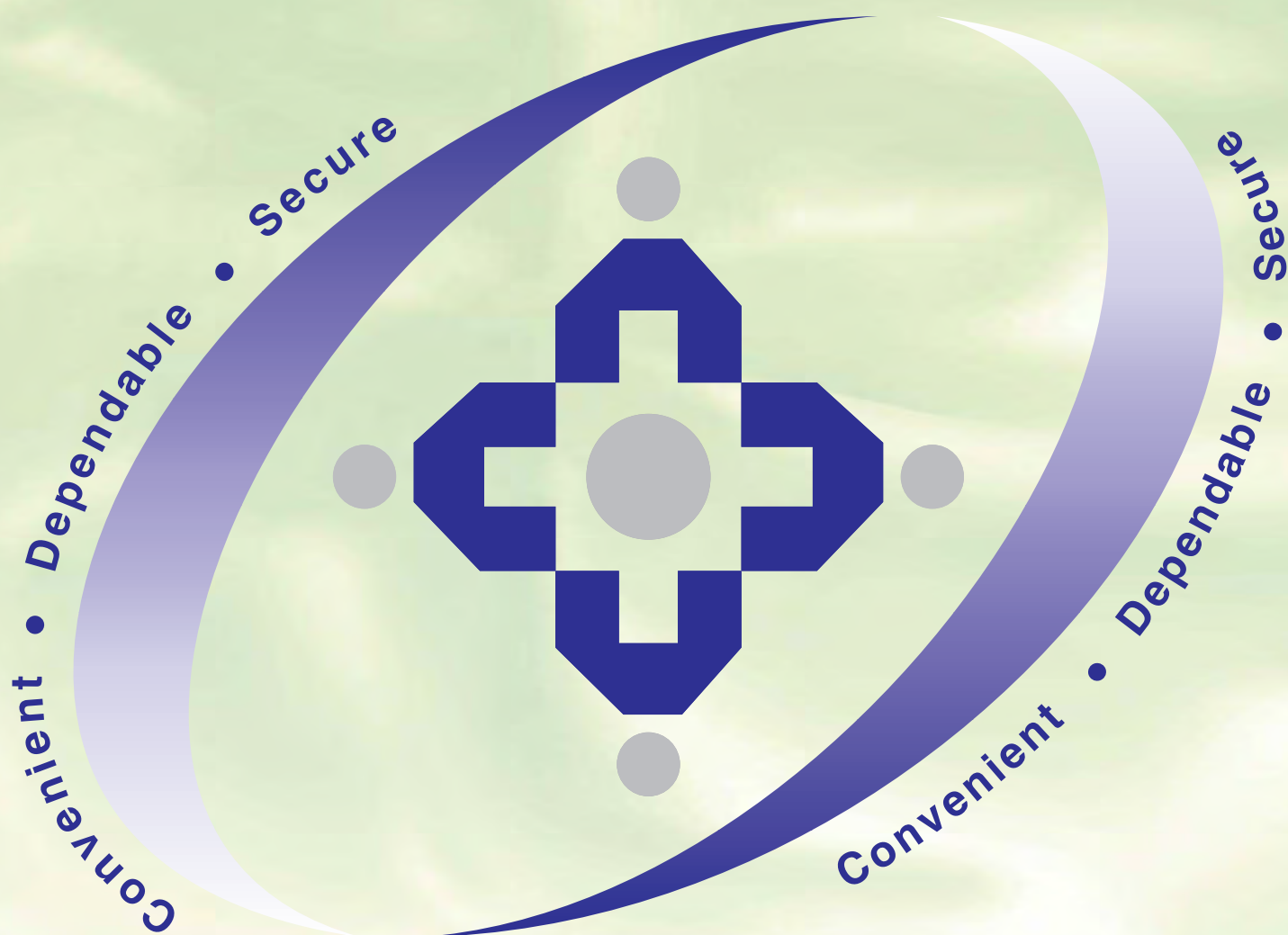


ANNUAL REPORT

2005 - 2006



Central Depository Services (India) Limited

CDSL DP NETWORK

ANDHRA PRADESH

Hyderabad	1
Nizamabad	2
Proddatur	3
Secunderabad	4
Vijayawada	5
Visakhapatnam	6

ASSAM

Guwahati	7
Tinsukia	8

BIHAR

Gaya	9
Muzaffarpur	10
Patna	11

CHANDIGARH

Chandigarh	12
------------	----

CHHATTISGARH

Raipur	13
--------	----

GOA

Panaji	14
--------	----

GUJARAT

Ahmedabad	15
Anand	16
Bardoli	17
Bharuch	18
Bhavnagar	19
Borsad	20
Dahod	21
Dharmaj	22
Dhoraji	23
Jam Khambhaliya	24
Jamnagar	25
Junagadh	26
Khambhat	27
Mithapur	28
Nadiad	29
Rajkot	30
Surat	31
Vadodara	32
Vapi	33

HARYANA

Ambala Cantt	34
Gurgaon	35
Hissar	36
Rohtak	37
Sirsa	38

JHARKHAND

Dhanbad	39
Ranchi	40

KARNATAKA

Bangalore	41
Belgaum	42
Hospet	43
Hubli	44
Mangalore	45
Udipi	46

KERALA

Kochi	47
Thiruvananthapuram	48
Thrissur	49

MADHYA PRADESH

Bhopal	50
Guna	51
Gwalior	52
Indore	53
Jabalpur	54
Mandsaur	55
Piparaya	56
Shahdol	57

MAHARASHTRA

Ahmednagar	58
Akola	59
Bhiwandi	60
Dhule	61
Dombivli	62
Ichalkranji	63
Jalgaon	64
Kolhapur	65
Mumbai	66
Nagpur	67
Nandurbar	68
Nasik	69
Navi Mumbai	70
Pune	71
Sangamner	72
Sangli	73
Thane	74

NEW DELHI

New Delhi	75
-----------	----

ORISSA

Bhubaneswar	76
Cuttack	77
Rourkela	78

PUNJAB

Bathinda	79
Ludhiana	80
Mandi Gobindgarh	81

RAJASTHAN

Abu Road	82
Alwar	83
Balotra	84
Bharatpur	85
Bhilwara	86
Bikaner	87
Chittorgarh	88
Churu	89
Hanumangarh	90
Hindaun	91
Jaipur	92
Jhunjhunu	93
Jodhpur	94
Kota	95
Sirohi	96
Sriganganagar	97
Udaipur	98

UTTAR PRADESH

Agra	104
Allahabad	105
Bareilly	106
Bulandshahar	107
Kanpur	108
Lucknow	109
Meerut	110
Moradabad	111
Noida	112
Shamli	113
Varanasi	114

