

# 44<sup>th</sup> Annual Report 2019

**DSP MERRILL LYNCH LTD.**

Ground Floor, A Wing, One BKC, G Block, Bandra Kurla Complex,  
Bandra (East), Mumbai 400 051, India • [www.ml-india.com](http://www.ml-india.com)  
CIN: U74140MH1975PLC018618

**Merrill Lynch**   
A subsidiary of  
Bank of America Corporation

# Contents

	Page No
Directors' Report to the Members	7
Auditors' Report to the Members	33
Balance Sheet	40
Statement of Profit & Loss	41
Cash Flow Statement	43
Notes to Financial Statements	44





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DSP MERRILL LYNCH LIMITED



**Board of Directors**

Mr. Asit Bhatia  
Ms. Amee Parikh  
Mr. Arbind Maheswari  
Ms. Charulata Sippy  
Mr. Rajnarayan Balakrishnan  
Mr. Sundararaman Ramamurthy

Chairman and Non-executive Director  
Independent Director  
Whole-time Director  
Independent Director  
Whole-time Director  
Non-executive Director

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**Chief Financial Officer**

Mr. Dharmendra Jain

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**Compliance Officer**

Mr. Jinendra Shah

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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.ml-india.com

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**Registrar and Share Transfer Agent**

Link Intime India Private Limited  
C-101, 247 Park, LBS Marg, Vikhroli (West), Mumbai 400 083.  
**Tel** +91 22 49186270, **Fax** +91 22 49186060  
**E-mail** rnt.helpdesk@linkintime.co.in, **Website** www.linkintime.co.in



A subsidiary of  
Bank of America Corporation

## DSP Merrill Lynch Limited - Directors' Report to the Members

Your Directors have pleasure in presenting the 44<sup>th</sup> Annual Report together with the Audited Financial Statements of the Company for the financial year ended March 31, 2019.

### State of the Company's affairs

#### Financial Highlights:

The Company has adopted the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from April 1, 2018. Financial statements for the year ended and as at March 31, 2018 have been restated to conform to Ind AS. The reconciliations and descriptions of the effect of the transition from previous GAAP to Ind AS have been set out in Note 47 in the notes to accounts in the Financial Statements.

Particulars	For the Year ended March 31, 2019 (Rs. in million)		For the Year ended March 31, 2018 (Rs. in million)	
Gross Income		4,950		6,352
Profit before Depreciation and Tax		1,684		3,763
Depreciation		179		249
Profit before Tax		1,505		3,514
Profit after Tax		855		1,885
<b>Retained Earnings:</b>				
Balance at the beginning of the year		9,879		15,126
Surplus upon amalgamation of wholly-owned subsidiary		Nil		261
Transfer from Reserve under section 45-IC of Reserve Bank of India Act, 1934		Nil		3,011
Profit for the year	855		1,885	
Other Comprehensive Income for the year	1		47	
Total Comprehensive Income for the year		856		1,932
Less: Appropriations				
Interim Dividend	Nil		8,683	
Dividend Distribution Tax	Nil		1,768	
Total Appropriations		Nil		10,451
Balance at the end of the year		10,735		9,879
Earnings per share (in Rs.)		37		81

Gross income for the year was Rs. 4,950 million, down from Rs. 6,352 million in the previous year, primarily on account of lower revenues from fees and commission. Expenses increased to Rs. 3,445 million from Rs. 2,838 million in the previous year, primarily on account of increase in impairment allowance on financial instruments and other expenses. The profit before tax reduced to Rs. 1,505 million from Rs. 3,514 million in the previous year. Profit after tax declined to Rs. 855 million from Rs. 1,885 million in the previous year.

#### Transfer to Reserves

The Board of Directors of your Company has decided not to transfer any amount to general reserve from the profits of the Company for the financial year ended March 31, 2019.



**Dividend**

The Board of Directors has decided not to recommend any dividend on the equity shares of the Company for the financial year ended March 31, 2019.

**Material changes and commitments affecting the financial position of the Company**

There have been no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year to which the financial statements relate and the date of this Report.

**Share Capital**

During the year under review, there has been no change in the share capital of the Company. As on March 31, 2019, the Authorized Share Capital stood at Rs. 10,937,500,000 divided into 283,750,000 Equity Shares of the face value of Rs. 10 each and 810,000,000 Cumulative Redeemable Preference Shares of the face value of Rs. 10 each.

The Issued, Subscribed and Paid-up Capital of the Company stood at Rs. 231,550,390 divided into 23,155,039 Equity Shares of the face value of Rs. 10 each as on March 31, 2019.

**Significant Developments during the year and change in nature of business**

Your Company had divested its wealth management business during the year 2015. As a result of this divestment, the Company no longer had a need to maintain Depository Participant operations and held only a limited number of Depository Accounts. During the year under review, the Company has made an application to National Securities Depository Limited ('NSDL') and Securities and Exchange Board of India for surrender of registration as Depository Participant of NSDL. The approval for the same is awaited.

**Corporate Update, Operations and Future Outlook**

Primary Capital Markets activity was subdued in F.Y. 2018-2019 on account of macro-economic factors and bearish investor sentiments, particularly in the period from August, 2018 to February, 2019. Capital raising from Initial Public Offerings in F.Y. 2018-2019 was down 79% at US\$2.7 billion compared to US\$12.5 billion in F.Y. 2017-2018. Follow-on capital raising was down 48% at US\$11.4 billion from US\$21.9 billion in F.Y. 2017-2018. Debt Capital Markets (G3) volumes too were lower by 36% to US\$10.4 billion in F.Y. 2018-19, compared to US\$16.3 billion in F.Y. 2017-2018. M&A (announced) volumes bucked the trend and were up 47% at US\$100.7 billion from US\$68.6 billion in the previous year. The M&A deals in F.Y. 2018-2019 were primarily in consumer technology, telecommunications, industrials, consumer products and financial services sectors.

During the year, equities rallied, with the BSE Sensex closing 17% higher on robust domestic flows. Domestic investment in stocks increased with higher retail participation into equity markets via mutual funds, resulting in inflows of over US\$10 billion from domestic institutional investors. However, foreign portfolio investment flows were much more volatile, with India attracting only US\$1 billion in foreign portfolio investor flow in equities on a net basis through the year. FDI inflows remained strong with net inflows of US\$34.6 billion in F.Y. 2018-2019.

Domestic macro-economic fundamentals were mixed. Inflation fell sharply to 3.4% year-on-year, fiscal prudence prevailed and current account deficit remained under check. Growth, however, was relatively subdued at a 5 year low of 6.8% during F.Y. 2018-2019. With restoration of a strong political mandate, a proactive and pro-growth RBI, the Company expects GDP to recover to 7% in F.Y. 2019-2020, while staying cognizant of the rising global trade-tussle risks.

The Company believes that business sentiments will improve and will help drive transaction volumes in the Investment Banking and Equities businesses.

## Extract of Annual Return

An Extract of Annual Return in Form MGT-9 pursuant to section 92(3) and section 134(3)(a) of the Companies Act, 2013 and rule 12 of the Companies (Management and Administration) Rules, 2014 is attached as **ANNEXURE-I** and forms part of this Report.

## Number of Meetings of the Board

The Board of Directors met five times during the financial year April 1, 2018 to March 31, 2019. The dates on which meetings were held are as follows:

Sr. No.	Date of Board Meeting(s)
1.	May 30, 2018
2.	June 11, 2018
3.	July 27, 2018
4.	November 20, 2018
5.	March 8, 2019

## Board of Directors

The details of Directors as on the date of this Report is given below:

Sr. No.	Name of the Director	Designation	Director Identification Number (DIN)	Dates of Appointment
1.	Ms. Ameer Parikh	Independent Director	00445583	1 <sup>st</sup> Term: March 20, 2015 to March 19, 2016 2 <sup>nd</sup> Term: March 20, 2016 to March 19, 2021
2.	Mr. Asit Bhatia	Chairman & Non-Executive Director	05112750	November 25, 2011
3.	Mr. Arbind Maheswari	Whole-time Director	07415888	1 <sup>st</sup> Term: January 25, 2016 to January 24, 2019 2 <sup>nd</sup> Term: January 25, 2019 to January 24, 2022
4.	Ms. Charulata Sippy	Independent Director	07508021	1 <sup>st</sup> Term : June 16, 2016 to June 15, 2017 2 <sup>nd</sup> Term: June 16, 2017 to June 15, 2022
5.	Mr. Rajnarayan Balakrishnan	Whole-time Director	06694243	1 <sup>st</sup> Term: May 28, 2015 to May 27, 2018 2 <sup>nd</sup> Term: May 28, 2018 to May 27, 2021
6.	Mr. Sundararaman Ramamurthy	Non-Executive Director	05297538	March 20, 2015

## Changes in Directors till the date of the Report

### Appointment(s) / Re-appointment(s):

Mr. Asit Bhatia (DIN: 05112750), Non-Executive Director of the Company, who retired by rotation in accordance with section 152(6) of the Companies Act, 2013 ('the Act'), at the Annual General Meeting of the Company held on September 28, 2018, was duly re-appointed at the said meeting.

In accordance with the provisions of sections 2(51), 196, 197 and 203 of the Act read with rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Schedule V of the Act, Mr. Arbind Maheswari (DIN: 07415888) was re-appointed as the Whole-time Director, Key Managerial Personnel of the Company, by the Board of Directors of the Company, at its Meeting held on November 20, 2018, for a period of 3 years with effect from January 25, 2019 till January 24, 2022, subject to approval of Members at the

forthcoming Annual General Meeting of the Company.

Mr. Sundararaman Ramamurthy (DIN: 05297538), Non-Executive Director of the Company retires by rotation at the ensuing Annual General Meeting of the Company and, being eligible, offers himself for re-appointment.

**Resignation(s):**

No Directors have resigned from the Board of the Company since April 1, 2018 till the date of this report.

**Changes in Key Managerial Personnel ('KMPs') till the date of the Report****Appointment(s)/Re-appointment(s):**

Mr. Dharmendra Jain was re-appointed as the Chief Financial Officer, Key Managerial Personnel of the Company under the provisions of section 203 of the Companies Act, 2013 for a period of 1 year with effect from June 16, 2019 till June 15, 2020.

**Declaration given by Independent Directors and Statement on compliance of Code of Conduct**

The Company has received declaration from both its Independent Directors i.e. Ms. Ameet Parikh (DIN: 00445583) and Ms. Charulata Sippy (DIN: 07508021) confirming that they meet the criteria of independence as prescribed under section 149(6) of the Companies Act, 2013.

Further, the Independent Directors have complied with the Code for Independent Directors prescribed in Schedule IV to the Companies Act, 2013.

**Directors' Responsibility Statement**

Pursuant to section 134(5) of the Companies Act, 2013 ("the Act"), your Directors confirm 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 for the financial year ended March 31, 2019 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.

**Evaluation of Board Performance**

In accordance with the provisions of the Companies Act, 2013, the performance of the Board of Directors and of its Committees and individual Directors were evaluated taking into consideration various performance related aspects.

Ms. Ameet Parikh (DIN: 00445583) and Ms. Charulata Sippy (DIN: 07508021), 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 said Act, at a separate meeting of Independent Directors convened on March 8, 2019.

The Independent Directors had the following observations:

The Board, the Audit Committee, the Corporate Social Responsibility Committee and the Nomination and Remuneration Committee of the Company are operating in an effective and efficient manner. Critical business issues are deliberated at meetings and complete financial information are reported in a timely manner. The Board members have appropriate and diverse range of Indian and international experience and possesses appropriate regulatory knowledge and are conversant with the evolving regulatory landscape. Board and the Committees are balanced and productive and maintain high standards of corporate governance with appropriate oversight of risk. There is a smooth and timely flow of information between the Board, Committees and the Company management.

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 reviewed performance of every (i) Director (ii) Committees and (iii) Board as a whole and formed the following opinion:

- The information provided to Directors prior to Board meetings meets desired expectations in terms of the flow of information, adequacy and compliance with the applicable laws;
- The Board of Directors of the Company were effective in decision making;
- The Company's systems of control were effective for identifying material risks and reporting material violations of policies and law;
- The Board of Directors are effective in providing necessary advice and suggestions to the Company's management;
- The Board Chairman effectively and appropriately leads and facilitates the Board meetings and the policy and governance work of the Board;
- The Board Committees devote adequate time in discharging their duties;
- The Directors encouraged open communication, meaningful participation and timely resolution of issues, at various meetings;
- The Directors have knowledge of the sector in which the Company operates.

The Board of Directors carried out the evaluation process at its meeting dated March 8, 2019 and expressed their satisfaction with the same.

### **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 Companies Act, 2013 has been annexed as **ANNEXURE-II** and forms part of this Report.

### **Committees of the Board**

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

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

- 1) Ms. Amee Parikh (DIN: 00445583)
- 2) Ms. Charulata Sippy (DIN: 07508021)
- 3) Mr. Sundararaman Ramamurthy (DIN: 05297538).

The Audit Committee met thrice during the year under review on June 11, 2018, November 20, 2018 and March 8, 2019.

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

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

- 1) Ms. Amee Parikh (DIN: 00445583)
- 2) Ms. Charulata Sippy (DIN: 07508021)
- 3) Mr. Sundararaman Ramamurthy (DIN: 05297538).

The Nomination and Remuneration Committee met four times during the year under review on June 11, 2018, November 20, 2018, January 15, 2019 and March 8, 2019.

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

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

- 1) Ms. Ameet Parikh (DIN: 00445583)
- 2) Mr. Asit Bhatia (DIN: 05112750)
- 3) Mr. Sundararaman Ramamurthy (DIN: 05297538).

The Corporate Social Responsibility Committee met twice during the year under review on July 27, 2018 and March 8, 2019.

**Auditors****Statutory Auditors :**

M/s. Price Waterhouse, Chartered Accountants, (Reg. No. 301112E), the retiring Auditors, shall complete the maximum tenure permissible under section 139 of the Companies Act, 2013 ('the Act') and the relevant rules made thereunder, at the forthcoming Annual General Meeting ('AGM') of the Company. Your Board wishes to place on record their sincere appreciation for the services rendered by M/s. Price Waterhouse during their tenure as the Statutory Auditors of the Company.

Your Directors recommend the appointment of M/s. B S R & Co. LLP, Chartered Accountants, (ICAI Firm Registration No. 101248W/W-100022), as Statutory Auditors of the Company, for a period of 5 years, to hold office from the conclusion of the forthcoming 44<sup>th</sup> AGM of the Company to be held in the year 2019 until the conclusion of the 49<sup>th</sup> AGM of the Company to be held in the year 2024.

As required under the provisions of section 139 of the Act, your Company has received a certificate from M/s. B S R & Co. LLP, Chartered Accountants, to the effect that their appointment, if made, would be in conformity with the conditions and criteria specified in the said section.

The Auditors' Report for the year under review issued by M/s. Price Waterhouse, Chartered Accountants, does not contain any qualification, reservation, adverse remark or disclaimer.

**Secretarial Auditors:**

Your Directors have appointed M/s. Surendra Kanstiya Associates, Company Secretaries, as the Secretarial Auditor of the Company, in accordance with section 204 of the Companies Act, 2013 ('the Act') and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

In terms of the provisions of section 204(1) of the Act, the Secretarial Audit Report for the financial year ended March 31, 2019, in the prescribed Form MR – 3, is annexed as **ANNEXURE-III** and forms part of this Report.

The Secretarial Audit Report does not contain any qualification, reservation, adverse remark or disclaimer.

**Reporting of Frauds by the Auditors**

During the year under review, the Auditors have not reported any instances of frauds committed in the Company by its Officers or Employees to the Audit Committee under section 143(12) of the Companies Act, 2013, that warrants mention in this Report.

**Risk Management Policy**

The extract of the Risk Management Policy, adopted by the Company, including identification of elements of risk pursuant to section 134(3)(n) of the Companies Act, 2013 is attached as **ANNEXURE-IV** and forms part of this Report.

**Corporate Social Responsibility**

The extract of the Corporate Social Responsibility Policy implemented by the Company and the initiatives taken during the year under review, pursuant to section 134(3)(o) of the Companies Act, 2013 and rule 8 of the Companies (Corporate Social Responsibility) Rules, 2014 is attached as **ANNEXURE-V** and forms part of this Report.

**Changes in Company's Subsidiary, Joint Venture or Associate Company**

There are no companies which have become or ceased to be the Company's subsidiary, joint venture or associate company during the year under review.

**Statement containing salient features of the financial statement of Subsidiaries, Associate companies and Joint Ventures**

Since the Company does not have any subsidiary companies, associate companies and joint ventures, accordingly Form AOC 1 shall not be applicable to the Company, for the year under review.

**Particulars of Loans, Guarantees or Investments**

The Company has not given loans, provided guarantees or made investments under section 186 of the Companies Act, 2013, during the year under review.

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

All contracts, arrangements and transactions entered by the Company with the related parties during the financial year were in the ordinary course of business and on arm's length basis. During the year under review, the Company had not entered into any contract or arrangement with related parties referred to in section 188(1) of the Companies Act, 2013 ('the Act') which could be considered material. Accordingly, the disclosure of related party transactions to be provided under section 134(3)(h) of the Act, in Form AOC-2 is not applicable to the Company. 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 made thereunder.

**Deposits**

The Company has not accepted any deposits from the public within the meaning of section 73 of the Companies Act, 2013 read with the 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 Reporting**

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.

**Conservation of Energy and Technology Absorption**

Disclosures pertaining to conservation of energy and technology absorption are not applicable to your Company, during the year under review.

