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# **Merrill Lynch**

A subsidiary of  
Bank of America Corporation

**DSP MERRILL LYNCH LIMITED**

**Board of Directors**

Mr. Asit Bhatia	Chairman and Non-Executive Director
Ms. Ameer Parikh	Independent Director
Mr. Arbind Maheswari	Whole-time Director
Ms. Charulata Sippy	Independent Director
Mr. Rajnarayan Balakrishnan	Whole-time Director
Mr. Sundararaman Ramamurthy	Non-Executive Director

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**Chief Financial Officer**

Mr. Ashish Adukia

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**Compliance Officer**

Mr. Nishith Mehta

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**Company Secretary**

Mr. Samrat Sanyal

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**Auditors**

Price Waterhouse

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**Bankers**

Bank of America, N.A.  
Citibank, N.A.  
Deutsche Bank, A.G.  
HDFC Bank Limited  
The Hong Kong and Shanghai Banking Corporation Limited  
ICICI Bank Limited  
JP Morgan Chase Bank, N.A.  
Standard Chartered Bank

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**Registered Office**

Ground Floor, A Wing, One BKC, G Block,  
Bandra Kurla Complex, Bandra (East), Mumbai 400 051  
**CIN** U74140MH1975PLC018618, **Tel** +91 22 66328000, **Fax** +91 22 66328580  
**E-mail** dg.secretarial@baml.com, **Website** www.dspml.com

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**Registrar and Share Transfer Agent**

Link Intime India Private Limited  
C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (West), Mumbai —400078  
**Tel** +91 22 25946970, **Fax** +91 22 25946969  
**E-mail** rnt.helpdesk@linkintime.co.in

## Directors' Report to the Members

Your Directors have pleasure in presenting the 41<sup>st</sup> Annual Report together with the Audited Accounts of the Company for the financial year ended 31<sup>st</sup> March, 2016.

### The State of the Company's Affairs:

#### Financial Results:

The Financial Results of the Company for the financial year 2015-16 are summarized as under:

Particulars	Year ended 31 <sup>st</sup> March, 2016 Rs. million		Year ended 31 <sup>st</sup> March, 2015 Rs. million	
Gross Income		19,734		7,781
Profit before depreciation and tax		16,202		3,752
Depreciation		192		215
Profit before tax		16,010		3,537
Continuing operations:				
Profit from continuing operations before tax	10,994		3,767	
Tax expense of continuing operations	928		1,307	
Profit from continuing operations after tax [A]	10,066		2,460	
Discontinued operations:				
Profit from ordinary activities before tax	(150)		(230)	
Tax expense thereon	23		(51)	
Profit from ordinary activities after tax (i)	(173)		(179)	
Gain on disposal before tax	5,167		-	
Tax expense thereon	1,146		-	
Gain on disposal after tax (ii)	4,021		-	
Profit from discontinued operations after tax (i+ii) [B]	3,848		(179)	
Profit after tax [A]+ [B]		<b>13,914</b>		<b>2,281</b>
<b>Appropriations</b>				
Balance brought forward		11,927		9,666
Interim dividend		11,578		-
Dividend distribution tax		2,357		-
Dividend distribution tax credit on dividend received from subsidiary		(1,670)		-
Utilization for buy back of equity shares		-		16
Income distribution tax on buy back of equity shares		-		4
Transfer to capital redemption reserve on buy back of equity shares		-		-
Balance carried to balance sheet		13,576		11,927
Earnings per share (in Rs.)		600.91		98.47

Gross income for the year was Rs. 19,734 million, up from Rs. 7,781 million in the previous year. The increase was primarily due to dividend of Rs. 8,200 million received from subsidiary company and gain of Rs. 5,167 million on disposal of wealth management business (representing the advisory and distribution services relating to the wealth management division), which was partially offset by decline of Rs. 1,217 million in the advisory and transactional services revenues. Expenses reduced by 12% to Rs. 3,724 million from Rs. 4,243 million in the previous year primarily on account of decrease in the number of employees due to sale of wealth management business. Consequently, the profit before tax increased to Rs. 16,010 million from Rs. 3,537 million in the previous year. Total Profit after tax rose to Rs. 13,914 million from Rs. 2,281 million in the previous year.

Profit after tax from continuing operations increased to Rs. 10,066 million from Rs. 2,460 million in the previous year primarily on account of dividend received from subsidiary. Profit after tax from discontinued operations including gain on disposal of wealth management business was Rs. 3,848 million compared to loss of Rs. 179 million in the previous year.

#### **Transfer to Reserves:**

The Board decided not to transfer any amount to General Reserve from the profits of the Company for the financial year ended 31<sup>st</sup> March, 2016.

#### **Dividend:**

The Board of Directors approved payment of interim dividend of Rs. 500/- per share on 23,155,039 equity shares of Rs. 10/- each on 9<sup>th</sup> December, 2015. The payment of said dividend entailed a dividend payout of Rs. 11,578 million and a total cash outflow of Rs. 12,265 million including dividend distribution tax (DDT) of Rs. 687 million.

The Board does not recommend any final dividend on the equity shares of the Company for the year ended 31<sup>st</sup> March, 2016.

#### **Significant Developments during the year:**

##### **Transfer of Wealth Management Business:**

During the year, the Wealth Management (WM) division of the Company along with the employees and assets relating to the WM division together with the client relationships (including depository participant accounts, if any, relating to such relationships) was sold to the Julius Baer Group. The WM business comprised of advisory services and distribution services as undertaken by the Company. Also the lending business relating to WM Division as undertaken by a wholly owned subsidiary of the Company, namely, DSP Merrill Lynch Capital Limited and Trust services relating to the WM Division as undertaken by DSP Merrill Lynch Trust Services Limited, a wholly owned subsidiary of the Company, were also sold as part of the transaction. This was earlier approved by the Shareholders of the Company by way of postal ballot on 3<sup>rd</sup> March, 2015. The sale process was completed on 20<sup>th</sup> September, 2015.

##### **Registration of Research Analyst license:**

The Securities and Exchange Board of India vide letter dated 27<sup>th</sup> May, 2015 granted approval to the Company for registration as Research Analyst.

##### **Surrender of Investment Advisory license:**

The Securities and Exchange Board of India vide letter dated 1<sup>st</sup> February, 2016 acceded to the Company's request for cancellation of registration of Investment Advisory license with effect from 28<sup>th</sup> January, 2016.

##### **Surrender of Portfolio Manager license:**

The Securities and Exchange Board of India vide letter dated 1<sup>st</sup> February, 2016 acceded to the Company's request for cancellation of registration of Portfolio Manager license with effect from 22<sup>nd</sup> July, 2015.

##### **Surrender of Membership of all segments of Metropolitan Stock Exchange of India Ltd.:**

The Company has applied for surrendering its Currency Derivatives Membership of Metropolitan Stock Exchange of India Ltd. The application is pending with the Exchange for its approval.

##### **Change of the Registrar and Share Transfer Agent of the Company**

The Board of Directors approved the appointment of Link Intime India Private Limited in place of Sharepro Services (India) Private Limited as the new Registrar and Share Transfer Agent of the Company.

#### Change in Registered office of the Company:

During the year, the registered office of the Company was shifted from 8<sup>th</sup> Floor, Mafatlal Centre, Nariman Point, Mumbai 400 021, Maharashtra to 16<sup>th</sup> Floor, Express Towers, Nariman Point, Mumbai 400 021, Maharashtra with effect from 20<sup>th</sup> July, 2015.

The Board of Directors at its Meeting held on 16<sup>th</sup> June, 2016 approved the shifting of the Registered office of the Company from its existing office at 16<sup>th</sup> Floor, Express Towers, Nariman Point, Mumbai 400 021 to Ground Floor, A Wing, One BKC, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051 with effect from 2<sup>nd</sup> July, 2016.

#### **Corporate Update, Operations and Future Outlook:**

Amidst concerns of slowdown in Eurozone and China, Indian equities witnessed a muted year with the markets declining 9.3 per cent in 2015-16. The consecutive failure of monsoons coupled with global weakness in commodities further dented market sentiments. In line with other emerging market peers, India saw a reduction in fund inflows from Foreign Institutional Investors (FIIs). During the year, FIIs sold about US\$ 2 billion (net) into the domestic equity markets as compared to US\$18.4 billion (net) bought in the previous financial year. One positive development of the year was that domestic mutual funds recorded their largest net inflow into the Indian equity markets with inflows of US\$9.8 billion, compared to an inflow of US\$ 6.6 billion in the previous year.

Slow global recovery coupled with challenging domestic economic conditions kept activity in primary markets at a low level. Equity raising during the year was at US\$13.8 billion, 14 per cent lower than US\$ 16.1 billion in the previous year. Debt Capital Markets (G3 and GBP) volumes also dropped 70 percent to US\$6.6 billion in 2015-16. While there was an uptick in M&A announcement volumes in the second half, overall M&A (announced) volumes were 16 percent lower at \$ 53.4 billion. The Company believes that while India will remain susceptible to volatility in international markets, the domestic business sentiment will improve hereon and will help drive transaction volumes in Investment Banking businesses.

What was encouraging was that the overall macroeconomic environment improved compared to previous years. The Gross Domestic Product (GDP) growth, as per the new series, rose 7.6 percent in 2015-16, up from 7.2 percent in FY 2014-15. This was driven by three key factors: the government's food management efforts that kept food prices low; a relatively stable rupee that abated imported inflation and a further fall in the global crude prices. The Current Account Deficit is expected to have come down further to 1 percent of GDP in 2015-16 from 1.4 percent of GDP as the oil import bill continued to shrink on the back of lower crude prices.

Fiscal consolidation path was maintained with the government meeting its fiscal deficit target of 3.9 percent of GDP, down from 4.1 percent in 2014-15. Higher excise duties on petroleum products and lower oil subsidies continued to contribute towards maintaining fiscal discipline for the second consecutive year. While foreign direct investment (FDI) flows continued to be robust at US\$ 36 billion, recording a 16.4 percent growth in 2015-16, portfolio inflows stalled in the wake of the first rate hike in the US since 2006.

The balance of payments remained in surplus and the RBI accumulated foreign exchange reserves to take the headline foreign exchange reserves to US\$ 360 billion from US\$ 341 billion in 2014-15. A commitment by the RBI to provide sufficient liquidity in 2016-17 to take the money market liquidity deficit to neutral from a deficit of over Rs. 2,000 billion at the end of 2016 or early 2017, should allow banks to cut lending rates by 50bp in the first half of 2017 and stimulate recovery, going ahead.

**Extract of Annual Return:**

The Extract of Annual Return in **Form MGT-9** pursuant to Section 92(3) of the Companies Act, 2013 ('the Act') and Rule 12 of the Companies (Management and Administration) Rules, 2014 is attached as **ANNEXURE-I** to this Report.

**Number of Meetings of the Board:**

The Board of Directors has met six times during the financial year 1<sup>st</sup> April, 2015 to 31<sup>st</sup> March, 2016. The dates on which the meetings were held are as follows:

Sr. No.	Date of Board Meeting(s)
1.	28 <sup>th</sup> May, 2015
2.	31 <sup>st</sup> July, 2015
3.	14 <sup>th</sup> August, 2015
4.	9 <sup>th</sup> December, 2015
5.	20 <sup>th</sup> January, 2016
6.	14 <sup>th</sup> March, 2016

**Directors' Responsibility Statement:**

Pursuant to Section 134(5) of the Act, your Directors state that -

- a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Directors had prepared the annual accounts on a going concern basis;
- e) the Directors had laid down internal financial controls with reference to the financial statements to be followed by the Company and such internal financial controls are adequate and were operating effectively;
- f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**A Statement on Declaration given by Independent Directors:**

The Company has received a declaration from all its Independent Directors confirming that they meet the criteria of Independence as prescribed under Section 149(6) of the Act.

**Policy on Directors' Appointment and Remuneration:**

The Company's policy on Directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a Director and other matters as prescribed under Section 178 (3) of the Act has been attached as **ANNEXURE-II** to this Report.

**Secretarial Audit Report:**

The Company has obtained the Secretarial Audit Report in Form MR-3, for the year under review and the same is attached as **ANNEXURE-III** to this Report.

**Explanations or Comments by the Board on Qualifications, Reservations, Adverse Remarks or Disclaimers in the Secretarial Audit Report:**

There are no qualifications, reservations, adverse remarks or disclaimers in the Secretarial Audit Report.

**Explanations or Comments by the Board on Qualifications, Reservations, Adverse Remarks or Disclaimers in the Statutory Auditors' Report:**

There are no qualifications, reservations, adverse remarks or disclaimers in the Audit Report issued by the Statutory Auditors of the Company.

**Particulars of Loans, Guarantees or Investments:**

The particulars of loans given, guarantees provided or investments made under Section 186 of the Act during the year under review is attached as **ANNEXURE-IV** to this Report.

**Particulars of Contracts or Arrangements with Related Parties:**

The particulars of contracts or arrangements with related parties referred to in Section 188 (1) of the Act in **Form AOC-2** pursuant to Section 134 (3) (h) of the Act and Rule 8 (2) of the Companies (Accounts) Rules, 2014 is attached as **ANNEXURE- V** to this Report.

**Material changes and commitments affecting the financial position of the Company after the balance sheet date till the date of the Report:**

There are no material changes and commitments affecting the financial position of the Company after the balance sheet date till the date of the Report.

**Conservation of Energy and Technology Absorption:**

Not applicable to the Company.

**Foreign Exchange Earnings and Outgo:**

Foreign Exchange earnings of the Company during the year 2015-16 were Rs. 346.97 million (Previous year Rs. 310.48 million) while outgoings were Rs. 145.26 million (Previous year Rs. 83.90 million).

**Risk Management Policy:**

The statement indicating development and implementation of the Risk Management Policy, adopted by the Company, including identification of elements of risk, which may threaten the existence of the Company, pursuant to Section 134(3)(n) of the Act is attached as **ANNEXURE-VI** to this Report.

**Corporate Social Responsibility:**

The details about policy developed, contents of policy and policy implemented by the Company on Corporate Social Responsibility initiatives taken during the year under review, pursuant to Section 134(3)(o) of the Act and Rule 8 of the Companies (Corporate Social Responsibility) Rules, 2014 is attached as **ANNEXURE-VII** to this Report.

**Change in Nature of Business:**

Pursuant to transfer of the entire Wealth Management division of the Company to Julius Baer Group on 20<sup>th</sup> September, 2015, the Company is no longer involved in the Wealth Management business.



**Directors:**

The details of Directors as on the date of Report:

<b>Sr. No.</b>	<b>Name(s)</b>	<b>Designation</b>	<b>Director Identification (DIN)</b>	<b>Dates of Appointment</b>
1	Mr. Asit Bhatia	Chairman & Non-Executive Director	05112750	25 <sup>th</sup> November, 2011
2	Ms. Ameer Parikh	Independent Director	00445583	1 <sup>st</sup> Term: 20 <sup>th</sup> March, 2015 up to 19 <sup>th</sup> March, 2016 2 <sup>nd</sup> Term: 20 <sup>th</sup> March, 2016 up to 19 <sup>th</sup> March, 2021
3	Mr. Arbind Maheswari	Whole-time Director	07415888	25 <sup>th</sup> January, 2016
4	Mr. Rajnarayan Balakrishnan	Whole-time Director	06694243	28 <sup>th</sup> May, 2015
5	Mr. Sundararaman Ramamurthy	Non-Executive Director	05297538	20 <sup>th</sup> March, 2015
6	Ms. Charulata Sippy	Independent Director	07508021	16 <sup>th</sup> June, 2016

**Appointment/Re-appointment/Change in Designation /Resignation of Directors till the date of the Report**

Appointment(s):

Mr. Rajnarayan Balakrishnan (DIN:06694243) was appointed as a Whole-time Director of the Company with effect from 28<sup>th</sup> May, 2015 for a period of 3 years. In accordance with the provisions of Section 196 of the Act, Members approved his appointment at the Annual General Meeting ('AGM') of the Company held on 28<sup>th</sup> September, 2015.

Pursuant to the recommendation of the Nomination and Remuneration Committee, the Board of Directors appointed Mr. Arbind Maheswari (DIN: 07415888) as Whole-time Director of the Company with effect from 25<sup>th</sup> January, 2016. In accordance with the provisions of Section 196 of the Act, Members approval for his appointment is being sought at the ensuing AGM of the Company.

Ms. Charulata Sippy (DIN:07508021) was appointed by the Board of Directors as an Independent Additional Director of the Company for a period of 1 year with effect from 16<sup>th</sup> June, 2016 up to 15<sup>th</sup> June, 2017. In accordance with Section 150(2) of the Act, Members approval for her appointment is being sought at the ensuing AGM of the Company.

Re-appointment(s):

Mr. Asit Bhatia (DIN:05112750) and Mr. Avinash Gupta (DIN:05106833) Directors of the Company, retired by rotation at the 40<sup>th</sup> AGM of the Company held on 28<sup>th</sup> September, 2015 and being eligible were re-appointed.

Ms. Ameer Parikh (DIN:00445583) Independent Director whose term of office was upto 19<sup>th</sup> March, 2016 has been re-appointed by the Board of Directors for a further term of 5 years with effect from 20<sup>th</sup> March, 2016 upto 19<sup>th</sup> March, 2021. In accordance with the provisions of Section 149(10) of the Act, Members approval by way of a special resolution is being sought at the ensuing AGM of the Company for her re-appointment.

Mr. Sundararaman Ramamurthy (DIN:05297538) Non-Executive Director, will retire by rotation at the ensuing AGM and being eligible, offers himself for re-appointment. The Board recommends his re-appointment.

Change in Designation:

Ms. Ameer Parikh (DIN:00445583), Mr. Sundararaman Ramamurthy (DIN:05297538) and Mr. Haresh Shivdasani (DIN:07124225) who were appointed as Additional Directors of the Company with effect from 20<sup>th</sup> March, 2015 were regularized at the AGM of the Company held on 28<sup>th</sup> September, 2015.

Resignation(s):

Mr. Jyotivardhan Jaipuria (DIN: 05111689), Whole-time Director resigned from the Board with effect from 28<sup>th</sup> May, 2015.

Mr. Avinash Gupta, Whole-time Director resigned from the Board with effect from 17<sup>th</sup> January, 2016.

Consequent to expiration of his term as an Independent Director on 20<sup>th</sup> March, 2016, Mr. Haresh Shivdasani, ceased to hold office as a Director of the Company.

The Board expresses its sincere appreciation for the valuable services rendered by the outgoing Directors during their tenure in the Company.

**Changes in Key Managerial Personnel(s) ('KMPs') till the date of the Report:**

Appointment(s):

Mr. Samrat Sanyal (ICSI Membership No. ACS13863) was appointed as the Company Secretary with effect from 9<sup>th</sup> December, 2015.

Mr. Rajnarayan Balakrishnan was appointed as Whole-time Director for a period of 3 years with effect from 28<sup>th</sup> May, 2015.

Mr. Arbind Maheswari was appointed as a Whole-time Director for a period of 3 years with effect from 25<sup>th</sup> January, 2016.

Reappointment(s):

Mr. Ashish Adukia, Chief Financial Officer ("CFO") holding office up to 19<sup>th</sup> November, 2015 was re-appointed for a further term of 1 year with effect from 20<sup>th</sup> November, 2015 to hold office up to 19<sup>th</sup> November, 2016.

Resignation(s):

Mr. Nishith Mehta (ICSI Membership No ACS 15608) resigned as Company Secretary with effect from 9<sup>th</sup> December, 2015. The Board expresses its sincere appreciation for the valuable services rendered by him during his tenure in the Company.

Mr. Jyotivardhan Jaipuria, Whole-time Director, resigned from the Board with effect from 28<sup>th</sup> May, 2015.

Mr. Avinash Gupta, Whole-time Director, resigned from the Board with effect from 17<sup>th</sup> January, 2016.

The Board expresses its sincere appreciation for the valuable services rendered by the outgoing KMPs.

### **Subsidiary Companies and Indian Fellow Subsidiary Companies:**

Consequent to the transfer and sale of the entire Wealth Management business to Julius Baer Group:

- Merrill Lynch Wealth Advisors Private Limited ceased to be a subsidiary of the Company with effect from 13<sup>th</sup> April, 2015
- DSP Merrill Lynch Trust Services Limited ceased to be a subsidiary of the Company with effect from 20<sup>th</sup> September, 2015
- Banc of America Securities (India) Private Limited ceased to be a fellow subsidiary of the Company in India with effect from 20<sup>th</sup> September, 2015
- DSP Merrill Lynch Capital Limited continues to be a subsidiary of the Company

The Report on the performance and financial position of each of the subsidiaries, associates and joint venture companies in Form AOC-1 pursuant to first proviso to sub-section (3) of Section 129 of the Companies Act, 2013 and Rule 5 of Companies (Accounts) Rules, 2014 is attached as **ANNEXURE-VIII** to this Report.

### **Deposits:**

The Company has not accepted any deposits from the public within the meaning of Section 73 of the Act, read with Companies (Acceptance of Deposits) Rules, 2014.

### **Material and Significant Orders passed by Regulators or Courts or Tribunals:**

During the period under review, there were no material and significant orders passed by any Regulators or Courts or Tribunals against the Company impacting its status as going concern and its future operations.

### **Internal Financial Controls with reference to Financial Statements:**

The Company has an adequate internal financial controls system with reference to financial reporting in all material respects that is commensurate with the size and nature of its business and such internal financial controls over financial reporting are operating effectively.

### **Committees of the Board:**

#### **(i) Audit Committee:**

The Audit Committee of the Company was constituted vide Board meeting dated 24<sup>th</sup> June, 2000. The Committee has adopted a charter for its functioning. The primary objective of the Committee is to assist the Board of Directors and senior management of the Company in fulfilling their responsibilities for accounting policies, financial reporting and systems of internal control with the highest levels of transparency and integrity.

The composition of the Committee as on the date of the Report is as under:

- 1) Ms. Ameer Parikh- Independent Director
- 2) Ms. Charulata Sippy-Independent Director
- 3) Mr. Sundararaman Ramamurthy

During the year, Mr. Haresh Shivdasani ceased to be a member of the Committee consequent to expiration of his tenure as a Director of the Company. Mr. Arbind Maheswari, Director was appointed as member of the said Committee to fill in the intermittent vacancy. Consequent to the appointment of Ms. Charulata Sippy as an Independent Additional Director of the Company, she was appointed as a member of the Committee and Mr. Arbind Maheswari resigned as a member.

#### **(ii) Nomination and Remuneration Committee:**

The composition of the Committee as on the date of the Report is as under:

- 1) Ms. Ameer Parikh- Independent Director
- 2) Ms. Charulata Sippy-Independent Director
- 3) Mr. Sundararaman Ramamurthy

During the year, Mr. Haresh Shivdasani ceased to be a member of the Committee consequent to expiration of his tenure as a Director of the Company. Mr. Asit Bhatia, Director, was appointed as member of the said Committee to fill in the intermittent vacancy. Consequent to the appointment of Ms. Charulata Sippy as an Independent Additional Director of the Company, she was appointed as a member of the Committee and Mr. Asit Bhatia resigned as member.

**(iii) Corporate Social Responsibility Committee:**

The composition of the Committee as on the date of the Report is as under:

- 1) Mr. Sundararaman Ramamurthy-Chairman
- 2) Ms. Ameer Parikh- Independent Director
- 3) Mr. Asit Bhatia

**Details of Issue of Sweat Equity Shares:**

During the period under review, no Sweat Equity Shares were issued by the Company.

**Details in respect of frauds reported by the Auditors under Section 143(12) of the Act, other than those reportable to the Central Government:**

There were no cases of frauds reported by the auditors under Section 143(12) of the Act.

**Annual Board Evaluation:**

Evaluation of performance of all Directors is undertaken annually. In accordance with the provisions of the Act, the performance of the Board of Directors and of its Committees and individual Directors was evaluated taking into consideration various performance related aspects.

Ms. Ameer Parikh and Mr. Haresh Shivdasani, Independent Directors of the Company, reviewed the matters pertaining to performance evaluation of the Board, Committees and Directors as prescribed under Schedule IV of the Act at a separate meeting convened on 14<sup>th</sup> March, 2016.

The Independent Directors expressed their satisfaction in respect of the following aspects of governance:

- a) Performance of non-Independent Directors and the Board as a whole;
- b) Performance of the Chairman of the Company, taking into account the views of the executive and non-executive Directors;
- c) The quality, quantity and timeliness of flow of information between the Company's management and the Board;

The Board of Directors expressed their satisfaction with the evaluation process.

**Statutory Auditors:**

In accordance with Section 139 of the Act, Price Waterhouse, Chartered Accountants, were appointed by the shareholders of the Company at the AGM held on 29<sup>th</sup> September, 2014, as Statutory Auditors, for a period of 5 years to hold office until the conclusion of the 44<sup>th</sup> AGM of the Company to be held in the year 2019. In accordance with the provisions of Sections 139, 142 and other applicable provisions of the Act, and Companies (Audit and Auditors) Rules, 2014, the appointment of Statutory Auditors is required to be ratified by the shareholders at every AGM. Price Waterhouse, Chartered Accountants, have confirmed that they are eligible for having their appointment ratified as Statutory Auditors at this AGM.

**Acknowledgement:**

The Board places on record its appreciation for the whole hearted and sincere co-operation received by the Company during the year from the employees, clients, bankers, regulators and various government authorities at all levels.

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF  
DSP MERRILL LYNCH LIMITED**

**Asit Bhatia**

**Chairman**

(DIN: 05112750)

**Date:** 19<sup>th</sup> August, 2016

**Place:** Mumbai

**ANNEXURES TO THE DIRECTORS' REPORT**

**ANNEXURE-I**

**Form No. MGT-9**

**Extract of Annual Return**

**As on the financial year ended on 31<sup>st</sup> March, 2016**

[Pursuant to section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

**I. Registration and other details:**

(i)	<b>CIN</b>	U74140MH1975PLC018618
(ii)	<b>Registration Date</b>	23 <sup>rd</sup> October, 1975
(iii)	<b>Name of the Company</b>	DSP Merrill Lynch Limited
(iv)	<b>Category</b> <b>Sub-Category of the Company</b>	Company Limited by Shares Indian Non-Government Company
(v)	<b>Address of the Registered office and contact details</b>	*16 <sup>th</sup> Floor, Express Towers, Nariman Point, Mumbai 400 021 **Ground Floor, A Wing, One BKC, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051** Contact details :+91 22 66328439
(vi)	<b>Whether listed Company</b>	No
(vii)	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	***Sharepro Services (India) Pvt. Ltd. Regd. Office: 13 AB, Samhita Warehousing Complex, 2 <sup>nd</sup> Floor, Sakinaka Tel Exchange Lane, Off. Andheri-Kurla Road, Sakinaka, Andheri (E), Mumbai -400 072 Contact no. : +91 22 67720400

**II. Principal business activities of the Company**

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:

<b>Sr. No.</b>	<b>Name and Description of main Product / Service</b>	<b>NIC Code of the Product/ Service</b>	<b>% to total turnover of the Company</b>
1)	Securities Broking	66120	73%
2)	Investment Banking Services	66190	20%

**III. Particulars of holding, subsidiary and associate companies**

<b>Sr. No.</b>	<b>Name and address of the Company</b>	<b>CIN/GLN</b>	<b>Holding/ Subsidiary/ Associate</b>	<b>% of shares held</b>	<b>Applicable Section</b>
1	GHS Singapore Holding Pte. Ltd. 2 Harbourfront Place, 02-01 Bank of America Merrill Lynch, Harbourfront 098499, Singapore	-	Holding Company	99.95	Section 2(46)
2	DSP Merrill Lynch Capital Limited *16 <sup>th</sup> Floor, Express Towers, Nariman Point, Mumbai 400 021 **Ground Floor, A Wing, One BKC, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051**	U65990MH2005PLC152497	Subsidiary Company	100	Section 2(87)

\* till 1<sup>st</sup> July, 2016

\*\* with effect from 2<sup>nd</sup> July, 2016

\*\*\* Link Intime India Pvt. Ltd. is being appointed as the Registrar and Transfer Agent in place of Sharepro Services (India) Pvt. Ltd.

