

45th Annual Report 2020

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
CIN: U74140MH1975PLC018618

BofA SECURITIES 

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DSP MERRILL LYNCH LIMITED

Board of Directors

Mr. Asit Bhatia
Ms. Ameer Parikh
Mr. Arbind Maheswari
Ms. Charulata Sippy
Mr. Rajnarayan Balakrishnan
Mr. Sudhir Jain
Mr. Sundararaman Ramamurthy

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

Chief Financial Officer

Mr. Naresh Shah

Compliance Officer

Mr. Shervin Purohit

Company Secretary

Mr. Samrat Sanyal

Auditors

B S R & Co. LLP

Bankers

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

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@bofa.com, **Website** www.ml-india.com

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

DSP Merrill Lynch Limited - Directors' Report to the Members

Your Directors have pleasure in presenting the 45th Annual Report together with the Audited Financial Statements of the Company for the financial year ended March 31, 2020 (FY2019-2020).

State of the Company's affairs

Financial Highlights:

The Financial Results of the Company for FY2019-2020 are summarized as under:

Particulars	For the Year ended FY2019-2020 (Rs. in million)		For the Year ended FY2018-2019 (Rs. in million)	
Gross Income		6,903		4,950
Profit before Depreciation and Tax		4,040		1,684
Depreciation and Amortization		354		179
Profit before Tax		3,686		1,505
Profit after Tax		2,657		855
Retained Earnings:				
Balance at the beginning of the year		10,735		9,879
Profit for the year	2,657		855	
Other Comprehensive Income for the year	(11)		1	
Total Comprehensive Income for the year		2,646		856
Less: Appropriations		Nil		Nil
Balance at the end of the year		13,381		10,735
Earnings per share (in Rs.)		115		37

Gross income for FY2019-2020 was Rs. 6,903 million, up from Rs. 4,950 million in the previous year, primarily on account of higher revenues from fees and commission. Expenses reduced to Rs. 3,217 million from Rs. 3,445 million in the previous year, primarily on account of decrease in impairment allowance on financial instruments and other expenses. The profit before tax increased to Rs. 3,686 million from Rs. 1,505 million in the previous year. Profit after tax increased to Rs. 2,657 million from Rs. 855 million in the previous year.

Total assets increased to Rs. 67,356 million as at March 31, 2020 from Rs. 39,116 million, as at March 31, 2019. This increase was primarily due to higher bank balance at year end, contributed by funds received of Rs. 21,868 million from a large value secondary market transaction which was subsequently remitted to client post March 31, 2020. There was a corresponding increase in total liabilities (trade payables) representing funds payable to the client for this amount.

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 FY2019-2020.

Dividend

The Board of Directors has decided not to recommend any dividend on the equity shares of the Company for FY2019-2020.

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 FY2019-2020 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. At the end of FY2019-2020, 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.

At the end of FY2019-2020 the Issued, Subscribed and Paid-up Share 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, 2020.

Significant Developments during the year and change in nature of business

The Company's Investment Banking team has identified 'Internet / E-Commerce' as a key area for business growth. In order to tap growth opportunities in this sector, the Company opened an office in Bengaluru, which is the hub for Internet / E-Commerce in India, for carrying out merchant banking activities.

The 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 its Depository Participant operations and held only a limited number of Depository Accounts. The Company had made an application, in FY2018-2019, to National Securities Depository Limited ('NSDL') and Securities and Exchange Board of India (SEBI) for surrender of registration as Depository Participant of NSDL. Consequently in FY2019-2020, SEBI informed that the Company's surrender application has been processed and accepted.

Corporate Update, Operations and Future Outlook

Primary Capital Markets activity was mixed in FY2019-2020. Whereas capital raising from Initial Public Offerings in FY2019-2020 was down 15% at US\$3.3 billion (vs. US\$3.9 billion in FY2018-2019), follow-on capital raising had a strong revival and was up 88% at US\$17.6 billion (vs. US\$9.4 billion in FY2018-2019). Debt Capital Markets (G3) volumes too were up 144% to US\$25.4 billion in FY2019-2020, compared to US\$10.4 billion in FY2018-2019. M&A (announced) volumes were lower by 14% at US\$86.9 billion (vs. US\$101.2 billion in the previous year). The M&A deals in FY2019-2020 were primarily in oil & gas, aerospace, technology, energy and financial services sectors.

FY2019-2020 began on a high note, barring global growth tensions emanating from trade war risks, which faded by the second quarter. On the macro side, growth momentum petered out in India and was impacted by the COVID-19 related lockdowns in the last quarter, to end at 4.2% for FY2019-2020 (falling from 6.1% in FY2018-2019). Lower growth and the corporate tax reduction announced in September 2019 affected tax collections of the Government, pushing the fiscal deficit for the year up to 4.6% of GDP (vs. the budgeted 3.3%). The new corporate tax rates however, do bring India much closer to Asian peers, making India more competitive and attractive to foreign investors and also improving the ease of doing business. Inflation rose to 4.8% year on year in FY2019-2020 from 3.4% in FY2018-2019, due to sharp increase in food inflation led by one-offs. However, underlying demand driven inflation continued to remain low. Acknowledging that the factors driving inflation higher are indeed fleeting in nature, RBI cut policy repo rate by 160bp in FY2019-2020, 75bp of which was announced in March end to fight COVID-19 led economic shock. FY2019-2020 also saw net FDI inflows of US\$42.7 billion.

During the year Indian equity markets lost 28%. Despite the environment, domestic asset managers continued to deploy inflows to the tune of \$17.2 billion. Foreign investors, on the other hand, sold aggressively in lockdown/ COVID-19 time, and were net sellers for \$694 million.

Outlook: We expect India's growth to contract in FY2020-2021 as lockdown slows growth and we expect RBI to cut rates further as part of coordinated monetary and fiscal easing. FDI flows, however, are expected to be relatively less affected in FY2020-2021.

Implications of COVID -19 Pandemic

The World Health Organization declared a global pandemic of the Novel Coronavirus disease (COVID-19). Consequent to this, Government of India declared lockdown from March 24, 2020. The Company has taken the following steps in this regard.

Steps taken for Business Continuity

- Split Operations implemented on March 11, 2020 much ahead of the lockdown.
- On implementation of lockdown, Curfew passes have been obtained for all critical staff to come into Primary Site / Work Area Recovery Centers.
- Work from Home enabled for remaining staff with large scale deployment of laptops and thin client.
- Appropriate controls and monitoring adopted for Work from Home.

Governance and Employee Connect

- Close monitoring of the situation with new regulations and circulars being issued to proactively gauge impact on operations and employees.
- Regular Crisis Management Team and Leadership Team calls.
- All hand calls as to connect with employees.

Actions taken for safety of employees

- Safe distancing in seating within the Primary Office and Work Area Recovery Centers.
- Issue of surgical masks at security help desks at all facilities.
- Temperature screening at all sites.
- Sanitization and deep cleansing of premises.
- Hand sanitizers to all employees.
- Support by India Security Operations Analysis Command Center (SOACC) on queries related to COVID-19.
- Coordination with India SOACC, Life Event Services (LES) and Line of Business to ensure personnel under self-quarantine do not enter office premises.
- Transportation support to all critical employees with all necessary precautions of social distancing within vehicles, sanitization of vehicles etc.
- Cafeteria services, with adequate safe distancing requirements.
- Coordination with building management authorities.

Government Advisory - Aarogya Setu application

The Ministry of Home Affairs, India issued a notification to bolster the efforts to fight the COVID-19 pandemic, under which the use of its contact tracing application Aarogya Setu has been made mandatory for all public and private employees. The Company in compliance with the mandate, has created awareness about the application with the employees.

The Ministry of Corporate Affairs issued notifications and relaxations altering the compliance requirements with respect to the conduct of Board meetings via audio – visual means and other relaxations of compliances under the Companies Act, 2013.

On account of this, the Company has evaluated the compliances and is adhering to the same in letter and spirit.

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 three times during FY2019-2020. The dates on which meetings were held are as follows:

Sr. No.	Date of Board Meeting(s)
1.	July 2, 2019
2.	September 27, 2019
3.	December 6, 2019

Due to complete lockdown as announced by the Government of India, as a result of COVID- 19 pandemic, a board meeting organized on March 27, 2020 was postponed and re-scheduled to May 21, 2020. This is in compliance with the extension granted by Ministry of Corporate Affairs.

Board of Directors

The details of Directors as on the date of this Report are as follows:

Sr. No.	Name of the Director	Designation	Director Identification Number (DIN)	Dates of Appointment
1.	Ms. Ameer Parikh	Independent Director	00445583	1 st Term: March 20, 2015 to March 19, 2016 2 nd 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 st Term: January 25, 2016 to January 24, 2019 2 nd Term: January 25, 2019 to January 24, 2022
4.	Ms. Charulata Sippy	Independent Director	07508021	1 st Term : June 16, 2016 to June 15, 2017 2 nd Term: June 16, 2017 to June 15, 2022
5.	Mr. Rajnarayan Balakrishnan	Whole-time Director	06694243	1 st Term: May 28, 2015 to May 27, 2018 2 nd Term: May 28, 2018 to May 27, 2021
6.	Mr. Sundararaman Ramamurthy	Non-Executive Director	05297538	March 20, 2015
7.	Mr. Sudhir Jain	Non-Executive Director	08765695	July 24, 2020

Changes in Directors till the date of the Report

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

Mr. Sundararaman Ramamurthy (DIN: 05297538), 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 27, 2019, 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 Members of the Company, at the Annual General Meeting of the Company held on September 27, 2019 for a period of 3 years with effect from January 25, 2019 till January 24, 2022.

Mr. Sudhir Jain (DIN: 08765695) has been appointed as the Non-Executive Director of the Company by the Board of Directors at its meeting held on July 24, 2020, subject to the approval of the Members of the Company at the forthcoming Annual General Meeting.

Resignation(s):

No Directors have resigned from the Board of the Company since April 1, 2019 till the date of this report.

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

Mr. Naresh Shah was appointed as the Chief Financial Officer, Key Managerial Personnel of the Company under the provisions of section 203 of the Companies Act, 2013 of the Company with effect from October 1, 2019.