**Foreign Exchange Earnings and Outgo**

Foreign Exchange earnings of the Company during the year financial year 2018-2019 were Rs. 290 million (previous year Rs. 464 million) while outgoings were Rs. 228 million (previous year Rs. 152 million).

**Details of Issue of Sweat Equity Shares**

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

**Compliance with Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

The Company has in place an Internal Complaints Committee and has also formulated the Policy on Prevention (and Redressal) of Sexual Harassment of Women at the Workplace in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

There are nil complaints filed during the financial year 2018-19 under the aforesaid Act.

**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, shareholders, regulators and various government authorities at all levels.

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

**Sd/-**  
**RAJNARAYAN BALAKRISHNAN**  
**WHOLE-TIME DIRECTOR**  
**(DIN: 06694243)**

**Sd/-**  
**SUNDARARAMAN RAMAMURTHY**  
**DIRECTOR**  
**(DIN: 05297538)**

Date : July 2, 2019

Place : Mumbai

## ANNEXURES TO THE DIRECTORS' REPORT

### ANNEXURE-I

Form No. MGT-9

Extract of Annual Return

As on the financial year ended on March 31, 2019

[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>	October 23, 1975
(iii)	<b>Name of the Company</b>	DSP Merrill Lynch Limited
(iv)	<b>Category / 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>	Ground floor, A Wing, One BKC, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051, Maharashtra. Contact details: +91 22 66328000 Email : dg.secretarial@baml.com Website : www.ml-india.com
(vi)	<b>Whether listed Company</b>	No
(vii)	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	Link Intime India Private Limited C-101, 247 Park, LBS Marg, Vikhroli (West), Mumbai 400083 Tel No : +91 22 49186270 Fax: +91 22 49186060 E-mail : rnt.helpdesk@linkintime.co.in Website : www.linkintime.co.in

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

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

Sr. No.	Name and Description of main Products / Services	NIC Code of the Product/ Service	% to total turnover of the Company
1)	Securities Broking	66120	77.31%
2)	Investment Banking Services	66190	22.69%

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

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
1)	GHS Singapore Holding Pte. Ltd. 2 Harbourfront Place, 02-01 Bank of America Merrill Lynch, Harbourfront Singapore 098499	-	Holding Company	99.95%	section 2(46)



#### 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 - April 1, 2018				Number of shares held at the end of the year - March 31, 2019				% 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	0	0	0	0.00	0	0	0	0.00	0.00
b. Central Government	0	0	0	0.00	0	0	0	0.00	0.00
c. State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
d. Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
e. Banks/FI	0	0	0	0.00	0	0	0	0.00	0.00
f. Any other	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub – total (A) (1)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>2. Foreign</b>									
a. NRIs-Individuals	0	0	0	0.00	0	0	0	0.00	0.00
b. Other - Individuals	0	0	0	0.00	0	0	0	0.00	0.00
c. Bodies Corporate	23,143,897	0	23,143,897	99.95	23,143,897	0	23,143,897	99.95	0.00
d. Banks/FI	0	0	0	0.00	0	0	0	0.00	0.00
e. Any other	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub – total (A) (2)</b>	<b>23,143,897</b>	<b>0</b>	<b>23,143,897</b>	<b>99.95</b>	<b>23,143,897</b>	<b>0</b>	<b>23,143,897</b>	<b>99.95</b>	<b>0.00</b>
<b>Total Shareholding of Promoter A = (A) (1) + (A) (2)</b>	<b>23,143,897</b>	<b>0</b>	<b>23,143,897</b>	<b>99.95</b>	<b>23,143,897</b>	<b>0</b>	<b>23,143,897</b>	<b>99.95</b>	<b>0.00</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a. Mutual Funds	0	0	0	0.00	0	0	0	0.00	0.00
b. Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
c. Central Government	0	0	0	0.00	0	0	0	0.00	0.00
d. State Government (s)	0	0	0	0.00	0	0	0	0.00	0.00

e. Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
f. Insurance Companies	0	0	0	0.00	0	0	0	0.00	0.00
g. Flls	0	0	0	0.00	0	0	0	0.00	0.00
h. Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i. Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub – total B(1)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>2. Non – Institutions</b>									
<b>a. Bodies Corporate</b>									
i. Indian	1,742	0	1,742	0.01	1,742	0	1,742	0.01	0.00
ii. Overseas	0	0	0	0.00	0	0	0	0.00	0.00
<b>b. Individual</b>									
i. Individual shareholders holding nominal share capital upto Rs. 1 Lakh	5,445	3,544	8,989	0.04	5,444	3,544	8,988	0.04	0.00
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 Lakh	0	0	0	0.00	0	0	0	0.00	0.00
<b>c. Others</b>									
i. Hindu Undivided Family	206	0	206	0.00	207	0	207	0.00	0.00
ii. Non-Resident Indians (Non Repatriation)	5	0	5	0.00	5	0	5	0.00	0.00
iii. Non-Resident Indian (Repatriation)	200	0	200	0.00	200	0	200	0.00	0.00
<b>Sub – total (B)(2)</b>	<b>7,598</b>	<b>3,544</b>	<b>11,142</b>	<b>0.05</b>	<b>7,598</b>	<b>3,544</b>	<b>11,142</b>	<b>0.05</b>	<b>0.00</b>
<b>Total Public Shareholding (B)=(B)(1) + (B)(2)</b>	<b>7,598</b>	<b>3,544</b>	<b>11,142</b>	<b>0.05</b>	<b>7,598</b>	<b>3,544</b>	<b>11,142</b>	<b>0.05</b>	<b>0.00</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>Grand Total (A+B+C)</b>	<b>23,151,495</b>	<b>3,544</b>	<b>23,155,039</b>	<b>100</b>	<b>23,151,495</b>	<b>3,544</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- April 1, 2018			Shareholding at the end of the year - March 31, 2019			% 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.	GHS Singapore Holding Pte. Ltd.	23,143,897	99.95	0.00	23,143,897	99.95	0.00	0.00
	<b>Total</b>	<b>23,143,897</b>	<b>99.95</b>	<b>0.00</b>	<b>23,143,897</b>	<b>99.95</b>	<b>0.00</b>	<b>0.00</b>

**(iii) Change in Promoters' Shareholding**

Sr. No.	Particulars	Shareholding at the beginning of the year - April 1, 2018		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>GHS Singapore Holding Pte. Ltd.</b>				
	At the beginning of the year - April 1, 2018	23,143,897	99.95	-	-
	Date wise increase / decrease in Promoter's shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/sweat equity etc)	There was no change in promoter's shareholding during the year ended March 31, 2019			
	At the end of the year - March 31, 2019	-	-	23,143,897	99.95

(iv) Shareholding pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Sr. No.	Particulars (For Each of the Top 10 Shareholders)	Shareholding at the beginning of the year - April 1, 2018		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>Bhupendra Dalal</b>				
	At the beginning of the year	2,400	0.01	–	–
	Date wise increase/decrease in shareholding 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.	<b>J M Financial and Investment Consultancy Services Private Limited</b>				
	At the beginning of the year	1,000	0.00	–	–
	Date wise increase / decrease in shareholding 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	0.00
3.	<b>Ajay Agarwal</b>				
	At the beginning of the year	1,000	0.00	–	–
	Date wise increase / decrease in shareholding 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	0.00
4.	<b>Bharati D. Thakkar</b>				
	At the beginning of the year	400	0.00	–	–
	Date wise increase / decrease in shareholding 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	0.00
5.	<b>Vijay Bhawe</b>				
	At the beginning of the year	400	0.00	–	–
	Date wise increase / decrease in shareholding 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	0.00

6.	<b>S. N. Rajan</b>				
	At the beginning of the year	353	0.00	–	–
	Date wise increase / decrease in shareholding 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	0.00
7.	<b>Vijaya Jaysinh Ved</b>				
	At the beginning of the year	250	0.00	–	–
	Date wise increase / decrease in shareholding 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	0.00
8.	<b>Brijesh Jaysinh Ved</b>				
	At the beginning of the year	250	0.00	–	–
	Date wise increase/decrease in shareholding 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	0.00
9.	<b>Shridhar P. Iyer</b>				
	At the beginning of the year	211	0.00		
	Date wise increase/decrease in shareholding 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	0.00
10.	<b>Piyush Dilipbhai Shah</b>				
	At the beginning of the year	200	0.00	–	–
	Date wise increase/decrease in shareholding 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	0.00

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

Sr. No.	For Each of the Directors and KMPs	Shareholding at the beginning of the year - April 1, 2018		Change in shareholding during the year		Shareholding at the end of the year - March 31, 2019	
		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	40.82	0	0	40.82
(ii) Interest due but not paid	0	0	0	0
(iii) Interest accrued but not due	0	0	0	0
<b>Total (i+ii+iii)</b>	<b>40.82</b>	<b>0</b>	<b>0</b>	<b>40.82</b>
<b>Change in Indebtedness during the financial year</b>				
• Addition	0	0	0	0
• Reduction	18.86	0	0	18.86
<b>Net Change</b>	<b>18.86</b>	<b>0</b>	<b>0</b>	<b>18.86</b>
<b>Indebtedness at the end of the financial year</b>				
(i) Principal Amount	21.96	0	0	21.96
(ii) Interest due but not paid	0	0	0	0
(iii) Interest accrued but not due	0	0	0	0
<b>Total (i+ii+iii)</b>	<b>21.96</b>	<b>0</b>	<b>0</b>	<b>21.96</b>

## 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. Rajnarayan Balakrishnan (Whole-time Director) April 1, 2018 to March 31, 2019	Mr. Arbind Maheswari (Whole-time Director) April 1, 2018 to March 31, 2019	
1.	Gross salary			
	a. Salary as per provisions contained in section 17(1) of Income Tax Act, 1961	70,926,127	47,952,042	118,878,169
	b. Value of perquisites under section 17(2) of Income Tax Act, 1961	14,221,018	7,547,516	21,768,535
	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)	3,661,272	2,173,704	5,834,976
	<b>Total (A)</b>	<b>88,808,417</b>	<b>57,673,262</b>	<b>146,481,679</b>
	<b>Ceiling as per the Act</b>			<b>197,429,173</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> (April 1, 2018 to March 31, 2019)	<b>Ms. Charulata Sippy</b> (April 1, 2018 to March 31, 2019)	
	a. Fee for attending Board / Committee meetings	8,50,000	8,50,000	1,700,000
	b. Commission	-	-	-
	c. Others, please specify	-	-	-
	<b>Total (1)</b>	<b>8,50,000</b>	<b>8,50,000</b>	<b>1,700,000</b>
2.	<b>Other Non-executive Directors</b>	<b>Mr. Asit Bhatia</b> (April 1, 2018 to March 31, 2019)	<b>Mr. Sundararaman Ramamurthy</b> (April 1, 2018 to March 31, 2019)	<b>Total Amount</b>
	a. Fee for attending Board/ Committee meetings	-	-	-
	b. Commission	-	-	-
	c. Others, please specify	-	-	-
	<b>Total (2)</b>	-	-	-
	<b>Total B = (1+2)</b>	<b>8,50,000</b>	<b>8,50,000</b>	<b>1,700,000</b>
	<b>Total Managerial Remuneration (A+B)</b>			<b>148,181,679</b>
	<b>Ceiling as per the Act</b>			<b>217,172,091</b>

## C. Remuneration to Key Managerial Personnel other than MD/Manager/WTB

Amount in Rs.

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		Total
		<b>Mr. Samrat Sanyal</b> (Company Secretary) April 1, 2018 to March 31, 2019	<b>Mr. Dharmendra Jain</b> (Chief Financial Officer) April 1, 2018 to March 31, 2019	
1.	Gross Salary			
	a. Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	5,228,708	7,744,221	12,972,929
	b. Value of perquisites under section 17(2) of the Income Tax Act, 1961	-	21,600	21,600
	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)	623,592	1,731,138	2,354,730
	<b>Total</b>	<b>5,852,300</b>	<b>9,496,959</b>	<b>15,349,259</b>

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

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	-	-	-	-	-

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

**Sd/-  
RAJNARAYAN BALAKRISHNAN  
WHOLE-TIME DIRECTOR  
(DIN: 06694243)**

**Sd/-  
SUNDARARAMAN RAMAMURTHY  
DIRECTOR  
(DIN: 05297538)**

Date : July 2, 2019  
Place : Mumbai



**ANNEXURE-II****DSP Merrill Lynch Limited's (the "Company") 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 Policy and the 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 recommending to the Board their appointment
- Formulating the criteria for determining the qualifications, positive attributes and independence of the Directors
- Discussing the proposals for new incumbent(s) who are nominated to be Director to the Board of Directors of the Company
- Reviewing the qualification and credentials of every person nominated to the Board
- Assessing the suitability of the person so nominated to be on the Board of Directors
- Discussing and recommending to the Board that the nominated person is fit and proper person to act as Director to the Company
- Specifying the manner for effective evaluation of performance of Board, the committees constituted by the Company as per the requirements of the Companies Act, 2013 and individual Directors
- Reviewing the implementation and compliance of the manner specified for effective evaluation
- Recommending to the Board of Directors of the Company the removal of Directors
- Identification of persons who may be appointed as the Key Managerial Personnel of the Company, as defined under section 2(51) of the Companies Act, 2013 and who may be appointed in the Senior Management and recommending to the Board their appointment
- Recommending to the Board the removal of Senior Management.

**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 as per section 149(6) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014**

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:

- who, in the opinion of the Board, is a person of integrity and possesses relevant expertise, experience, appropriate skills 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;
- who is or was not a promoter of the company or its holding, subsidiary or associate company;
  - who is not related to promoters or Directors in the company, its holding, subsidiary or associate company;
- who has or had no pecuniary relationship, other than remuneration as such Director or having transaction not exceeding ten per cent. of his total income or such amount as may be prescribed, 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;

- none of whose relatives—

- is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year:

Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent. of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;

- is indebted to the company, its holding, subsidiary or associate company or their promoters, or Directors, for an amount of fifty lakh rupees, at any time during the two immediately preceding financial years or during the current financial year;
- has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or Directors of such holding company, for an amount of fifty lakh rupees, at any time during the two immediately preceding financial years or during the current financial year; or
- has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent. or more of its gross turnover or total income singly or in combination with the transactions referred to in sub-clause (i), (ii) or (iii);

- who, neither himself nor any of his relatives –

- 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;

Provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during preceding three financial years.

- 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 firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
- 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.

**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.

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.

**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;
- not allow any extraneous considerations that will vitiate their exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
- not abuse their position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- refrain from any action that would lead to loss of their independence;
- where circumstances arise which make an Independent Director lose their independence, the Independent Director must immediately inform the Board accordingly;
- assist the company in implementing the best corporate governance practices.

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

**Sd/-**  
**RAJNARAYAN BALAKRISHNAN**  
**WHOLE-TIME DIRECTOR**  
**(DIN: 06694243)**

**Sd/-**  
**SUNDARARAMAN RAMAMURTHY**  
**DIRECTOR**  
**(DIN: 05297538)**

Date : July 2, 2019  
Place : Mumbai

**ANNEXURE – III****Form No. MR-3****For the Financial Year ended 31<sup>st</sup> March, 2019****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 [CIN U74140MH1975PLC018618] (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, 2019, 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:

- 1) We have examined the books, papers, minute books, forms and returns filed other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2019, 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.
  - (v) 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 (Prohibition of Insider Trading) Regulations, 2015.
- 2) Provisions of the following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') were not applicable to the Company during the year under report:
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (c) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
  - (d) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993;
  - (f) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
  - (g) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998.
- 3) The Company is registered with the Securities and Exchange Board of India as a Stock Broker, Merchant Banker, Underwriter, 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 Standard 1 and 2 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.

We further report that the Company has discontinued its business and operations as a Depository Participant. Accordingly the Company has applied to Securities and Exchange Board of India and National Securities Depository Limited for the cancellation of the Certificate of registration. The approval for the same is awaited.

Place: Mumbai

Date: July 2, 2019

Signature:	Sd/-
Name of Company Secretary in Practice:	Surendra U. Kanstiya
FCS No.:	2777
C P No.:	1744

**ANNEXURE – IV****Relevant Extract of Risk Management Policy**

**DSPML** is an operating company engaged in activities as Stock Broker, Merchant Banker and Research Analyst. It is an indirect subsidiary of Bank of America Corporation.

**DSPML Risk Management:**

DSPML'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 DSPML:

- **Credit risk** is defined as the the risk of loss arising from the inability or failure of a borrower or counterparty to meet its obligations. No lending activity is carried out under DSPML. Issuer risk arises out of 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 that changes in market conditions and may adversely impact the value of assets or liabilities, or otherwise negatively impact earnings. Market risk is inherent in the operations and arises from 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** is the risk resulting from incorrect assumptions about external or internal factors; inappropriate business plans; ineffective business strategy execution; or failure to respond in a timely manner to changes in the regulatory, macroeconomic or competitive environments in the geographic locations in which we operate. DSPML manages strategic risk through assessing earnings and risk profile throughout the year. These are periodically discussed in appropriate governance committee.
- **Liquidity risk** is the inability to meet expected or unexpected cash flow and collateral needs while continuing to support the businesses and customers under a range of economic conditions. Sources of liquidity risk include unavailability of funding at the price or amount anticipated or credit rating downgrades.
- **Reputational risk** is the risk that negative perceptions of the Company's conduct or business practices may adversely impact its profitability or operations through an inability to establish or maintain existing, customer/client relationships or otherwise impact relationships with key stakeholders, such as investors, regulators, employees and the community. Reputational risk is mitigated by good governance controls.
- **Compliance risk** Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to the reputation of the Company arising from the failure of the Company to comply with the requirements of applicable laws, rules, regulations and related self-regulatory organizations' standards and codes of conduct (collectively, "applicable laws, rules and regulations"). The Company is committed to complying with applicable laws, rules and regulations governing the processes and activities of our front line units and control functions.