UTTARANCHAL

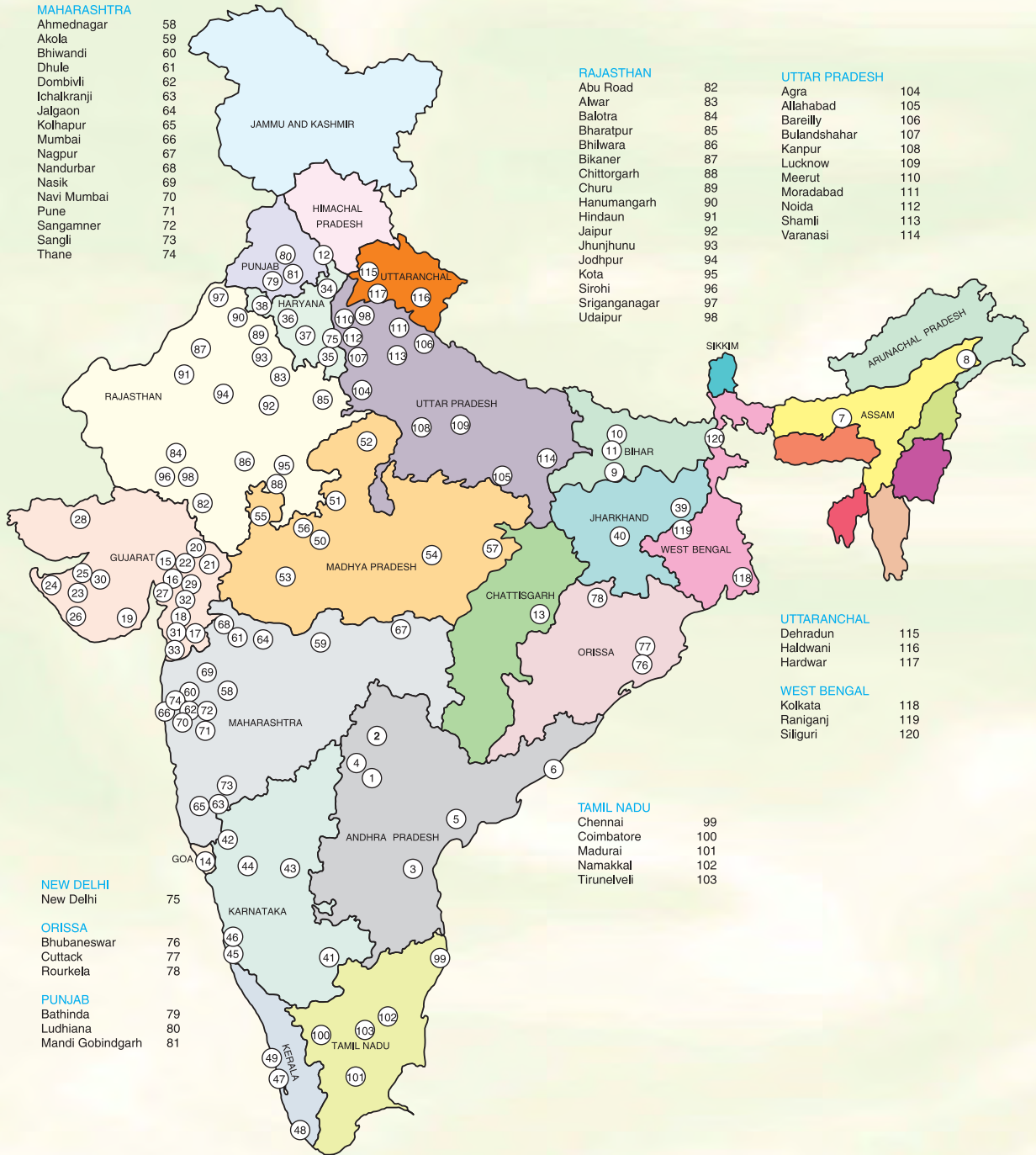
Dehradun	115
Haldwani	116
Hardwar	117

WEST BENGAL

Kolkata	118
Raniganj	119
Siliguri	120

TAMIL NADU

Chennai	99
Coimbatore	100
Madurai	101
Namakkal	102
Tirunelveli	103



* Map not to scale

Central Depository Services (India) Ltd.

BOARD OF DIRECTORS

Shri S. S. Thakur	<i>Chairman</i>
Shri M.R. Mayya	<i>Independent Director</i>
Shri S. Vishvanathan	<i>Sponsor Director (State Bank of India) [resigned on 24th April, 2006]</i>
Shri S. Sampath	<i>Sponsor Director (Bank of India)</i>
Shri Anil D. Parulkar	<i>Sponsor Director (Bank of Baroda)</i>
Shri Rajnikant Patel	<i>Sponsor Director (Bombay Stock Exchange Limited)</i>
Shri Prakash Kacholia	<i>Sponsor Director (Bombay Stock Exchange Limited) [resigned on 20th April, 2006]</i>
Shri S. B. Patankar	<i>Sponsor Director (Bombay Stock Exchange Limited) [resigned on 20th April, 2006]</i>
Shri V. V. Raut	<i>Managing Director & CEO</i>

MANAGEMENT TEAM

Shri V. V. Raut	Managing Director & CEO
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.

CONTENTS

Directors' Report	2
Auditors' Report	23
Annual Accounts	27
Schedules to the Accounts	29

DIRECTORS' REPORT

Your Directors are pleased to present the Eighth Annual Report and Audited Statement of Accounts of your company for the year ended 31st March, 2006. The company has completed yet another eventful year and registered an impressive overall growth in its operations.

Financial Highlights

Particulars	Year ended 31 st March 2006 (Rs. million)	Year ended 31 st March 2005 (Rs. million)
Income	393.80	288.95
Expenditure	124.53	114.63
Profit before Depreciation and Taxation	269.27	174.32
Depreciation	46.30	35.81
Profit before Tax	222.97	138.51
Provision for Taxation	76.66	46.51
Provision for Deferred Tax for the year	(5.11)	(3.95)
Profit after Tax	151.42	95.95
Balance brought forward	212.21	117.46
Profit available for appropriation	363.63	213.41

Your Directors are happy to inform that the income from operations during the year increased from Rs.210.90 million to Rs.316.32 million, accomplishing a growth of 50% over the year 2004-05. Income from transactions rose from Rs.103.80 million to Rs.161.20 million, thus registering a substantial increase of 55% over the previous year. Profit Before Tax (PBT) for the financial year 2005-06 at Rs.222.97 million was also significantly higher than the previous year's level of Rs.138.51 million. Profit After Tax (PAT) amounted to Rs.151.42 million as against Rs.95.95 million, with an increase of 58% over the previous year.

Dividend

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

Buoyant Capital Market Environment

The capital market witnessed significant buoyancy and remained vibrant during the year under review. The tempo of the upsurge in the secondary market firmed up and gathered further momentum as the BSE-30 SENSEX climbed to the peak level of 11,356.95 on March 31, 2006 before closing at 11,279.96 at the end of day. Strong economic fundamentals coupled with the constant flow of FII investments propelled the spurt. Mobilization of huge resources from the primary market also enhanced the vibrancy of the capital market. The performance of the primary market was better than the previous year. As compared to Rs.21,422 crores raised in 2004-05, corporates collected Rs.23,684 crores in 2005-06. A remarkable feature of this record collection was that it occurred in the absence of any PSU divestment. The year 2005-06 witnessed 102 public issues, compared to 29 in the previous fiscal, an increase of over 250 per cent.

Operational Highlights

The buoyancy in the primary and secondary markets contributed significantly to the growth in business volumes of your company, as also in the depository participants widening their branch network across the country. This is evident from the increase in the number of securities admitted with CDSL, growth in the value and volume of securities dematerialized and settled through the CDSL system, expansion of the network of Depository Participants and increase in the number of beneficial owner accounts opened during the year 2005-06, as indicated hereunder.