Resignation(s):

Mr. Dharmendra Jain resigned as the Chief Financial Officer, Key Managerial Personnel of the Company with effect from September 30, 2019. The Board expresses its sincere appreciation for the valuable services rendered by him during his tenure, as the Chief Financial Officer in the Company.

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

The Company has received declaration from both its Independent Directors Ms. Ameer 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, 2020 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.

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.

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

The Audit Committee met twice, during the year under review, on May 21, 2019 and July 2, 2019.

Due to complete lockdown as announced by the Government of India, as a result of COVID- 19 pandemic, an Audit Committee meeting organized on March 27, 2020, was postponed and re-scheduled to May 21, 2020.

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

The Nomination and Remuneration Committee met twice, during the year under review, on September 27, 2019 and January 14, 2020.

Due to complete lockdown as announced by the Government of India, as a result of COVID- 19 pandemic, a Nomination and Remuneration committee meeting organized on March 27, 2020 was postponed and re-scheduled to May 21, 2020.

(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. Ameer Parikh (DIN: 00445583)

- 2) Mr. Asit Bhatia (DIN: 05112750)
- 3) Mr. Sundararaman Ramamurthy (DIN: 05297538).

The Corporate Social Responsibility Committee, during the year under review, met on July 2, 2019.

Due to complete lockdown as announced by the Government of India, as a result of COVID- 19 pandemic, a Corporate Social Responsibility committee meeting, organized on March 27, 2020, was postponed and re-scheduled to May 21, 2020

(iv) Technology Committee:

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

- 1) Mr. Arbind Maheshwari (DIN: 07415888)
- 2) Ms. Pooja Maheshwari
- 3) Mr. Praveen Galav
- 4) Ms. Prittam Desai
- 5) Mr. Satish Pandey
- 6) Mr. Sethu Thangavelu

The Technology Committee met twice during the year under review, on June 5, 2019 and November 25, 2019.

Auditors

Statutory Auditors :

In accordance with section 139 of the Companies Act, 2013, M/s. B S R & Co. LLP, Chartered Accountants, (ICAI Firm Registration No. 101248W/W-100022), were appointed by the shareholders of the Company at the Annual General Meeting held on September 27, 2019, as Statutory Auditors, for a period of 5 years, to hold office until the conclusion of the 49th Annual General Meeting of the Company in year 2024.

The Auditors' Report for the year under review issued by M/s. B S R & Co. LLP, 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 FY2019-2020, 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, Joint Ventures and Associate Companies

Since the Company does not have any subsidiary companies, joint ventures and associate companies, 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 FY2019-2020, 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 during FY2019-2020, 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 FY2019-2020 were Rs. 401 million (previous year Rs. 290 million) while outgoings were Rs. 334 million (previous year Rs. 228 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 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 the Workplace (Prevention, Prohibition & Redressal) Act, 2013.

There are nil complaints filed during FY2019-2020 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/-
ASIT BHATIA
CHAIRMAN
(DIN: 05112750)**

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

Date : July 24, 2020

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, 2020

[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)	CIN	U74140MH1975PLC018618
(ii)	Registration Date	October 23, 1975
(iii)	Name of the Company	DSP Merrill Lynch Limited
(iv)	Category / Sub-Category of the Company	Company Limited by Shares Indian Non-Government Company
(v)	Address of the registered office and contact details	Ground floor, A Wing, One BKC, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051, Maharashtra, India. Contact details: +91 22 66328000 Email : dg.secretarial@bofa.com Website : www.ml-india.com
(vi)	Whether listed Company	No
(vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	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	74.30%
2)	Merchant Banking Services	66190	25.70%

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, 2019				Number of shares held at the end of the year - March 31, 2020				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. Promoters									
1. Indian									
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
Sub – total (A) (1)	0	0	0	0.00	0	0	0	0.00	0.00
2. Foreign									
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
Sub – total (A) (2)	23,143,897	0	23,143,897	99.95	23,143,897	0	23,143,897	99.95	0.00
Total Shareholding of Promoter A = (A) (1) + (A) (2)	23,143,897	0	23,143,897	99.95	23,143,897	0	23,143,897	99.95	0.00
B. Public Shareholding									
1. Institutions									
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
Sub – total B(1)	0	0	0	0.00	0	0	0	0.00	0.00
2. Non – Institutions									
a. Bodies Corporate									
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. Individual									
i. Individual shareholders holding nominal share capital upto Rs. 1 Lakh	5,444	3,544	8,988	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
c. Others									
i. Hindu Undivided Family	207	0	207	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
Sub – total (B)(2)	7,598	3,544	11,142	0.05	7,598	3,544	11,142	0.05	0.00
Total Public Shareholding (B)=(B)(1)+ (B)(2)	7,598	3,544	11,142	0.05	7,598	3,544	11,142	0.05	0.00
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0.00	0.00
Grand Total (A+B+C)	23,151,495	3,544	23,155,039	100	23,151,495	3,544	23,155,039	100	0.00

(ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year- April 1, 2019			Shareholding at the end of the year - March 31, 2020			% 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
	Total	23,143,897	99.95	0.00	23,143,897	99.95	0.00	0.00

(iii) Change in Promoters' Shareholding

Sr. No.	Particulars	Shareholding at the beginning of the year - April 1, 2019		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1.	GHS Singapore Holding Pte. Ltd.				
	At the beginning of the year - April 1, 2019	23,143,897	99.95	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, 2020			
	At the end of the year - March 31, 2020	-	-	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, 2019		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1.	Bhupendra Dalal				
	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.	J M Financial and Investment Consultancy Services Private Limited				
	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.	Ajay Agarwal				
	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.	Bharati D. Thakkar				
	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.	Vijay Bhawe				
	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.	S. N. Rajan				
	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.	Vijaya Jaysinh Ved				
	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.	Brijesh Jaysinh Ved				
	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.	Shridhar P. Iyer				
	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.	Piyush Dilipbhai Shah				
	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.	For Each of the Directors and KMPs	Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Naresh Shah (as on the date of appointment October 1, 2019)	1	0.00	1	0.00

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
Indebtedness at the beginning of the financial year				
(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
Total (i+ii+iii)	21.96	0	0	21.96
Change in Indebtedness during the financial year				
• Addition	0	0	0	0
• Reduction	14.27	0	0	14.27
Net Change	14.27	0	0	14.27
Indebtedness at the end of the financial year				
(i) Principal Amount	7.69	0	0	7.69
(ii) Interest due but not paid	0	0	0	0
(iii) Interest accrued but not due	0	0	0	0
Total (i+ii+iii)	7.69	0	0	7.69

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, 2019 to March 31, 2020	Mr. Arbind Maheswari (Whole-time Director) April 1, 2019 to March 31, 2020	
1.	Gross salary			
	a. Salary as per provisions contained in section 17(1) of Income Tax Act, 1961	53,136,497	39,654,440	92,790,937
	b. Value of perquisites under section 17(2) of Income Tax Act, 1961	26,054,421	15,909,792	41,964,213
	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)	3,885,166	2,941,957	6,827,123
	Total (A)	83,076,084	58,506,189	141,582,273
	Ceiling as per the Act			386,166,346

B. Remuneration to other Directors

Amount in Rs.

Sr. No.	Particulars of Remuneration	Name of Directors		Total Amount
1.	Independent Directors	Ms. Ameer Parikh (April 1, 2019 to March 31, 2020)	Ms. Charulata Sippy (April 1, 2019 to March 31, 2020)	
	a. Fee for attending Board / Committee meetings	550,000	450,000	1,000,000
	b. Commission	-	-	-
	c. Others, please specify	-	-	-
	Total (1)	550,000	450,000	1,000,000
2.	Other Non-executive Directors	Mr. Asit Bhatia (April 1, 2019 to March 31, 2020)	Mr. Sundararaman Ramamurthy (April 1, 2019 to March 31, 2020)	Total Amount
	a. Fee for attending Board/ Committee meetings	-	-	-
	b. Commission	-	-	-
	c. Others, please specify	-	-	-
	Total (2)	-	-	-
Total B = (1+2)				
Total Managerial Remuneration (A+B)				142,582,273
Overall Ceiling as per the Act				424,782,981

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

Amount in Rs.

Sr. No.	Particulars of Remuneration	Key Managerial Personnel			Total
		Mr. Samrat Sanyal (Company Secretary) April 1, 2019 to March 31, 2020	Mr. Dharmendra Jain (Chief Financial Officer) April 1, 2019 to September 30, 2019	Mr. Naresh Shah (Chief Financial Officer) October 1, 2019 to March 31, 2020	
1.	Gross Salary	5,515,117	3,380,026	3,478,813	12,373,956
	a. Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961				
	b. Value of perquisites under section 17(2) of the Income Tax Act, 1961	-	10,800	-	10,800
	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)	658,245	751,381	576,018	1,985,644
Total		6,173,362	4,142,207	4,054,831	14,370,400

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)
A. COMPANY					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. OTHER OFFICERS IN DEFAULT					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

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

**Sd/-
ASIT BHATIA
CHAIRMAN
(DIN: 05112750)**

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

Date : July 24, 2020

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:
 - 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
 - The relationship of remuneration to performance is clear and meets appropriate performance benchmarks
 - 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:

- a) 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;
- b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;
(ii) who is not related to promoters or Directors in the company, its holding, subsidiary or associate company;
- c) who has or had no pecuniary relationship, other than remuneration as such Director or having transaction not exceeding ten percent 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;
- d) none of whose relatives—
 - i. 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 percent of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;
 - ii. 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;
 - iii. 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
 - iv. has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two percent 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);
- e) who, neither himself nor any of his relatives –
 - i. holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
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.
 - ii. is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—
 - a 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 percent or more of the gross turnover of such firm;

- iii. holds together with his relatives two percent or more of the total voting power of the company; or
- iv. is a Chief Executive or Director, by whatever name called, of any non-profit organization that receives twenty five percent or more of its receipts from the company, any of its promoters, Directors or its holding, subsidiary or associate company or that holds two percent 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/-
ASIT BHATIA
CHAIRMAN
(DIN: 05112750)

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

Date : July 24, 2020
Place : Mumbai

ANNEXURE – III**Form No. MR-3
For the Financial Year ended 31st March, 2020****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 31st March, 2020, 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 and other records maintained by the Company for the financial year ended on 31st March, 2020, 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:
 - (i) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (ii) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (iii) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - (iv) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (v) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993;
 - (vi) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - (vii) 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 had, on discontinuing the business and operations as a Depository Participant, made an application to the Securities and Exchange Board of India and National Securities Depository Limited for cancellation of the Certificate of registration. The same has been processed and accepted, during the year under report.