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

Sd/-  
**RAJNARAYAN BALAKRISHNAN**  
**WHOLE-TIME DIRECTOR**  
**(DIN: 06694243)**

Sd/-  
**SUNDARARAMAN RAMAMURTHY**  
**DIRECTOR**  
**(DIN: 05297538)**

Date : July 2, 2019  
Place : Mumbai

**ANNEXURE – V****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]

**1. 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 healthcare 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:

- **Education & Skills Development** — promoting education especially among women, children and youth including skills development to enhance employability and livelihood enhancement;
- **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;
- **Arts & Culture** —promoting national heritage, arts and culture including restoration of historical sites and art works as well as supporting traditional arts and handicrafts;
- **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.

## 2. The Composition of the CSR Committee:

- 1) Ms. Ameer Parikh (DIN: 00445583)
- 2) Mr. Asit Bhatia (DIN: 05112750)
- 3) Mr. Sundararaman Ramamurthy (DIN: 05297538)

## 3. Average net profit of the company for last three financial years: Rs. 2,861.39 million

## 4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): Rs. 57.23 million

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

- (a) Total amount spent for the financial year: Rs. 57.23 million
- (b) Amount unspent, if any: Nil
- (c) Manner in which the amount spent during the financial year is detailed below:

## 6. During the Financial year 2018-19 the Company has spent 2% of its average net profits of the last 3 financial years in CSR activities

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. million)	Amount spent on the projects or programs Sub-heads: (1)Direct expenditure on projects or programs (2) Overheads (In Rs. million)	Cumulative expenditure up to the reporting period (In Rs. million)	Amount spent Direct or through implementing agency
1	Supporting education and wellbeing of underprivileged children	Promoting education	Pan India	9.42	9.42	25.92	Implementing Agency – SOS Children's Villages of India
2	Supporting education of underprivileged children	Promoting education	Mumbai, Maharashtra	25	25	90.90	Implementing Agency – The Akanksha Foundation



3	Supporting energy and water access for rural communities	Promoting Environmental Sustainability, Rural Development	Khunti, Gumla & West Singhbhum, Jharkhand	10.13	10.13	10.13	Implementing Agency – PRADAN
4	Supporting creation of a children's museum	Promotion of Arts & Culture	Mumbai, Maharashtra	12.20	12.20	19.70	Implementing Agency – Chhatrapati Shivaji Maharaj Vastu Sangrahalaya
4	Administrative overheads	-	-	0.48	0.48	2.36	-
<b>Total</b>				<b>57.23</b>	<b>57.23</b>	<b>149.01</b>	

**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.**

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

**Sd/-  
RAJNARAYAN BALAKRISHNAN  
WHOLE-TIME DIRECTOR  
(DIN: 06694243)**

**Sd/-  
SUNDARARAMAN RAMAMURTHY  
DIRECTOR  
(DIN: 05297538)**

Date : July 2, 2019  
Place : Mumbai

**INDEPENDENT AUDITORS' REPORT****To The Members Of DSP Merrill Lynch Limited****Report on the Indian Accounting Standards (Ind AS) Financial Statements****Opinion**

1. We have audited the accompanying financial statements of DSP Merrill Lynch Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2019, and the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("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, 2019, and total comprehensive income (comprising of profit and other comprehensive income), changes in equity and its cash flows for the year then ended.

**Basis for opinion**

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter**

4. We draw your attention to Note 36 to the Financial Statements regarding amalgamation of DSP Merrill Lynch Capital Limited (a wholly-owned subsidiary of the Company) with the Company, the accounting treatment of which has been carried out by the Company in accordance with the Scheme of Amalgamation approved by the Regional Director, Ministry of Corporate Affairs, Mumbai vide its order dated March 6, 2018 and therefore is not in accordance with Ind AS 103 - Business Combinations with respect to accounting for business combinations of entities under common control.

Our opinion is not modified in respect of this matter.

**Other Information**

5. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilities of management and those charged with governance for the financial statements**

6. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, changes in equity 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. 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.

7. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

8. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
9. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
10. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Other matter**

11. The financial information of the Company for the year ended March 31, 2018 and the transition date opening balance sheet as at April 1, 2017 included in these Ind AS financial statements, are based on the previously issued statutory financial statements for the years ended March 31, 2018 and March 31, 2017 prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (as amended) which were audited by us, on which we expressed an unmodified opinion dated June 11, 2018, except as to Note 3A to Accounts, which is as of September 1, 2018 and June 16, 2017 respectively. The adjustments to those financial statements for the differences in accounting principles adopted by the Company on transition to the Ind AS have been audited by us.

Our opinion is not modified in respect of these matter.

**Report on other legal and regulatory requirements**

12. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

13. 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 (including other comprehensive income), the Statement of Changes in Equity and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 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 Auditor's 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 Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 30 to the financial statements;
  - ii. The Company has made provision as at March 31, 2019, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts - Refer Note 8. There are no derivative contracts as at March 31, 2019.
  - iii. 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, 2019.
  - iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2019.

**For Price Waterhouse**

Firm Registration Number: 301112E

Chartered Accountants

**Sharad Vasant**

Partner

Membership Number: 101119

Place : Mumbai

Date : July 02, 2019

UDIN: 19101119AAAABP3305

**Annexure A to Independent Auditors' Report**

Referred to in paragraph 13(f) of the Independent Auditors' Report of even date to the members of DSP Merrill Lynch Limited on the financial statements for the year ended March 31, 2019

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

1. We have audited the internal financial controls with reference to financial statements of DSP Merrill Lynch Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the 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'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.

**Auditors' Responsibility**

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements 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 with reference to financial statements 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, 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 with reference to financial statements.

**Meaning of Internal Financial Controls with reference to financial statements**

6. A company's internal financial controls with reference to financial statements 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 controls with reference to financial statements 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 with reference to financial statements**

7. Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial control controls with reference to financial statements 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 with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2019, 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.

**For Price Waterhouse**

Firm Registration Number: 301112E  
Chartered Accountants

**Sharad Vasant**

Partner  
Membership Number: 101119

Place : Mumbai  
Date : July 02, 2019  
UDIN: 19101119AAAABP3305

**Annexure B to Independent Auditors' Report**

Referred to in paragraph 12 of the Independent Auditors' Report of even date to the members of DSP Merrill Lynch Limited on the financial statements for the year ended March 31, 2019.

- 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 three 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 11 & 12 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. As at March 31, 2019, the Company had nil balance of securities held as stock-in-trade. 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. There has been no material discrepancies between book records and statement of holding provided by NSDL.
- 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. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 186 of the Act in respect of the loans or investments made, or guarantees or security provided by it, to the extent applicable.

The Company has not granted any loans or provided any guarantees or security in connection with any loan taken by party covered under Section 185 of the Act.
- 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 product 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, cess, goods and service tax and other material statutory dues, as applicable, with the appropriate authorities. Also refer note 33 to the financial statements regarding management's assessment on certain matters relating to provident fund.
  - (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, cess and goods and services tax and other material statutory dues, as applicable 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 during the year 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 Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit. 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

**Sharad Vasant**

Partner  
Membership Number: 101119

Place : Mumbai  
Date : July 02, 2019  
UDIN: 19101119AAAABP3305



## Balance Sheet as at March 31, 2019

	Note	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
<b>I ASSETS</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	4	20,182	16,148	15,790
Bank balances other than cash and cash equivalents	5	15,423	12,719	10,904
Receivables				
(i) Trade receivables	6	407	641	549
(ii) Other receivables	7	303	29	37
Investments	8	21	712	8,314
Other financial assets	9	478	309	201
		36,814	30,558	35,795
<b>Non-Financial Assets</b>				
Current tax assets (net)	10	1,192	1,332	1,439
Deferred tax assets (net)	42 (b)	284	254	172
Property, plant and equipment	11	630	702	909
Capital work in progress		39	91	13
Intangible assets	12	9	10	4
Other non-financial assets	13	148	220	184
		2,302	2,609	2,721
<b>Total Assets</b>		39,116	33,167	38,516
<b>II LIABILITIES AND EQUITY</b>				
<b>Financial Liabilities</b>				
Payables				
(i) Trade payables	14			
Total outstanding dues of micro enterprises and small enterprises		2	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		484	310	467
(ii) Other payables	15			
Total outstanding dues of micro enterprises and small enterprises		0	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		105	70	6
Borrowings	16	22	41	50
Other financial liabilities	17	14,225	9,430	9,539
		14,838	9,851	10,062
<b>Non-Financial Liabilities</b>				
Provisions	18	255	194	203
Other non-financial liabilities	19	216	223	253
		471	417	456
<b>Equity</b>				
Equity share capital	20	232	232	232
Other equity	21	23,575	22,667	27,766
		23,807	22,899	27,998
<b>Total Liabilities and Equity</b>		39,116	33,167	38,516

### The accompanying notes 1 to 47 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

**Sharad Vasant**  
Partner  
Membership Number: 101119  
Mumbai : July 2, 2019  
UDIN: 19101119AAAABP3305

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

**Rajnarayan Balakrishnan**      **Sundararaman Ramamurthy**  
Director      Director  
(DIN: 06694243)      (DIN: 05297538)

**Dharmendra Jain**      **Samrat Sanyal**  
Chief Financial Officer      Company Secretary  
Membership Number: A13863

Mumbai : July 2, 2019

## Statement of Profit and Loss for the year ended March 31, 2019

	Note	Year Ended March 31, 2019 Rs. million	Year Ended March 31, 2018 Rs. million
<b>INCOME</b>			
Revenue from operations:			
Fees and commission income	22	2,584	3,940
Other income	23	2,366	2,412
<b>Total income</b>		<b>4,950</b>	<b>6,352</b>
<b>EXPENSES</b>			
Finance costs	24	3	5
Fees and commission expenses	25	81	98
Impairment on financial instruments	26	322	15
Employee benefits expenses	27	1,642	1,549
Depreciation, amortisation and impairment	28	179	249
Other expenses	29	1,218	922
<b>Total expenses</b>		<b>3,445</b>	<b>2,838</b>
<b>Profit before tax</b>		<b>1,505</b>	<b>3,514</b>
<b>Tax expense:</b>			
Current tax		706	1,259
Provision for tax for earlier years (net)		(25)	428
Deferred tax		(31)	(58)
	42	<b>650</b>	<b>1,629</b>
<b>Profit for the year</b>		<b>855</b>	<b>1,885</b>
<b>Other Comprehensive Income (OCI)</b>			
<b>Items that will not be reclassified subsequently to Statement of Profit and Loss</b>			
Remeasurement gain on net defined benefit plans		2	47
<b>Income tax relating to above</b>	42	<b>(1)</b>	<b>-</b>
<b>Items that will be reclassified subsequently to Statement of Profit and Loss</b>			
Debt securities carried at fair value through OCI		0	16
<b>Income tax relating to above</b>		-	-
<b>Other comprehensive income for the year</b>		<b>1</b>	<b>63</b>
<b>Total comprehensive income for the year</b>		<b>856</b>	<b>1,948</b>
<b>Earnings per equity share, in Rs. [face value of Rs. 10 each]</b>			
Basic and Diluted	39	<b>37</b>	<b>81</b>

The accompanying notes 1 to 47 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

**Sharad Vasant**  
Partner  
Membership Number: 101119  
Mumbai : July 2, 2019  
UDIN: 19101119AAAABP3305

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

**Rajnarayan Balakrishnan**    **Sundararaman Ramamurthy**  
Director    Director  
(DIN: 06694243)    (DIN: 05297538)

**Dharmendra Jain**    **Samrat Sanyal**  
Chief Financial Officer    Company Secretary  
Membership Number: A13863  
Mumbai : July 2, 2019

## Statement of Changes in Equity for the year ended March 31, 2019

### A. Equity share capital

Balance as at April 1, 2017	Rs. million
Changes in equity share capital during the year	232
Balance as at March 31, 2018	-
Changes in equity share capital during the year	232
Balance as at March 31, 2019	-

### B. Other equity

Balance as at April 1, 2017	Rs. million
Profit for the year	232
Other comprehensive income for the year	-
Total comprehensive income for the year	232
Transactions with owners in the capacity of owners	-
Share based payment (net of reimbursement, if any)	-
Created upon amalgamation of wholly owned subsidiary [refer note 36]	2,050
Cost of investment in wholly owned subsidiary adjusted [refer note 36]	(2,050)
Transfer from reserve under Section 45-1C of the Reserve Bank of India Act, 1934 [refer note 37]	-
Interim dividend paid	-
Dividend distribution tax	-
Balance as at March 31, 2018	-
Profit for the year	8,100
Other comprehensive income for the year	-
Total comprehensive income for the year	8,100
Transactions with owners in the capacity of owners	-
Share based payment (net of reimbursement, if any)	-
Balance as at March 31, 2019	-

Reserves and Surplus									Rs. million
Capital reserve	Capital redem ption reserve	Securities premium	Reserve under Section 45-1C of the Reserve Bank of India Act, 1934	General reserve	Share based payment reserve	Retained earnings	Other Reserve Debt securities through FVOCI	Total	
-	8,100	-	-	4,511	29	15,126	-	27,766	
-	-	-	-	-	-	1,885	-	1,885	
-	-	-	-	-	-	47	16	63	
-	-	-	-	-	-	1,932	16	1,948	
-	-	-	-	-	88	-	-	88	
2,050	-	6,244	3,011	-	-	261	-	11,566	
(2,050)	-	(6,200)	-	-	-	-	-	(8,250)	
-	-	-	(3,011)	-	-	3,011	-	-	
-	-	-	-	-	-	(8,683)	-	(8,683)	
-	-	-	-	-	-	(1,768)	-	(1,768)	
-	8,100	44	-	4,511	117	9,879	16	22,667	
-	-	-	-	-	-	855	-	855	
-	-	-	-	-	-	1	0	1	
-	-	-	-	-	-	856	0	856	
-	-	-	-	-	52	-	-	52	
-	8,100	44	-	4,511	169	10,735	16	23,575	

### The accompanying notes 1 to 47 form an integral part of the Financial Statements

This is the Statement of Changes in Equity referred to in our report of even date

### For Price Waterhouse

Firm Registration Number: 301112E  
Chartered Accountants

### Sharad Vasant

Partner  
Membership Number: 101119  
Mumbai : July 2, 2019  
UDIN: 19101119AAAAABP3305

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

### Rajnarayan Balakrishnan

Director  
(DIN: 06694243)

### Sundararaman Ramamurthy

Director  
(DIN: 05297538)

### Dharmendra Jain

Chief Financial Officer

### Samrat Sanyal

Company Secretary  
Membership Number: A13863

Mumbai : July 2, 2019

## Cash flow statement for the year ended March 31, 2019

	Year Ended March 31, 2019 Rs. million	Year Ended March 31, 2018 Rs. million
<b>Cash flow from operating activities:</b>		
<b>Profit before tax</b>	<b>1,505</b>	3,514
<b>Adjusted for :</b>		
Depreciation, amortisation and impairment	179	249
Bad debts and advances written off	5	-
Gain on derecognition of financial liability	(1)	(4)
Gratuity	26	36
Compensated absences	61	(14)
Dividend income	-	(2)
Interest expense on borrowings	3	5
Write back of provisions (net)	-	(35)
Net (gain) / loss on fair value changes	(3)	13
Allowance for impairment	322	15
Loss on derecognition of property, plant and equipment	2	2
Share based payment	52	88
<b>Operating profit before changes in operating assets and liabilities</b>	<b>2,151</b>	3,867
<b>Adjusted for :</b>		
(Increase) / Decrease in other bank balances	(2,704)	2,135
(Increase) / Decrease in trade receivables	229	(104)
(Increase) / Decrease in other receivables	(275)	56
(Increase) / Decrease in other financial assets	(175)	(107)
(Increase) / Decrease in other non-financial assets	49	1
Increase / (Decrease) in trade payables	176	(187)
Increase / (Decrease) in other payables	35	64
Increase / (Decrease) in other financial liabilities	4,795	(108)
Increase / (Decrease) in other non-financial liabilities	(7)	(34)
<b>Cash generated from operating activities</b>	<b>4,274</b>	5,583
Direct taxes (paid), net	(541)	(1,369)
<b>Net cash generated from operating activities</b>	<b>3,733</b>	4,214
<b>Cash flow from investing activities :</b>		
Purchase of property, plant and equipments including capital work in progress	(61)	(117)
Purchase of intangible assets	(2)	(9)
Sale / disposal of property, plant and equipment	7	6
Redemption of debt securities	379	292
Sale of equity instruments	-	49
Dividend income	-	2
<b>Net cash generated from investing activities</b>	<b>323</b>	223
<b>Cash flow from financing activities :</b>		
Interim dividend paid on equity shares	-	(8,683)
Dividend distribution tax paid	-	(1,768)
Loans from bank, net of repayments	(19)	(17)
Interest expense on borrowings	(3)	(5)
<b>Net cash (used in) financing activities</b>	<b>(22)</b>	(10,473)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>4,034</b>	(6,036)
<b>Cash and cash equivalents as at the beginning of the year</b>	<b>16,148</b>	15,790
<b>Add: Cash and cash equivalents acquired on amalgamation of wholly owned subsidiary</b>	<b>-</b>	6,394
<b>Cash and cash equivalents as at the end of the year</b>	<b>20,182</b>	16,148
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>4,034</b>	(6,036)
<b>Non cash financing activity:</b>		
Share based payment	52	88

The accompanying notes 1 to 47 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

### Sharad Vasant

Partner  
Membership Number: 101119  
Mumbai : July 2, 2019  
UDIN: 19101119AAAABP3305

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

### Rajnarayan Balakrishnan

Director  
(DIN: 06694243)

### Dharmendra Jain

Chief Financial Officer  
Mumbai : July 2, 2019

### Sundaraman Ramamurthy

Director  
(DIN: 05297538)

### Samrat Sanyal

Company Secretary  
Membership Number: A13863

## Notes to Financial Statements

### 1. Company background :

DSP Merrill Lynch Limited ("the Company") is a public limited company incorporated under the Companies Act, 1956 ("the Act") on October 23, 1975 and is domiciled in India with registered office located at Ground Floor, A wing, One BKC, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051. 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").

