19 lakhs in the previous year. This resulted in a significantly higher Profit before Tax (PBT) of Rs.1377.46 lakhs as against Rs.183.71 lakhs for the previous year. The Profit after Tax (PAT) for the financial year 2003-04 amounted to Rs.1020.85 lakhs as against Rs.102.74 lakhs in the previous year. The phenomenal increase in net profit was largely due to substantially higher income from the company's investments.

Dividend

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

The year under review proved to be a very eventful year for the capital market. There has been an exponential growth in the level of activities in the secondary market. The benchmark BSE-30 SENSEX soared from a low level of 2924 points on 25th April, 2003 to 5590 mark on 31st March, 2004, after reaching the peak closing level of 6194 on 14th January, 2004. Strong economic fundamentals and consistent FII inflows have propelled this upsurge. The performance of the primary market in the year 2003-04 was also highly impressive. Sizable disinvestments of Government of India's stake in some of the blue chip public sector companies through the primary market attracted overwhelming response from investors. Funds amounting to about Rs.20,000 crores were mobilised through IPOs during the year. These developments enabled your company to exploit the widespread DP network built up over the last two years, in terms of the increase in frequency of transactions of existing beneficial owners (BOs) and opening of new BO accounts. This has accelerated the growth in the number of beneficial owner accounts and the volume of billable transactions during the year 2003-04.

Admission of Securities

During the year under review, your company registered a significant 13% growth in the number of securities admitted, which increased from 7,283 as on 31st March, 2003 to 8,337 on 31st March, 2004. 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:

	31.03.2004		31.03.2003		Increment over the previous year	
	Signed	Live	Signed	Live	Signed	Live
Equity Shares	4810	4810	4628	4628	182	182
Debt Instruments	3226	3226	2358	2358	868	868
Other Securities*	301	301	297	297	4	4
Total	8337	8337	7283	7283	964	964

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

Depository Participants and DP Branches

During the year under review, 23 new Depository Participants (DPs) were registered, taking the total number of DPs with CDSL to 211 as at 31st March, 2004 after taking into account the withdrawal of 2 DPs during the year. The CDSL system offers a unique facility to DPs to extend services directly through their branch network enabling your company to cater to investors located in remote areas. As at the end of March, 2004, CDSL services were available at 219 locations in 107 cities across 22 states and 1 union territory. A significant development during the year was the escalation in the number of DP branches using Virtual Private Network (VPN) connectivity. Clearing Member and Bank DPs use VPN primarily for establishing electronic connectivity between their branches. Using customized back-office software, these DPs have been able to piggyback CDSL DP services through the existing connectivity medium, and offer their clients an enhanced level of service.

Beneficial Owner Accounts

Your Directors are pleased to report that during the year under review 3,81,790 additional Beneficial Owner (BO) accounts were added reflecting a growth of 154% over the previous year. The total number of BO accounts reached 6,29,159 as on 31st March, 2004.

	31.03.2004	31.03.2003	Increment over the previous year	
			Number	Percentage
Beneficial Owner Accounts	6,29,159	2,47,369	3,81,790	154 %

The buoyancy in the secondary market and rekindling of interest in the primary market fuelled by the IPOs largely accounted for this phenomenal increase in the number of BO accounts. The number of new BO accounts opened during the year surpassed the total number of accounts opened during the first 4 years of your company's operations.

Holding of Dematerialised Securities

The value as well as the volume of the securities held with CDSL witnessed a substantial growth in the year under review as compared to the previous year. This is evident from the following figures :

Holding of Securities (in millions)	Year ended 31 st March, 2004	Year ended 31 st March, 2003	Increment over the previous year
Value	10,64,430	3,61,640	194%
Volume	14,010	8,210	71 %

Securities Settled through CDSL System

During the year 2003-04, the value and volume of securities settled through the CDSL system registered a growth of 153% and 146% respectively over the corresponding figures of the previous year.

Securities settled (in millions)	Year ended 31 st March, 2004	Year ended 31 st March, 2003	Increment over the previous year
Value	8,37,147	3,30,978	153 %
Volume	9,754	3,969	146 %

Connectivity with Stock Exchanges

CDSL is having live connectivity with 17 Stock Exchanges. However, trading activities on many of the regional stock exchanges has been reduced substantially with the result settlement of transactions has been mostly through the stock exchanges having nationwide trading terminals.

Investor Awareness Education, Seminars and Exhibitions

Your company has been an active participant in the 'Securities Market Awareness Campaign' (SMAC) launched by SEBI, to empower the investor through education. During the year 2003-04, the company participated in and conducted close to 100 investor seminars in association with the BSE, Depository Participants and also on its own. The seminars were conducted in Mumbai and its suburbs, New Delhi, Rajasthan, Gujarat, Karnataka, Kerala, Uttaranchal, Tamil Nadu and Maharashtra.

Your company released an investor education advertisement (text of which was approved by SEBI) in Mumbai, Delhi, Chennai, Kolkata, Ahmedabad, Bangalore and Hyderabad. The company also published a thoroughly revised and updated booklet in several regional languages besides Hindi and English. The booklet contains information on the benefits of dematerialisation and provides answers to the common queries of investors about the depository system.

Certification Course for DPs

Your company has launched "BSE's Certification Course on Central Depository" (BCCD), a certification programme on depository services. This programme is being conducted in association with BSE Training Institute (BTI), which has a tie-up with ZEE Network for conducting the programme from different Zee Interactive Learning centers at several locations in India.

