

ANNUAL REPORT

2004 - 2005



Central Depository Services (India) Limited

Central Depository Services (India) Ltd.

BOARD OF DIRECTORS

Shri S. S. Thakur	Chairman
Shri M.R. Mayya	<i>Independent Director</i>
Shri C. E. S. Azariah	<i>Sponsor Director (State Bank of India)</i>
Shri S. Hariharan	<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 V. V. Raut	<i>Executive Director</i>

MANAGEMENT TEAM

Shri V. V. Raut	Executive Director
Shri Umesh P. Maskeri	Vice President - Legal & Company Secretary
Shri J. B. Ram	Vice President - Finance & Accounts
Shri Pramod Deshpande	Vice President - Information Technology
Shri Cyrus Khambata	Vice President - Business Development & Operations

AUDITORS

Lodha & Co.
Chartered Accountants
6, Karim Chambers,
40 A.D. Marg (Hamam Street)
Mumbai - 400 023.

REGISTERED OFFICE

17th Floor, Phiroze Jeejeebhoy Towers,
Dalal Street, Fort
Mumbai 400 023.

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DIRECTORS' REPORT

Your Directors are pleased to present the Seventh Annual Report and Audited Statement of Accounts of your company for the year ended 31st March, 2005. The company has completed yet another successful year and recorded an overall growth in its operations.

Financial Highlights

Particulars	Year ended 31 st March 2005 (Rs. millions)	Year ended 31 st March 2004 (Rs. millions)
Income	288.95	288.35
Expenditure	114.63	118.17
Profit before Depreciation and Taxation	174.32	170.18
Depreciation	35.81	32.43
Profit before Tax	138.51	137.75
Provision for Taxation	46.51	32.90
Provision for Deferred Tax for the year	(3.95)	2.77
Profit after Tax	95.95	102.08
Balance brought forward	117.46	16.57
Profit available for appropriation	213.41	118.65

Your Directors are happy to inform that the income from operations during the year increased from Rs. 135.76 millions to Rs. 210.90 millions, registering a growth of 55 % over the year 2003-04. More significant is the fact that the income from business operations exceeded the total expenditure including depreciation and taxation. Income from transactions rose from Rs. 70.74 millions to Rs.103.80 millions, thus showing a remarkable increase of 47% over the previous year. Profit Before Tax (PBT) for the financial year 2004-05 at Rs. 138.51 millions was higher than the previous year's level, despite the sharp decrease in the investment income due to lower yields on the surplus funds deployed by the company. Profit After Tax (PAT) amounted to Rs. 95.95 millions as against Rs. 102.08 millions for the previous year.

Dividend

Keeping in view the need to retain the profits for expansion of the company's business, the Board has not recommended payment of dividend for the year under review.

Operational Highlights

Your company has considerably strengthened its position in the securities market. This is the result of concerted and systematic efforts in several areas such as up-gradation of technology, enhancement of operational efficiency through IT, benchmarking of quality processes, cost reduction measures and aggressive marketing efforts. Continued focus on these key areas has resulted in improving the overall performance of the company during the year under review. The focus on building up a nationwide DP network has paid off as there was appreciable increase in the number of BO accounts and the number of transactions processed during the year 2004-05.

Admission of Securities

Your company achieved a growth of 11.86% in the number of securities admitted during the year under review. 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:

Securities	Year ended 31 st March 2005	Year ended 31 st March 2004	Increment over the previous year (%)
Equity Shares	5033	4810	4.64
Debt Instruments	3953	3226	22.54
Other Securities*	340	301	12.96
Total	9326	8337	11.86

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

The value and volume of the securities held with CDSL witnessed a substantial growth in the year under review as indicated below:

Holding of Securities	Year ended 31 st March 2005	Year ended 31 st March 2004	Increment over the previous year (%)
Value (in millions Rs.)	11,47,750	10,64,430	7.83
Volume (in millions)	19,080	14,010	36.19

Depository Participants and DP Branches

During the year 2004-05, 68 new Depository Participants (DPs) were registered as compared to 23 new registrations during the previous financial year. This significant expansion of CDSL DP network has taken the total number of DPs to 271 as on 31st March, 2005 after taking into account the withdrawal of 8 DPs during the year. As at the end of March, 2005, CDSL services were available at 244 locations in 124 cities across 22 states and 1 union territory.

Beneficial Owner Accounts

Your Directors are pleased to report that the number of Beneficial Owner (BO) accounts opened with CDSL crossed the one million mark during the year under review. Your company has thus reached a crucial milestone in its life span. During the year 2004-05, 3,76,613 BO accounts were opened with the company reflecting a growth of 59.33% over the previous year. The comparative figures of the total number of BO accounts as on 31st March 2004 and 31st March 2005 are given in the following table:

Year ended 31 st March 2005	Year ended 31 st March 2004	Increment over the previous year	
		Number	Percentage
10,11,397	6,34,784	3,76,613	59.33

Securities Settled through CDSL System

During the year 2004-05, the value and volume of securities settled through the CDSL system registered a growth of 6.79 % and 36.09 % respectively over the corresponding figures of the previous year.

Securities Settled	Year ended 31 st March 2005	Year ended 31 st March 2004	Increment over the previous year
Value (in millions Rs.)	8,93,987	8,37,147	56,840
Volume (in millions)	13,275	9,754	3,521

Connectivity with Stock Exchanges

CDSL is having live connectivity with 17 stock exchanges. However, due to the sharp decline in the volume of trading activities on the regional stock exchanges, settlement of transactions is effected mostly through the stock exchanges having nationwide trading terminals.

Investor Awareness Education, Seminars and Exhibitions

Your company has continued its active participation in the "Securities Market Awareness Campaign" (SMAC) initiated by SEBI to empower investors through education. The company conducted and participated in over 100 investor seminars in association with BSE, Depository Participants and Investor Associations at various places in Karnataka, Maharashtra, Kerala, Goa, Gujarat, Punjab, UP and Delhi. The Seminars were also conducted independently by the company in Mumbai and Kolkata.