The Board of Directors approved the financial statements for the year ended March 31, 2019 and authorised for issue on July 2, 2019.

### 2. Significant accounting policies:

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

##### (i) Compliance with Ind AS

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015 (as amended)] and other relevant provisions of the Act.

The financial statements up to year ended March 31, 2018 were prepared in accordance with the accounting standards notified under Companies (Accounting Standard) Rules, 2006 (as amended) and other relevant provisions of the Act.

These financial statements are the first financial statements of the Company under Ind AS. Refer note 47 for an explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows.

##### (ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value or revalued amounts:

- Certain financial assets and liabilities- measured at fair value;
- Defined benefit plan assets- measured at fair value; and
- Share-based payments - measured at fair value.

##### (iii) Order of liquidity

The Company is covered in the definition of Non-Banking Financial Company as defined in Companies (Indian Accounting Standards) (Amendment) Rules, 2016. Pursuant to Division III of Schedule III to the Companies Act, 2013 on October 11, 2018, the Company presents its balance sheet in the order of liquidity. This is since the Company does not provide services within a clearly identifiable operating cycle, therefore making such presentation more relevant. A maturity analysis of recovery or settlement of assets and liabilities within 12 months after the reporting date and more than 12 months after the reporting date is presented in note 45.

#### b. Foreign currency translation

##### (i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Indian Rupees (Rs.), which is the Company's functional and presentation currency.

##### (ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction. However, for practical reasons, the Company uses an average rate if the average approximates the actual rate at the date of the transaction.

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

Monetary assets and liabilities denominated in foreign currency are retranslated into the functional currency at the spot rate of exchange at the reporting date. All differences arising on non-trading activities are taken to other income/expense in the Statement of Profit and Loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

### C. Financial instruments

#### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments. Regular purchases and sales of financial assets are recognised on trade date, the date on which the Company commits to purchase or sell the asset.

In the case of a financial asset or financial liability not at Fair Value Through Profit and Loss (FVTPL), at initial recognition, the Company measures such financial asset or financial liability at its fair value plus or minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in Statement of Profit and Loss.

#### Financial assets

##### *(i) Classification and subsequent measurement of financial assets*

The Company classifies its financial assets in the following measurement categories:

- Fair value through profit and loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)
- Amortised cost

The classification requirements for debt and equity instruments are described below:

#### Debt securities

Debt securities are those instruments that meet the definition of a financial liability from the issuer's perspective such as loans, mutual fund units, and corporate bonds.

For investments in debt securities, measurement will depend on the classification of Debt Securities depending on:

- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset

#### Business model assessment

The business model reflects how the Company manages the assets in order to generate cash flows. The business model determines whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable or when performance of portfolio of financial assets managed is evaluated on a fair value basis, then the financial assets are classified as part of 'other' business model and measured at FVTPL.

#### Solely Payment of Principle and Interest ("SPPI") assessment

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments cash flows represent solely payments of principal and interest (the 'SPPI test').

Based on these factors, the Company classifies its debt securities into one of the following three measurement categories.

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost is recognised in profit and loss when the asset is derecognised or impaired.

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

**Fair value through other comprehensive income :** Debt securities that are held for collection of contractual cash flows and selling the financial assets, where the assets' cash flows represent solely payments of principle and interest, are measured at fair value through other comprehensive income. Movement in the carrying amount are taken through Other Comprehensive Income (OCI), Except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in Statement of Profit and Loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit and loss and recognised in other gains / (losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and losses and impairment expenses under impairment on financial instruments.

**Fair value through profit and loss :** Assets that do not meet the criteria for amortised cost or FVOCI, are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit and loss and presented in the Statement of Profit and Loss within other gains/(losses) in the period in which it arises.

### Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Company has elected an irrevocable option to measure its investment in equity shares (other than trade Investments) at FVOCI as these are strategic investments made by the Company. All the gains/ (losses) on such FVOCI investments are recognised in the other comprehensive income and are not subsequently reclassified to profit and loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

### *(ii) Impairment*

The Company assesses on a forward-looking basis the expected credit losses ('ECL') associated with its financial instrument measured at amortised cost and FVOCI. The impairment methodology depends upon whether there has been significant increase in credit risk of the investment. Also refer note 44 (ii) c)

### *(iii) Income recognition*

#### Interest income

The Company calculates interest income by applying the Effective Interest Rate (EIR) to the gross carrying amount of financial assets other than credit-impaired assets. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset.

#### Dividend income

Dividend income is recognised when the Company's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably. This is generally when the shareholders approve the dividend.

### *(iv) De-recognition of financial assets*

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit and loss on disposal of that financial asset.

### Financial liabilities and equity instruments

#### *(i) Classification as debt or equity*

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### *(ii) Classification and subsequent measurement*

Financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the gross carrying amount of a financial liability.

### *(iii) De-recognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired.

## **d. Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

## **e. Revenue recognition**

Revenue is measured at fair value of the consideration received or receivable. Ind AS 115, Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with clients.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. A new five-step process must be applied before revenue can be recognised:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognise the revenue as each performance obligation is satisfied.

### *(i) Brokerage fees and trading revenue (principal transaction) - Point of time*

Revenue from contracts with customers is recognised at a point in time when performance obligation is satisfied (when the trade is executed). Revenue from principle transactions are recognised at a point in time when the trade is executed.

### *(ii) Fees and commission income*

Revenue from fees from investment banking activities including issue management, mergers and acquisitions and advisory services is recognised on stage wise basis / as per agreement. Revenue is typically recognised once the transaction is completed and all services have been rendered. Additionally, the Company may earn a fixed fee in merger and acquisition transactions to provide a fairness opinion, with the fees recognised when the opinion is delivered to the client.

Revenue excludes goods and service tax / service tax, wherever recovered.

## **f. Income Tax**

The income tax expense or credit for the period is the tax payable on the taxable income of the current period based on the applicable income tax rates adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

### *(i) Current Tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

### *(ii) Deferred Tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.



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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

**g. Leases**

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

For arrangements entered into prior to April 1, 2017, the Company has determined whether the arrangements contain lease on the basis of facts and circumstances existing on the date of transition.

*Company as a lessee*

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term, unless the increase is in line with expected general inflation, in which case lease payments are recognised based on contractual terms. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

**h. Cash and cash equivalents**

Cash comprises of cash on hand and demand deposits with banks.

The Company considers all highly liquid financial instruments, which are readily convertible into cash and have original maturities of three months or less and which are subject to insignificant risk of change in value, to be cash equivalents.

**i. Trade Receivables**

Trade receivables are amounts due from clients for services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost less loss allowance.

**j. Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items including import duties and other non-refundable taxes or levies (if any).

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying value of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to Statement of Profit and Loss during the reporting period in which they are incurred. Assets, which are not under active use and held for disposal, are stated at lower of net book value and net realizable value.

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

### Transition to Ind AS:

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognized as at April 1, 2017 measured as per the previous GAAP and use that carrying value as deemed cost of the property, plant and equipment.

#### **k. 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 amortisation and accumulated impairment losses, if any.

### Transition to Ind AS:

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its intangibles recognised as at April 1, 2017 measured as per the previous GAAP and use that carrying value as deemed cost of the intangible asset.

#### **l. Depreciation methods, estimated useful lives and residual value**

- 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
Computers and allied equipment	5 years
Enterprise core network assets (larger complex core routers)	10 years
Office equipment	5 years
Furniture and fittings	10 years
Vehicles	5 years

- ii. Assets costing less than the rupee equivalent of USD 2,500 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 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	5 years

#### **m. Impairment of non-financial assets**

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### **n. 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

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

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 compensated absences 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. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in Statement of Profit and Loss as past service cost.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are reclassified to retained earnings under other equity.

**o. Share-based payments**

Bank of America Corporation grants equity based payment awards to employees of the Company under various incentive schemes.

For most awards, expense is generally recognised proportionately over the vesting period net of estimated forfeitures, unless the employee meets certain retirement eligibility criteria. For employees that become retirement eligible during the vesting period, the Company recognises expense from the grant date to the date on which the employee becomes retirement eligible, net of estimated forfeitures.

As this is a group share based payment arrangement, equity settled awards are treated by the Company as equity settled share based payment plans and are measured based on the fair value of those awards at grant date. The fair value determined at the grant date is expensed over the vesting period, based on the Company's estimate of the number of shares that will eventually vest. The Company has entered into a chargeback agreement with BAC under which it is committed to pay BAC the fair market value of awards at the date on which the awards vests to its employees.

For cash based payments, the fair value of the amount payable to the employee is recognised as employee benefit expenses with corresponding increase in liability over the vesting period. The fair value is determined based on the Company's estimate of the number of shares that will eventually vest. At each reporting date, liability in respect of cash settled awards is remeasured based on the fair value of the awards on that date.

**p. Trade and other payables**

These amounts represent liabilities for services provided to the Company prior to the end of financial year, which are unpaid. They are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest method.

**q. Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the Statement of Profit and Loss net of any reimbursement.

**r. Earnings per share (EPS)**

Basic EPS is computed by dividing the net profit or loss for the year attributable to owners of the Company 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 owners of the Company 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.

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

### s. Rounding off

All amounts disclosed in the financial statements and notes have been rounded off to the nearest "million" as per the requirement of Schedule III, unless otherwise stated. Transactions and balances with values below the rounding off norm adopted by the Company have been reflected as "0" in the relevant notes in these financial statements.

### t. Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### u. Contingent liabilities

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

### v. Standards issued but not adopted

#### (i) Ind AS 116 – Leases:

On March 30, 2019, the Ministry of Corporate Affairs (MCA) issued the Companies (Indian Accounting Standards) Amendment Rules, 2019 which notified Ind AS 116, Leases. The amendment rules are effective from reporting periods beginning on or after April 1, 2019. This standard replaces current guidance in Ind AS 17 and is a far reaching change in accounting by lessees in particular.

The new standard eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting under Ind AS 116 is substantially unchanged from today's accounting under Ind AS 17. The lessor still has to classify leases as either finance or operating.

The impact on adoption of this amendment is currently being assessed.

#### (ii) Plan Amendment, Curtailment or Settlement- Amendments to Ind AS 19:

The amendments to Ind AS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change
- any reduction in a surplus should be recognised immediately in profit and loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit and loss even if that surplus was not previously recognised because of the impact of the asset ceiling
- separately recognise any changes in the asset ceiling through other comprehensive income.

The interpretation is effective for annual periods beginning on or after April 1, 2019.

The impact on adoption of this amendment is currently being assessed.

#### (iii) Appendix C - Uncertainty over Income Tax Treatments to Ind AS 12:

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored

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

- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The interpretation is effective for annual periods beginning on or after April 1, 2019.

The impact on adoption of this amendment is currently being assessed.

(iv) *Annual Improvements to Ind AS (2018):*

- **Ind AS 23, "Borrowing Cost"** - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.
- **Ind AS 12, "Income Taxes"** - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends. Previously, it was unclear whether the income tax consequences of dividend should be recognised in profit and loss, or in equity, and the scope of the existing guidance was ambiguous.

The interpretation is effective for annual periods beginning on or after April 1, 2019.

The impact on adoption of this amendment is currently being assessed but is not expected to have material impact on the financial statements.

**3. Significant accounting judgments, estimates and assumptions**

The preparation of financial statements requires the use of accounting estimates that, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical accounting estimates or judgments are:

- (i) Estimation of useful life of property plant and equipments and intangible assets
- (ii) Estimation of defined benefit obligation
- (iii) Estimation of expected credit loss (ECL)
- (iv) Estimation for fair value of financial instruments

Estimates and judgements are evaluated continually. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

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

### 4. Cash and cash equivalents

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
Cash on hand	-	-	-
Cash in transit	-	0	-
Bank balances :			
In current accounts	1,437	1,286	1,087
Fixed deposits with banks with original maturity less than 3 months	9,353	4,410	7,590
Short term, highly liquid investments - Mutual Funds	9,392	10,452	7,113
<b>Total</b>	<b>20,182</b>	<b>16,148</b>	<b>15,790</b>

### 5. Bank balances other than cash and cash equivalents

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
Balances with Banks			
In earmarked accounts :			
Balances in unclaimed dividend bank account	0	0	0
Fixed deposits with banks under lien as collateral with stock exchange / clearing corporation	14,673	10,089	10,274
Other bank balances :			
Fixed deposits with banks with original maturity more than 3 months but less than 12 months	750	2,630	630
<b>Total</b>	<b>15,423</b>	<b>12,719</b>	<b>10,904</b>

### 6. Trade receivables

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
Receivable considered good - Secured	-	-	-
Receivable considered good - Unsecured	407	641	549
Receivable which have significant increase in credit risk	-	-	-
Receivable - Credit impaired	-	-	-
Less: Allowance for impairment loss	-	-	-
<b>Total</b>	<b>407</b>	<b>641</b>	<b>549</b>

### 7. Other receivables

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
Other receivable considered good - Secured	-	-	-
Other receivable considered good - Unsecured			
Unbilled Revenue	265	-	-
Others	38	29	37
Other receivable which have significant increase in credit risk	-	-	-
Other receivable - Credit impaired	1	1	-
Less: Allowance for impairment loss	(1)	(1)	-
<b>Total</b>	<b>303</b>	<b>29</b>	<b>37</b>

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

### 8. Investments

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
<b>At cost</b>			
Investment in subsidiary (unquoted)	-	-	8,250
<b>At fair value through other comprehensive income</b>			
Debt securities	343	718	1
Equity instruments	0	0	0
<b>At fair value through profit and loss</b>			
Equity instruments	-	-	64
<b>Total</b>	<b>343</b>	<b>718</b>	<b>8,315</b>
Less: Allowance for impairment loss	(322)	(6)	(1)
<b>Total</b>	<b>21</b>	<b>712</b>	<b>8,314</b>
Investment in India	21	712	8,314
Investment outside India	-	-	-
<b>Total</b>	<b>21</b>	<b>712</b>	<b>8,314</b>

### 9. Other financial assets

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
Deposit placed with exchanges and depository	42	41	61
Deposit placed for premises and others	86	82	78
Interest Accrued on:			
Fixed deposits	337	186	62
Debt Securities	19	-	-
Other Interest receivable	44	44	-
Less: Allowance for impairment loss	(50)	(44)	-
<b>Total</b>	<b>478</b>	<b>309</b>	<b>201</b>

### 10. Current tax assets (net)

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
Advance payment of taxes [Net of provision for taxes Rs. 27,535 (Rs. 26,854 as of March 31, 2018 and Rs. 19,165 as of April 1, 2017)]	1,192	1,332	1,439
<b>Total</b>	<b>1,192</b>	<b>1,332</b>	<b>1,439</b>

Notes to the Financial Statements (Contd...)

11. Property, plant and equipment

(a) Property, plant and equipment as at March 31, 2019

Particulars	Gross block (at deemed cost)				Accumulated Depreciation			Rs. million
	As at April 1, 2018 (A)	Additions (B)	Deductions (C)	As at March 31, 2019 (D=A+B-C)	As at April 1, 2018 (F)	For the year (H)	Deductions (I)	
Leasehold Improvements	318	-	-	318	31	31	-	256
Computers and Allied Equipment	334	28	6	356	142	84	3	133
Enterprise Core Network Assets	-	85	-	85	-	5	-	80
Office Equipment	140	0	-	140	44	30	-	66
Furniture and Fixtures	78	0	-	78	9	8	-	61
Vehicles	78	-	14	64	20	18	8	34
<b>Total (a)</b>	<b>948</b>	<b>113</b>	<b>20</b>	<b>1,041</b>	<b>246</b>	<b>176</b>	<b>11</b>	<b>630</b>

(b) Property, plant and equipment as at March 31, 2018

Particulars	Gross block (at deemed cost)				Accumulated Depreciation			Rs. million
	As at April 1, 2017 (A)	Additions* (B)	Deductions (C)	As at March 31, 2018 (D=A+B-C)	As at April 1, 2017 (F)	For the year (H)	Deductions (I)	
Leasehold Improvements	312	6	-	318	-	31	-	287
Computers and Allied Equipment	323	11	-	334	-	142	-	192
Office Equipment	137	3	0	140	-	44	0	96
Furniture and Fixtures	76	2	-	78	-	9	-	69
Vehicles	61	26	9	78	-	20	0	58
<b>Total (a)</b>	<b>909</b>	<b>48</b>	<b>9</b>	<b>948</b>	<b>-</b>	<b>246</b>	<b>0</b>	<b>702</b>

\* includes deemed cost of assets acquired on amalgamation of wholly owned subsidiary. Also refer note 36.

