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Merrill Lynch

A subsidiary of
Bank of America Corporation

DSP MERRILL LYNCH LIMITED

Board of Directors

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

Chief Financial Officer

Mr. Ashish Adukia

Compliance Officer

Mr. Nishith Mehta

Company Secretary

Mr. Samrat Sanyal

Auditors

Price Waterhouse

Bankers

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

Registered Office

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

Registrar and Share Transfer Agent

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

Directors' Report to the Members

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

The State of the Company's Affairs:

Financial Results:

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

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

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

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

Transfer to Reserves:

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

Dividend:

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

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

Significant Developments during the year:

Transfer of Wealth Management Business:

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

Registration of Research Analyst license:

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

Surrender of Investment Advisory license:

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

Surrender of Portfolio Manager license:

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

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

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

Change of the Registrar and Share Transfer Agent of the Company

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

Change in Registered office of the Company:

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

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

Corporate Update, Operations and Future Outlook:

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

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

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

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

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

Extract of Annual Return:

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

Number of Meetings of the Board:

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

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

Directors' Responsibility Statement:

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

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- 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;
- the Directors had prepared the annual accounts on a going concern basis;
- 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;
- the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

A Statement on Declaration given by Independent Directors:

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

Policy on Directors' Appointment and Remuneration:

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

Secretarial Audit Report:

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

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

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

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

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

Particulars of Loans, Guarantees or Investments:

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

Particulars of Contracts or Arrangements with Related Parties:

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

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

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

Conservation of Energy and Technology Absorption:

Not applicable to the Company.

Foreign Exchange Earnings and Outgo:

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

Risk Management Policy:

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

Corporate Social Responsibility:

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

Change in Nature of Business:

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

Directors:

The details of Directors as on the date of Report:

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

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

Appointment(s):

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

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

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

Re-appointment(s):

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

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

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

Change in Designation:

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

Resignation(s):

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

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

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

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

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

Appointment(s):

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

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

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

Reappointment(s):

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

Resignation(s):

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

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

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

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