Your company also released investor education advertisement in 50 cities and towns in English, Hindi and 6 other regional languages viz. Marathi, Gujarati, Tamil, Telugu, Kannada and Malayalam.

Technology Initiatives

Given your company's role in the securities market matrix and the mission-critical nature of its functions, technology has always been a pivotal facet of its products and delivery thereof. In recent years, the advance of technology has been

irresistible and the solutions available, exciting. In such a scenario, user expectations have not lagged behind. On the ground, users expect offering of new products, increased system availability, more efficient processing, assurance of business continuity and fortification of security standards. In fulfillment of these expectations, during the year, your company augmented the system processing and storage capacity, strengthened security levels by deploying Virtual Private Network solution and high-capability back-up solution. In a year characterized by significant increase in transaction volumes, the uninterrupted system performance was noteworthy.

easi and easiest

Your company had introduced two Internet facilities - electronic access to securities information (**easi**) and electronic access to securities information and execution of secured transactions (**easiest**) in previous years. **easi** allows investors and clearing members to view the status of their accounts while **easiest** facilitates them to enter demat transactions over the Internet. Both have gained in popularity during the course of the year and are being viewed as beneficial features both in terms of convenience and risk management. As at 31st March 2005, CDSL had 26265 demat accountholders registered for **easi** and 1203 registered for **easiest**.

Software Enhancement

Several new features and functionalities have been added to the application software to cater to the changing market practices and user needs. The front-end CDAS application is being upgraded to VB.Net and the Operating System of front-end machines to Win-2000 / Win-XP, for better performance and enhanced features. While the important modules like Pledge upload, Freeze of BO accounts and Auto-corporate action have already been put in place, modules for other activities such as securities lending and borrowing through clearing houses would be released in the near future.

Business Continuity Plan and Disaster Recovery

Your company has taken appropriate steps to prepare the Business Continuity Plan (BCP) and move towards rigorous implementation of the same. As an important step towards Disaster Recovery, the normal system operations of the users (DPs / RTAs) have been successfully shifted to Disaster Recovery Site (DRS). The users could operate the system run from DRS without any problem.

Depository Reforms

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

a) Review of Demat Charges

SEBI, after careful consideration of the recommendations of Secondary Market Advisory Committee (SMAC), reviewed dematerialisation charges and notified in January 2005 that no investor shall be required to pay any charges towards opening of a BO account (except for statutory charges as may be applicable) or for credit of securities to his/ her BO account with effect from 1st February 2005. Custody charges should also not be levied on any investor opening a BO account on or after 1st February 2005. SEBI has, however, allowed the depositories to levy and collect custody charges annually from all issuers with effect from 1st April 2005 based on the total number of folios (ISIN positions) as on 31st March of the previous financial year, at the rate of Rs. 5/- per ISIN position subject to the minimum charges computed on the basis of nominal value of the admitted securities as indicated below:

Nominal value of admitted Securities (Rs.)	Minimum Annual Custodial Fee payable by a issuer to each Depository (Rs.) (*)
Upto 5 Crore	4,000
Above 5 Crore and upto 10 Crore	10,000
Above 10 Crore and upto 20 Crore	20,000
Above 20 Crore	30,000

*Plus service tax as applicable.

Failure to pay the custody charges to the depository on or before 30th April in respect of the securities held in custody as on 31st March of the previous financial year would attract penal interest subject to a maximum of 12% p.a.

b) Amendments to the Depositories Act, 1996

The Securities Laws Amendment Ordinance, 2004 has amended the Depositories Act, 1996 so as to provide for penalties which may be imposed on defaulting depositories, depository participants and issuers of securities. This is a welcome

step taken by the Government as there was no provision for penalty in the said statute.

Change in shareholding pattern

With a view to broadbasing the shareholding pattern of your company, the Stock Exchange, Mumbai (BSE), one of the major promoters of the company, transferred 6,74,46,000 shares in favour of Canara Bank. As on 31st March 2005, the shareholding pattern of the company was as under:

Category of shareholders	Percentage of shareholding
Banks	62.40
Stock Exchanges	37.56
Others	0.04
Total	100.00

Shifting of Registered Office

Since its inception, your company was functioning from the 27th and 28th floors of P. J. Towers, Dalal Street, Mumbai 400 023 with its registered office located on the 28th Floor of that building. Over the years, the business volumes of the company increased substantially which necessitated it to acquire larger office space. The office premises have therefore been relocated recently to the 16th and 17th floors of the said building which provide more office space. The registered office of the company has also been shifted to the 17th Floor, P. J. Towers, Dalal Street, Mumbai 400 023.

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

During the year under review, Shri K. H. Vora, General Manager, Bank of India resigned from the directorship on 2nd July 2004 and Shri S. Hariharan, General Manager, Bank of India was appointed as a sponsor director in his place. Shri S. Hariharan will hold office upto the commencement of the ensuing Annual General Meeting. The company has received necessary notice under Section 257 of the Companies Act, 1956 from a shareholder proposing the candidature of Shri S. Hariharan for appointment as a director. The Board of Directors places on record its appreciation of the services rendered by Shri K. H. Vora during his tenure as a director of the company. Shri S. S. Thakur and Shri S. B. Patankar retire by rotation at the Seventh Annual General Meeting and being eligible, offer themselves for re-appointment. The resolutions for their re-appointment as director form part of the notice of the Seventh Annual General Meeting and are recommended for approval of the members.

Pursuant to the decision taken by the shareholders at the 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 still pending before the Hon'ble High Court of Mumbai.

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.

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

Considering the nature of operations of your company, the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, for information to be furnished on conservation of energy and technology absorption are not applicable. The company has, however, used information technology extensively in its operations.