**IV. Shareholding pattern (equity share capital breakup as percentage of total equity)**

**(i) Category-wise Shareholding**

Category of Shareholders	Number of Shares held at the beginning of the year				Number of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1. Indian</b>									
a. Individual/HUF	–	–	–	–	–	–	–	–	–
b. Central Government	–	–	–	–	–	–	–	–	–
c. State Government(s)	–	–	–	–	–	–	–	–	–
d. Bodies Corporate	–	–	–	–	–	–	–	–	–
a. Banks/FI	–	–	–	–	–	–	–	–	–
b. Any Other	–	–	–	–	–	–	–	–	–
<b>Sub -Total (A) (1)</b>	–	–	–	–	–	–	–	–	–
<b>2. Foreign</b>									
a. NRI Individuals	–	–	–	–	–	–	–	–	–
b. Other Individuals	–	–	–	–	–	–	–	–	–
c. Bodies Corporate	13,648,800	–	13,648,800	58.94%	23,143,905	–	23,143,905	99.95%	41.01%
d. Banks/FI	9,495,105	–	9,495,105	41.01%	–	–	–	–	(41.01%)
e. Any Other	–	–	–	–	–	–	–	–	–
<b>Sub -Total (A) (2)</b>	23,143,905	–	23,143,905	99.95%	23,143,905	–	23,143,905	99.95%	0.00%
<b>Total Shareholding of Promoter A = (A) (1) + (A) (2)</b>	23,143,905	–	23,143,905	99.95%	23,143,905	–	23,143,905	99.95%	0.00%
<b>B. Public Shareholding</b>									
<b>I. Institutions</b>									
a. Mutual Funds/UTI	–	–	–	–	–	–	–	–	–
b. Banks / FI	–	–	–	–	–	–	–	–	–
c. Central Government	–	–	–	–	–	–	–	–	–
d. State Government (s)	–	–	–	–	–	–	–	–	–
e. Venture Capital Funds	–	–	–	–	–	–	–	–	–
f. Insurance Companies	–	–	–	–	–	–	–	–	–
g. Foreign Institutional Investors	–	–	–	–	–	–	–	–	–
h. Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	–
i. Others	–	–	–	–	–	–	–	–	–
Sub Total B(1)	–	–	–	–	–	–	–	–	–
<b>II. Non-Institutions</b>									
<b>a. Bodies Corporate</b>									
I. Indian	1,768	2	1,770	0.01%	1,743	2	1,745	0.01%	0.00%
II. Overseas	–	–	–	–	–	–	–	–	–
<b>b. Individual</b>									
I. Individual	5,574	3,584	9,158	0.04%	5,805	3,584	9,389	0.04%	0.00%

shareholders holding nominal share capital upto Rs. 1 Lakh									
II. Individual shareholders holding nominal share capital in excess of Rs. 1 Lakh	-	-	-	-	-	-	-	-	-
<b>c. Others</b>	206	-	206	0.00%	-	-	-	-	0.00%
<b>Sub-total (B)(2)</b>	7,548	3,586	11,134	0.05%	7,548	3,586	11,134	0.05%	0.00%
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	7,548	3,586	11,134	0.05%	7,548	3,586	11,134	0.05%	0.00%
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	<b>23,156,301</b>	<b>3,699</b>	<b>23,160,000</b>	<b>100%</b>	<b>23,151,453</b>	<b>3,586</b>	<b>23,155,039</b>	<b>100%</b>	<b>0.00%</b>

(ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1.	Merrill Lynch Investment Holdings (Mauritius) Ltd.	10,738,800	46.38%	-	-	-	-	(46.38%)
2.	Merrill Lynch Holdings (Mauritius)	9,495,105	41.01%	-	-	-	-	(41.01%)
3.	Merrill Lynch Asia Investment Ltd.	2,910,000	12.56%	-	-	-	-	(12.56%)
4.	GHS Singapore Holding Pte Ltd.	-	-	-	23,143,905	99.95%	-	99.95%



## (iii) Change in Promoters' Shareholding (please specify, if there is no change)

Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
At the beginning of the year	23,143,905	99.95%	23,143,905	99.95%
At the end of the year	23,143,905	99.95%	23,143,905	99.95%

## (iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Sr. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1.	<b>Mr. Bhupendra Dalal</b> At the beginning of the year	2,400	0.01%	2,400	0.01%
	Date wise Increase/Decrease in Share holding during the year specifying the reasons for increase /decrease (e.g. allotment /transfer/bonus /sweat equity etc.)	----	----	----	----
	At the end of the year ( or on the date of separation, if separated during the year)	2,400	0.01%	2,400	0.01%
2.	<b>J M Financial and Investment Consultancy</b> At the beginning of the year	1,000	0.004%	1,000	0.004%
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	----	----	----	----
	At the end of the year ( or on the date of separation, if separated during the year)	1,000	0.004%	1,000	0.004%
3.	<b>Mr. Ajay Agarwal</b> At the beginning of the year	1,000	0.004%	1,000	0.004%
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	----	----	----	----
	At the end of the year ( or on the date of separation, if separated during the year)	1,000	0.004%	1,000	0.004%
4.	<b>Mr. Vijay Bhawe</b> At the beginning of the year	400	0.002%	400	0.002%
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	----	----	----	----
	At the end of the year ( or on the date of separation, if separated during the year)	400	0.002%	400	0.002%
5.	<b>Mrs. Bharati D. Thakkar</b> At the beginning of the year	400	0.002%	400	0.002%
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	----	----	----	----
	At the end of the year ( or on the date of separation, if separated during the year)	400	0.002%	400	0.002%
6.	<b>Mr. S. N. Rajan</b> At the beginning of the year	353	0.002%	353	0.002%
	Date wise Increase / Decrease in Share	----	----	----	----

	holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)				
	At the end of the year ( or on the date of separation, if separated during the year)	353	0.002%	353	0.002%
7.	<b>Mr. Brijesh Jaysinh Ved</b>				
	At the beginning of the year	250	0.001%	250	0.001%
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	----	----	----	----
	At the end of the year ( or on the date of separation, if separated during the year)	250	0.001%	250	0.001%
8.	<b>Mrs. Vijaya Jaysinh Ved</b>				
	At the beginning of the year	250	0.001%	250	0.001%
	Date wise Increase/Decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	----	----	----	----
	At the end of the year ( or on the date of separation, if separated during the year)	250	0.001%	250	0.001%
9.	<b>Mr. Shridhar P. Iyer</b>				
	At the beginning of the year	211	0.001%	211	0.001%
	Date wise Increase/Decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus / sweat equity etc.)	----	----	----	----
	At the end of the year (or on the date of separation, if separated during the year)	211	0.001%	211	0.001%
10.	<b>Mr. Piyush Dilipbhai Shah</b>				
	At the beginning of the year	200	0.001%	200	0.001%
	Date wise Increase/Decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment / transfer /bonus / sweat equity etc.)	----	----	----	----
	At the end of the year (or on the date of separation, if separated during the year)	200	0.001%	200	0.001%

**(v) Shareholding of Directors and Key Managerial Personnel**

Sr. No.	Name of Director	Shareholding at the beginning of the year		Change in Share holding during the year		Shareholding at the End of the year	
		No. of shares	% of total shares of the Company	Increase	Decrease	No. of shares	% of total shares of the Company
NIL							

**V. Indebtedness - Indebtedness of the Company including interest outstanding/accrued but not due for payment Rs. in million**

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
(i) Principal Amount	74.77	—	—	74.77
(ii) Interest due but not paid	—	—	—	—
(iii) Interest accrued but not due	—	—	—	—
<b>Total (i+ii+iii)</b>	74.77	—	—	74.77
<b>Change in Indebtedness during the financial year</b>				
* Addition	24.01	—	—	24.01
* Reduction	(54.32)	—	—	(54.32)
<b>Net Change</b>	(30.31)	—	—	(30.31)
<b>Indebtedness at the end of the financial year</b>				
(i) Principal Amount	44.46	—	—	44.46
(ii) Interest due but not paid	—	—	—	—
(iii) Interest accrued but not due	—	—	—	—
<b>Total (i+ii+iii)</b>	44.46	—	—	44.46

**VI. Remuneration of Directors and Key Managerial Personnel**

**A. Remuneration to Managing Director, Whole-time Directors and/or Manager**

Amount in Rs.

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount
		Mr. Jyotivardhan Jaipuria (Whole-Time Director) 1 <sup>st</sup> April, 2015 to 28 <sup>th</sup> May, 2015	Mr. Avinash Gupta (Whole-Time Director) 1 <sup>st</sup> April, 2015 to 17 <sup>th</sup> January, 2016	Mr. Rajnarayan Balakrishnan (Whole-Time Director) 28 <sup>th</sup> May, 2015 to 31 <sup>st</sup> March, 2016	Mr. Arbind Maheswari (Whole-Time Director) 25 <sup>th</sup> January, 2016 to 31 <sup>st</sup> March, 2016	
1.	Gross salary a. Salary as per provisions contained in section 17(1) of Income Tax Act, 1961	3,397,275	24,683,333	54,643,552	7,098,076	89,822,236
	b. Value of perquisites u/s 17(2) of Income Tax Act, 1961	284,146	-	24,310	5,342	313,798
	c. Profits in lieu of salary under section 17(3) of Income Tax Act, 1961	-	-	-	-	-
2.	Stock Option	-	-	-	-	-
3.	Sweat Equity	-	-	-	-	-
4.	Commission - as % of profit - Others, specify...	-	-	-	-	-
5.	Others, please specify (Includes Retirals -PF, Gratuity and Leave encashment Actuarial valuation)	710,914	954,838	2,070,950	1,143,625	4,880,327
	<b>Total</b>	<b>4,392,335</b>	<b>25,638,171</b>	<b>56,738,812</b>	<b>8,247,043</b>	<b>95,016,361</b>
	<b>Ceiling as per the Act</b>					<b>1,093,843,270</b>

**B. Remuneration to other Directors**

Amount in Rs.

Sr. No.	Particulars of Remuneration	Name of Directors		Total Amount
1.	<b>Independent Directors</b>	<b>Ms. Ameer Parikh</b> 1 <sup>st</sup> April, 2015 to 31 <sup>st</sup> March, 2016	<b>Mr. Haresh Shivdasani</b> 1 <sup>st</sup> April, 2015 to 20 <sup>th</sup> March, 2016	
	a. Fee for attending Board / Committee meetings	1,000,000	950,000	1,950,000
	b. Commission	-	-	-
	c. Others, please specify	-	-	-
	<b>Total (1)</b>	<b>1,000,000</b>	<b>950,000</b>	<b>1,950,000</b>
2.	<b>Other Non-Executive Directors</b>	<b>Mr. Asit Bhatia</b> 1 <sup>st</sup> April, 2015 to 31 <sup>st</sup> March, 2016	<b>Mr. Sundararaman Ramamurthy</b> 1 <sup>st</sup> April, 2015 to 31 <sup>st</sup> March, 2016	<b>Total Amount</b>
	a. Fee for attending Board/ Committee meetings	-	-	-
	b. Commission	-	-	-
	c. Others, please specify	-	-	-
	<b>Total (2)</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total (1+2)</b>	<b>1,000,000</b>	<b>950,000</b>	<b>1,950,000</b>
	<b>Total Managerial Remuneration (A+B)</b>			<b>96,966,361</b>
	<b>Ceiling as per the Act</b>			<b>1,203,227,597</b>

**C. Remuneration to Key Managerial Personnel Other than MD/Manager/WTD**

Amount in Rs.

Sr. No.	Particulars of Remuneration	Key Managerial Personnel			Total
		Mr. Ashish Adukia (Chief Financial Officer) 1 <sup>st</sup> April, 2015 to 31 <sup>st</sup> March, 2016	Mr. Nishith Mehta (Company Secretary) 1 <sup>st</sup> April, 2015 to 9 <sup>th</sup> December, 2015	Mr. Samrat Sanyal (Company Secretary) 9 <sup>th</sup> December, 2015 to 31 <sup>st</sup> March, 2016	
1.	<b>Gross Salary</b>	9,092,492	4,802,998	1,321,682	<b>15,217,172</b>
	a. Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961				
	b. Value of perquisites u/s 17(2) of the Income Tax Act, 1961	-	19,897	-	<b>19,897</b>
	c. Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	a. as % of profit	-	-	-	-
	b. Others, specify				
5.	Others, please specify (Includes Retirals - PF, Gratuity and Leave encashment Actuarial valuation)	600,530	620,227	1,203,862	<b>2,424,619</b>
	<b>Total</b>	<b>9,693,022</b>	<b>5,443,122</b>	<b>2,525,544</b>	<b>17,661,688</b>

**VII. Penalties / Punishment/ Compounding of Offences**

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ Court]	Appeal made, if any (give details)
<b>A. COMPANY</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>B. DIRECTORS</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

## ANNEXURE-II

### Company's Policy on Director's Appointment by Nomination and Remuneration Committee

#### 1. Background

The Nomination and Remuneration Committee ("the Committee") is a committee of the Board of Directors ("the Board") of the Company to exercise oversight with respect to the Company's compliance with requirements set forth under Section 178 of the Companies Act, 2013 ("the Act"). The Committee reports to the Board as required.

The Committee is authorized to investigate any activity or matter within this Charter or as authorized by the Board.

The Committee has full and unrestricted access to information as it may be reasonably required and able to obtain independent professional advice deemed necessary.

#### 2. Scope of Duties

The Committee is responsible for exercising oversight with respect to the Company's compliance with the applicable provisions of the Act which include:

##### A. Nomination:

Identification of persons who are qualified to become Directors and who may be appointed in the senior management in accordance with the criteria laid down

Formulating the criteria for determining the qualifications, positive attributes and independence of the Directors

Discuss the proposals for new incumbent(s) who are nominated to be Director to the Board of Directors of the Company

Review the qualification and credentials of every person nominated to the Board

Assess the suitability of the person so nominated to be on the Board of Directors

Discuss and recommend to the Board that the nominated person is fit and proper person to act as Director to the Company

to the Board of Directors of the Company removal of Directors and carry out evaluation of every Director's performance

##### B. Remuneration:

Recommend to the Board a policy relating to the remuneration for the Directors, Key Managerial Personnel and other employees

As required by the Act, while formulating the policy the Committee shall ensure that,:

- o The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully
- o The relationship of remuneration to performance is clear and meets appropriate performance benchmarks
- o The remuneration to Directors, Key Managerial Personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

The review of compensation decisions for Research Analysts shall be as required by the Securities and Exchange Board of India (Research Analysts) Regulations

### **3. Director Remuneration**

The Company's independent director remuneration philosophy is designed to appropriately remunerate its non-management directors for the time and effort required to serve. Independent directors receive remuneration for their participation in the Board or Committees of the Board, which is based on a market analysis in order to provide competitive annual payments reflective of market practices.

All internal directors are remunerated based on their scope of responsibility, experience, market pressures and accountability as employees of the Company. Internal directors do not receive additional remuneration for their membership or participation in the Board or Committees of the Board.

#### **Criteria for Independent Directors, per section 149(6) of the Companies Act, 2013**

An Independent Director in relation to a company, means a director other than a managing director or a whole time director or a nominee director:

- a. who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- b. (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;  
(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- c) who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- d) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- e) who, neither himself nor any of his relatives:
  - i. holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
  - ii. is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—
    - A. a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
    - B. any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
  - iii. holds together with his relatives two per cent or more of the total voting power of the company; or
  - iv. is a Chief Executive or Director, by whatever name called, of any nonprofit organization that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors or its

holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the company; or

v. who possesses such other qualifications as may be prescribed.

An Independent director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.

**Expectations of the Board regarding directors' qualifications:**

The Board seeks members from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise with a reputation for business acumen and integrity.

**Independent Directors are expected to demonstrate the following personal and professional characteristics:**

uphold ethical standards of integrity and probity;

act objectively and constructively while exercising their duties;

exercise their responsibilities in a bona fide manner in the interest of the Company;

devote sufficient time and attention to their professional obligations for informed and balanced decision making;

refrain from any action that would lead to loss of their independence;

assist the Company in implementing the best corporate governance practices.



**ANNEXURE —III**  
**Form No. MR-3**  
**For the Financial Year ended 31<sup>st</sup> March 2016**

**Secretarial Audit Report**

**[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]**

To,  
The Members,  
DSP MERRILL LYNCH LIMITED

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by DSP MERRILL LYNCH LIMITED (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliance and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in my/our opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2016, complied with the statutory provisions listed hereunder and also that the Company has proper board processes and compliance mechanism in place, to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2016, according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowing;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011: Not applicable;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992: Not applicable;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009: Not applicable;
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999: Not applicable;
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008: Not applicable;
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993: Not applicable;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009: Not applicable; and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998: Not applicable;
- (vi) The Company is registered with the Securities and Exchange Board of India as a Stock Broker,

Merchant Banker, Underwriter, Depository Participant and Research Analyst and has complied with the applicable Regulations /Guidelines issued by the Securities and Exchange Board of India and Stock Exchange.

We have also examined compliance with the applicable clauses of the following:

Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. All majority decisions are carried through and there have not been any instances where any member has offered dissenting views on any business.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

Place: Mumbai                      Signature:      Sd/-

Date: 26<sup>th</sup> July, 2016

Name of Company Secretary in Practice: Surendra U. Kanstiya

FCS No.: 2777

C P No.: 1744

**ANNEXURE —IV**

**Particulars of Loans, Guarantees and Investments**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Details</b>
1.	Nature of Transaction	Loan/Inter corporate Deposit
2.	Date of making Loan	20 <sup>th</sup> April, 2015
3.	Name and Address of the Person/ Body Corporate to whom loan advanced	DSP Merrill Lynch Trust Services Limited Address: Mafatlal center, 8 <sup>th</sup> Floor, Nariman Point, Mumbai – 400021, Maharashtra
4.	Amount of loan advanced	Rs. 54,000,000
5.	Time Period for which it is given	2 months 3 days
6.	Purpose of Loan	Deployment of surplus fund
7.	% of Loan to the Paid up Capital, Free Reserves and Securities Premium Account and % of Free Reserves and Securities Premium	0.29% and 0.30%
8.	Date of Passing of Board Resolution	4 <sup>th</sup> March, 2014
9.	Date of passing Special Resolution, if required	--
10.	For Loans: a) Rate of Interest b) Date of Maturity	8.25% 22 <sup>nd</sup> June, 2015

<b>Sr. No.</b>	<b>Particulars</b>	<b>Details</b>
1.	Nature of Transaction	Loan/Inter corporate Deposit
2.	Date of making Loan	22 <sup>nd</sup> June, 2015
3.	Name and Address of the Person/ Body Corporate to whom loan advanced	DSP Merrill Lynch Trust Services Limited Address: Mafatlal center, 8 <sup>th</sup> Floor, Nariman Point, Mumbai – 400021, Maharashtra
4.	Amount of loan advanced	Rs. 54,000,000
5.	Time Period for which it is given	1 month 7 days
6.	Purpose of Loan	Deployment of surplus fund
7.	% of Loan to the Paid up Capital, Free Reserves and Securities Premium Account and % of Free Reserves and Securities Premium	0.29% and 0.30%
8.	Date of Passing of Board Resolution	4 <sup>th</sup> March, 2014
9.	Date of passing Special Resolution, if required	--
10.	For Loans: a) Rate of Interest b) Date of Maturity	8.00 % 29 <sup>th</sup> July, 2015

Sr. No.	Particulars	Details
1.	Nature of Transaction	Loan/Inter corporate Deposit
2.	Date of making Loan	29 <sup>th</sup> July, 2015
3.	Name and Address of the Person/ Body Corporate to whom loan advanced	DSP Merrill Lynch Trust Services Limited Address: Mafatlal center, 8 <sup>th</sup> Floor, Nariman Point, Mumbai – 400021, Maharashtra
4.	Amount of loan advanced	Rs. 54,000,000
5.	Time Period for which it is given	28 days
6.	Purpose of Loan	Deployment of surplus fund
7.	% of Loan to the Paid up Capital, Free Reserves and Securities Premium Account and % of Free Reserves and Securities Premium	0.29% and 0.30%
8.	Date of Passing of Board Resolution	4 <sup>th</sup> March, 2014
9.	Date of passing Special Resolution, if required	--
10.	For Loans: a) Rate of Interest b) Date of Maturity	7.65 % 26 <sup>th</sup> August, 2015

Sr. No.	Particulars	Details
1.	Nature of Transaction	Loan/Inter corporate Deposit
2.	Date of making Loan	26 <sup>th</sup> August, 2015
3.	Name and Address of the Person/ Body Corporate to whom loan advanced	DSP Merrill Lynch Trust Services Limited Address: Mafatlal center, 8 <sup>th</sup> Floor, Nariman Point, Mumbai – 400021, Maharashtra
4.	Amount of loan advanced	Rs. 54,000,000
5.	Time Period for which it is given	1 month 3 days
6.	Purpose of Loan	Deployment of surplus fund
7.	% of Loan to the Paid up Capital, Free Reserves and Securities Premium Account and % of Free Reserves and Securities Premium	0.29% and 0.30%
8.	Date of Passing of Board Resolution	4 <sup>th</sup> March, 2014
9.	Date of passing Special Resolution, if required	--
10.	For Loans: a) Rate of Interest b) Date of Maturity	7.55 % 28 <sup>th</sup> September, 2015

ANNEXURE- V

**Particulars of Contracts or Arrangements with Related Parties**

**Form No. AOC-2**

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

**1. Details of contracts or arrangements or transactions not at arm's length basis : Nil**

**2. Details of material contracts or arrangement or transactions at arm's length basis \***

<b>Sr. No.</b>	<b>Particulars</b>	<b>Remarks</b>
(a)	Name(s) of the related party and nature of relationship	Merrill Lynch Capital Markets Espana S.A., S.V. Relationship: Subsidiary of the ultimate holding company
(b)	Nature of contracts/arrangements/transactions	Brokerage Income of Rs. 848,264,054
(c)	Duration of the contracts / arrangements/transactions	From 6 <sup>th</sup> May 2003 till date
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	To enable client to trade in securities including derivatives on the various segments of BSR, NSE & OTCEI Stock Exchanges
(e)	Date(s) of approval by the Board, if any	--
(f)	Amount paid as advances, if any	--

\* Contracts or arrangement or transactions are considered as 'Material' if they exceed the limit requiring Shareholder's approval as specified in Section 188 of the Companies Act, 2013 and Rules thereunder.

## ANNEXURE-VI

### Relevant Extract of Risk Management Policy

The Company is an operating company engaged in activities as Stock Broker, Merchant Banker, Underwriter, Depository Participant, Research Analyst. It is indirectly majority owned by Bank of America Corporation (“BAC”).

#### **Risk Management:**

The Company’s Risk Policy operates alongside BAC’s global framework and encompasses the seven risk types described as below. It is noted that due to limited scope of business activities (primarily being fee based business), some of the below mentioned risks are currently not applicable to the Company:

**Credit risk** is defined as the possibility of losses associated with diminution in the credit quality of borrowers. The losses stem from outright default due to inability or unwillingness of a customer to meet commitments on financial transactions. No lending activity is carried out under the Company. Issuer risk arises out of corporate treasury investments, Risk process in place to manage Mutual Fund investments with daily monitoring of limits. Debt & Equity Capital market underwriting activity is approved through regional committees including local risk manager representation.

**Market risk** is the risk of loss due to changes in the market values of the entity’s assets and liabilities caused by changing interest rates, currency exchange rates, and security prices. Market risk is inherent in the operations and arises from corporate treasury investments (No trading activity currently undertaken). Organization uses Value at Risk (“VaR”) modeling to evaluate the risks in its trading activities. The calculated VaR represents the worst loss the portfolio is expected to experience with a given level of confidence. It reflects the volatility of the positions in the portfolio and how strongly the risks are correlated. All limit excesses are communicated to senior management for review.

**Operational risk** is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational Risk Events: inadequate or failed internal processes, people, systems and external events may result in unexpected or undesired consequences including a financial loss, an unexpected gain, a near miss and/or an opportunity cost (lost future revenue). The events associated with these unintended and/or undesired consequences are termed as operational risk events.

**Strategic risk** including business risk is the risk that results from adverse business decisions, inappropriate business plans, ineffective business strategy execution, or failure to respond in a timely manner to changes in the macroeconomic environment, such as business cycles, competitor actions, changing customer preferences, product obsolescence, technology developments and the regulatory environment. The Company manages strategic risk through assessing earnings and risk profile throughout the year. These are periodically discussed in appropriate governance committee.

**Liquidity risk** is the potential inability to meet contractual and contingent financial obligations on- or off-balance sheet as they become due. Sources of liquidity risk include unavailability of funding at the price or amount anticipated or credit rating downgrades. This may impact the ability to manage its asset and liability position. Virtually every financial transaction and commitment has liquidity implications.

**Reputational risk** is the potential that negative publicity regarding an organization’s business practices will adversely affect its profitability, operations or customer base or require costly litigation or other measures. It is the potential risk that negative publicity regarding an organization’s conduct or business practices will adversely affect its profitability, operations or customer base, or require costly litigation or other defensive measures, is by its nature extremely difficult to quantify and lends itself to being mitigated by good governance controls.

**Compliance risk** is the risk of legal or regulatory sanctions arising from the failure to comply with requirements of applicable laws, rules and regulations. Compliance is at the core of the Company’s culture and is a key component of the risk management discipline.

## ANNEXURE —VII

### Corporate Social Responsibility (CSR)

[Pursuant to clause (o) of sub-section 3 of section 134 of the Companies Act, 2013 and Rule 8 of the Companies (Corporate Social Responsibility) Rules, 2014]

#### **Brief outline of the Company's CSR policy, including overview of projects or programs undertaken:**

##### **Introduction**

Being a responsible business is integral to our success and that of the customers, shareholders and communities we serve around the world. CSR is embedded in our values and informs how we conduct business, develop products and services and deliver on our goals and commitments. As a Company, we follow responsible business practices in the communities in which we operate. We rigorously review our business practices and policies and are continuing to simplify information for customers, maintain a strong risk culture and manage our businesses to be accountable to shareholders and stakeholders.

Our CSR approach, aligned to our global strategy, will continue to focus on building strong economies, helping communities thrive, promoting arts and culture and environmental sustainability.

##### **Objective**

The CSR policy sets out the framework that would guide all CSR initiatives and activities undertaken by the Company. The policy would also ensure compliance with section 135 of the Companies Act, 2013. Any project or program that is exclusively for the benefit of the Company's employees would not be considered as CSR. The surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of the Company. The scope and ownership of this policy will be within India CSR and governed by Asia Pacific CSR and Global CSR.

##### **Scope & Focus Areas**

The scope and focus areas of the Company's CSR policy shall be in alignment with activities enumerated in Schedule VII of the Companies Act, 2013:

- 1) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation (including contribution to the Swachh Bharat Kosh set up by the Central Government for promotion of sanitation) and making available safe drinking water;
- 2) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects;
- 3) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- 4) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water;
- 5) protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
- 6) measures for the benefit of armed forces veteran, war widows and their dependents;
- 7) training to promote rural sports nationally recognized sports and Olympic sports;
- 8) contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;

- 9) contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- 10) rural development projects and
- 11) Slum area development (the term 'slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force);

Currently, it shall include inter alia:

- 1 **Education & Skills Development** —promoting education especially among women, children and youth including skills development to enhance employability and livelihood enhancement
- 1 **Sanitation & Hygiene** —supporting the creation of sanitation infrastructure as well as awareness programs aimed at changing hygiene behavior to help achieve the Nation's goals of being open defecation free
- 1 **Arts & Culture** —promoting national heritage, arts and culture including restoration of historical sites and art works as well as supporting traditional arts and handicrafts
  
- 1 **Clean & Renewable Energy** —facilitating environmental sustainability and supporting access to energy for disadvantaged communities

Within the scope of activities enumerated in Schedule VII of Companies Act, 2013, the scope and focus of the Policy shall be modified from time to time.

**The Composition of the CSR Committee :**

- 1) Ms. Ameer Parikh
- 2) Mr. Asit Bhatia
- 3) Mr. Sundararaman Ramamurthy

**3. Average net profit of the company for last three financial years : Rs. 2446.83 million**

**4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): Rs. 48.94 million**

**5. Details of CSR spent during the financial year:**

- (a) Total amount to be spent for the financial year: Rs. 48.94 million
- (b) Amount unspent, if any : Nil



**(c) Manner in which the amount spent during the financial year is detailed below:**

Sr. No.	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs were undertaken	Amount outlay (budget) project or programs wise (In Rs.)	Amount spent on the projects or programs Sub-heads: (1)Direct expenditure on projects or programs (2) Overheads (In Rs.)	Cumulative expenditure up to the reporting period (In Rs.)	Amount spent Direct or through implementing agency*
1	Building a Children's Museum	Promoting Art & Culture	Maharashtra		500,000	500,000	Implementing Agency – Chhatrapati Shivaji Maharaj Vastu Sangrahalaya
2	Supporting education for underprivileged children	Promoting Education	Maharashtra	19,600,000	19,600,000	19,600,000	Implementing Agency – The Akanksha Foundation
3	Creating sanitation infrastructure and awareness programs	Promoting Sanitation	Rajasthan & Uttar Pradesh	20,000,000	20,000,000	20,000,000	Implementing Agency – Habitat for Humanity
4	Contribution to Swachh Bharat Kosh for promotion of Sanitation	Promoting Sanitation	Pan-India	8,811,000	8,811,000	8,811,000	Implementing Agency – Swachh Bharat Kosh
5	Administrative overheads			29,485	29,485	29,485	Administrative overheads
<b>Total</b>				<b>48,940,485</b>	<b>48,940,485</b>	<b>48,940,485</b>	

6. During the Financial year 2015-16 the Company has spent 2% of its average net profits of the last 3 financial years in CSR activities.
7. The CSR Committee of the Company hereby confirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.