Admission of Securities

The number of securities admitted during the year increased from 9,326 as on 31st March, 2005 to 10,168 as on 31st March, 2006. Equity shares, preference shares, debt instruments, government securities, certificates of deposit, commercial papers and a host of other instruments are available for dematerialization by the investors. Details of the securities admitted with CDSL are given below :

Securities	Year ended 31 st March 2006	Year ended 31 st March 2005	Increment over the previous year (%)
Equity Shares	5479	5033	8.86
Debt Instruments	4325	3953	9.41
Other Securities	364	340	7.06
Total	10168	9326	9.03

Holding of Dematerialized 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 2006	Year ended 31 st March 2005	Increment over the previous year (%)
Value (in million Rs.)	21,82,420	11,47,750	90.15
Volume (in million)	27,220	19,080	42.66

Depository Participants and DP Branches

During the year 2005-06, 48 new Depository Participants (DPs) were registered as compared to 68 new registrations during the previous financial year. With this, the number of Depository Participants holding valid SEBI registration certificates has increased to 315 after taking into account the withdrawal / expiry of certificates of registration of 3 DPs during the year. Consequently, investors from 122 cities spread across 23 States and one Union Territory can now avail of CDSL's depository services.

Beneficial Owner Accounts

Your Directors are pleased to report that during the year under review, 8,49,891 Beneficial Owner (BO) accounts were added, reflecting a growth of 84.03% over

the previous year. With expanded investor base, your company has further consolidated its position in the depository system. The comparative figures of the total number of BO accounts as on 31st March 2006 and 31st March 2005 are given in the following table:

Year ended 31 st March 2006	Year ended 31 st March 2005	Increment over the previous year	
		Number	Percentage
18,61,288	10,11,397	8,49,891	84.03

Securities Settled through CDSL System

During the year 2005-06, the value and volume of securities settled through the CDSL system registered a growth of 53.41% and 36.07% respectively over the corresponding figures of the previous year. Details are given below:

Securities Settled	Year ended 31 st March 2006	Year ended 31 st March 2005	Increment over the previous year
Value (in million Rs.)	13,71,431	8,93,987	4,77,444
Volume (in million)	18,063	13,275	4,788

Connectivity with Stock Exchanges for Settlement of Securities

All on-market transactions are settled through the clearing house of BSE viz. BOI Shareholding Ltd., (BOISL) and National Securities Clearing Corporation Ltd., (NSCCL), the clearing corporation of NSE. Although CDSL is having live connectivity with four other stock exchanges/clearing houses, no securities are being delivered through these organizations.

Investor Awareness Education, Seminars and Exhibitions

To spread awareness about the facility of dematerialization of securities, your company participated in several investor awareness programs either on its own or in association with other organizations. CDSL officials explained the advantages of dematerialization, procedures to be followed and precautions to be taken by the investors in the form of

'DOs & DONTs'. CDSL conducted 19 investor seminars and participated in 5 investor melas, receiving encouraging response from the investing public. Your company also brought out investor education booklets in several regional languages in addition to English and Hindi.

In the wake of the SEBI circular on shifting of demat holdings across Depository Participants and the Depositories without any charge, CDSL conducted several meetings with its DPs to inform them about this significant development and to get them to convey the same to their clients. The focus has mainly been on CM DPs of CDSL, since many of their broking clients were not willing to open demat accounts within the CDSL DP set up owing to the high cost of transferring securities from their current demat accounts. The response from DPs has been quite positive.

Revision of Tariff

Your company earlier used to levy a debit transaction charge @ 0.01% of the transaction value subject to minimum Rs.5/- and maximum Rs.12/- per transaction. After a detailed review of the existing tariff structure, CDSL decided to modify the same and introduce a flat charge of Rs.5/- per debit transaction with effect from 1st January, 2006. The investing community has welcomed the reduction in the transaction charge and this has led to the opening of new accounts by several investors.

Technology Initiatives

Maintenance of records in electronic form and facilitating electronic transactions form the key business functions of your company. CDSL, as a depository, is virtually an I.T. enabled service-provider. The company has deployed considerable resources on state-of-the-art technology for speedy processing of transactions, safeguarding the electronic data and also ensuring business continuity. The systems are constantly reviewed and upgraded to keep pace with the increasing business volumes and tight business schedule without compromising on performance parameters.

BS7799 certification

Your Directors are pleased to inform that Det Norske Veritas (DNV) conducted the initial and final audits of information security management system for depository services during November / December, 2005 and awarded the BS7799 certification to CDSL on 14th February, 2006. This certification signifies that CDSL's operations with reference to Information Security Management System Standard are in conformity with BS7799

international standards. This certification covers the entire range of depository services rendered by CDSL through its main site as well as disaster recovery site.

Software Enhancements

Your company has augmented the processing capacity of its production servers by releasing the new CDAS application architecture on January 21, 2006. With the release of the new CDAS application architecture, the idle capacity of the fail-over server is being used optimally thereby increasing the processing capacity. This has also enabled CDSL to handle current peak loads and growing business volumes.

Network Connectivity Enhancements

CDSL has been receiving requests from outstation users for an alternative mode of connectivity for existing VSAT connections, which would be cost-effective and better in performance. In some places, problems like space constraint, heavy weight of antenna, exorbitant rentals charged by landlords and lack of backup mode of connectivity were becoming bottlenecks to establish VSAT connectivity for the users. Keeping this in view, your company has initiated steps to provide connectivity through leased line using BSNL infrastructure based on MPLS VPN technology. The company has successfully tested this technology and has started recommending this mode of connectivity to the new users in place of VSAT connectivity since it would be economically cheaper than VSAT and its performance would also be better. Your company has also migrated its VSAT connections from Narrow Band to Broad Band, jointly with BSE, to ensure larger bandwidth for data transfers.

easi and easiest

The two internet facilities – electronic access to securities information (**easi**), and electronic access to securities information and execution of secured transactions (**easiest**) introduced by your company earlier continue to offer useful services to the users. **easi** allows Beneficial Owners and Clearing Members to view the status of their accounts while **easiest** facilitates them to enter demat transactions over the internet. Both the internet facilities have gained further popularity during the course of the year and are being viewed as beneficial features in terms of convenience and risk management. As on 31st March, 2006, CDSL had 49,383 demat account holders registered for **easi** and 2,989 users registered for **easiest**.

Depository Reforms

The year under review witnessed several reforms in depository related areas at the initiative of SEBI. Some of the important reforms are as follows:

a) Review of Demat Charges

SEBI decided that with effect from 9th January, 2006, no charges shall be levied by a Depository on Depository Participants and consequently, by a DP on a Beneficial Owner (BO) when a BO transfers all the securities lying in his account to another branch of the same DP or to another DP of the same depository or another depository, provided the BO account at transferee DP and transferor DP are one and the same i.e. identical in all respects. For instance, if the BO account at transferor DP is a joint account, the BO account at transferee DP should also be a joint account in the same sequence of ownership.

b) Strengthening of Surveillance Mechanism

SEBI advised the Depositories to enhance their surveillance mechanism and also to devise and put in place systems and procedures for identifying multiple dematerialized accounts of suspicious nature and reporting the same to SEBI. Accordingly, CDSL has taken appropriate action in this regard.

CDSL has also advised DPs to take special care to check the genuineness of the client, if disproportionately large number of accounts (say more than 20) are opened in the same or similar names and / or the same address and / or with the same bank account details. In case of existing accounts, DPs have been advised to verify the genuineness of all demat accounts. If any multiple demat accounts of suspicious nature are identified, the DP is required to report the same to the Depository promptly.

c) Know Your Client (KYC) Norms – Proof of Investor's Identity and Address

SEBI has reiterated the need and importance of exercising utmost care and caution while opening of BO accounts by DPs. This necessitates verification of the prescribed documents to prove and confirm the identity and address of the beneficial owners. Accordingly, CDSL has issued necessary instructions to DPs in this regard.

d) PAN Card made Compulsory for Opening of Demat Accounts

SEBI has also made verification of PAN cards by DPs compulsory in all cases where demat accounts are opened on or after 1st April, 2006. Further, from 1st October, 2006 onwards, existing account holders would not be able to operate their accounts, if they do not produce their PAN cards for verification by the concerned DPs. SEBI has also decided that the staff of DPs should personally verify the identity and address of the investors while opening their BO accounts. Accordingly, CDSL has issued appropriate instructions to DPs to comply with this regulatory requirement.