Details of foreign exchange earnings and outgo during the year under review are as under:

Particulars	Year ended 31 st March 2005 (Rs. in Millions)	Year ended 31 st March 2004 (Rs. in Millions)
Earnings	Nil	Nil
Outgo		
Travelling expenses	0.21	0.35
Expenditure on training	0.16	0.11
Software development expenses	0	4.01
Total	0.37	4.47

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 explanations relating to material departure, if any, have 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.

5. a) **Managerial Remuneration :**
(Excluding gratuity, leave encashment provision and group Medclaim)

	Current year (Rs. In '000)	Previous year (Rs. In '000)
Salary and allowances	1652	2413
Company's Contribution to P. F.	119	140
Perquisites (Evaluated as per Income Tax Rules where necessary)	22	27
Total	1793*	2580

* includes Rs. 47 thousands subject to approval of shareholders. Salaries and allowances include notice pay Rs. Nil (P.Y. 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 efforts made by the company to recover the excess amount from the legal heirs of late Shri M.G.Damani have not yielded the desired results. The company has since made an application to the Central Government to permit the waiver of recovery of amount of excess remuneration from the said legal heirs in terms of provisions of section 309(5B) of the Companies Act, 1956.

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

Annexure A

CORPORATE GOVERNANCE

CDSL continues to be committed to maintain high standards of corporate governance with a view to enhancing shareholder value and protecting the interests of all other stakeholders. The company's policies and business strategies as well as systems and processes have been designed to render most efficient services at optimum cost and achieve sustainable growth of the organisation while ensuring accountability, probity and transparency in the conduct of its business within the prescribed legal framework.

Board of Directors**a) Composition**

The total strength of the Board as on 31st March 2005 was nine directors comprising of one Executive Director and eight non-executive directors of whom six were sponsor directors and two independent directors. Shri S. S. Thakur, who is an independent director, is also the non-Executive Chairman of the company.

Name of the Director	Category	No. of Directorships in other public 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	7	9	2
Shri M.R. Mayya	Non-Executive Independent	3	-	-
Shri C. E. S. Azariah	Non-Executive	1	2	-
Shri D. Sarkar	Non-Executive	-	-	-
Shri S. Hariharan*	Non-Executive	-	-	-
Shri K. H. Vora**	Non-Executive	-	-	-
Shri Rajnikant Patel	Non-Executive	1	-	-
Shri S. B. Patankar	Non-Executive	-	-	-
Shri Prakash Kacholia	Non-Executive	-	-	-
Shri V. V. Raut	Executive Director	-	-	-

* Appointed w.e.f. 2nd July 2004

** Resigned w.e.f. 2nd July 2004

b) Meetings and Attendance

During the year , the Board met six times on

- (i) 7th April 2004 (ii) 10th May 2004 (iii) 2nd July 2004
 (iv) 15th September 2004 (v) 16th December 2004 (vi) 14th March 2005.

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 M.R. Mayya	5	5	Yes
Shri C. E. S. Azariah	6	3	Yes
Shri D. Sarkar	6	5	No
Shri S. Hariharan	5	5	Not Applicable
Shri K. H. Vora	1	1	No
Shri Rajnikant Patel	6	3	No
Shri S. B. Patankar	6	6	No
Shri Prakash Kacholia	6	4	Yes
Shri V. V. Raut	6	6	Yes

To ensure smooth functioning of the company, the Board has constituted various committees including Audit Committee, Membership Committee, Remuneration Committee, Share Allotment & Transfer Committee and Finance and Investment Committee.

Audit Committee

a) Composition of the Committee

The Audit Committee comprises of the following five non-executive directors:

1. Shri C. E. S. Azariah
2. Shri D. Sarkar
3. Shri S. Hariharan
4. Shri S. B. Patankar
5. Shri Prakash Kacholia

The members of the committee have professional expertise in the fields of finance, accounting, banking, information technology and capital market. The heads of the 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 they 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, including internal audit functions.

c) Meetings and Attendance

The committee met four times during the year 2004-05 i.e. on 6th May, 2004, 2nd September 2004, 22nd November 2004 and 21st February 2005. The record of attendance of members of the committee at these meetings is given hereunder:

Name of the Director	No. of meetings held during the tenure	No. of meetings attended
Shri C. E. S. Azariah	4	4
Shri D. Sarkar	4	3
Shri S. Hariharan*	3	0
Shri K. H. Vora**	1	0
Shri S. B. Patankar	4	3
Shri Prakash Kacholia	4	3

* Appointed w.e.f. 2nd July 2004

** Resigned w.e.f. 2nd July 2004

Remuneration of Directors

The details of the remuneration paid to the Executive Director during the financial year 2004-2005 are given below:-

Name	Salary	Commission
Shri V. V. Raut - Executive Director	Rs.17,92,900/-	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, 2005 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
sd/-

S. S. Thakur
Chairman

Place : Mumbai

Date : 16th June 2005

Annexure B

Management Discussion and Analysis Report

1. Industry Structure & Developments :-

CDSL extends depository services to investors through its agents i.e. depository participants (DPs), who provide an interface between the depository and beneficial owners. Functions like keeping a record of securities in dematerialised form are undertaken by establishing electronic connectivity with the depository by the issuers of securities or their registrars and transfer agents. The clearing houses of stock exchanges process the settlement of on-market transactions through electronic connectivity. The depository thus assumes an important role of providing infrastructure for maintaining electronic record of the securities issued and facilitate transfer of such securities.

2. Opportunities & Threats :-

The major contribution of the depository system is ensuring proper title and convenience of holding securities. It also helps to enhance liquidity, facilitate faster transfer of securities, reduce transaction costs and prevent various risks associated with the erstwhile system of holding securities in physical form. The upsurge in the volume of securities traded on stock exchanges, the overwhelming response from investors to Initial Public Offers (IPOs) and the regulatory requirement of holding and delivery of securities in dematerialised form have contributed significantly to the exponential growth in the depository business. Though the current capital market and regulatory environment continues to be favourable for enhancing the opportunities and demand for depository services, maintaining the integrity, safety and efficiency of the depository system and confidence of the users in the system is an onerous and challenging task.