Technology Initiatives

Since inception, the technology element is inextricably woven into the structure and content of your company's products and their delivery to users. As an I.T. enabled service-provider, the company has been constantly harnessing optimal, state-of-the-art technology to deliver convenient, dependable and secure depository services to its users.

On the ground, user expectation takes the form of new product offerings, increased system availability, reduced processing time and buttressing of security measures. In fulfillment of these expectations, your company has augmented during the year 2003-04 the system processing and storage capacity, deployed high-capability 'middleware' and enhanced the functionality of its Disaster Recovery Site (DRS) at Navi Mumbai, to achieve 'disaster-ready connectivity' status. During the year, your company also deployed high-capability 'middleware' resulting in considerable improvement in the system performance and stability. Migration to the latest Operating System (OS) at the user front-end has been achieved. In a year characterised by sharp upward spikes in transaction volumes, the uninterrupted system performance was noteworthy.

Software Enhancement

Several new features and functionalities have been added to the application software to cater to the ever-changing market practices and needs of the users. The front-end of the core product is being upgraded by migrating the Operating System from Windows-NT to Windows 2000/XP and front end CDAS application from Visual Basic 5.0 to VB.Net for better performance. Development of other important modules like Pledge upload, Freeze of BO account, Auto-corporate action and Securities Lending and Borrowing are under progress and would be released to users in the near future.

Web Initiative

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 details / status of transactions, was inaugurated on 22nd April, 2002. Moving a step forward, your company successfully launched another internet facility known as 'easiest' (electronic Access to Securities Information and Execution of Secured Transactions); 'easiest' enables beneficial owners to obtain information relating to their demat accounts and conduct transactions through internet. Besides enabling them to meet the strict deadlines of delivery, set under the shortened settlement cycle, the facility also precludes the need of their having to visit DP offices to obtain instruction slips and

to lodge them with the DP. Beneficial owner can enter necessary instructions for delivery of securities from his demat account, from anywhere in the world at a time of his choosing. Thus, for the DPs and their clients, 'easiest' is much more than an instruction-entry mechanism. It is an apparatus that will save cost and effort besides affording convenience. Beneficial owners opting for 'easiest' can also avail the benefits of 'easi'. Shri G.N. Bajpai - Chairman, Securities and Exchange Board of India inaugurated 'easiest' on 9th March, 2004.

Operation of seamlessly functional Disaster Recovery Site (DRS)

With the shifting of Disaster Recovery Site to Navi Mumbai, and the planned shifting of all users to DRS for carrying out operations, excluding settlement processing for the entire day, your company achieved the mile-stone of establishing seamlessly functional Disaster Recovery Site on 20th December, 2003. This has considerably enhanced your company's ability to provide uninterrupted, dependable and secure depository services to its users.

Contivity Switch implementation

Your company is constantly upgrading the security aspects of its system infrastructure by introducing state-of-art technology features available in the market. It is also implementing Contivity solution to provide an additional layer of security between the user's server and its host through end-to-end secured VPN tunnel with high level of network encryption. The users can connect to the CDSL host through secured tunnel using internet in case of failure of the primary connectivity (VSAT or Leased Lines). In case of any disaster, users can connect to the CDSL system at DRS through internet.

Depository Reforms

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

a) *Withdrawal of Transfer-cum-Dematerialisation Facility*

The transfer-cum-demat scheme was introduced by the depositories to counter the problems faced by investors in the transition phase of moving from physical to demat trading mode, to reduce the time involved in transfer and dematerialisation of securities. However, since most of the stocks held earlier in physical form have already been dematerialized and almost the entire trading now takes place in dematerialised form, SEBI withdrew the facility of transfer-cum-dematerialisation on 10th February, 2004.

b) MAPIN database

Securities and Exchange Board of India (SEBI) has notified the SEBI [Central Database of Market Participants] Regulations, 2003 for creation of a central database of market participants and investors (MAPIN database) by assigning a Unique Identification Number (UIN). These Regulations place a mandatory obligation on specified intermediaries including Depository Participants, their employees and directors/partners as well as other entities under the jurisdiction of SEBI to obtain UIN.

c) Margin Trading

SEBI has decided to allow Clearing Member corporate brokers to provide "Margin Trading" facility to their clients, in the cash segment subject to fulfillment of specified eligibility criteria and conditions. The investor would have to pay an initial margin of 50% while the Clearing Member would finance the balance 50% cost of the stocks to be purchased. Your company has taken proactive steps in this regard and introduced the system of maintenance of "Margin Trading" accounts. DPs can open margin trading accounts under a separate code which CDSL would allot for identification purposes.

Ownership Pattern

As at the end of the year the shareholding pattern of your company was as under:

Category of shareholders	Percentage of shareholding
Banks	55.97%
Stock Exchanges	44.02%
Others	0.01%
Total	100%

Fixed Deposits

Your company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the Rules made thereunder.

