



Central Depository Services (India) Limited

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COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

CDSL/A,I&C/DP/2247

January 10, 2011

CLARIFICATIONS ON NET WORTH CERTIFICATE FORMAT

In terms of CDSL Bye-law no. 5.3.5.1, every depository participant is required to furnish a statement of net worth duly certified by the statutory auditors based on the annual audited accounts for the year ended 31st March, on or before 30th September every year.

2. In case of a DP being Stock Broker/NBFC/RTA, the net worth certificate computed in the manner as specified in annexure 17.1 of the DP operating instruction is to be submitted. In case the participant 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.

3. During submission of certificate of net worth as on 31st March 2010, common clarifications were sought by the DPs on the prescribed format of certificate of net worth. The same are listed in the following table. The DPs are requested to take note of the same while preparing certificate of net worth.

Sr No.	Particulars of net worth certificate	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, the same can be included in share capital only if Capital Redemption reserve provides for the total amount of redemption.</p> <p>If preference share capital is not redeemable by end of the next financial year and is included for calculation of net worth, the same should be specifically stated as a note to net worth certificate.</p> <p>b) 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) Share application/allotment money which pertains to the group companies is to be deducted.</p>



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Sr No.	Particulars of net worth certificate	Clarifications
3	Intangible Assets	Intangible assets include but are not limited to Deferred tax assets and computer software.
4	Value of Stock Exchange Card	In case unlisted shares of a stock exchange issued in lieu of stock exchange card are valued at a price greater than the face value, an amount in excess of face value of shares of stock exchange is to be deducted.
5	Loan in excess of value of Pledged Securities/ Assets	The amount of secured loan taken in excess of value of pledged asset is to be deducted.
6	Statutory Contingent Liabilities	50% of statutory contingent liabilities are to be deducted from the net worth. The statutory contingent liability includes liability pertaining to sales tax, income tax, other statutory dues etc. which is under dispute.

DPs are instructed to note the following before submitting the net worth certificate to CDSL :

- Net worth certificate should be **as per the format** prescribed under operating instruction 17.1.
- Net worth certificate should be **based on audited financial statements**. Net worth certificate based on provisional financial statements will not be accepted.
- Net worth certificate should be **submitted in original**.
- Net worth certificate should only be **signed by statutory auditors** of the DP.
- The following documents are to be submitted** along with the net worth certificate :
 - Audited Financial Statement (If copy of AFS is being submitted then it is to be certified as true copy by the director.)
 - Auditor's report
 - CARO report (i.e. annexure to the auditors reports)
 - Schedules to financial statement
 - Notes to Accounts
- Annexures** to the net worth certificate supporting the deduction made in net worth and **Security-wise details of all investments** (quoted as well as unquoted securities) are provided along with net worth certificate (as prescribed in operating instruction 17.1).

4. You are also requested to note that the due date for submission of certificate of net worth and audited financial statements for the year ended 31st March is 30th September. Extension of time limit for submission by Income Tax authorities and / or stock exchanges does not mean extension by the depository.

Queries, if any, regarding this communiqué may be addressed to **CDSL-Audit**: (022) 2272-3333 extensions: 5010, 8647, 8631, 8687, 5096, or 5864.

sd/-

Nayana Ovalekar
Vice President – Audit Inspection & Compliance