Ownership Pattern

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

Category of shareholders	Share Capital (Rs. in '000)	Percentage of shareholding
Banks	652446	62.40
Stock Exchanges	392546	37.56
Others	8	0.04
Total	1045000	100.00

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

Shri V.V. Raut was appointed as Managing Director and CEO of your company on 8th December, 2005. A resolution together with an explanatory statement containing the terms and conditions of the appointment of Shri V.V. Raut in this capacity will be placed before the ensuing Annual General Meeting for consideration and approval.

During the year under review, Shri D. Sarkar, Deputy General Manager (Treasury), Bank of Baroda, resigned from the directorship and Shri K.M. Ramasubramoney, Deputy General Manager of the said bank was appointed as a sponsor director in his place on 10th August, 2005. Subsequently, Shri K. M. Ramasubramoney resigned from the directorship and Shri Anil D. Parulkar, General Manager (Treasury Operations), Bank of Baroda was appointed as a sponsor director in his place on 17th March, 2006. Shri Anil D. Parulkar will hold office till the commencement of the ensuing Annual General Meeting.

Shri C.E.S.Azariah, Chief General Manager (Treasury), State Bank of India resigned from the directorship and Shri S. Vishvanathan, General Manager, State Bank of India was appointed as a sponsor director in his place on 10th August, 2005. Later, Shri S. Vishvanathan resigned from the directorship and Shri N. Raja, Chief General Manager (Treasury) was appointed as a sponsor director in his place on 9th May, 2006. Shri N. Raja will hold office till the commencement of the ensuing Annual General Meeting.

Shri S. Hariharan, General Manager, Bank of India resigned from the directorship and Shri S. Sampath, General Manager, Bank of India was appointed as a sponsor director in

his place on 7th December, 2005. Shri S. Sampath will hold office till the commencement of the ensuing Annual General Meeting.

Shri S.B. Patankar, nominated as a director by Bombay Stock Exchange Limited resigned from the directorship and Shri S. Jambunathan was appointed as a sponsor director in his place on 9th May, 2006. Shri Prakash Kacholia, representing Bombay Stock Exchange Ltd. on the Board resigned from the directorship and Shri Siddharth J. Shah was appointed as the sponsor director of the Bombay Stock Exchange Ltd. on 9th May, 2006 in place of Shri Kacholia.

The Board of Directors places on record its appreciation of the services rendered by Shri D. Sarkar, Shri K.M. Ramasubramoney, Shri C.E.S. Azariah, Shri S. Vishvanathan, Shri S. Hariharan, Shri S.B. Patankar and Shri Prakash Kacholia during their tenures as directors of your company.

The company has received necessary notices under Section 257 of the Companies Act, 1956 from shareholders proposing the candidature of Shri Anil D. Parulkar, Shri N. Raja, Shri S. Sampath, Shri S. Jambunathan and Shri Siddharth J. Shah for appointment as directors. Shri Rajnikant Patel retires by rotation at the Eighth Annual General Meeting and being eligible, offers himself for re-appointment. The resolutions in this regard form part of the notice of the 8th Annual General Meeting and are recommended for approval by the members.

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, relating to 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 2006 (Rs. in million)	Year ended 31 st March 2005 (Rs. in million)
Earnings	Nil	Nil
Outgo		
Travelling expenses	1.06	0.21
Expenditure on training	0.04	0.16
Total	1.10	0.37

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; and
- iv) the annual accounts have been prepared on a going-concern basis.

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**.

Particulars of Employees

Your company had 124 employees at the end of the financial year 2005-06. None of the employees of the company employed throughout the financial year was in receipt of remuneration aggregating more than Rs.24 lakhs in that year. Only one employee viz. Shri V. V. Raut was in receipt of more than Rs.2 lakhs per month as the Managing Director & CEO for part of the financial year 2005-06 i. e. since December 8, 2005. Information about the total remuneration paid to him in the said year as the whole-time director of your company is given in Annexure 'A' to this report. The information required to be disclosed under section 217 (2A) of the Companies Act, 1956, as applicable, is furnished in **Annexure D.**

Human Resource Development

Employees are a critical resource for any organization, more so for a service provider like CDSL. Your company, therefore, accords high importance to human resource development and is continuing its efforts to enhance the quality and competence of its employees in different cadres.

Acknowledgement

Your Directors would like to place on record their sincere gratitude for the guidance and co-operation CDSL received from SEBI and other regulatory agencies. The Directors also acknowledge with thanks the continuing support of the Beneficial Owners, Depository Participants, Stock Exchanges and Clearing Houses, and express their appreciation for the valuable services and dedicated efforts of the employees of the company which have enabled it to achieve impressive results on all fronts.

For and on behalf of the Board

sd/-

S. S. Thakur

Chairman

Place : Mumbai

Date : 16th June, 2006

ANNEXURE A

CORPORATE GOVERNANCE

Company's philosophy on Code of 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 organization while ensuring accountability, probity and transparency in the conduct of its business within the prescribed legal framework.

Board of Directors

a) Composition

The Board consists of nine directors including the Managing Director and eight non-executive directors of whom six are sponsor directors and two are independent directors. Shri S. S. Thakur, who is an independent director, is also the non-Executive Chairman of the company. Details of directorship and Board Committee membership of CDSL's Directors in other public limited companies as on 31st March, 2006 are as under:

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	8	9	2
Shri M.R. Mayya	Non-Executive-Independent	2	2	2
Shri C. E. S. Azariah (resigned on 22 nd July, 2005)	Non-Executive	1	2	—
Shri D. Sarkar (resigned on 12 th July, 2005)	Non-Executive	—	—	—
Shri S. Hariharan (resigned on 22 nd October, 2005)	Non-Executive	—	—	—
Shri Rajnikant Patel	Non-Executive	2	—	—
Shri S. B. Patankar	Non-Executive	—	—	—
Shri Prakash Kacholia	Non-Executive	4	—	—

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 Vishvanathan (appointed on 10 th August, 2005)	Non-Executive	—	—	—
Shri K. M. Ramasubramoney (appointed on 10 th August, 2005 and resigned on 11 th March, 2006).	Non-Executive	—	—	—
Shri S Sampath (appointed on 7 th December, 2005)	Non-Executive	—	—	—
Shri Anil D. Parulkar (appointed on 17 th March, 2006).	Non-Executive	—	—	—
Shri V. V. Raut	Managing Director & CEO	—	—	—

b) Meetings and Attendance

During the year, the Board met five times on (i) 16th June 2005, (ii) 10th August 2005, (iii) 18th October 2005, (iv) 7th December 2005, and (v) 17th March 2006. Details of attendance of Directors at the Board meetings and the last Annual General Meeting 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	5	5	Yes
Shri M. R. Mayya	5	3	No
Shri C.E.S. Azariah	1	0	Not Applicable
Shri D. Sarkar	1	1	Not Applicable
Shri S. Hariharan	3	0	No
Shri Rajnikant Patel	5	4	No
Shri S. B. Patankar	5	5	Yes
Shri Prakash Kacholia	5	4	No
Shri S. Vishvanathan	4	3	Not Applicable
Shri K. M. Ramasubramoney	3	3	Not Applicable
Shri S Sampath	2	2	Not Applicable
Shri Anil D. Parulkar	1	1	Not Applicable
Shri V. V. Raut	5	5	Yes

