



Central Depository Services (India) Limited

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COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

CDSL/A,I&C/DP/POLCY/2021/227

May 17, 2021

SUBMISSION OF NET WORTH CERTIFICATE & AUDITED FINANCIAL STATEMENTS

In terms of CDSL Bye-law no. 5.3.5.1 and Operating Instruction 17.1, every depository participant (DP) is required to submit net worth certificate to CDSL every year in the manner prescribed in the Operating Instructions, duly certified by the Statutory Auditors or Practicing Chartered Accountant based on the annual audited accounts, within six months from the last date of its financial year. Further, in terms of Bye-law no. 16.2.1, every DP is required to furnish a copy of the Audited Financial Statements (AFS) and Auditor's Report not later than six months after the end of the DP's financial year. Accordingly, all DPs with financial year ending on 31st March 2021 should submit net worth certificate along with AFS on or before 30th September 2021.

2. The DPs, which seek extension from Registrar of Companies for holding Annual General Meeting for approval of their annual accounts, should submit the copy of approval received from Registrar of Companies to CDSL.

3. Stock Broker/NBFC/RTA DPs should submit to CDSL the net worth computed in the manner specified in annexure 17.1 of the DP operating instructions (Refer Annexure 1). 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.

4. In the past, we have observed some common deficiencies in net worth certificates/AFS submitted by Stock Broker/ 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.
- Net worth certificate 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. CARO report (i.e. annexure to the auditor's reports)
 - c. Schedules to financial statement
 - d. Notes to Accounts



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- The copy of AFS is not attested by the Director of the Company/ statutory auditors.
- Intangible Assets - Deferred tax asset & software are not deducted as an intangible asset while calculating the net worth.
- Statutory Contingent Liabilities are not deducted or partially deducted while calculating the net worth.
- In case of DPs registered with other depository, net worth required for other depository is not deducted / partially deducted.
- 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 31st March 2021, the same should not be considered for Net worth calculation. However, in case of partial redemption, the remaining portion of Preference shares which is not being redeemed only can be considered for Net worth calculation.
- 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 from the Networth under computation of Networth portion.
- In case of related party transactions disclosure made by the auditors, the outstanding balance as on 31st 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.
- 50% of statutory contingent liability is not deducted from the net worth. The statutory contingent liability includes liability pertaining to GST, income tax, other statutory dues etc. which is under dispute.
- The following items though not deductible from the Net worth of the DP, are deducted.
 - a. Deposits with the exchanges.
 - b. Bank Guarantee `



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5. We further clarify on certain items in the net worth certificate as mentioned 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>

6. Please note that the due date for submission of certificate of net worth and Audited Financial Statements for the financial year ended 31st March 2021 is 30th September 2021.

7. DP's are requested to submit the Scan/digitally signed copies of Networth & AFS as of 31st March 2021 via email on NWAFS@CDSLINDIA.com

Queries, if any, regarding this communiqué may be addressed to CDSL-Audit: (022) 2305 8691 / 8679 / 8678 or 8513.

sd/-

Latha Nair
Assistant Vice President – 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)		
		Less:		
	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	Net worth required for other depositories		
	J	Loans and advances to group Companies		
	K	Statutory Contingent Liabilities		
2.		Sub-Total (A+B+C+D+E+F+G+H+I+J+K)		
		Available Net Worth (1-2)		

Notes:

1. Details of item mentioned under Sr. No. C, F, G, H, J and K 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.