Directors

Dr. Manoj Vaish resigned from the directorship on 3rd December, 2003 and Shri Rajnikant Patel, Chief Operating Officer, The Stock Exchange, Mumbai (BSE) was appointed as a sponsor director of BSE in his place. Shri A.S. Khurana resigned from the Board with effect from 12th February, 2004 and Shri D. Sarkar, Deputy

General Manger (Treasury), Bank of Baroda has been appointed as a sponsor director in place of Shri A.S. Khurana. Shri Prithvi Haldea, Independent Director resigned from the Board with effect from 27th February, 2004 and Shri M.R. Mayya was appointed as an Independent Director on 10th May, 2004. Pursuant to the decision taken by the shareholders at the requisitioned Extra-ordinary General Meeting held on 13th June, 2003, Shri B.G. Daga ceased to be the Managing Director of the Company with immediate effect. The writ petition filed by Shri Daga against this decision is pending before the Hon'ble High Court of Bombay.

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 your 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 express their sincere appreciation and gratitude for the continued support received from the Beneficial Owners, Depository Participants, vendors of the company, Securities and Exchange Board of India, Reserve Bank of India, other government and regulatory authorities, Stock Exchanges and Clearing Houses. Your Directors also wish to place on record their appreciation for the dedicated services rendered by the employees of the company at all levels and look forward to their continued efforts in achieving consistent growth in its business operations.

For and on behalf of the Board

Place : Mumbai

Date : 10th May 2004

sd/-

S. S. Thakur

Chairman

ANNEXURE A

CORPORATE GOVERNANCE

CDSL is committed to maintain high standards of corporate governance with a view to enhancing shareholder value and protecting the interests of all other 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 presently consists of nine directors - one Executive Director and eight non-executive directors of whom six are sponsor directors and two independent directors, Shri S. S. Thakur, who is an independent director, is also the non-Executive Chairman of the company.

The names of the CDSL Board members and details 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 Chairmanship in Board Committees of other Companies
Shri S. S. Thakur, Chairman	Non-Executive-Independent	7	10	2
Shri K. H. Vora	Non-Executive	-	-	-
Shri C. E. S. Azariah	Non-Executive	2	2	-
Shri D. Sarkar	Non-Executive	-	-	-
Shri Rajnikant Patel	Non-Executive	1	-	-
Shri S. B. Patankar	Non-Executive	-	-	-
Shri Prakash Kacholia	Non-Executive	-	-	-
Shri M.R. Mayya	Non-Executive-Independent	3	-	-
Shri V. V. Raut	Executive Director	-	-	-

b) Meetings and Attendance

Eight Board meetings were held during the year 2003-04 on

(i) 8th May, 2003; (ii) 19th May, 2003; (iii) 13th June, 2003; (iv) 10th July, 2003; (v) 14th August, 2003; (vi) 23rd September, 2003; (vii) 3rd December, 2003 and (viii) 6th February, 2004.

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	8	8	Yes
Shri B. G. Daga	3	2	N.A.
Shri K. H. Vora	8	5	No
Shri C.E.S. Azariah	8	5	No
Shri A. S. Khurana	8	1	No
Dr. Manoj Vaish	6	5	No
Shri Rajnikant Patel	2	2	N.A.
Shri S. B. Patankar	8	8	Yes
Shri Prithvi Haldea	8	7	No
Shri Prakash Kacholia	8	5	No
Shri V. V. Raut	8	8	Yes

c) 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 and Remuneration Committee.

Audit Committee

a) Composition of the Committee

The Audit Committee comprises of five 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

The Committee met three times during the year 2003-04 on 7th July, 2003, 20th October, 2003 and 21st January, 2004. The record of attendance of Directors at these meetings is 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 S. B. Patankar	3	2
3.	Shri C. E. S. Azariah	3	3
4.	Shri Prakash Kacholia	3	1
5.	Shri A. S. Khurana	3	1

Remuneration of Directors

The details of the remuneration paid to the Managing Director and Executive Director during the financial year 2003-04 are given below:-

Name	Salary	Commission
Shri B. G. Daga – Managing Director	Rs. 9,75,446	Nil
Shri V. V. Raut – Executive Director	Rs. 16,04,596	Nil

Non-executive directors are paid sitting fee of Rs.5000/- for each Board meeting and Rs.2500/- for each meeting of a Board committee.

Management Discussion and Analysis Report

The Management Discussion and Analysis Report for the year ended 31st March, 2004 is attached as Annexure B.

Appointment of Directors

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

For and on behalf of the Board

Place : Mumbai

Date : 10th May 2004

sd/-

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 five years ago, the company has successfully matured as a convenient, dependable and secure depository and achieved high level of efficiency in its operations.

Industry Structure

As a depository, CDSL provides infrastructure for maintenance of records of the dematerialized securities of beneficial owners and facilitates electronic transfer of such 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 sizeable volume of business. Several initiatives have been taken to increase the business volumes. The depository extends its services to the investors through Depository Participants (DPs), 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 such as issue of additional securities, buyback, redemption, rematerialisation, etc. The Clearing Houses of Stock Exchanges are also electronically connected with CDSL for processing settlement of the transactions entered through the Stock Exchange trading mechanism.

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 CDSL staff, the services of external audit firms are availed of for inspecting the offices of the DPs and their branches.

