

Growing and Going Beyond ...



BOARD OF DIRECTORS



Rajeev Rishi

(upto 29.06.2013)



B Raj Kumar

(from 29.06.2013)



T M Nagarajan



P M Venkatasubramanian



P V Rajaraman



N Eswaran

(upto 29.06.2013)



Rajeevan Pillay G

(from 29.06.2013)



Banabihari Panda

President & Wholetime Director

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Board of Directors

Rajeev Rishi

Chairman (upto 29.06.2013)

B Raj Kumar

Chairman (from 29.06.2013)

T M Nagarajan

N Eswaran

(upto 29.06.2013)

P M Venkatasubramanian

P V Rajaraman

Rajeevan Pillay G

(from 29.06.2013)

Banabihari Panda

President and Whole Time Director

Committees of the Board

Audit Committee

Share Transfer & Investors'

Grievance Committee

T M Nagarajan

P V Rajaraman

P M Venkatasubramanian

N Eswaran (upto 29.06.2013)

Rajeevan Pillay G (from 29.06.2013)

N Eswaran (upto 29.06.2013)

Rajeevan Pillay G (from 29.06.2013)

Banabihari Panda

Management

President and Wholetime Director

Banabihari Panda

Vice President & Company Secretary

V S Srinivasan

Auditors

Raman Associate

Chartered Accountants

No.13, Luz Avenue, Mylapore, Chennai 600004.

Bankers

Indian Bank

Registrar & Transfer Agents

Cameo Corporate Services Ltd

'Subramanian Buildings'

No.1, Club House Road Chennai 600002

Registered Office

First Floor,

Khivraj Complex 1

No. 480, Anna Salai,

Nandanam,

Chennai 600035

Terminals

Chennai :- Nandanam, Harbour, Anna Nagar, Mylapore, CMDA - Egmore, T Nagar, Purasawalkam, Ashok Nagar, Nanganallur.

Mumbai :- Mumbai, Matunga Bazaar.

New Delhi:- New Delhi, Shantiniketan, Preet Vihar.

Bangalore:- Bangalore, Mangalore, Udipi.

Coimbatore :- Coimbatore, R S Puram, Tiruppur, Salem, Udumalpet.

Ahmedabad:- Ashram Road

Tirunelveli:- Tirunelveli, Palaymakottai Sivakasi, Tuticorion, Rajapalayam.

Madurai:- Madurai, K K Nagar, Madurai.

Hyderabad:- Hyderabad, Secunderabad, Srinagar Colony

Erode:- Erode, Kangeyam

Ernakulam:- Ernakulam, Calicut, Thrissur

Trichy:- Trichy Contonment, Srirangam

Vijayawada:- Vijayawada, Guntur

Visakhapatnam:- Visakhapatnam

Vellore. Puducherry, Kumbakonam, Thanjavur, Pune, Kolkata, Tirupathi, Chandigarh

NOTICE

Notice is hereby given that the Twenty fourth Annual General Meeting of the Members of the Company will be held on Monday the 23rd September 2013 at 11.00 a.m. at Indian Bank Management Academy for Growth & Excellence (IMAGE), MRC Nagar, Raja Annamalaipuram, Chennai 600 028 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report and the Audited Balance Sheet as at 31.03.2013 and Profit and Loss Account for the year ended 31.03.2013 and the Auditors' Report thereon.
2. To elect a Director in place of Shri T M Nagarajan who retires by rotation and being eligible offers himself for reappointment.
3. Shri P V Rajaraman, Director who retires by rotation, does not seek reelection and accordingly it is "Resolved that Shri P V Rajaraman, who retires by rotation and does not seek reelection be not re-appointed as a Director of the Company".

SPECIAL BUSINESS

4. To consider and if thought fit to pass the following resolution as ordinary resolution.
"Resolved that Shri B Raj Kumar whose term of office as a Director of the Company expires at this Annual General Meeting be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation".
5. To consider and if thought fit to pass the following resolution as ordinary resolution.
"Resolved that Shri Rajeevan Pillay G whose term of office as a Director of the Company expires at this Annual General Meeting be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation".