Place: Mumbai

Date: 28. 07. 2020

UDIN: F002777B000514741

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**

DSP Merrill Lynch Limited (“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 (“BAC”).

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** 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/-
ASIT BHATIA
CHAIRMAN
(DIN: 05112750)**

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

Date : July 24, 2020

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. 2,627.20 million

4. Prescribed CSR Expenditure (two percent of the amount as in item 3 above): Rs. 52.55 million

5. Details of CSR spent during the financial year:

- (a) Total amount spent for the financial year: Rs. 52.58 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 2019-20 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 of underprivileged children	Promoting education	Mumbai, Maharashtra	5	5	5	Implementing Agency – Centre for Equity and Quality in Universal Education (CEQUE)

2	Supporting energy and water access for rural communities	Promoting Environmental Sustainability, Rural Development	Jharkhand & Odisha	23.2	23.2	33.33	Implementing Agency – PRADAN
3	Supporting creation of a children's museum	Promotion of Arts & Culture	Mumbai, Maharashtra	23.62	23.62	43.32	Implementing Agency – Chhatrapati Shivaji Maharaj Vastu Sangrahalaya
4	Administrative overheads	-	-	0.76	0.76	3.12	
Total				52.58	52.58	84.77	

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/-
ASIT BHATIA
CHAIRMAN
(DIN: 05112750)**

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

Date : July 24, 2020
Place : Mumbai

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

We have audited the financial statements of DSP Merrill Lynch Limited ("the Company"), which comprise the balance sheet as at 31 March 2020, 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 the significant accounting policies and other explanatory information.

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 ("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 31 March 2020, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs 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 on the financial statements.

Other Matter

The financials statement of the Company for the year ended 31 March 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements on 2 July 2019. Our opinion is not modified in respect of this matter.

Information other than the financial statements and Auditor's report thereon

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's Annual 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.

Management's and Board of Director's Responsibility for the Financial Statements

The Company's Management and Board of Directors are 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 state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) 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 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.

In preparing the financial statements, the Management and Board of Directors are 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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 skepticism 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 in the financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors 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.

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.

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.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. 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 the statement of cash flows dealt with by this Report are in agreement with the books of accounts;
 - (d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under section 133 of the Act;
 - (e) On the basis of the written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act; and
 - (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- (B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations as at 31 March 2020 on its financial position in its financial statements - Refer Note 30 to the financial statements;
- ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contract. There are no derivative contracts as at 31 March 2020;
- iii. There were no amount required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31 March 2020; and
- iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2020.

(C) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the company to its Directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.101248W/W-100022

Sd/-
Kapil Goenka
Partner
Membership Number: 118189
UDIN: 20118189AAACDT2162

Place : Mumbai
Date : July 24, 2020

Annexure A to the Independent Auditor's Report – 31 March 2020

(Referred to in Paragraph 1 under "Report on other legal and regulatory requirements" our report of even date)

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which all the fixed assets are verified in a phased manner over a period of three years. In our opinion, the periodicity of physical verification is reasonable having regard to size of the Company and the nature of its assets. Pursuant to the programme, a portion of fixed assets was physically verified by Management during the year and no material discrepancies have been noticed on such verification.

(c) The Company does not have any immovable properties. Accordingly, paragraph 3(i)(c) of the Order is not applicable.
- ii. As at 31 March 2020, the Company had Nil balance of securities as stock in trade. The securities for trade held in dematerialized form are verified with the statement of holding received by management from the custodian at regular intervals. No material discrepancies were noticed on such verification.
- iii. According to the information and explanation given to us, 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. Thus, paragraph 3(ii) of the Order is not applicable.
- iv. According to the information and explanation given to us, the Company has not granted any loans, made any investments, provided any guarantees and security in terms of sec 185 and sec 186 of the Act during the year under audit. Accordingly, paragraph 3(iv) of the Order is not applicable to the Company.
- v. The Company has not accepted any deposits from the public as per the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under apply. Thus, paragraph 3(v) of the Order is not applicable.
- vi. The Central Government has not prescribed the maintenance of cost records under sub-section (1) of Section 148 of the Act, for any of the services rendered by the Company. Thus, paragraph 3(vi) of the Order is not applicable.
- vii. (a) According to the information and explanations given to us and on the basis of our examination of the books of accounts, amounts deducted/ accrued in the books of accounts in respect of undisputed statutory dues including income tax, goods and service tax, provident fund and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of duty of customs, duty of excise, sales tax, and value added tax.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, goods and service tax, cess and other material statutory dues were in arrears as at 31 March 2020 for a period of more than six months from the date they became payable
- viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans to a bank. The Company has not taken any loan or borrowing from any financial institution or Government. The Company did not have any outstanding debentures during the year.
- ix. According to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer and term loans. Thus, paragraph 3 (ix) of the Order is not applicable.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of 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 instance by the management.

- xi. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- xii. According to the information and explanations given to us, the Company is not a Nidhi Company as per the Act. Thus, paragraph 3(xii) of the Order is not applicable.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with the Section 177 and 188 of the Act, where applicable, and details have been disclosed in the financial statements as required by the applicable accounting standards under section 133 of the Act.
- xiv. According to the information and explanation given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit. Thus, paragraph 3(xiv) of the Order is not applicable.
- xv. According to the information and explanations given to us, the Company has not entered into any non-cash transaction with directors or persons connected with him. Thus, paragraph 3(xv) of the Order is not applicable.
- xvi. According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India act, 1934. Thus, paragraph 3(xvi) of the Order is not applicable.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.101248W/W-100022

Sd/-
Kapil Goenka
Partner
Membership Number: 118189
UDIN: 20118189AAACDT2162

Place : Mumbai
Date : July 24, 2020

Annexure B to the Independent Auditor's Report on the financial statements of DSP Merrill Lynch Limited (the "Company") for the year ended 31 March 2020**Report on the internal financial controls with reference to the aforesaid financial statements under Section 143(3)(i) of the Companies Act, 2013**

(Referred to in paragraph 2A(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of DSP Merrill Lynch Limited (the "Company") as of 31 March 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to financial statements 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 (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. 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 Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

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 and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls 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 such internal financial controls, 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.

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 with reference to financial statements.

Meaning of Internal Financial controls with Reference to Financial Statements

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 include 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

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 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.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.101248W/W-100022

Sd/-
Kapil Goenka
Partner
Membership Number: 118189
UDIN: 20118189AAACDT2162

Place : Mumbai
Date : July 24, 2020

Balance Sheet as at March 31, 2020

	Note	As at March 31, 2020 Rs. million	As at March 31, 2019 Rs. million
I ASSETS			
Financial Assets			
Cash and cash equivalents	4	22,632	18,784
Bank balances other than cash and cash equivalents	5	37,858	16,820
Receivables			
(i) Trade receivables	6	830	407
(ii) Other receivables	7	97	303
Investments	8	21	21
Other financial assets	9	2,550	478
		63,988	36,814
Non-Financial Assets			
Current tax assets (net)	10	1,274	1,192
Deferred tax assets (net)	40 (b)	252	284
Property, plant and equipment	11	523	630
Capital work in progress		7	39
Intangible assets	12	13	9
Right of Use Assets	34	1,253	-
Other non-financial assets	13	46	148
		3,368	2,302
Total Assets		67,356	39,116
II LIABILITIES AND EQUITY			
Financial Liabilities			
Payables			
(i) Trade payables	14		
Total outstanding dues of micro enterprises and small enterprises		0	2
Total outstanding dues of creditors other than micro enterprises and small enterprises		22,785	484
(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		282	105
Borrowings	16	8	22
Lease Liabilities	34	1,198	-
Other financial liabilities	17	15,999	14,225
		40,272	14,838
Non-Financial Liabilities			
Provisions	18	341	255
Other non-financial liabilities	19	271	216
		612	471
Equity			
Equity share capital	20	232	232
Other equity	21	26,240	23,575
		26,472	23,807
Total Liabilities and Equity		67,356	39,116

The accompanying notes 1 to 45 form an integral part of the Financial Statements

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

For B S R & Co LLP

 Firm Registration No.: 101248W/W-100022
 Chartered Accountants

sd/-

Kapil Goenka

 Partner
 Membership No.: 118189
 Mumbai : 24th July 2020

For and on behalf of the Board of Directors

sd/-

Rajnarayan Balakrishnan
 Director
 (DIN: 06694243)

sd/-

Naresh Shah
 Chief Financial Officer

Mumbai : 24th July 2020

sd/-

Asit Bhatia
 Director
 (DIN: 05112750)

sd/-

Samrat Sanyal
 Company Secretary
 Membership No. A13863

Statement of Profit and Loss for the year ended March 31, 2020

	Note	Year Ended March 31, 2020 Rs. million	Year Ended March 31, 2019 Rs. million
INCOME			
Revenue from operations:			
Fees and commission income	22	4,711	2,584
Other income	23	2,192	2,366
Total income		6,903	4,950
EXPENSES			
Finance costs	24	94	3
Fees and commission expenses	25	181	81
Impairment on financial instruments	26	34	322
Employee benefits expenses	27	1,663	1,642
Depreciation, amortisation and impairment	28	354	179
Other expenses	29	891	1,218
Total expenses		3,217	3,445
Profit before tax		3,686	1,505
Tax expense:			
Current tax		980	706
Provision for tax for earlier years (net)		14	(25)
Deferred tax		35	(31)
	40	1,029	650
Profit for the year		2,657	855
Other Comprehensive Income (OCI)			
Items that will not be reclassified subsequently to Statement of Profit and Loss			
Remeasurement gain on net defined benefit plans		(14)	2
Income tax relating to above	40	3	(1)
Items that will be reclassified subsequently to Statement of Profit and Loss			
Debt securities carried at fair value through OCI		-	0
Income tax relating to above		-	-
Other comprehensive income for the year		(11)	1
Total comprehensive income for the year		2,646	856
Earnings per equity share, in Rs. [face value of Rs. 10 each]			
Basic and Diluted	37	115	37