## ANNEXURE - VIII

### Form AOC-1

(Pursuant to first proviso to sub-section 3 of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

#### **Statement containing salient features of the financial statement of Subsidiaries/ Associate Companies/ Joint Ventures**

##### **Part A: Subsidiaries**

###### **Sr. No. 1**

1. Name of the Subsidiary —DSP Merrill Lynch Capital Limited
2. Reporting period for the subsidiary concerned, if different from the holding company's reporting period —N.A
3. Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries —N.A
4. Share capital —
  - (i) **Authorised Capital : Rs. 2,100 Million**
  - (ii) **Paid-up Capital : Rs. 2,050 Million**
5. Reserves & Surplus —Rs. 10,840 Million
6. Total Assets —Rs. 12,973 Million
7. Total Liabilities —Rs. 83 Million
8. Investments —Nil
9. Turnover —Rs. 790 Million
10. Profit before taxation —Rs. 2,109 Million
11. Provision for taxation —Rs. 664 Million
12. Profit after taxation —Rs. 1,445 Million
13. Proposed Dividend - Nil
14. % of shareholding —100%

###### **Sr. No. 2**

1. Name of the Subsidiary —DSP Merrill Lynch Trust Services Limited
2. Reporting period for the subsidiary concerned, if different from the holding company's reporting period —N.A
3. Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries —N.A
4. Share capital —
  - (i) **Authorised Capital : N.A.**
  - (ii) **Paid-up Capital : N.A.**
5. Reserves & Surplus —N.A.
6. Total Assets —N.A.
7. Total Liabilities —N.A.
8. Investments —N.A.
9. Turnover —Rs. 2 Million
10. Loss before taxation —Rs. 4 Million
11. Provision for taxation —Nil
12. Loss after taxation —Rs. 4 Million
13. Proposed Dividend —N.A.
14. % of shareholding —Nil

**Sr. No. 3**

1. Name of the Subsidiary —Merrill Lynch Wealth Advisors Private Limited
2. Reporting period for the subsidiary concerned, if different from the holding company's reporting period —N.A.
3. Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries —N.A.
4. Share capital —N.A.
  - (i) **Authorised Capital : N.A.**
  - (ii) **Paid-up Capital : N.A.**
5. Reserves & Surplus —N.A.
6. Total Assets —N.A.
7. Total Liabilities —N.A.
8. Investments —N.A.
9. Turnover —Nil
10. Loss before taxation —Rs. 6 Million
11. Provision for taxation —Nil
12. Loss after taxation —Rs. 6 Million
13. Proposed Dividend —N.A.
14. % of shareholding —Nil

Names of subsidiaries which are yet to commence operations —Nil

Names of subsidiaries which have been liquidated or sold during the year:

- a. DSP Merrill Lynch Trust Services Limited sold on 20<sup>th</sup> September, 2015
- b. Merrill Lynch Wealth Advisors Private Limited sold on 13<sup>th</sup> April, 2015

**INDEPENDENT AUDITORS' REPORT****To The Members Of DSP Merrill Lynch Limited****Report on the Standalone Financial Statements**

1. We have audited the accompanying standalone financial statements of DSP Merrill Lynch Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Standalone Financial Statements**

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

**Opinion**

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, and its profit and its cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

9. As required by 'the Companies (Auditor's Report) Order, 2016', issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.

10. As required by Section 143 (3) of the Act, we report that :

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on April 01, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.
- (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
  - I The Company has disclosed the impact of pending litigations as at March 31, 2016 on its financial position in its standalone financial statements – Refer Note 25;
  - ii. The Company has long-term contracts as at March 31, 2016 for which there were no material foreseeable losses. There are no derivative contracts as at March 31, 2016
  - ii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2016.

**For Price Waterhouse**  
Firm Registration Number: 301112E  
Chartered Accountants

**Partha Ghosh**  
Partner  
Membership Number: 55913

Place : Mumbai  
Date : 26<sup>th</sup> July, 2016

## **Annexure A to Independent Auditors' Report**

Referred to in paragraph 10 (f) of the Independent Auditors' Report of even date to the members of DSP Merrill Lynch Limited on the standalone financial statements for the year ended March 31, 2016

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act**

1. We have audited the internal financial controls over financial reporting of DSP Merrill Lynch Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### **Auditors' Responsibility**

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls Over Financial Reporting**

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

**For Price Waterhouse**

Firm Registration Number: 301112E  
Chartered Accountants

**Partha Ghosh**

Partner  
Membership Number: 55913

Place : Mumbai  
Date : 26<sup>th</sup> July, 2016

**Annexure B to Independent Auditors' Report**

Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of DSP Merrill Lynch Limited on the standalone financial statements as of and for the year ended March 31, 2016

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.  
(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of 3 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.  
(c) The Company does not own any immovable properties as disclosed in Note 10 on fixed assets to the financial statements. Therefore, the provisions of Clause 3(i)(c) of the said Order are not applicable to the Company.
- ii. The securities held as stock –in-trade have been verified by the Management with the statement of holdings obtained from the National Securities Depository Limited (NSDL) at the financial year end. In our opinion, the frequency of verification is reasonable.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including provident fund, employees' state insurance, income tax, service tax and other material statutory dues, as applicable, with the appropriate authorities.  
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, service-tax and other material statutory dues which have not been deposited on account of any dispute.
- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government or dues to debenture holders as at the balance sheet date.
- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.



- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

**For Price Waterhouse**

Firm Registration Number: 301112E  
Chartered Accountants

**Partha Ghosh**

Partner  
Membership Number: 55913

Place : Mumbai  
Date : 26<sup>th</sup> July, 2016

**Balance Sheet as at 31st March, 2016**

	Note	As at 31st March, 2016 Rs. million	As at 31st March, 2015 Rs. million
<b>I EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	231.55	231.55
Reserves and surplus	4	26,187.38	24,538.31
		26,418.93	24,769.86
<b>Non-current liabilities</b>			
Long-term borrowings	5	27.00	39.71
Long-term provisions	6	183.43	329.08
Other non current liabilities	7	51.24	-
		261.67	368.79
<b>Current liabilities</b>			
Trade payables	8	-	-
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		11,303.02	17,146.37
Other current liabilities	9	437.00	307.48
Short-term provisions	10	31.99	58.02
		11,772.01	17,511.87
<b>TOTAL</b>		<b>38,452.61</b>	<b>42,650.52</b>
<b>II ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	11		
Tangible assets		343.97	505.97
Intangible assets		4.16	1.05
Capital work-in-progress		327.42	9.43
		675.55	516.45
Non-current investments	12	8,250.05	8,250.05
Deferred tax assets, net	34 (c)	172.83	256.88
Long-term loans and advances	13	1,797.24	1,395.67
		10,895.67	10,419.05
<b>Current assets</b>			
Current investments	14	-	500.00
Trade receivables	15	660.84	401.06
Cash and bank balances	16	26,237.57	30,334.16
Short-term loans and advances	17	524.32	721.94
Other current assets	18	134.21	274.31
		27,556.94	32,231.47
<b>TOTAL</b>		<b>38,452.61</b>	<b>42,650.52</b>

The accompanying notes 1 to 42 form an integral part of the Financial Statements

This is the Balance Sheet referred to in our report of even date

**For Price Waterhouse**  
Firm Registration Number : 301112E  
Chartered Accountants

**Partha Ghosh**  
Partner  
Membership Number: 55913

**For and on behalf of the Board of Directors**

**Asit Bhatia**  
Director

**Rajnarayan Balakrishnan**  
Director

**Ashish Adukia**  
Chief Financial Officer

**Samrat Sanyal**  
Company Secretary

Mumbai : 26<sup>th</sup> July 2016

Mumbai : 26<sup>th</sup> July 2016

**Statement of Profit and Loss for the year ended 31st March, 2016**

	Note	Year Ended 31st March, 2016 Rs. million	Year Ended 31st March, 2015 Rs. million
Revenue from operations :			
Advisory and Transactional Services	19	4,109.15	5,325.90
Other income	20	15,624.80	2,454.79
<b>Total Revenue</b>		<b>19,733.95</b>	<b>7,780.69</b>
<b>Expenses:</b>			
Employee benefits expense	21	1,787.87	2,296.32
Finance costs	22	6.13	9.05
Depreciation and amortisation expense	23	191.56	214.68
Other expenses	24	1,738.04	1,723.20
<b>Total expenses</b>		<b>3,723.60</b>	<b>4,243.25</b>
<b>Profit before tax</b>		<b>16,010.35</b>	<b>3,537.44</b>
<b>Continuing operations</b>			
Profit from continuing operations before tax		10,993.51	3,767.07
Tax expense of continuing operations	34(a)	927.31	1,307.48
<b>Profit from continuing operations after tax</b>	<b>A</b>	<b>10,066.20</b>	<b>2,459.59</b>
<b>Discontinued operation</b>			
(Loss) from ordinary activities before tax [refer note 30]		(149.82)	(229.63)
Less: Tax expense thereon	34 (b)	22.71	(50.54)
(Loss) from ordinary activities after tax [i]		(172.53)	(179.09)
Gain on disposal before tax		5,166.66	-
Less: Tax expense thereon	34 (b)	1,146.16	-
Gain on disposal after tax [ii]		4,020.50	-
<b>Profit / (Loss) from discontinued operation after tax [i+ii]</b>	<b>B</b>	<b>3,847.97</b>	<b>(179.09)</b>
<b>Profit for the year</b>	<b>(A+B)</b>	<b>13,914.17</b>	<b>2,280.50</b>
<b>Earnings per equity share, in Rs. [face value of Rs. 10/-each]</b>	<b>33</b>		
Basic		600.91	98.47
Diluted		600.91	98.47

**The accompanying notes 1 to 42 form an integral part of the Financial Statements**

This is the Statement of Profit and Loss referred to in our report of even date

**For Price Waterhouse**  
Firm Registration Number : 301112E  
Chartered Accountants

**Partha Ghosh**  
Partner  
Membership Number: 55913

**For and on behalf of the Board of Directors**

**Asit Bhatia**  
Director

**Ashish Adukia**  
Chief Financial Officer

**Rajnarayan Balakrishnan**  
Director

**Samrat Sanyal**  
Company Secretary

Mumbai : 26<sup>th</sup> July 2016

Mumbai : 26<sup>th</sup> July 2016

**Cash flow statement for the year ended 31<sup>st</sup> March, 2016**

	Year Ended 31st March, 2016 Rs. million	Year Ended 31st March, 2015 Rs. million
<b>Cash flow from operating activities (including discontinued operations) :</b>		
<b>Profit before tax</b>	<b>16,010.35</b>	3,537.44
<b>Adjusted for :</b>		
Depreciation / amortisation	191.56	214.68
Bad debts and advances written off	3.24	6.73
Credit balances written back	(5.34)	(0.08)
Gratuity	(101.47)	(27.07)
Compensated absence	(94.03)	53.56
Interest on bank loans	6.13	9.05
(Write-back of provision) made for bad and doubtful debts and advances, net	(1.10)	(3.09)
(Write-back of provision) for contingencies	(11.18)	-
(Write-back of provision) for diminution in value of long term investments	(49.00)	-
(Write-back of provision) / provision for loans to subsidiary company	(52.50)	5.00
Loss on fixed assets sold / discarded, net	0.45	7.11
<b>Operating profit before changes in operating assets and liabilities</b>	<b>15,897.11</b>	3,803.33
<b>Adjusted for :</b>		
Decrease / (Increase) in other bank balances	1,279.99	(4,852.00)
Decrease in loans and advances	140.08	1,117.82
(Increase) / Decrease in trade receivables	(261.92)	1,207.41
Decrease / (Increase) in other current assets	140.48	(78.30)
(Decrease) / Increase in trade payables	(5,826.83)	2,703.67
Increase / (Decrease) in other current liabilities	147.12	(119.44)
Increase in other non current liabilities	51.24	-
(Decrease) in short term provision	(11.18)	-
<b>Cash generated from operating activities</b>	<b>11,556.09</b>	3,782.49
Direct taxes (paid), net	(2,268.66)	(1,262.58)
<b>Net cash generated from operating activities</b>	<b>(A) 9,287.43</b>	2,519.91
<b>Cash flow from investing activities :</b>		
Purchase of fixed assets / capital advances	(394.90)	(237.89)
Sale / disposal of fixed assets	43.42	15.13
Proceeds from non-current investments	49.00	-
Redemption of long term investments	-	8.45
Sale / (purchase) of current investment	500.00	(500.00)
<b>Net cash generated / (used in) investing activities</b>	<b>(B) 197.51</b>	(714.31)
<b>Cash flow from financing activities :</b>		
Buyback of equity shares	-	(20.07)
Interim dividend paid on equity shares	(11,577.52)	-
Dividend distribution tax paid	(687.58)	-
Loans from bank, net of repayments	(30.31)	(7.77)
Interest on bank loans	(6.13)	(9.05)
<b>Net cash (used in) financing activities</b>	<b>(C) (12,301.54)</b>	(36.89)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(A+B+C) (2,816.60)</b>	1,768.71
<b>Cash and cash equivalents as at the beginning of the year</b>	<b>14,292.29</b>	12,523.58
<b>Cash and cash equivalents as at the close of the year</b>		
Cash on hand	-	-
Balances with scheduled banks in current accounts	2,055.69	1,772.29
Balances with scheduled banks in fixed deposit accounts	2,800.00	7,410.00
Current investments in mutual funds	6,620.00	5,110.00
	<b>11,475.69</b>	14,292.29
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(2,816.60)</b>	1,768.71

The accompanying notes 1 to 42 form an integral part of the Financial Statements

This is the Cash Flow Statement referred to in our report of even date

**For Price Waterhouse**  
Firm Registration Number : 301112E  
Chartered Accountants

**Partha Ghosh**  
Partner  
Membership Number: 55913

Mumbai : 26<sup>th</sup> July 2016

**For and on behalf of the Board of Directors**
**Asit Bhatia**  
Director  
  
**Ashish Adukia**  
Chief Financial Officer

Mumbai : 26<sup>th</sup> July 2016

**Rajnarayan Balakrishnan**  
Director

**Samrat Sanyal**  
Company Secretary

## Notes to Financial Statements

### 1. Company background :

DSP Merrill Lynch Limited ("the Company") was incorporated under the Companies Act, 1956 ("the Act") on October 23, 1975. The Company is registered with the Securities and Exchange Board of India ("SEBI") as a Stock Broker, Merchant Banker, Underwriter, Depository Participant and Research Analyst. The Company is engaged in the business of stock broking, investment banking including advice on merger and acquisition transactions and principal transactions in securities.

The Company is ultimately controlled by Bank of America Corporation ("BAC").

### 2. Significant accounting policies :

#### a. Basis of preparation of financial statements :

These financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in India under the historical cost convention and comply, in all material aspects, with the Accounting Standards ("AS") prescribed under Section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 and relevant provisions of the Act. The accounting policies have been consistently applied, except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in accounting policy.

All assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on nature of its business, the Company has identified its operating cycle as twelve (12) months for the purpose of current and non-current classification of assets and liabilities in the Balance Sheet.

The Ministry of Corporate Affairs ("MCA") has notified The Companies (Accounting Standard) Amendment Rules 2016 vide its notification dated March 30, 2016. The said notification read with Rule 3 (2) of the Companies (Accounting Standard) Rules, 2006 is applicable to the accounting period commencing on or after the date of notification i.e. April 01, 2016.

#### b. Use of estimates :

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and difference between the actual results and estimates are recognised in the period in which the results are known or materialise.

#### c. Tangible fixed assets and capital work-in-progress :

Tangible fixed assets are stated at the original cost of acquisition and related expenses less accumulated depreciation and accumulated impairment losses, if any. Assets, which are not under active use and held for disposal, are stated at lower of net book value and net realizable value. Capital work-in-progress comprises cost of fixed assets that are not yet ready for their intended use at the reporting date.

#### d. Intangible assets :

The Company capitalizes intangible assets, where it is reasonably estimated that the intangible asset has an enduring useful life. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and accumulated impairment losses, if any.

#### e. Depreciation and amortization :

- i. Except for items forming part of (ii) and (iii) below, depreciation on tangible assets is provided, pro-rata for the period of use, by straight line method (SLM), based on management's estimate of useful lives for the fixed assets as stated in the table below:

Category	Useful Life
Buildings	40 years
Computers and Allied Equipment	
- Desktops / Printers	2 years
- Servers / Laptops	4 years
- Computer Cabling	7 years
Office Equipment	
- EPABX	5 years
- Others	3 years
Furniture and fittings	10 years
Vehicles	5 years

**Notes to Financial Statements (Contd...)**

- ii. Assets costing less than the rupee equivalent of USD 1,500 are fully depreciated on purchase.
- iii. Leasehold improvements are depreciated over the lease period including the renewal periods, if any. Assets associated with premises taken on lease are depreciated on straight line basis over the lease period or the useful lives stated above, whichever is shorter.
- iv. The Company has arrived at the above estimates of useful lives based on an internal assessment and technical evaluation and believes that the useful lives stated above represent the best estimate of the period over which it expects to use the assets. With the exception of Furniture and Fittings and EPABX Office Equipment, the useful lives estimated by the Company as stated in the table above are different from the useful lives prescribed under "Part C" of "Schedule II" of the Act.
- v. Intangible assets are amortized over their useful lives as estimated by the management commencing from the date the asset is available for use as stated in the table below:

Category	Useful Life
Software	3 years
BSE Membership Card	10 years

**f. Impairment of assets :**

In accordance with AS-28 on "Impairment of Assets", an asset is considered as impaired when at the balance sheet date there are indications of impairment and the carrying amount of the asset, or where applicable, the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value-in-use). The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss in the Statement of Profit and Loss.

**g. Investments :**

Investments are classified as current or non-current (long-term) based upon management intent at the time of acquisition. Investments that are intended to be held for not more than one year from the date of acquisition are classified as current investments. All other investments are classified as non-current investments. Current investments are stated at lower of cost and fair value. Any reduction in the carrying amount and any reversals of such reductions are charged or credited to the Statement of Profit and Loss.

Non-current investments are recorded at cost as on the date of transaction. Provision is made to recognise a decline, other than temporary, in the value of such investments.

**h. Revenue recognition :**

Revenue is recognised when it is earned and no significant uncertainty exists as to its realisation or collection on the following basis :

Fees from investment banking activities including issue management, mergers and acquisitions, and advisory services	On stage wise basis / as per agreement
Investment advisory	As per agreement
Brokerage on equity/debt market transactions	On trade date basis
Brokerage/marketing fees on mutual funds/new issues	Based on mobilisation and intimation received from clients/intermediaries
Trading revenues (principal transactions)	On trade date basis
Underwriting commission earned, to the extent not reduced from cost of acquisition of securities	On closure of the issue

Interest income is recognized on time proportion basis. Dividend income is recognised when the right to receive payment is established.

Revenue excludes service tax, wherever recovered.

## Notes to Financial Statements (Contd...)

### i. Employee benefits :

Short-term employee benefits (benefits which are payable within twelve months after the end of the period in which the employees render services) are measured at cost. Long-term employee benefits (benefits which are payable after the end of twelve months from the end of the period in which the employees render services) and post employment benefits (benefits which are payable after completion of employment) are measured on a discounted basis by the Projected Unit Credit Method on the basis of annual independent third party actuarial valuations.

The Company has a defined contribution plan for post employment benefits in the form of Provident Fund. Under the Provident Fund Plan, the Company contributes to a Government administered provident fund on behalf of the employees. The Company has no further obligation beyond making the contributions. Contributions to Provident Fund are made in accordance with the statute, and are recognised as an expense when employees have rendered services entitling them to the contributions.

The costs of providing benefits under defined benefit plans are determined using the Projected Unit Credit Method on the basis of a third party actuarial valuation at each balance sheet date. The leave encashment and gratuity benefit obligations recognised on the balance sheet represent the present value of the obligations as reduced by the fair value of plan assets, if any. Any asset resulting from this calculation is limited to the discounted value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss.

### j. Foreign currency transactions :

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are reported using the exchange rate prevailing at the balance sheet date. All exchange differences are dealt with in the Statement of Profit and Loss. Non-monetary items are carried at historical cost using the exchange rates on the date of the transaction. Outstanding foreign exchange forward contracts are marked to market. Resulting losses are recognised in the Statement of Profit and Loss; gains are ignored.

### k. Borrowing costs :

Borrowing costs primarily include interest and related costs of amounts borrowed for the operations of the Company. These are expensed to revenue on a time-proportionate basis.

### l. Operating lease :

Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the non-cancellable period of the lease term.

### m. Earning per share :

The Company reports basic and diluted earnings per share (EPS) in accordance with AS-20 on "Earnings Per Share". Basic EPS is computed by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

### n. Taxation :

Taxes on income are accounted for in accordance with AS-22 on "Accounting for Taxes on Income" and comprise current and deferred tax.

Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961.

The tax effect of timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods is recorded as a deferred tax asset or deferred tax liability. These are measured using the substantively enacted tax rates and tax regulations. Deferred tax assets arising on account of carry forward of losses and unabsorbed depreciation under tax laws are recognised only if there is virtual certainty of realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets at each balance sheet date is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realised.

## Notes to Financial Statements (Contd...)

**o. Cash flow statement :**

The cash flow statement is prepared by the indirect method set out in AS-3 on "Cash Flow Statements" and presents the cash flows by operating, investing and financing activities of the company.

Cash and cash equivalents presented in cash flow statement consist of cash on hand, deposits with banks and current investments readily convertible to known amounts of cash and subject to insignificant risk of change in value.

**p. Employee stock compensation :**

Liability in respect of restricted stocks and restricted units of the ultimate parent company granted to the employees of the Company in terms of the global long-term incentive compensation plans of the ultimate parent company is accounted for initially at the fair value of the awards on the date of grant. The difference between the fair value on the date of grant and fair value on the date of vesting is accounted for when the stocks vest. At the balance sheet date, liability in respect of unvested stocks is re-measured based on the fair value of the stocks on that date.

**q. Contingent liabilities :**

Contingent liabilities as defined in AS-29 on "Provisions, Contingent Liabilities and Contingent Assets" are disclosed by way of notes to the accounts. Disclosure is not made if the possibility of an outflow of future economic benefits is remote. Provision is made if it is probable that an outflow of future economic benefits will be required to settle the obligation.



## Notes to the Financial Statements (Contd...)

### 3. Share capital :

Particulars	As at	As at
	31 <sup>st</sup> March, 2016 Rs. million	31 <sup>st</sup> March, 2015 Rs. million
<b>Authorised</b>		
73,750,000 (Previous year 73,750,000) Equity shares of Rs. 10/- each	737.50	737.50
810,000,000 (Previous year 810,000,000) Cumulative redeemable preference shares of Rs. 10/- each	8,100.00	8,100.00
	<b>8,837.50</b>	<b>8,837.50</b>
<b>Issued, subscribed and paid up</b>		
<b>Equity share capital</b>		
23,155,039 (Previous year 23,155,039) Equity shares of Rs. 10/- each, fully paid up	231.55	231.55
	<b>231.55</b>	<b>231.55</b>

### Reconciliation of number of shares :

Particulars	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Number of Shares	Rs. million	Number of Shares	Rs. million
<b>Equity Shares :</b>				
Balance as at the beginning of the year	23,155,039	231.55	23,160,000	231.60
Add: Shares issued during the year	-	-	-	-
Less: Shares bought back during the year (refer note below)	-	-	(4,961)	(0.05)
Balance as at the end of the year	<b>23,155,039</b>	<b>231.55</b>	<b>23,155,039</b>	<b>231.55</b>

During the year ended March 31, 2015, the Company bought back 4,961 equity shares of face value of Rs. 10/- each for a total consideration of Rs 16.37 million. The difference of Rs. 16.32 million between amount paid for buy back and the face value of the shares bought back has been adjusted against surplus in statement of profit and loss account.

### Rights, preferences and restrictions attached to shares :

#### Equity Shares:

The company has only one class of equity shares with a par value of Rs. 10/- each. Each shareholder is eligible for one vote per share.

### Shares held by the holding company, ultimate holding company and their subsidiaries/associates are as below :

Name of Shareholder	Nature of Relationship	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
		Number of Shares	Rs. million	Number of Shares	Rs. million
<b>Equity Shares :</b>					
Merrill Lynch Investment Holdings (Mauritius) Limited	Fellow Subsidiary	-	-	10,738,800	107.39
Merrill Lynch Holdings (Mauritius)	Fellow Subsidiary	-	-	9,495,105	94.95
Merrill Lynch Asia Investments Limited	Fellow Subsidiary	-	-	2,910,000	29.10
GHS Singapore Holdings Pte Limited	Holding Company	<b>23,143,905</b>	<b>231.44</b>	-	-

## Notes to the Financial Statements (Contd...)

### 3. Share capital (Contd...):

Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company:

Name of Shareholder	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Number of Shares	% of holding	Number of Shares	% of holding
<b>Equity Shares:</b>				
Merrill Lynch Investment Holdings (Mauritius) Limited	-	-	10,738,800	46.38%
Merrill Lynch Holdings (Mauritius)	-	-	9,495,105	41.01%
Merrill Lynch Asia Investments Limited	-	-	2,910,000	12.57%
GHS Singapore Holdings Pte Limited	<b>23,143,905</b>	<b>99.95%</b>	-	-

The company has not issued any equity shares for consideration other than cash or by way of bonus during the last five financial years.

**Note:-**

During the year ended March 31, 2016, Merrill Lynch Investment Holdings (Mauritius) Limited (10,738,800 shares), Merrill Lynch Holdings (Mauritius) (9,495,105 shares) and Merrill Lynch Asia Investments Limited (2,910,000 shares) have sold their shareholding to GHS Singapore Holdings Pte Ltd. There is no change in control as the Company is ultimately controlled by Bank of America Corporation.

### 4. Reserves and Surplus:

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
<b>Investment allowance reserve</b>		
Balance as at the beginning of the year	1.19	1.19
Balance as at the end of the year	1.19	1.19
<b>Capital redemption reserve</b>		
Balance as at the beginning of the year	8,100.05	8,100.00
Add: Transfer from surplus in statement of profit and loss on buy-back of equity shares	-	0.05
Balance as at the end of the year	8,100.05	8,100.05
<b>General reserve</b>		
Balance as at the beginning of the year	4,509.79	4,509.79
Balance as at the end of the year	4,509.79	4,509.79
<b>Surplus in statement of profit and loss</b>		
Balance as at the beginning of the year	11,927.28	9,666.85
Add: Profit for the year	13,914.17	2,280.50
<b>Appropriations:</b>		
Interim Dividend paid	(11,577.52)	-
Dividend Distribution tax payable on Interim Dividend	(2,356.91)	-
Dividend Distribution tax credit on Dividend received from subsidiary	1,669.33	-
Utilisation for buy-back of equity shares	-	(16.32)
Income distribution tax on buy-back of equity shares	-	(3.70)
Transfer to capital redemption reserve on buy-back of equity shares	-	(0.05)
Balance as at the end of the year	13,576.35	11,927.28
	<b>26,187.38</b>	<b>24,538.31</b>

## Notes to the Financial Statements (Contd...)

### 5. Long-term borrowings :

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
<b>Secured</b>		
Term loans :		
From banks	27.00	39.71
[Secured against hypothecation of vehicles]		
[Terms of repayment : Repayable in 48 equal installments from the date of respective loan with varying maturity dates till 5 <sup>th</sup> February, 2020 along with interest at rates ranging from 9.75% p.a to 11.00% p.a.]		
	<b>27.00</b>	39.71

### 6. Long-term provisions :

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
Provision for employee benefits :		
Gratuity [refer note 28 (ii)]	-	66.47
Compensated absences	183.43	262.61
	<b>183.43</b>	329.08

### 7. Other non current liabilities :

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
Rent equalisation	51.24	-
	<b>51.24</b>	-

### 8. Trade payables :

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
Sundry creditors [refer note 36]		
Total outstanding dues of micro enterprises and small enterprises	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	11,303.02	17,146.37
	<b>11,303.02</b>	17,146.37

**Notes to the Financial Statements (Contd...)**

**9. Other current liabilities :**

<b>Particulars</b>	<b>As at 31<sup>st</sup> March, 2016 Rs. million</b>	<b>As at 31<sup>st</sup> March, 2015 Rs. million</b>
Current maturities of long-term loans [refer note 5]	17.46	35.06
Statutory dues including Provident fund, Tax deducted at source and Service tax	102.89	28.44
Salaries and bonus payable	166.59	238.39
Current portion of Rent equalisation	40.99	-
Other Payables [refer note 36]	109.07	5.59
	<b>437.00</b>	<b>307.48</b>

**10. Short-term provisions :**

<b>Particulars</b>	<b>As at 31<sup>st</sup> March, 2016 Rs. million</b>	<b>As at 31<sup>st</sup> March, 2015 Rs. million</b>
Provision for employee benefits :		
Compensated absences	31.99	46.84
Provision for contingencies [refer note 37]	-	11.18
	<b>31.99</b>	<b>58.02</b>

**Notes to the Financial Statements (Contd...)**  
**11 (a) Fixed Assets for the year ended March 31, 2016 :**

Particulars	Gross block (at cost)		Reclassification (refer note 1)		As at 31 <sup>st</sup> March, 2016		Depreciation / amortisation		Net block	
	As at 1 <sup>st</sup> April, 2015	Additions/ (Deductions)	Rs. million	Rs. million	As at 31 <sup>st</sup> March, 2016	Rs. million	For the year / (on deductions)	Rs. million	As at 31 <sup>st</sup> March, 2016	Rs. million
	Rs. million	Rs. million	Rs. million	Rs. million	Rs. million	Rs. million	Rs. million	Rs. million	Rs. million	Rs. million
<b>Tangible assets</b>										
Buildings	1.03	-	(1.03)	-	0.63	0.02	(0.65)	-	-	-
Leasehold Improvements	279.14	5.22 (7.44)	-	254.12	254.12	15.28 (6.79)	-	262.61	14.31	14.31
Computers and Allied Equipment	1,386.58	35.92 (51.60)	-	1,081.39	1,081.39	109.37 (49.99)	-	1,140.77	230.13	230.13
Office Equipment	409.99	0.92 (9.26)	-	348.24	348.24	26.84 (7.75)	-	367.33	34.32	34.32
Furniture and Fixtures	175.20	0.83 (11.61)	-	160.87	160.87	10.47 (11.61)	-	159.73	4.69	4.69
Vehicles	175.31	29.80 (95.53)	-	109.58	109.58	28.46 (55.43)	-	49.06	60.52	60.52
<b>Sub-total (a)</b>	<b>2,427.25</b>	<b>72.69 (175.44)</b>	<b>(1.03)</b>	<b>2,323.47</b>	<b>1,921.28</b>	<b>190.44 (131.57)</b>	<b>(0.65)</b>	<b>1,979.50</b>	<b>343.97</b>	<b>343.97</b>
<b>Intangible assets</b>										
Software	235.43	4.23	-	239.66	234.38	1.12	-	235.50	4.16	4.16
BSE Membership Card	25.25	-	-	25.25	25.25	-	-	25.25	-	-
<b>sub-total (b)</b>	<b>260.68</b>	<b>4.23</b>	<b>-</b>	<b>264.91</b>	<b>259.63</b>	<b>1.12</b>	<b>-</b>	<b>260.75</b>	<b>4.16</b>	<b>4.16</b>
<b>Total (a+b)</b>	<b>2,687.93</b>	<b>76.92 (175.44)</b>	<b>(1.03)</b>	<b>2,588.38</b>	<b>2,180.91</b>	<b>191.56 (131.57)</b>	<b>(0.65)</b>	<b>2,240.25</b>	<b>348.13</b>	<b>348.13</b>

Note :

- 1) Office premises not under active use and held for disposal have been reclassified to other current assets during the year. The net realisable value for these premises is higher than their net book value.