Opportunities and Threats

The SEBI initiated policy thrust for reduction in the settlement cycle as an important measure of capital market reform process gathered further momentum during the year under review. The T+5 rolling settlement cycle introduced for transactions in the equity market in July, 2001 was shortened to T+3 from April, 2002 and a year thereafter, SEBI introduced T+2 rolling settlement system with effect from 1st April, 2003. While this capital market reform has resulted in shortening of the settlement

timings, it has cast an obligation on investors to issue delivery instructions promptly. The shortening of settlement cycle has been made possible largely because of the capability of the depository system to facilitate delivery of securities from far off regions within the country. The 'easiest' facility introduced by CDSL during the year 2003-04 enables beneficial owners to issue instructions for securities transactions through the internet.

The success of the depository system has opened avenues for utilisation of CDSL's infrastructure for undertaking other services, besides the core area, like dematerialisation of warehouse receipts, postal savings instruments and such other instruments. The company has initiated necessary action to offer such additional services by utilizing its existing infrastructure.

Risks and Concerns

The management has been constantly striving to improve and enhance the existing depository facilities and also to introduce new products and services in order to successfully cater to the needs of different types of users in a fast changing market environment. The risks arising out of the operations of the depository participants who deal with the investors are constantly monitored through internal audit and inspection by independent agencies. The compliance requirements are also tracked and complied with on an on-going basis. All critical functional areas of CDSL have been brought under concurrent audit, which is carried out by an external auditor. The residual risk, if any, is adequately covered by the comprehensive insurance policy obtained by the company for itself and the depository participants. As a measure of abundant precaution, the minimum networth requirement in case of stock-broker depository participants has been increased to Rs.1 crore as against the amount of Rs.50 lakhs stipulated in SEBI (Depositories and Participants) Regulations, 1996. The Aggregate Value of Portfolio of Securities (AVPS) of beneficial owners held through stock broker DPs is monitored on a daily basis and timely action is taken to ensure that the multiple of AVPS to net worth is maintained below 100 times. In addition to this, inspection of issuers / RTAs who perform certain critical functions relating to creation and extinguishment of securities in the demat form is undertaken to identify irregularities, if any, and initiate appropriate corrective action where necessary.

For and on behalf of the Board

Place : Mumbai

Date : 10th May 2004

sd/-

S. S. Thakur

Chairman

ANNEXURE C

PROFILE OF DIRECTORS WHO ARE SEEKING REAPPOINTMENT AND CANDIDATES FOR WHOM NOTICE HAS BEEN RECEIVED FOR ELECTION AS DIRECTORS.

1. Shri K.H. Vora

Shri K.H. Vora (59 years) is a Master in Commerce with Statistics as a special subject. He joined Bank of India as a Direct Recruit Officer in 1968, and worked as Manager of eight branches. He served as Zonal Manager in Bihar and Mumbai South, and at present, he is the General Manager, NPA Management in the Head office of the bank. During his service career, he has also worked as Assistant General Manager of Stock Exchange Branch as well as Managing Director of Bank of India, Asset Management Co. Ltd.

2. Shri C.E.S. Azariah

Shri C.E.S. Azariah (56 years) is associated with State Bank of India for the past 32 years. Presently, he is working as the bank's Chief General Manager (Treasury). He has vast experience of over 25 years in the field of foreign exchange and integrated treasury operations. He is also handling various investment portfolios of State Bank of India.

3. Shri Rajnikant Patel

Shri Rajnikant Patel (42 years) is a Post Graduate in Business Administration, Bachelor of Law and CAIIB. He also holds Certificate in Banking and Certificate in Forex and Treasury Management from ICFAI. He has worked with BNP Paribas, Reserve Bank of India, State Bank of Saurashtra and Bank of Maharashtra. Presently, he is the Chief Operating Officer of the Stock Exchange, Mumbai (BSE) and also a member of the Governing Board of BSE.

4. Shri D. Sarkar

Shri D. Sarkar (50 years) is a Chartered Accountant, Post Graduate in Commerce and Certified Associate of Indian Institute of Bankers. He has been associated with Bank of Baroda for 22 years and has worked both in India and abroad. He has served in Mauritius for three and half years and looked after internal audit for Mauritius Territory, Seychelles and Durban (South Africa). Presently, he is working as Deputy General Manager, in-charge of Specialised Integrated Treasury Branch of Bank of Baroda, Fort, Mumbai.

5. Shri M.R. Mayya

Shri M.R. Mayya (73 years) is a Post Graduate in Economics from the University of Madras. He has had a long professional career and served in the Ministry of Civil Supplies, Forward Market Commission and Ministry of Finance-Stock Exchange Division. He also worked as Executive Director of the Stock Exchange, Mumbai for over a decade. Currently, he is associated with several companies as a Director. As a professional with expertise in the area of capital market, he has contributed immensely to the development of both the primary and secondary markets.

For and on behalf of the Board

Place : Mumbai

Date : 10th May 2004

sd/-

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, 2004 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 Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of sub-section of Section 227 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 the Directors as on 31.03.2004 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2004 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 also those notes appearing 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, 2004 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 & COMPANY
Chartered Accountants

N. KISHORE BAFNA
Partner
Membership no. 7642

Place: Mumbai
Date: 10th May, 2004

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2004 TO THE MEMBERS 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. No substantial portion of the fixed assets has been disposed off during the year.
2. The Company has neither taken nor granted any loans secured or unsecured, from / to the companies, firms and other parties as required to be listed in the register maintained under Section 301 of the Act.
3. According to the information and explanations given to us and as per the records of the Company, no transaction is made by the Company in pursuance of contracts or arrangements required to be entered into the register maintained under section 301 of the Act.
4. 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 fixed assets and with regard to the sale of services. During the course of our audit, no major weakness has been noticed in the internal controls.
5. No deposits within the meaning of Section 58A of the Act and Rules framed thereunder have been accepted by the Company.
6. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
7. According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other statutory dues as applicable. 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, 2004 for a period of more than six months from the date they became payable.