By Order of the Board
For **Indbank Merchant Banking Services Ltd.**

V S Srinivasan
Vice President & Company Secretary

Place : Chennai
Date : 01.08.2013

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member.
2. Proxies should be lodged at the Registered Office of the Company atleast 48 hours before the commencement of the meeting.
3. Members/Proxies should bring the attendance slip duly filled in for attending the Meeting. Members are requested to communicate the change of address, if any, to enable us to register the same in our records.
4. The Register of Members and Share Transfer Books of the company will remain closed from 19.09.2013 to 23.09.2013 (both days inclusive).
5. Under the provisions of the Companies Act, 1956, members desirous of availing nomination facility for their shareholdings, may file Nomination Forms in respect of their shareholdings. Any member willing to avail of this facility may submit the prescribed form to the Registrars & Transfer Agent of the company M/s Cameo Corporate Services Ltd. Chennai 600 002.
6. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
7. Pursuant to the provisions of Section 205A of the Companies Act, 1956, the amount of dividend which remains unclaimed for a period of 7 years from the date of declaration would be transferred to the "Investor Education and Protection Fund" (IEPF) constituted by the Central Government and the members would not be able to make any claims as to the amount of dividend so transferred to the Fund. Accordingly, the due date of transfer of unclaimed dividend pertaining to the Financial Year 2007-2008 to IEPF is 1st July 2015 and for the Financial Year 2008-2009 is 8th September 2016. Members who have not yet encashed their dividend warrants for the above years are requested to make their claims to the Company immediately.
8. Item No. 2 - At this Annual General Meeting Shri T M Nagarajan, Director retires by rotation and being eligible offers himself for reappointment. Shri T M Nagarajan aged 70 years is a M.Com CAIIB. He has more than 41 years of experience in various positions and was the former Wholetime Member, SEBI, former Deputy Managing Director. IDBI and former Chairman Stock Holding Corporation Ltd. He has been associated with the company since 2006.

Details of other Directorships/Committee memberships held by him

Name of the company	Directorship	Committee membership
IDBI MF Trustee Company Ltd	Director	Audit Committee

9. Item No. 3 - At this Annual General Meeting Shri P V Rajaraman Director retires by rotation and does not seek reelection.

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 173 (2) OF THE COMPANIES ACT, 1956

10. Item No. 4 – Special Business – Appointment of Shri B Raj Kumar as Director

Shri B Raj Kumar, Executive Director, Indian Bank was appointed as a Director by the Board of Directors with effect from 29 06 2013 pursuant to Article 95 of the Articles of Association of the Company. He holds office up to the date of the Annual General Meeting. The Company has received notice from a member under Section 257 of the Companies Act, 1956 along with a deposit of Rs.500/- as required under that section signifying his intention to propose his appointment. Your Board recommends the passing of the ordinary resolution.

Shri B Raj Kumar, aged 58 years is a Post Graduate in Engineering with MBA and CAIIB. He has more than 33 years of experience in various positions in the banking industry and is now occupying the position of Executive Director of Indian Bank.

Details of other Directorships/Committee memberships held by him

Name of the company	Directorship	Committee membership
Indian Bank	Executive Director	Management Committee
		Audit Committee
		Shareholders'/Investors' Grievance Committee
		Share Transfer Committee
		Risk Management Committee
		IT Strategy Committee
		Committee of Directors (Vigilance)
		Special Committee (monitoring large value frauds)
		Customer Service Committee
		Committee for monitoring of recovery
		HR Committee
Ind Bank Housing Limited	Director	

Except Shri B Raj Kumar, none of your Directors is concerned or interested in the resolution.

11. Item No.5 - Special business: Appointment of Shri Rajeevan Pillai G as Director.

Shri Rajeevan Pillay G, General Manager, Indian Bank, was appointed as a Director by the Board of Directors with effect from 29 06 2013 pursuant to Article 95 of the Articles of Association of the Company. He holds office up to the date of the Annual General Meeting. The Company has received notice from a member under Section 257 of the Companies Act, 1956 along with a deposit of Rs.500/- as required under that section signifying his intention to propose his appointment. Your Board recommends the passing of the ordinary resolution.

Shri Rajeevan Pillay G, aged 59 is a Post Graduate in Commerce with LLB (Gen). He is currently occupying the position of General Manager of Indian Bank. He has 39 years of experience in various areas in the banking industry.

Details of other Directorships/Committee memberships held by him

Name of the company	Directorship	Committee membership
Ind Bank Housing Limited	Director	Audit Committee
		Share Transfer/Shareholder Grievance Committee

Except Shri Rajeevan Pillay G, none of your Directors is concerned or interested in the resolution.'

Important Communication to Members

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their Depository Participants concerned.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twenty Fourth Annual Report together with the Audited Statement of Accounts of the Company for the Year ended March 31, 2013.

Business of the Company Operations

During the year your company has earned a gross income of Rs. 703.36 lakhs as against Rs. 1233.68 lakhs in the previous year. Under Stock broking your company has a mix of Institutional and individual clients and has achieved a turnover of Rs.3445.07 crores during the year. Your company also provides Depository services to Institutions and retail customers and has 42391 accounts under DP operations and 17884 under broking operations.

Your company has reported a net profit of Rs. 72.94 lakhs during the year 2012-13 as against a net profit of Rs.11.17 lakhs in the previous year as under.