Notes to the Financial Statements (Contd...)  
11 (b) Fixed Assets for the year ended March 31, 2015 :

Particulars	Gross block (at cost)		As at 31 <sup>st</sup> March, 2015 Rs. million	Depreciation / amortisation		Net block As at 31 <sup>st</sup> March, 2015 Rs. million
	As at 1 <sup>st</sup> April, 2014 Rs. million	Additions/ (Deductions) Rs. million		As at 1 <sup>st</sup> April, 2014 Rs. million	For the year / (on deductions) Rs. million	
<b>Tangible assets</b>						
Buildings	1.03	-	1.03	0.60	0.03	0.40
Leasehold Improvements	279.14	-	279.14	237.08	17.04	25.02
Computer and Allied Equipment	1,086.02	315.97 (15.41)	1,386.58	970.48	119.94 (9.03)	305.19
Office Equipment	399.77	39.23 (29.01)	409.99	347.81	29.44 (29.01)	61.75
Furniture and Fixture	173.62	1.81 (0.23)	175.20	156.06	5.04 (0.23)	14.33
Vehicles	187.15	46.39 (58.23)	175.31	79.03	39.37 (42.37)	99.28
<b>sub-total (a)</b>	<b>2,126.73</b>	<b>403.40</b> <b>(102.88)</b>	<b>2,427.25</b>	<b>1,791.06</b>	<b>210.86</b> <b>(80.64)</b>	<b>505.97</b>
<b>Intangible assets</b>						
Software	235.26	0.17	235.43	230.56	3.82	1.05
BSE Membership Card	25.25	-	25.25	25.25	-	-
<b>sub-total (b)</b>	<b>260.51</b>	<b>0.17</b>	<b>260.68</b>	<b>255.81</b>	<b>3.82</b>	<b>1.05</b>
<b>Total (a+b)</b>	<b>2,387.24</b>	<b>403.57</b> <b>(102.88)</b>	<b>2,687.93</b>	<b>2,046.87</b>	<b>214.68</b> <b>(80.64)</b>	<b>507.02</b>

## Notes to the Financial Statements (Contd...)

### 12. Non-current investments :

Particulars	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Quality (no.)	Rs. million	Quality (no.)	Rs. million
<b>I. Trade Investment [valued at cost, net of provision for diminution in value]</b>				
<b>Unquoted</b>				
<b>Investment in Equity shares :</b>				
Bombay Stock Exchange Limited [Face Value Re. 1/-]	130,000	0.01	130,000	0.01
<b>Sub-total I</b>		0.01		0.01
<b>II. Other Investments [valued at cost, net of provision for diminution in value]</b>				
<b>Unquoted</b>				
<b>(i) Equity shares</b>				
<b>a. Investment in subsidiaries</b>				
[face value of Rs. 10/-each fully paid -up]				
DSP Merrill Lynch Capital Limited	205,000,000	8,250.00	205,000,000	8,250.00
DSP Merrill Lynch Trust Services Limited	-	-	4,900,000	49.00
		8,250.00		8,299.00
Less: Provision for diminution in value		-		(49.00)
		8,250.00		8,250.00
<b>b. Others</b>				
[face value of Rs. 10/-each fully paid -up]				
Avon Industries Limited	21,000	0.51	21,000	0.51
Co-Nick Alloys Limited	122,500	1.79	122,500	1.79
Eastern Circuits Limited	5,100	0.06	5,100	0.06
Eastern Medikit Limited	18,000	0.54	18,000	0.54
Inland Printers Limited	16,000	0.96	16,000	0.96
Magnetix India Limited	810	0.01	810	0.01
Montari Industries Limited	36	*	36	*
Orissa Extrusions Limited	89	**	89	**
Sangam Aluminium Limited	9,000	0.17	9,000	0.17
Travancore Cements Limited	2,410	0.06	2,410	0.06
Varun Polymol Organics Limited	26	***	26	***
Wood Polymer Limited	200	0.01	200	0.01
		4.11		4.11
Less : Provision for diminution in value		(4.11)		(4.11)
		-		-
<b>Sub-total (i) = a + b</b>		8,250.00		8,250.00
<b>(ii) Debentures</b>				
9% Secured Non-Convertible Redeemable Debentures of JK Lakshmi Cement Ltd.	5,643	0.56	5,643	0.56
		0.56		0.56
Less : Provision for diminution in value		(0.56)		(0.56)
<b>Sub-total (ii)</b>		-		-
<b>Quoted</b>				
<b>(i) Equity shares</b>				
[face value of Rs. 4/-each fully paid -up]				
Udaipur Cement Works Limited	10,567	0.04	10,567	0.04
		0.04		0.04
Less : Provision for diminution in value		-		-
		0.04		0.04
<b>Sub-total II</b>		8,250.04		8,250.04
<b>Total [ I + II]</b>		8,250.05		8,250.05
<b>Summary:</b>				
<b>Quoted</b>				
Aggregate of book value		0.04		0.04
Aggregate of market value		0.12		0.13
<b>Unquoted</b>				
Aggregate value of unquoted investments		8,250.01		8,250.01
Aggregate provision for diminution in value of investments		4.67		53.67

\* Amount [Rs. 1,476/-] below rounding off norm adopted by the Company.

\*\* Amount [Rs. 1,621/-] below rounding off norm adopted by the Company.

\*\*\* Amount [Rs. 637/-] below rounding off norm adopted by the Company.

## Notes to the Financial Statements (Contd...)

### 13. Long-term loans and advances :

Particulars	As at	As at
	31 <sup>st</sup> March, 2016 Rs. million	31 <sup>st</sup> March, 2015 Rs. million
<b>Unsecured, considered good :</b>		
Advance payment of taxes [net of provision for tax Rs. 18,270.36 million (previous year Rs. 16,258.57 million)]	1,503.55	1,247.03
Cash deposits placed with exchanges and depository	38.63	68.13
Deposits placed for premises and others	218.40	72.48
Gratuity over funded, net [refer note 28 (ii)]	35.00	-
Prepayments and others	1.66	8.03
	<b>1,797.24</b>	<b>1,395.67</b>

### 14. Current investments :

Particular	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Quality (no.)	Rs. million	Quality (no.)	Rs. million
<b>Unquoted</b>				
<b>i) Equity shares</b>				
<b>Investment in subsidiaries</b>				
Merrill Lynch Wealth Advisors Private Limited [refer note 39]	-	-	50,000,000	500.00
		-		500.00
Less: Provision for mark-to-market loss		-		-
		-		500.00

### 15. Trade receivables :

Particulars	As at	As at
	31 <sup>st</sup> March, 2016 Rs. million	31 <sup>st</sup> March, 2015 Rs. million
Debts outstanding for a period exceeding six months		
Unsecured		
Considered good	4.18	-
Considered doubtful	-	-
	4.18	-
Less: Provision for doubtful debts	-	-
	4.18	-
Other debts		
Unsecured		
Considered good	656.66	401.06
Considered doubtful	-	1.10
	656.66	402.16
Less: Provision for doubtful debts	-	(1.10)
	<b>656.66</b>	<b>401.06</b>
	<b>660.84</b>	<b>401.06</b>



## Notes to the Financial Statements (Contd...)

### 16. Cash and bank balances :

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
Cash and cash equivalents :		
Cash on hand	-	-
Bank balances :		
In current accounts	2,055.69	1,772.29
Fixed deposits with banks with original maturity less than 3 months	2,800.00	7,410.00
	<b>4,855.69</b>	9,182.29
Short term, highly liquid investments - Mutual Funds [refer note 41]		
Birla Sun Life Cash Plus - Growth - Direct Plan	700.00	-
DSP BlackRock Liquidity Fund - Direct Plan - Growth	1,500.00	1,500.00
HDFC Liquid Fund - Direct Plan - Growth	520.00	660.00
ICICI Prudential Liquid - Direct Plan - Growth	-	1,200.00
IDFC Cash Fund- Growth - (Direct Plan)	950.00	-
Kotak Liquid Scheme Plan A - Direct Plan - Growth	950.00	-
Reliance Liquid Fund - Treasury Plan - Direct Growth Plan	1,000.00	-
Reliance Liquidity Fund - Direct - Growth Plan	-	1,750.00
UTI-Liquid Cash Plan Institutional - Direct Plan - Growth	1,000.00	-
	<b>6,620.00</b>	5,110.00
Cash and cash equivalents - Total	<b>11,475.69</b>	14,292.29
Other bank balances :		
Fixed deposits with banks under lien as collateral with stock exchange / clearing corporation*	10,011.88	16,041.87
Fixed deposits with banks with original maturity more than 3 months but less than 12 months	4,750.00	-
Other bank balances - Total	<b>14,761.88</b>	16,041.87
	<b>26,237.57</b>	30,334.16

\*These fixed deposits are under lien with Bombay Stock Exchange Limited/ National Securities Clearing Corporation Limited towards Base and Additional Base Capital / Margins.

**Notes to the Financial Statements (Contd...)**
**17. Short-term loans and advances :**

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
<b>Loans and advances to related parties</b>		
Unsecured, considered doubtful :		
Loans to subsidiary	-	52.50
Less: Provision	-	(52.50)
	-	-
<b>Other Loans and advances</b>		
Unsecured, considered good :		
Cash deposits placed with exchanges	400.20	654.80
Advances	1.60	0.45
Deposits placed for premises and others	82.57	40.82
Prepayments and others	39.95	25.87
Unsecured, considered doubtful :		
Advances	0.45	0.45
Deposits placed for premises and others	0.36	0.36
Less: Provision for doubtful advances/deposits	(0.81)	(0.81)
	<b>524.32</b>	<b>721.94</b>
	<b>524.32</b>	<b>721.94</b>

**18. Other current assets :**

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
Interest accrued on :		
Fixed deposits	109.33	210.53
Inter-corporate deposits	-	0.92
Assets held for disposal	0.38	-
Other receivables	24.50	62.86
	<b>134.21</b>	<b>274.31</b>

## Notes to the Financial Statements (Contd...)

### 19. Advisory and Transactional Services :

Particulars	Year Ended 31 <sup>st</sup> March, 2016 Rs. million	Year Ended 31 <sup>st</sup> March, 2015 Rs. million
Professional fees	861.34	795.69
Brokerage / marketing fees	3,237.91	4,513.49
Depository participant income	9.90	16.72
	<b>4,109.15</b>	<b>5,325.90</b>

### 20. Other income :

Particulars	Year Ended 31 <sup>st</sup> March, 2016 Rs. million	Year Ended 31 <sup>st</sup> March, 2015 Rs. million
Profit on sale of current investments	593.04	625.98
Interest on:		
Bank deposits	1,454.19	1,645.44
Debentures	0.05	0.05
Inter-corporate deposits	2.13	4.66
Infrastructure and support fees recovered (refer note 35)	65.44	95.35
Secondment charges recovered (refer note 35)	20.51	75.46
Dividend income		
From Subsidiary	8,200.00	-
From other long term investments	1.11	0.52
Gain on disposal of discontinued operations [refer note 30]	5,166.66	-
Credit balances written back	5.34	0.08
Foreign exchange differences, net	-	3.64
Write-back of provision for diminution in value of long term investments, net	49.00	-
Write-back of provision for loans to subsidiary	52.50	-
Write-back of provision for bad and doubtful debts & advances, net	1.10	3.09
Write-back of provision for contingencies	11.18	-
Miscellaneous income	2.55	0.52
	<b>15,624.80</b>	<b>2,454.79</b>

### 21. Employee benefits expense :

Particulars	Year Ended 31 <sup>st</sup> March, 2016 Rs. million	Year Ended 31 <sup>st</sup> March, 2015 Rs. million
Salaries and bonus	1,711.86	2,153.27
Contribution to provident fund [refer note 28(i)]	54.68	66.28
Gratuity [refer note 28(ii)]	1.37	54.35
Staff welfare expenses	19.96	22.42
	<b>1,787.87</b>	<b>2,296.32</b>

## Notes to the Financial Statements (Contd...)

### 22. Finance costs :

Particulars	Year Ended 31 <sup>st</sup> March, 2016 Rs. million	Year Ended 31 <sup>st</sup> March, 2015 Rs. million
Interest on bank loans	6.13	9.05
	<b>6.13</b>	<b>9.05</b>

### 23. Depreciation and amortisation expenses :

Particulars	Year Ended 31 <sup>st</sup> March, 2016 Rs. million	Year Ended 31 <sup>st</sup> March, 2015 Rs. million
Depreciation on tangible assets [refer note 11]	190.44	210.86
Amortisation of intangible assets [refer note 11]	1.12	3.82
	<b>191.56</b>	<b>214.68</b>

### 24. Other expenses :

Particulars	Year Ended 31 <sup>st</sup> March, 2016 Rs. million	Year Ended 31 <sup>st</sup> March, 2015 Rs. million
Advertisement, publicity and sales promotion	15.29	1.77
Bad debts and advances written off	3.24	6.73
Brokerage, clearing charges and exchange fees	106.92	105.82
Communication costs, net	112.30	132.38
Corporate Social Responsibility expenditure [refer note 27(e)]	48.91	47.58
Data subscription costs, net	99.34	114.92
Electricity	46.69	63.00
Foreign exchange differences, net	5.57	-
Insurance	3.54	5.61
Infrastructure and support costs	56.75	46.13
Legal and professional fees, net	254.36	233.86
Loss on fixed assets sold / discarded, net	0.45	7.11
Printing and stationery	3.99	14.67
Provision for loans to subsidiary company	-	5.00
Rates and taxes	303.06	314.30
Rent	286.42	209.16
Repairs and maintenance :		
Building	87.64	95.05
Plant and machinery	91.88	121.95
Secondment charges incurred	58.26	56.12
Sub-brokerage, fees, commission and other direct expenses	41.93	20.73
Travelling expenses, net	88.12	87.11
Miscellaneous expenses	23.38	34.20
	<b>1,738.04</b>	<b>1,723.20</b>

## Notes to the Financial Statements (Contd...)

### 25. Contingent liabilities :

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
(a) Claims against the company not acknowledged as debt :		
- Income-tax demands disputed in appeals before the authorities to the extent not provided for and fully paid	991.45	943.13
- Service tax demand disputed in appeals before the authorities to the extent not provided for (excluding any interest and penalty that may apply)	-	23.46*
(b) Guarantees	-	-
(c) Others:		
Show cause notice received from SEBI related to disclosures in Initial Public Offer document of an issuer.	10.00	10.00

\*Customs Excise and Service Tax Appellate Tribunal (CESTAT) had granted an unconditional stay and waiver of pre-deposit of all dues in the matter.

### 26. Commitments :

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
(a) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for	241.00	12.52
(b) Uncalled liability on shares and other investments partly paid	-	-
(c) Other commitments	-	-
	<b>241.00</b>	<b>12.52</b>

### 27. Additional disclosures :

#### a. Payment to auditors (including service tax) :

Particulars	Year ended 31 <sup>st</sup> March, 2016 Rs. million	Year ended 31 <sup>st</sup> March, 2015 Rs. million
Audit fees	5.24	3.76
For other Services [tax audit fees and certification]	4.54	3.35
	<b>9.78</b>	<b>7.11</b>

#### b. Earnings in foreign currency (on accrual basis) :

Particulars	Year ended 31 <sup>st</sup> March, 2016 Rs. million	Year ended 31 <sup>st</sup> March, 2015 Rs. million
Professional fees	346.97	310.48
	<b>346.97</b>	<b>310.48</b>

**Notes to the Financial Statements (Contd...)**
**27. Additional disclosures (Contd...) :**
**c. Imports :**

Particulars	Year ended 31 <sup>st</sup> March, 2016 Rs. million	Year ended 31 <sup>st</sup> March, 2015 Rs. million
CIF value of imports [capital goods]	23.39	0.34
CIF value of imports [others]	-	-
	<b>23.39</b>	<b>0.34</b>

**d. Expenditure in foreign currency (on accrual basis) :**

Particulars	Year ended 31 <sup>st</sup> March, 2016 Rs. million	Year ended 31 <sup>st</sup> March, 2015 Rs. million
Travel	19.32	20.16
Professional fees	70.15	33.21
Networking charges	1.64	4.28
Service charges	43.39	17.85
Others	10.76	8.40
	<b>145.26</b>	<b>83.90</b>

**e. Corporate Social Responsibility (CSR) expenditure :**

Particulars	Year ended 31 <sup>st</sup> March, 2016 Rs. million	Year ended 31 <sup>st</sup> March, 2015 Rs. million
(1) Gross amount required to spent by the Company during the year	48.94	47.58
(2) Amount spent during the year on :		
i) Construction / acquisition of any asset		
In cash	-	-
Yet to be paid in cash	-	-
ii) On any other purpose		
In cash	48.94	47.58
Yet to be paid in cash	-	-
	<b>48.94</b>	<b>47.58</b>

## Notes to the Financial Statements (Contd...)

### 28. Employee benefits :

#### Disclosures in respect of Defined Contribution Plan and Defined Benefit Plan :

##### i. Defined Contribution Plan :

Company's contribution to provident fund **Rs. 54.68million** [Previous year Rs. 66.28 million].

##### ii. Defined Benefit Plan :

#### Liabilities recognised in Balance Sheet in respect of funded defined benefit obligations :

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
Present value (PV) of funded obligation for gratuity	259.40	371.89
Fair Value of Plan Assets	(294.40)	(305.43)
Balance as on the year end	(35.00)	66.46
Current portion of the gratuity liability	-	-
Non-current portion of the gratuity liability/(asset)	(35.00)	66.46

#### Gratuity expenses during the year :

Particulars	Year Ended 31 <sup>st</sup> March, 2016 Rs. million	Year Ended 31 <sup>st</sup> March, 2015 Rs. million
Current service cost	49.16	55.13
Interest on defined benefit obligation	26.51	30.24
Expected return on plan asset	(22.14)	(23.44)
Net actuarial (gains) / losses recognised	(52.16)	(7.58)
	1.37	54.35

#### Reconciliation of defined benefit obligations (Gratuity) during the year :

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
Opening defined benefit obligation	371.89	349.38
Current service cost	49.16	55.13
Interest cost	26.51	30.24
Net actuarial (gains) / losses recognised	(50.98)	3.53
(Divesture)	(68.83)	(39.72)
Benefits paid	(68.35)	(26.67)
	259.40	371.89

## Notes to the Financial Statements (Contd...)

### 28. Employee benefits (Contd...) :

#### Change in fair value of assets :

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
Opening fair value of plan assets	305.42	255.84
Expected return on plan assets	22.14	23.44
Actuarial gains / (losses)	1.19	11.12
Contributions by employer	34.00	41.70
Benefits paid	(68.35)	(26.67)
	<b>294.40</b>	<b>305.43</b>

#### Investment pattern :

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Government of India securities	79.17%	76.44%
High quality corporate bonds (including public sector bonds)	16.17%	14.27%
Special deposit scheme	4.38%	5.74%
Others	0.28%	3.55%
	<b>100.00%</b>	<b>100.00%</b>

#### Principal actuarial assumptions :

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2015
Discount rate p.a.	7.55%	7.85%
Salary escalation rate p.a.	9.00%	9.00%
Expected rate of return on assets (p.a.)	7.65%	7.68%
Attrition rate	8.50%	8.50%

#### Experience Adjustments :

Particulars	Rs.million				
	Gratuity				
	Year ended				
	31-Mar-16	31-Mar-15	31-Mar-14	31-Mar-13	31-Mar-12
Defined benefit obligation	259.40	371.89	349.38	358.39	308.64
Plan assets	294.40	305.43	255.84	210.99	184.22
Surplus / (deficit)	35.00	(66.46)	(93.54)	(147.40)	(124.42)
Experience adjustment on plan liabilities	(50.98)	3.53	92.02	(15.89)	(36.70)
Experience adjustment on plan asset	1.19	11.12	0.50	3.73	0.56

The mortality assumptions and rates considered in assessing the Company's post retirement liabilities are as per the published rate under the Indian Assured Lives Mortality (2006-08) Ultimate table.

The estimates of future salary increase, considered in actuarial valuation, take into account the inflation, seniority, promotion and other relevant factors.



## Notes to Financial Statements (Contd...)

### 29. Segment reporting :

The Company has identified two primary reportable business segments namely 'Advisory and Transactional Services' and 'Principal Transactions' in terms of Accounting Standard (AS) – 17 "Segment Reporting". Information in respect of reportable segments performance is given below :

No.	Particulars	Advisory and Transactional Services		Principal Transactions		Unallocable		Total	
		Current Year Rs. million	Previous Year Rs. million	Current Year Rs. million	Previous Year Rs. million	Current Year Rs. million	Previous Year Rs. million	Current Year Rs. million	Previous Year Rs. million
1	Segment Revenue	<b>10,353.10</b>	6,686.89	<b>1,170.03</b>	1,023.14	<b>8,210.82</b>	70.66	<b>19,733.95</b>	7,780.69
2	Segment Results	<b>6,642.32</b>	2,580.22	<b>1,156.49</b>	1,006.97	<b>8,211.54</b>	(49.75)	<b>16,010.35</b>	3,537.44
3	Segment Assets	<b>13,706.81</b>	20,164.16	<b>14,327.36</b>	12,725.37	<b>10,418.44</b>	9,760.99	<b>38,452.61</b>	42,650.52
4	Segment Liabilities	<b>11,869.54</b>	17,851.24	-	-	<b>164.15</b>	29.42	<b>12,033.69</b>	17,880.66
5	Capital Expenditure	<b>76.02</b>	395.09	<b>0.54</b>	-	<b>0.36</b>	8.48	<b>76.92</b>	403.57
6	Depreciation/ amortisation	<b>187.82</b>	210.88	<b>2.32</b>	-	<b>1.42</b>	3.80	<b>191.56</b>	214.68
7	Other significant non-cash expenses / (credits) :								
	a) Gratuity	<b>1.35</b>	53.27	<b>0.01</b>	-	<b>0.01</b>	1.08	<b>1.37</b>	54.35
	b) Compensated absence	<b>(42.94)</b>	52.49	<b>(0.28)</b>	-	<b>(0.26)</b>	1.07	<b>(43.48)</b>	53.56
	c) (Write-back of provision) for doubtful debts and advances	<b>(1.10)</b>	(3.09)	-	-	-	-	<b>(1.10)</b>	(3.09)
	d) (Write-back of provision) for contingencies	<b>(11.18)</b>	-	-	-	-	-	<b>(11.18)</b>	-
	e) (Write-back of provision) / Provision for loans to subsidiary company	<b>(52.50)</b>	-	-	-	-	5.00	<b>(52.50)</b>	5.00
	f) (Write-back of provision) for diminution in value of long- term investment	<b>(49.00)</b>	-	-	-	-	-	<b>(49.00)</b>	-

The Advisory and transactional services comprise Merchant Banking, Underwriting, Broking, Distribution of Securities and interest on fixed deposits. The Principal Transactions segment consists of earnings from transactions in securities and deployment of surplus funds.

Segment assets include all operating assets used by a segment and consist primarily of fixed assets net of provision and allowance, investments, other current assets and fixed deposits.

Segment liabilities include all operating liabilities and other payables.

Items that relate to the enterprise as a whole or at the corporate level not attributable to a particular segment including investment in subsidiaries are included under "Unallocable".

The company operates in a single reportable geographical segment.

**Notes to the Financial Statements (Contd...)****30. Disclosure in respect of discontinued operation :**

Bank of America Corporation (the "Ultimate Controlling Enterprise") agreed to procure the sale of its international wealth management ("WM") businesses based outside of the United States (U.S.) to Julius Baer Group (JBG), the leading Swiss private banking group in August 2012 subject to local regulatory and other approvals and the execution of relevant agreements for the sale of WM business in each relevant jurisdiction, including India.

In order to facilitate the proposed transition of the India WM businesses to JB Group, the Company on June 27, 2014, incorporated a wholly owned subsidiary, Merrill Lynch Wealth Advisors Private Limited ("MLWA"). MLWA acquired the requisite registrations / licenses from the Securities and Exchange Board of India ("SEBI") to function as a Stock Broker, Depository Participant, Investment Advisor, and registration as a distributor of Mutual Funds in India with the Association of Mutual Funds in India ("AMFI").

The Board of Directors of the Company, at its meeting held on January 27, 2015, subject to the applicable provisions of the Companies Act, 2013, the receipt of approval from members of the Company in accordance with the Companies Act, the requisite regulatory approvals and consents, as may be necessary and the execution of definitive documents for the sale and transfer of the WM business, approved the sale and transfer of the WM businesses comprising of advisory and distribution services relating to the WM division as undertaken by the Company, the lending business relating to WM Division as undertaken by Company's wholly owned subsidiary, namely DSP Merrill Lynch Capital Limited ("DSPMLC") and the trust services business also relating to the WM division as undertaken by another wholly owned subsidiary of the Company, namely DSP Merrill Lynch Trust Services Limited ("DSPMLTS"), together with the client relationships including the depository participant accounts, if any relating to such relationships, employees and assets relating to the WM business to JBG.

The members of the Company approved the sale and transfer of entire share capital of MLWA and WM businesses to JBG on March 5, 2015.

The transfer of the share capital held by the Company in MLWA to JBG was completed on April 13, 2015 and accordingly, MLWA ceased to be a subsidiary of the Company with effect from that date. The transfer of the lending business relating to the WM Division undertaken by DSPMLC (Company's wholly owned subsidiary) to BASIL was completed on June 6, 2015.

The transfer of the WM businesses comprising of advisory and distribution services relating to the WM division as undertaken by the Company and the trust services business relating to the WM division as undertaken by DSPMLTS was completed on September 19, 2015 for a consideration of Rs. 5,094.51 million. This transfer resulted in a pre-tax gain of Rs. 5,166.66 million which is disclosed under "Other income" in the Statement of Profit and Loss.

## Notes to the Financial Statements (Contd...)

### 30. Disclosure in respect of discontinued operation (Contd...):

- a) **Description of the discontinued operation :** Advisory and distribution services relating to the WM Division of the Company.
- b) **Segment under which reported as per AS 17, Segment Reporting :** "Advisory and Transactional Services" business segment
- c) **Date of the initial disclosure event :** January 27, 2015.