8. According to the records of the Company, there are no dues of sales tax, income tax, custom duty / wealth tax, excise duty/ cess which have not been deposited on account of any dispute.
9. Based on our examination of the records and evaluation of the related internal controls, we are of the opinion that proper records have been maintained of the transaction and contracts and timely entries have been made in those records. We also report that the Company has held the shares, securities, debentures and other securities in its own name.
10. The Company has not given any guarantee for loans taken by others from bank or financial institutions.
11. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For LODHA & COMPANY
Chartered Accountants

Place: Mumbai
Date: 10th May, 2004

N. KISHORE BAFNA
Partner
Membership no. 7642

BALANCE SHEET AS AT MARCH 31, 2004.

	Schedule	31.3.2004 Rs. in '000	31.3.2003 Rs. in '000
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	1,045,000	1,045,000
Reserves and Surplus	2	118,659	16,574
Net Deferred Tax Liability		<u>14,218</u>	<u>11,453</u>
		<u>1,177,877</u>	<u>1,073,027</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	362,289	327,884
Less : Depreciation		<u>258,565</u>	<u>228,988</u>
Net block		103,724	98,896
Investments	4	793,973	392,152
Current Assets, Loans & Advances			
Sundry Debtors	5	9,802	6,780
Cash and Bank balances		284,852	565,541
Loans and Advances		<u>101,614</u>	<u>86,747</u>
		<u>396,268</u>	<u>659,068</u>
Less:			
Current Liabilities & Provisions	6		
Liabilities		78,701	70,103
Provisions		<u>37,387</u>	<u>6,986</u>
		<u>116,088</u>	<u>77,089</u>
Net Current Assets		<u>280,180</u>	<u>581,979</u>
		<u>1,177,877</u>	<u>1,073,027</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 May, 2004

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004.

	Schedule	2003-2004 Rs. in '000	2002-2003 Rs. in '000
INCOME			
Operational Income	7	135,757	86,868
Other Income	8	152,595	78,151
		<u>288,352</u>	<u>165,019</u>
EXPENDITURE			
Personnel Cost	9	25,604	24,545
Other Expenses	10	92,569	66,826
Depreciation		32,433	55,277
		<u>150,606</u>	<u>146,648</u>
Profit before Tax		137,746	18,371
Provision for Current Tax		32,885	1,500
Provision for Wealth Tax		11	3
Provision for Deferred Tax		2,765	6,594
		<u>35,661</u>	<u>8,107</u>
Profit After Tax		102,085	10,274
Balance of Profit brought forward from previous year		16,574	11,159
Provision for Deferred Tax for the earlier years		-	4,859
Profit available for appropriation		118,659	16,574
Transfer to Beneficial Owners Protection Reserve		1,200	-
Surplus carried to Balance Sheet		<u>117,459</u>	<u>16,574</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 May, 2004

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2004.

SCHEDULE 1	31.3.2004 Rs. in '000	31.3.2003 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		
Beneficial Owners Protection Reserve	1200	
Surplus as per Profit & Loss Account	<u>117,459</u>	<u>16,574</u>
TOTAL	118,659	16,574

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2004

SCHEDULE 3 FIXED ASSETS		Rs. in '000s									
DESCRIPTION	GROSS BLOCK					DEPRECIATION**			NET BLOCK		
	As on 1.4.2003	Additions	Deduct- ions	As on 31.3.2004	Upto 31.3.2003	For the year 2003-04	Deduct ions	Upto 31.3.2004	As on 31.3.2004	As on 31.3.2003	
Building *	17,377	-	-	17,377	1,200	283	-	1,483	15,894	16,177	
Computer Hardware & Software (Automated Depository System)	289,628	33,125	-	322,753	217,243	28,633	-	245,876	76,877	72,385	
Equipment	17,081	3,030	2,107	18,004	9,224	2,423	1,958	9,689	8,315	7,857	
Furniture & fixtures	412	102	-	514	152	104	-	256	258	260	
Vehicles	3,386	2,207	1,952	3,641	1,169	990	898	1,261	2,380	2,217	
Total	327,884	38,464	4,059	362,289	228,988	32,433	2,856	258,565	103,724	98,896	
Previous Year	302,869	25,560	545	327,884	174,068	55,277	357	228,988	98,896		

*Includes face value of shares in a co - operative society - Gross Block Rs. 500 (Previous year Rs. 500) ; Net Block Rs. 458 (Previous Year Rs.466)

