

# 36<sup>th</sup> Annual Report 2011

## **Contents**

- DSP Merrill Lynch Limited	3
Directors' Report to the Members	7
Auditors' Report to the Members	9
Balance Sheet	12
Profit & Loss Account	13
Cash Flow Statement	14
Schedules annexed to and forming part of the Financial Statements	15
Balance Sheet Abstract and Company's General Business Profile	60
Statement pursuant to Section 212 of the Companies Act, 1956	62

## **Subsidiary Companies' Annual Reports**

- DSP Merrill Lynch Capital Limited	63
- DSP Merrill Lynch Trust Services Limited	117



**Merrill Lynch** 

A subsidiary of  
Bank of America Corporation



**Merrill Lynch**  
**Wealth Management**

A subsidiary of Bank of America Corporation

DSP MERRILL LYNCH LIMITED



A subsidiary of  
Bank of America Corporation

**Board of Directors**

Mr. Antonios Biniaris

Mr. Shitin Desai

Mr. Pradeep Dokania

Mr. Jayesh Mehta

Ms. Kaku Nakhate

Ms. Jennifer Taylor

Executive Vice Chairman

Additional Director and Non-Executive Chairman

**Company Secretary**

Ms. Jyotica Makhijani

**Auditors**

Price Waterhouse

**Bankers**

Bank of America N.A.

Citibank N.A.

Deutsche Bank A.G.

HDFC Bank Limited

Standard Chartered Bank

The Hongkong and Shanghai Banking Corporation Limited

Union Bank of India

JP Morgan Chase Bank N.A.

**Registered Office**

Mafatlal Centre, 8<sup>th</sup> Floor

Nariman Point

Mumbai 400 021



A subsidiary of  
Bank of America Corporation

## Directors' Report to the Members

The Board of Directors (the Board) of the Company has pleasure in presenting the Thirty Sixth Annual Report of the Company; the Audited Statement of Accounts and the Auditors' Report for the year ended 31<sup>st</sup> March, 2011.

### Financial Results

The financial results for the year are summarised below:

Particulars	(Rs. million)	
	Year ended 31 <sup>st</sup> March, 2011	Year ended 31 <sup>st</sup> March, 2010
Gross income	<b>7,118.12</b>	6,723.40
Profit before depreciation and tax	<b>2,264.70</b>	2,618.19
Depreciation	<b>283.76</b>	346.63
Profit before tax	<b>1,980.94</b>	2,271.56
Provision for tax	<b>710.45</b>	704.55
Profit after tax	<b>1,270.49</b>	1,567.01
Balance brought forward	<b>10,860.42</b>	10,480.01
Add: Balance in profit and loss account of DSP Merrill Lynch Securities Trading Limited*	<b>548.37</b>	-
Balance available for appropriation	<b>12,679.28</b>	12,047.02
<b>Appropriations</b>		
Preference dividend	<b>202.50</b>	202.50
Redemption premium on preference shares	-	708.75
Dividend distribution tax	<b>28.54</b>	115.35
Transfer to general reserve	-	160.00
Balance carried to balance sheet	<b>12,448.24</b>	10,860.42
Earnings per share (in Rs.)	<b>46.19</b>	24.02

\*wholly-owned subsidiary amalgamated with the Company with effect from 1<sup>st</sup> April, 2010 (the appointed date).

### Dividend

The Board recommends payment of dividend of 3% on preference shares of Rs. 10/- each for the year ended 31<sup>st</sup> March, 2011. In view of the long term growth plans of the Company it was decided not to recommend any dividend on equity shares for the year ended 31<sup>st</sup> March, 2011.

### Allotment of Equity Shares on Preferential Basis

The Company has allotted 660,000 equity shares of Rs. 10/- each at a premium of Rs. 1,700/- per share to Merrill Lynch Asia Investments Limited on a preferential basis under Section 81(1A) of the Companies Act, 1956 and Unlisted Public Companies (Preferential Allotment) Rules, 2003 on 29<sup>th</sup> March, 2011 after getting approval from the shareholders at the Extraordinary General Meeting held on 24<sup>th</sup> March, 2011. After the allotment of 660,000 equity shares, the paid-up equity share capital of the Company increased from Rs. 225 million to Rs. 231.60 million.

### Corporate Update, Operations and Future Outlook

The Indian economy has led the global recovery cycle along with China. Growth rebounded to a strong 8.5% in the financial year 2010-2011. Recovery, seasonal rains and rising global commodity prices have naturally put pressure on inflation. This sparked off a countercyclical policy response in terms of gradual monetary tightening. We expect growth to moderate to 7.8% growth in the financial year 2011-2012. The weakening of G-3 recovery remains a key risk.

