

# Central Depository Services (India) Limited

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## COMMUNIQUE TO DEPOSITORY PARTICIPANTS

CDSL/A,I&C/DP/POLCY/2024/356

June 28, 2024

### SUBMISSION OF NET WORTH CERTIFICATE & AUDITED FINANCIAL STATEMENTS

In terms of CDSL Bye Law 16.2.1, each Depository Participant (DP) is required to submit a net worth certificate (including computation thereof based on its audited financial statements certified by a practicing Chartered Accountant, calculated and itemized as per the manner specified in the Operating Instructions) and a copy of the audited financial statements along with the auditors' report. The same shall be submitted not later than October 31st of the next financial year. Accordingly, all DPs with financial year ending on 31<sup>st</sup> March 2024 should submit net worth certificate along with audited financial statements (AFS) on or before 31<sup>st</sup> October 2024.

The DPs, seeking extension from Registrar of Companies for holding Annual General Meeting for approval of their annual accounts, are required to submit the copy of approval received from Registrar of Companies to CDSL.

The DPs belonging to the categories of Stock Broker, Non-banking finance company and Registrar to an issue or share transfer agent should comply with the net worth requirement specified in Regulation 35 of the SEBI (Depositories and Participants) Regulations, 2018 and are required to submit to CDSL the net worth computed in the manner specified in the Operating Instruction, Annexure 17.1 (Copy enclosed) of the DP operating instructions (Copy enclosed). Please note that the net worth certificate should be certified by the Statutory Auditors or Practicing Chartered Accountant. In case the DP belongs to the category other than those mentioned above, the statement of net worth computed in the manner prescribed by the concerned regulatory authority of that entity should be submitted.

Stock Broker DPs are advised that a self-clearing member may submit the net worth certificate, fulfilling the net worth requirements as provided under the Securities and Exchange Board of India (Stockbrokers) Regulations, 1992, (along with AFS) in accordance with the Regulation 35(a)(viii) of the SEBI (Depositories and Participants) Regulations, 2018.

In the past, we have observed some common deficiencies in net worth certificates/AFS submitted by Stockbroker/ NBFC / RTA Depository participants. DPs are advised to avoid the following deficiencies while submitting the net worth certificate and AFS:

- Net worth certificate is not as per the format prescribed under Operating Instruction 17.1.
- Net worth certificate is not submitted in original if it is provided in physical form.

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- Net worth certificate submitted is based on provisional financial statements instead of audited financial statements.
- Incomplete submission of AFS. The following documents should be part of AFS:
  - a. Auditor's report
  - b. Annexure to the Auditor's reports (CARO)
  - c. Schedules to financial statements
  - d. Accounting Policies & Notes to Accounts including disclosures on contingent liabilities and related party transactions.
- The copy of AFS is not attested by the Director of the Company/ statutory auditors.
- Deferred tax asset, Computer software etc. are not deducted as intangible assets for net worth computation.
- Statutory contingent liabilities, such as those related to GST, income tax, and other statutory dues, are either not deducted or partially deducted (50% of the statutory contingent liabilities as required in the prescribed format) for net worth computation.
- If preference shares form part of the 'Share Capital', type of preference shares and the date of redemption is not specified. In case of redemption of preference shares fully during the financial year succeeding 31<sup>st</sup> March 2024, the same should not be considered for net worth computation. However, in case of partial redemption, the remaining portion of Preference shares which are not being redeemed only can be considered for net worth computation.
- Bifurcation of computer hardware and software is not provided under the schedule of fixed assets.
- Nature and value of security against which the loan is secured is not provided under the balance sheet/ schedules to the balance sheet.
- Related party disclosure is not given under notes to accounts. The Receivables from Group companies, Investment in Group companies/ associated company, Receivables from Directors, Loans & advances to Group companies/Directors of the company etc. should be included and considered for deductions. For such receivables, the full amount is not deducted for computation of net worth portion.
- In case of related party transactions disclosure made by the auditors, the outstanding balance as on 31<sup>st</sup> March is not mentioned in the financial report.
- Bifurcation of sundry debtors into more than and less than six months is not given under the schedule of current assets.
- The following items though not required to be deducted, are deducted for net worth computation:
  - a. Deposits with the exchanges
  - b. Bank Guarantee