#### d) The carrying amounts of the total assets and liabilities pertaining to discontinued operation :

Particulars	As at 31 <sup>st</sup> March 2016 Rs. million	As at 31 <sup>st</sup> March 2015 Rs. million
Assets	-	694.77
Liabilities	-	204.17

#### e) Amount of revenue, expenses, pre-tax profit and income tax expense from ordinary activities attributable to the discontinued operation :

Particulars	As at 31 <sup>st</sup> March 2016 Rs. million	As at 31 <sup>st</sup> March 2015 Rs. million
Revenue	433.45	925.44
Expenses	583.27	1,155.07
Profit / (loss) before tax	(149.82)	(229.63)
Tax expense / (credit) [refer note 34 (b)]	22.71	(50.54)

#### f) Net cash flows from ordinary activities attributable to the discontinued operation :

Particulars	As at 31 <sup>st</sup> March 2016 Rs. million	As at 31 <sup>st</sup> March 2015 Rs. million
<b>Net cash generated from / (used in) :</b>		
Operating activities	(287.10)	(200.73)
Investing activities	4.01	(19.53)
Financing activities	(28.47)	(10.88)

- g) **Date on which the discontinuance completed :** September 19, 2015

## Notes to the Financial Statements (Contd...)

### 31. Related party disclosures :

#### I. List of related parties and their relationships :

Sr no.	Name of the related party	Relationship
1	Bank of America Corporation (BAC)	Ultimate Controlling enterprise <sup>(a)</sup>
2	GHS Singapore Holdings Pte Limited	Holding Company <sup>(b)</sup>
3	DSP Merrill Lynch Capital Limited	Subsidiary
4	DSP Merrill Lynch Trust Services Limited	Subsidiary <sup>(c)</sup>
5	Merrill Lynch Wealth Advisors Private Limited	Subsidiary <sup>(d)</sup>
6	Bank of America, N.A - India Branches	Fellow Subsidiary
7	Banc of America Securities (India) Private Limited	Fellow Subsidiary
8	Bank of America, National Association	Fellow Subsidiary
9	Merrill Lynch (Asia Pacific) Limited	Fellow Subsidiary
10	Merrill Lynch Australia Pty Limited	Fellow Subsidiary
11	Merrill Lynch Capital Markets Espana, S.A., S.V.	Fellow Subsidiary
12	Merrill Lynch Europe Limited	Fellow Subsidiary
13	Merrill Lynch Holdings (Mauritius)	Fellow Subsidiary <sup>(b)</sup>
14	Merrill Lynch International	Fellow Subsidiary
15	Merrill Lynch International Inc.	Fellow Subsidiary
16	Merrill Lynch Investment Holdings (Mauritius) Limited	Fellow Subsidiary <sup>(b)</sup>
17	Merrill Lynch Asia Investments Limited	Fellow Subsidiary <sup>(b)</sup>
18	Merrill Lynch, Pierce, Fenner & Smith Incorporated	Fellow Subsidiary
19	Merrill Lynch (Singapore) Pte Limited	Fellow Subsidiary
20	Merrill Lynch Markets Singapore Pte Limited	Fellow Subsidiary
21	Bank of America Overseas Corporation	Fellow Subsidiary
22	BankAmerica International Financial Corporation	Fellow Subsidiary
23	Mr. Avinash Gupta *, Mr. Jyotivardhan Jaipuria **, Mr. Pradeep Dokania #, Rajnarayan Balakrishnan ##, Arbind Maheswari @	Key Management Personnel (KMP)

(a) Refer Note 1 - Company background

(b) Refer Note 3 - Share capital

(c) Related party till September 19, 2015

(d) Related party from June 27, 2014 till April 12, 2015

\* Resigned with effect from Jan 17, 2016

\*\* Resigned with effect from May 28, 2015

# Resigned with effect from May 22, 2014

## Appointed with effect from May 28, 2015

@ Appointed with effect from Jan 25, 2016

**Notes to the Financial Statements (Contd...)**

**31. Related party disclosures (Contd...):**  
ii. Transactions during the year / balances with related parties:

Sr. No.	Nature of transaction	Ultimate Controlling Enterprise	Holding Company	Subsidiaries			Fellow Subsidiaries	Key Management Personnel (KMP)
		Rs. million	Rs. million	DSP Merrill Lynch Capital Limited	Merrill Lynch Wealth Advisors Private Limited	DSP Merrill Lynch Trust Services Limited		
1	<b>Investments / stock-in-trade</b> Balance as at 31 <sup>st</sup> March, 2016 Previous year	- -	- -	8,250.00 8,250.00	- 500.00	- 49.00	- -	- -
2	<b>Balance balance</b> Previous year	- -	- -	- -	- -	- -	24.35 236.38	- -
3	<b>Fixed deposits placed</b> Placed during the year Previous year Received back during the year Previous year Balance as at 31 <sup>st</sup> March, 2016 Previous year	- - - - - -	- - - - - -	- - - - - -	- - - - - -	- - - - - -	- - 350.00 - 550.00 -	- - - - - -
4	<b>Inter-corporate deposits - placement</b> Placed during the year Previous year Received back during the year Previous year Balance as at 31 <sup>st</sup> March, 2016 Previous year	- - - - - -	- - - - - -	- - - - - -	- - - - - -	216.50 207.50 (269.00) (202.50) - 52.50	- - - - - -	- - - - - -
5	<b>Margin deposits</b> Received during the year Previous year Refunded / adjusted during the year Previous year Balance as at 31 <sup>st</sup> March, 2016 Previous year	- - - - - -	- - - - - -	365.59 407.44	- -	- -	30,095.43 67,307.99 36,541.84 64,657.55 (8,707.72) (15,154.13)	- - - - - -
6	<b>Dividend Paid on Equity Shares</b> Previous year	- -	11,571.95 -	- -	- -	- -	- -	- -
7	<b>Income from operations</b> Advisory and transactional services Previous year Balance as at 31 <sup>st</sup> March, 2016 Previous year	- - - -	- - - -	0.33 0.50 0.00 <sup>(a)</sup>	- -	- -	1,108.08 1,487.33 162.22 70.41	0.00 <sup>(b)</sup> 0.33
8 a)	<b>Other income, net</b> <b>Infrastructure and support fees recovered</b> Previous year Balance as at 31 <sup>st</sup> March, 2016 Previous year	- - - -	- - - -	25.75 34.88 3.23	19.73	1.10 2.35	33.55 33.49 14.67 5.40	- - - -

### Notes to the Financial Statements (Contd...)

#### 31. Related party disclosures (Contd...):

##### ii. Transactions during the year / balances with related parties:

Sr. No.	Nature of transaction	Ultimate Controlling Enterprise		Holding Company	Subsidiaries			Fellow Subsidiaries	Key Management Personnel (KMP)
		Rs. million	Rs. million		DSP Merrill Lynch Capital Limited	Merrill Lynch Wealth Advisors Private Limited	DSP Merrill Lynch Trust Services Limited		
b)	<b>Interest and dividend</b> Previous year Balance as at 31 <sup>st</sup> March, 2016 Previous year	-	8,200.00 <sup>(10)</sup>	-	-	2.04 <sup>(11)</sup>	-	-	-
c)	<b>Secondment charges recovered</b> Previous year Balance as at 31 <sup>st</sup> March, 2016 Previous year	-	7.26 4.81	-	3.70	-	13.25 <sup>(12)</sup> 66.95	-	-
d)	<b>Write-back of amounts payable</b> Previous year	-	0.84	-	0.07	-	0.75 44.61	-	-
9	<b>Reimbursement / (recovery) of amounts</b> Previous year Balance as at 31 <sup>st</sup> March, 2016 Previous year	-	-	-	(4.89)	-	56.72 <sup>(13)</sup> (3.07) 4.13 9.15	-	-
10	<b>Other payable</b> Balance as at 31 <sup>st</sup> March, 2016 Previous year	-	-	-	-	-	(14.64) <sup>(12)</sup>	-	-
11	<b>Other receivables</b> Balance as at 31 <sup>st</sup> March, 2016 Previous year	-	-	-	3.61	-	-	-	-
12	<b>Payment / (recovery) in respect of retirement benefits of transferred employees, net</b> Previous year Balance as at 31 <sup>st</sup> March, 2016 Previous year	-	1.74	-	11.71 (11.71)	-	27.32 <sup>(12)</sup>	-	-
13	<b>Remuneration</b> Previous year Balance as at 31 <sup>st</sup> March, 2016 Previous year	-	-	-	-	-	-	94.75 <sup>(14)</sup> 128.87	-
14	<b>Infrastructure costs incurred</b> Previous year Balance as at 31 <sup>st</sup> March, 2016 Previous year	-	-	-	-	-	56.75 <sup>(12)</sup> 46.13 (19.93) (17.96)	-	-
15	<b>Secondment charges incurred</b> Previous year Balance as at 31 <sup>st</sup> March, 2016 Previous year	-	-	-	-	-	58.26 <sup>(12)</sup> 56.12 (36.92) (38.12)	-	-

## Notes to the Financial Statements (Contd...)

### 31. Related party disclosures (Contd...):

#### ii. Transactions during the year / balances with related parties:

Sr. No.	Nature of transaction	Ultimate Controlling Enterprise	Holding Company	Subsidiaries		Fellow Subsidiaries		Key Management Personnel (KMP)
		Rs. million	Rs. million	DSP Merrill Lynch Capital Limited	Merrill Lynch Wealth Advisors Private Limited	DSP Merrill Lynch Trust Services Limited	Rs. million	Rs. million
16	<b>Bank charges</b> Previous year	-	-	-	-	-	0.38 <sup>(12)</sup>	-
17	<b>Other expenses</b>	-	-	-	-	-	-	-
a)	<b>Advisory and transactional services</b>	-	-	-	-	-	40.89 <sup>(15)</sup>	-
	Previous year	-	-	-	-	-	17.85	-
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	-	-	(23.18)	-
	Previous year	-	-	-	-	-	(0.08)	-
b)	<b>Professional fees expenses</b>	-	-	-	-	-	2.13 <sup>(15)</sup>	-
	Previous year	-	-	-	-	-	6.53	-
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	-	-	(2.10)	-
	Previous year	-	-	-	-	-	(2.18)	-
18	<b>Reimbursement towards restricted stocks/units, net</b>	-	-	-	-	-	-	-
	Previous year	-	-	-	-	-	-	-
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	-	-	-	-
	Previous year	(133.06)	-	-	-	-	-	-

#### Note: Figures within brackets against balance denote amounts payable by the Company to the related parties

- (1) Balance in current accounts maintained with Bank of America, N.A. - India Branches.
- (2) Fixed deposits placed with Bank of America, N.A. - India Branches.
- (3) Maximum amount outstanding during the year Rs. 54.50 million [Previous year Rs. 52.50 million].
- (4) Margin deposits placed includes Rs. 30,084.69 million [Previous year Rs. 67,307.99 million] placed by Merrill Lynch Capital Markets Espana, S.A., S.V.
- (5) Margin deposits refunded includes Rs. 36,531.73 million [Previous year Rs. 64,657.55 million] refunded to Merrill Lynch Capital Markets Espana, S.A., S.V.
- (6) Amount receivable Rs. 1,031/- [Previous year Rs. NIL/-] below the rounding off norm adopted by the Company.
- (7) Income from advisory and transactional services includes commission income of Rs. 848.26 million [Previous year Rs. 1,170.98 million] from Merrill Lynch Capital Markets Espana, S.A., S.V.
- (8) Represents commission income from Mr. Jyotvardhan Jaipuria Rs. NIL [Previous year Rs. 0.28 million] and Mr. Pradeep Dokania Rs. NIL [Previous year Rs. 0.02 million].
- (9) Include recovery of Rs. 32.48 million [Previous year Rs. 33.11 million] from Bank of America, N.A. - India Branches.
- (10) Represents dividend received from subsidiary DSP Merrill Lynch Capital Limited
- (11) Interest received from DSP Merrill Lynch Trust Services Limited for the period from April 1, 2015 to September 19, 2015.
- (12) Amount relates to Bank of America, N.A. - India Branches
- (13) Includes payment of Rs. 60.83 million [Previous year Rs. NIL] to Bank of America, N.A. India Branches towards reimbursement of expenses and recovery of Rs. 4.11 million [Previous year Rs. 3.07 million] from Merrill Lynch International Inc. towards reimbursement of expenses.
- (14) Includes Rs. 25.64 million [Previous year Rs. 73.05 million] pertaining to Mr. Avinash Gupta, Rs. 8.25 million [Previous year Rs. NIL] pertaining to Mr. Arbind Maheswari, Rs. 56.74 million [Previous year Rs. NIL] pertaining to Rajnarayan Balakrishnan, Rs. 4.12 million [Previous year Rs. 52.06 million] pertaining to Mr. Jyotvardhan Jaipuria and Rs. NIL [Previous year Rs. 3.76 million] pertaining to Mr. Pradeep Dokania.
- (15) Amount relates to Merrill Lynch International Inc.
- (16) Amount of Rs. 4.40 million [Previous year Rs. NIL] pertains to Bank of America N.A. - USA and recovery of Rs. 2.27 million from Merrill Lynch, Pierce, Fenner & Smith Incorporated [Previous year expenses of Rs. 6.53 million]

## Notes to the Financial Statements (Contd...)

### 32. Operating lease :

Particulars	Year ended 31 <sup>st</sup> March, 2016 Rs. million	Year ended 31 <sup>st</sup> March, 2015 Rs. million
Future minimum lease rental relating to non-cancellable operating lease		
a) Due within one year	122.98	-
b) Due between one and five year	153.72	-
c) Due beyond five years	-	-
<b>Total</b>	<b>276.70</b>	<b>-</b>
Lease rental charges (including cancellable leases) recognised in the Statement of Profit and Loss	286.42	209.16

The Company has not sub-leased any part of the above premises. There are no lease payments recognized in the Profit and Loss Account for contingent rent. The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

### 33. Earnings per equity share (EPS) :

The earnings per share, computed as per the requirement under AS-20 on "Earning Per Share" is as under :

Particulars	Year Ended 31 <sup>st</sup> March, 2016	Year Ended 31 <sup>st</sup> March, 2015
Net profit / (loss) after tax attributable to equity shareholders :		
From continuing operations [Rs. million]	10,066.20	2,459.59
From discontinued operation [Rs. million]	3,847.97	(179.09)
Total [Rs. million]	13,914.17	2,280.50
Weighted average numbers of shares outstanding during the year	23,155,039	23,158,586
Face value per share [Rs.]	10.00	10.00
Basic EPS :		
From continuing operations [Rs.]	434.73	106.20
From discontinued operations [Rs.]	166.18	(7.73)
Total [Rs.]	600.91	98.47

Note: There is no dilution to Basic EPS as there are no outstanding dilutive potential equity shares.

### 34. Taxation :

#### a. Break-up of tax expense from continuing operations :

Particulars	Year ended 31 <sup>st</sup> March, 2016 Rs. million	Year ended 31 <sup>st</sup> March, 2015 Rs. million
Current income-tax	957.76	1,213.01
Deferred tax expense / (credit), net	(36.20)	62.14
Provision for tax for earlier years, net	5.75	32.33
<b>Total</b>	<b>927.31</b>	<b>1,307.48</b>



## Notes to the Financial Statements (Contd...)

### 34. Taxation (Contd....) :

#### b. Break-up of tax expense from discontinued operations :

Particulars	Year Ended 31 <sup>st</sup> March, 2016 Rs. million	Year Ended 31 <sup>st</sup> March, 2015 Rs. million
<b>Ordinary Activities :</b>		
Current income-tax	(97.53)	-
Deferred tax expense / (credit), net	120.24	(50.54)
Sub-total (i)	22.71	(50.54)
<b>Gain on Disposal :</b>		
Current income-tax	1,146.16	-
Sub-total (ii)	1,146.16	-
<b>Total (i+ii)</b>	<b>1,168.87</b>	<b>(50.54)</b>

#### c. Deferred tax assets, net :

The major components of deferred tax balances on account of timing differences are set out below :

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
<b>Deferred tax assets</b>		
- Disallowance u/s 43B of Income-tax Act, 1961	129.28	196.61
- Provision for bad / doubtful debts and advances, net	-	0.38
- Provision for loans to subsidiary company	-	18.17
- Provision for contingencies	-	3.87
- Depreciation / amortisation, net	43.55	37.85
<b>Deferred tax assets (a)</b>	<b>172.83</b>	<b>256.88</b>
<b>Deferred tax liability (b)</b>	-	-
<b>Deferred tax assets, net (a-b)</b>	<b>172.83</b>	<b>256.88</b>

35. Infrastructure and support fees recovered represent amounts recovered from subsidiaries and fellow subsidiaries towards use of the Company's facilities and resources. Secondment charges represent amounts recovered from subsidiaries and fellow subsidiaries towards secondment of employees.

### 36. Disclosures pertaining to Micro Enterprises and Small Enterprises :

There are no delays in payments and there are no amounts due to Micro and Small Enterprises as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006.

The above information regarding Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

## Notes to the Financial Statements (Contd...)

37. Provision for contingencies represents management's best estimate of compensation payable to aggrieved (or otherwise) applicants / investors in an initial public offering of equity shares managed by the Company for one of its clients. Movement in provision is as under :

Particulars	As at	As at
	31 <sup>st</sup> March, 2016 Rs. million	31 <sup>st</sup> March, 2015 Rs. million
Opening balance in provisions	11.18	11.18
Additions	-	-
Amount used	-	-
Unused amount reversed	11.18	-
Closing balance in provisions	-	11.18

38. Restricted stocks / restricted units of the Company's ultimate holding company, Bank of America Corporation (BAC), are granted to the eligible employees of the company in terms of the global long-term incentive compensation plans of the ultimate holding company. These restricted stocks / restricted units vest in three equal annual installments beginning one year from the grant date. During the year ended 31<sup>st</sup> March, 2016, **178,534 numbers** of restricted stocks / restricted units were granted (Previous Year –139,488 numbers) and the estimated fair value per unit on the date of grant was **US\$11.95** (Previous year – US\$ 16.61). Employee benefits expense for the year includes **Rs.121.15 million** [Previous year – Rs. 273.97 million] towards cash-settled awards. The liability towards restricted stocks / restricted units recognised as on 31<sup>st</sup> March, 2016 is **Rs.31.25 million** (as on 31<sup>st</sup> March, 2015 - Rs. 154.72 million).

39. The Company had promoted a wholly owned subsidiary company Merrill Lynch Wealth Advisors Private Limited ["MLWA"] in order to facilitate transition of Wealth Management business ["WM business"] to Julius Baer Group ["JBG"]. The transfer of the share capital held by the Company in MLWA to the two JB Group entities, viz. Julius Baer Group Ltd. and Julius Baer Investment Ltd. was completed on April 13, 2015.

40. **Disclosures in respect of derivative instruments :**

- a. No equity index / stock futures and options were acquired by the Company during the year.  
b. The foreign currency exposures that are not hedged by a derivative instrument or otherwise are as follows :

Nature of transaction	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Amount Rs. million	Transaction Value (in million)	Amount Rs. million	Transaction Value (in million)
Receivable on account of export of services	78.43	USD 1.18	44.62	USD 0.71
Payable on account of import of services	0.29	HKD 0.03	0.06	HKD 0.01
Payable on account of import of services	0.37	SGD 0.01	0.35	SDG 0.01
Payable on account of import of services	33.42	USD 0.50	3.04	USD 0.05
Payable on account of reimbursement towards restricted shares,units,stock options, net	-	-	132.93	USD 2.12

- c. There is no option premium paid / received carried forward in the Balance Sheet.

## Notes to Financial Statements (Contd...)

### 41. Quantitative details in respect of short term highly liquid investments (mutual funds) :

Particulars	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Quantity Number of units	Amount Rs. million	Quantity Number of units	Amount Rs. million
Birla Sun Life Cash Plus - Growth - Direct Plan	2,879,722.230	700.00	-	-
DSP BlackRock Liquidity Fund - Direct Plan - Growth	692,834.950	1,500.00	749,880.357	1,500.00
HDFC Liquid Fund - Direct Plan - Growth	174,049.250	520.00	23,913,216.763	660.00
ICICI Prudential Liquid - Direct Plan - Growth	-	-	5,797,037.038	1,200.00
IDFC Cash Fund - Growth - (Direct Plan)	518,960.580	950.00	-	-
Kotak Liquid Scheme Plan A - Direct Plan- Growth	310,933.193	950.00	-	-
Reliance Liquid Fund - Treasury Plan - Direct Growth Plan	270,885.224	1,000.00	-	-
Reliance Liquidity Fund - Direct - Growth Plan	-	-	830,349.807	1,750.00
UTI-Liquid Cash Plan Institutional - Direct Plan - Growth	405,264.220	1,000.00	-	-
		<b>6,620.00</b>		<b>5,110.00</b>

42. Figures of the previous year have been regrouped / reclassified wherever necessary to correspond to the figures of the current year.

### Signatures to notes 1 to 42

#### For Price Waterhouse

Firm Registration Number: 301112E  
Chartered Accountants

#### Partha Ghosh

Partner  
Membership Number: 55913

Mumbai : 26<sup>th</sup> July, 2016

#### For and on behalf of the Board of Directors

**Asit Bhatia**  
Director

**Ashish Adukia**  
Chief Financial Officer

Mumbai : 26<sup>th</sup> July, 2016

**Rajnarayan Balakrishnan**  
Director

**Samrat Sanyal**  
Company Secretary



A subsidiary of  
Bank of America Corporation



A subsidiary of  
Bank of America Corporation

DSP MERRILL LYNCH LIMITED  
CONSOLIDATED FINANCIAL  
STATEMENTS



A subsidiary of  
Bank of America Corporation

## **INDEPENDENT AUDITORS' REPORT**

### **To the Members of DSP Merrill Lynch Limited**

#### **Report on the Consolidated Financial Statements**

1. We have audited the accompanying consolidated financial statements of DSP Merrill Lynch Limited ("hereinafter referred to as the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), (refer Note 29(a) to the attached consolidated financial statements), comprising of the consolidated Balance Sheet as at March 31, 2016, the consolidated Statement of Profit and Loss, the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as "the Consolidated Financial Statements").

#### **Management's Responsibility for the Consolidated Financial Statements**

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group are in accordance with accounting principles generally accepted in India including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of Consolidated Financial Statements. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associates and jointly controlled entities respectively and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which has been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

#### **Auditors' Responsibility**

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.
4. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.
6. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 9 of the Other Matters paragraph below is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

#### **Opinion**

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group as at March 31, 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

**Emphasis of Matter**

8. We draw attention to the following emphasis of matter paragraphs included in the Audit report of DSP Merrill Lynch Capital Limited (DSPMLC), a subsidiary of the company, issued by us vide report dated June 18, 2016.

"Without qualifying our opinion, we draw your attention to Note 30(c) to the financial statement which describes facts related to Company undertaking activities in the nature of loans against shares, corporate loans, investments (deployment of surplus funds into the units of mutual fund liquid schemes and government securities) and principal transactions during the year. The aforesaid activities of the Company, other than investments (deployment of surplus funds into the units of Mutual Fund liquid schemes and government securities) and principal transactions in securities, commercial papers and certificates of deposit, were confined to the eighteen permissible activities as stipulated in the FEMA Notification 94/2003-RE dated June 18, 2003. The ultimate outcome of the matter cannot presently be determined, for which no provision for any liability that may result has been made in the financial statements as of March 31, 2016".

[Note 27(c) of DSPMLC is reproduced as Note 30(c)(ii) to the consolidated financial statements].

Our opinion is not qualified in respect of this matter.

**Other Matter**

9. We did not audit the financial information of One subsidiary whose financial information reflect total revenue of Rs. 2.48 million, net loss of Rs 3.56 million and net cash outflows amounting to Rs. 1.62 million for the period April 1, 2015 to September 19, 2015, as considered in the consolidated financial statements. This financial information is unaudited and have been furnished to us by the Management, and our opinion on the consolidated financial statements insofar as it relates to the amounts and disclosures included in respect of this subsidiary and our report in terms of sub-section (3) of Section 143 of the Act insofar as it relates to the aforesaid subsidiary, is based solely on the unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, this financial information is not material to the Group.

Our opinion on the consolidated financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and financial information certified by the Management.

**Report on Other Legal and Regulatory Requirements**

10. As required by Section 143(3) of the Act, we report, to the extent applicable, that :
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
  - (b) In our opinion, proper books of account as required by law maintained by the Holding Company, its subsidiary included in the Group entities in India including relevant records relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and records of the Holding Company and its subsidiary.
  - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained by the Holding Company, its subsidiaries included in the Group entities incorporated in India including relevant records relating to the preparation of the consolidated financial statements.
  - (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - (f) On the basis of the written representations received from the directors of the Holding Company as on April 01, 2016 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary company incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (g) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and its subsidiary company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.



- (h) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us :
- i. The consolidated financial statements disclose the impact, if any, of pending litigations as at March 31, 2016 on the consolidated financial position of the Group entities– Refer Note 30 to the consolidated financial statements.
- ii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary company, during the year ended March 31, 2016.

**For Price Waterhouse**

Firm Registration Number:301112E  
Chartered Accountants

**Partha Ghosh**

Partner  
Membership Number: 55913

Place : Mumbai  
Date : 26<sup>th</sup> July, 2016

**Annexure A to Independent Auditors' Report**

Referred to in paragraph 11 (g) of the Independent Auditors' Report of even date to the members of DSP Merrill Lynch Limited on the consolidated financial statements for the year ended March 31, 2016

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act**

1. In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2016, we have audited the internal financial controls over financial reporting of DSP Merrill Lynch Limited (hereinafter referred to as "the Holding Company") and its subsidiary company, which are companies incorporated in India, as of that date.

**Management's Responsibility for Internal Financial Controls**

2. The respective Board of Directors of the Holding company, its subsidiary company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

**Auditor's Responsibility**

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls Over Financial Reporting**

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

8. In our opinion, the Holding Company, its subsidiary company which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

### **Other Matters**

9. Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to one subsidiary company, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India. Our opinion is not qualified in respect of this matter.

### **For Price Waterhouse**

Firm Registration Number: 301112E  
Chartered Accountants

### **Partha Ghosh**

Partner  
Membership Number : 55913

Place : Mumbai  
Date : 26<sup>th</sup> July, 2016

**Consolidated Balance Sheet as at 31<sup>st</sup> March, 2016**

	Note	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
<b>I EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	231.55	231.55
Reserves and surplus	4	30,827.89	37,587.85
		<b>31,059.44</b>	<b>37,819.40</b>
<b>Non-current liabilities</b>			
Long-term borrowings	5	27.13	41.54
Long-term provisions	6	242.84	398.88
Other non-current liabilities	7	51.24	-
		<b>321.21</b>	<b>440.42</b>
<b>Current liabilities</b>			
Trade payables	8	-	-
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		<b>11,315.94</b>	17,169.36
Other current liabilities	9	439.25	311.14
Short-term provisions	10	36.96	265.78
		<b>11,792.15</b>	<b>17,746.28</b>
<b>TOTAL</b>		<b>43,172.80</b>	<b>56,006.10</b>
<b>II ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	11		
Tangible assets		344.39	511.50
Intangible assets		4.16	1.76
Capital work-in-progress		327.42	9.43
		<b>675.97</b>	<b>522.69</b>
Non-current investments	12	0.05	0.05
Deferred tax assets, net	39(c)	198.45	341.26
Long-term loans and advances	13	2,041.92	2,566.49
Other non-current assets	14	43.69	43.69
		<b>2,960.08</b>	<b>3,474.18</b>
<b>Current assets</b>			
Current investments	15	-	540.97
Inventories-Securities held as stock in trade	16	9,425.76	10,542.18
Trade receivables	17	660.84	506.57
Cash and bank balances	18	28,332.22	32,637.63
Short-term loans and advances	19	1,515.99	7,717.04
Other current assets	20	277.91	587.53
		<b>40,212.72</b>	<b>52,531.92</b>
<b>TOTAL</b>		<b>43,172.80</b>	<b>56,006.10</b>

The accompanying notes 1 to 46 form an integral part of the Consolidated Financial Statements

This is the Consolidated Balance Sheet referred to in our report of even date

**For Price Waterhouse**  
 Firm Registration Number : 301112E  
 Chartered Accountants

**Partha Ghosh**  
 Partner  
 Membership Number : 55913

Mumbai : 26<sup>th</sup> July, 2016

**For and on behalf of the Board of Directors**

**Asit Bhatia**  
 Director

**Raj Balakrishnan**  
 Director

**Ashish Adukia**  
 Chief Financial Officer

**Samrat Sanyal**  
 Company Secretary

Mumbai : 26<sup>th</sup> July, 2016

**Consolidated Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2016**

	Note	Year Ended 31 <sup>st</sup> March, 2016 Rs. million	Year Ended 31 <sup>st</sup> March, 2015 Rs. million
<b>Revenue :</b>			
Revenue from operations :			
Advisory and Transactional Services	21	4,111.27	5,331.93
Interest and other operating income	22	802.57	1,602.34
(Loss) / Profit on principal transactions, net	23	(12.79)	256.10
Other income	24	8,876.13	3,064.97
<b>Total Revenue</b>		<b>13,777.18</b>	<b>10,255.34</b>
<b>Expenses :</b>			
Employee benefits expense	25	1,855.01	2,408.49
Finance costs	26	6.44	9.65
Depreciation and amortisation expense	27	192.99	218.16
Other expenses	28	1,806.22	1,840.77
<b>Total expenses</b>		<b>3,860.66</b>	<b>4,477.07</b>
<b>Profit before tax</b>		<b>9,916.52</b>	<b>5,778.27</b>
<b>Tax expense :</b>			
<b>Continuing operations</b>			
Profit from continuing operations before tax		4,175.99	5,044.26
Tax expense of continuing operations	39(a)	1,433.84	1,748.84
<b>Profit from continuing operations after tax</b>	<b>A</b>	<b>2,742.15</b>	<b>3,295.42</b>
<b>Discontinued operation</b>			
Profit from ordinary activities before tax [refer note 35]		140.71	734.01
Less: Tax expense thereon	39(b)	128.09	276.72
Profit from ordinary activities after tax [i]		12.62	457.29
Gain on disposal before tax		5,599.82	-
Less: Tax expense thereon	39(b)	1,180.12	-
Gain on disposal after tax [ii]		4,419.70	-
<b>Profit from discontinued operation after tax [i+ii]</b>	<b>B</b>	<b>4,432.32</b>	<b>457.29</b>
<b>Profit for the year</b>	<b>(A+B)</b>	<b>7,174.47</b>	<b>3,752.71</b>
<b>Earnings per equity share, in Rs. [face value of Rs.10/- each]</b>			
Basic	38	309.84	162.04
Diluted		309.84	162.04

**The accompanying notes 1 to 46 form an integral part of the Consolidated Financial Statements**

This is the Consolidated Statement of Profit and Loss referred to in our report of even date

**For Price Waterhouse**  
 Firm Registration Number : 301112E  
 Chartered Accountants

**For and on behalf of the Board of Directors**
**Partha Ghosh**  
 Partner  
 Membership Number : 55913

**Asit Bhatia**  
 Director

**Raj Balakrishnan**  
 Director

**Ashish Adukia**  
 Chief Financial Officer

**Samrat Sanyal**  
 Company Secretary

 Mumbai : 26<sup>th</sup> July, 2016

 Mumbai : 26<sup>th</sup> July, 2016

**Consolidated Cash flow statement for the year ended 31<sup>st</sup> March, 2016**

	Year Ended 31 <sup>st</sup> March, 2016 Rs. million	Year Ended 31 <sup>st</sup> March, 2015 Rs. million
<b>Cash flow from operating activities (including discontinued operations) :</b>		
<b>Profit before tax</b>	9,916.52	5,778.27
<b>Adjusted for :</b>		
Depreciation / amortisation	192.99	218.16
Bad debts and advances written off	3.35	6.73
Credit balances written back	(5.34)	(0.08)
Gratuity	(71.31)	(24.94)
Compensated absence	(100.65)	56.43
Interest on bank loans	6.44	9.65
Interest on non-convertible debentures	-	35.97
Interest income on long term investments [other than trade]	(0.39)	(4.60)
Interest income on current investments	(53.71)	(3.27)
(Write-back of provision) for bad and doubtful debts and advances, net	(1.10)	(3.24)
(Write-back of provision) for contingencies	(11.18)	-
(Write-back) of provision for input service tax credit	(4.91)	(5.59)
Write-back of contingent provision for standard assets	(3.37)	(2.90)
(Write-back) / Provision for restructured standard advances	(198.36)	57.38
Profit on redemption of long-term investments, net	(0.09)	(3.60)
Amortisation of premium received on issue of debentures	-	(0.54)
Loss on fixed assets sold / discarded, net	0.57	7.14
<b>Operating profit before changes in operating assets and liabilities</b>	9,669.46	6,120.97
<b>Adjusted for :</b>		
Decrease / (Increase) in inventories - securities held as stock in trade	1,116.42	(2,390.81)
Decrease / (Increase) in other bank balances	1,279.99	(4,852.00)
Decrease in loans and advances	6,060.91	2,957.46
(Increase) / Decrease in trade receivables	(156.52)	1,102.35
Decrease / (Increase) in other current assets	309.05	(45.29)
(Decrease) / Increase in trade payables	(5,848.50)	2,756.59
Increase / (Decrease) in other current liabilities	147.60	(146.74)
Increase in other non current liabilities	51.24	-
<b>Cash generated from operating activities</b>	12,629.65	5,502.53
Direct taxes (paid), net	(1,929.66)	(2,297.61)
<b>Net cash generated from operating activities</b>	(A) 10,699.99	3,204.92
<b>Cash flow from investing activities :</b>		
Interest received on long term investments [other than trade]	0.96	6.89
Interest received on current investments [other than trade]	53.71	3.27
Purchase of fixed assets / capital advances	(394.92)	(238.62)
Sale / disposal of fixed assets	48.55	15.65
Purchase of long-term investment	-	(129.31)
Purchase / (sale) of current investment	500.00	(500.00)
Redemption / sale of long term / current investments	41.06	278.58
<b>Net cash generated from / (used in) investing activities</b>	(B) 249.36	(563.54)
<b>Cash flow from financing activities :</b>		
Buyback of equity shares	-	(20.07)
Repayment of debentures	-	(82.30)
Interim dividend	(11,577.52)	-
Dividend distribution tax	(2,356.91)	-
Loans from bank, net of repayments	(33.90)	(10.84)
Interest on bank loans	(6.44)	(9.65)
Interest on non-convertible debentures	-	(35.97)
<b>Net cash (used in) financing activities</b>	(C) (13,974.77)	(158.83)
<b>Net (decrease) / increase in cash and cash equivalents</b>	(A+B+C) (3,025.42)	2,482.55
<b>Cash and cash equivalents as at the beginning of the year</b>	16,595.74	14,113.19
<b>Cash and cash equivalents as at the close of the year</b>		
Cash on hand	-	-
Balances with scheduled banks in current accounts	2,065.32	1,880.74
Balances with scheduled banks in fixed deposit accounts	4,300.00	8,280.00
Current investments in mutual funds	7,205.00	6,435.00
	13,570.32	16,595.74
<b>Net (decrease) / increase in cash and cash equivalents</b>	(3,025.42)	2,482.55

**The accompanying notes 1 to 46 form an integral part of the Consolidated Financial Statements**

This is the Consolidated Cash Flow Statement referred to in our report of even date

**For Price Waterhouse**

 Firm Registration Number : 301112E  
 Chartered Accountants

**Partha Ghosh**

 Partner  
 Membership Number : 55913

 Mumbai : 26<sup>th</sup> July, 2016

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**For and on behalf of the Board of Directors**
**Asit Bhatia**

Director

**Ashish Adukia**

Chief Financial Officer

 Mumbai : 26<sup>th</sup> July, 2016

**Raj Balakrishnan**

Director

**Samrat Sanyal**

Company Secretary

## Notes to the Consolidated Financial Statements

### 1. Corporate Information

DSP Merrill Lynch Limited ("the Company") and its subsidiary companies [excluding the unconsolidated subsidiary – refer note 28 (b)], collectively referred to as the "Group" are engaged in financial service businesses, namely stock broking, investment banking including advice on mergers and acquisition transactions, financing and lending, principal transactions in securities and derivative instruments. The Company is ultimately controlled by Bank of America Corporation ("BAC").