After the strong year of the financial year 2009-2010, the financial year 2010-2011 continued to see the investors' interest for the Indian equity capital markets. However, the Indian stock market under-performed some of the key global and regional markets and yielded a return of 11% during the financial year 2010-2011 as against a return of 77% in the financial year 2009-2010. The secondary markets continued witnessing frantic buying from institutional and retail investors with sensex crossing the 21000 mark in November 2010. During the year, FII's bought ~US\$24.2 billion of Indian equities - the biggest buying by foreign investors in the history of Indian markets. However, domestic institutional investors were negative on the markets and were net sellers of ~US\$4 billion during the last financial year. Activity in primary markets remained robust and equity raising during the year was at ~US\$17 billion compared to a similarly strong ~US\$21 billion in the previous year.

The global merger between Bank of America Corporation (BAC) and Merrill Lynch & Co., Inc. (ML&Co) in a US\$50 billion all-stock transaction took effect on 1<sup>st</sup> January, 2009. The merger has resulted in creation of a financial power-house unrivalled in its breadth of financial services offerings, product portfolios, size, scope and reach. The integration process between the two organizations in India has been successfully completed. The Company, now ultimately controlled by BAC, continued to maintain its leadership position in all segments, viz. stock broking, trading, investment banking including advisory and mergers and acquisitions transactions and wealth management.



**Subsidiaries****DSP Merrill Lynch Capital Limited (DSPMLC)**

The audited statement of accounts of DSPMLC for the year ended 31<sup>st</sup> March, 2011, together with the report of Directors and the Auditors, as required under Section 212 of the Companies Act, 1956, are attached.

**DSP Merrill Lynch Trust Services Limited (DSPMLTS)**

The audited statement of accounts of DSPMLTS for the year ended 31<sup>st</sup> March, 2011, together with the report of Directors and the Auditors, as required under Section 212 of the Companies Act, 1956, are attached.

**Directors**

None of the Directors on the Board of the Company are disqualified for being appointed as Directors of the Company as specified in Section 274 (1)(g) of the Companies Act, 1956.

During the year, Ms. Kaku Nakhate was appointed as an Additional Director effective 7<sup>th</sup> September, 2010. The Company has received notice under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose Ms. Kaku Nakhate's name for appointment as a Director on the Board of the Company.

Mr. Kevan Watts resigned from the Board of the Company effective 28<sup>th</sup> July, 2010. The Board places on record its appreciation for the contributions made by him during his tenure on the Board.

**Audit Committee**

The Audit Committee comprises the following Directors:

- Ms. Kaku Nakhate – Chairman
- Mr. Shitin Desai
- Ms. Jennifer Taylor
- Mr. Antonios Biniaris

The above Committee functions as an Audit Committee for the purpose of the Companies Act, 1956.

**Directors' Responsibility Statement**

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Board of the Company state that:

- (i) While preparing the accounts for the year, applicable accounting standards have been followed consistently along with proper explanation relating to material departures, if any, have been made;

- (ii) Accounting policies have been applied consistently, and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of Company's state of affairs at the end of the financial year and of the profit of the Company for that period;
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) The annual accounts have been prepared on a going concern basis.

**Auditors**

M/s. Price Waterhouse, Chartered Accountants, retire as Statutory Auditors at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. The Company has received a consent letter from them in conformity with the provisions of Section 224(1B) of the Companies Act, 1956. The Board recommends their appointment and requests you to authorise the Board to fix their remuneration.

**Particulars of Employees**

The particulars in accordance with Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms a part of this report and are being attached separately.

**Information In Accordance With The Companies (Disclosure Of Particulars In The Report Of The Board Of Directors) Rules, 1988**

The Company has not been associated with any manufacturing activities. Hence, there is no report pertaining to conservation of energy or technology absorption. The details of earnings and expenditure in foreign currency are given in Schedule 18 Note No. 5c & 5e of the accounts.

**Acknowledgement**

The Directors wish to thank all the regulators for their ongoing guidance and express their appreciation for the support extended by the shareholders of the Company and also take this opportunity to thank employees for their contribution.

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

Executive Vice Chairman

**Pradeep Dokania**

Director

Place : Mumbai

Date : 18<sup>th</sup> July, 2011

**Auditors' Report  
To the Members of DSP Merrill Lynch Limited**

1. We have audited the attached Balance Sheet of DSP Merrill Lynch Limited ("The Company") as at March 31, 2011, and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
  2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
  3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 of India (the "Act") and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
  4. Further to our comments in paragraph 3 above, we report that:
    - (a) We have 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 appears from our examination of those books;
    - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
    - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act.
- (e) On the basis of written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors of the Company, none of the directors are disqualified as on March 31, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For Price Waterhouse**

Firm Registration Number : 301112E  
Chartered Accountants

**Partha Ghosh**

Partner  
Membership Number : F55913

Place : Mumbai  
Date : 19<sup>th</sup> July, 2011