



A V Deven & Co

CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

**TO THE MEMBERS OF
INDBANK MERCHANT BANKING SERVICES LIMITED
Chennai 600 035**

Report on the Financial Statements

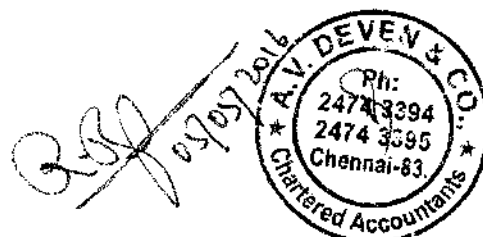
- 1) We have audited the accompanying financial statements of **M/s. INDBANK MERCHANT BANKING SERVICES LIMITED**, which comprise the Balance Sheet as at 31 March 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

- 2) The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the 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 internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

- 3) Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.



Page 1 of 3

Branch Offices at :

No. 4, Balaiah Avenue, Luz, Mylapore, Chennai - 600 004. Phone : 24992675

B-10, Pleasant Apartments, 50, Taylor's Road, Kilpauk, Chennai - 600 010. Phone : 26441721 / 22, Fax : 26441723

First Floor, Old No 14, New No 36, Ramachandran Street, (Parallel To Railway Track), T. Nagar, Chennai - 600 017. Phone : 28140109

- 4) We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- 5) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as evaluating the overall presentation of the financial statements.
- 6) We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2016;
- b) In the case of the Statement of Profit and Loss, of the PROFIT for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on other Legal and Regulatory Requirements

- (1) As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of the section 143 of the Act, we give in the *Annexe-1* a statement on the matters specified in paragraphs 3 and 4 of the Order.
- (2) As required by section 143(5), we have included in *Annexe-2*, a statement on the matters specified in the Directions issued by The Comptroller and Auditor General Of India, and in our opinion, no action is required to be taken thereon and there is no impact on the accounts and Financial Statements of the Company.
- (3) 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 appears from our examination of those books



- c) the Balance Sheet, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of written representations received from the directors as on 31 March, 2016, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
- f) The Company has adequate internal financial controls system in place and the operating effectiveness of such controls is adequate.
- g) With respect to the other matters included in the Auditor's Report and to our best of our information and according to the explanations given to us :-
- (i) The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 29 to the financial statements
- (ii) The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses.
- (iii) The amounts required to be transferred to the Investor Education and Protection Fund by the Company during the current Financial Year has been transferred on 21/07/2015 amounting to Rs.23,83,374

Place: Chennai – 600 083

Date : 05-05-2016



For M/s A V DEVEN & Co.,
Chartered Accountants,
(Firm Reg. No.000726S)

R. Raghuraman
05/05/2016

(CA. R. Raghuraman)
Partner
(M. No.201760)

ANNEXE 1 REFERRED TO IN OUR REPORT OF EVEN DATE

With reference to the Annexe 1 referred to in paragraph 1 of the Auditors' Report of even date to the Members of the **M/s. Indbank Merchant Banking Services Ltd** on the accounts for the year ended **31st March 2016**, we report that:

Sl.No.	Particulars	Auditor's Remark
(i)	(a) Whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;	The company is maintaining proper records of books for fixed asset.
	(b) Whether these fixed assets have been physically verified by the management at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account;	It has been reported to us that the fixed assets have been physically verified by the management on a random basis during the year. No materials discrepancies were noticed on verification.
	(c) Whether title deeds of immovable property are held in name of the company. If not, provide the details thereof.	Title deeds of immovable property of the company are held in name of the company.
(ii)	Whether physical verification of inventory has been conducted at reasonable intervals by the management and whether any material discrepancies were noticed and if so, whether they have properly dealt with in the books of accounts ;	Not Applicable.
(iii)	Whether the company has 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 Companies Act. If	No, the company has not given loans to any other company, firms or other parties covered in the register.

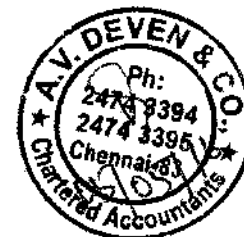


Sl.No.	Particulars	Auditor's Remark
	so,	
	(a)Whether the terms and conditions of grant of such loans are not prejudicial to the company's interest;	Not Applicable.
	(b) whether the schedule of repayment of principal and payment of interest has been stipulated and whether the repayments or receipts are regular;	Not Applicable.
	(c) if the amount is overdue, state the total amount overdue for more than ninety days, and whether reasonable steps have been taken by the company for recovery of the principal and interest;	Not Applicable.
(iv)	In respect of loans, investments, guarantees, and security whether provisions of section 185 and 186 of the Companies Act, 2013 have been complied with. If not, provide the details thereof.	The company has not granted loans and guarantee to any director or any other person .Investments.
(v)	In case, the company has accepted deposits, whether the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed thereunder, where applicable, have been complied with? If not, the nature of such contraventions be stated; If an order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal, whether the same has been complied with or not?	No, the company has not accepted any deposits from the public
(vi)	Whether maintenance of cost records has been specified by the Central Government under sub-section (1)-of section 148 of the	As informed to us, the Central Government has not prescribed maintenance of cost records by