The accompanying notes 1 to 45 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 B S R & Co LLP

 Firm Registration No.: 101248W/W-100022
 Chartered Accountants

sd/-

Kapil Goenka

 Partner
 Membership No.: 118189
 Mumbai : 24th July 2020

For and on behalf of the Board of Directors

sd/-

Rajnarayan Balakrishnan

 Director
 (DIN: 06694243)

sd/-

Naresh Shah
 Chief Financial Officer

Mumbai : 24th July 2020

sd/-

Asit Bhatia

 Director
 (DIN: 05112750)

sd/-

Samrat Sanyal
 Company Secretary
 Membership No. A13863

Statement of Changes in Equity for the year ended March 31, 2020

Rs. million
232
-
232
-
232

A. Equity share capital

Balance as at April 1, 2018
 Changes in equity share capital during the year
 Balance as at March 31, 2019
 Changes in equity share capital during the year
 Balance as at March 31, 2020

B. Other equity

	Reserves and Surplus					Other Reserve		Total
	Capital Redemption reserve	Securities premium	General reserve	Share based payment reserve	Retained earnings	Debt securities through FVOCI		
Balance as at April 1, 2018	8,100	44	4,511	117	9,879	16	22,667	
Profit for the year	-	-	-	-	855	-	855	
Other comprehensive income for the year	-	-	-	-	1	0	1	
Total comprehensive income for the year	-	-	-	-	856	0	856	
Transactions with owners in the capacity of owners								
Share based payment (net of reimbursement, if any)	-	-	-	52	-	-	52	
Balance as at March 31, 2019	8,100	44	4,511	169	10,735	16	23,575	
Profit for the year	-	-	-	-	2,657	-	2,657	
Other comprehensive income for the year	-	-	-	-	(11)	-	(11)	
Total comprehensive income for the year	-	-	-	-	2,646	-	2,646	
Transactions with owners in the capacity of owners								
Share based payment (net of reimbursement, if any)	-	-	-	19	-	-	19	
Balance as at March 31, 2020	8,100	44	4,511	188	13,381	16	26,240	

The accompanying notes 1 to 45 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 B S R & Co LLP
 Firm Registration No.: 101248W/W-100022
 Chartered Accountants

sd/-
Kapil Goenka
 Partner
 Membership No.: 118189
 Mumbai : 24th July 2020

For and on behalf of the Board of Directors

sd/-
Rajnarayan Balakrishnan
 Director
 (DIN: 06694243)
 sd/-
Naresh Shah
 Chief Financial Officer
 Mumbai : 24th July 2020

sd/-
Asit Bhatia
 Director
 (DIN: 05112750)
 sd/-
Samrat Sanyal
 Company Secretary
 Membership No. A13863

Cash flow statement for the year ended March 31, 2020

	Year Ended March 31, 2020 Rs. million	Year Ended March 31, 2019 Rs. million
Cash flow from operating activities:		
Profit before tax	3,686	1,505
Adjusted for :		
Depreciation, amortisation and impairment	354	179
Bad debts and advances written off	-	5
Gain on derecognition of financial liability	-	(1)
Gratuity	27	26
Compensated absences	51	61
Finance Costs	94	3
Net (gain) on fair value changes	(0)	(3)
Allowance for impairment	34	322
Loss on derecognition of property, plant and equipment	0	2
Share based payment	19	52
Operating profit before changes in operating assets and liabilities	4,265	2,151
Adjusted for :		
(Increase) in other bank balances	(21,038)	(4,101)
(Increase) / Decrease in trade receivables	(423)	229
Decrease / (Increase) in other receivables	207	(275)
(Increase) in other financial assets	(2,105)	(175)
(Increase) / Decrease in other non-financial assets	(12)	49
Increase in trade payables	22,300	176
Increase in other payables	176	35
Increase in other financial liabilities	1,775	4,795
Increase / (Decrease) in other non-financial liabilities	54	(7)
Cash generated from operating activities	5,199	2,877
Direct taxes (paid), net	(1,078)	(541)
Net cash generated from operating activities	4,121	2,336
Cash flow from investing activities:		
Purchase of property, plant and equipments including capital work in progress	(23)	(61)
Purchase of intangible assets	(8)	(2)
Sale / disposal of property, plant and equipment	5	7
Redemption of debt securities	0	379
Net cash (used in)/generated from investing activities	(26)	323
Cash flow from financing activities:		
Loans from bank, net of repayments	(14)	(19)
Repayment of Lease Liability	(139)	-
Interest expense on lease liabilities	(93)	-
Interest expense on borrowings	(1)	(3)
Net cash (used in) financing activities	(247)	(22)
Net increase in cash and cash equivalents	3,848	2,636
Cash and cash equivalents as at the beginning of the year	18,784	16,148
Cash and cash equivalents as at the end of the year	22,632	18,784
Net increase in cash and cash equivalents	3,848	2,636
Non cash financing activity:		
Share based payment	19	52

The accompanying notes 1 to 45 form an integral part of the Financial Statements

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

For B S R & Co LLP

Firm Registration No.: 101248W/W-100022
Chartered Accountants

sd/-

Kapil Goenka

Partner
Membership No.: 118189

Mumbai : 24th July 2020

For and on behalf of the Board of Directors

sd/-

Rajnarayan Balakrishnan

Director
(DIN: 06694243)

sd/-

Naresh Shah
Chief Financial Officer

Mumbai : 24th July 2020

sd/-

Asit Bhatia

Director
(DIN: 05112750)

sd/-

Samrat Sanyal
Company Secretary
Membership No. A13863

Notes to the 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 and Research Analyst. The Company is engaged in the business of stock broking, securities research, underwriting, investment banking including corporate and financial advisory services.

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, 2020 and authorised for issue on 24th July 2020.

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.

(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 43.

c. 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.

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.

Notes to the Financial Statements

d. 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.

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

Notes to the Financial Statements

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 42 (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.

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.

Notes to the Financial Statements

(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.

e. 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.

f. 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 standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. A 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 principal 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 services tax, wherever recovered.

g. 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. 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 the Financial Statements

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.

h. Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether a contract contains a lease, at inception of a contract.

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.

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- (i) the contract involves the use of an identified asset
- (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and
- (iii) the Company has the right to direct the use of the asset.

Transition to Ind AS 116

The Company has applied Ind AS 116 for the first time with a date of initial application of April 1, 2019. Ind AS 116 addresses the definition of a lease, and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard replaces Ind AS 17, Leases. Ind AS 116 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement date. The Company has made use of the practical expedient available on transition to Ind AS 116 not to reassess whether a contract is or contains a lease.

On a lease-by-lease basis, the Company has made use of the following practical expedients:

- a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- b) relied on previous assessment on whether leases are onerous as an alternative to performing an impairment review; and
- c) excluded initial direct costs in the measurement of the right-of-use asset at date of initial application.

The Company applied Ind AS 116 using the modified retrospective approach, and thus, the comparative information has not been restated. Comparative information presented in these financial statements is prepared based on the accounting policies that the Company had previously applied under Ind AS 17.

Accounting Policy applicable before date of initial application (April 1, 2019)

Company as a lessee- Operating Lease

Prior to April 1, 2019, the Company classified leases that did not transfer substantially all of the risks and rewards incidental to

Notes to the Financial Statements

ownership of the leased items as operating leases. Operating lease payments were recognised as an expense in the Statement of Profit & Loss on a straight line basis over the lease term unless the increase is in line with the expected general inflation, in which case lease payments were recognised based on contractual terms. Contingent rental payable was recognised as an expense in the period in which they were incurred.

Accounting Policy applicable after date of initial application (April 1, 2019)

Company as a lessee- Operating Lease

The company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the company uses incremental borrowing rate. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The company recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and statement of profit and loss depending upon the nature of modification.

The company has elected not to apply the requirements of Ind AS 116 Leases to leases for which the underlying asset is of low value. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

i. 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.

j. 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. For determining the impairment allowance, if any, please refer note 2 (c)(ii).

k. 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

Notes to the Financial Statements

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.

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.

l. 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.

m. 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

n. 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.

Notes to the Financial Statements

o. Employee benefits

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

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

The costs of providing benefits under defined benefit plans are determined using the Projected Unit Credit Method on the basis of a third party actuarial valuation at each balance sheet date. The 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.

p. 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.

q. 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.

r. 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.

s. 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

Notes to the Financial Statements

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.

t. 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.

u. 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.

v. 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.

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.

(a) 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
- (v) Measurement of Lease Liability and Right-of-use Asset (Refer Note 34)
- (vi) Disclosure of contingent liabilities

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.

(b) COVID-19

The novel coronavirus (‘COVID-19’) pandemic continues to spread rapidly across the globe including India. On 11 March 2020, COVID-19 outbreak was declared a global pandemic by the World Health Organization. COVID-19 continues to spread across the globe and has contributed to increase volatility in financial markets and an unprecedented level of disruption on socio-economic activities, the extent of which is currently unascertainable. Various governments, civil societies and many organizations, including the Company, have introduced a variety of measures to contain the spread of the virus to protect lives and livelihood.

On 24 March 2020, the Indian government announced a strict 21 days lockdown which was further extended by 19 days and again by 14 days across the country to contain the spread of the virus. The Company has also taken wide-ranging steps to ensure the safety and security of its employees, including deep sanitisation of offices, monitoring of body temperature, providing masks, facilitating WFH and arranging medical support for its employees.

Based on facts and circumstances as on date, the Company does not anticipate material uncertainties which affects its liquidity position and also ability to continue as a going concern.