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

Audit Committee

a) Composition of the Committee

The Audit Committee of the company, comprises solely of non-executive directors who have professional expertise in the fields of finance, accounting, banking, information technology and capital market. 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. The Committee met 4 times in the financial year 2005-06. The Committee consisted of the following directors as on 31st March, 2006 :-

1. Shri S. Vishvanathan
2. Shri S. Sampath
3. Shri S. B. Patankar
4. Shri Prakash Kacholia
5. Shri Anil D. Parulkar

b) Role of the Committee

The Audit Committee oversees the financial reporting process and disclosure of financial information to ensure correctness, sufficiency and reliability of the financial statements. The Committee reviews the annual financial statements before they are submitted to the Board and interacts with the external and internal auditors on the adequacy of financial control systems. The Committee reviews financial and risk management policies of the company and monitors its internal audit functions. It also oversees the operations of depository participants on the basis of the audit and inspection reports submitted by empanelled auditors.

c) Meetings and Attendance

The Committee met four times during the year 2005-06 on 12th May 2005, 30th August 2005, 19th January 2006, and 31st January 2006. 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 C. E. S. Azariah (resigned on 22 nd July, 2005)	1	1
2.	Shri D. Sarkar (resigned on 12 th July, 2005)	1	1
3.	Shri S. Hariharan (resigned on 22 nd October, 2005)	2	0
4.	Shri S. Vishvanathan (appointed on 10 th August, 2005)	3	3
5.	Shri S. B. Patankar	4	4
6.	Shri Prakash Kacholia	4	4
7.	Shri K. M. Ramasubramoney (appointed on 10 th August, 2005 and resigned on 11 th March, 2006)	3	3
8.	Shri S. Sampath	2	1
9.	Shri Anil D. Parulkar (appointed on 17 th March, 2006)	0	0

Remuneration of Directors

Shri V. V. Raut is the only whole-time director of your company. Until 7th December, 2005, he held the position of Executive Director and was subsequently appointed as the Managing Director & CEO. The total remuneration paid to Shri Raut as the whole-time director of the company in the year 2005-06 amounted to Rs.23,12,000/-.

Prior to 7th December, 2005, non-executive directors were paid sitting fee of Rs.5,000/- for each Board meeting and Rs.2,500/- for each meeting of a Board committee. At the Board meeting held on 7th December, 2005, it was decided to increase the sitting fee to Rs.7,500/- for each Board meeting and to Rs.4,000/- for each meeting of a Board committee.

Management Discussion and Analysis Report

The Management Discussion and Analysis Report for the year ended 31st March, 2006 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/-

Place : Mumbai

Date : 16th June, 2006

S. S. Thakur
Chairman

ANNEXURE B

Management Discussion and Analysis Report**1. Introduction**

Your company is engaged in the business of providing depository services to investors through Depository Participants, including recording of allotment and transfer of securities in demat form. During the last seven years of operations, the company has successfully matured as a convenient, dependable and secure depository and accomplished high level of operational efficiency.

2. Industry Structure & Developments

CDSL as a depository provides infrastructure for maintenance of records of the dematerialized securities of beneficial owners and facilitates electronic transfer of such securities. The Depository Participants (DPs) provide an interface between the Depository (CDSL) and the beneficial owners of securities. The issuers of securities, either on their own or through their Registrars and Transfer Agents (RTA), after establishing electronic connectivity with the Depository, carry out several functions like confirmation of demat requests, processing of corporate action for allotment of securities through IPO or otherwise and also undertake buy-back, redemption, rematerialisation, etc. of securities. The clearing house/clearing corporations of stock exchanges, which are electronically connected with the Depository, facilitate delivery of securities for settlement of on-market transactions entered through the stock exchange trading mechanism.

3. Opportunities & Threats

The depository system has succeeded in creating an environment where the investors can conveniently hold the securities with proper title. In addition, it has also facilitated faster transfer of securities, reduced transaction costs and eliminated several risks which were existing in the erstwhile system of physical securities. The Depositories have played a major role in the reform process by enabling shortening of settlement cycle (T+2), faster allotment of securities offered through IPOs or otherwise, apart from strengthening the efficiency of the settlement mechanism. Although necessary measures have been taken to meet the increasing demand, maintaining the integrity, safety and efficiency of the depository services continues to be a challenging task.

4. Segment wise / Product wise performance

CDSL as a depository is engaged in extending depository services. As its activities cannot be classified into different segments or products, the performance of CDSL needs to be viewed in an integrated manner.

5. Outlook

The Indian economy exhibited strong performance during the year 2005-06 led by sustained growth in the industry and the service sectors. According to the advanced estimates of the Central Statistical Organization (CSO), the real gross domestic product (GDP) increased from 7.5 percent in 2004-05 to 8.1 percent in 2005-06. The Government of India Economic Survey for 2006-07 has projected 8.10% growth in GDP in the current year. Encouraging corporate earnings reported for the year 2005-06, massive expansion plans in manufacturing and service sectors of the economy and the increased focus on the development of infrastructure reflect the underlying buoyancy and the potential for further economic growth. This has increased the confidence of foreign institutional investors apart from the domestic investors which augurs well for continued strengthening of the capital market. Therefore, prospects of sustained growth in depository services continue to be bright and promising.

6. Risks & Concerns

The increasing size and broadening base of depository services might give rise to operational risks for the depository system. Your company is making constant efforts to closely monitor the operations of DPs and their branches and identify the areas which may involve operational risks and cause concerns from the perspective of regulatory compliance. The company will initiate timely measures to mitigate any such eventualities. The hardware and software will also be upgraded and fine-tuned from time to time in order to extend efficient depository services to the users.

7. Internal Control & Systems Adequacy

Your company has been persistently striving to monitor the risks associated with the depository business and maintain the integrity of the depository system. All critical functions are subject to concurrent audit on a day-to-day basis and other functional areas are audited on a monthly basis. The risks arising out of the operations of depository participants are monitored through internal audits and periodical inspections conducted by empanelled auditors. In addition, the following new initiatives have been taken recently :

- a. The inspection mechanism of the DPs has been reviewed and strengthened. It is proposed to get the inspection system and procedure reviewed by a reputed firm of Chartered Accountant for further improvements in the inspection mechanism.
- b. As mandated by SEBI, the KYC norms prescribed for opening of demat accounts have been made more stringent and the DPs have been instructed to obtain and verify PAN cards in case of all categories of investors and demat account holders.

The company has also taken a comprehensive crimes and professional indemnity insurance policy from National Insurance Company Ltd. to cover the risks associated with the depository business.

For and on behalf of the Board

sd/-

S. S. Thakur

Chairman

Place : Mumbai

Date : 16th June, 2006

ANNEXURE C

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

Shri Rajnikant Patel

Joined BSE as Director - Surveillance & Inspection in March 2001. He was elevated to the position of COO in May 2003 and also held the additional charge of CFO. He was appointed Executive Director & Chief Executive Officer in September 2004 and became Managing Director & CEO after corporatisation of BSE.

Shri Patel spearheaded BSE's Demutualisation & Corporatisation (D & C) (the 1st exchange in India to demutualise and corporatise) and the various other initiatives including the prestigious ISO 9001:2000 certification for the Surveillance and Clearance & Settlement Departments, an achievement which makes BSE the 1st exchange in Asia and 2nd in the World to obtain such a certification.

An accomplished banker, Shri Patel had a long stint with the banking regulator Reserve Bank of India. He had previously worked with public sector and international banks.