** Refer note no.4(b) in Schedule 11

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2004

SCHEDULE 4					
INVESTMENTS					
(Unquoted, Non Trade & Fully paid up)					
Particulars	31.3.2004			31.3.2003	
	Face Value (Rs.)	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:					
Units of Mutual Fund					
HDFC Income Fund	10			1,161,654	13,500
Deutsche Insta Cash Plus	10	7,172,244	76,065	-	-
DSP ML Short Term	10	250,321	265	-	-
HDFC Short Term	10	57,944	637	-	-
HSBC Cash Fund	10	1,311,057	13,910	-	-
HSBC Short Term Fund	10	205,612	2,102	-	-
IL & FS MIP - Growth	10	500,000	5,000	-	-
JM MIP - Growth	10	982,241	10,000	-	-
K Bond Short Term	10	928,445	10,000	-	-
Templeton India Income Fund	10	-	-	606,428	10,000
Zurich India High Interest Fund - Regular Growth	10	-	-	633,312	10,000
Prudential ICICI Income Plan - Growth	10	-	-	3,632,925	46,001
DSP Merrill Lynch Bond Fund - Regular Growth	10	-	-	2,117,663	34,964
Alliance Income Fund (Regular Growth)	10	-	-	703,511	10,891
Birla Income Plus - Plan B (Growth)	10	-	-	1,824,326	40,579
Birla Advantage Fund (Dividend)	10	411,729	33,155	411,729	33,155
Alliance Equity Fund (Dividend)	10	-	-	471,589	26,297
Birla MIP Plan C - Growth	10	339,156	5,000	-	-
Reliance Liquid Fund	10	178,725	2,698	-	-
IDBI Principal - FMP	10	-	-	500,000	5,000
Birla Cash Plus	10	3,928,304	67,164	-	-
DSP Liquidity Fund	10	5,009,108	77,180	-	-
Prudential ICICI Liquid Plan	10	4,252,057	66,321	-	-
IL & FS Fixed Maturity Plan	10	-	-	500,000	5,000
JM Income Fund	10	2,343,057	58,811	1,746,026	39,212
DSP ML Savings Plus	10	893,648	10,000	-	-

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2004

Particulars	31.3.2004			31.3.2003	
	Face Value (Rs.)	Quantity in nos	Rs. in'000	Quantity in nos.	Rs. in '000
Deutsche MIP Growth	10	500,000	5,000	-	-
FT India Gilt Investment	10	747,161	10,000	-	-
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	450,051	4,501
IDBI Principal Income	10	190,402	2,500	190,402	2,500
KMMS K Bond - Wholesale	10	1,182,641	17,521	1,182,641	17,521
Tata Short Term Fund	10	-	-	100,000	1,000
Templeton Short Term Fund	1000	453	485	7,067	7,560
Reliance Growth Fund	10	-	-	95,767	3,000
JM Short term Fund	10	596,536	6,061	724,789	7,500
Prudential ICICI Short Term Plan	10	-	-	746,944	8,176
Reliance Short Term Plan	10	366,669	3,910	1,137,705	11,416
Templeton India Income Builder Account	10	-	-	4,627,497	46,369
HDFC Cash Management Savings Plan	10	4,685,418	61,549	-	-
HDFC Liquid Fund	10	1,901,594	23,747	-	-
HDFC MIP Long Term	10	500,000	5,000	-	-
HSBC MIP Savings Plan - Growth	10	1,000,000	10,000	-	-
IL & FS Bond Fund	10	122,703	20,000	-	-
IL & FS Short Term	10	1,007,803	11,111	-	-
JM High Liquidity Fund - Growth	10	575,254	6,006	-	-
Principal MIP Plus - Growth	10	500,000	5,000	-	-
Prudential ICICI MIP Cumulative	10	971,525	13,778	-	-
Reliance Monthly Income Plan	10	1,000,000	10,000	-	-
Reliance Treasury Plan - Institutional	10	690,992	10,567	-	-
Standard Chartered Dynamic Bond Fund	10	524,441	6,228	-	-
Tata Liquid High Inv Fund	10	182,959	1,915	-	-
Tata MIP Plus - Growth	10	1,000,000	10,000	-	-
Tata monthly Income Fund -Growth	10	846,499	10,096	-	-
Templeton India MIP Growth	10	996,745	15,000	-	-
Templeton India TMA	10	64,109	101,238	-	-
			809,531	392,152	
Less: Provision for diminution in the value of investments			15,558	-	
Total			793,973	392,152	

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2004

Aggregate amount of investments:	Rs. in '000		Rs. in '000	
	Book Value	Market Value/ Repurchase price	Book Value	Market Value/ Repurchase price
Unquoted investments : in units of Mutual funds	793,963	810,807	392,142	405,129
: others	10	-	10	-
Investments Purchased and Sold during the year		Face Value		No. of Units
Particulars		(Rs.)		
Alliance Cash Manager - Growth		10		112,039
Birla Income Plus		10		747,253
Birla Income Plus - Institutional Plan		10		2,379,703
Deutsche Alpha Equity Fund		10		1,314,344
Deutsche Insta Cash Plus		10		14,252,249
Deutsche Dynamic Bond Fund - Institutional Plan		10		1,000,000
Deutsche Premier Bond Fund - Institutional Plan		10		6,947,762
Deutsche Short Maturity Fund		10		3,438,698
DSP ML Short Term Plan		10		931,132
DSP ML Opportunity Fund		10		2,044,776
DSP ML Bond Fund		10		230,535
DSP ML Bond Fund - Institutional		10		4,866,287
GSSIF Short Term Plan		10		496,282
HDFC Top 200 Fund - Growth Plan		10		610,445
HDFC Income Fund - Growth		10		2,177,046
HDFC Liquid Fund - Growth		10		429,608
HDFC Short Term Plan - Growth		10		1,765,755
HSBC Cash Fund		10		5,331,100
HSBC Equity Fund		10		2,604,263
HSBC Income Fund - Short Term Plan		10		479,226
JM High Liquidity		10		15,926,242
JM Short Term Plan		10		559,937
JM Short Term Plan - Institutional		10		962,571
IL & FS Bond Fund - Short Term Plan		10		1,302,938
Principal Cash Management Fund		10		454,811
Prudential ICICI Institutional Income Plan		10		3,367,494
Reliance Short Term		10		176,321
Reliance Growth Fund		10		544,682
Reliance Treasury Plan - Institutional		10		909,942
Reliance Treasury Plan - Retail		10		497,523
Tata Equity Opportunities Fund		10		537,256
Tata Liquid High Inv Fund		10		950,290
Franklin India Blue Chip Fund		10		224,014
Templeton India Income Builder - Institutional		10		2,672,524