Notes to Financial Statements (Contd...)
4. Cash and cash equivalents

Particulars	As at March 31, 2020 Rs. million	As at March 31, 2019 Rs. million
Cash on hand	-	-
Cash in transit	-	-
Bank balances :		
In current accounts	1,885	39
Fixed deposits with banks with original maturity less than 3 months	20,747	9,353
Short term, highly liquid investments - Mutual Funds	-	9,392
Total	22,632	18,784

5. Bank balances other than cash and cash equivalents

Particulars	As at March 31, 2020 Rs. million	As at March 31, 2019 Rs. million
Balances with Banks		
In current accounts (client segregated balances)	23,866	1,397
In earmarked accounts :		
Balances in unclaimed dividend bank account	0	0
Fixed deposits with banks under lien as collateral with stock exchange / clearing corporation	13,992	14,673
Other bank balances :		
Fixed deposits with banks with original maturity more than 3 months but less than 12 months	-	750
Total	37,858	16,820

6. Trade receivables

Particulars	As at March 31, 2020 Rs. million	As at March 31, 2019 Rs. million
Receivable considered good - Secured	-	-
Receivable considered good - Unsecured	830	407
Receivable which have significant increase in credit risk	-	-
Receivable - Credit impaired	-	-
Less: Allowance for impairment loss	-	-
Total	830	407

7. Other receivables

Particulars	As at March 31, 2020 Rs. million	As at March 31, 2019 Rs. million
Other receivable considered good - Secured	-	-
Other receivable considered good - Unsecured		
Unbilled Revenue	21	265
Others	76	38
Other receivable which have significant increase in credit risk	-	-
Other receivable - Credit impaired	1	1
Less: Allowance for impairment loss	(1)	(1)
Total	97	303

Notes to Financial Statements (Contd...)
8. Investments

Particulars	As at March 31, 2020 Rs. million	As at March 31, 2019 Rs. million
At cost		
Investment in subsidiary (unquoted)	-	-
At fair value through other comprehensive income		
Debt securities (Refer Note 42.(ii) (c))	343	343
Equity instruments	0	0
At fair value through profit and loss		
Equity instruments	-	-
Total	343	343
Less: Allowance for impairment loss (Refer Note 42.(ii)(c))	(322)	(322)
Total	21	21
Investment in India	21	21
Investment outside India	-	-
Total	21	21

9. Other financial assets

Particulars	As at March 31, 2020 Rs. million	As at March 31, 2019 Rs. million
Deposit placed with exchanges and depository	2,028	42
Deposit placed for premises and others	98	86
Interest Accrued on:		
Fixed deposits	421	337
Debt Securities	43	19
Other Interest receivable	44	44
Less: Allowance for impairment loss	(84)	(50)
Total	2,550	478

10. Current tax assets (net)

Particulars	As at March 31, 2020 Rs. million	As at March 31, 2019 Rs. million
Advance payment of taxes [Net of provision for taxes Rs.28,529 million (Rs. 27,535 million as of March 31, 2019)]	1,274	1,192
Total	1,274	1,192

Notes to the Financial Statements (Contd...)

11. Property, plant and equipment

(a) Property, plant and equipment as at March 31, 2020

Particulars	Gross block (at deemed cost)				Accumulated Depreciation			Net block As at March 31, 2020 (I=D-H)
	As at April 1, 2019 (A)	Additions (B)	Deductions (C)	As at March 31, 2020 (D=A+B-C)	As at April 1, 2019 (E)	For the year (F)	Deductions (G)	
	As at March 31, 2020 (H=E+F-G)				As at March 31, 2020 (I=D-H)			
Leasehold Improvements	318	-	-	318	62	31	-	93
Computers and Allied Equipment	356	55	18	393	223	69	18	274
Enterprise Core Network Assets	85	-	-	85	5	9	-	14
Office Equipment	140	1	-	141	74	29	-	103
Furniture and Fixtures	78	0	-	78	17	8	-	25
Vehicles	64	-	19	45	30	12	14	28
Total	1,041	56	37	1,060	411	158	32	537

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

Particulars	Gross block (at deemed cost)				Accumulated Depreciation			Net block As at March 31, 2019 (I=D-H)
	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)	
	As at March 31, 2019 (H=E+F-G)				As at March 31, 2019 (I=D-H)			
Leasehold Improvements	318	-	-	318	31	31	-	62
Computers and Allied Equipment	334	28	6	356	142	84	3	223
Enterprise Core Network Assets	-	85	-	85	-	5	-	5
Office Equipment	140	0	-	140	44	30	-	74
Furniture and Fixtures	78	0	-	78	9	8	-	17
Vehicles	948	113	20	1,041	20	18	8	30
Total	948	113	20	1,041	246	176	11	411

12. Intangible assets

(a) Intangible assets as at March 31, 2020

Particulars	Gross block (at deemed cost)				Accumulated Depreciation			Net block As at March 31, 2020 (I=D-H)
	As at April 1, 2019 (A)	Additions (B)	Deductions (C)	As at March 31, 2020 (D=A+B-C)	As at April 1, 2019 (F)	For the year (H)	Deductions (I)	
	As at March 31, 2020 (H=E+F-G)				As at March 31, 2020 (I=D-H)			
Software	15	8	-	23	6	3	-	9
Total	15	8	-	23	6	3	-	9

(b) Intangible assets as at March 31, 2019

Particulars	Gross block (at deemed cost)				Accumulated Depreciation			Net block As at March 31, 2019 (I=D-H)
	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)	
	As at March 31, 2019 (H=E+F-G)				As at March 31, 2019 (I=D-H)			
Software	13	2	-	15	3	3	-	6
Total	13	2	-	15	3	3	-	6

Notes to Financial Statements (Contd...)
13. Other non-financial assets

Particulars	As at March 31, 2020 Rs. million	As at March 31, 2019 Rs. million
Prepayments and others	47	141
Advances	2	4
Gratuity over funded [refer note 33(ii)]	(0)	6
Less: Allowance for impairment	(3)	(3)
Total	46	148

14. Trade payables

Particulars	As at March 31, 2020 Rs. million	As at March 31, 2019 Rs. million
Sundry creditors [refer note 41]		
Total outstanding dues of micro enterprises and small enterprises	0	2
Total outstanding dues of creditors other than micro enterprises and small enterprises	22,785	484
Total	22,785	486

15. Other payables

Particulars	As at March 31, 2020 Rs. million	As at March 31, 2019 Rs. million
Other payables [refer note 41]		
Total outstanding dues of micro enterprises and small enterprises	-	0
Total outstanding dues of creditors other than micro enterprises and small enterprises	282	105
Total	282	105

16. Borrowings

Particulars	As at March 31, 2020 Rs. million	As at March 31, 2019 Rs. million
At amortised cost		
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 9.75% p.a.]	8	22
Total	8	22
Borrowings in India	8	22
Borrowings outside India	-	-
Total	8	22

Notes to Financial Statements (Contd...)
17. Other financial liabilities

Particulars	As at March 31, 2020 Rs. million	As at March 31, 2019 Rs. million
Unpaid dividend	0	0
Client margin money	15,859	14,076
Salaries and incentives payable	140	149
Total	15,999	14,225

18. Provisions

Particulars	As at March 31, 2020 Rs. million	As at March 31, 2019 Rs. million
Provision for employee benefits:		
Compensated absences	306	255
Gratuity	35	-
Total	341	255

19. Other non-financial liabilities

Particulars	As at March 31, 2020 Rs. million	As at March 31, 2019 Rs. million
Statutory dues including Provident fund, Tax deducted at source, Goods and service tax	235	182
Others	36	34
Total	271	216

Notes to the Financial Statements (Contd...)
20. Equity share capital

Particulars	As at March 31, 2020		As at March 31, 2019	
	Number of Shares	Rs. million	Number of Shares	Rs. million
Authorised				
Equity shares of Rs. 10 each	283,750,000	2,838	283,750,000	2,838
Cumulative redeemable preference shares of Rs. 10 each	810,000,000	8,100	810,000,000	8,100
Total		10,938		10,938
Issued, subscribed and paid up				
Equity shares of Rs. 10/- each, fully paid up	23,155,039	232	23,155,039	232
Total	23,155,039	232	23,155,039	232

Reconciliation of number of shares :

Particulars	As at March 31, 2020		As at March 31, 2019	
	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
Balance as at the end of the year	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, 2020		As at March 31, 2019	
		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

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

Particulars	As at March 31, 2020		As at March 31, 2019	
	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%

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, 2020 Rs. million	As at March 31, 2019 Rs. million
Summary of other equity balances		
<u>Reserves and Surplus</u>		
Capital reserve	-	-
Capital redemption reserve	8,100	8,100
Securities premium	44	44
General reserve	4,511	4,511
Share based payment reserve	187	169
Retained earnings	13,382	10,735
<u>Other reserve</u>		
Debt securities through FVOCI	16	16
Total	26,240	23,575

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) 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.

v) 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 enterprises 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.

vi) 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.

vii) 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, 2020 Rs. million	Year ended March 31, 2019 Rs. million
Professional fees	1,211	375
Brokerage / marketing fees	3,500	2,209
Total	4,711	2,584

23. Other income

Particulars	Year ended March 31, 2020 Rs. million	Year ended March 31, 2019 Rs. million
Interest Income		
- On financial assets measured at amortised cost:		
Bank deposits	2,082	1,230
Unwinding of discount on financial assets	10	9
- On financial assets measured at FVOCI:		
Debt securities	26	95
- Other interest income (including interest on Income tax refund)	0	89
Infrastructure and support fees recovered	10	21
Secondment charges recovered	6	9
Gain on derecognition of financial liability	-	1
Net (loss) on derecognition of property plant and equipment	(0)	(2)
Net (loss) on foreign currency transactions	(23)	(16)
Net gain on fair value changes		
- On debt instruments designated at Fair value through OCI	0	3
- On financial instruments at fair value through profit and loss	78	920
Miscellaneous income	3	7
Total	2,192	2,366
Break up of Net gain / (loss) on fair value changes		
Realised	78	923
Unrealised		(0)
Total	78	923

24. Finance costs

Particulars	Year ended March 31, 2020 Rs. million	Year ended March 31, 2019 Rs. million
On Financial liabilities carried at amortised cost		
Interest expense on borrowings	1	3
On Recognition of Liability in respect of Leases		
Interest expense on lease liabilities	93	-
Total	94	3