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Clarifications on certain items in the net worth certificate is given below:

Sr. No.	Particulars of net worth computation.	Clarifications
1	Paid-up Capital + Free Reserves – Share Application Money (Total Reserves less Revaluation Reserves and Specified Reserves)	<p>a) If the preference share capital is redeemable by end of the next financial year, it should be deducted from the net worth, unless the sufficient Capital Redemption reserve is created for redemption purpose.</p> <p>b) If the redeemable preference shares are part of the paid-up capital, the auditors should specifically provide the terms of redemptions e.g. Date of redemption, amount of redemption, no. of shares redeemable etc.</p> <p>c) Capital reserve, revaluation reserve, statutory reserve or any other specific reserve should not be considered as free reserve.</p>
2	Receivable from / Investments in / Loans and advances to group Companies	<p>a) Group companies include partnership firm, affiliates, associates, related entities including directors and their relatives.</p> <p>b) Investments by the company (DP) as Share application/allotment money in the group companies should be deducted.</p>

Please note that the due date for submission of Net worth certificate and Audited Financial Statements for the financial year ended 31<sup>st</sup> March 2024 is 31<sup>st</sup> October 2024.

DPs are requested to submit the Scanned / digitally signed copies of Net worth certificate and AFS as of 31<sup>st</sup> March 2024 through email on [NWAFS@cdslindia.com](mailto:NWAFS@cdslindia.com)

Queries, if any, regarding this communiqué may be addressed to CDSL-Audit on (022) 6234 3084/ 6234 3080 /6234 3082 / 6234 3083.

sd/-

**Ajit Prabhu**  
**Sr. Manager – Audit, Inspection & Compliance**

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### Certificate from Statutory Auditors

This is to certify that the net worth of (DP Name) as on (Date/Month/Year) as per the statement of computation of even date annexed to this report is Rupees \_\_\_\_\_ only.

It is further certified that the computation of net worth based on my / our scrutiny of the audited books of accounts, records and documents is true and correct to the best of my/our knowledge and as per information provided to my/our satisfaction.

Place: \_\_\_\_\_

Date: \_\_\_\_\_

for (Name of Auditor's Firm)

**Name of Partner**

**Chartered Accountant**

**Membership Number**

*Note: This certificate shall be given on the letterhead of the Statutory Auditors or Practicing Chartered Accountant.*

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### FORMAT OF COMPUTATION OF NET WORTH

Sr. No		Particulars	Current Year (Rs.)	Previous Year (Rs.)
1.		Paid-up Capital + Free Reserves – Share Application Money (Total Reserves less Revaluation Reserves and Specified Reserves)		
	<b>Less:</b>			
	A	Accumulated Losses		
	B	Receivable (more than 6 months old)		
	C	Receivable from Group Companies		
	D	Intangible Assets		
	E	Preliminary and Pre-operative expenses not written off		
	F	Loan in excess of value of Pledged Securities		
	G	Loan in excess of value of Pledged Assets		
	H	Investment in Group Companies		
	I	Loans and advances to group Companies		
	J	Statutory Contingent Liabilities		
2.		Sub-Total (A+B+C+D+E+F+G+H+I+J+K)		
		<b>Available Net Worth (1-2)</b>		

#### Notes:

1. Details of item mentioned under Sr. No. C, F, G, H, I and J shall be provided as annexure to the certificate.
2. In case of statutory contingent liabilities, only 50% of the liabilities shall be deducted.
3. Security-wise details of all investments (quoted as well as unquoted securities) shall be provided as annexure to the certificate.