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2004

SCHEDULE 5	31.3.2004 Rs. in '000	31.3.2003 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 9710 thousands; previous year Rs. 9320 thousands, considered doubtful and fully provided for)	1,481	2,560
Other Debts	8,321	4,220
	9,802	6,780
CASH AND BANK BALANCES		
Cash on hand	21	20
Cheques on Hand	1,853	23,160
Balances with Scheduled Banks:-		
-in current account	2,994	1,843
-in term deposit accounts (inclusive of interest accrued Rs.8753 thousands; Previous Year Rs. 10418 thousands)	279,883	540,418
In current Account with Reserve Bank of India	101	100
	284,852	565,541
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. 1248 thousands, considered doubtful and fully provided for)	4,996	5,239
Capital advances	-	1,354
Income tax	32,868	16,404
Deposit with The Stock Exchange, Mumbai	63,750	63,750
	101,614	86,747
SCHEDULE 6		
CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors - other than to Small Scale Industrial Undertakings	8,092	6,013
Security Deposit from depository participants	61,250	55,750
Other Deposits	3,000	3,000
Income received in advance	2,444	2,522
Other liabilities	3,915	2,818
	78,701	70,103
PROVISIONS		
For Wealth Tax	11	3
For Income Tax	34,519	3,200
For Gratuity	-	1,107
For Ex-Gratia	1,000	900
For Leave Encashment	1,857	1,776
	37,387	6,986

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

SCHEDULE 7	2003-2004 Rs. in '000	2002-2003 Rs. in '000
OPERATIONAL INCOME		
Fees towards:		
- Account Maintenance	4,395	4,081
- Transactions	70,743	26,910
- Settlements	10,685	13,716
- Users Facilities	16,622	12,367
- Issuer (Annual)	25,925	25,498
- Training (Net of Training Expenses Rs 466 thousands; P Y.Rs 345 thousands)	(21)	27
Others	7,408	4,269
	135,757	86,868
SCHEDULE 8		
OTHER INCOME		
Income from/Interest on :		
Fixed Deposits (TDS Rs 1975 thousands ; P Y Rs.3326 thousands)	26,286	49,233
Others	1,255	5,817
Miscellaneous Income	2,507	1,753
Profit on sale of Investments (Net) *	119,064	13,503
Income from Mutual Funds *	3,088	472
Rent (TDS Rs 25 thousands; P Y Rs 75 thousands)	395	360
"Provision for diminution in the value of investments" no longer required written back	-	7,013
	152,595	78,151
(* Income from Current Investments)		

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

SCHEDULE 9	2003-2004 Rs. in '000	2002-2003 Rs. in '000
PERSONNEL COST		
Salaries and other allowances	22,567	21,963
Contribution to PF and other funds	1,839	1,714
Staff welfare expenses	1,198	868
	<u>25,604</u>	<u>24,545</u>
SCHEDULE 10		
OTHER EXPENSES		
Rent	6,428	6,428
Rates & Taxes	15	15
Electricity & Water Charges	2,277	1,960
Insurance	5,568	5,190
Repairs and Maintenance :		
Computers	36,982	32,462
Others	1,093	950
Legal, Professional and Consultancy Fees	3,561	3,970
Directors' Sitting Fees	190	98
Travelling and Conveyance	2,743	2,209
Annual SEBI Fees	1,000	1,000
Postage, Telephone & Communication Charges	3,837	4,609
Advertisement Expenses	1,558	260
Printing & Stationery	1,076	1,246
Business Promotion Expenses	929	1,521
Bad Debts Written off	4,698	2,419
Loss on Discarded Assets	491	139
Provision for Doubtful Debts/Advances	390	1,169
Service Tax (including Rs. 895 thousands for earlier year)	2,925	-
Provision for diminution in the value of investments	15,558	-
Miscellaneous Expenses	1,250	1,181
	<u>92,569</u>	<u>66,826</u>

SCHEDULE TO BALANCE SHEET AS AT AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2004

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 capitalised 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 (hereinafter referred to as "the Act") except for vehicles on which depreciation is provided on Written Down Value Method at the rate of 20% p.a. 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 on individual investment basis.

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) Liability for leave encashment is actuarially evaluated as at the year end and provided for.
- c) Gratuity Liability is funded as per group gratuity scheme of Life Insurance Corporation of India on the basis of actuarial valuation taken at the year end.

viii. Income Tax

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

x. Beneficial Owners Protection Reserve.

Pursuant to SEBI advice, certain stipulated amount, is transferred/ collected periodically to be used for settlement of eligible claim of 'beneficial owners' of the Depository.

