

Net worth Computation
to be given by Trading Members [TM], Trading-cum-Clearing Members, Integrated
Trading-cum-Clearing Members [ITCM] and Professional Clearing Members [PCM]
 (to be signed by the applicant's Auditors)

Asset Valuation Method:

By valuation of their 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. 3)	:	
E.	Margin of 50% on (D)	:	
F.	Net value of unlisted Investments (D) – (E)	:	
G.	Other Investments (at cost) like Deposits with Banks etc.	:	
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 Assets including Loans & Advances	:	
N.	Current Liabilities	:	
O.	Long term liabilities	:	
P.	Networth (H + K + L+M) – (N + O)	:	

CERTIFICATE

This is to certify that the networth of M/s. _____ as given above, 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:

Date:

For (Name of Audit Firm)

Signature

Name of Partner/Proprietor (Stamp of the Audit firm)

Notes :-

1. For computation of loans and advances as a component of current assets, all advances / loans other than those arising out of securities dealing have to be excluded. Only such loans and advances arising due to the securities dealings are to be included as current assets for the purpose of networth computation.
2. Valuation of fixed assets for the consideration of networth would have to be certified by government approved valuers and the value would hold good for 3 years unless a fresh valuation is submitted. Only those items of land & building that are in the name of the Trading Member as well as in the possession of the Trading Member shall be included under the head (I) - Land & Building component of the Fixed Assets. Those properties that are leased out by the trading member or taken on lease shall not be included for computation of networth. Fixed Assets other than Land & Building shall not be included for the purpose of computation of networth.
3. Valuation of unlisted investments would be at "fair value" of the said investment, i.e. the average of the "earning value" and the "break up 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 Non Banking Financial Company, twelve percent;
 - If, an investee company is a loss making company, the earning value will be taken at zero.
(For e.g. EV for an Non Banking Financial Company with capitalisation rate of 12%, is earning per share multiplied by 100/12)
4. Details of items comprising investments, current assets, current liabilities and long term liabilities should be given separately.
5. 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, bad deliveries and also intangible assets.
6. Debtors should be distinguished as debtors arising from securities operations and others.