### 2. Significant accounting policies:

#### a. Basis of preparation of financial statements:

The accompanying consolidated financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in India and comply in all material aspects with the Accounting Standards ("AS") prescribed under Section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 and other relevant provisions of the Act. The consolidated financial statements have been prepared under the historical cost convention on accrual basis, except for certain financial instruments measured at fair value through profit or loss. Accounting policies have been consistently applied, except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in accounting policy.

All assets and liabilities have been classified as current or non-current as per the operating cycle and other criteria set out in "Schedule III" of the Act. Based on the nature of its business, the Group has identified its operating cycle as twelve (12) months for the purpose of current and non-current classification of assets and liabilities in the Balance Sheet.

The Ministry of Corporate Affairs ("MCA") has notified The Companies (Accounting Standard) Amendment Rules 2016 vide its notification dated March 30, 2016. The said notification read with Rule 3 (2) of the Companies (Accounting Standard) Rules, 2006 is applicable to the accounting period commencing on or after the date of notification i.e. April 01, 2016.

#### b. Principles of consolidation:

The financial statements of the subsidiary companies (refer note 28) used in the consolidation are drawn up to the same reporting date as that of the Company. The consolidated financial statements have been prepared on the following basis:

i. The financial statements of the Company and its subsidiary companies have been combined on a

line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions along with unrealized profits or losses have been fully eliminated.

- ii. The excess of the cost to the parent of its investments in a subsidiary company over the parent's portion of equity at the date on which investment in the subsidiary is made, is recognized as 'Goodwill (on consolidation)'. When the cost to the parent of its investment in a subsidiary is less than the parent's portion of equity of the subsidiary at the date on which investment in the subsidiary is made, the difference is treated as 'Capital Reserve (on consolidation)' in the consolidated financial statements.
- iii. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### c. Use of estimates:

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and difference between the actual results and estimates are recognised in the period in which the results are known or materialise.

#### d. Tangible fixed assets and capital work-in-progress:

Tangible fixed assets are stated at the original cost of acquisition and related expenses less accumulated depreciation and accumulated impairment losses, if any. Assets, which are not under active use and held for disposal, are stated at lower of net book value and net realizable value. Capital work-in-progress comprises costs incurred on fixed assets that are not yet ready for their intended use as at the reporting date.

#### e. Intangible assets:

Intangible assets are capitalized, where it is reasonably estimated that the intangible asset has an enduring useful life. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and accumulated impairment losses, if any.

**Notes to the Consolidated Financial Statements (Contd...)**

**f. Depreciation and amortization :**

- i. Except for items forming part of (ii) and (iii) below, depreciation on tangible assets is provided, pro-rata for the period of use, by straight line method (SLM), based on management's estimate of useful lives for the fixed assets as given in the table below:

Category	Useful life
Buildings	40 years
Computers and Allied Equipment	
- Desktops / Printers	2 years
- Servers / Laptops	4 years
- Computer Cabling	7 years
Office Equipment	
- EPABX	5 years
- Others	3 years
Furniture and Fixtures	10 years
Vehicles	5 years

- ii. Assets costing less than the rupee equivalent of USD 1,500 are fully depreciated on purchase.
- iii. Leasehold improvements are depreciated over the lease period including the renewal periods, if any. Assets associated with premises taken on lease are depreciated on straight line basis over the lease period including the renewal periods or the useful lives stated above, whichever is shorter.
- iv. The management has arrived at the above estimates of useful lives based on an internal assessment and technical evaluation and believes that the useful lives stated above represent its best estimate of the period over which it expects to use the assets. The useful lives estimated by the management as stated in the table above are different from the useful lives prescribed under "Part C" of "Schedule II" of the Act with the exception of Furniture and Fixtures and EPABX Office Equipment.
- v. Intangible assets are amortized over their useful lives estimated by the management as stated in the table below, commencing from the date the asset is available for use :

Category	Useful life
Software	3 years
BSE Membership Card	10 years

**g. Impairment of assets :**

In accordance with AS-28 on 'Impairment of Assets', an asset is considered as impaired when at the balance sheet date there are indications of impairment and the carrying amount of the asset, or where applicable, the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value-in-use). The management of the Group assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/external factors. If any such indication exists, the management estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss in the Statement of Profit and Loss.

**h. Allowance for bad / doubtful debts and advances :**

Allowance for bad and doubtful debts and advances is made and disclosed in accordance with the applicable prudential norms prescribed by the regulators. In cases where management estimates a higher risk of recovery, allowance is made at amounts higher than those prescribed under the prudential norms.

**i. Investments :**

Investments are classified as current or non-current (long-term) based upon management intent at the time of acquisition. Investments that are intended to be held for not more than one year from the date of acquisition are classified as current investments. All other investments are classified as non-current investments. Current investments are stated at lower of cost and fair value. Any reduction in the carrying amount and any reversals of such reductions are charged or credited to the Statement of Profit and Loss.

Non-current investments are recorded at cost as on the date of transaction. Provision is made to recognise a decline, other than temporary, in the value of such investments.

**j. Inventories and derivative instruments :**

(i) Inventories:  
Securities held as stock-in-trade are valued at lower of cost and market value by category of security held.

(ii) Equity index / stock futures:  
The outstanding equity index / stock futures contracts are marked-to-market on a scrip-wise / index-wise basis and resulting unrealised net losses are provided for; net unrealised gains are



## Notes to the Consolidated Financial Statements (Contd...)

ignored in accordance with the concept of prudence contained in Accounting Standard 1 on "Disclosure of Accounting Policies". Provision for losses on outstanding contracts is presented under current liabilities. Mark-to-market margins paid to and received from the Stock Exchange(s) on outstanding contracts are net off and presented under loans and advances / current liabilities, as the case may be. At the time of final settlement or on squaring up a contract by entering into a reverse contract, the difference between the final settlement price and the contract price is recognised in the Statement of Profit and Loss.

(iii) **Equity index / stock options:**

Premium paid to and received from the Stock Exchange(s) on equity index / stock option contracts are net off and presented under other assets / current liabilities, as the case may be. Outstanding equity option contracts are marked-to-market on a scrip-wise / index-wise basis and resulting unrealised net losses are provided for; net unrealised gains are ignored in accordance with the concept of prudence contained in Accounting Standard 1 on "Disclosure of Accounting Policies". Provision for losses on the outstanding contracts is presented as a deduction from the net option premium if an asset, else disclosed under current liabilities. The difference between the final settlement price and the strike price on exercise of options is recognised in the Statement of Profit and Loss. On squaring up a contract by entering into a reverse contract, the difference between the premium paid and received is transferred to the Statement of Profit and Loss.

**k. Debentures issued with equity-linked coupon payments:**

Debentures issued, where the primary returns are linked to equity related benchmarks have been accounted for at fair value in the Statement of Profit and Loss. The fair value is determined by using an appropriate valuation model. The model discounts the expected cash flows under the terms of each specific contract to the present value. These models use as their basis the relevant market parameters including, interest rate yield curves, equity prices, option volatilities and currency rates. Most market parameters are either directly observable or are implied from instrument prices, however where certain inputs are unobservable, management estimate is used. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters.

**L. Revenue recognition :**

Revenue is recognized when it is earned and no significant uncertainty exists as to its realization or collection on the following basis :

- i. Brokerage from equity / debt market transactions is recognized on trade date basis.
- ii. Fees from investment banking activities including issue management, mergers and acquisitions, and advisory services are recognized on stage wise basis / as per agreement.
- iii. Underwriting commission earned, to the extent not reduced from cost of acquisition of securities is accounted on closure of the issue.
- iv. Income from financing and lending activities is recognized on a time proportionate basis and is primarily in the nature of interest on loans, advances, debentures and bonds and upfront fees and commission. Interest on loans classified as non-performing assets is recognized in accordance with the applicable prudential norms as prescribed by the regulators.
- v. Income from principal transactions are accounted on trade date basis and comprises gains and losses on securities including derivative instruments and fair value gains or losses including coupon payments on debentures issued by the Company with equity-linked coupons.
- vi. Brokerage / marketing fees on mutual funds / new issues are accounted based on mobilization and intimation received from clients / intermediaries.
- vii. Investment advisory income is accounted as per agreement.
- viii. Income in the nature of initial fees from trusteeship services are recognized immediately on formation of the trust, administrative fees are recognized on a time-proportionate basis and termination fees upon termination of the trust.
- ix. Interest on bank deposits is accounted on accrual basis.
- x. Dividend income is recognized when the right to receive payment is established.
- xi. Revenue excludes service tax, wherever recovered.

**Notes to the Consolidated Financial Statements (Contd...)****m. Employee benefits :**

Short-term employee benefits (benefits which are payable within twelve months after the end of the period in which the employees render services) are measured at cost. Long-term employee benefits (benefits which are payable after the end of twelve months from the end of the period in which the employees render services) and post employment benefits (benefits which are payable after completion of employment) are measured on a discounted basis by the Projected Unit Credit Method on the basis of annual independent third party actuarial valuations.

The Group has defined contribution plans for post employment benefits in the form of Provident Fund. Under the plan, contributions are made to a Government administered provident fund on behalf of the employees and the Group has no further obligation beyond making the contributions. Contributions to Provident Fund are made in accordance with the statute, and are recognised as an expense when employees have rendered services entitling them to the contributions.

The costs of providing benefits under defined benefit plans are determined using the Projected Unit Credit Method on the basis of a third party actuarial valuation at each balance sheet date. The leave encashment and gratuity benefit obligations recognised on the balance sheet represent the present value of the obligations as reduced by the fair value of plan assets, if any. Any asset resulting from this calculation is limited to the discounted value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss.

**n. Foreign currency transactions :**

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are reported using the exchange rate prevailing at the balance sheet date. All exchange differences are dealt with in the Statement of Profit and Loss. Non-monetary items are carried at historical cost using the exchange rates on the date of the transaction. Outstanding foreign exchange forward contracts are marked to market. Resulting losses are recognised in the Statement of Profit and Loss; gains are ignored.

**o. Borrowing costs :**

Borrowing costs primarily include interest and related costs of amounts borrowed for the operations of the Company. These are expensed to revenue on a time-proportionate basis.

**p. Operating lease :**

Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the non-cancellable period of the lease term.

**q. Earning per share :**

Basic and diluted earnings per share (EPS) are reported in accordance with Accounting Standard 20 on "Earnings Per Share". Basic EPS is computed by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

**r. Taxation :**

Taxes on income are accounted for in accordance with Accounting Standard 22 on "Accounting for Taxes on Income" and comprise current and deferred tax.

Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961.

The tax effect of timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods is recorded as a deferred tax asset or deferred tax liability. These are measured using the substantively enacted tax rates and tax regulations. Deferred tax assets arising on account of carry forward of losses and unabsorbed depreciation under tax laws are recognised only if there is virtual certainty of realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the

## Notes to the Consolidated Financial Statements (Contd...)

extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets at each balance sheet date is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realised.

### s. **Cash flow statement :**

The cash flow statement is prepared by the indirect method set out in Accounting Standard 3 on "Cash Flow Statements" and presents the cash flows by operating, investing and financing activities of the company.

Cash and cash equivalents presented in cash flow statement comprise cash on hand, deposits with banks and current investments readily convertible to known amounts of cash and subject to insignificant risk of change in value.

### t. **Employee stock compensation :**

Liability in respect of restricted stocks and restricted units of the ultimate parent company granted to the employees of the Group in terms of the global long-term incentive compensation plans of the ultimate parent company is accounted for initially at the fair value of the awards on the date of grant. The difference between the fair value on the date of grant and fair value on the date of vesting is accounted for when the stocks vest. At the balance sheet date, liability in respect of unvested stocks is re-measured based on the fair value of the stocks on that date.

### u. **Contingent liabilities :**

Contingent liabilities as defined in Accounting Standard 29 on "Provisions, Contingent Liabilities and Contingent Assets" are disclosed by way of notes to the accounts. Disclosure is not made if the possibility of an outflow of future economic benefits is remote. Provision is made if it is probable that an outflow of future economic benefits will be required to settle the obligation.

## Notes to the Consolidated Financial Statements (Contd...)

### 3. Share capital :

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
<b>Authorised</b>		
73,750,000 (Previous year 73,750,000) Equity shares of Rs. 10/- each	737.50	737.50
810,000,000 (Previous year 810,000,000) Cumulative redeemable preference shares of Rs. 10/- each	8,100.00	8,100.00
	<b>8,837.50</b>	<b>8,837.50</b>
<b>Issued, subscribed and paid up</b>		
<b>Equity share capital</b>		
23,155,039 (Previous year 23,155,039) Equity shares of Rs. 10/- each, fully paid up	231.55	231.55
	<b>231.55</b>	<b>231.55</b>

### Reconciliation of number of shares :

Particulars	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Number of Shares	Rs. million	Number of Shares	Rs. million
<b>Equity Shares:</b>				
Balance as at the beginning of the year	23,155,039	231.55	23,160,000	231.60
Add: Shares issued during the year	-	-	-	-
Less: Shares bought back during the year (refer note below)	-	-	(4,961)	(0.05)
Balance as at the end of the year	<b>23,155,039</b>	<b>231.55</b>	<b>23,155,039</b>	<b>231.55</b>

During the year ended March 31, 2015, the Company bought back 4,961 equity shares of face value of Rs. 10/- each for a total consideration of Rs 16.37 million. The difference of Rs. 16.32 million between amount paid for buy back and the face value of the shares bought back has been adjusted against surplus in statement of profit and loss account.

### Rights, preferences and restrictions attached to shares :

#### Equity Shares:

The company has only one class of equity shares with a par value of Rs. 10/- each. Each shareholder is eligible for one vote per share.

### Shares held by the holding company, ultimate holding company and their subsidiaries/associates are as below :

Name of Shareholder	Nature of Relationship	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
		Number of Shares	Rs. million	Number of Shares	Rs. million
<b>Equity Shares:</b>					
Merrill Lynch Investment Holdings (Mauritius) Limited	Fellow Subsidiary	-	-	10,738,800	107.39
Merrill Lynch Holdings (Mauritius)	Fellow Subsidiary	-	-	9,495,105	94.95
Merrill Lynch Asia Investments Limited	Fellow Subsidiary	-	-	2,910,000	29.10
GHS Singapore Holdings Pte Limited	Holding Company	<b>23,143,905</b>	<b>231.44</b>	-	-

### Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company :

Name of Shareholder	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Number of Shares	% of Holding	Number of Shares	% of Holding
<b>Equity Shares:</b>				
Merrill Lynch Investment Holdings (Mauritius) Limited	-	-	10,738,800	46.38%
Merrill Lynch Holdings (Mauritius)	-	-	9,495,105	41.01%
Merrill Lynch Asia Investments Limited	-	-	2,910,000	12.57%
GHS Singapore Holdings Pte Limited	<b>23,143,905</b>	<b>99.95%</b>	-	-

The company has not issued any equity shares for consideration other than cash or by way of bonus during the last five financial years.

#### Note :

During the year ended March 31, 2016, Merrill Lynch Investment Holdings (Mauritius) Limited (10,738,800 shares), Merrill Lynch Holdings (Mauritius) (9,495,105 shares) and Merrill Lynch Asia Investments Limited (2,910,000 shares) have sold their shareholding to GHS Singapore Holdings Pte Ltd. There is no change in control as the Company is ultimately controlled by Bank of America Corporation.

**Notes to the Consolidated Financial Statements (Contd...)**
**4. Reserves and Surplus :**

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
<b>Investment allowance reserve</b>		
Balance as at the beginning of the year	1.19	1.19
Balance as at the end of the year	1.19	1.19
<b>Securities premium account</b>		
Balance as at the beginning of the year	44.28	44.28
Balance as at the end of the year	44.28	44.28
<b>Capital redemption reserve</b>		
Balance as at the beginning of the year	8,100.05	8,100.00
Add: Transfer from Surplus in Statement of Profit and Loss on buyback of equity shares	-	0.05
Balance as at the end of the year	8,100.05	8,100.05
<b>General reserve</b>		
Balance as at the beginning of the year	4,509.79	4,509.79
Balance as at the end of the year	4,509.79	4,509.79
<b>Reserve under Section 45-IC of the Reserve Bank of India Act, 1934</b>		
Balance as at the beginning of the year	2,604.20	2,308.68
Transfer from profit for the current year	288.92	295.52
Balance as at the end of the year	2,893.12	2,604.20
<b>Surplus in statement of profit and loss</b>		
Balance as at the beginning of the year	22,328.34	18,891.21
Add: Profit for the year	7,174.47	3,752.71
<b>Appropriations:</b>		
Utilisation for buy-back of equity shares	-	(16.32)
Income distribution tax on buy-back of equity shares	-	(3.70)
Transfer to reserve under section 45-IC of the Reserve Bank of India Act, 1934	(288.92)	(295.52)
Interim dividend	(11,577.52)	-
Dividend distribution tax	(2,356.91)	-
Transfer to capital redemption reserve on buyback of equity shares	-	(0.05)
Balance as at the end of the year	15,279.45	22,328.34
	<b>30,827.89</b>	<b>37,587.85</b>

**5. Long-term borrowings :**

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
<b>Secured</b>		
Term loans :		
From banks	27.13	41.54
[Secured against hypothecation of vehicles]	27.13	41.54

**Notes to the Consolidated Financial Statements (Contd...)**
**6. Long-term provisions :**

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
Provision for employee benefits :		
Gratuity [refer note 33 (ii)]	8.31	79.52
Compensated absences	190.84	275.67
Loan loss provision	43.69	43.69
	<b>242.84</b>	<b>398.88</b>

**7. Other non current liabilities :**

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
Rent equalisation	51.24	-
	<b>51.24</b>	-

**8. Trade payables :**

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
Sundry creditors [refer note 40]		
Total outstanding dues of micro enterprises and small enterprises	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	11,315.94	17,169.36
	<b>11,315.94</b>	<b>17,169.36</b>

**9. Other current liabilities :**

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
Current maturities of long-term Loans [refer note 5]	17.74	37.23
Statutory dues including Provident fund, Tax deducted at source and Service tax	104.86	29.67
Interest accrued but not due	-	-
Mark-to-market losses on debentures with equity-linked coupon payments	-	0.11
Salaries and bonus payable	166.59	238.54
Current portion of Rent equalisation	40.99	-
Other payables	109.07	5.59
	<b>439.25</b>	<b>311.14</b>

**10. Short-term provisions :**

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
Provision for employee benefits :		
Gratuity [refer note 33(ii)]	0.72	0.82
Compensated absences	33.26	49.08
Others :		
Contingent provisions against standard assets	2.98	6.34
Provision for restructured standard advances	-	198.36
Provision for contingencies [refer note 41]	-	11.18
	<b>36.96</b>	<b>265.78</b>

## Notes to the Consolidated Financial Statements (Contd...)

### 11. (a) Fixed Assets for the year ended March 31, 2016 :

Particulars	Gross block (at cost)			Depreciation/amortisation			Net block	
	As at 1 <sup>st</sup> April, 2015 Rs. million	Additions/ (Deductions) Rs. million	Reclassification (refer note 1) Rs. million	As at 31 <sup>st</sup> March, 2016 Rs. million	For the year / (on deductions) Rs. million	Reclassification (refer note 1) Rs. million	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2016 Rs. million
<b>Tangible assets</b>								
Buildings	1.03	-	(1.03)	-	0.02	(0.65)	-	-
Leasehold Improvements	279.14	5.22 (7.44)	-	276.92	15.28 (6.79)	-	262.61	14.31
Computers and Allied Equipment	1,390.03	35.92 (52.38)	-	1,373.57	109.49 (50.77)	-	1,143.45	230.12
Office Equipment	411.44	0.93 (9.55)	-	402.82	26.86 (8.03)	-	368.51	34.31
Furniture and Fixtures	175.28	0.83 (11.63)	-	164.48	10.47 (11.63)	-	159.80	4.68
Vehicles	186.89	29.80 (106.13)	-	110.56	29.69 (62.29)	-	49.59	60.97
<b>sub-total (a)</b>	<b>2,443.81</b>	<b>72.70</b> <b>(187.13)</b>	<b>(1.03)</b>	<b>2,328.35</b>	<b>191.81</b> <b>(139.51)</b>	<b>(0.65)</b>	<b>1,983.96</b>	<b>344.39</b>
<b>Intangible assets</b>								
Software	263.71	4.23 (18.83)	-	249.11	1.18 (18.18)	-	244.95	4.16
BSE Membership Card	25.25	-	-	25.25	-	-	25.25	-
<b>sub-total (b)</b>	<b>288.96</b>	<b>4.23</b> <b>(18.83)</b>	<b>-</b>	<b>274.36</b>	<b>1.18</b> <b>(18.18)</b>	<b>-</b>	<b>270.20</b>	<b>4.16</b>
<b>Total (a + b)</b>	<b>2,732.77</b>	<b>76.93</b> <b>(205.96)</b>	<b>(1.03)</b>	<b>2,602.71</b>	<b>192.99</b> <b>(157.69)</b>	<b>(0.65)</b>	<b>2,254.16</b>	<b>348.55</b>

Note:

1) Office premises not under active use and held for disposal have been reclassified to other current assets during the year. The net realisable value for these premises is higher than their net book value.

**Notes to the Consolidated Financial Statements (Contd...)**

**11. (b) Fixed Assets for the year ended March 31, 2015 :**

Particulars	Gross block (at cost)		Depreciation/amortisation			Net block	
	As at 1 <sup>st</sup> April, 2014	As at 31 <sup>st</sup> March, 2015	As at 1 <sup>st</sup> April, 2014	For the year / (on deductions)	As at 31 <sup>st</sup> March, 2015	As at 31 <sup>st</sup> March, 2015	As at
	Rs. million	Rs. million	Rs. million	Rs. million	Rs. million	Rs. million	Rs. million
<b>Tangible assets</b>							
Buildings	1.03	1.03	0.60	0.03	0.63	0.40	
Leasehold Improvements	279.14	279.14	237.08	17.04	254.12	25.02	
Computers and Allied Equipment	1,089.46	1,390.03	973.63	120.13 (9.03)	1,084.73	305.30	
Office Equipment	401.25	411.44	349.30	29.45 (29.07)	349.68	61.76	
Furniture and Fixtures	173.70	175.28	156.15	5.04 (0.23)	160.96	14.32	
Vehicles	201.70	186.89	84.66	42.32 (44.79)	82.19	104.70	
<b>sub-total (a)</b>	<b>2,146.28</b>	<b>2,443.81</b>	<b>1,801.42</b>	<b>214.01 (83.12)</b>	<b>1,932.31</b>	<b>511.50</b>	
<b>Intangible assets</b>							
Software	262.84	263.71	257.80	4.15	261.95	1.76	
BSE Membership Card	25.25	25.25	25.25	-	25.25	-	
<b>sub-total (b)</b>	<b>288.09</b>	<b>288.96</b>	<b>283.05</b>	<b>4.15</b>	<b>287.20</b>	<b>1.76</b>	
<b>Total (a + b)</b>	<b>2,434.37</b>	<b>2,732.77</b>	<b>2,084.47</b>	<b>218.16 (83.12)</b>	<b>2,219.51</b>	<b>513.26</b>	



**Notes to the Consolidated Financial Statements (Contd...)**
**12. Non-current investments :**

Particulars	As at 31st March, 2016		As at 31 <sup>st</sup> March, 2015	
	Quantity (no.)	Rs. million	Quantity (no.)	Rs. million
<b>I Trade Investment</b> [valued at cost, net of provision for diminution in value]				
<b>Unquoted</b>				
<b>Investment in Equity shares :</b>				
Bombay Stock Exchange Limited [Face Value Re. 1/-]	1,30,000	0.01	1,30,000	0.01
<b>Total I</b>		0.01		0.01
<b>II Other Investments</b> [valued at cost, net of provision for diminution in value]				
<b>Unquoted</b>				
<b>i) Equity shares</b> [face value of Rs. 10/-each fully paid -up]				
Avon Industries Limited	21,000	0.51	21,000	0.51
Co-Nick Alloys Limited	1,22,500	1.79	1,22,500	1.79
Eastern Circuits Limited	5,100	0.06	5,100	0.06
Eastern Medikit Limited	18,000	0.54	18,000	0.54
Inland Printers Limited	16,000	0.96	16,000	0.96
Magnetix India Limited	810	0.01	810	0.01
Montari Industries Limited	36	*	36	*
Orissa Extrusions Limited	89	**	89	**
Sangam Aluminium Limited	9,000	0.17	9,000	0.17
Travancore Cements Limited	2,410	0.06	2,410	0.06
Varun Polymol Organics Limited	26	***	26	***
Wood Polymer Limited	200	0.01	200	0.01
		4.11		4.11
Less : Provision for diminution in value		(4.11)		(4.11)
		-		-
<b>ii) Debentures</b>				
9% Secured Non-Convertible Redeemable Debentures of JK Lakshmi Cement Ltd.	5,643	0.56	5,643	0.56
		0.56		0.56
Less : Provision for diminution in value		(0.56)		(0.56)
		-		-
<b>Sub-total - A</b>		-		-
<b>Quoted</b>				
<b>Equity shares</b> [face value of Rs. 4/-each fully paid -up]				
Udaipur Cement Works Limited	10,567	0.04	10,567	0.04
		0.04		0.04
Less : Provision for diminution in value		-		-
<b>Sub-total - B</b>		0.04		0.04
<b>Total II [ A+B ]</b>		0.04		0.04
<b>Total [I+II]</b>		0.05		0.05
<b>Summary :</b>				
<b>Quoted</b>				
Aggregate of book value		0.04		0.04
Aggregate of market value		0.12		0.13
<b>Unquoted</b>				
Aggregate value of unquoted investments		0.01		0.01
Aggregate provision for diminution in value of investments		4.67		4.67

\* Amount [Rs. 1,476/-] below rounding off norm adopted by the Company.

\*\* Amount [Rs. 1,621/-] below rounding off norm adopted by the Company.