Notes to Financial Statements (Contd...)
25. Fees and commission expenses

Particulars	Year ended March 31, 2020 Rs. million	Year ended March 31, 2019 Rs. million
Brokerage, clearing charges and exchange fees	104	80
Sub-brokerage, fees, commission and other direct expenses	77	1
Total	181	81

26. Impairment on financial instruments

Particulars	Year ended March 31, 2020 Rs. million	Year ended March 31, 2019 Rs. million
Allowance for impairment of:		
(a) financial instruments measured at fair value through OCI	-	315
(b) financial instruments measured at amortised cost Other Financial Assets	34	7
Total	34	322

27. Employee benefits expenses

Particulars	Year ended March 31, 2020 Rs. million	Year ended March 31, 2019 Rs. million
Salaries and incentives	1,382	1,408
Contribution to provident fund [refer note 33(i)]	52	44
Share based payment	185	146
Gratuity [refer note 33(ii)]	30	26
Staff welfare expenses	14	18
Total	1,663	1,642

28. Depreciation, amortisation and impairment

Particulars	Year ended March 31, 2020 Rs. million	Year ended March 31, 2019 Rs. million
Depreciation on property plant and equipment [refer note 11]	158	176
Amortisation on intangible assets [refer note 12]	3	3
Depreciation on Right of Use Assets	193	-
Total	354	179

Notes to Financial Statements (Contd...)
29. Other expenses

Particulars	Year ended March 31, 2020 Rs. million	Year ended March 31, 2019 Rs. million
Advertisement, publicity and sales promotion, net	17	41
Bad debts and advances written off	-	5
Communication costs, net	73	94
Corporate Social Responsibility expenditure [refer note 32 (b)]	52	57
Data subscription costs	74	96
Electricity	35	34
Infrastructure and support costs	85	103
Insurance	7	3
Legal and professional fees	136	118
Auditors remuneration (excluding taxes)	5	6
Printing and stationery	2	1
Rates and taxes	167	207
Rent	0	218
Repairs and maintenance	128	157
Secondment charges incurred	10	14
Travelling expenses	78	54
Miscellaneous expenses	22	10
Total	891	1,218

30. Contingent liabilities :

Particulars	As at March 31, 2020 Rs. million	As at March 31, 2019 Rs. million
(a) Claims against the company not acknowledged as debt:		
- Income-tax demands disputed in appeals before the authorities to the extent not provided for and fully paid	1,654	830
(b) Others	1	1
Total	1,655	831

31. Commitments

Particulars	As at March 31, 2020 Rs. million	As at March 31, 2019 Rs. million
Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for	3	4
Total	3	4

32. Additional disclosures
a. Payment to auditors (including taxes):

Particulars	Year ended March 31, 2020 Rs. million	Year ended March 31, 2019 Rs. million
Audit Fees	5	6
For other services [tax audit fees and certification]	1	1
Total	6	7

Notes to Financial Statements (Contd...)
32. Additional disclosures
b. Corporate Social Responsibility (CSR) expenditure:

Particulars	Year ended March 31, 2020 Rs. million	Year ended March 31, 2019 Rs. million
(1) Gross amount required to spent by the Company during the year	53	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	53	57
Yet to be paid in cash	-	-
Total	53	57

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. 52 million** [Previous year Rs. 44 million]

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, 2020 Rs. million	As at March 31, 2019 Rs. million
Present value (PV) of funded obligation for gratuity	(315)	(264)
Fair value of plan assets	280	270
Balance as at the year end - (Deficit)/Surplus	(35)	6

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

Particulars	Year ended March 31, 2020 Rs. million	Year ended March 31, 2019 Rs. million
Opening defined benefit obligation	264	235
Current service cost	31	27
Interest cost	19	17
Past service cost	-	-
Actuarial (gain) / loss arising from change in financial assumptions	19	4
Actuarial (gain) / loss arising from experience adjustment	1	(4)
Acquisition / (Transfer)	(4)	(1)
Benefits paid	(15)	(14)
Defined benefit obligation at year end	315	264

Notes to Financial Statements (Contd...)
33. Employee benefits (Contd....)
(c) Reconciliation of opening and closing balances of fair value of plan assets

Particulars	Year ended March 31, 2020 Rs. million	Year ended March 31, 2019 Rs. million
Opening fair value of plan assets	270	264
Expected return on plan assets	19	18
Actuarial (gain) / loss arising from change in financial assumptions	6	2
Contributions by employer	-	-
Benefits paid	(15)	(14)
Fair value of plan assets at year end	280	270

(d) Expenses recognised during the year

Particulars	Year ended March 31, 2020 Rs. million	Year ended March 31, 2019 Rs. million
In Income Statement		
Current service cost	31	28
Past service cost - plan amendment	-	-
Interest cost	(1)	(2)
Return on plan assets	-	-
Net cost	30	26
In Other Comprehensive Income		
Actuarial (gain) / loss arising from change in demographic assumption	-	-
Actuarial (gain) / loss arising from change in financial assumptions	13	2
Actuarial (gain) / loss arising from experience adjustment	1	(4)
Net (income)/ expense for the period recognised in OCI	14	(2)

(e) Investment details

Particulars	As at March 31, 2020	As at March 31, 2019
Government of India securities	74%	78%
High quality corporate bonds (including public sector bonds)	21%	17%
Cash	2%	2%
Others (including Special deposit scheme)	3%	3%
Total	100%	100%

(f) Principal actuarial assumptions

Particulars	As at March 31, 2020	As at March 31, 2019
Discount rate p.a.	6.60%	7.40%
Salary escalation rate p.a.	9.00%	9.00%
Expected rate of return on assets (p.a.)	6.60%	7.40%
Attrition rate	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, 2020 Rs. million	Year ended March 31, 2019 Rs. million
Change in discounting rate		
Increase in rate by 1%	(25)	(20)
Decrease in rate by 1%	26	23
Change in rate of salary increase		
Increase in rate by 1%	24	23
Decrease in rate by 1%	(25)	(20)
Change in rate of employee turnover		
Increase in rate by 5%	(20)	(13)
Decrease in rate by 5%	27	18

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, 2020 is 8 years (as at March 31, 2019, 9 years). Expected employer contribution for the next year is Rs. 25 million.

34. Leases

The Company's lessee arrangements predominantly consist of leases for office premises. Lease terms may contain renewal and extension options and early termination features. Generally, these options do not impact the lease term because the Company is not reasonably certain that it will exercise the options.

The right-of-use assets and lease liabilities recorded as at April 1, 2019 were INR 1,446 million and INR 1,337 million respectively. There was no cumulative effect of initial application recorded in retained earnings. Ind AS 116 results in lease expenses being recognised earlier than under Ind AS 17, with lease expenses previously recorded within 'Other Expenses' being replaced by depreciation of the right-of-use asset and accrual of Finance costs relating to the lease liabilities presented in interest expense. For further details on the Company's accounting policy with respect to leases, see Note 2(h).

When measuring the lease liabilities, the Company discounted lease payments using its incremental borrowing rate at April 1, 2019. The weighted average rate applied is 7.47%.

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.

(a) Right-of Use Assets

Particulars	As at March 31, 2020 Rs. million
Recognised on date of initial application (April 1, 2019)	1,446
Additions during the year	-
Depreciation for the year	(193)
Balance as at March 31, 2020	1,253

Notes to Financial Statements (Contd...)
34. Leases (Contd....)
(b) Lease Liabilities
(i) Maturity Analysis- Contractual undiscounted Cash Flows

Particulars	As at March 31, 2020 Rs. million
Within 12 months	231
Beyond 12 months	1,317
Total undiscounted lease liabilities	1,548

(ii) Movement during the year

Particulars	As at March 31, 2020 Rs. million
Recognised on date of initial application (April 1, 2019)	1,337
Additions during the year	-
Interest recognised on lease liabilities	93
Repayment during the year	(232)
Balance as at March 31, 2020	1,198

(c) Amount recognised in Statement of Profit & Loss

Particulars	As at March 31, 2020 Rs. million
Depreciation of Right-of-Use Assets	193
Interest on Lease Liabilities	93
Total	286

(d) Cash flows

Particulars	As at March 31, 2020 Rs. million
Cash inflows/ (outflows) during the year for all leases	(232)
Total	(232)

Notes to the Financial Statements (Contd...)
35. 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 ^(a)
2	GHS Singapore Holdings Pte. Limited	Holding Company ^(b)
3	Bank of America, N.A - India Branches	Fellow Subsidiary
4	Bank of America, National Association - USA and its Branches	Fellow Subsidiary
5	Bank of America, N.A - Singapore Branches	Fellow Subsidiary
6	Merrill Lynch Capital Markets Espana, S.A., S.V.	Fellow Subsidiary
7	Merrill Lynch International, LLC	Fellow Subsidiary ^(c)
8	Merrill Lynch Markets Singapore Pte. Limited	Fellow Subsidiary
9	Merrill Lynch Global Services Pte. Limited	Fellow Subsidiary
10	Merrill Lynch (Asia Pacific) Limited	Fellow Subsidiary
11	Merrill Lynch Japan Securities Co. Ltd.	Fellow Subsidiary
12	Merrill Lynch International	Fellow Subsidiary
13	Merrill Lynch (Singapore) Pte. Limited	Fellow Subsidiary
14	Merrill Lynch, Pierce, Fenner & Smith Inc.	Fellow Subsidiary
15	Bacna Singapore Holdings Private Limited	Fellow Subsidiary
16	BOFA Securities Inc	Fellow Subsidiary
17	Asit Bhatia, Ameer Parikh, Arbind Maheswari, Charulata Sippy, Rajnarayan Balakrishnan, Sundararaman Ramamurthy	Key Management Personnel (KMP)

(a) Refer Note 1 - Company background

(b) Refer Note 20 - Equity share capital

(c) Formerly known as Merrill Lynch International Inc.