3. Outlook:-

The buoyancy in the capital market has been amply reflected in the impressive growth in the number of accounts opened, number of issuers admitted, number of DPs engaged in the business and number of transactions processed during the year. Strong macro-economic fundamentals, sustained growth in the

manufacturing and service sectors and consistent FII inflows promise increased participation by the investors in the foreseeable future despite the occasional spells of volatility. The prospects for the continued upsurge in the depository business are therefore quite encouraging.

4. Risks & Concerns :-

The spurt in the level of depository activities has triggered new challenges and opportunities. Intricacies and complexities linked to substantial growth in business volumes serviced through a network of DPs and branches spread across the country pose a challenge in setting up of appropriate monitoring and compliance evaluation tools. Risk management system can no longer be seen as a distinct or self-contained domain, but has to be viewed as an important and effective instrument to serve as a guide or an aid for formulating future business policies and strategies.

One of the concerns of the increasing scale of depository operations is the evaluation of the extent of vulnerability and systemic risk involved in this business and taking appropriate measures to mitigate such eventualities. An equally important task is to properly balance such measures so that they achieve the objective in view and yet do not put undue restrictions on the development and expansion of genuine business which is essential to meet the expectations of the users of depository services.

As indicated earlier, the capital market has been witnessing exponential growth in terms of volumes with stock market indices recording all time highs in recent past. In this context, it is essential to remain vigilant and take appropriate preventive or precautionary measures to prevent any wrongful use of the depository system by unscrupulous elements and avoid losses that might be caused due to the negligence or default of depository participants. At the same time, it is necessary to periodically review and, if required, upgrade the IT infrastructure to handle the peak load of the growing business, make the system available to users with minimum time for end of the day processing, fine tune the software to enhance performance and above all provide an effective business continuity plan to address the eventuality of any disaster.

5. Internal Control & Systems Adequacy :-

It has been our constant endeavour to review the existing risk management techniques and to take measures to effectively manage depository related risks, keeping in view the dynamic business environment. All critical functional areas of CDSL continue to be under concurrent audit. The risks arising out of the operations of depository participants are constantly monitored through internal audits, conducting of inspections of DPs, etc. Additionally, following new initiatives were taken during the financial year under review:

- a. The risk prone areas of DP operations like issue and execution of debit instructions have been identified and additional stringent control procedures prescribed to prevent any risk.
- b. CDSL sends transaction statements on a weekly basis to the BOs whose 'dormant' accounts have shown debits. The BOs are advised to verify their security holdings and transactions and bring to the notice of CDSL discrepancies, if any.
- c. The investors are informed about the risk prevention measures through widely held 'Investor Education Programmes' and through advertisements in newspapers across the country.
- d. Training for internal auditors of the DPs was arranged to help them to properly focus on important areas of DP operations.
- e. A rating system has been devised to evaluate the performance of DPs. Spot inspections have been conducted at the offices of DPs who have got low ratings and they have been advised to take urgent steps to rectify the discrepancies noticed and prevent recurrence of the same in future.
- f. Aggregate value of portfolio of securities of stock broker-depository participants is monitored on a daily basis and is also subjected to concurrent audit.
- g. Inspection of issuers / RTAs who perform critical functions relating to creation and extinguishment of securities in demat form is undertaken to identify irregularities, if any, and initiate appropriate corrective action where necessary.
- h. Extensive inspection of Clearing House or Stock Exchange DPs has also been initiated.

- i. A structure of penalty points and monetary penalty for each violation, discrepancy and non-compliance has been defined and appropriate penalty is imposed on DPs after giving them an opportunity for explanation by issuing a show cause notice. This is acting as a deterrent and has helped in improving compliance levels.

Moreover, the risks associated with the depository operations are adequately covered by the comprehensive insurance policy obtained by CDSL for itself and the depository participants.

In order to ensure that business is continued seamlessly in the event of any disaster, a detailed business continuity plan has been prepared.

For and on behalf of the Board

sd/-

S. S. Thakur
Chairman

Place : Mumbai
Date : 16th June 2005

Annexure C

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

Shri S. S. Thakur, Chairman

Shri S. S. 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 in India. He is also on the Board of Directors of several other companies.

Shri S. B. Patankar

Shri S.B. Patankar is an engineering graduate from VJTI and has more than 30 years of experience in Information Technology. He started his career in 1974 with IBM as customer engineer and worked on the IBM 1401 Systems. Later in 1977, he joined CMC and had the opportunity to work with large systems like Borroughs and Control data Cyber at TIFR. During his tenure at CMC, he successfully handled various projects like Impress Railway Reservation Expansion, Nagpur Durg Railway Scada, Mediterranean Games in Syria, etc.

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

Shri S. Hariharan

Shri S. Hariharan is a Post Graduate in Commerce. He is also member of the Indian Institute of Bankers. He joined Bank of India in the year 1968 and worked in various capacities in Delhi, Punjab, Mumbai and Kolkatta. When posted in Bank's Corporate Headquarters, he was looking after Personnel Department, Terminal Benefits Department, Premises, Estate, etc. Since February 2004, he is General Manager in Charge of Corporate Services looking after Security, Operations, Customer Services, Estate, Premises, etc.

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, 2005 and the Profit and Loss Account 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 the 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 of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (hereinafter referred to as the "Act"), we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.
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 written representations received from directors as on 31st March, 2005, and taken on record by the Board of Directors, wherever applicable, we report that none of the directors is disqualified as on 31st March, 2005 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 according to the explanations given to us, the said accounts read together with 'Significant Accounting Policies and Notes to Accounts' in Schedule '11' and other 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, 2005; and
 - ii. in the case of the Profit & Loss Account, of the profit for the year ended as on that date.