12. Intangible assets

(a) Intangible assets as at March 31, 2019

Particulars	Gross block (at deemed cost)				Accumulated Depreciation			Rs. million
	As at April 1, 2018 (A)	Additions (B)	Deductions (C)	As at March 31, 2019 (D=A+B-C)	As at April 1, 2018 (F)	For the year (H)	Deductions (I)	
Software	13	2	-	15	3	3	-	9
<b>Total (a)</b>	<b>13</b>	<b>2</b>	<b>-</b>	<b>15</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>9</b>

(b) Property, plant and equipment as at March 31, 2018

Particulars	Gross block (at deemed cost)				Accumulated Depreciation			Rs. million
	As at April 1, 2017 (A)	Additions* (B)	Deductions (C)	As at March 31, 2018 (D=A+B-C)	As at April 1, 2017 (F)	For the year (H)	Deductions (I)	
Software	4	9	-	13	-	3	-	10
<b>Total (a)</b>	<b>4</b>	<b>9</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>10</b>

\* includes deemed cost of assets acquired on amalgamation of wholly owned subsidiary. Also refer note 36.



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

### 13. Other non-financial assets

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
Prepayments and others	141	191	156
Advances	4	3	3
Gratuity over funded [refer note 33(ii)]	6	29	26
Less: Allowance for impairment	(3)	(3)	(1)
<b>Total</b>	<b>148</b>	<b>220</b>	<b>184</b>

### 14. Trade payables

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
Sundry creditors [refer note 43]			
Total outstanding dues of micro enterprises and small enterprises	2	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	484	310	467
<b>Total</b>	<b>486</b>	<b>310</b>	<b>467</b>

### 15. Other payables

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
Other payables [refer note 43]			
Total outstanding dues of micro enterprises and small enterprises	0	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	105	70	6
<b>Total</b>	<b>105</b>	<b>70</b>	<b>6</b>

### 16. Borrowing

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
<b>At amortised cost</b>			
Secured term loans:			
From banks [Secured against hypothecation of vehicles] [Terms of repayment: Repayable in 48 equal installments from the date of respective loan with varying maturity dates till July 5, 2021 at interest rates ranging from 8.75% p.a to 10.50% p.a.]	22	41	50
<b>Total</b>	<b>22</b>	<b>41</b>	<b>50</b>
Borrowings in India	22	41	50
Borrowings outside India	-	-	-
<b>Total</b>	<b>22</b>	<b>41</b>	<b>50</b>

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

### 17. Other financial liabilities

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
Unpaid dividend	0	0	0
Client margin money	14,076	9,293	9,404
Salaries and incentives payable	149	137	135
<b>Total</b>	<b>14,225</b>	<b>9,430</b>	<b>9,539</b>

### 18. Provisions

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
Provision for employee benefits: Compensated absences	255	194	203
<b>Total</b>	<b>255</b>	<b>194</b>	<b>203</b>

### 19. Other non-financial liabilities

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
Statutory dues including Provident fund, Tax deducted at source, Goods and service tax and Service tax	182	129	82
Rent equalisation	-	10	51
Others	34	84	120
<b>Total</b>	<b>216</b>	<b>223</b>	<b>253</b>

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

### 20. Equity share capital

Particulars	As at March 31, 2019		As at March 31, 2018		As at April 1, 2017	
	Number of Shares	Rs. million	Number of Shares	Rs. million	Number of Shares	Rs. million
<b>Authorised</b>						
Equity shares of Rs. 10 each	283,750,000	2,838	283,750,000	2,838	73,750,000	738
Cumulative redeemable preference shares of Rs. 10 each	810,000,000	8,100	810,000,000	8,100	810,000,000	8,100
<b>Total</b>		10,938		10,938		8,838
<b>Issued, subscribed and paid up</b>						
Equity shares of Rs. 10/- each, fully paid up	23,155,039	232	23,155,039	232	23,155,039	232
<b>Total</b>	23,155,039	232	23,155,039	232	23,155,039	232

### Reconciliation of number of shares :

Particulars	As at March 31, 2019		As at March 31, 2018		As at April 1, 2017	
	Number of Shares	Rs. million	Number of Shares	Rs. million	Number of Shares	Rs. million
Balance as at the beginning of the year	23,155,039	232	23,155,039	232	23,155,039	232
Balance as at the end of the year	23,155,039	232	23,155,039	232	23,155,039	232

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.

### Rights, preferences and restrictions attached to 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. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

Name of Shareholder	Nature of Relationship	As at March 31, 2019		As at March 31, 2018		As at April 1, 2017	
		Number of Shares	Rs. million	Number of Shares	Rs. million	Number of Shares	Rs. million
GHS Singapore Holdings Pte Limited	Holding Company	23,143,897	231	23,143,897	231	23,143,905	231

### Reconciliation of number of shares :

Particulars	As at March 31, 2019		As at March 31, 2018		As at April 1, 2017	
	Number of Shares	% of holding	Number of Shares	% of holding	Number of Shares	% of holding
GHS Singapore Holdings Pte Limited	23,143,897	99.95%	23,143,897	99.95%	23,143,905	99.95%

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

### 21. Other equity

Refer Statement of Changes in Equity for detailed movement in equity balances.

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
<b>Summary of other equity balances</b>			
<u>Reserves and Surplus</u>			
Capital reserve	-	-	-
Capital redemption reserve	8,100	8,100	8,100
Securities premium	44	44	-
Reserve under Section 45-IC of the Reserve Bank of India Act, 1934	-	-	-
General reserve	4,511	4,511	4,511
Share based payment reserve	169	117	29
Retained earnings	10,735	9,879	15,126
<u>Other reserve</u>			
Debt securities through FVOCI	16	16	-
<b>Total</b>	<b>23,575</b>	<b>22,667</b>	<b>27,766</b>

### Nature and purpose of reserves

#### i) Capital reserve

On amalgamation, the Company recognizes the excess of value of assets over the value of liabilities and reserves as on the date of amalgamation of the subsidiary company after adjusting the Company's investment in equity shares of wholly owned subsidiary to capital reserve.

#### ii) Capital redemption reserve

As per Companies Act, 2013, capital redemption reserve is created when company purchases its own equity shares / preference shares out of free reserves or securities premium. A sum equal to the nominal value of the shares so purchased is transferred to capital redemption reserve. The reserve is utilized in accordance with the provisions of section 69 of the Companies Act, 2013.

#### iii) Securities premium

Securities premium is used to record the premium on issue of equity shares/preference shares/debentures. The reserve is utilized in accordance with the provisions of section 52 of the Companies Act, 2013.

#### iv) Reserve under Section 45-IC of the Reserve Bank of India Act, 1934

On amalgamation, the reserve fund created under section 45-IC of the Reserve Bank of India Act, 1934, by the erstwhile subsidiary, DSP Merrill Lynch Capital Limited was transferred to the Company. This reserve is subsequently transferred to retained earnings. Also refer note no. 37.

#### v) General reserve

The general reserve is a free reserve which is used from time to time to transfer profits from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of Other Comprehensive Income, items included in the general reserve will not be reclassified subsequently to Statement of Profit and Loss.

#### vi) Share based payment reserve

The fair value of the equity settled share based payment transaction with employees of the Company in terms of the global long-term incentive compensation plans of the ultimate controlling enterprise is recognised in statement of profit and loss with corresponding credit to employee stock reserve. Any subsequent payment to the ultimate controlling enterprise is debited to the employee stock reserve.

#### vii) Retained earnings

Retained earnings are the profits that the Company has earned till date, less any transfers to General reserve, dividends or other distributions paid to shareholders.

#### viii) Debt securities through FVOCI

The fair value change of debt securities measured at fair value through other comprehensive income is recognised in Debt securities through FVOCI. Upon derecognition, the cumulative fair value changes on the said securities are reclassified to the Statement of Profit and Loss.

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

### 22. Fees and commission income

Particulars	Year ended March 31, 2019 Rs. million	Year ended March 31, 2018 Rs. million
Professional fees	375	1,032
Brokerage / marketing fees	2,209	2,903
Depository participant income	-	5
<b>Total</b>	<b>2,584</b>	<b>3,940</b>

### 23. Other income

Particulars	Year ended March 31, 2019 Rs. million	Year ended March 31, 2018 Rs. million
Interest Income		
- On financial assets measured at amortised cost:		
Bank deposits	1,230	1,302
Unwinding of discount on financial assets	9	8
- On financial assets measured at FVOCI:		
Debt securities	95	152
- Other interest income (including interest on Income tax refund)	89	0
Dividend income	-	2
Infrastructure and support fees recovered	21	30
Secondment charges recovered	9	8
Gain on derecognition of financial liability	1	4
Net gain / (loss) on derecognition of property plant and equipment	(2)	(2)
Net gain / (loss) on foreign currency transactions	(16)	(2)
Net gain / (loss) on fair value changes		
- On debt instruments designated at Fair value through OCI	3	2
- On financial instruments at fair value through profit and loss	920	905
Miscellaneous income	7	3
<b>Total</b>	<b>2,366</b>	<b>2,412</b>
Break up of Net gain / (loss) on fair value changes		
Realised	923	952
Unrealised	(0)	(45)
<b>Total</b>	<b>923</b>	<b>907</b>

### 24. Finance costs

Particulars	Year ended March 31, 2019 Rs. million	Year ended March 31, 2018 Rs. million
On Financial liabilities carried at amortised cost		
Interest expense on borrowings	3	5
<b>Total</b>	<b>3</b>	<b>5</b>

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

### 25. Fees and commission expenses

Particulars	Year ended March 31, 2019 Rs. million	Year ended March 31, 2018 Rs. million
Brokerage, clearing charges and exchange fees	80	97
Sub-brokerage, fees, commission and other direct expenses	1	1
<b>Total</b>	<b>81</b>	<b>98</b>

### 26. Impairment on financial instruments

Particulars	Year ended March 31, 2019 Rs. million	Year ended March 31, 2018 Rs. million
Allowance for impairment of financial instruments	322	15
<b>Total</b>	<b>322</b>	<b>15</b>

### 27. Employee benefits expenses

Particulars	Year ended March 31, 2019 Rs. million	Year ended March 31, 2018 Rs. million
Salaries and incentives	1,408	1,214
Contribution to provident fund [refer note 33]	44	44
Share based payment	146	237
Gratuity [refer note 33(ii)]	26	36
Staff welfare expenses	18	18
<b>Total</b>	<b>1,642</b>	<b>1,549</b>

### 28. Depreciation, amortisation and impairment

Particulars	Year ended March 31, 2019 Rs. million	Year ended March 31, 2018 Rs. million
Depreciation on property plant and equipment [refer note 11]	176	246
Amortisation on intangible assets [refer note 12]	3	3
<b>Total</b>	<b>179</b>	<b>249</b>

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

### 29. Other expenses

Particulars	Year ended March 31, 2019 Rs. million	Year ended March 31, 2018 Rs. million
Advertisement, publicity and sales promotion	41	27
Bad debts and advances written off	5	-
Communication costs, net	94	72
Corporate Social Responsibility expenditure [refer note 32 (b)]	57	57
Data subscription costs, net	96	76
Electricity	34	32
Infrastructure and support costs	103	-
Insurance	3	4
Legal and professional fees, net	118	120
Auditors remuneration (excluding taxes)	6	7
Printing and stationery	1	2
Rates and taxes	207	109
Rent	218	171
Repairs and maintenance	157	164
Secondment charges incurred	14	13
Travelling expenses, net	54	57
Miscellaneous expenses	10	11
<b>Total</b>	<b>1,218</b>	<b>922</b>

### 30. Contingent liabilities :

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
<b>(a) Claims against the company not acknowledged as debt:</b>			
- Income-tax demands disputed in appeals before the authorities to the extent not provided for and fully paid	830	866	1,040
<b>(b) Others</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Total</b>	<b>831</b>	<b>867</b>	<b>1,041</b>

### 31. Commitments

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for	4	8	20
<b>Total</b>	<b>4</b>	<b>8</b>	<b>20</b>

### 32. Additional disclosures

#### a. Payment to auditors (including taxes):

Particulars	Year ended March 31, 2019 Rs. million	Year ended March 31, 2018 Rs. million
Audit Fees	6	6
For other services [tax audit fees and certification]	1	2
<b>Total</b>	<b>7</b>	<b>8</b>

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

### 32. Additional disclosures

#### b. Corporate Social Responsibility (CSR) expenditure:

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million
(1) Gross amount required to spent by the Company during the year	57	57
(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	57	57
Yet to be paid in cash	-	-
<b>Total</b>	<b>57</b>	<b>57</b>

### 33. Employee benefits

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

##### i. Defined contribution plan:

Company's contribution to provident fund **Rs. 44 million** [Previous year Rs. 44 million]

The Hon'ble Supreme Court of India issued an order dated February 28, 2019 relating to employer's contribution to the provident fund ('PF') under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. The Company will assess implications, if any, on the financial statements in future based on any additional clarity that may emerge and basis information currently available, does not expect the impact to be material.

##### ii. Defined Benefit plan:

Defined benefit plan represents the gratuity benefits payable to the employees. The Company has a funded plan for gratuity which is managed by DSP Merrill Lynch Limited Employees' Gratuity Fund.

#### (a) Reconciliation of fair value of assets and obligations

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
Present value (PV) of funded obligation for gratuity	(264)	(235)	(247)
Fair value of plan assets	270	264	273
<b>Balance as at the year end - Surplus</b>	<b>6</b>	<b>29</b>	<b>26</b>

#### (b) Reconciliation of opening and closing balances of Defined Benefit Obligation

Particulars	Year ended March 31, 2019 Rs. million	Year ended March 31, 2018 Rs. million
Opening defined benefit obligation	235	247
Current service cost	27	30
Interest cost	17	17
Past service cost	-	8
Actuarial (gain) / loss arising from change in financial assumptions	4	(8)
Actuarial (gain) / loss arising from experience adjustment	(4)	(49)
Acquisition / (Transfer)	(1)	8
Benefits paid	(14)	(18)
<b>Defined benefit obligation at year end</b>	<b>264</b>	<b>235</b>



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

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

#### (c) Reconciliation of opening and closing balances of fair value of plan assets

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million
Opening fair value of plan assets	264	273
Expected return on plan assets	18	19
Actuarial (gain) / loss arising from change in financial assumptions	2	(10)
Contributions by employer	-	-
Benefits paid	(14)	(18)
<b>Fair value of plan assets at year end</b>	<b>270</b>	<b>264</b>

#### (d) Expenses recognised during the year

Particulars	Year ended March 31, 2019 Rs. million	Year ended March 31, 2018 Rs. million
<b>In Income Statement</b>		
Current service cost	28	30
Past service cost - plan amendment	-	8
Interest cost	(2)	(2)
Return on plan assets	-	-
<b>Net cost</b>	<b>26</b>	<b>36</b>
<b>In Other Comprehensive Income</b>		
Actuarial (gain) / loss arising from change in demographic assumption	-	-
Actuarial (gain) / loss arising from change in financial assumptions	2	2
Actuarial (gain) / loss arising from experience adjustment	(4)	(49)
<b>Net (income)/ expense for the period recognised in OCI</b>	<b>(2)</b>	<b>(47)</b>

#### (e) Investment details

Particulars	As at March 31, 2019 Rs. million	As at March 31, 2018 Rs. million	As at April 1, 2017 Rs. million
Government of India securities	78%	75%	79%
High quality corporate bonds (including public sector bonds)	17%	22%	18%
Cash (including Special deposit scheme)	2%	2%	3%
Others	3%	1%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### (f) Principal actuarial assumptions

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Discount rate p.a.	7.40%	7.60%	7.15%
Salary escalation rate p.a.	9.00%	9.00%	9.00%
Expected rate of return on assets (p.a.)	7.40%	7.60%	7.15%
Attrition rate	8.50%	8.50%	8.50%

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...)

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

#### (g) Sensitivity Analysis

Particulars	Year ended March 31, 2019 Rs. million	Year ended March 31, 2018 Rs. million
Change in discounting rate		
Increase in rate by 1%	(20)	(18)
Decrease in rate by 1%	23	21
Change in rate of salary increase		
Increase in rate by 1%	23	20
Decrease in rate by 1%	(20)	(18)
Change in rate of employee turnover		
Increase in rate by 5%	(13)	(10)
Decrease in rate by 5%	18	13

The sensitivity results above determine their individual impact on the Plan's end of year Defined Benefit Obligation. In reality, the Plan is subject to multiple external experience items which may move the Defined Benefit Obligation in similar or opposite directions, while the Plan's sensitivity to such changes can vary over time.

#### (h) Weighted Average duration and expected employer contribution:

Weighted average duration of the defined benefit plan as at March 31, 2019 is 9 years (as at March 31, 2018, 10 years). Expected employer contribution for the next year is Rs. 19 million.

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

### 34. 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 <sup>(c)</sup>
4	Bank of America, N.A - India Branches	Fellow Subsidiary
5	Bank of America, National Association - USA	Fellow Subsidiary
6	Bank of America, N.A - Singapore Branches	Fellow Subsidiary
7	Merrill Lynch Capital Markets Espana, S.A., S.V.	Fellow Subsidiary
8	Merrill Lynch International, LLC	Fellow Subsidiary <sup>(d)</sup>
9	Merrill Lynch Markets Singapore Pte. Limited	Fellow Subsidiary
10	Merrill Lynch Global Services Pte. Limited	Fellow Subsidiary
11	Merrill Lynch International	Fellow Subsidiary
12	Merrill Lynch (Singapore) Pte. Limited	Fellow Subsidiary
13	Merrill Lynch, Pierce, Fenner & Smith Inc.	Fellow Subsidiary
14	Bacna Singapore Holdings Private Limited	Fellow Subsidiary
15	Asit Bhatia, Ameer Parikh, Arbind Maheswari, Charulata Sippy, Rajnarayan Balakrishnan, Sundararaman Ramamurthy	Key Management Personal (KMP)

(a) Refer Note 1 - Company background

(b) Refer Note 20 - Equity share capital

(c) Subsidiary company, DSP Merrill Lynch Capital Limited merged with the Company w.e.f April 1, 2017 [refer note 36]

(d) Formerly known as Merrill Lynch International Inc.