Shri Patel is a member of the Working Committee of World Federation of Exchanges (WFE); Chairman of South Asian Federation of Exchanges (SAFE); Member of various committees in Securities and Exchange Board of India (SEBI); Member, National Council on Corporate Governance & Regulatory Framework of Confederation of Indian Industries (CII); Member, Council on Corporate Governance, Indian Merchant Chambers (IMC); Member of BSE's Clearing Council; Trustee of BSE Investor Protection Fund; Director on the Boards of Central Depository Services (India) Ltd. (CDSL) and BOI Shareholding Ltd. (BOISL).

Shri S. Sampath

Shri S. Sampath is a commerce graduate and holds Post Graduate Diploma in Management Studies. He is also a member of the Indian Institute of Bankers. He joined Bank of India in the year 1968 as Directly Recruited Officer and worked in different zones in various capacities.

Shri Anil D. Parulkar

Shri Anil D. Parulkar is a B.Com., CAIIB and holds Diploma in French Language. He is currently General Manager in-charge of Treasury Operations and Resource Mobilisation at Bank of Baroda, Mumbai. He has been with the bank for the last 35 years and has served the bank in various capacities both in India and abroad. Shri Parulkar has rich

experience in the areas of international banking and finance and has worked in the bank's overseas branches at Brussels (Belgium) and New York (USA) and also at the International Division of the Corporate Office. Shri Parulkar has also served as director on the boards of the overseas subsidiaries of the Bank of Baroda in Kenya, Uganda and Guyana.

Shri N. Raja

Shri N. Raja is a Post Graduate in Science and CAIIB. He is currently Head of Treasury of State Bank of India as Chief General Manager (Treasury). He served the bank in various capacities both in India and abroad. He held a variety of assignments in the past such as General Manager, Delhi Circle of State Bank of India, National Banking Group, Deputy General Manager of Mumbai Zonal Office in the Retail Network of the bank, Deputy General Manager (Credit) of the bank's International Banking Group etc.

He also held overseas assignments in the bank's Offshore Banking Unit at Singapore from 1993 – 1997.

Shri Siddharth J. Shah

Shri Siddharth J. Shah is an engineering graduate and Masters in Business Administration. He also holds Diploma in Securities Market from Govt. Law College. He entered the capital market in 1990 and is currently a designated director of JGA Shah Share Brokers Pvt. Ltd., and a member of Bombay Stock Exchange Ltd. He is also a member of the SEBI approved Arbitration Committee, director on the Board of Bombay Stock Exchange Limited and a member of the Capital Market Committee of Indian Merchants Chamber.

Shri S. Jambunathan

Shri S. Jambunathan is a Gold Medalist in Mathematics from Madras University. He was an I. A. S. officer of Maharashtra Cadre, and retired as Chairman cum Managing Director of Export Credit Guarantee Corporation (ECGC), Govt. of India. Prior to that he was Additional Chief Secretary (HOME), Maharashtra for nearly three years.

Shri Jambunathan has rich and varied experience, both in Govt. of India and State Govt. He worked as Principal Secretary, Co-operation and Textiles, Tribal Development Commissioner, Additional Chief Secretary (Personnel, GAD) besides a number of postings as Collector, Chief Executive Officer of various districts.

He was a SEBI nominee Director in Bombay Stock Exchange (BSE) for a little more than three years. He has been again nominated by SEBI as Director in BSE and was elected as Non-Executive Chairman of BSE. He was also chairman of various functional committees of BSE like Audit Committee, Executive Committee, Listing Committee, Disciplinary Action Committee, Finance Committee etc. He continues as a Director of BSE Ltd. and is a member of various committees of BSE.

ANNEXURE D

Disclosure under Section 217 (2A) of the Companies Act, 1956

The provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 in respect of employees of the company in receipt of remuneration of Rs.24,00,000/- or more per annum, if employed throughout the year under review are not applicable since none of the employees of CDSL received remuneration to this extent.

Particulars of the employee who was employed for the part of the financial year 2005-06 and received remuneration aggregating to Rs.2,00,000/- or more per month during the year are given below:

Name & Qualification	Age in Years	Designation	Remuneration Received (Rs.)	Experience (No. of years)	Date of commencement of employment	Last employment & designation
Shri V. V. Raut B.A	53	Managing Director & CEO	10,02,390	31	8 th December, 2005	CDSL Executive Director

Notes:

1. Remuneration includes basic salary and other allowances, company's contribution to provident fund, medical reimbursement and taxable value of perquisites.
2. Shri V. V. Raut is in employment of the company on contractual basis on the terms and conditions as approved by the Board of Directors and subject to the approval of members of the company.
3. Shri Raut is not a relative of any Director.

For and on behalf of the Board

sd/-

S. S. Thakur

Chairman

Place : Mumbai

Date : 16th June, 2006

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, 2006 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, 2006, and taken on record by the Board of Directors, wherever applicable, we report that none of the directors is disqualified as on 31st March, 2006 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, 2006; 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

R. P. Baradiya
Partner
(Membership No. 44101)

Place : Mumbai
Date : 15th May, 2006

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2006 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 the internal control systems.
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 or 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 material 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 loans taken by others from banks or financial institutions.
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 course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing standards in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management .

For LODHA & CO.
Chartered Accountants

Place : Mumbai
Date : 15th May, 2006

R. P. Baradiya
Partner
(Membership No.44101)

BALANCE SHEET AS AT MARCH 31, 2006

	Schedule	31.3.2006 Rs. in '000	31.3.2005 Rs. in '000
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	1,045,000	1,045,000
Reserves and Surplus	2	366,031	214,611
Net Deferred Tax Liability		5,153	10,265
		<u>1,416,184</u>	<u>1,269,876</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	408,116	399,612
Less : Depreciation		318,817	291,538
Net block		<u>89,299</u>	<u>108,074</u>
Investments	4	523,690	750,794
Current Assets, Loans & Advances			
Interest accrued on Investments	5	5,836	—
Sundry Debtors		18,591	15,533
Cash and Bank balances		831,658	430,274
Loans and Advances		72,847	70,309
		<u>928,932</u>	<u>516,116</u>
Less:			
Current Liabilities & Provisions			
Liabilities	6	119,650	101,404
Provisions		6,087	3,704
		<u>125,737</u>	<u>105,108</u>
Net Current Assets		<u>803,195</u>	<u>411,008</u>
		1,416,184	1,269,876
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 and on behalf of the Board of Directors

For Lodha & Co.

Chartered Accountants

R.P.Baradiya

Partner

Umesh P. Maskeri

Vice President (Legal)
& Company Secretary

S.S.Thakur

Chairman

V.V.Raut

Managing Director
& CEO

Place : Mumbai,

Date : 15th May,2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

	Schedule	2005-2006 Rs. in '000	2004-2005 Rs. in '000
INCOME			
Operational Income	7	316,318	210,903
Other Income	8	77,486	78,045
		<u>393,804</u>	<u>288,948</u>
EXPENDITURE			
Personnel Cost	9	36,002	30,327
Other Expenses	10	88,532	84,303
Depreciation		46,304	35,812
(Refer to note no.12 in Schedule 11)		<u>170,838</u>	<u>150,442</u>
Profit before Tax		<u>222,966</u>	<u>138,506</u>
Provision for Current Tax		76,100	46,500
Provision for FBT		553	—
Provision for Wealth Tax		5	7
Provision for Deferred Tax		<u>(5,112)</u>	<u>(3,953)</u>
Profit After Tax		151,420	95,952
Balance of Profit brought forward from previous year		212,211	117,459
Profit available for appropriation		363,631	213,411
Transfer to Beneficial Owners Protection Reserve		1,815	1,200
Surplus carried to Balance Sheet		361,816	212,211
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 and on behalf of the Board of Directors

For Lodha & Co.