For LODHA & CO.
Chartered Accountants

N. KISHORE BAFNA
Partner
(Membership No. 7642)

Place : Mumbai
Date : 16th June, 2005

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2005 OF CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED.

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

1.
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) All the assets have been physically verified by the management at reasonable intervals during the year. No material discrepancies were noticed on such verification.
 - c) No substantial part of the fixed assets has been disposed off during the year.
2.
 - a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
 - b) The Company has not taken any loans, secured or unsecured, from companies, firm or other parties covered in the register maintained under Section 301 of the Act.
3. There is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. The Company has neither purchased any inventory nor sold any goods. During the course of our audit, no major weakness has been noticed in these internal controls.
4. There are no particulars of contracts or arrangements referred to in Section 301 of the Act which need to be entered in the register required to be maintained under that section.
5. No deposits within the meaning of Sections 58A and 58AA or any other relevant provision 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 of the Company and nature of its business.
7. In respect of Company's activities, the Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Act.
8.
 - a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues applicable to it with the appropriate authorities. No undisputed amounts payable in respect of the aforesaid statutory dues were outstanding as at the last day of the financial year for a period of more than six months from the date they became payable.
 - b) There are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess which have not been deposited on account of any dispute.
9. During the year, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
10. The Company has not given any guarantee for any loans taken by others.
11. The Company has not obtained any term loan during the year.
12. The Company has not raised funds on short-term basis during the year.
13. During the year, no fraud by the Company has been noticed or reported during the course of our audit. A fraud in the office of a depository participant has been reported and in the opinion of the management, there is no financial loss to the company.

For LODHA & CO.
Chartered Accountants

N. KISHORE BAFNA
Partner
(Membership No. 7642)

Place : Mumbai
Date : 16th June, 2005

BALANCE SHEET AS AT MARCH 31, 2005

	Schedule	31.3.2005 Rs. in '000	31.3.2004 Rs. in '000
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	1,045,000	1,045,000
Reserves and Surplus	2	214,611	118,659
Net Deferred Tax Liability		10,265	14,218
		<u>1,269,876</u>	<u>1,177,877</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	399,612	362,289
Less : Depreciation		291,538	258,565
Net block		<u>108,074</u>	<u>103,724</u>
Investments	4	750,736	793,973
Current Assets, Loans & Advances			
Sundry Debtors	5	18,110	9,802
Cash and Bank balances		430,274	284,852
Loans and Advances		151,387	101,614
		<u>599,771</u>	<u>396,268</u>
Less:			
Current Liabilities & Provisions	6	103,982	78,701
Liabilities		84,723	37,387
Provisions		<u>188,705</u>	<u>116,088</u>
Net Current Assets		<u>411,066</u>	<u>280,180</u>
		<u>1,269,876</u>	<u>1,177,877</u>
Significant Accounting Policies and Notes to Accounts			
Schedules referred to above form an integral part of the Financial Statements	11		

For and on behalf of the Board of Directors

As per our attached report of even date

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

S.S.Thakur
Chairman

V.V.Raut
Executive Director

For Lodha & Company
Chartered Accountants

N Kishore Bafna
Partner

Place : Mumbai,
Date : 16th June, 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005

	Schedule	2004-2005 Rs. in '000	2003-2004 Rs. in '000
INCOME			
Operational Income	7	210,903	135,757
Other Income	8	78,045	152,595
		<u>288,948</u>	<u>288,352</u>
EXPENDITURE			
Personnel Cost	9	30,327	25,604
Other Expenses	10	84,303	92,569
Depreciation		35,812	32,433
		<u>150,442</u>	<u>150,606</u>
Profit before Tax		<u>138,506</u>	<u>137,746</u>
Provision for Current Tax		46,500	32,885
Provision for Wealth Tax		7	11
Provision for Deferred Tax		(3,953)	2,765
Profit After Tax		<u>95,952</u>	<u>102,085</u>
Balance of Profit brought forward from previous year		117,459	16,574
Profit available for appropriation		213,411	118,659
Transfer to Beneficial Owners Protection Reserve		1,200	1,200
Surplus carried to Balance Sheet		212,211	117,459
Significant Accounting Policies and Notes to Accounts	11		
Schedules referred to above form an integral part of the Financial statements			

For and on behalf of the Board of Directors

As per our attached report of even date

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

S.S.Thakur
Chairman

V.V.Raut
Executive Director

For Lodha & Company
Chartered Accountants

N Kishore Bafna
Partner

Place : Mumbai,
Date : 16th June, 2005

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2005.

SCHEDULE 1	31.3.2005 Rs. in '000	31.3.2004 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		
Balance as per last Balance Sheet	1,200	-
Add : Additions during the year	<u>1,200</u>	<u>1,200</u>
	2,400	1,200
Surplus as per Profit & Loss Account	<u>212,211</u>	<u>117,459</u>
TOTAL	<u>214,611</u>	<u>118,659</u>

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2005

SCHEDULE 3 FIXED ASSETS		Rs. in '000											
		GROSS BLOCK				DEPRECIATION				NET BLOCK			
DESCRIPTION	As on 1.4.2004	Additions	Deductions	As on 31.3.2005	Upto 31.3.2004	For the year 2004-05	Deductions	Upto 31.3.2005	As on 31.3.2005	As on 31.3.2004			
Building *	17,377	-	-	17,377	1,483	283	-	1,766	15,611	15,894			
Computer Hardware & Software (Automated Depository System)	322,753	13,867	116	336,504	245,876	31,970	3	277,843	58,661	76,877			
Equipment	18,004	4,585	2,910	19,679	9,689	2,689	2,836	9,542	10,137	8,315			
Furniture & fixtures	514	21,897	-	22,411	256	142	-	398	22,013	258			
Vehicles	3,641	-	-	3,641	1,261	728	-	1,989	1,652	2,380			
Total	362,289	40,349	3,026	399,612	258,565	35,812	2,839	291,538	108,074	103,724			
Previous Year	327,884	38,464	4,059	362,289	228,988	32,433	2,856	258,565	103,724				