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

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

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

Rs. million						
Sr. No.	Nature of transaction	Ultimate Controlling Enterprise	Holding Company	Subsidiaries [refer note 36]	Fellow Subsidiaries	Key Management Personnel (KMP)
1	<b>Equity share capital</b> Balance as at March 31, 2019 <i>Previous year</i> <i>As at April 1, 2017</i>	- - -	231 231 231	- - -	- - -	- - -
2	<b>Investments</b> <i>Previous year</i> <i>As at April 1, 2017</i>	- - -	- - -	- - 8,250	- - -	- - -
3	<b>Bank balance</b> <i>Previous year</i> <i>As at April 1, 2017</i>	- - -	- - -	- - -	4 <sup>(1)</sup> 34 62	- - -
4	<b>Fixed deposits - placement</b> Placed during the year <i>Previous year</i> Matured during the year <i>Previous year</i> Balance as at March 31, 2019 <i>Previous year</i> <i>As at April 1, 2017</i>	- - - - - - -	- - - - - - -	- - - - - - -	4,250 <sup>(1)</sup> - 250 <sup>(1)</sup> - 4,000 <sup>(1)</sup> - -	- - - - - - -
5	<b>Margin deposits</b> Received during the year <i>Previous year</i> Refunded / adjusted during the year <i>Previous year</i> Balance as at March 31, 2019 <i>Previous year</i> <i>As at April 1, 2017</i>	- - - - - - -	- - - - - - -	- - - - - - -	50,770 <sup>(2)</sup> 42,351 45,887 <sup>(3)</sup> 42,814 (13,256) (8,373) (8,836)	- - - - - - -
6	<b>Dividend paid on equity shares</b> <i>Previous year</i>	- -	- 8,679	- -	- -	- -
7	<b>Revenue from operations</b> Fees and commission income <i>Previous year</i> Balance as at March 31, 2019 <i>Previous year</i> <i>As at April 1, 2017</i>	- - - - -	- 0 - 0 -	- - - - -	584 <sup>(4)</sup> 967 324 8 34	- - - - -
8	<b>Other income</b>					
a)	<b>Infrastructure and support fees recovered</b> <i>Previous year</i> Balance as at March 31, 2019 <i>Previous year</i> <i>As at April 1, 2017</i>	- - - - -	- - - - -	- - - - 22	21 <sup>(1)</sup> 30 1 3 7	- - - - -
b)	<b>Interest Income</b> <i>Previous year</i> Balance as at March 31, 2019 <i>Previous year</i> <i>As at April 1, 2017</i>	- - - - -	- - - - -	- - - - -	24 <sup>(1)</sup> - 21 - -	- - - - -
c)	<b>Secondment charges recovered</b> <i>Previous year</i> Balance as at March 31, 2019 <i>Previous year</i> <i>As at April 1, 2017</i>	- - - - -	- - - - -	- - - - -	9 <sup>(1)</sup> 8 1 1 2	- - - - -

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

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

#### ii. Transactions during the year / balances with related parties (Contd...)

					Rs. million
Sr. No.	Nature of transaction	Ultimate Controlling Enterprise	Holding Company	Fellow Subsidiaries	Key Management Personnel (KMP)
9	<b>Recovery of amounts</b> <i>Previous year</i> Balance as at March 31, 2019 <i>Previous year</i> <i>As at April 1, 2017</i>	- - - - -	- - - - -	3 <sup>(5)</sup> 1 - - 0	- - - - -
10	<b>Payment / (recovery) in respect of retirement benefits of transferred employees, net</b> <i>Previous year</i> Balance as at March 31, 2019 <i>Previous year</i> <i>As at April 1, 2017</i>	- - - - -	- - - - -	(1) <sup>(1)</sup> (0) (1) (0) (3)	- - - - -
11	<b>Remuneration</b> <i>Previous year</i> Balance as at March 31, 2019 <i>Previous year</i> <i>As at April 1, 2017</i>	- - - - -	- - - - -	- - - - -	148 <sup>(6)</sup> 143 (0) (1) 0
12	<b>Infrastructure costs incurred</b> <i>Previous year</i> Balance as at March 31, 2019 <i>Previous year</i> <i>As at April 1, 2017</i>	- - - - -	- - - - -	103 <sup>(1)</sup> - (66) - -	- - - - -
13	<b>Secondment charges incurred</b> <i>Previous year</i> Balance as at March 31, 2019 <i>Previous year</i> <i>As at April 1, 2017</i>	- - - - -	- - - - -	14 <sup>(1)</sup> 13 (2) (1) (43)	- - - - -
14	<b>Interest and bank charges</b> <i>Previous year</i>	- -	- -	0 <sup>(1)</sup> 0	- -
15 a)	<b>Other expenses</b> <b>Fees and commission expenses</b> <i>Previous year</i> Balance as at March 31, 2019 <i>Previous year</i> <i>As at April 1, 2017</i>	- - - - -	- - - - -	- - - (0) (3)	- - - - -
b)	<b>Professional fees expenses</b> <i>Previous year</i> Balance as at March 31, 2019 <i>Previous year</i> <i>As at April 1, 2017</i>	- - - - -	- - - - -	9 <sup>(7)</sup> 9 (6) (9) (17)	- - - - -

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

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

#### ii. Transactions during the year / balances with related parties (Contd...)

					Rs. million
Sr. No.	Nature of transaction	Ultimate Controlling Enterprise	Holding Company	Fellow Subsidiaries	Key Management Personnel (KMP)
16	<b>Receivable towards with-holding tax (TDS) recovered from employees on stock compensation, etc..</b>	33	-	-	-
	<i>Previous year</i>	22	-	-	-
	<i>As at April 1, 2017</i>	-	-	-	-
17	<b>Reimbursement towards restricted stocks/units, net</b>	54	-	-	-
	<i>Previous year</i>	-	-	-	-
	Balance as at March 31, 2019	(89)	-	-	-
	<i>Previous year</i>	(54)	-	-	-
	<i>As at April 1, 2017</i>	-	-	-	-

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

- (1) Amounts relates to Bank of America N. A. - India Branches
- (2) Margin deposit placed includes Rs. 50,770 million [previous year Rs. 42,350 million] placed by Merrill Lynch Markets Singapore Pte. Limited.
- (3) Margin deposit refunded includes Rs. 45,887 million [previous year Rs. 42,805 million] refunded to Merrill Lynch Markets Singapore Pte. Limited.
- (4) Income from fees and commission income includes commission income of Rs. 348 million [Previous year Rs. 895 million] from Merrill Lynch Markets Singapore Pte Limited, Rs. Nil [Previous year Rs. 10 million] from Merrill Lynch Capital Markets Espana, S.A., S.V. and Professional fees income of Rs. 178 million [Previous year Rs. Nil] from Merrill Lynch, Pierce, Fenner & Smith Inc.
- (5) Amounts relate to Merrill Lynch International, LLC
- (6) Includes Short term employee benefits Rs. 99 million (Previous year Rs. 94 million), Post employment benefits Rs. 2 million (Previous year Rs. 2 million), other long term benefits Rs. 2 million (Previous year Rs. 0 million), Termination benefits Rs. 2 million (Previous year Rs. 1 million), share based payment Rs. 43 million (Previous year Rs. 48 million).
- (7) Includes Rs 6 million [Previous year Rs. 7 million] pertaining to Merrill Lynch Global Services Pte. Limited and Rs. 3 million [Previous year Rs. 2 million] pertaining to Bank of America N.A. - USA.

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

### 35. Segment reporting :

The Company has identified two primary reportable business segments namely 'Advisory and Transactional Services' and 'Principal Transactions' in terms of Ind AS 108 "Operating Segment". Information in respect of reportable segments performance is given below:

Sr. No.	Particulars	Advisory and Transactional Services		Principal Transactions		Unallocable		Total	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
1	Segment Revenue	3,509	4,700	1,449	1,652	(8)	(0)	4,950	6,352
2	Segment Results	490	1,988	1,046	1,545	(31)	(19)	1,505	3,514
3	Segment Assets	17,734	12,779	19,602	18,380	1,780	2,008	39,116	33,167
4	Segment Liabilities	14,921	9,852	9	16	379	400	15,309	10,268
5	Capital Expenditure	111	46	4	1	-	9	115	56
6	Depreciation/ amortisation	172	240	7	9	-	-	179	249
7	Other significant non-cash expenses	251	260	327	14	-	-	577	275

Segment Information as at April 1, 2017

Particulars	Rs. million
Segment Assets	
Advisory and Transactional Services	12,815
Principal Transactions	15,464
Unallocable	10,237
Total	38,516
Segment Liabilities	
Advisory and Transactional Services	10,221
Principal Transactions	16
Unallocable	281
Total	10,518

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 Financial Statements (Contd...)

### 36. Amalgamation of wholly-owned subsidiary:

- a. DSP Merrill Lynch Capital Limited (DSPMLC), a wholly owned subsidiary of the Company, was incorporated on April 7, 2005 under the Companies Act, 1956 and was registered as Non-deposit taking Non-Banking Financial Company (NBFC) with the Reserve Bank of India (RBI). It was primarily engaged in financing and lending activities. It also undertook principal transactions in securities, and other financial products including in units of mutual fund schemes and government securities.
- b. The Board of Directors of DSPMLC at its meeting held on January 13, 2017 passed a resolution to discontinue its operations as a NBFC. Subsequently, an application for voluntary surrender /cancellation of Certificate of Registration ("COR") to carry on business of NBFC was submitted to RBI on March 6, 2017. RBI passed an order dated August 10, 2017 to cancel the Certificate of Registration.
- c. The Board of Directors of the Company at its meeting held on July 21, 2017 approved the amalgamation of DSPMLC (hereinafter referred to as the Transferor Company) with the Company. Necessary application was made to the Regional Director ("RD") under the office of the Ministry of Corporate Affairs, Mumbai on October 4, 2017. The RD approved the scheme of amalgamation on March 6, 2018 (the effective date) with the appointed date of amalgamation as April 1, 2017. The certified copy of the RD order was filed with the Registrar of Companies by DSPMLC and the Company on March 8, 2018 and March 9, 2018 respectively.
- d. Pursuant to the scheme of amalgamation, the entire undertaking including all assets and liabilities of the Transferor Company have been transferred to and vested in the Company with effect from April 1, 2017. No shares have been issued by the Company since the Transferor Company was a wholly owned subsidiary of the Company.
- e. The authorized share capital of the Transferor Company of Rs. 2,100 million comprising of 210,000,000 equity shares of Rs. 10 each has been added to the authorized share capital of the Company.
- f. The amalgamation has been accounted for under the "Pooling of Interest" method as prescribed by the Accounting Standard (AS) 14 "Accounting for Amalgamations" subject to any specific provisions mentioned in the approved scheme of amalgamation. Accordingly, the accounting treatment has been given as under:
  1. The assets, liabilities and reserves of the Transferor Company have been recorded in the books of the Company at their respective book values and in the same form as appearing in the books of the Transferor Company as at the close of business on March 31, 2017.
  2. 205,000,000 equity shares of Rs. 10 each fully paid in the Transferor Company held as investment by the Company along with its nominee shareholders have been cancelled.
  3. The excess of the value of assets over the value of liabilities and reserves of the Transferor Company as appearing in the books of the Transferor Company as at the close of business on March 31, 2017 have been recorded as Capital Reserve.

Balances as at March 31, 2017 in the Transferor Company

Particulars	Rs. million
(a) Total Assets	11,672
(b) Other Equity	9,516
(c) Total Liabilities	106
<b>(d) Net balance transferred to Capital reserve on amalgamation (a-b-c)</b>	<b>2,050</b>

4. The Company's cost of investment in the Transferor Company, Rs. 8,250 million as appearing in the Company's books as at the close of business on March 31, 2017 has been first adjusted against the Capital Reserve as created above to the extent of Rs. 2,050 million. The balance cost of Rs. 6,200 million has been adjusted against the securities premium account vested in the Company in accordance with the provisions of the approved scheme of amalgamation.



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

### 36. Amalgamation of wholly-owned subsidiary (Contd...):

5. There is a net accretion of Rs. 3,316 million to the reserves of the Company on account of the amalgamation as below:

Particulars	Rs. million
Securities premium account	44
Reserve under section 45-IC of the Reserve Bank of India Act, 1934	3,011
Surplus in Statement of Profit and Loss	261
<b>Total</b>	<b>3,316</b>

6. The expenses of amalgamation have been charged to the Statement of Profit and Loss of the Company.
- g. The accounting in accordance with the scheme of amalgamation discussed in point f. above is different from the accounting prescribed under Ind AS. Under Ind AS, amalgamation is a common control business combination that would have been accounted as per Appendix C of Ind AS 103. As per paragraph 9(iii) to Appendix C of Ind AS 103, the financial information in respect of the prior periods would have been restated as if the business combination had occurred from the beginning of the preceding period in the financial statements. Since under the scheme accounting assets, liabilities and reserves do not form part of the Ind AS opening balance sheet as of April 1, 2017, to this extent, the accounting as required by the scheme of amalgamation is not in line with requirements of Appendix C of Ind AS 103.
- h. The scheme of amalgamation specifically requires initial recognition of assets, liabilities and reserves taken over as per point f.1. above. Further, paragraph 16.9 of the scheme of amalgamation requires accounting of the restatement of the balances taken over of the Transferor Company in the financial year 2017-18, to comply with Ind AS, in the general reserve. If the Company would have adopted accounting prescribed by Appendix C of Ind AS 103, the impact of transition would have been considered as part of the transition adjustments and made to retained earnings.

### 37. Reserve under Section 45-IC of the Reserve Bank of India Act, 1934

Consequent to the cancellation of Certificate of Registration as NBFC of DSP Merrill Lynch Capital Limited by RBI on August 10, 2017, the reserve fund created under section 45-IC of the Reserve Bank of India Act, 1934, aggregating to Rs. 3,011 million has been transferred to retained earnings during the year ended March 31, 2018.

### 38. Operating Lease:

Particulars	Year ended March 31, 2019 Rs. million	Year ended March 31, 2018 Rs. million
<b>Future minimum lease rental relating to non-cancellable operating lease</b>		
a) Due within one year	-	31
b) Due between one and five year	-	-
c) Due beyond five years	-	-
<b>Total</b>	<b>-</b>	<b>31</b>

Lease rental charges (including cancellable leases) recognised in the Statement of Profit and Loss **Rs. 218 million** (Previous year Rs. 171 million).

The Company has not sub-leased any part of the above premises. There are no lease payments recognized in the Statement of Profit and Loss 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.

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

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

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Net profit after tax: attributable to equity shareholders [Rs. million]	855	1,885
Weighted average numbers of shares outstanding during the year	23,155,039	23,155,039
Face value per share [Rs.]	10	10
<b>Basic EPS [Rs.]</b>	<b>37</b>	<b>81</b>

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

### 40. Share Based Payments

Restricted stocks / restricted units (RSU) 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 / four equal annual installments beginning one year from the grant date. The fair value of restricted stocks / restricted units were determined based on the price of BAC common stock at the date of grant. Recipients of RSU awards may receive cash payments equivalent to dividends.

During the year ended March 31, 2019, **88,807 numbers** of restricted stocks / restricted units were granted (Previous year 69,605) and the average estimated fair value per unit on the date of grant was **US\$ 28.01** (Previous year US\$ 32.16). Employee benefits expense for the year includes **Rs. 14 million** (Previous year Rs. 93 million) towards cash-settled awards and **Rs. 132 million** (Previous year Rs. 144 million) towards equity settled awards. The liability towards restricted stocks / restricted units (cash settled) recognised as on March 31, 2019 is **Rs. 34 million** (as at March 31, 2018 Rs. 84 million and as at April 1, 2017 Rs. 100 million)

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

### 42. Income Taxes

#### a) Reconciliation of the total tax charge

The tax charge shown in the Statement of Profit and Loss differs from the tax charge that would apply if all profits had been charged at India corporate tax rate. A reconciliation between the tax expense and the accounting profit multiplied by India corporate tax rate for the years ended March 31, 2019 and March 31, 2018 is as follows:

Particulars	Year ended March 31, 2019 Rs. million	Year ended March 31, 2018 Rs. million
Accounting profit before tax	1,505	3,514
Tax at India's statutory income tax rate of 34.944% (previous year 34.608%)	526	1,216
Tax effect of income that is not taxable in determining taxable profit	(4)	(44)
Tax effect of expenses / allowances that are not deductible in determining taxable profit	124	30
Tax expense pertaining to prior years	(25)	428
Effect of change in tax rate	-	(2)
Others	29	1
Income tax expense at effective tax rate	650	1,629
Effective tax rate	43.189%	46.357%

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

### 42. Income Taxes (Contd...)

#### b) Movement of deferred tax assets and liability

Rs. million

Movement for the year ended March 31, 2019	As at April 1, 2018	(Charge)/ Credit in the Statement of Profit and Loss	(Charge) / Credit in other comprehensive Income	Charge / (Credit) on account of change in tax rate	As at March 31, 2019
Deferred tax assets					
- Disallowance u/s 43B of Income-tax Act, 1961	78	(14)	-	-	64
- Depreciation / amortisation, net	55	2	-	-	57
- Allowance for impairment on interest receivable	15	-	-	-	15
- Amortisation cost of restricted stock/units	39	20	-	-	59
- Employee benefit plans	68	20	(1)	-	87
- Others	7	3	-	-	10
Total (a)	262	31	(1)	-	292
Deferred tax liability					
- Unrealised gain on financial instruments carried at FVTPL	8	(0)	-	-	8
Total (b)	8	(0)	-	-	8
Deferred tax assets, net (a-b)	254	31	(1)	-	284

Rs. million

Movement for the year ended March 31, 2018	As at April 1, 2017	(Charge)/ Credit in the Statement of Profit and Loss*	(Charge) / Credit in other comprehensive Income	Charge / (Credit) on account of change in tax rate	As at March 31, 2018
Deferred tax assets					
- Disallowance u/s 43B of Income-tax Act, 1961	87	(10)	-	1	78
- Depreciation / amortisation, net	24	30	-	1	55
- Allowance for impairment on interest receivable	-	15	-	0	15
- Amortisation cost of restricted stock/units	10	29	-	0	39
- Employee benefit plans	70	(3)	-	1	68
- Others	4	3	-	-	7
Total (a)	195	64	-	3	262
Deferred tax liability					
- Unrealised gain on financial instruments carried at FVTPL	23	(15)	-	0	8
Total (b)	23	(15)	-	0	8
Deferred tax assets, net (a-b)	172	79	-	3	254

\* includes deferred tax asset acquired on amalgamation of wholly owned subsidiary amounting to Rs. 21 million

The Company has not created deferred tax asset on the ECL provision recognised on debt securities as at the respective reporting dates.