Chartered Accountants

R.P.Baradiya

Partner

Umesh P. Maskeri

Vice President (Legal)
& Company Secretary

S.S.Thakur

Chairman

V.V.Raut

Managing Director
& CEO

Place : Mumbai,

Date : 15th May,2006

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2006.

SCHEDULE 1 SHARE CAPITAL	31.3.2006 Rs. in '000	31.3.2005 Rs. in '000
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	2,400	1,200
Add : Additions during the year	<u>1,815</u>	<u>1,200</u>
	4,215	2,400
Surplus as per Profit & Loss Account	<u>361,816</u>	<u>212,211</u>
TOTAL	<u>366,031</u>	<u>214,611</u>

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2006.

SCHEDULE 3 FIXED ASSETS										
Rs. in '000										
DESCRIPTION	GROSS BLOCK				DEPRECIATION **				NET BLOCK	
	As on 1.4.2005	Additions	Deductions	As on 31.3.2006	Upto 31.3.2005	For the year 2005-06	Deductions	Upto 31.3.2006	As on 31.3.2006	As on 31.3.2005
Building *	17,377	—	—	17,377	1,766	283	—	2,049	15,328	15,611
<u>Automated Depository System</u>										
Computer Hardware	228,493	22,582	18,243	232,832	182,813	27,979	18,243	192,549	40,283	45,680
Computer Software	108,011	1,248	—	109,259	95,030	10,199	—	105,229	4,030	12,981
Equipment	19,679	2,741	325	22,095	9,542	2,512	271	11,783	10,312	10,137
Furniture & fixtures	22,411	642	242	22,811	398	4,747	112	5,033	17,778	22,013
Vehicles	3,641	500	399	3,742	1,989	584	399	2,174	1,568	1,652
Total	399,612	27,713	19,209	408,116	291,538	46,304	19,025	318,817	89,299	108,074
Previous Year	362,289	40,349	3,026	399,612	258,565	35,812	2,839	291,538	108,074	

* Includes face value of shares in a co - operative society - Gross Block Rs. 500 (Previous year Rs. 500) ; Net Block Rs. 442 (Previous Year Rs.450)

** Refer to note no. 12 in Schedule 11

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2006.

SCHEDULE 4 INVESTMENTS					
Particulars	31.03.2006			31.03.2005	
	Face Value (Rs.)	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	10	
Current Investments:					
Investment in Debt Securities					
(Unquoted , Non Trade)					
COD – Indian Bank	100000	1000	98,161	—	—
HDFC CP	500000	100	49,011	—	—
NABARD 5.90%, 2008	1000000	50	49,618	—	—
NCD EXIM Bank (5.75%)	1000000	50	49,611	—	—
COD - UCO Bank	100000	500	48,713	—	—
8.50% HUDCO 2007 (Tax Free)	500000	27	13,669	—	—
Equity Shares					
[Quoted, Non Trade & Fully paid up]					
Punjab National Bank Ltd.	10	—	—	943	368
Aftek Infosys Ltd.	2	750	179	750	179
Bank of Baroda	10	14,402	3,312	—	—
Union Bank of India	10	10,090	1,110	—	—
Units of Mutual Fund					
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
Birla Floating Rate Fund Long Term Plan Growth	10	983,780	11,320	—	—
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	55,518	556	5,384,205	53,843
JM Floater Short Term Dividend	10	—	—	2,187,897	21,994
JM Floater Long Term Premium Dividend	10	3,445	35	6,109,474	61,095
StanChart Grindlays Floating Rate LT	10	845	9,170	—	—
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 Growth	10	677,436	7,357	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

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2006.

Particulars	31.03.2006			31.03.2005	
	Face Value (Rs.)	Quantity in nos.	Rs. in '000	Quantity in nos.	Rs. in '000
Templeton Floating Rate	10	—	—	2,045,623	20,494
UTI Floating Rate STP Growth	10	255,150	2,912	273,248	2,748
Reliance Equity Opportunity Fund	10	—	—	500,000	5,000
SBI Bluechip Fund	10	500	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	1,503	27
Prudential ICICI Inst. Short Term – Cumm.	10	547,634	7,217	—	—
HDFC MIP Short Term Growth	10	—	—	1,450,852	15,812
HDFC MIP Short Term Dividend	10	—	—	486,083	5,000
Birla Dynamic Bond Retail Growth	10	239,206	2,490	—	—
Kotak Flexi Debt – Growth	10	769,922	8,000	—	—
Kotak Income Plus Quarterly Dividend	10	518,203	5,734	485,352	5,000
Kotak Bond Regular Growth	10	239,044	4,243	—	—
Kotak FMP Series 23 – Dividend	10	3,126,572	31,266	—	—
JM Equity & Derivative Fund – Growth Option	10	1,912,116	20,411	—	—
JM Equity & Derivative Fund – Dividend Option	10	1,744,360	18,003	—	—
Deutsche Insta Cash Plus Div. Reinvested	10	1,012,564	10,430	111,324	1,210
ABN AMRO Flexi Debt Fund – Regular – Growth	10	964,950	10,239	—	—
ABN AMRO Flexi Debt Fund – Regular – Quarterly Div	10	1,420	14,358	—	—
DSP Liquidity Fund	10	—	—	226,151	3,580
Prudential ICICI Liquid Plan	10	—	—	479,219	7,475
DSP ML Savings Plus	10	—	—	398,229	5,000
HDFC Cash Management Savings Plan Growth	10	—	—	213,597	2,875
HDFC Cash Management Savings Plan Dividend	10	—	—	858,755	8,608
HDFC Cash Management Call Plan Growth	10	3,007,843	36,227	—	—
Principal Cash Management Fund Dividend	10	535,804	5,422	—	—
Tata Liquid High Invt Fund (P.Y F.V Rs.10)	1000	—	—	189	207
Templeton India MIP Growth	10	—	—	424,856	5,000
Tata Service Industries Fund	10	—	—	488,998	5,000
			523,811		751,332
Less: Provision for diminution in the value of investment			121		538
Total			523,690		750,794

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2006.

Aggregate amount of investment:	31.03.2006		31.03.2005	
	Book Value	Rs.in '000 Market Value/ Repurchase price	Book Value	Rs. in '000 Market Value/ Repurchase price
Unquoted investment in :				
Units of Mutual Funds	210,417	212,015	750,775	752,495
Government Securities	10	—	10	—
Debt Securities	308,783	—	—	—
Quoted investment in Equity Shares	4,601	4,629	547	429

Note :- Units of Mutual Funds (various income funds) of face value of Rs.10/- each purchased and sold / redeemed during the year - 1082197739 units (Previous year - 124484346 units)

SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2006.