* Includes face value of shares in a co-operative society - Gross Block Rs. 500 (Previous year Rs. 500) ; Net Block Rs. 450 (Previous Year Rs. 458)

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2005

SCHEDULE 4 INVESTMENTS

Particulars	Face Value (Rs.)	31.3.2005		31.3.2004	
		Quantity in nos.	Rs. in '000	Quantity in nos.	Rs. in '000
Long Term Investments: (Unquoted, Non Trade & Fully paid up)					
Government Securities					
11.50% GOI 2015	10000	-	10	-	-
Current Investments:					
Equity Shares [Quoted, Non Trade & Fully paid up]					
Punjab National Bank Ltd. (Market value Rs.371 thousands, P.Y.Rs.Nil)	10	943	368	-	-
Units of Mutual Fund (Unquoted, Non Trade & Fully paid up)					
ABN AMRO Floating Rate Fund - Regular Plan	10	3,441,817	34,485	-	-
Birla Floating Rate Fund - Short Term	10	5,664,875	58,771	-	-
Deutsche Floating Rate Fund - Growth	10	1,892,182	20,130	-	-
Deutsche Floating Rate Fund - Regular Dividend	10	5,648,693	57,845	-	-
DSP Merrill Lynch Floating Rate	10	1,964,746	19,834	-	-
HDFC Floating Rate Fund Short term	10	3,096,818	31,070	-	-
HSBC Floater Long Term Institutional	10	5,384,205	53,843	-	-
JM Floater Short Term Dividend	10	2,187,897	21,994	-	-
JM Floater Long Term Premium Dividend	10	6,109,474	61,095	-	-
Kotak Floater Long Term	10	2,015,909	20,170	-	-
Kotak Floater Short Term	10	9,787,021	97,935	-	-
Principal Floating Rate Fund	10	1,996,122	19,967	-	-
Prudential ICICI Floating Rate Fund	10	419,222	4,285	-	-
Reliance Floating Rate Fund	10	3,455,132	34,759	-	-
Standard Chartered Floating Rate Long Term Inst	10	4,933,845	49,466	-	-
Tata Short Term Floater	10	4,619,254	46,194	-	-
Templeton Floating Rate	10	2,045,623	20,494	-	-
UTI Floating Rate	10	273,248	2,748	-	-
Reliance Equity Opportunity Fund	10	500,000	5,000	-	-
Tata Infrastructure Fund	10	488,998	5,000	-	-
Templeton Flexi Cap Fund	10	500,000	5,000	-	-
ABN AMRO Opportunities Fund	10	488,998	5,000	-	-
HDFC Premier Multi Cap Fund Div	10	488,998	5,000	-	-
Deutsche Insta Cash Plus Institutional Growth	10	589,615	5,896	-	-
JM High Liquidity Fund Growth	10	1,503	27	-	-
HDFC MIP Short Term Growth	10	1,450,852	15,812	-	-
HDFC MIP Short Term Dividend	10	486,083	5,000	-	-
Kotak Income Plus Dividend	10	485,352	5,000	-	-
Deutsche Insta Cash Plus	10	111,324	1,210	7,172,244	76,065
DSP ML Short Term	10	-	-	250,321	265

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2005

Particulars	Face Value (Rs.)	31.3.2005		31.3.2004	
		Quantity in nos.	Rs. in '000	Quantity in nos.	Rs. in '000
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
Birla Advantage Fund (Dividend)	10	-	-	411,729	33,155
Birla MIP Plan C - Growth	10	-	-	339,156	5,000
Reliance Liquid Fund	10	-	-	178,725	2,698
Birla Cash Plus	10	-	-	3,928,304	67,164
DSP Liquidity Fund	10	226,151	3,580	5,009,108	77,180
Prudential ICICI Liquid Plan	10	479,219	7,475	4,252,057	66,321
JM Income Fund	10	-	-	2,343,057	58,811
DSP ML Savings Plus	10	398,229	5,000	893,648	10,000
Deutsche MIP Growth	10	-	-	500,000	5,000
FT India Gilt Investment	10	-	-	747,161	10,000
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
Templeton Short Term Fund	1000	-	-	453	485
Jm Short Term Fund	10	-	-	596,536	6,061
Reliance Short Term Plan	10	-	-	366,669	3,910
HDFC Cash Management Savings Plan Growth	10	213,597	2,875	4,685,418	61,549
HDFC Cash Management Savings Plan Dividend	10	858,755	8,608	-	-
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 Invt Fund	1000	189	207	1,830	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	424,856	5,000	996,745	15,000
Templeton India TMA	1000	-	-	64,109	101,238
Tata Service Industries Fund	10	488,998	5,000	-	-
Less: Provision for diminution in the value of investments			751,153		809,531
			417		15,558
Total			750,736		793,973

