

37th Annual Report 2012

Merrill Lynch 

A subsidiary of
Bank of America Corporation

Contents

- DSP Merrill Lynch Limited	3
Directors' Report to the Members	7
Auditors' Report to the Members	9
Balance Sheet	12
Statement of Profit & Loss Account	13
Cash Flow Statement	14
Notes to Financial Statements	15
Statement pursuant to Section 212 of the Companies Act, 1956	51

Subsidiary Companies' Annual Reports

- DSP Merrill Lynch Capital Limited	53
- DSP Merrill Lynch Trust Services Limited	99

Merrill Lynch 

A subsidiary of
Bank of America Corporation



Merrill Lynch
Wealth Management

A subsidiary of Bank of America Corporation

DSP MERRILL LYNCH LIMITED

Board of Directors

Mr. Allen Arakal
Mr. Asit Bhatia
Mr. Avinash Gupta
Mr. Jayesh Mehta
Mr. Jyotivardhan Jaipuria
Ms. Kaku Nakhate
Mr. Kumar Shah
Mr. Pradeep Dokania
Mr. Shitin Desai

Additional Director
Additional Director
Additional Director & Whole-Time Director
Director
Additional Director & Whole-Time Director
Director & Non-Executive Chairman
Additional Director
Whole-Time Director
Executive Vice Chairman

Compliance Officer & Company Secretary

Mr. Nishith Mehta

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, 8th Floor
Nariman Point
Mumbai 400 021

Directors' Report to the Members

The Board of Directors (the Board) of the Company has pleasure in presenting the Thirty Seventh Annual Report of the Company; the Audited Statement of Accounts and the Auditors' Report for the year ended 31st March, 2012.

Financial Results

The financial results for the year are summarised below:

(Rs. million)		
Particulars	Year ended 31 st March, 2012	Year ended 31 st March, 2011
Gross income	7,639.56	7,118.12
Profit before depreciation and tax	3,488.00	2,264.71
Depreciation	219.24	283.77
Profit before tax	3,268.76	1,980.94
Provision for tax	1,065.63	710.46
Profit after tax	2,203.13	1,270.48
Balance brought forward	12,448.24	10,860.42
Add: Balance in profit and loss account of DSP Merrill Lynch Securities Trading Limited*	-	548.37
Balance available for appropriation	14,651.37	12,679.27
Appropriations		
Preference dividend	193.09	202.50
Redemption premium on preference shares	565.50	-
Dividend distribution tax	123.07	28.53
Transfer to capital redemption reserve created on redemption of preference shares	6,750.00	-
Balance carried to balance sheet	7,019.71	12,448.24
Earnings per share (in Rs.)	57.06	46.19

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

Dividend

During the year, the Company has declared and paid interim dividend of 3% on preference shares of Rs. 10/- each amounting to Rs. 193.09 million. 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 31st March, 2012.

Redemption of preference shares

During the year, the Company redeemed its 675,000,000 3% Cumulative Redeemable Preference Shares (Preference Shares) of Rs. 10/- each on 15th March, 2012 pursuant to the provisions of Section 80 of the Companies Act, 1956 and in accordance with the terms of its issue, out of the profits of the Company, at the premium of Rs. 5.35 per share amounting to Rs. 3,611.25 million and the sum of Rs. 6,750 million was transferred out of the profits to the Capital Redemption Reserve Account.

Corporate Update, Operations and Future Outlook

The Indian economy has slowed down mainly due to global slowdown, policy paralysis at the centre and weakening industrial growth. Economy grew at mere 6.5% in the financial year 2011-2012. Twin deficits, sticky inflation and depreciating currency have worsened the macro. Rising global commodity prices and supply side constraints have kept the pressure on inflation. This leads to more than expected monetary tightening and delayed the easing process. High interest rate and slow growth led to a decline in the growth rate of investment. We expect growth to further moderate to 6.2% in the financial year 2012-2013. Euro debt crisis and further slowdown in developed economies remains a key risk.

After a range bound markets during the financial year 2010-2011, the financial year 2011-2012 continued to see a tepid interest for the Indian equity capital markets. Indian stock market underperformed some of the key global and regional markets and yielded a negative return of 10% during the financial year 2011-2012 as against a return of 11% in the financial year 2010-2011. The secondary markets saw a muted interest from the institutional investors. During the year, led by some late buying, FIIs bought ~US\$9 billion of Indian equities as compared to ~US\$24.2billion in financial year 2010-2011. Domestic institutional investors continued to be negative on the markets and were net sellers of ~US\$840 million during the last financial year. Activity in primary markets was also relatively calm with equity raising during the year at ~US\$9 billion compared to a strong ~US\$17 billion in the previous year. Likewise, M&A volumes also declined with announced cross border volumes falling from ~US\$77.9 billion to ~US\$27.2 billion in the financial year 2010-2011.

Licenses

During the year under review, the Company decided to surrender membership of the OTCEI exchange due to lack of any business activity. The Company has completed the surrender formalities of the OTCEI license and has also obtained permanent license to act as a Depository Participant [DP] of NSDL from SEBI, the same was obtained consequent to the expiry of the existing DP license.

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

The audited statement of accounts of DSPMLC for the year ended 31st March, 2012, 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 31st March, 2012, 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, Mr. Allen Arakal, Mr. Asit Bhatia, Mr. Avinash Gupta, Mr. Jyotivardhan Jaipuria and Mr. Kumar Shah were appointed as Additional Directors effective 25th November, 2011. The Company has received notices under Section 257 of the Companies Act, 1956 from members signifying their intention to propose their appointment as a Director on the Board of the Company.

Mr. Antonios Biniaris and Ms. Jennifer Taylor resigned from the Board of the Company effective 25th November, 2011. The Board places on record its appreciation for the contributions made by them during their tenure on the Board.

Audit Committee

The Audit Committee comprises the following Directors:

- Mr. Allen Arakal – Chairman
- Mr. Asit Bhatia
- Mr. Pradeep Dokania

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 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 Note 27b & 27d 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**Kumar Shah**

Director

Pradeep Dokania

Whole-Time Director

Place : Mumbai

Date : 19th July, 2012



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, 2012, and the related Statement of Profit and Loss and 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 the 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 Management, as well as evaluating the overall financial statement presentation. 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 Order.
4. Further to our comments in the Annexure referred to 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss 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, 2012 and taken on record by the Board of Directors of the Company, none of the directors is disqualified as on March 31, 2012 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, 2012;
 - (ii) in the case of the Statement of Profit and Loss, 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 : 19th July, 2012