Notes to the Financial Statements (Contd...)
35. 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	Fellow Subsidiaries	Key Management Personnel (KMP)
1	Equity share capital Balance as at March 31, 2020 <i>Previous year</i>	- -	231 231	- -	- -
2	Bank balance <i>Previous year</i>	- -	- -	23,342 ⁽¹⁾ 4	- -
3	Fixed deposits - placement Placed during the year <i>Previous year</i> Matured during the year <i>Previous year</i> Balance as at March 31, 2020 <i>Previous year</i>	- - - - -	- - - - -	54,460 ⁽¹⁾ 4,250 46,960 ⁽¹⁾ 250 11,500 ⁽¹⁾ 4,000	- - - - -
4	Margin deposits Received during the year <i>Previous year</i> Refunded / adjusted during the year <i>Previous year</i> Balance as at March 31, 2020 <i>Previous year</i>	- - - - -	- - - - -	84,159 ⁽²⁾ 50,770 83,651 ⁽³⁾ 45,887 (13,764) (13,256)	- - - - -
5	Revenue from operations Fees and commission income <i>Previous year</i> Balance as at March 31, 2020 <i>Previous year</i>	- - - -	- - - -	583 ⁽⁴⁾ 584 (723) 324	- - - -
6	Other income				
a)	Infrastructure and support fees recovered <i>Previous year</i> Balance as at March 31, 2020 <i>Previous year</i>	- - - -	- - - -	10 ⁽¹⁾ 21 1 1	- - - -
b)	Interest Income <i>Previous year</i> Balance as at March 31, 2020 <i>Previous year</i>	- - - -	- - - -	558 ⁽¹⁾ 24 45 21	- - - -
c)	Secondment charges recovered <i>Previous year</i> Balance as at March 31, 2020 <i>Previous year</i>	- - - -	- - - -	6 ⁽¹⁾ 9 0 1	- - - -
7	Recovery of amounts <i>Previous year</i> Balance as at March 31, 2020 <i>Previous year</i>	- - - -	- - - -	1 ⁽⁵⁾ 3 0 -	- - - -
8	Payment / (recovery) in respect of retirement benefits of transferred employees, net <i>Previous year</i> Balance as at March 31, 2020 <i>Previous year</i>	- - - -	- - - -	(4) ⁽¹⁾ (1) (4) (1)	- - - -

Notes to the Financial Statements (Contd...)
35. 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	Remuneration	-	-	-	143 ⁽⁶⁾
	<i>Previous year</i>	-	-	-	148
	Balance as at March 31, 2020	-	-	-	-
	<i>Previous year</i>	-	-	-	(0)
10	Infrastructure costs incurred	-	-	85 ⁽¹⁾	-
	<i>Previous year</i>	-	-	103	-
	Balance as at March 31, 2020	-	-	(49)	-
	<i>Previous year</i>	-	-	(66)	-
11	Secondment charges incurred	-	-	10 ⁽¹⁾	-
	<i>Previous year</i>	-	-	14	-
	Balance as at March 31, 2020	-	-	(1)	-
	<i>Previous year</i>	-	-	(2)	-
12	Interest and bank charges	-	-	0 ⁽¹⁾	-
	<i>Previous year</i>	-	-	0	-
13	Other expenses				
a)	Fees and commission expenses	-	-	77	-
	<i>Previous year</i>	-	-	-	-
	Balance as at March 31, 2020	-	-	(97)	-
	<i>Previous year</i>	-	-	-	-
b)	Professional fees expenses	-	-	6 ⁽⁷⁾	-
	<i>Previous year</i>	-	-	9	-
	Balance as at March 31, 2020	-	-	(6)	-
	<i>Previous year</i>	-	-	(6)	-
14	Receivable towards with-holding tax (TDS) recovered from employees on stock compensation, etc..				
	<i>Previous year</i>	69	-	-	-
	<i>Previous year</i>	33	-	-	-
15	Reimbursement towards restricted stocks/units, net	89	-	-	-
	<i>Previous year</i>	54	-	-	-
	Balance as at March 31, 2020	(184)	-	-	-
	<i>Previous year</i>	(89)	-	-	-

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.84,159 million [previous year Rs. 50,770 million] placed by Merrill Lynch Markets Singapore Pte. Limited.
- (3) Margin deposit refunded includes Rs.83,651 million [previous year Rs. 45,887 million] refunded to Merrill Lynch Markets Singapore Pte. Limited.
- (4) Income from fees and commission income includes commission income of Rs. 372 million [Previous year Rs. 348 million] from Merrill Lynch Markets Singapore Pte Limited and Professional fees income of Rs. 198 million [Previous year Rs. Nil] from Merrill Lynch International, Rs. 10 million [Previous year Rs. Nil] from BOFA Securities Inc., Rs. 1 million [Previous year Rs. Nil] from Merrill Lynch (Singapore) Pte. Ltd., Rs. Nil [Previous year Rs. 178 million] from Merrill Lynch, Pierce, Fenner & Smith Inc.
- (5) Amounts relate to Merrill Lynch International, LLC
- (6) Includes Short term employee benefits Rs. 95 million (Previous year Rs. 97 million), Post employment benefits Rs. 2 million (Previous year Rs. 2 million), other long term benefits Rs. 2 million (Previous year Rs. 2 million), Termination benefits Rs. 3 million (Previous year Rs. 2 million), share based payment Rs. 40 million (Previous year Rs. 43 million), fees for attending Board/Committee meetings Rs. 1 million (Previous year Rs. 2 million)
- (7) Includes Rs. 3 million [Previous year Rs. 6 million] pertaining to Merrill Lynch Global Services Pte. Limited and Rs. 3 million [Previous year Rs. 3 million] pertaining to Bank of America N.A. - USA.

Notes to Financial Statements (Contd...)

36. 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	Rs. million							
		Advisory and Transactional Services		Principal Transactions		Unallocable		Total	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
1	Segment Revenue	5,758	3,509	1,148	1,449	(3)	(8)	6,903	4,950
2	Segment Results	2,698	490	1,041	1,046	(53)	(31)	3,686	1,505
3	Segment Assets	42,534	17,734	22,419	19,602	2,403	1,780	67,356	39,116
4	Segment Liabilities	39,771	14,921	28	9	1,085	379	40,884	15,309
5	Capital Expenditure	62	111	1	4	-	-	63	115
6	Depreciation, amortisation and impairment	342	172	11	7	1	-	354	179
7	Other significant non-cash expenses	269	251	39	327	0	-	308	578

The Advisory and Transactional Services comprise Merchant Banking, Underwriting, Broking 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...)
37. Earnings per equity share (EPS):

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Net profit after tax: attributable to equity shareholders [Rs. million]	2,657	885
Weighted average numbers of shares outstanding during the year	23,155,039	23,155,039
Face value per share [Rs.]	10	10
Basic EPS [Rs.]	115	37

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

38. 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, 2020, **84,606** numbers of restricted stocks / restricted units were granted (Previous year 88,807) and the average estimated fair value per unit on the date of grant was **US\$ 33.49** (Previous year US\$ 28.01). Employee benefits expense for the year includes **Rs. 0.39 million** (Previous year Rs. 14 million) towards cash-settled awards and **Rs. 185 million** (Previous year Rs. 132 million) towards equity settled awards. The liability towards restricted stocks / restricted units (cash settled) recognised as on March 31, 2020 is Rs. 36 million (as at March 31, 2019 Rs. 34 million)

39. 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.

40. 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, 2020 and March 31, 2019 is as follows:

Particulars	Year ended March 31, 2020 Rs. million	Year ended March 31, 2019 Rs. million
Accounting profit before tax	3,686	1,505
Tax at India's statutory income tax rate of 25.17% (previous year 34.944%)	928	526
Tax effect of income that is not taxable in determining taxable profit	-	(4)
Tax effect of expenses / allowances that are not deductible in determining taxable profit	16	124
Tax expense pertaining to prior years	13	(25)
Effect of change in tax rate*	98	-
Others	(26)	29
Income tax expense at effective tax rate	1,029	650
Effective tax rate	27.924%	43.189%

* **Note-** The Company has elected to exercise the option allowed under Section 115BAA of the Income Tax Act, 1961 introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has re-measured its Deferred Tax Assets basis the rate prescribed in the said section. The full impact of this change has been recognised in the Statement of Profit & Loss for the year.

Notes to Financial Statements (Contd...)
40. Income Taxes (Contd...)
b) Movement of deferred tax assets and liability
Rs. million

Movement for the year ended March 31, 2020	As at April 1, 2019	(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, 2020
Deferred tax assets					
- Disallowance u/s 43B of Income-tax Act, 1961	64	(4)	-	(17)	43
- Depreciation / amortisation, net	57	3	-	(17)	43
- Allowance for impairment on interest receivable	15	-	-	(4)	11
- Amortisation cost of restricted stock/units	59	7	-	(19)	47
- Unwinding of discount on Lease Liability	-	419	-	(117)	302
- Employee benefit plans	87	29	3	(33)	86
- Others	10	34	-	(12)	32
Total (a)	292	488	3	(219)	564
Deferred tax liability					
- Unrealised gain on financial instruments carried at FVTPL	8	(12)	-	1	(3)
- Amortisation cost of Right-of-Use Asset	-	437	-	(122)	315
Total (b)	8	425	-	(121)	312
Deferred tax assets, net (a-b)	284	63	3	(98)	252

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
- Unwinding of discount on Lease Liability	-	-	-	-	-
- 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
- Amortisation cost of Right-of-Use Asset	-	-	-	-	-
Total (b)	8	(0)	-	-	8
Deferred tax assets, net (a-b)	254	31	(1)	-	284

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...)
41. Disclosures pertaining to Micro Enterprises and Small Enterprises:

Particulars	Year ended March 31, 2020 Rs. million	Year ended March 31, 2019 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	0	1
(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	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.

42. Financial Risk Management

The Company is engaged in the business of stock broking, securities research, underwriting, investment banking including corporate and financial advisory services. 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, 2020		
	Transactional currency		
	USD	SGD	HKD
Financial Assets [Equivalent Rs. million]	149	-	-
Financial Liabilities [Equivalent Rs. million]	292	0	0

Notes to Financial Statements (Contd...)