Annexure to Independent Auditor's Report of
M/s. Indbank Merchant Banking Services Limited
For the Financial Year 2015-16



Sl.No.	Particulars	Auditor's Remark	
	Companies Act, 2013 and whether such accounts and records have been so made and maintained.	the Region under section 128 of the Companies Act, 2013 in respect of the business of the Region.	
(vii)	(a) Whether the company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated;	According to the records of the company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Services Tax and Cess to the extent applicable have been regularly deposited, ESI, Excise Duty, Customs and Cess are not applicable to this company. According to the information and explanation given to us were no outstanding statutory dues as on March 2016 for a period of more than six months from the date they become payable.	
	(b) Where dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending shall be mentioned. (A mere representation to the concerned Department shall not be treated as a dispute).	Assessment Year	Demand (in lakhs)
		1992-93	115.02
		1998-99	32.13
		2007-08	617.47
		2008-09	1129.05
		2009-10	72.23
(viii)	Whether the company has defaulted in repayment of loans or borrowing to a financial institution, bank, Government or dues to debenture holders? If yes, the period	Based on our audit procedures and on the explanation and information given by the management the company has	



Sl.No.	Particulars	Auditor's Remark
	and the amount of default to be reported (in case of defaults to banks, financial institutions, and Government, lender wise details to be provided).	not availed any loans from any financial institution or bank or debentures.
(ix)	Whether moneys raised by way of initial public offer or further public offer (including debt instruments) and term loans were applied for the purposes for which those are raised. If not, the details together with delays or default and subsequent rectification, if any, as may be applicable, be reported;;	The company has not made any public offer or obtained term loan during the year under review.
(x)	Whether any fraud by the company or any fraud on the Company by its officers or employees has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated;	Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.
(xi)	Whether managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act? If not, state the amount involved and steps taken by the company for securing refund of the same;	The managerial remuneration paid are in accordance with the requisite with the provisions of section 197 read with Schedule V to the Companies Ac
(xii)	Whether the Nidhi Company has complied with the Net Owned Funds to Deposits in the ratio of 1: 20 to meet out the liability and whether the Nidhi Company is maintaining ten per cent unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability;.	Not Applicable
(xiii)	Whether all transactions with the related	We have not come across any



Sl.No.	Particulars	Auditor's Remark
	parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards;	instances of transactions with related parties
(xiv)	Whether the company has made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and if so, as to whether the requirement of section 42 of the Companies Act, 2013 have been complied with and the amount raised have been used for the purposes for which the funds were raised. If not, provide the details in respect of the amount involved and nature of non-compliance;	The company has not made any preferential allotment or private placement of shares or fully or partly convertible debenture during the year under review.
(xv)	Whether the company has entered into any non-cash transactions with directors or persons connected with him and if so, whether the provisions of section 192 of Companies Act, 2013 have been complied with;	We have not come across any instances where the company has entered into any non-cash transactions with directors or persons connected with him.
(xvi)	Whether the company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and if so, whether the registration has been obtained.	The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934

Place: Chennai - 83.
Date: 05-05-2016



For M/s. A V DEVEN & CO.,
Chartered Accountants,
(FRN 0007268)

R. Raghuraman
(CA. R. Raghuraman)
Partner.
(M.No.201760)

Annexure to Independent Auditor's Report of
M/s. Indbank Merchant Banking Services Limited
For the Financial Year 2015-16

ANNEXE 2 REFERRED TO IN OUR REPORT OF EVEN DATE

STATUTORY AUDITOR'S REPORT

**FOR DIRECTIONS ISSUED BY THE COMPTROLLER AND AUDITOR
GENERAL**

OF INDIA UNDER SECTION 143 (5) OF COMPANIES ACT, 2013.

RE: INDBANK MERCHANT BANKING SERVICES LIMITED, CHENNAI-35.

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We are giving below replies to the following questions and information as required under Section 143 (5) of Companies Act, 2013. Our replies are based on the basis of our examination & explanations given to us during the course of Statutory Audit of **M/s INDBANK MERCHANT BANKING SERVICES LIMITED** for the financial year **2015-16**.