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

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

Particulars	Year ended March 31, 2019 Rs. million	Year ended March 31, 2018 Rs. million
The following details relating to Micro and Small Enterprises shall be disclosed:		
(a) the principal amount and the interest due thereon remaining unpaid	2	-
(b) the amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006. along with the amount of the payment made to the supplier beyond the appointed day during each accounting year	-	-
(c) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	-	-
(d) the amount of interest accrued and remaining unpaid at the end of each accounting year	0	-
(e) the amount of further interest remaining due and payable even in the succeeding years. until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of 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.

### 44. Financial Risk Management

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's risk policy operates alongside BAC's global framework. The Company's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Company's financial performance.

The management is responsible for setting the objectives and underlying principles of financial risk management for the Company. The management establishes detailed policies such as risk management and measurement and exposure limits.

The Company seeks to ensure that the risks associated with such transactions are managed in compliance with various external regulatory and internal guidelines.

The following describes the potential risks that the Company may face:

#### (i) Market Risk

Market risk is the potential change in an instrument's value caused by fluctuations in currency, price and interest rates, as may be applicable. The level of market risk is influenced by the volatility and liquidity in the markets in which financial instruments are traded.

Market risk exposures for all financial assets and liabilities are measured using sensitivity analysis. The following discussion describes the types of market risk faced by the Company.

#### (a) Currency risk

Foreign exchange risk arises from the possibility that fluctuations in foreign exchange rates will affect the value of financial instruments. The Company's financial assets and liabilities are mainly denominated in Indian Rupees.

The following table summarises the currency denomination of the Company's foreign currency financial instruments:

Particulars	As at March 31, 2019	
	Transactional currency	
	USD	SGD
Financial Assets [Equivalent Rs. million]	300	-
Financial Liabilities [Equivalent Rs. million]	106	0

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

### 44. Financial Risk Management (Contd...)

Particulars	As at March 31, 2018	
	Transactional currency	
	USD	SGD
Financial Assets [Equivalent Rs. million]	427	-
Financial Liabilities [Equivalent Rs. million]	69	0

Particulars	As at April 1, 2017		
	Transactional currency		
	USD	SGD	GBP
Financial Assets [Equivalent Rs. million]	24	-	-
Financial Liabilities [Equivalent Rs. million]	23	1	0

A 5% appreciation / depreciation of the respective foreign currencies with respect to functional currency of the Company would result in decrease / increase in the Company's profit after tax by approximately Rs. 6 million for the year ended March 31, 2019 (Previous year: Rs. 12 million). Sensitivity results presented above are based on the assumption that all the other parameters remain constant.

#### (b) Price risk

The Company has insignificant exposure to equity price risk as it does not hold significant investment in equity financial assets.

#### (c) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to fair value changes due to interest rate changes in short term, highly liquid investments in mutual funds. The Company's exposure to interest rate risk is as follows:

Particulars	Rs. million		
	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Short term, highly liquid investments - Mutual Funds	9,392	10,452	7,113

#### Sensitivity analysis

The Company's short term, highly liquid investments in mutual funds are with highly rated schemes and financial institutions. The fund objective is to invest in high quality debt and money market instruments rated and are measured with reference to 91 days T-bill rates.

The table summarises the impact of increase/decrease of the benchmark on the Company's profit after tax for the year. The analysis is based on the assumption that the 91 days T-bill has increased by 100 bps or decreased by 100 bps with all other variables held constant, and that all the Company's deployment of funds in short term, highly liquid mutual funds moved in line with the benchmark.

Particulars	Rs. million	
	Impact on Profit after tax	
	Year ended	
	March 31, 2019	March 31, 2018
Short term, highly liquid investments - Mutual Funds		
- 91 days T-bill : Increase 100 bps (previous year 100 bps)	42	37
- 91 days T-bill : Decrease 100 bps (previous year 100 bps)	(42)	(37)

Sensitivity results presented above are based on the assumption that all the other parameters remain constant.

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

### 44. Financial Risk Management (Contd...)

The mutual funds has direct exposure to interest rate changes on the cash flows of its interest bearing assets. The Company has deployed funds in highly liquid mutual fund units. Hence it has indirect exposure to interest rate changes by way of changes in net asset value (NAV) of mutual fund units and therefore, the above sensitivity analysis may not fully indicate the total effect of interest rate changes on the Company's investment in short term, highly liquid Mutual Funds.

#### (ii) Credit risk

Credit risk is the risk of suffering financial loss, should any of the Company's clients or market counterparties fail to fulfil their contractual obligations to the Company. Credit risk arises mainly from cash and cash equivalents, deposits with banks and financial institutions, trade and other receivable and investment in debt securities and short term, highly liquid investments in mutual fund units measured at fair value through profit and loss.

##### a) Trade and other receivables

All trade receivables are reviewed and assessed for default on a individual basis. Historical experience of collecting receivables of the Company is supported by low level of past default and hence the credit risk is perceived to be low.

##### b) Cash and Cash equivalents, bank balances and other financial assets

The Company maintains exposure in cash and cash equivalents and deposits with banks. Cash and cash equivalents and bank deposits are held with high rated banks/financial institutions and short term in nature, therefore credit risk is perceived to be low.

Short term, highly liquid investments in mutual fund units are carried at fair value through profit and loss and the Company does not have significant concentration of credit risk. The maximum exposure at the end of the reporting period is the carrying amount of these instruments Rs. 9,392 million (March 31, 2018: Rs. 10,452 million, April 1, 2017: Rs. 7,113 million)

Security deposits have been considered to enjoy low credit risk as they meet the following criteria:

- i) they have a low risk of default, and
- ii) the Company expects, in the longer term, that adverse changes in economic and business conditions might, but will not necessarily, reduce the ability of the counterparty to fulfill its obligations

#### Reconciliation of impairment allowance on other financial assets

Particulars	Rs. million
<b>Impairment allowance as at April 1, 2017</b>	-
Add/(less): changes in loss allowance (on account of amalgamation)	44
<b>Impairment allowance as at March 31, 2018</b>	<b>44</b>
Add/(less): changes in loss allowance	6
<b>Impairment allowance as at March 31, 2019</b>	<b>50</b>

##### c) Investment in debt securities

The Company has investment in debt securities measured at FVOCI and has exposure to credit risk from such investment. The carrying amount gross of impairment loss allowance represent the maximum credit risk exposure.

#### Expected credit loss methodology:

Stage 1 - A financial instrument that is not credit impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company. The Company carries out credit quality review which considers net asset position, financial strength and leverage; operational and financial performance; cash flows, etc. in identification of creditworthiness of counterparties.

Stage 2- Financial instruments with significant increase in credit risk, but not yet deemed to be credit impaired are moved to Stage 2.

**Notes to Financial Statements (Contd...)****44. Financial Risk Management (Contd...)****(ii) Credit risk (Contd...)**

Stage 3 - Credit impaired financial instruments are moved to stage 3.

The Company performs internal risk assessment on an individual basis and not on a portfolio basis due to the limited number of counterparties involved. The assessment of credit risk of a investment in debt securities entails estimations as to the likelihood of loss occurring due to default of counterparties. The estimation of credit exposure for risk management purposes is complex and considers expected cash flows and the passage of time.

*Default and credit-impaired asset:*

The Company defines a financial asset as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

*Quantitative criteria:*

The borrower is more than 90 days past due on its contractual payments to be considered in default.

*Qualitative criteria:*

- The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty.
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default.
- Actual or expected significant adverse change in operating results of the counterparty.

*Policy for write-off of financial assets:*

All investments in debt securities which in the opinion of management are not recoverable are written off. The Company may write off financial assets that are still subject to enforcement activity. The Company still seeks to recover amounts which are legally owed in full, but which have been written off due to no reasonable expectation of full recovery.

Explanation of inputs and assumptions considered in the ECL model:*PD Estimation:*

"Probability of default" (PD) is defined as the probability of whether the borrowers will default on their obligations in the future.

For Stage 1, 12 month PD is calculated. CRISIL 12 months transitional PD data has been used to arrive at 12 month PD for base case, best case and worst case economic scenarios.

For Stage 2, Lifetime PD is calculated by considering the survival rate of the counterparty for the remaining maturity. The PD is based on CRISIL average transition matrices based on corporates.

For Stage 3, Lifetime PD is taken as 100%.

*Exposure at default:*

"Exposure at default" (EAD) is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

For investment in debt securities, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

*Loss given default:*

"Loss given default" (LGD) is an estimate of loss from a transaction given that a default occurs. LGD varies by type of counterparty, type and seniority of claim. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the asset.

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

### 44. Financial Risk Management (Contd...)

#### (ii) Credit risk (Contd...)

In case of investment in debt securities, on account of limited credit information available and no prior history with other forms of operations, the Company has used the standard LGD prescribed in Foundation Internal Ratings Based (FIRB) approach issued by Basel committee on banking supervision for international convergence of capital measurement and capital standards after giving considerations to the required threshold levels of collateralisation.

The Expected Credit Loss (ECL) is measured either on a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. Expected credit losses are the product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD). The ECL recognised in the financial statements reflect the effect on expected credit losses based on the methodology described above, including management overlays where required.

#### Management overlay:

In determining the final ECL, management will evaluate a range of possible outcomes, taking into account past events, current conditions and the economic outlook. Additional considerations that are assessed to have been inadequately addressed in the ECL model estimates will be addressed through the application of management overlay. This incorporates considerations of individual asset assessments of large exposure. ECL adjustments arising from the exercise of management overlay are subject to a review as they capture management's assessment of counter party specific risks.

#### Collateral and other credit enhancement:

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a regular basis.

Rs. million			
Particulars	Gross exposure	Impairment allowance	Carrying amount
As at March 31, 2019			
Investment in debt securities	343	322	21
Total	343	322	21
As at March 31, 2018			
Investment in debt securities	718	6	712
Total	718	6	712
As at April 1, 2017			
Investment in debt securities	1	1	-
Total	1	1	-

Proportionate fair value of the collateral against the debt securities as on March 31, 2019 aggregates to Rs. 855 million (Previous year Rs. 855 million)

#### Credit risk exposure:

*An analysis of change in the gross carrying amount of the investment and corresponding loss allowance:*

- The following table explains changes in the carrying amount of the investment in debt securities gross of impairment loss allowance to help explain the significance to changes in the loss allowance for the same assets as discussed below:



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

### 44. Financial Risk Management (Contd...)

#### (ii) Credit risk (Contd...)

Particulars	Rs. million		
	Year ended March 31, 2019		
	Stage 1	Stage 2	Stage 3
Opening balance - fair value as at April 1, 2018	718	-	-
New assets originated	-	-	-
Asset derecognised or repaid	(375)	-	-
Transfer to stage 3	(343)	-	343
Changes in fair value	-	-	0
<b>Closing balance - fair value as at March 31, 2019</b>	<b>-</b>	<b>-</b>	<b>343</b>

Particulars	Rs. million		
	Year ended March 31, 2018		
	Stage 1	Stage 2	Stage 3
Opening balance - fair value as at April 1, 2017	1	-	-
New assets originated	991	-	-
Asset derecognised or repaid	(290)	-	-
Changes in fair value	16	-	-
Transfer to stage 3	-	-	-
<b>Closing balance - fair value as at March 31, 2018</b>	<b>718</b>	<b>-</b>	<b>-</b>

- (ii) The following table explains the changes in loss allowance between the beginning and at the end of the annual period due to various factors:

Particulars	Rs. million		
	Year ended March 31, 2019		
	Stage 1	Stage 2	Stage 3
Opening balance as at April 1, 2018	6	-	-
Transfer to stage 3	(6)	-	6
Recoveries	(0)	-	-
Loss allowance created during the year	-	-	316
<b>Closing balance as at March 31, 2019</b>	<b>(0)</b>	<b>-</b>	<b>322</b>

Particulars	Rs. million		
	Year ended March 31, 2018		
	Stage 1	Stage 2	Stage 3
Opening balance as at April 1, 2017	0	-	-
Loss allowance created during the year	6	-	-
Transfer to stage 3	-	-	-
<b>Closing balance as at March 31, 2018</b>	<b>6</b>	<b>-</b>	<b>-</b>

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

### 44. Financial Risk Management (Contd...)

#### (iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Prudent liquidity risk management implies maintaining sufficient cash and liquid investments. The Company believes that current cash and cash equivalents are sufficient to meet liquidity requirements since Company has minimum external borrowings (refer note no. 45). Accordingly, liquidity risk is perceived to be low.

#### Maturity analysis:

The following table shows the maturity analysis of financial liabilities of the Company based on contractually agreed undiscounted cash flows as at the balance sheet date:

Particulars	Rs. million		
	Year ended March 31, 2019		
	On demand or within a year	Over 1 year	Total
Financial liabilities			
Trade payables	486	-	486
Other payables	105	-	105
Borrowings (including future interest payments)	15	9	24
Other financial liabilities	14,225	-	14,225
<b>Total financial liabilities</b>	<b>14,831</b>	<b>9</b>	<b>14,840</b>

Particulars	Rs. million		
	Year ended March 31, 2018		
	On demand or within a year	Over 1 year	Total
Financial liabilities			
Trade payables	310	-	310
Other payables	70	-	70
Borrowings (including future interest payments)	19	26	45
Other financial liabilities	9,430	-	9,430
<b>Total financial liabilities</b>	<b>9,829</b>	<b>26</b>	<b>9,855</b>

Particulars	Rs. million		
	Year ended April 1, 2017		
	On demand or within a year	Over 1 year	Total
Financial liabilities			
Trade payables	467	-	467
Other payables	6	-	6
Borrowings (including future interest payments)	22	35	57
Other financial liabilities	9,539	-	9,539
<b>Total financial liabilities</b>	<b>10,034</b>	<b>35</b>	<b>10,069</b>

**Notes to Financial Statements (Contd...)****44. Financial Risk Management (Contd...)****(iv) Capital risk management**

The Company considers the total equity which includes share capital, retained profits and other reserves as shown in the balance sheet, to be managed capital.

The Company aims to manage its capital efficiently so as to safeguard its ability to continue as a going concern and to optimise returns to its shareholders. The capital structure of the Company is based on management's judgment of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company maintains a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development.

During the financial year 2017-18, the Company had paid interim dividend to its equity shareholders (refer "Statement of Changes in Equity").

