Annexure-A2

Net Worth Certificate

Certificate dated …………… submitted by ……………… to NSEL (For Corporate(s), Partnership Firm(s), Individual(s), Sole Proprietor, Institution(s), Co-operative Societies)

<u>CERTIFICATE</u>

This is to certify that the Net worth of M/s. / Mr. / Ms. .... as on .... is Rupees .... only as per the statement of computation of even date annexed hereto.

It is further certified that the computation of Net worth, based on my/ our scrutiny of the 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: For (Name of Accounting Firm)

Date:

Name of Partner
Chartered Accountant
Membership Number

(Rubber stamp)

<u>Computation of Networth of the Members</u>

Annexure forming part of the Net worth Certificate of Even Date

The Members will have the option of computing their net worth as per any of the two methods given below. However, once a Member chooses one of the two given methods, he will have to continue to compute his net worth using the same method unless a change of method is specifically approved by the Exchange.

Method 1:

The net worth has been computed as per the format given below:

Paid up Capital *	
Net worth calculated as follows:	
Paid up Capital (A)	
Add: Reserve & Surplus (B) (excluding revaluation reserves)	
Less: Accumulated losses if any – (C)	
Less: Miscellaneous Expenditure – (D)	
Total Net worth (A+B)-(C+D)	

* Give details of capital issued after the date specified above.

Place: For (Name of Accounting Firm)

Date:

Name of Partner
Chartered Accountant
Membership Number

(Rubber stamp)

OR

Method 2:

By valuation of assets on the following basis :

A. Listed (Quoted) investments in the name of the applicant (at market value)
(Detailed list to be enclosed)
B. Margin of 30% on market value of listed (quoted) Investments
C. Net value of listed Investments (A) – (B)
D. Investments in unlisted (unquoted) companies (as per Note No. 2)
E. Margin of 50% on (D)
F. Net value of unlisted Investments (D) – (E)
G. Other Investments (at cost) with PPF and NSC at current value, Statutory deposits with NSEL, Deposits with registered NBFCs, Bank FDs
H. Total Net Investments (C) + (F) + (G)
I. Market Value of Land & Building component of the Fixed Assets (Full details of such assets like survey number, location, address, extent of land & building to be furnished)
J. Margin on I at 50%
K. Net value of such fixed assets (I – J).
L. Debtors not exceeding 3 months + Cash & Bank balance
M. Current Liabilities
N. Long term liabilities
O. Net worth (H + K + L) – (M + N)

Place: For (Name of Accounting Firm)

Date: Name of Partner

Chartered Accountant
Membership Number
(Rubberstamp)

Notes:

1. Valuation of fixed assets for the consideration of net worth would have to be certified by government approved valuers which should not be more than 2 years old. Only those items of land & building that are in the name of the member as well as in the possession of the member shall be included under the head (I) - Land & Building component of the Fixed Assets. Those properties that are leased out by the member or taken on lease shall not be included for computation of net worth. Fixed Assets other than Land & Building shall not be included for the purpose of computation of net worth.
2. Valuation of unlisted investments would be at “fair value” of the said investment, i.e. the average of the “break up value” and the “earning value”. For this purpose: -
a) The “break up value” means the equity capital and reserves as reduced by intangible assets and revaluation reserves, divided by the number of equity shares of the investee company.

b) The “earning value” means the value of an equity share computed by taking the average of profits after tax as reduced by the preference dividend and adjusted for extra-ordinary and non-recurring items, for the immediately preceding three years and further divided by the number of equity shares of the investee company and capitalised at the following rate:

- In case of predominantly manufacturing company, eight percent;
- In case of predominantly trading company, ten percent; and
- In case of any other company, including an NBFC, twelve percent;
- If, an investee company is a loss making company, the earning value will be taken at zero. (For e.g. earning value for an NBFC with capitalisation rate of 12%, is earning per share multiplied by 100/12)

3. Details of items comprising investments, current assets, current liabilities and long term liabilities should be given separately.

4. Current assets should exclude loans to related entities, bad and doubtful debts and debts outstanding for more than 3 months, advance against capital assets, pledged securities / assets, prepaid expenses and also intangible assets.

5. Debtors should be distinguished as debtors arising from commodity operations and others.

6. Value of membership card / Deposits with any other Stock / Commodity Exchange are to be excluded for the purpose of computation of net worth.

7. Advance / Investment with or debts due from persons / entities notified under Special Court (Trial of Offences Relating to Transactions in Securities) Act, 1992 are to be excluded for the purpose of computation of net worth.