1. If the company has been selected for disinvestment, a complete status report in terms of valuation of Assets (including intangible assets and land) and Liabilities (including Committed and General Reserves) may be examined including the mode and present stage of disinvestment process.

The Company has not been selected for Dis-Investment.

2. Please report whether there are any cases of waiver/write off of debts/loans/interest etc., if yes, the reasons therefore and the amount involved.

The Company has written off an amount of ₹9827666.24. Details are given in Annex 1.

3. Whether proper records are maintained for inventories lying with third parties and assets received as gift from government or other authorities.

Not Applicable

**Annexure to Independent Auditor's
Report(Directions) u/s 143(5) of
M/s. Indbank Merchant Banking Services Limited
For the Financial Year 2015-16**



4. A report on age-wise analysis of pending legal/ arbitration cases including the reasons of pendency and existence / effectiveness of a monitoring mechanism for expenditure on all legal cases (foreign and local) may be given.

The number of pending legal/arbitration cases are 81. The age-wise analysis is furnished in Annex 2.

Place: Chennai-83
Date : 05-05-2016



For M/s.A V DEVEN & CO.,
Chartered Accountants,
FRN No.:000726S

(Handwritten signature)
05/05/2016

(CA. R. Raghuraman)
Partner
(M.No.201760)

ANNEXURE 1

Waiver / Write off of Debts/loans and interest etc. during the year 2015-16

Continuing Operation

Sl. no	Name of the party	Amount Written-off (Rs.)	Amount Due (Rs.)	Amount Received (Rs.)	Reasons for Write off (as given by the Management)
1	Suryanarayanamurthy	28558.15	28558.15	0.00	(a) Dues pertaining to these Client accounts are very old and prior to the year 2000 which has been fully provided for in the books of accounts. (b) Recovery from these clients were not forth coming in spite of several efforts. (c) No security available against the dues and the clients were not traceable (d) Suit filed against the clients are pending before the Courts which may take a longer time for disposal and the outcome for the same is uncertain. (e) Hence the dues of Rs.9821966.24 were written off as on 31.03.2016 against the provisions held.
2	GeetaMurali	3420.75	3420.75	0.00	
3	Kamakhsi CV	6149.50	6149.50	0.00	
4	Marlecha Securities	3238311.59	3238311.59	0.00	
5	Ashok Kumar Jain	4279144.72	4279144.72	0.00	
6	Shasa Share Links	419225.13	419225.13	0.00	
7	Mr. R.Sivakumar	196277.62	196277.62	0.00	
8	Mr.SyedZaheer Ahmed	776218.34	776218.34	0.00	
9	Mr. P L George	334954.16	334954.16	0.00	
10	Srikanth Pawar	246238.01	246238.01	0.00	
11	Anantha Murthy N	62777.08	62777.08	0.00	
12	Mr. V Sreekumar	165421.85	165421.85	0.00	
13	Mr. J Chandrasekar	7822.10	7822.10	0.00	
14	Mr. Badrinarayanan	57447.24	57447.24	0.00	
15	Stamp Account	5700.00	5700.00	0.00	This amount pertains to applications for opening of Trading / Demat accounts which are affixed with special adhesive stamps for POA which cost Rs.100/- each which were given to prospective clients of some of the terminals and the same were not returned by the clients for opening of the account. Since these terminals were subsequently closed due to administrative reasons and the terminal in charges of the these

Annexure to Independent Auditor's Report(Directions) u/s 143(5) of M/s. Indbank Merchant Banking Services Limited For the Financial Year 2015-16



					terminals have resigned from the company, these clients could not be followed up for opening of the accounts/ recover the application costs, the same was written off from the books.
Total		9827666.24	9827666.24		

ANNEXURE 2

Number of pending legal / arbitration cases indicating the age-wise analysis and reasons for their pendency

Description	< 1 yr	1-3 yrs	3 yrs& above	Total	Reasons (as given by the Management)
Section 138	9		40	49	Delay in courts taking up the matter in view of the volume of cases with them. Problems in issue of summons. Adjournments taken by the parties Parties not appearing.
Winding up petition			6	6	Referral to BIFR which keeps winding up proceedings in abeyance. Adjournments taken by the companies. Procedural delays for liquidator in completing the winding up process.
Civil suits			22	22	Delay in courts taking up the matter in view of the volume of cases with them. Problems in issue of summons Adjournments taken by the parties. Parties not appearing.

**Annexure to Independent Auditor's
Report(Directions) u/s 143(5) of
M/s. Indbank Merchant Banking Services Limited
For the Financial Year 2015-16**



Arbitration			2	2	Party not appointing their arbitrators. Referral to BIFR.
Criminal Compliant			2	2	Party contesting. The time procedure for processing.
Total	9		72	81	