2. Contingent Liability not provided for in the matter of writ petition filed during the year before the Hon'ble High Court of Bombay by Mr. B G Daga, the then Managing Director for his alleged wrongful removal, which is pending.
3. Estimated amount of contracts to be executed on capital account and not provided for (net of advances) Rs. 234 thousands (Previous Year Rs.5065 thousands).
4. (a) The Company has during the year valued its current investments on the basis of individual investment as against hitherto valued on category of investments basis (both methods of valuation are permissible under AS-13 " Accounting for Investments " issued by the Institute of Chartered

Accountants of India) and the method adopted from this year will be consistently followed. As a result of this change, profit for the year before tax and current investments are stated lower by Rs.15558 thousands.

- (b) The Company has during the year provided additional depreciation of NIL (Previous Year 17854 thousands) on certain computer hardware taking into account technological obsolescence and their effective use.

5. **Deferred Tax Asset & Liability comprises timing differences on account of :-**

	Current year (Rs. In '000)	Previous year (Rs. in '000)
Deferred Tax Assets		
Provision for Gratuity & Leave Encashment	666	1034
Provision for Doubtful Debts /Advances	3931	3791
Provision for diminution in the value of Investments	1595	
	(A) 6192	4825
Deferred Tax Liability		
Depreciation	(B) 20410	16278
Net Deferred Tax Liability (B-A)	14218	11453

6. **a) Managerial Remuneration :**

(Excluding gratuity, leave encashment provision and group Mediclaim)

	Current year (Rs. In '000)	Previous year (Rs. in '000)
Salary and allowances	2413	3272
Company's Contribution to P.F.	140	240
Perquisites (Evaluated as per Income Tax Rules where necessary)	27	67
Total	2580	3579

Salaries and allowances include Rs 330 thousands paid to Shri. B.G. Daga, the then Managing Director of the Company..

- b) Loans & Advances include Rs. 1248 thousands (Previous Year Rs.1248 thousands) due from the Ex. Chairman & Managing Director (CMD) Late Shri M.G. Damani being excess remuneration paid in earlier years 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 Act. In the meantime, the same has been considered doubtful and fully provided for.

- c) Computation of Net Profit for the current year under Section 198 read with Section 349 of the Act is given below.

	Current year (Rs. In '000)	Previous year (Rs. in '000)
Profit/(Loss) as per Profit & Loss Account	137746	18371
Add : -		
Managerial Remuneration :		
- Salary and other allowances	2413	3272
- Contribution to Provident Fund.	140	240
- Value of perquisites	27	67
- Directors' Sitting Fees.	190	98
Provision for diminution in value of investments	15558	—
Sub Total	156074	22048
Less:-		
Profit on Sale of investments.	119064	13503
Provision for diminution in the value of investments no longer required written back	—	7013
Excess of expenditure over income computed under section 349 in the earlier years, to the extent not deducted.	68840	70372
Net Profit/(Loss) as per Section 198 r.w.s. 349 of the Act.	(31830)	(68840)
Commission payable	Nil	Nil

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	160	147
Tax Audit Fees	40	33
For Other Services	0	5
Out of Pocket Expenses	11	6
Total	211	191

9. Expenses in foreign currency (on payment basis)

	Current year (Rs. In '000)	Previous year (Rs. in '000)
Travelling Expenses	352	307
Training Fees	111	53
Software Expenses	4012	0

10. VSAT connectivity facilities provided by 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 15012 thousands (Previous Year Rs. 15950 thousands)

11. (a) "Other Liabilities" in Schedule 6 includes the balance of Rs. 3465 thousands (Previous year Rs. 2574 thousands) net of Rs. 613 thousands (Previous year Rs. 947 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.

(b) No amount is due to be credited to Investor Education & Protection Fund as required under section 205C of the Act.

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 is adequate and not in excess of what is 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)	102085	5415
(ii) Denominator – Weighted Average Number of Equity Shares outstanding during the year (No.'s In '000)	104500	104500
(iii) Nominal Value of Shares (Rs.)	10.00	10.00
(iv) Basic and Diluted Earning Per Share	0.98	0.05

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 May, 2004

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	31.03.2004

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
1293965	1293965

Sources of Funds		Application of Funds	
Particulars	Amount	Particulars	Amount
Paid up capital	10,45,000	Net Fixed Assets	1,03,724
Reserves and Surplus	1,18,659	Investments	7,93,973
Secured Loans	NIL	Net Current Assets	2,80,180
Unsecured Loans	NIL		
Net Deffered Tax liability	14,218		
	11,77,877		11,77,877

4. Performance of the Company (amount Rs. In thousands):

Total Income	Total Expenditure	Profit/Loss before tax	Profit/Loss after tax
2,88,352	1,50,606	1,37,746	1,02,085
Earnings per share in Rs.		Dividend Rate (%)	
0.98		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

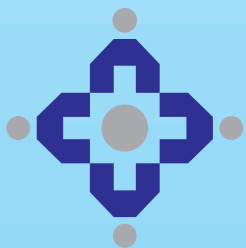
V.V.Raut
Executive Director

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

Place: Mumbai

Date: 10th May, 2004

Notes



CDSL
Your Depository

Central Depository Services (India) Limited
Convenient ❖ Dependable ❖ Secure

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