\*\*\* Amount [Rs. 637/-] below rounding off norm adopted by the Company.

## Notes to the Consolidated Financial Statements (Contd...)

### 13. Long-term loans and advances :

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
<b>Unsecured, considered good:</b>		
Advance payment of taxes [net of provision for tax Rs. 23,770.59 million (previous year Rs. 21,372.07 million)]	1,748.23	2,417.85
Cash deposits placed with exchanges and depository	38.63	68.13
Deposits placed for premises and others	218.40	72.48
Gratuity over funded, net [refer note 33 (ii)]	35.00	-
Prepayments and others	1.66	8.03
	<b>2,041.92</b>	<b>2,566.49</b>

### 14. Other non-current assets :

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
Interest receivable on loans	43.69	43.69
	<b>43.69</b>	<b>43.69</b>

### 15. Current investments :

Particulars	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Quantity (no.)	Rs. million	Quantity (no.)	Rs. million
<b>Current portion of long-term investments</b>				
<b>Quoted [valued at cost unless stated otherwise]</b>				
<b>Corporate Bonds :</b>				
[Face value Rs. 1,000,000/- each]				
9.40% National Agricultural Bank - Maturity July 31, 2015	-	-	40	39.97
9.46% Power Finance Corporation - Maturity May 2, 2015	-	-	1	1.00
				40.97
Less: Provision for mark-to-market loss		-		-
<b>Sub- total - A</b>		-		40.97
<b>Unquoted</b>				
<b>Equity Shares</b>				
<b>Investment in subsidiaries</b>				
Merrill Lynch Wealth Advisors Private Limited [refer note 29(b)]	-	-	50,000,000	500.00
				500.00
Less: Provision for mark-to-market loss		-		-
<b>Sub- total - B</b>		-		500.00
<b>Total [ A+B ]</b>		-		540.97
<b>Summary:</b>				
<b>Quoted</b>				
Aggregate of book value		-		40.97
Aggregate of market value		-		41.12
<b>Unquoted</b>				
Aggregate of book value		-		500.00

## Notes to the Consolidated Financial Statements (Contd...)

### 16. Inventories - Securities held as stock in trade :

Particulars	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Quantity (no.)	Rs. million	Quantity (no.)	Rs. million
<b>I Quoted</b>				
<b>Debentures and bonds [valued at lower of costs and market value]</b>				
[Face value Rs. 1,000,000/- each unless otherwise stated]				
10.00% BLP Energy Private Limited - Maturity July 5, 2015	-	-	1,000	1,000.00
7.98% Power Finance Corporation Limited - Maturity April 21, 2017	750	750.00	-	-
9.75% Aditya Birla Finance Limited - Maturity May 26, 2017	500	502.62	-	-
8.27% Export Import Bank of India - Maturity May 7, 2018	500	502.92	-	-
8.25% Export Import Bank of India - Maturity May 9, 2018	500	502.74	-	-
8.17% Power Finance Corporation Limited - Maturity August 18, 2018	250	250.68	-	-
8.93% Power Grid Corporation of India - Maturity October 20, 2018	-	-	100	101.68
8.05% Small Industries Development Bank of India - Maturity January 28, 2019	750	750.00	-	-
8.20% Export Import Bank of India - Maturity February 18, 2019	250	250.34	-	-
7.92% National Housing Bank - Maturity March 21, 2019	1,250	1,250.00	-	-
8.15% Power Grid Corporation of India - Maturity March 9, 2020	-	-	150	150.00
8.37% Rural Electrification Corporation Limited - Maturity August 14, 2020	100	100.70	-	-
9.18% Power Finance Corporation Limited - Maturity April 15, 2021	-	-	250	258.24
9.95% Food Corporation of India - Maturity March 7, 2022	-	-	50	55.37
9.30% Export Import Bank of India - Maturity May 11, 2022	-	-	50	52.75
8.28% Mahanagar Telephone Nigam Limited - Maturity November 19, 2024	-	-	200	203.58
8.29% Mahanagar Telephone Nigam Limited - Maturity November 28, 2024	-	-	500	513.03
8.57% Rural Electrification Corporation Limited - Maturity December 21, 2024	-	-	150	152.82
8.40% LIC Housing Finance Limited - Maturity January 30, 2025	-	-	1,500	1,500.00
8.15% Power Grid Corporation of India - Maturity March 9, 2025	-	-	150	150.00
8.15% Power Grid Corporation of India - Maturity March 9, 2030	-	-	150	150.00
		4,860.00		4,287.47
Less: Provision for mark-to-market loss		-		-
<b>Total Quoted</b>		4,860.00		4,287.47
Aggregate amount of book value		4,860.00		4,287.47
Aggregate of market value		4,865.30		4,404.83
<b>II Unquoted</b>				
<b>a. Certificate of deposits [valued at lower of costs and market value]</b>				
[Face value Rs. 100,000/- each]				
Canara Bank - Maturity February 17, 2016	-	-	2,500	230.76
Corporation Bank - Maturity February 29, 2016	-	-	5,000	461.48
Andhra Bank - Maturity March 4, 2016	-	-	5,000	463.74
Axis Bank Limited - Maturity March 8, 2016	-	-	15,000	1,382.49
Andhra Bank - Maturity March 9, 2016	-	-	2,500	231.96
Indian Bank - Maturity March 9, 2016	-	-	10,000	922.24
Indian Bank - Maturity March 10, 2016	-	-	10,000	922.08
Oriental Bank of Commerce - Maturity March 10, 2016	-	-	2,500	231.61
Corporation Bank - Maturity March 11, 2016	-	-	7,500	691.62
Andhra Bank - Maturity March 15, 2016	-	-	2,500	231.36
IDBI Bank - Maturity February 7, 2017	10,000	933.20	-	-
Export Import Bank of India - Maturity February 10, 2017	2,500	231.81	-	-
Corporation Bank - Maturity March 2, 2017	7,500	695.01	-	-
Canara Bank - Maturity March 7, 2017	5,000	465.57	-	-
ICICI Bank - Maturity March 9, 2017	7,500	694.29	-	-
Corporation Bank - Maturity March 10, 2017	5,000	464.26	-	-
Corporation Bank - Maturity March 14, 2017	4,000	370.20	-	-
Canara Bank - Maturity March 16, 2017	7,500	697.36	-	-
		4,551.70		5,769.34
Add: Accretion of Interest		14.06		22.96
		4,565.76		5,792.30
Less: Provision for mark-to-market loss		-		-
<b>Sub-total (a)</b>		4,565.76		5,792.30
Aggregate of book value		4,565.76		5,792.30
<b>b. Commercial paper [valued at carrying cost]</b>				
[Face value Rs. 500,000/- each]				
National Bank for Agriculture and Rural Development - Maturity March 14, 2016	-	-	1,000	460.96
		-		460.96
Add: Accretion of Interest		-		1.45
<b>Sub total (b)</b>		-		462.41
<b>Total Unquoted [a + b]</b>		4,565.76		6,254.71
<b>Total [I + II]</b>		9,425.76		10,542.18
<b>Summary:</b>				
<b>Quoted</b>				
Aggregate of book value		4,860.00		4,287.47
Aggregate of market value		4,865.30		4,404.83
<b>Unquoted</b>				
Aggregate of book value		4,565.76		6,254.71

## Notes to the Consolidated Financial Statements (Contd...)

### 17. Trade receivables :

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
Debts outstanding for a period exceeding six months		
Unsecured		
Considered good	4.18	-
Considered doubtful	-	-
	4.18	-
Less: Provision for doubtful debts	-	-
	4.18	-
Other debts		
Unsecured		
Considered good	656.66	506.57
Considered doubtful	-	1.10
	656.66	507.67
Less: Provision for doubtful debts	-	(1.10)
	656.66	506.57
	660.84	506.57

### 18. Cash and bank balances :

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
Cash and cash equivalents :		
Cash on hand	-	-
Bank balances :		
In current accounts	2,065.32	1,880.74
Fixed deposits with banks with original maturity less than 3 months	4,300.00	8,280.00
	6,365.32	10,160.74
Short term, highly liquid investments - Mutual Funds [refer note 44]		
DSP Blackrock Liquidity Fund - Direct Plan - Growth	1,500.00	1,500.00
Birla Sun Life Cash Plus - Growth - Direct Plan	965.00	500.00
HDFC Liquid Fund - Direct Plan - Growth	520.00	660.00
Kotak Liquid Scheme Plan A - Direct Plan - Growth	950.00	-
ICICI Prudential Liquid Plan - Direct Plan - Growth	-	1,200.00
Reliance Liquidity Fund - Treasury Plan - Direct Growth Plan	1,000.00	-
Reliance Liquidity Fund - Direct Plan - Growth	-	1,750.00
IDFC Cash Fund- Direct Plan - Growth	950.00	-
SBI Premier Liquid Fund - Direct Plan - Growth	320.00	825.00
UTI Liquid Cash Plan Institutional - Direct Plan - Growth	1,000.00	-
	7,205.00	6,435.00
Cash and cash equivalents - Total	13,570.32	16,595.74
Other bank balances :		
Fixed deposits with banks under lien as collateral with stock exchange/Clearing corporation*	10,011.88	16,041.87
Fixed deposits with banks with original maturity more than 3 months but less than 12 months	4,750.00	-
Other bank balances **	0.02	0.02
Other bank balances - Total	14,761.90	16,041.89
	28,332.22	32,637.63

\* These fixed deposits are under lien with Bombay Stock Exchange Limited/ National Securities Clearing Corporation Limited towards Base and Additional Base Capital / Margins.

\*\* Represents fixed deposit of Rs. 0.02 million lien-marked in favour of Commercial Tax Officer, Sales Tax Office, Indore.

## Notes to the Consolidated Financial Statements (Contd...)

### 19. Short-term loans and advances :

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
<b>Loans and advances</b>		
Secured, considered good :		
Loans given	-	6,994.66
Debentures (unlisted)	991.67	-
Unsecured, considered good :		
Cash deposits placed with exchanges	400.20	654.80
Advances	1.60	0.45
Deposits placed for premises and others	82.57	40.88
Prepayments and others	39.95	26.25
Unsecured, considered doubtful :		
Advances	0.45	0.45
Deposits placed for premises and others	0.36	0.36
Service tax input credit	34.50	39.41
	<b>35.31</b>	40.22
Less: Allowance	<b>(35.31)</b>	(40.22)
	-	-
	<b>1,515.99</b>	7,717.04

### 20. Other current assets :

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
Accrued income - administrative fees	-	2.42
Interest accrued on:		
Fixed deposits	115.93	217.52
Loans	-	202.16
Investments	-	0.57
Securities held as stock-in-trade	140.33	101.80
Assets held for disposal	0.38	-
Other receivables	21.27	63.06
	<b>277.91</b>	587.53

**Notes to the Consolidated Financial Statements (Contd...)**
**21. Advisory and Transactional Services :**

Particulars	Year Ended 31 <sup>st</sup> March, 2016 Rs. million	Year Ended 31 <sup>st</sup> March, 2015 Rs. million
Professional fees	861.34	795.69
Brokerage / marketing fees	3,237.59	4,513.01
Depository participant income	9.89	16.70
Others	2.45	6.53
	<b>4,111.27</b>	<b>5,331.93</b>

**22. Interest and other operating income :**

Particulars	Year Ended 31 <sup>st</sup> March, 2016 Rs. million	Year Ended 31 <sup>st</sup> March, 2015 Rs. million
Interest income :		
Interest on loans and advances	220.96	1,092.61
Interest on securities held as stock-in-trade	546.52	509.73
Other operating income	35.09	-
	<b>802.57</b>	<b>1,602.34</b>

**23. (Loss) / Profit on principal transactions; net :**

Particulars	Year Ended 31 <sup>st</sup> March, 2016 Rs. million	Year Ended 31 <sup>st</sup> March, 2015 Rs. million
<b>Debentures/Bonds/Certificate of Deposits/ Commercial Papers:</b>		
Sales / redemptions	29,640.22	48,420.79
Less : Cost of sales		
Opening stock	10,542.18	8,151.36
Add : Purchases	28,430.59	50,460.97
Add : Accretion of Interest	106.00	96.37
	<b>39,078.77</b>	<b>58,708.70</b>
Less: Closing stock	9,425.76	10,542.18
Cost of sales	29,653.01	48,166.52
<b>Sub-total</b>	<b>(12.79)</b>	<b>254.27</b>
Profit on equity futures and options, net	-	13.53
Valuation gains / (losses) on debentures with equity-linked coupon payments, net	-	24.27
Interest payments on debentures with equity-linked coupon payments	-	(35.97)
<b>Sub-total</b>	<b>-</b>	<b>1.83</b>
<b>Total</b>	<b>(12.79)</b>	<b>256.10</b>

**Notes to the Consolidated Financial Statements (Contd...)**
**24. Other income :**

Particulars	Year Ended 31 <sup>st</sup> March, 2016 Rs. million	Year Ended 31 <sup>st</sup> March, 2015 Rs. million
Profit on sale of current investments	1,170.18	950.24
Interest on:		
Bank deposits	1,770.93	1,675.78
Income tax refund	-	232.08
Debentures	0.05	0.05
Inter-corporate deposits	0.09	-
Long term investments [other than trade]	0.39	4.60
Current investments [other than trade]	53.71	3.27
Others	-	1.03
Infrastructure and support fees recovered	38.59	58.11
Secondment charges recovered	14.33	75.04
Dividend income on other long term investments	1.11	0.52
Professional fees	-	45.25
Profit on sale of long term investments [other than trade]	0.09	3.60
Credit balances written back	5.34	0.08
Foreign exchange differences, net	-	3.59
Gain on sale of discontinued operations	5,599.82	-
Write-back of provision for input service tax credit	4.91	5.59
Write-back of contingent provision for standard assets	3.37	2.90
Write-back of contingent provision for restructured standard assets	198.36	-
Write-back of provision for contingencies	11.18	-
Write-back of provision for bad and doubtful debts & advances, net	1.10	3.24
Miscellaneous income	2.58	-
	<b>8,876.13</b>	<b>3,064.97</b>

**25. Employee benefits expense :**

Particulars	Year Ended 31 <sup>st</sup> March, 2016 Rs. million	Year Ended 31 <sup>st</sup> March, 2015 Rs. million
Salaries and bonus	1,774.54	2,258.81
Contribution to provident fund [refer note 33(i)]	56.87	70.01
Gratuity [refer note 33(ii)]	3.05	56.79
Staff welfare expenses	20.55	22.88
	<b>1,855.01</b>	<b>2,408.49</b>

**26. Finance costs :**

Particulars	Year Ended 31 <sup>st</sup> March, 2016 Rs. million	Year Ended 31 <sup>st</sup> March, 2015 Rs. million
Interest on Bank Loans	6.44	9.65
	<b>6.44</b>	<b>9.65</b>

## Notes to the Consolidated Financial Statements (Contd...)

### 27. Depreciation and amortisation expenses :

Particulars	Year Ended 31 <sup>st</sup> March, 2016 Rs. million	Year Ended 31 <sup>st</sup> March, 2015 Rs. million
Depreciation on tangible assets [refer note 11]	191.81	214.01
Amortisation of intangible assets [refer note 11]	1.18	4.15
	<b>192.99</b>	<b>218.16</b>

### 28. Other expenses :

Particulars	Year Ended 31 <sup>st</sup> March, 2016 Rs. million	Year Ended 31 <sup>st</sup> March, 2015 Rs. million
Advertisement, publicity and sales promotion	15.29	1.81
Bad debts and advances written off	3.35	6.73
Brokerage, clearing charges and exchange fees	106.61	105.34
Communication costs, net	112.66	132.93
Corporate Social Responsibility expenditure [refer note 32(e)]	87.37	79.06
Data subscription costs, net	102.58	121.45
Electricity	46.69	63.00
Foreign exchange differences, net	5.48	-
Insurance	3.93	5.71
Infrastructure and support costs	56.62	46.13
Legal and professional fees, net	271.69	243.92
Loss on fixed assets sold / discarded, net	0.57	7.14
Printing and stationery	3.99	14.67
Provision for restructured standard advances	-	57.38
Rates and taxes	310.80	322.87
Rent	286.42	209.16
Repairs and maintenance:		
Building	87.64	95.05
Plant and machinery	96.94	127.52
Secondment charges incurred	51.00	56.12
Sub-brokerage, fees, commission and other direct expenses	41.96	21.34
Travelling expenses, net	90.50	89.19
Miscellaneous expenses	24.13	34.25
	<b>1,806.22</b>	<b>1,840.77</b>



## Notes to the Consolidated Financial Statements (Contd...)

### 29. a. Particulars of subsidiaries whose accounts have been considered for the consolidated financial statements :

Name of the Company	Country of Incorporation	Percentage of voting power as at 31 <sup>st</sup> March, 2016	Percentage of voting power as at 31 <sup>st</sup> March, 2015
DSP Merrill Lynch Capital Limited	India	100%	100%
DSP Merrill Lynch Trust Services Limited	India	-*	100%

\* DSP Merrill Lynch Trust Services Limited was sold to Julius Baer Group on 19<sup>th</sup> September, 2015

### b. Particulars of subsidiary whose accounts have not been considered for the consolidated financial statements ("Unconsolidated Subsidiary") :

**Name of the Unconsolidated Subsidiary:** Merrill Lynch Wealth Advisors Private Limited

Bank of America Corporation (the "Ultimate Controlling Enterprise") agreed to procure the sale of its international wealth management ("WM") businesses based outside of the United States (U.S.) to Julius Baer Group ("JBG"), the leading Swiss private banking group in August 2012 subject to local regulatory and other approvals and the execution of relevant agreements for the sale of WM business in each relevant jurisdiction, including India.

In order to facilitate the proposed transition of the WM businesses to JBG, the Company had on June 27, 2014, incorporated a wholly owned subsidiary, Merrill Lynch Wealth Advisors Private Limited ("MLWA"). MLWA acquired the requisite registrations / licenses from the Securities and Exchange Board of India ("SEBI") to function as a Stock Broker, Depository Participant, Investment Advisor, and registration as a distributor of Mutual Funds in India with the Association of Mutual Funds in India ("AMFI").

The Board of Directors of the Company, at its meeting held on January 27, 2015, subject to the applicable provisions of the Companies Act, 2013, the receipt of approval from members of the Company in accordance with the Companies Act, the requisite regulatory approvals and consents, as may be necessary and the execution of definitive documents for the sale and transfer of the WM business, had approved the sale and transfer of the entire share capital of MLWA, WM businesses comprising of advisory and distribution services relating to the WM division as undertaken by the Company, the lending business relating to WM Division as undertaken by Company's wholly owned subsidiary, namely DSP Merrill Lynch Capital Limited ("DSPMLC") and the trust services business also relating to the WM division as undertaken by another wholly owned subsidiary of the Company, namely DSP Merrill Lynch Trust Services Limited ("DSPMLTS"), together with the client relationships including the depository participant accounts, if any relating to such relationships, employees and assets relating to the WM business to JBG. The members of the Company had approved the sale and transfer of WM businesses to JB Group on March 5, 2015.

In terms of the aforesaid plan, the entire share capital held by the Company in MLWA was transferred to JBG entities on April 13, 2015 in accordance with terms and conditions mutually agreed at a fair value determined by way of an independent valuation and subject to the receipt of the necessary approvals. The transfer of the share capital held by the Company in MLWA to the two JBG entities, viz. Julius Baer Group Ltd. and Julius Baer Investment Ltd. was completed on April 13, 2015.

Given the temporary nature of control, MLWA was excluded from the scope of consolidated financial statements in line with Accounting Standard 21 on "Consolidated Financial Statements"

## Notes to the Consolidated Financial Statements (Contd....)

### 30. Contingent liabilities:

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
(a) Claims against the group not acknowledged as debt :-		
- Income-tax demands disputed in appeals before the authorities to the extent not provided for and fully paid	997.83	949.51
- Service tax demand disputed in appeals before the authorities to the extent not provided for (excluding any interest and penalty that may apply)	-	23.46*
(b) Guarantees	-	-
(c) Others:		
(i) Show cause notice received from SEBI related to disclosures in Initial Public Offer document of an issuer.	10.00	10.00

(ii) The wholly owned subsidiary company, DSP Merrill Lynch Capital Limited (DSPMLC) undertakes activities in the nature of loans and principal transactions in securities and other financial products including investment in units of mutual fund liquid schemes and government securities, which in its view, are covered under the head "Leasing & Finance" in the list of the eighteen activities permitted for NBFCs with Foreign Direct Investment (FDI) under the automatic route in terms of the FDI policy of the Government of India.

DSPMLC had sought a clarification from the Foreign Investment Promotion Board (FIPB) with respect to its principal transactions on 16<sup>th</sup> June, 2010. DSPMLC received a response (dated 31<sup>st</sup> October, 2011) from the FIPB stating that proprietary trading should not be allowed in NBFCs, which are set up or which are group companies of Banks (either Indian or foreign) with or without physical presence in India. DSPMLC, vide letter dated 25<sup>th</sup> January, 2012, has written to FIPB clarifying that it undertakes activities, which involve trading, but do not constitute proprietary trading since these are undertaken to facilitate treasury operations, liquidity management, hedging activity for risk management purposes, buying / subscribing and selling / syndication of debentures and corporate bonds to provide financing to clients and market making for clients for their investments in bonds / debentures. DSPMLC has sent a reminder letter dated 11<sup>th</sup> October, 2012 and is awaiting response. The ultimate outcome of the matter cannot presently be determined, for which no provision for any liability that may result has been made in the financial statements.

\* Customs Excise and Service Tax Appellate Tribunal (CESTAT) had granted an unconditional stay and waiver of pre-deposit of all dues in the matter.

### 31. Commitments:

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
(a) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for	241.00	12.79
(b) Uncalled liability on shares and other investments partly paid	-	-
(c) Other commitments	-	-
	<b>241.00</b>	<b>12.79</b>

**Notes to the Consolidated Financial Statements (Contd...)**
**32. Additional disclosures :**
**a. Payment to auditors (including service tax) :**

Particulars	Year ended 31 <sup>st</sup> March, 2016 Rs. million	Year ended 31 <sup>st</sup> March, 2015 Rs. million
Audit fees	7.89	6.36
In any other manner including certifications	5.38	3.53
	<b>13.27</b>	<b>9.89</b>

**b. Earnings in foreign currency (on accrual basis) :**

Particulars	Year ended 31 <sup>st</sup> March, 2016 Rs. million	Year ended 31 <sup>st</sup> March, 2015 Rs. million
Professional fees	346.97	310.48
	<b>346.97</b>	<b>310.48</b>

**c. Imports :**

Particulars	Year ended 31 <sup>st</sup> March, 2016 Rs. million	Year ended 31 <sup>st</sup> March, 2015 Rs. million
CIF value of imports [capital goods]	23.39	0.34
	<b>23.39</b>	<b>0.34</b>

**d. Expenditure in foreign currency (on accrual basis) :**

Particulars	Year ended 31 <sup>st</sup> March, 2016 Rs. million	Year ended 31 <sup>st</sup> March, 2015 Rs. million
Travel	19.32	20.19
Professional fees	70.27	33.59
Networking charges	1.64	4.28
Service charges	43.39	17.85
Others	10.76	8.40
	<b>145.38</b>	<b>84.31</b>

**e. Corporate Social Responsibility (CSR) expenditure :**

Particulars	Year ended 31 <sup>st</sup> March, 2016 Rs. million	Year ended 31 <sup>st</sup> March, 2015 Rs. million
(1) Gross amount required to spent by the group during the year	87.40	79.06
(2) Amount spent during the year on :		
i) Construction / acquisition of any asset		
In cash	-	-
Yet to be paid	-	-
ii) On any other purpose		
In cash	87.40	79.06
Yet to be paid in cash	-	-
	<b>87.40</b>	<b>79.06</b>

**Notes to the Consolidated Financial Statements (Contd...)**
**33. Employee benefits :**
**Disclosures in respect of Defined Contribution Plan and Defined Benefit Plan :**
**i. Defined Contribution Plan :**

 Group's contribution to provident fund **Rs. 56.87 million** [Previous year Rs. 70.01 million].

**ii. Defined Benefit Plan :**
**Liabilities recognized in Balance Sheet in respect of funded and unfunded defined benefit obligations :**

Particulars	Funded As at 31 <sup>st</sup> March, 2016 Rs. million	Unfunded As at 31 <sup>st</sup> March, 2016 Rs. million	Consolidated As at 31 <sup>st</sup> March, 2016 Rs. million
Present value (PV) of obligation for gratuity	259.40	9.03	268.43
Fair Value of Plan Assets	(294.40)	-	(294.40)
Balance as on the year end	(35.00)	9.03	(25.97)
Current portion of the gratuity liability	-	0.72	0.72
Non-current portion of the gratuity liability	(35.00)	8.31	(26.69)

**Liabilities recognized in Balance Sheet in respect of funded and unfunded defined benefit obligations :**

Particulars	Funded As at 31 <sup>st</sup> March, 2015 Rs. million	Unfunded As at 31 <sup>st</sup> March, 2015 Rs. million	Consolidated As at 31 <sup>st</sup> March, 2015 Rs. million
Present value (PV) of obligation for gratuity	371.89	13.88	385.77
Fair Value of Plan Assets	(305.43)	-	(305.43)
Balance as on the year end	66.46	13.88	80.34
Current portion of the gratuity liability	-	0.82	0.82
Non-current portion of the gratuity liability	66.46	13.06	79.52

**Gratuity expenses during the year :**

Particulars	Funded As at 31 <sup>st</sup> March, 2016 Rs. million	Unfunded As at 31 <sup>st</sup> March, 2016 Rs. million	Consolidated As at 31 <sup>st</sup> March, 2016 Rs. million
Current service cost	49.16	2.51	51.67
Interest on defined benefit obligation	26.51	0.96	27.47
Expected return on plan asset	(22.14)	(1.79)	(23.93)
Net actuarial (gains) / losses recognized	(52.16)	-	(52.16)
	1.37	1.68	3.05

**Notes to the Consolidated Financial Statements (Contd...)**
**33. Employee benefits (Contd...):**
**Gratuity expenses during the year :**

Particulars	Funded As at 31 <sup>st</sup> March, 2015 Rs. million	funded As at 31 <sup>st</sup> March, 2015 Rs. million	Consolidated As at 31 <sup>st</sup> March, 2015 Rs. million
Current service cost	55.13	3.06	58.19
Interest on defined benefit obligation	30.24	1.06	31.30
Expected return on plan asset	(23.44)	(1.68)	(25.12)
Net actuarial (gains) / losses recognised	(7.58)	-	(7.58)
	54.35	2.44	56.79

**Reconciliation of defined benefit obligations (Gratuity) during the year :**

Particulars	Funded As at 31 <sup>st</sup> March, 2016 Rs. million	Unfunded As at 31 <sup>st</sup> March, 2016 Rs. million	Consolidated As at 31 <sup>st</sup> March, 2016 Rs. million
Opening defined benefit obligation	371.89	13.88	385.77
Current service cost	49.16	2.51	51.67
Interest cost	26.51	0.96	27.47
Net actuarial (gains) / losses recognised	(50.98)	(4.48)	(55.46)
(Divesture)	(68.83)	(2.05)	(70.88)
Benefits paid	(68.35)	(1.79)	(70.14)
	259.40	9.03	268.43

**Reconciliation of defined benefit obligations (Gratuity) during the year :**

Particulars	Funded As at 31 <sup>st</sup> March, 2015 Rs. million	Unfunded As at 31 <sup>st</sup> March, 2015 Rs. million	Consolidated As at 31 <sup>st</sup> March, 2015 Rs. million
Opening defined benefit obligation	349.38	11.73	361.11
Current service cost	55.13	3.06	58.19
Interest cost	30.24	1.06	31.30
Net actuarial (gains) / losses recognised	3.53	(1.68)	1.85
(Divesture)	(39.72)	(0.29)	(40.01)
Benefits paid	(26.67)	-	(26.67)
	371.89	13.88	385.77

**Change in fair value of assets :**

Particulars	Funded As at 31 <sup>st</sup> March, 2016 Rs. million	Unfunded As at 31 <sup>st</sup> March, 2016 Rs. million	Consolidated As at 31 <sup>st</sup> March, 2016 Rs. million
Opening fair value of plan assets	305.42	-	305.42
Expected return on plan assets	22.14	-	22.14
Actuarial gains / (losses)	1.19	-	1.19
Contributions by employer	34.00	-	34.00
Benefits paid	(68.35)	-	(68.35)
	294.40	-	294.40

## Notes to the Consolidated Financial Statements (Contd...)

### 33. Employee benefits (Contd...):

#### Change in fair value of assets :

Particulars	Funded	Unfunded	Consolidated
	As at 31 <sup>st</sup> March, 2015 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
Opening fair value of plan assets	255.84	-	255.84
Expected return on plan assets	23.44	-	23.44
Actuarial gains / (losses)	11.12	-	11.12
Contributions by employer	41.70	-	41.70
Benefits paid	(26.67)	-	(26.67)
	305.43	-	305.43

#### Investment pattern :

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
Government of India securities	79.17%	76.44%
High quality corporate bonds (including public sector bonds)	16.17%	14.27%
Special deposit scheme	4.38%	5.74%
Others	0.28%	3.55%
	100.00%	100.00%

#### Principal actuarial assumptions :

Particulars	As at	As at
	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
Discount rate p.a.	7.55%	7.85%
Salary escalation rate p.a.	9.00%	9.00%
Expected rate of return on assets (p.a.)	7.65%	7.68%
Attrition rate	8.50%	8.50%

#### Experience Adjustments :

Particulars	Rs. million				
	Gratuity				
	Year ended				
	31-Mar-16	31-Mar-15	31-Mar-14	31-Mar-13	31-Mar-12
Defined benefit obligation	268.43	385.76	361.11	366.82	314.68
Plan assets	294.40	305.43	255.84	210.99	184.22
Surplus / (deficit)	25.97	(80.33)	(105.27)	(155.83)	(130.46)
Experience adjustment on plan liabilities	(52.76)	1.86	91.22	(15.77)	(36.23)
Experience adjustment on plan asset	1.19	11.12	0.50	3.73	0.56

The mortality assumptions and rates considered in assessing the Company's post retirement liabilities are as per the published rate under the Indian Assured Lives Mortality (2006-08) Ultimate table.

