Circular No.: NSDL/POLICY/2024/0140 September 26, 2024

Subject: Guidance Note on Submission of Networth Certificate and Audited Financial Statements.

Attention of Participants is invited to circular number NSDL/POLICY/2024/0101 dated July 08, 2024, regarding the amendment to Bye Laws of NSDL w.r.t. submission of Networth certificate by Depository Participants (DP).

As per aforesaid circular, each Participant shall furnish to the Depository, a copy of its Audited Financial Statement and Networth certificate based on its Audited Financial Statements, certified by a practicing Chartered Accountant, in the manner specified in the Business Rules, by October 31 every year.

The Participant registered under the category of Financial Services Company, Clearing Corporation / Clearing House, Custodian, Registrar and Transfer Agent, Stockbroker, NBFC and Bank, shall submit Networth computed in the manner and format specified in NSDL Business Rules. Alternatively, Participants registered under category of Bank may submit the Networth certificate in the same format in which they submit to their respective Regulatory Authority in India. Participants should refer a guidance note enclosed as **Annexure A** while preparing the Networth certificate in the NSDL specified format basis the Audited Financial Statements.

Participants are requested to ensure that submissions mentioned above shall be made through e-Pass system only.

For further information / clarification, Participants are requested to contact Ms. Nimita Shah Tel: (022) 69448639 and/or Mr. Devesh Daga Tel: (033) 35448949 or send an email on NSDL-BP-INSPECTION@nsdl.com .

Participants are requested to take note of the above and ensure compliance.

For and on behalf of
National Securities Depository Limited

AROCKIARAJ Date: 2024.09.26 11:47:06 +05'30'

Arockiaraj
Manager

Enclosure: One

FORTHCOMING COMPLIANCE			
Particulars	**Deadline**	**Manner of sending**	**Reference**
Investor Grievance Report (Monthly)	By 10th of the following month	Through e-PASS	Para 22 of 'Grievance Redressal' chapter and Para 28 of 'Internal Controls/Reporting to NSDL/SEBI' chapter of NSDL Master Circular for Participants
Networth Certificate and Audited Financial Statements (yearly)	October 31st	Through e-PASS	Para 20.7 of NSDL Master Circular for Participants on Internal Controls/Reporting to NSDL / SEBI chapter.

Annexure A

Sr. No.	Particulars	Remarks
1	Share Capital	▪ Paid-up equity share capital to be considered. ▪ Paid-up preference share capital to be considered, subject to below: ○ The auditors to specifically provide the terms of redemptions such as date of redemption, amount of redemption, number of shares redeemable. ○ Exception to the above point, If the preference share capital is redeemable by the end of the next financial year, it should be deducted from the Networth. However, if a capital redemption reserve is created for the redemption purpose, then the same will not be deducted from the Networth. ▪ Application money (pending allotment) to be considered, if allotment is completed subsequently and a letter from CA & Form duly filed with ROC are provided. ▪ Fully, compulsorily and mandatorily convertible Debentures/ Bonds/ Warrants which are convertible within a period of 5 years from the date of issue to be considered.
2	Free Reserves	▪ Free reserves mean such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend; provided that the below shall not be treated as free reserves: ○ any amount representing unrealised gains, notional gains or revaluation of assets, whether shown as a reserve or otherwise, or ○ any change in the carrying amount of an asset or of a liability recognised in equity, including surplus in profit and loss account on measurement of the asset or the liability at fair value. ▪ Free Reserves such as Profit & Loss, General Reserve, Securities Premium, Preference Share Redemption Reserve, Capital Redemption Reserve and any other surplus arising out of sale proceeds of assets to be considered.

		▪ Free Reserves should not include reserves such as Revaluation Reserve (revaluation of asset), Capital Reserve, Amalgamation Reserve, Debenture Redemption Reserve, Other Comprehensive Income.
3	Receivables (more than 6 months old)	▪ Receivables (more than 6 months old) as per schedule in Balance sheet shall be deducted; net of accumulated provision for doubtful debts made on such receivables. ▪ In case of Bank DPs, if provisions for NPAs have been made as per RBI guidelines and Auditor's certificate to this effect has been provided, no deduction to be made for receivables more than six months old.
4	Receivables from Group Companies	▪ Both long term and short term receivables to be considered for deduction. ▪ Group companies includes partnership firm, affiliates, associates, related entities including directors and their relatives.
5	Intangible Assets	▪ Net book value of intangible assets such as goodwill, patents, copyrights, trademarks as per Balance Sheet / Trial Balance should be deducted. ▪ Deferred Tax Asset (Net) as shown in Balance Sheet should be deducted.
6	Value of Stock Exchange Card	▪ Value of any Stock Exchange card should be deducted from Paid up capital & Reserves ▪ Only in case of NSE membership, the trading member pays a membership fee to NSE, which is refundable. Hence, there is no deduction for NSE membership. ▪ Unlisted shares of a stock exchange issued in lieu of stock exchange card to be deducted.
7	Excess of Loan over value of Pledged Securities/Assets	▪ The amount of secured loan taken in excess of value of pledged/ hypothecated securities/ assets is to be deducted. ▪ Disclose the nature and value of security against which the loan is secured.

8	Investment in Group Companies	▪ Investment in equity shares or preference shares of the group company should be deducted from Paid up capital & Reserves. Both short-term and long-term investment in group companies needs to be deducted. ▪ Share application/ allotment money which pertains to the group companies is to be deducted. ▪ Investment in units of mutual fund/PMS/AIF of group companies should not be deducted. ▪ Group companies includes partnership firm, affiliates, associates, related entities including directors and their relatives.
9	Loans and advances to Group Companies	▪ Other than trade receivables such as loans, advances, deposits, receivables against asset needs to be deducted. ▪ Group companies includes partnership firm, affiliates, associates, related entities including directors and their relatives.
10	Statutory Contingent liability	▪ The statutory contingent liability refers to liability pertaining to GST, sales tax, income tax and other statutory dues which is under dispute. ▪ To deduct 50% of the unpaid statutory contingent liabilities from the Networth.

Note: Participants registered under the category 'Stock Broker' to provide explanations or clarifications, along with the submission of Networth, in case any of the below conditions get triggered:

- Networth has reduced by 25% or more as compared to Networth as on previous period end.
- Increase in losses by 25% or more as compared to previous year losses.
- In case there is loss in current financial year, as compared to profit in the previous financial year, and the loss amount is more than 10% of the Networth of entity.