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2005

Aggregate amount of investments:	31.3.2005		31.3.2004	
	Book Value	Rs. In '000 Market Value/ Repurchase price	Book Value	Rs. In '000 Market Value/ Repurchase price
Unquoted investments: in units of Mutual funds	750,358	752,495	793,963	810,807
: others	10	-	10	-
Quoted investments in Equity Shares	368	371	-	-
Investments Purchased and Sold during the year				
Particulars		Face Value (Rs.)		No. of Units
Deutsche Insta Cash Plus		10		7,582,388
DSP Liquidity Fund		10		2,612,471
DSP ML Savings Plus		10		1,242,153
HDFC Cash Management Savings Plan		10		2,764,524
Tata Liquid High Invt Fund		1,000		89,892
Templeton India MIP Growth		10		735,817
ABN AMRO MIP Growth		10		979,066
ABN AMRO Flexi Debt Fund		10		1,008,283
Birla Floating Rate Fund Short Term		10		1,928,027
Birla MIP Plan C - Growth		10		957,109
Birla MIP II Wealth 25 Plan Growth		10		1,000,000
Birla Cash Plus		10		1,701,531
Deutsche Short Term Maturity Fund		10		1,981,395
Deutsche Insta Cash Plus Institutional Growth		10		10,247,496
DSP Merrill Lynch Floating Rate		10		498,063
DSP Merrill Lynch Opportunities Fund		10		923,788
Standard Chartered Floating Rate Long Term Div		10		636,263
Standard Chartered Cash Fund Growth		10		532,233
HDFC MIP Long Term		10		1,419,379
HDFC Multiple Yield Fund		10		2,437,387
Birla Bond Plus Institutional Dividend		10		1,929,662
DSP Liquidity Fund		10		2,612,471
DSP ML Savings Plus		10		1,242,153
Standard Chartered Floating Rate Long Term- Div		10		636,263
Standard Chartered Cash Fund Growth		10		532,233
HDFC MIP Long Term		10		1,419,379
HDFC Equity Fund Dividend		10		153,909
HDFC Long Term Floater		10		1,575,316
HDFC Floating Rate Fund Short term		10		1,424,577
HDFC MIP Short Term Growth		10		394,553
HDFC Cash Management Savings Plan Growth		10		1,906,523
HSBC Cash Fund		10		4,812,496
HSBC Equity Fund		10		217,949

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2005

Investments Purchased and Sold during the year

Particulars	Face Value (Rs.)	No. of Units
HSBC MIP Savings Plan - Growth	10	977,202
Principal MIP Plus - Growth	10	942,028
Principal Floating Rate Fund	10	999,930
Principal Cash Management Fund	10	1,445,487
JM High Liquidity Fund Growth	10	65,808
JM High Liquidity Institutional PI Fund - Growth	10	6,001,278
JM High Liquidity Super Inst PL Fund - Growth	10	15,799,915
JM Short Term Institutional PI Div	10	1,977,238
JM Floater Short Term Dividend	10	5,967,152
Kotak Liquid Institutional Growth	10	2,971,383
Kotak Flexi Debt Dividend	10	5,332,025
Kotak Floater Short Term	10	499,610
Kotak Income Plus Growth	10	937,981
Kotak Floater Long Term	10	1,998,691
Reliance Floating Rate Fund	10	496,988
Reliance Treasury Plan Retail Option Growth	10	657,005
Reliance Treasury Institutional Plan	10	941,728
Tata Short Term Floater	10	499,481
Templeton India MIP Growth	10	735,817
Templeton India Bluechip Fund	10	149,105
Templeton Floating Rate	10	498,679
Templeton India TMA	1,000	30,119
UTI Liquid Advantage Fund	10	2,543,905

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2005

SCHEDULE 5	31.3.2005 Rs. in '000	31.3.2004 Rs. in '000
CURRENT ASSETS, LOAN AND ADVANCES		
SUNDRY DEBTORS		
Over six months	16,071	11,191
Others	15,099	8,321
	31,170	19,512
Less : Provision for doubtful debts	13,060	9,710
	18,110	9,802
Secured and considered good	15,066	8,321
Unsecured and considered good	3,044	1,481
Considered doubtful	13,060	9,710
	31,170	19,512
CASH AND BANK BALANCES		
Cash on hand	1	21
Cheques on Hand	-	1,853
Balances with Scheduled Banks:		
-in current account	668	2,994
-in term deposit accounts (inclusive of interest accrued Rs.9303 thousands; Previous Year Rs. 8753 thousands)	429,503	279,883
In current Account with Reserve Bank of India	102	101
	430,274	284,852
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 1369 thousands; previous year Rs. 1248 thousands, considered doubtful and fully provided for)	4,632	4,996
Income tax	83,005	32,868
Deposit with The Stock Exchange, Mumbai	63,750	63,750
	151,387	101,614
SCHEDULE 6		
CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors - other than to Small		
Scale Industrial Undertakings	9,155	8,092
Security Deposit from depository participants & RTA	78,050	61,250
Other Deposits	7,500	3,000
Income received in advance	3,587	2,444
Other liabilities	5,690	3,915
	103,982	78,701
PROVISIONS		
For Wealth Tax	7	11
For Income Tax	81,019	34,519
For Ex-Gratia	1,900	1,000
For Leave Encashment	1,797	1,857
	84,723	37,387

**SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED 31ST MARCH 2005**

SCHEDULE 7	2004-2005 Rs. in '000	2003-2004 Rs. in '000
OPERATIONAL INCOME		
Fees towards:		
- Account Maintenance	4,754	4,395
- Transactions	103,796	70,743
- Settlements	10,125	10,685
- Users Facilities	20,017	16,622
- Issuer (Annual)	52,320	25,925
- Training (Net of Training Expenses Rs 564 thousands; P Y.Rs 466 thousands)	55	(21)
- Others	19,836	7,408
	<u>210,903</u>	<u>135,757</u>
SCHEDULE 8		
OTHER INCOME		
Income from/Interest on :		
Fixed Deposits (TDS Rs.2957 thousands ; P Y Rs.1975 thousands)	21,323	26,286
Others	71	1,255
Miscellaneous Income	763	2,507
Profit on sale of Investments (Net) *	29,599	119,064
Income from Mutual Funds *	10,727	3,088
Rent (TDS Rs 87 thousands; P Y Rs 25 thousands)	421	395
Provision for diminution in the value of investments no longer required written back	15,141	-
	<u>78,045</u>	<u>152,595</u>
(* Income from Current Investments)		

**SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED 31ST MARCH 2005**

SCHEDULE 9	2004-2005 Rs. in '000	2003-2004 Rs. in '000
PERSONNEL COST		
Salaries and other allowances	26,397	22,567
Contribution to PF and other funds	2,260	1,839
Staff welfare expenses	1,670	1,198
	<u>30,327</u>	<u>25,604</u>
SCHEDULE 10		
OTHER EXPENSES		
Rent	6,426	6,428
Rates & Taxes	15	15
Electricity & Water Charges	2,485	2,277
Insurance	5,507	5,568
Repairs and Maintenance :		
Computers	38,428	36,982
Others	1,636	1,093
Legal, Professional and Consultancy Fees	5,256	3,561
Directors' Sitting Fees	300	190
Travelling and Conveyance	2,688	2,743
Annual SEBI Fees	1,000	1,000
Postage, Telephone & Communication Charges	5,555	4,052
Advertisement Expenses	890	1,558
Printing & Stationery	1,061	1,076
Business Promotion Expenses	1,068	929
Bad Debts Written off	6,979	4,698
Loss on Discarded Assets	8	491
Provision for Doubtful Debts/Advances	3,471	390
Service Tax	-	2,925
Provision for diminution in the value of investments	-	15,558
Miscellaneous Expenses	1,530	1,035
	<u>84,303</u>	<u>92,569</u>

SCHEDULE TO BALANCE SHEET AS AT AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2005

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/Impairment Loss

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 at the rate of 20% p.a. (as against 9.50 % p.a. specified in the said schedule). Additional depreciation is provided on technical evaluation from time to time as considered appropriate by the Management. In case, the recoverable amount of the fixed assets is lower than its carrying amount, a provision is made for the impairment loss.

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 relevant provisions of 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 virtual certainty that these would be realised in future.

ix) Provisions, contingent liabilities and contingent assets

Provision is made based on a reliable estimate, when it is probable that an outflow of resources embodying economic benefit will be required to settle an obligation. Contingent liabilities, if material, are disclosed by way of notes to accounts. Contingent assets are not recognized or disclosed in the financial statements.

x) Beneficial Owners Protection Reserve

Beneficial Owners Protection Reserve has been set up in 2003-04 as advised by SEBI for indemnification of losses to the beneficial owners in accordance with the Depositories Act, 1996 read with SEBI

(Depositories and Participants) Regulation, 1996. Amount as prescribed in the relevant rules is transferred to the said reserve as at the year end.

- 2) Contingent Liability not provided for, being not ascertainable, in the matter of writ petition filed during the year 2003-2004 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. 12722 thousands (Previous Year Rs.234 thousands).
- 4) 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 Leave Encashment	605	666
Provision for Doubtful Debts /Advances	4857	3931
Provision for diminution in the value of Investments	43	1595
	<u>(A) 5505</u>	<u>6192</u>
Deferred Tax Liability		
Depreciation	<u>(B) 15770</u>	<u>20410</u>
Net Deferred Tax Liability(B-A)	10265	14218

5. a) **Managerial Remuneration :**
(Excluding gratuity, leave encashment provision and group Medclaim)

	Current year (Rs. In '000)	Previous year (Rs. In '000)
Salary and allowances	1652	2413
Company's Contribution to P. F.	119	140
Perquisites (Evaluated as per Income Tax Rules where necessary)	22	27
Total	1793*	2580

* includes Rs. 47 thousands subject to approval of shareholders. Salaries and allowances include notice pay Rs. Nil (P.Y. 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 efforts made by the company to recover the excess amount from the legal heirs of late Shri M.G.Damani have not yielded the desired results. The company has since made an application to the Central Government to permit the waiver of recovery of amount of excess remuneration from the said legal heirs in terms of provisions of section 309(5B) of the Companies Act, 1956.

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

7. Auditors' Remuneration :

(Including service tax)

	Current year (Rs. In '000)	Previous year (Rs. In '000)
Audit Fees	180	160
Tax Audit Fees	45	40
For Other Services	5	0
Out of Pocket Expenses	7	11
Total	237	211

8. Expenses in foreign currency (on payment basis)

	Current year (Rs. In '000)	Previous year (Rs. In '000)
Travelling Expenses	208	352
Training Fees	158	111
Software Expenses	0	4012

9. VSAT connectivity facilities provided by the Stock Exchange, Mumbai (BSE) are used by the Company as also by Company's Depository Participants (DPs) and other users. As agreed with the BSE the user charges invoiced by the Company to the DPs and other users are recovered by the Company and passed on to the BSE and therefore, are not recognised as Company's revenues: Rs. 14990 thousands (Previous Year Rs. 15012 thousands).

10. (a) "Other Liabilities" in Schedule 6 includes the balance of Rs. 2448 thousands (Previous year Rs. 3465 thousands) net of Rs. 2657 thousands (Previous year Rs. 613 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 Companies Act, 1956.

11. 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.

12. 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)	95952	102085
(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	0.92	0.98

13. 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

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

S.S.Thakur
Chairman

V.V.Raut
Executive Director

Place : Mumbai,
Date : 16th June, 2005

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	31.03.2005

2. Capital Raised during the year (amount Rs. in thousand) :

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

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

Total Liabilities	Total Assets
1458581	1458581

Source of Funds		Application of Funds	
Particulars	Amount	Particulars	Amount
Paid up capital	10,45,000	Net Fixed Assets	1,08,074
Reserves and Surplus	2,14,611	Investments	7,50,736
Secured Loans	NIL	Net Current Assets	4,11,066
Unsecured Loans	NIL		
Net Deferred Tax Liability	10,265		
	12,69,876		12,69,876

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

Total Income	Total Expenditure	Profit/Loss before Tax	Profit/Loss after Tax
2,88,948	1,50,442	1,38,506	95,952
Earnings Per share In Rs.		Dividend Rate (%)	
0.92		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

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

S.S.Thakur
Chairman

V.V.Raut
Executive Director

Place : Mumbai,
Date : 16th June, 2005