SCHEDULE 5 CURRENT ASSETS, LOAN AND ADVANCES SUNDRY DEBTORS	31.3.2006 Rs. in '000	31.3.2005 Rs. in '000
Over six months	14,486	13,494
Others	18,128	15,099
	<u>32,614</u>	<u>28,593</u>
Less : Provision for doubtful debts	14,023	13,060
	<u>18,591</u>	<u>15,533</u>
Secured and considered good	17,985	15,066
Unsecured and considered good	606	467
Considered doubtful	14,023	13,060
	<u>32,614</u>	<u>28,593</u>
CASH AND BANK BALANCES		
Cash on hand	2	1
Cheques on Hand	183	—
Balances with Scheduled Banks:		
– in current account	1,246	668
– in term deposit accounts (inclusive of interest accrued Rs.9474 thousands; Previous Year Rs. 9303 thousands)	830,124	429,503
In current Account with Reserve Bank of India	103	102
	<u>831,658</u>	<u>430,274</u>
LOANS AND ADVANCES (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	4,630	4,573
Income tax (net of provisions Rs.155619 thousands; Previous year Rs. 81019 thousands)	4,467	1,986
Deposit with The Stock Exchange, Mumbai	63,750	63,750
	<u>72,847</u>	<u>70,309</u>
SCHEDULE 6 CURRENT LIABILITIES & PROVISIONS CURRENT LIABILITIES		
Sundry Creditors - other than to Small Scale Industrial Undertakings	5,359	9,155
Security Deposit from depository participants & RTA	93,200	78,050
Other Deposits	7,500	7,500
Income received in advance	4,620	3,587
Other liabilities	8,971	3,112
	<u>119,650</u>	<u>101,404</u>
PROVISIONS		
For Wealth Tax	5	7
For Ex-Gratia	2,800	1,900
For Leave Encashment	2,505	1,797
For Gratuity	749	—
For Fringe Benefit Tax less payments	28	—
	<u>6,087</u>	<u>3,704</u>

**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31ST MARCH, 2006**

SCHEDULE 7 OPERATIONAL INCOME	2005-2006 Rs. in '000	2004-2005 Rs. in '000
Fees towards:		
– Account Maintenance	6,361	4,754
– Transactions	161,206	103,796
– Settlements	10,492	10,125
– Users Facilities	23,873	20,017
– Issuer (Annual)	71,023	50,041
– Training (Net of Training Expenses Rs 687 thousands; P Y.Rs 564 thousands)	345	55
– Others	43,018	22,115
	316,318	210,903
SCHEDULE 8 OTHER INCOME		
Income from/Interest on :		
Fixed Deposits (TDS Rs.5075 thousands; P Y Rs.2957 thousands)	25,006	21,323
Debt Instruments *	3,770	—
Others	538	71
Miscellaneous Income	1,145	763
Profit on sale of Investments (Net) *	32,555	29,599
Income from Mutual Funds *	13,635	10,727
Rent (TDS Rs 94 thousands; P Y Rs 87 thousands)	420	421
Provision for diminution in the value of investments no longer required written back	417	15,141
	77,486	78,045
(* Income from Current Investments)		

**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31ST MARCH, 2006**

SCHEDULE 9 PERSONNEL COST	2005-2006 Rs. in '000	2004-2005 Rs. in '000
Salaries and other allowances	31,398	26,397
Contribution to PF and other funds	2,726	2,260
Staff welfare expenses	1,878	1,670
	36,002	30,327
SCHEDULE 10 OTHER EXPENSES		
Rent	9,949	6,426
Rates & Taxes	44	15
Electricity & Water Charges	2,958	2,485
Insurance	6,315	5,507
Repairs and Maintenance :		
Computers	40,941	38,428
Others	1,179	1,636
Legal, Professional and Consultancy Fees	6,002	5,256
Directors' Sitting Fees	329	300
Travelling and Conveyance	4,234	2,688
Annual SEBI Fees	1,000	1,000
Postage, Telephone & Communication Charges	5,718	5,555
Advertisement Expenses	262	890
Printing & Stationery	1,949	1,061
Business Promotion Expenses	1,004	1,068
Bad Debts Written off	4,107	6,979
Loss on Discarded Assets	69	8
Provision for Doubtful Debts/Advances	963	3,471
Miscellaneous Expenses	1,509	1,530
	88,532	84,303

SCHEDULE TO BALANCE SHEET AS AT AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2006

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.

The preparation of financial statements requires management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including current liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable and results however are not likely to differ from these estimates materially.

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) and Computer Hardware & Software i.e Automated Depository System on which depreciation is provided at the rate of 25% (as against 16.21% 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 provided/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 and fringe benefit 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, amount not ascertainable, in the matter of writ petition filed during the year 2003-04 before the Hon'ble High Court of Bombay by Mr. B. G. Daga, the then Managing Director for his alleged wrongful removal, inter alia, having financial consequences, which is pending.
3. Estimated amount of contracts to be executed on capital account and not provided for (net of advances) Rs.1136 thousands (Previous Year Rs.12722 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	843	605
Provision for Doubtful Debts /Advances	4721	4857
Provision for diminution in the value of Investments	12	43
	<u>(A) 5576</u>	<u>5505</u>
Deferred Tax Liability		
Depreciation	<u>(B) 10729</u>	<u>15770</u>
Net Deferred Tax Liability (B-A)	5153	10265

5. Managerial Remuneration :

(Excluding gratuity, leave encashment provision and group mediclaim)

	Current year (Rs. in '000)	Previous year (Rs. in '000)
Salary and allowances	2156	1652
Company's Contribution to P.F.	156	119
Perquisites (Evaluated as per Income Tax Rules where necessary)	Nil	22
Total	2312*	1793

* subject to the approval of shareholders

Paid to Shri V.V. Raut as Executive Director from 01.04.2005 to 07.12.2005 and as a Managing Director & CEO from 08.12.2005 to 31.03.2006. Appointment of Shri V.V.Raut as Managing Director & CEO is subject to any order that may be passed by the Bombay High Court in a writ petition as mentioned in Para 2 above.

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

7. Auditors' Remuneration :

	Current year (Rs. in '000)	Previous year (Rs. in '000)
Audit Fees	200	163
Tax Audit Fees	50	41
For Certification	5	5
Out of Pocket Expenses (including service tax Rs.31 thousands, Previous year Rs. 21 thousands)	41	28
Total	296	237

8. Expenses in foreign currency (on payment basis)

	Current year (Rs. in '000)	Previous year (Rs. in '000)
Travelling Expenses	1057	208
Training Fees	35	158

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 14450 thousands (Previous Year Rs. 14990 thousands).
10. (a) "Other Liabilities" in Schedule 6 includes the balance of Rs. 2675 thousands (Previous year Rs. 2448 thousands) net of Rs. 2173 thousands (Previous year Rs.2657 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. During the year, the life of Computer Hardware and Software (Automated Depository System) has been re-estimated at four years as against approximately six years as considered hitherto. In compliance with the Accounting standard – 6 "Depreciation

Accounting ", such change has been given effect to retrospectively and accordingly, charge of depreciation to the Profit & Loss A/c for the year is higher by Rs.18,992 thousands (including Rs.17,041 thousands for the earlier years) and profit before tax and net block of fixed assets is lower to that extent.

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)	151420	95952
(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	1.45	0.92

14. Previous year's figures have been regrouped and rearranged wherever necessary, to conform to the current year's presentation.

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
Managing Director
& CEO

Place : Mumbai

Date : 15th May, 2006

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	31.03.2006

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
1541921	1541921

Sources of Funds		Application of Funds	
Particulars	Amount	Particulars	Amount
Paid up capital	10,45,000	Net Fixed Assets	89,299
Reserves and Surplus	3,66,031	Investments	5,23,690
Secured Loans	NIL	Net Current Assets	8,03,195
Unsecured Loans	NIL		
Net Deferred Tax Liability	5,153		
	14,16,184		14,16,184

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

Total Income	Total Expenditure	Profit/Loss before tax	Profit/Loss after tax
3,93,804	1,70,838	2,22,966	1,51,420
Earnings per share in Rs.		Dividend Rate (%)	
1.45		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
Managing Director
& CEO

Place : Mumbai

Date : 15th May, 2006