The estimates of future salary increase, considered in actuarial valuation, take into account the inflation, seniority, promotion and other relevant factors.

## Notes to the Consolidated Financial Statements (Contd...)

### 34. Segment reporting :

The Company has identified three primary reportable business segments namely 'Advisory and Transactional Services', 'Financing Lending' and 'Principal Transactions' in terms of AS-17 "Segment Reporting". Information in respect of reportable segments performance is given below :

No.	Particulars	Advisory and Transactional Services		Financing - Lending		Principal Transactions		Unallocable		Inter-Segment Elimination (Refer note 4 below)		Total	
		Current Year Rs. million	Previous Year Rs. million	Current Year Rs. million	Previous Year Rs. million	Current Year Rs. million	Previous Year Rs. million	Current Year Rs. million	Previous Year Rs. million	Current Year Rs. million	Previous Year Rs. million	Current Year Rs. million	Previous Year Rs. million
1.	Segment Revenue	10,320.12	6,646.44	686.32	1,247.70	2,754.92	2,049.07	15.82	312.13	-	-	13,777.18	10,255.34
	External revenue	-	-	-	-	-	5.47	-	-	-	(5.47)	-	-
	Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Total Revenue</b>	<b>10,320.12</b>	<b>6,646.44</b>	<b>686.32</b>	<b>1,247.70</b>	<b>2,754.92</b>	<b>2,054.54</b>	<b>15.82</b>	<b>312.13</b>	<b>-</b>	<b>(5.47)</b>	<b>13,777.18</b>	<b>10,255.34</b>
2.	Segment Results	6,606.54	2,537.84	633.61	1,084.40	2,702.24	1,999.18	(25.87)	156.85	-	-	9,916.52	5,778.27
3.	Segment Assets	13,703.58	20,170.23	1,035.38	8,267.51	25,990.47	24,799.01	2,443.37	2,769.35	-	-	43,172.80	56,006.10
4.	Segment Liabilities	11,866.31	17,854.86	58.80	272.12	8.04	9.75	180.21	49.97	-	-	12,113.36	18,186.70
5.	Capital Expenditure	76.02	395.09	-	0.72	0.55	0.01	0.36	8.49	-	-	76.93	404.31
6.	Depreciation/amortisation	187.98	211.23	0.42	1.01	2.61	0.36	1.98	5.56	-	-	192.99	218.15
7.	Other significant non-cash expenses / (credits) :												
	a) Gratuity	1.41	53.51	0.60	0.56	0.39	0.27	0.65	2.45	-	-	3.05	56.79
	b) Compensated absence	(43.51)	52.74	(1.29)	0.83	(1.04)	0.36	(1.38)	2.99	-	-	(47.22)	56.92
	c) (Write-back of) provision for contingencies / contingent provision against standard assets	(11.18)	-	(3.37)	(2.90)	-	-	-	-	-	-	(14.55)	(2.90)
	d) Provision for restructured standard advances	-	-	(198.36)	57.38	-	-	-	-	-	-	(198.36)	57.38
	e) Provision / (Write-back of provision) for doubtful debts and advances	(1.10)	(3.24)	-	-	-	-	-	-	-	-	(1.10)	(3.24)

### Notes:

- The Advisory and transactional services comprise Merchant Banking, Underwriting, Broking, Distribution of Securities and interest on fixed deposits. The Financing-Lending segment comprises activity of lending operations. The Principal Transactions segment consists of earnings from transactions in securities (including equity derivative) and deployment of surplus funds.
- Segment assets include all operating assets used by a segment and consist primarily of fixed assets net of provision and allowance, investments, other current assets and fixed deposits.
- Segment liabilities include all operating liabilities and other payables.
- Inter-segment transfers comprise the cost related to debentures with equity-linked coupon payments for one of its subsidiary, which is measured by applying the benchmark average borrowing rate to the average holding of such debentures at the end of each month and charged to segments of the subsidiary company on the basis of the average level of assets.
- Items that relate to the enterprise as a whole or at the corporate level not attributable to a particular segment are included under "Unallocable".
- The company operates in a single reportable geographical segment.

**Notes to the Consolidated Financial Statements (Contd...)****35. Disclosure in respect of discontinued operation :**

Bank of America Corporation (the "Ultimate Controlling Enterprise") agreed to procure the sale of its international wealth management ("WM") businesses based outside of the United States (U.S.) to Julius Baer Group (JBG), the leading Swiss private banking group in August 2012 subject to local regulatory and other approvals and the execution of relevant agreements for the sale of WM business in each relevant jurisdiction, including India.

In order to facilitate the proposed transition of the India WM businesses to JB Group, the Company on June 27, 2014, incorporated a wholly owned subsidiary, Merrill Lynch Wealth Advisors Private Limited ("MLWA"). MLWA acquired the requisite registrations / licenses from the Securities and Exchange Board of India ("SEBI") to function as a Stock Broker, Depository Participant, Investment Advisor, and registration as a distributor of Mutual Funds in India with the Association of Mutual Funds in India ("AMFI").

The Board of Directors of the Company, at its meeting held on January 27, 2015, subject to the applicable provisions of the Companies Act, 2013, the receipt of approval from members of the Company in accordance with the Companies Act, the requisite regulatory approvals and consents, as may be necessary and the execution of definitive documents for the sale and transfer of the WM business, approved the sale and transfer of the WM businesses comprising of advisory and distribution services relating to the WM division as undertaken by the Company, the lending business relating to WM Division as undertaken by Company's wholly owned subsidiary, namely DSP Merrill Lynch Capital Limited ("DSPMLC") and the trust services business also relating to the WM division as undertaken by another wholly owned subsidiary of the Company, namely DSP Merrill Lynch Trust Services Limited ("DSPMLTS"), together with the client relationships including the depository participant accounts, if any relating to such relationships, employees and assets relating to the WM business to JBG.

The members of the Company approved the sale and transfer of WM businesses to JBG on March 5, 2015.

The transfer of the share capital held by the Company in MLWA to JBG was completed on April 13, 2015 and accordingly, MLWA ceased to be a subsidiary of the Company with effect from that date. The transfer of the lending business relating to the WM Division undertaken by DSPMLC (Company's wholly owned subsidiary) to BASIL was completed on June 6, 2015.

The transfer of the WM businesses comprising of advisory and distribution services relating to the WM division as undertaken by the Company and the trust services business relating to the WM division as undertaken by DSPMLTS was completed on September 19, 2015 for a consideration of Rs. 9,946.51 million. This transfer resulted in a pre-tax gain of Rs. 5,599.82 million which is disclosed under "Other income" in the Statement of Profit and Loss.



**Notes to the Consolidated Financial Statements (Contd...)**
**35. Disclosure in respect of discontinued operation (Contd...):**
**a. Description of the discontinued operation and Segment under which reported as per AS 17, Segment Reporting :**

Advisory & distribution services and the trust services business relating to WM Division reported under the "Advisory & Transactional Services" business segment and the Lending business relating to WM Division reported under "Financing - Lending" business segment of the Group.

**b. Date of the initial disclosure event :**

January 27, 2015.

**c. The carrying amounts of the total assets and liabilities pertaining to discontinued operation :**

Particulars	As at 31 <sup>st</sup> March 2016 Rs. million	As at 31 <sup>st</sup> March 2015 Rs. million
Assets	-	7,973.90
Liabilities	-	422.58

**d. Amount of revenue, expenses, pre-tax profit and income tax expense from ordinary activities attributable to the discontinued operation :**

Particulars	As at 31 <sup>st</sup> March 2016 Rs. million	As at 31 <sup>st</sup> March 2015 Rs. million
Revenue	742.50	2,023.05
Expenses	601.79	1,289.04
Profit / (loss) before tax	140.71	734.01
Tax expense / (credit) [refer note 39 (b)]	128.09	276.72

**e. Net cash flows attributable to the discontinuing operation :**

Particulars	As at 31 <sup>st</sup> March 2016 Rs. million	As at 31 <sup>st</sup> March 2015 Rs. million
<b>Net cash generated from / (used in) :</b>		
Operating activities	7,002.05	2,658.03
Investing activities	4.87	(19.71)
Financing activities	(32.44)	(11.92)

**f. Date on which Discontinuance completed :**

September 19, 2015

## Notes to the Consolidated Financial Statements (Contd....)

### 36. Related party disclosures :

#### i. List of related parties and their relationships :

Sr no.	Name of the related party	Relationship
1	Bank of America Corporation (BAC)	Ultimate Controlling enterprise <sup>(a)</sup>
2	GHS Singapore Holdings Pte Limited	Holding Company <sup>(b)</sup>
3	DSP Merrill Lynch Capital Limited	Subsidiary
4	DSP Merrill Lynch Trust Services Limited	Subsidiary <sup>(c)</sup>
5	Merrill Lynch Wealth Advisors Private Limited	Subsidiary <sup>(c)</sup>
6	Bank of America, N.A - India Branches	Fellow Subsidiary
7	Banc of America Securities (India) Private Limited	Fellow Subsidiary <sup>(c)</sup>
8	Bank of America, National Association	Fellow Subsidiary
9	Merrill Lynch (Asia Pacific) Limited	Fellow Subsidiary
10	Merrill Lynch Australia Pty Limited	Fellow Subsidiary
11	Merrill Lynch Capital Markets Espana, S.A., S.V.	Fellow Subsidiary
12	Merrill Lynch Europe Limited	Fellow Subsidiary
13	Merrill Lynch Holdings (Mauritius)	Fellow Subsidiary <sup>(c)</sup>
14	Merrill Lynch International	Fellow Subsidiary
15	Merrill Lynch International Inc.	Fellow Subsidiary
16	Merrill Lynch (Mauritius) Investments Limited	Fellow Subsidiary <sup>(b &amp; c)</sup>
17	Merrill Lynch Asia Investments Limited	Fellow Subsidiary <sup>(b)</sup>
18	Merrill Lynch, Pierce, Fenner & Smith Incorporated	Fellow Subsidiary
19	Merrill Lynch (Singapore) Pte Limited	Fellow Subsidiary
20	Merrill Lynch Markets Singapore Pte Limited	Fellow Subsidiary
21	Bank of America Overseas Corporation	Fellow Subsidiary
22	BankAmerica International Financial Corporation	Fellow Subsidiary
23	Mr. Avinash Gupta *, Mr. Jyotivardhan Jaipuria **, Mr. Pradeep Dokania #, Rajnarayan Balakrishnan ##, Arbind Maheswari @	Key Management Personnel (KMP)

- (a) Refer Note 1 - Company background  
(b) Refer Note 3 - Share capital and refer note 3  
(c) Related party till September 19, 2015  
(d) Related party from June 27, 2014 till April 12, 2015

\* Resigned with effect from Jan 17, 2016

\*\* Resigned with effect from May 28, 2015

# Resigned with effect from May 22, 2014

## Appointed with effect from May 28, 2015

@ Appointed with effect from Jan 25, 2016

**Notes to the Consolidated Financial Statements (Contd...)**
**36. Related party disclosures (Contd...)**
**ii. Transactions during the year / balances with related parties :**

Sr. no.	Nature of transaction	Ultimate Controlling Enterprise	Holding Company	Subsidiary: Merrill Lynch Wealth Advisors Private Limited	Fellow Subsidiaries	Key Management Personnel (KMP)
		Rs. million	Rs. million	Rs. million	Rs. million	Rs. million
<b>1</b>	<b>Investments / stock-in-trade</b>					
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	-	-
	<i>Previous year</i>	-	-	500.00	-	-
<b>2</b>	<b>Bank balance</b>					
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	28.12 <sup>(1)</sup>	-
	<i>Previous year</i>	-	-	-	245.29	-
<b>3</b>	<b>Fixed deposits placed</b>					
	Placed during the year	-	-	-	-	-
	<i>Previous year</i>	-	-	-	350.00 <sup>(2)</sup>	-
	Received back during the year	-	-	-	-	-
	<i>Previous year</i>	-	-	-	550.00	-
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	-	-
	<i>Previous year</i>	-	-	-	-	-
<b>4</b>	<b>Transfer of lending business relating to WM Division [refer note 35]</b>					
	<i>Previous year</i>	-	-	-	4,852.00 <sup>(3)</sup>	-
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	-	-
	<i>Previous year</i>	-	-	-	-	-
<b>5</b>	<b>Transfer of net assets of lending business relating to WM Division [refer note 35]</b>					
	<i>Previous year</i>	-	-	-	4,521.46 <sup>(3)</sup>	-
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	-	-
	<i>Previous year</i>	-	-	-	-	-
<b>6</b>	<b>Margin deposits</b>					
	Received during the year	-	-	-	30,095.43 <sup>(4)</sup>	-
	<i>Previous year</i>	-	-	-	67,307.99	-
	Refunded / adjusted during the year	-	-	-	36,541.84 <sup>(5)</sup>	-
	<i>Previous year</i>	-	-	-	64,657.55	-
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	(8,707.72)	-
	<i>Previous year</i>	-	-	-	(15,154.13)	-
<b>7</b>	<b>Dividend Paid on Equity Shares</b>					
	<i>Previous year</i>	-	11,571.95	-	-	-
<b>8</b>	<b>Income from operations</b>					
	Advisory and transactional services	-	-	-	1,108.08 <sup>(6)</sup>	0.00 <sup>(7)</sup>
	<i>Previous year</i>	-	-	-	1,487.33	0.33
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	162.22	-
	<i>Previous year</i>	-	-	-	70.41	-
<b>9</b>	<b>Interest income on loans and advances</b>					
	<i>Previous year</i>	-	-	-	62.72	-
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	-	-
	<i>Previous year</i>	-	-	-	-	-

**Notes to the Consolidated Financial Statements (Contd...)**
**36. Related party disclosures (Contd...):**
**ii. Transactions during the year / balances with related parties (Contd...):**

Sr. no.	Nature of transaction	Ultimate Controlling Enterprise	Holding Company	Subsidiary: Merrill Lynch Wealth Advisors Private Limited	Fellow Subsidiaries	Key Management Personnel (KMP)
		Rs. million	Rs. million	Rs. million	Rs. million	Rs. million
10	<b>Other income, net</b>					
	<b>a) Infrastructure and support fees recovered</b>	-	-	-	33.55 <sup>(8)</sup>	-
	<i>Previous year</i>	-	-	19.73	33.49	-
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	14.67	-
	<i>Previous year</i>	-	-	-	5.40	-
	<b>b) Interest and dividend</b>	-	-	-	- <sup>(9)</sup>	-
	<i>Previous year</i>	-	-	-	11.66	-
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	-	-
	<i>Previous year</i>	-	-	-	-	-
<b>c) Secondment charges recovered</b>	-	-	-	14.33 <sup>(9)</sup>	-	
<i>Previous year</i>	-	-	3.70	71.34	-	
Balance as at 31 <sup>st</sup> March, 2016	-	-	-	0.75	-	
<i>Previous year</i>	-	-	0.07	45.39	-	
11	<b>Reimbursement / (recovery) of amounts</b>	-	-	-	56.72 <sup>(10)</sup>	-
	<i>Previous year</i>	-	-	(4.89)	(3.07)	-
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	4.13	-
	<i>Previous year</i>	-	-	-	9.15	-
12	<b>Other payables</b>					
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	(14.64) <sup>(9)</sup>	-
<i>Previous year</i>	-	-	-	-	-	
13	<b>Other receivables</b>					
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	-	-
<i>Previous year</i>	-	-	3.87	-	-	
14	<b>Payment / (recovery) in respect of retirement benefits of transferred employees, net</b>	-	-	-	- <sup>(9)</sup>	-
	<i>Previous year</i>	-	-	13.69	27.87	-
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	-	-
	<i>Previous year</i>	-	-	(13.69)	-	-
15	<b>Remuneration</b>					94.75 <sup>(11)</sup>
	<i>Previous year</i>	-	-	-	-	128.87
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	-	-
	<i>Previous year</i>	-	-	-	-	-
16	<b>Infrastructure costs incurred</b>					
	<i>Previous year</i>	-	-	-	56.75 <sup>(8)</sup>	-
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	46.13	-
	<i>Previous year</i>	-	-	-	(19.93)	-
<i>Previous year</i>	-	-	-	(17.96)	-	
17	<b>Secondment charges incurred</b>					
	<i>Previous year</i>	-	-	-	58.26 <sup>(9)</sup>	-
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	56.12	-
	<i>Previous year</i>	-	-	-	(36.92)	-
<i>Previous year</i>	-	-	-	(38.12)	-	

**Notes to the Consolidated Financial Statements (Contd...)**
**36. Related party disclosures (Contd...):**
**ii. Transactions during the year / balances with related parties (Contd...):**

Sr. no.	Nature of transaction	Ultimate Controlling Enterprise	Holding Company	Subsidiary: Merrill Lynch Wealth Advisors Private Limited	Fellow Subsidiaries	Key Management Personnel (KMP)
		Rs. million	Rs. million	Rs. million	Rs. million	Rs. million
18	<b>Bank charges</b>	-	-	-	0.49 <sup>(9)</sup>	-
	<i>Previous year</i>	-	-	-	0.11	-
19 (a)	<b>Other expenses</b>	-	-	-	40.89 <sup>(12)</sup>	-
	<b>Advisory and transactional services</b>	-	-	-	17.85	-
	<i>Previous year</i>	-	-	-	(23.18)	-
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	(0.08)	-
(b)	<b>Professional fees expenses</b>	-	-	-	2.25 <sup>(13)</sup>	-
	<i>Previous year</i>	-	-	-	6.91	-
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	(2.24)	-
	<i>Previous year</i>	-	-	-	(2.31)	-
20	<b>Reimbursement towards restricted stocks/units, net</b>	-	-	-	-	-
	<i>Previous year</i>	-	-	-	-	-
	Balance as at 31 <sup>st</sup> March, 2016	-	-	-	-	-
	<i>Previous year</i>	(133.83)	-	-	-	-

**Note: Figures within brackets against balance denote amounts payable by the Company to the related parties**

- (1) Balance in current accounts maintained with Bank of America, N.A - India Branches.
- (2) Fixed deposits placed with Bank of America, N.A - India Branches.
- (3) Lending business relating to WM division was sold to Banc of America Securities (India) Private Limited
- (4) Margin deposits placed includes Rs. 30,084.69 million [Previous year Rs. 67,307.99 million] placed by Merrill Lynch Capital Markets Espana, S.A., S.V.
- (5) Margin deposits refunded includes Rs. 36,531.73 million [Previous year Rs. 64,657.55 million] refunded to Merrill Lynch Capital Markets Espana, S.A., S.V.
- (6) Income from advisory and transactional services includes commission income of Rs. 848.26 million [Previous year Rs. 1,170.98 million] from Merrill Lynch Capital Markets Espana, S.A., S.V.
- (7) Represents commission income from Mr. Jyotivardhan Jaipuria Rs. NIL [Previous year Rs. 0.28 million] and Mr. Pradeep Dokania Rs. NIL [Previous year Rs. 0.02 million].
- (8) Include recovery of Rs. 32.48 million [Previous year Rs. 33.11 million] from Bank of America, N.A - India Branches.
- (9) Amount relates to Bank of America, N.A - India Branches
- (10) Includes payment of Rs. 60.83 million [Previous year Rs. NIL] to Bank of America, N.A. India Branches towards reimbursement of expenses and recovery of Rs. 4.11 million [Previous year Rs. 3.07 million] from Merrill Lynch International Inc. towards reimbursement of expenses.
- (11) Includes Rs. 25.64 million [Previous year Rs. 73.05 million] pertaining to Mr. Avinash Gupta, Rs. 8.25 million [Previous year Rs. NIL] pertaining to Mr. Arbind Maheswari, Rs. 56.74 million [Previous year Rs. NIL] pertaining to Mr. Rajnarayan Balkrishnan, Rs. 4.12 million [Previous year Rs. 52.06 million] pertaining to Mr. Jyotivardhan Jaipuria and Rs. NIL [Previous year Rs. 3.76 million] pertaining to Mr. Pradeep Dokania.
- (12) Amount relates to Merrill Lynch International Inc.
- (13) Amount of Rs. 4.40 million [Previous year Rs. NIL] pertains to Bank of America N.A. - USA and recovery of Rs 2.27 million from Merrill Lynch, Pierce, Fenner & Smith Incorporated [Previous year expenses of Rs. 6.53 million]

## Notes to the Consolidated Financial Statements (Contd...)

### 37. Operating lease :

Particulars	Year ended 31 <sup>st</sup> March, 2016 Rs. million	Year ended 31 <sup>st</sup> March, 2015 Rs. million
Future minimum lease rental relating to non-cancellable operating lease		
a) Due within one year	122.98	-
b) Due between one and five year	153.72	-
c) Due beyond five years	-	-
<b>Total</b>	<b>276.70</b>	<b>-</b>
Lease rental charges (including cancellable leases) recognised in the Statement of Profit and Loss	<b>286.42</b>	209.16

The Company has not sub-leased any part of the above premises. There are no lease payments recognized in the Profit and Loss Account for contingent rent. The terms of renewal and escalation clauses are those normally prevalent in similar agreements. There are no undue restrictions or onerous clauses in the agreements.

### 38. Earnings per equity share (EPS) :

The earnings per share, computed as per the requirement under AS-20 on "Earning Per Share" is as under :

Particulars	Year Ended 31 <sup>st</sup> March, 2016	Year Ended 31 <sup>st</sup> March, 2015
Net profit after tax attributable to equity shareholders :		
From continuing operations [Rs. million]	2,742.15	3,295.42
From discontinued operation [Rs. million]	4,432.32	457.29
Total [Rs. million]	7,174.47	3,752.71
Weighted average numbers of shares outstanding during the year	23,155,039	23,158,586
Face value per share [Rs.]	10.00	10.00
Basic EPS :		
From continuing operations [Rs.]	118.42	142.30
From discontinued operations [Rs.]	191.42	19.74
Total [Rs.]	309.84	162.04

Note: There is no dilution to Basic EPS as there are no outstanding dilutive potential equity shares.

### 39. Taxation :

#### a. Break-up of tax expense from continuing operations :

Particulars	Year ended 31 <sup>st</sup> March, 2016 Rs. million	Year ended 31 <sup>st</sup> March, 2015 Rs. million
Current income-tax	1,457.41	1,649.02
Deferred tax expense / (credit), net	(33.06)	70.68
Provision for tax for earlier years, net	9.49	29.14
<b>Total</b>	<b>1,433.84</b>	<b>1,748.84</b>

**Notes to the Consolidated Financial Statements (Contd...)**
**39. Taxation (Contd...):**
**b. Break-up of tax expense from discontinuing operations :**

Particulars	Year ended 31 <sup>st</sup> March, 2016 Rs. million	Year ended 31 <sup>st</sup> March, 2015 Rs. Million
Current income-tax	(65.95)	347.44
Deferred tax expense / (credit), net	194.04	(70.72)
sub-total (i)	128.09	276.72
<b>Gain on disposal :</b>		
Current income-tax	1,180.12	-
sub-total (ii)	1,180.12	-
<b>Total</b>	<b>1,308.21</b>	<b>276.72</b>

**c. The major components of deferred tax balances on account of timing differences are set out below :**

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
<b>Deferred tax assets</b>		
- Disallowance u/s 43B of Income-tax Act, 1961	137.13	211.75
- Provision for loan losses	15.12	15.12
- Contingent provision against standard assets	1.03	2.19
- Provision for restructured standard advances	-	68.65
- Provision for bad / doubtful debts and advances, net	-	0.38
- Provision for contingencies	-	3.87
- Depreciation / amortisation, net	45.17	39.30
<b>Deferred tax assets, net</b>	<b>198.45</b>	<b>341.26</b>

**40. Disclosures pertaining to Micro Enterprises and Small Enterprises :**

There are no delays in payments and there are no amounts due to Micro and Small Enterprises as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006.

The above information regarding Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

**41. Provision for contingencies represents management's best estimate of compensation payable to aggrieved (or otherwise) applicants / investors in an initial public offering of equity shares managed by the Company for one of its clients. Movement in provision is as under :**

Particulars	As at 31 <sup>st</sup> March, 2016 Rs. million	As at 31 <sup>st</sup> March, 2015 Rs. million
Opening balance in provisions	11.18	11.18
Additions	-	-
Amount used	-	-
Unused amount reversed	(11.18)	-
Closing balance in provisions	-	11.18

## Notes to the Consolidated Financial Statements (Contd...)

42. Restricted stocks / restricted units of the Company's ultimate holding company, Bank of America Corporation (BAC), are granted to the eligible employees of the company in terms of the global long-term incentive compensation plans of the ultimate holding company. These restricted stocks / restricted units vest in three equal annual installments beginning one year from the grant date. During the year ended 31<sup>st</sup> March, 2016, **188,866 numbers** of restricted stocks / restricted units were granted (Previous Year – 147,350 numbers) and the estimated fair value per unit on the date of grant was **US\$ 11.95** (Previous year – US\$ 16.61). Employee benefits expense includes **Rs. 126.06 million** towards cash-settled awards (Previous year Rs. 278.87 million). The liability towards restricted stocks / restricted units recognised as on 31<sup>st</sup> March, 2016 is **Rs. 32.12 million** (as on 31<sup>st</sup> March 2015 – Rs. 156.21 million).

### 43. Disclosures in respect of derivative instruments :

- a. No equity index / stock futures and options were acquired by the Company during the year.
- b. The foreign currency exposures that are not hedged by a derivative instrument or otherwise are as follows :

Nature of transaction	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Amount Rs.million	Transaction Value (in millions)	Amount Rs. million	Transaction Value (in million)
Receivable on account of export of services	78.43	USD 1.18	44.62	USD 0.71
Payable on account of import of services	0.29	HKD 0.03	0.06	HKD 0.01
Payable on account of import of services	0.37	SGD 0.01	0.35	SDG 0.01
Payable on account of import of services	33.56	USD 0.50	3.17	USD 0.05
Payable on account of reimbursement towards restricted shares, units, stock options, net	-	-	133.70	USD 2.13

- c. There is no option premium paid / received carried forward in the Balance Sheet.

### 44. Quantitative details in respect of short term highly liquid investments (mutual funds) :

Particulars	As at 31 <sup>st</sup> March, 2016		As at 31 <sup>st</sup> March, 2015	
	Quantity Number of units	Amount Rs. million	Quantity Number of units	Amount Rs. million
Birla Sunlife Cash Plus - Growth - Direct Plan	3,969,902.789	965.00	2,227,680.535	500.00
DSP BlackRock Liquidity Fund - Direct Plan - Growth	692,834.950	1,500.00	749,880.357	1,500.00
HDFC Liquid Fund - Direct Plan - Growth	174,049.250	520.00	23,913,216.853	660.00
ICICI Prudential Liquid - Direct Plan - Growth	-	-	5,797,037.038	1,200.00
IDFC Cash Fund - Growth – (Direct Plan)	518,960.580	950.00	-	-
Kotak Liquid Scheme Plan A – Direct Plan - Growth	310,933.193	950.00	-	-
Reliance Liquid Fund - Treasury Plan - Direct – Growth Plan	270,885.224	1,000.00	-	-
Reliance Liquidity Fund - Direct – Growth Plan	-	-	830,349.807	1,750.00
SBI Premier Liquid fund - Direct Plan - Growth	134,575.538	320.00	375,371.072	825.00
UTI-Liquid Cash Plan Institutional - Direct Plan - Growth	405,264.220	1,000.00	-	-
		7,205.00		6,435.00



**Notes to the Consolidated Financial Statements (Contd...)**
**45. Statement of Net Assets and Profit or Loss Attributable to owners and minority interest :**

Name of the entity	Net Assets i.e. total assets minus total liabilities		Share in profit or loss	
	As a % of consolidated net assets	Amount Rs. million	As a % of consolidated net profit or loss	Amount Rs. million
DSP Merrill Lynch Limited	67.21%	26,418.92	90.62%	13,914.16
<b>Subsidiaries (refer note 29)</b>				
DSP Merrill Lynch Capital Limited	32.79%	12,890.46	9.40%	1,444.58
DSP Merrill Lynch Trust Services Limited	-	-	- 0.02%	(3.56)
Total (A)	100.00%	39,309.38	100.00%	15,355.18
(a) Adjustment arising out of consolidations		(8,249.94)		(8,180.71)
(b) Minority interest		-		-
Total (B)		(8,249.94)		(8,180.71)
<b>Consolidated Net Assets / Profit after tax (A + B)</b>		<b>31,059.44</b>		<b>7,174.47</b>

For details of unconsolidated subsidiary refer note 29(b)

46. The figures pertaining to subsidiary companies have been reclassified, wherever required to bring them in line with the consolidated financial statements.

**Signatures to notes 1 to 46**
**For Price Waterhouse**  
Firm Registration Number : 301112E  
Chartered Accountants

**Partha Ghosh**  
Partner  
Membership Number : 55913

Mumbai : 26<sup>th</sup> July, 2016

**For and on behalf of the Board of Directors**
**Asit Bhatia**  
Director

**Ashish Adukia**  
Chief Financial Officer

Mumbai : 26<sup>th</sup> July, 2016

**Raj Balakrishnan**  
Director

**Samrat Sanyal**  
Company Secretary





## NOTES

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