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

### 45. Maturity of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

Rs. million

Particulars	As at March 31, 2019		
	On demand or within a year	Over 1 year	Total
<b>Financial Assets</b>			
Cash and cash equivalents	20,182	-	20,182
Bank balances other than cash and cash equivalents	15,423	-	15,423
Receivables			
(i) Trade receivables	407	-	407
(ii) Other receivables	301	2	303
Investments	21	-	21
Other financial assets	363	115	478
<b>Non-Financial Assets</b>			
Current tax assets (net)	-	1,192	1,192
Deferred tax assets (net)	-	284	284
Property, plant and equipment	-	630	630
Capital work in progress	39	-	39
Intangible assets	-	9	9
Other non-financial assets	43	105	148
<b>Total Assets</b>	<b>36,779</b>	<b>2,337</b>	<b>39,116</b>
<b>Financial Liabilities</b>			
Payables			
(i) Trade payables			
Total outstanding dues of micro enterprises and small enterprises	2	-	2
Total outstanding dues of creditors other than micro enterprises and small enterprises	484	-	484
(ii) Other payables			
Total outstanding dues of micro enterprises and small enterprises	0	-	0
Total outstanding dues of creditors other than micro enterprises and small enterprises	105	-	105
Borrowings	13	9	22
Other financial liabilities	14,225	-	14,225
<b>Non-Financial Liabilities</b>			
Provisions	41	214	255
Other non-financial liabilities	182	34	216
<b>Total Liabilities</b>	<b>15,052</b>	<b>257</b>	<b>15,309</b>
<b>Net liquidity gap</b>	<b>21,727</b>	<b>2,080</b>	<b>23,807</b>

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

### 45. Maturity of assets and liabilities (Contd...)

Rs. million

Particulars	As At March 31, 2018		
	On demand or within a year	Over 1 year	Total
<b>Financial Assets</b>			
Cash and cash equivalents	16,148	-	16,148
Bank balances other than cash and cash equivalents	12,719	-	12,719
Receivables			
(i) Trade receivables	641	-	641
(ii) Other receivables	26	3	29
Investments	503	209	712
Other financial assets	193	116	309
<b>Non-Financial Assets</b>			
Current tax assets (net)	-	1,332	1,332
Deferred tax assets (net)	-	254	254
Property, plant and equipment	-	702	702
Capital work in progress	92	-	92
Intangible assets	-	9	9
Other non-financial assets	80	140	220
<b>Total Assets</b>	<b>30,402</b>	<b>2,765</b>	<b>33,167</b>
<b>Financial Liabilities</b>			
Payables			
(i) Trade payables			
Total outstanding dues of micro enterprises and small enterprises	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	310	-	310
(ii) Other payables			
Total outstanding dues of micro enterprises and small enterprises	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	70	-	70
Borrowings	16	25	41
Other financial liabilities	9,430	-	9,430
<b>Non-Financial Liabilities</b>			
Provisions	35	159	194
Other non-financial liabilities	139	84	223
<b>Total Liabilities</b>	<b>10,000</b>	<b>268</b>	<b>10,268</b>
<b>Net liquidity gap</b>	<b>20,402</b>	<b>2,497</b>	<b>22,899</b>

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

### 45. Maturity of assets and liabilities (Contd...)

Rs. million

Particulars	As at April 1, 2017		
	On demand or within a year	Over 1 year	Total
<b>Financial Assets</b>			
Cash and cash equivalents	15,790	-	15,790
Bank balances other than cash and cash equivalents	10,904	-	10,904
Receivables			
(i) Trade receivables	549	-	549
(ii) Other receivables	34	3	37
Investments	64	8,250	8,314
Other financial assets	124	77	201
<b>Non-Financial Assets</b>			
Current tax assets (net)	-	1,439	1,439
Deferred tax assets (net)	-	172	172
Property, plant and equipment	-	909	909
Capital work in progress	12	1	13
Intangible assets	-	4	4
Other non-financial assets	35	149	184
<b>Total Assets</b>	<b>27,512</b>	<b>11,004</b>	<b>38,516</b>
<b>Financial Liabilities</b>			
Payables			
(i) Trade payables			
Total outstanding dues of micro enterprises and small enterprises	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	467	-	467
(ii) Other payables			
Total outstanding dues of micro enterprises and small enterprises	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	6	-	6
Borrowings	18	32	50
Other financial liabilities	9,539	-	9,539
<b>Non-Financial Liabilities</b>			
Provisions	31	172	203
Other non-financial liabilities	133	120	253
<b>Total Liabilities</b>	<b>10,194</b>	<b>324</b>	<b>10,518</b>
<b>Net liquidity gap</b>	<b>17,318</b>	<b>10,680</b>	<b>27,998</b>

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

### 46. Fair Value of Financial Instruments

#### a) Financial instruments by category

The carrying values of financial assets and financial liabilities by category are presented below. It does not include the fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Rs. million

As at March 31, 2019	Measured at			Total carrying Value
	Fair value through profit and loss	Fair value through OCI	Amortised Cost	
<b>Financial Assets</b>				
Cash and cash equivalents	9,392	-	10,790	20,182
Bank balances other than cash and cash equivalents	-	-	15,423	15,423
Trade receivables	-	-	407	407
Other receivables	-	-	303	303
Investments				
- Debt securities	-	21	-	21
- Equity instruments	-	-	-	-
Other financial assets	-	-	478	478
<b>Total financial assets</b>	<b>9,392</b>	<b>21</b>	<b>27,401</b>	<b>36,814</b>
<b>Financial Liabilities</b>				
Trade payables	-	-	486	486
Other payables	-	-	105	105
Borrowings	-	-	22	22
Other financial liabilities	-	-	14,225	14,225
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>14,838</b>	<b>14,838</b>

Rs. million

As at March 31, 2018	Measured at			Total carrying Value
	Fair value through profit and loss	Fair value through OCI	Amortised Cost	
<b>Financial Assets</b>				
Cash and cash equivalents	10,452	-	5,696	16,148
Bank balances other than cash and cash equivalents	-	-	12,719	12,719
Trade receivables	-	-	641	641
Other receivables	-	-	29	29
Investments				
- Debt securities	-	712	-	712
- Equity instruments	-	-	-	-
Other financial assets	-	-	309	309
<b>Total financial assets</b>	<b>10,452</b>	<b>712</b>	<b>19,394</b>	<b>30,558</b>
<b>Financial Liabilities</b>				
Trade payables	-	-	310	310
Other payable	-	-	70	70
Borrowings	-	-	41	41
Other financial liabilities	-	-	9,430	9,430
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>9,851</b>	<b>9,851</b>

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

### 46. Fair Value of Financial Instruments (Contd...)

Rs. million

As at April 1, 2017	Measured at			Total carrying Value
	Fair value through profit and loss	Fair value through OCI	Amortised Cost	
<b>Financial Assets</b>				
Cash and cash equivalents	7,113	-	8,677	15,790
Bank balances other than cash and cash equivalents	-	-	10,904	10,904
Trade receivables	-	-	549	549
Other receivables	-	-	37	37
Investments (excluding subsidiary)				
- Debt securities	-	-	-	-
- Equity instruments	64	-	-	64
Other financial assets	-	-	201	201
<b>Total financial assets</b>	<b>7,177</b>	<b>-</b>	<b>20,368</b>	<b>27,545</b>
<b>Financial Liabilities</b>				
Trade payables	-	-	467	467
Other payable	-	-	6	6
Borrowings	-	-	50	50
Other financial liabilities	-	-	9,539	9,539
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>10,062</b>	<b>10,062</b>

#### b) Fair value hierarchy

**The Company uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:**

The fair value of financial instruments are classified into three categories i.e. Level 1, 2 or 3 depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active market for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements).

The hierarchies used are as follows:

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded equity securities and mutual funds) is based on quoted market prices at the end of the reporting period. The mutual funds are valued using the closing NAV. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Valuation technique used to determine fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

Specific valuation techniques used to value financial instruments include:

- the fair value of the quoted equity instruments is determined using market price listed on stock exchange.
- the fair value of the unquoted mutual fund units is determined using observable NAV representing repurchase price issued by the mutual fund.
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis and the discount rates used were adjusted for counterparty or own credit risk.



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

### 46. Fair Value of Financial Instruments (Contd...)

#### b) Fair value of Financial instruments (Contd...)

##### Fair value of financial assets and liabilities measured at amortised cost

For financial assets and financial liabilities that have a short-term maturity, the carrying amounts are a reasonable approximation of their fair value. Such instruments include, cash and bank balances, bank deposits, trade and other receivables, security deposits, loans to employees, other financial assets and trade and other payables. Such amounts have been classified as Level 3 on the basis that no adjustments have been made to the balances in the balance sheet.

The fair values for borrowings and security deposits were calculated based on cash flows discounted using a fair market rate of interest. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

For financial assets and financial liabilities measured at fair value, the carrying amounts are equal to the fair values.

##### Classification of financial assets and liabilities by fair value hierarchy

The following table summarises financial assets and liabilities by fair value hierarchy:

As at March 31, 2019				Rs. million
	Level 1	Level 2	Level 3	Total
<u>Financial Assets</u>				
Measured at fair value - recurring fair value measurements				
Short term, highly liquid investments - Mutual Funds	9,392	-	-	9,392
Debt securities	-	-	21	21
<u>Financial Liabilities</u>				
Measured at Amortised cost for which fair value to be disclosed				
Borrowings	-	-	22	22

As at March 31, 2018				Rs. million
	Level 1	Level 2	Level 3	Total
<u>Financial Assets</u>				
Measured at fair value - recurring fair value measurements				
Short term, highly liquid investments - Mutual Funds	10,452	-	-	10,452
Debt securities	-	-	712	712
<u>Financial Liabilities</u>				
Measured at Amortised cost for which fair value to be disclosed				
Borrowings	-	-	41	41

As at April 1, 2017				Rs. million
	Level 1	Level 2	Level 3	Total
<u>Financial Assets</u>				
Measured at fair value - recurring fair value measurements				
Short term, highly liquid investments - Mutual Funds	7,113	-	-	7,113
Equity instruments	64	-	-	64
Debt securities	-	-	1	1
<u>Financial Liabilities</u>				
Measured at Amortised cost for which fair value to be disclosed				
Borrowings	-	-	50	50

i) There are no transfers between levels 1, 2 and 3 during the year.

ii) The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

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

### 46. Fair Value of Financial Instruments (Contd...)

#### c) Fair Values of Level 3 Assets:

The Level 3 financial instruments represents debt securities.

By definition, Level 3 inputs relate to unobservable model inputs that have an overall significant impact on the financial instrument's fair value. This is true whether the financial instrument is considered as cash security or securitised product. Classification to Level 3 is essentially a result of failure to be classified on either Levels 1 or 2. It is important to note some key points regarding the use of Level 3 inputs for the purposes of estimating fair value:

- Unobservable inputs can only be used in the absence of reliable observable market data.
- If unobservable inputs are used, they must reflect the assumptions market participants would use when pricing the asset or liability, including assumptions about risk. If the Company's own data is used to develop unobservable inputs, this should be adjusted if reasonably available information suggests other market participants would use different data.
- Assumptions about risk include the risk or uncertainty inherent in a particular valuation model used to estimate fair value, as well as the inputs used by the valuation model. A fair value estimate produced from a valuation model must be adjusted for these risks if a market participant would do so in their pricing of an asset or liability.

#### Valuation Process

The Company performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values.

The main level 3 inputs for investment in debt securities used by the Company are derived and evaluated as follows:

- Discount rates are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

#### Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See above for the valuation techniques adopted:

Particulars	Significant unobservable inputs	Probability-weighted rate		
		As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Investment in debt securities	Discount rate	16.37%	16.79%	-

If risk adjusted discount rate as shown above increase / decrease by 100 bps with all other variables held constant, the Company's profit before tax for the year ended March 31, 2019 will decrease / increase by Rs. 5 million (previous year Rs. 2 million).

### 47. First time adoption of Ind AS

#### Transition to Ind AS

The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended March 31, 2019, the comparative information presented in these financial statements for the year ended March 31, 2018 and in the preparation of the opening Ind AS balance sheet at April 1, 2017 (the Company's date of transition). In preparing its opening Ind AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP or IGAAP). An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

#### a) Optional exemptions availed

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

**Notes to Financial Statements (Contd...)****47. First time adoption of Ind AS (Contd...)****a) Optional exemptions availed (Contd...)****i) Deemed cost**

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment (including capital work-in-progress) as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities, capital grant if applicable. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets.

Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

**ii) Share - based payment transactions**

Ind AS 102 deals with the accounting and disclosure requirements related to share-based payment transactions. The standard addresses three types of share-based payment transactions: equity-settled, cash-settled, and with cash alternatives. A first-time adopter is encouraged, but is not required, to apply Ind AS 102 to equity instruments that vested before the date of transition to Ind AS.

**iii) Investment in subsidiaries**

The Company has opted para D14 and D15 of Ind AS 101 and accordingly considered the previous GAAP carrying amount of Investments in subsidiaries as deemed cost as at the transition date.

**b) Ind AS mandatory exceptions**

The Company has applied the following exceptions from full retrospective application of Ind AS mandatorily required under Ind AS 101:

**i) Estimates**

An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. Ind AS estimates as at April 1, 2017 are consistent with the estimates as at the same date made in conformity with previous GAAP.

**ii) De-recognition of financial assets and liabilities**

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Company has elected to apply the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS.

**iii) Classification and measurement of financial assets**

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

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

### 47. First time adoption of Ind AS (Contd...)

#### c) Reconciliations between previous GAAP and Ind AS

Ind AS 101 requires a first time adopter to reconcile equity, total surplus and cash flows for prior periods. The following tables represent the reconciliations from previous GAAP to Ind AS. The presentation requirements under previous GAAP differs from and hence the previous GAAP information has been restated for ease of reconciliation with Ind AS.

#### i) Reconciliation of equity between previous GAAP and Ind AS:

Rs. million

Particulars	As at March 31, 2018	As at April 1, 2017
<b>Equity (Shareholders' fund) as per previous GAAP</b>	22,883	28,014
<b>Adjustments:</b>		
Fair value of financial instruments	38	67
Allowance for impairment of financial instruments	(6)	-
Security deposit	(16)	(11)
Share based payments recognised at grant date fair value	(176)	(124)
Reclassification of share based payments to other equity	117	29
Tax impact of Ind AS adjustments	59	23
<b>Total adjustments</b>	16	(16)
<b>Total equity as per Ind AS</b>	22,899	27,998

#### ii) Reconciliation of profit as per Ind AS with profit reported under previous GAAP:

Rs. million

Particulars	Note	Year ended March 31, 2018
<b>Net profit after tax as per previous GAAP</b>		2,004
<b>Adjustments:</b>		
Fair value of financial instruments	d(i), (ii)	(45)
Allowance for impairment of financial instruments	d(ii)	(6)
Share based payments recognised at grant date fair value	d(iv)	(52)
Security deposit	d(v)	(5)
Remeasurements of post employment benefit obligations	d(iii)	(47)
Tax impact on above items		36
<b>Profit after tax as per Ind AS</b>		1,885
<b>Other Comprehensive Income:</b>		
Fair value of Financial instruments	d(ii)	16
Remeasurements of post employment benefit obligations	d(iii)	47
Tax impact on above items		-
<b>Other comprehensive income as per Ind AS</b>		63
<b>Total comprehensive income as per Ind AS</b>		1,948

- iii) There is no material change in the net cash flow from operating, investing or financing activities due to Ind AS adoption. Further, there is no material change in the cash and cash equivalents for the purposes of statement of cash flows under previous GAAP and under Ind AS except as explained below.

**Notes to Financial Statements (Contd...)****47. First time adoption of Ind AS (Contd...)****d) Notes to first-time adoption:****i) Fair valuation of Short term, highly liquid investments - Mutual Funds**

Under previous GAAP, the mutual funds are measured at cost or market value, whichever is lower. Under Ind AS, the Company has designated these instruments at fair value through profit and loss. Accordingly, these are required to be measured at fair value. At the date of transition to Ind AS, difference between the fair value of the instruments and its previous GAAP carrying amount has been recognised in retained earnings and subsequently fair value changes are recognised in the Statement of Profit and Loss for the year ended March 31, 2018.

**ii) Fair valuation of investments in debt securities and equity instruments**

Under the previous GAAP, investments in debt securities and equity shares were classified as current or non-current investments based on the intended holding period and realisability. Current investments were carried at cost. Under Ind AS, these investments, except investment in subsidiary, are required to be measured at fair value. The resulting fair value changes of these investments have been recognised through Statement of Profit and Loss and other comprehensive income based on the classification of such instruments as at the date of transition and subsequently for the year ended March 31, 2018.

**iii) Remeasurements of post-employment benefit obligations**

Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of profit and loss. Under the previous GAAP, these remeasurements were forming part of the profit and loss for the year.

**iv) Share based payments**

Under previous GAAP, the Company had recognised employee stock compensation cost in respect of restricted stocks and restricted units granted to the employees of the Company in terms of the global long-term incentive compensation plans of the ultimate controlling enterprises at straight line 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. Under Ind AS 102, the group share based payment plans are accounted as equity settled awards and cash settled awards in books of the Company. The cost of equity settled group share-based plan is recognised based on the fair value as at grant date on accelerated basis with corresponding liability being recognised under "Share based payment reserve" in other equity. The Company has entered into a chargeback agreement with BAC under which it is committed to pay BAC the fair market value of awards at the date on which the awards vests to its employees. The cost of cash settled share based payment is recognised as employee benefit expenses on accelerated basis with corresponding liability being recognised as a "Other non financial liability".

**v) Security Deposits**

Under the previous GAAP, interest free security deposit for rental premises (that are refundable in cash on completion of the lease term) are recorded at their transaction value. Under Ind AS, all financial assets are required to be recognised at fair value on initial recognition. Accordingly the Company has fair valued these security deposits and the same is measured at amortised cost under Ind AS. Difference between the fair value and transaction value of the security deposit has been recognised as prepaid rent, which is amortised on straight line basis partially offset by notional interest income on security deposit.

**Notes to Financial Statements (Contd...)****47. First time adoption of Ind AS (Contd...)****d) Notes to first-time adoption: (Contd...)****vi) Other comprehensive income**

Under Ind AS, all items of income and expense recognised in a period should be included in profit and loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit and loss but are shown in the Statement of Profit and Loss as 'other comprehensive income' represents remeasurements of defined benefit plans and fair value of debt securities carried at FVOCI. Tax income / expenses on other comprehensive income are also recognised in other comprehensive income. The concept of other comprehensive income did not exist under previous GAAP.

**vii) Deferred tax**

Deferred tax have been recognised on the adjustments made on transition to Ind AS.

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**Signatures to notes 1 to 47****For Price Waterhouse**

Firm Registration Number: 301112E  
Chartered Accountants

**Sharad Vasant**

Partner  
Membership Number: 101119  
Mumbai : July 2, 2019  
UDIN: 19101119AAAABP3305

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

Director  
(DIN: 06694243)

**Sundararaman Ramamurthy**

Director  
(DIN: 05297538)

**Dharmendra Jain**

Chief Financial Officer

Mumbai : July 2, 2019

**Samrat Sanyal**

Company Secretary  
Membership Number: A13863

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