42. Financial Risk Management (Contd...)

Particulars	As at March 31, 2019	
	Transactional currency	
	USD	SGD
Financial Assets [Equivalent Rs. million]	300	-
Financial Liabilities [Equivalent Rs. million]	106	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. 5 million for the year ended March 31, 2020 (Previous year: A 5% appreciation / depreciation of the respective foreign currencies with respect to functional currency of the Company would result in increase / decrease in the Company's profit after tax by approximately Rs. 6 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, 2020	As at March 31, 2019
Short term, highly liquid investments - Mutual Funds	-	9,392

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, 2020	March 31, 2019
Short term, highly liquid investments - Mutual Funds		
- 91 days T-bill : Increase 100 bps (previous year 100 bps)	-	42
- 91 days T-bill : Decrease 100 bps (previous year 100 bps)	-	(42)

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

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.

Notes to Financial Statements (Contd...)

42. Financial Risk Management (Contd...)

(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 Nil (March 31, 2019: Rs. 9,392 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
Impairment allowance as at April 1, 2018	44
Add/(less): changes in loss allowance	6
Impairment allowance as at March 31, 2019	50
Add/(less): changes in loss allowance	34
Impairment allowance as at March 31, 2020	84

c) Investment in debt securities

The Company has investment in two debt securities measured at FVOCI and which were transferred to Stage 3 in the previous year. The Company while determining the Expected credit Loss on these investments has taken into consideration past events, default, expected cash flows, passage of time and current conditions. The Expected Credit Loss (ECL) on these investments has been measured on lifetime basis as the credit has been impaired. Expected credit loss is the product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD) and additional management overlays. The gross carrying amount of these investments in debt securities and corresponding loss allowance has been reproduced below:

Notes to Financial Statements (Contd...)
42. Financial Risk Management (Contd...)
(ii) Credit risk (Contd...)
c) Investment in debt securities (Contd...)

- i) 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:

Rs. million

Particulars	Year ended March 31, 2020		
	Stage 1 ⁽¹⁾	Stage 2 ⁽²⁾	Stage 3 ⁽³⁾
Opening balance - fair value as at April 1, 2019	-	-	343
New assets originated	-	-	-
Asset derecognised or repaid	-	-	-
Transfer to stage 3	-	-	-
Changes in fair value	-	-	-
Closing balance as at March 31, 2020	-	-	343

Rs. million

Particulars	Year ended March 31, 2019		
	Stage 1 ⁽¹⁾	Stage 2 ⁽²⁾	Stage 3 ⁽³⁾
Opening balance - fair value as at April 1, 2018	718	-	-
New assets originated (Created upon amalgamation)	-	-	-
Asset derecognised or repaid	(375)	-	-
Transfer to stage 3	(343)	-	343
Changes in fair value	-	-	0
Closing balance as at March 31, 2019	-	-	343

Notes:

- (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.
- (2) Financial instruments with significant increase in credit risk, but not yet deemed to be credit impaired are moved to Stage 2.
- (3) Credit impaired financial instruments are moved to stage 3.

Notes to Financial Statements (Contd...)
42. Financial Risk Management (Contd...)
(ii) Credit risk (Contd...)
c) Investment in debt securities (Contd...)

- 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, 2020		
	Stage 1 ⁽¹⁾	Stage 2 ⁽²⁾	Stage 3 ⁽³⁾
Opening balance as at April 1, 2019	(0)	-	322
Transfer to stage 3	-	-	-
Recoveries	0	-	(0)
Loss allowance created during the year	-	-	-
Closing balance - as at March 31, 2020	-	-	322

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

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.

Particulars	Rs. million		
	Gross exposure	Impairment allowance	Carrying amount
As at March 31, 2020			
Investment in debt securities	343	322	21
Total	343	322	21
As at March 31, 2019			
Investment in debt securities	343	322	21
Total	343	322	21

Proportionate fair value of the collateral against the debt securities as on March 31, 2020 aggregates to Rs. 306 million (Previous year Rs.855 million)

Notes:

- (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.
- (2) Financial instruments with significant increase in credit risk, but not yet deemed to be credit impaired are moved to Stage 2.
- (3) Credit impaired financial instruments are moved to stage 3.

Notes to Financial Statements (Contd...)

42. 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 financial liabilities (refer note no. 43). 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		
	As at March 31, 2020		
	On demand or within a year	Over 1 year	Total
Financial liabilities			
Trade payables	22,785	-	22,785
Other payables	282	-	282
Borrowings (including future interest payments)	7	1	8
Other financial liabilities	15,999	0	15,999
Total financial liabilities	39,073	1	39,074

Particulars	Rs. million		
	As at 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
Total financial liabilities	14,831	9	14,840

(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.

Notes to Financial Statements (Contd...)
43. 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, 2020		
	On demand or within a year	Over 1 year	Total
Financial Assets			
Cash and cash equivalents	22,632	-	22,632
Bank balances other than cash and cash equivalents	37,858	-	37,858
Receivables			
(i) Trade receivables	830	-	830
(ii) Other receivables	94	3	97
Investments	21	-	21
Other financial assets	2,454	96	2,550
Non-Financial Assets			
Current tax assets (net)	-	1,274	1,274
Deferred tax assets (net)	-	252	252
Property, plant and equipment	-	523	523
Capital work in progress	7	-	7
Intangible assets	-	13	13
Right-of-Use Asset	-	1,253	1,253
Other non-financial assets	34	12	46
Total Assets	63,930	3,426	67,356
Financial Liabilities			
Payables			
(i) Trade payables			
Total outstanding dues of micro enterprises and small enterprises	0	-	0
Total outstanding dues of creditors other than micro enterprises and small enterprises	22,785	-	22,785
(ii) Other payables			
Total outstanding dues of micro enterprises and small enterprises	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	282	-	282
Borrowings	7	1	8
Lease Liability	231	967	1,198
Other financial liabilities	15,999	0	15,999
Non-Financial Liabilities			
Provisions	46	295	341
Other non-financial liabilities	236	35	271
Total Liabilities	39,586	1,298	40,884
Net liquidity gap	24,344	2,128	26,472

Notes to Financial Statements (Contd...)
43. Maturity of assets and liabilities (Contd...)

Rs. million

Particulars	As At March 31, 2019		
	On demand or within a year	Over 1 year	Total
Financial Assets			
Cash and cash equivalents	18,784	-	18,784
Bank balances other than cash and cash equivalents	16,820	-	16,820
Receivables			
(i) Trade receivables	407	-	407
(ii) Other receivables	301	2	303
Investments	21	-	21
Other financial assets	364	114	478
Non-Financial Assets			
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	45	103	148
Total Assets	36,781	2,334	39,116
Financial Liabilities			
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
Non-Financial Liabilities			
Provisions	41	214	255
Other non-financial liabilities	182	34	216
Total Liabilities	15,052	257	15,309
Net liquidity gap	21,729	2,077	23,807

Notes to Financial Statements (Contd...)
44. 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, 2020	Measured at			Total carrying Value
	Fair value through profit and loss	Fair value through OCI	Amortised Cost (net of ECL)	
Financial Assets				
Cash and cash equivalents	-	-	22,632	22,632
Bank balances other than cash and cash equivalents	-	-	37,858	37,858
Trade receivables	-	-	830	830
Other receivables	-	-	97	97
Investments				
- Debt securities	-	21	-	21
- Equity instruments	-	-	-	-
Other financial assets	-	-	2,550	2,550
Total financial assets	-	21	63,967	63,988
Financial Liabilities				
Trade payables	-	-	22,785	22,785
Other payables	-	-	282	282
Borrowings	-	-	8	8
Lease Liability	-	-	1,198	1,198
Other financial liabilities	-	-	15,999	15,999
Total financial liabilities	-	-	40,272	40,272

Rs. million

As at March 31, 2019	Measured at			Total carrying Value
	Fair value through profit and loss	Fair value through OCI	Amortised Cost	
Financial Assets				
Cash and cash equivalents	9,392	-	9,392	18,784
Bank balances other than cash and cash equivalents	-	-	16,820	16,820
Trade receivables	-	-	407	407
Other receivables	-	-	303	303
Investments				
- Debt securities	-	21	-	21
- Equity instruments	-	-	-	-
Other financial assets	-	-	478	478
Total financial assets	9,392	21	27,401	36,814
Financial Liabilities				
Trade payables	-	-	486	486
Other payable	-	-	105	105
Borrowings	-	-	22	22
Other financial liabilities	-	-	14,225	14,225
Total financial liabilities	-	-	14,838	14,838

Notes to Financial Statements (Contd...)

44. Fair Value of Financial Instruments (Contd...)

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.

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, 2020

	Rs. million			
Particulars	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	-	-	-	-
Debt securities	-	-	21	21
<u>Financial Liabilities</u>				
Measured at Amortised cost for which fair value to be disclosed				
Borrowings	-	-	8	8

Notes to Financial Statements (Contd...)

44. Fair Value of Financial Instruments (Contd...)

b) Fair value hierarchy (Contd...)

As at March 31, 2019

Rs. million

Particulars	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

- 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.

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.

Notes to Financial Statements (Contd...)

44. Fair Value of Financial Instruments (Contd...)

c) Fair Values of Level 3 Assets: (Contd...)

Valuation inputs and relationship 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, 2020	As at March 31, 2019
Investment in debt securities	Discount rate	15.34%	16.37%

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, 2020 will decrease / increase by Rs. 0.01 million (previous year Rs. 0.02 million).

45. Previous year figures

Previous year's figures have been regrouped, rearranged and reclassified under Ind AS, in order to conform to the current year's presentation.

Signatures to notes 1 to 45

For B S R & Co LLP

Firm Registration No.: 101248W/W-100022
Chartered Accountants

sd/-

Kapil Goenka

Partner
Membership No.: 118189
Mumbai : 24th July 2020

For and on behalf of the Board of Directors

sd/-

Rajnarayan Balakrishnan

Director
(DIN: 06694243)

sd/-

Naresh Shah

Chief Financial Officer

Mumbai : 24th July 2020

sd/-

Asit Bhatia

Director
(DIN: 05112750)

sd/-

Samrat Sanyal

Company Secretary
Membership No. A13863