Financial Results

Rs. in lakhs

	Particulars	2012-13	2011-12
I	Revenue from Operations	524.53	701.32
II	Other Income	128.74	76.55
	Interest on Income tax/interest tax refund due	50.08	455.81
III	Total Revenue	703.35	1233.68
IV	EXPENSES		
	Employee Benefit expenses	335.55	406.51
	Depreciation & Amortization expenses	70.85	52.60
	Finance Cost	0.63	0.00
	Other Expenses	307.43	365.31
	Bad debts written off	8.44	141.67
	Provisions made	11.60	186.27
	Reversal of Provisions	(19.58)	(212.97)
	Total expenses	714.92	939.39
V	Profit Before Exceptional and Extraordinary items and Tax	(11.57)	294.29
VI	Exceptional Items	0.00	247.48
VII	Prior Period adjustments	42.86	0.00
VIII	Profit Before Extraordinary Items and Tax	31.29	46.81
IX	Extraordinary Items	0.00	0.00
X	PROFIT/(LOSS) BEFORE TAX	31.29	46.81
XI	Tax Expenses - Current	0.00	0.00
	- Deferred	29.35	11.62
	-Prior years	0.00	122.94
XII	PROFIT/(LOSS) for the period from continuing operations	1.94	(87.75)
XIII	PROFIT/(LOSS) for the period from discontinuing operations	71.00	98.92
XIV	Tax expenses of discontinuing operations	0.00	0.00
XV	PROFIT/(LOSS) from discontinuing operations after tax	71.00	98.92
XVI	PROFIT/(LOSS) for the period	72.94	11.17
XVII	Add: Balance brought forward from Previous Year	(371.45)	(382.61)
XVIII	Less: Transferred from General Reserves		
XIX	Balance carried to Balance Sheet	(298.51)	(371.45)
XX	Earnings Per Share - Basic & Diluted	0.16	0.03

Dividend

After adjusting the profits for the year against the carried forward loss there is no profit. Hence, your Directors do not recommend any dividend for the year.

Board of Directors

There is no change in the Board of Directors of the company during the year.

At the Annual General Meeting, Shri T M Nagarajan and Shri P V Rajaraman, Directors retire by rotation. Shri T M Nagarajan being eligible offers himself for reappointment. Shri P V Rajaraman has offered to step down and is not seeking reappointment.

Directors Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors Responsibility Statement, it is hereby confirmed that:

- a) In the preparation of the annual accounts for the financial year ended 31st March 2013, the applicable accounting standard has been followed along with proper explanation relating to departures.
- b) The Directors have 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 or loss of the Company for the year under review.
- c) The Directors have taken proper and sufficient care 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.
- d) The Directors have prepared the accounts for the financial year ended 31st March 2013 on a going concern basis.

Auditors

The provisions of Section 619 (2) of the Companies Act, 1956 being applicable to the Company, the Comptroller and Auditor General of India has appointed M/s Raman Associate, Chartered Accountants, Chennai as the auditors of the Company for the year 2012-13.

Auditors' observations in the Audit report

With reference to the observations of the Auditors in the Audit report in respect to note no: 18 of Notes on Accounts regarding non consideration of liability towards interest claim of Rs.897.48 lakhs under right of recompense on settled borrowings availed earlier from Indian Bank, the holding company, the note is self explanatory.

Particulars of Employees

Details required under Section 217 (2A) of The Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 regarding particulars of employees drawing remuneration of more than Rs.2,00,000/- per month: Nil.

Report on Corporate governance

A report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

Outlook

With the relocation of stock broking terminals within Indian Bank branches, your Company will have savings in administrative cost, in addition to the potential business opportunities available to your Company. Your company will continue to focus its efforts to increase its activities under fee-based business in addition to concentrating on recovery of overdues and reduction of Non Performing Assets, disinvestment of quoted and unquoted investments. Your company's involved management network, satisfied clientele, quality manpower and diligent internal control and cost control measures will enable your company to continue to report better performance in the coming years.

General

Your Directors wish to place on record their gratitude to the Ministry of Finance, Government of India, SEBI, Comptroller and Auditor General of India and the Reserve Bank of India for their valuable guidance.

Your Directors also wish to place on record their thanks to the Bankers of the Company and their appreciation for the assistance, support and guidance received from Indian Bank and its Employees.

Your Directors also wish to place on record the quality contribution of Shri P V Rajaraman IAS (Retd.) during his tenure as a Director of the company and wish him success in all his endeavours.

Your Directors express their appreciation for the contribution made by the Company's Employees.

In conclusion, your Directors thank you, the shareholders of the company for your support and seek your continued patronage for achieving better results.

Place : Chennai
Date : 03.05.2013

For and on behalf of the Board of Directors

Rajeev Rishi
Chairman

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy

The Company firmly believes in transparency, professionalism, accountability, risk management, compliance and code of ethics, which are the fundamental principles of Corporate Governance. The company will constantly endeavor to improve on these aspects on an ongoing basis.

2. Board of Directors

The Board has at present 6 Directors comprising a President & Wholetime Director and 5 Non Executive Directors. The Board functions as a full Board or through Committees.

The Board of Directors and its Committees meet at regular intervals. During the year the Board met 4 times on 24.04.2012, 23.08.2012, 06.11.2012 and 14.02.2013.

The composition of Directors and their attendance at the Board Meetings during the year as also the number of other Directorships/Membership of committees are given below:

Name of Director	Category of Directorship	No. of Board Meetings attended	Whether attended last AGM held on 6.7.2012	No. of other Directorships	Committee Membership	
					Member	Chairman
Shri Rajeev Rishi	Non Executive Director & Chairman	3	Yes	2	10	1
Shri. T M Nagarajan	Non Executive & Independent Director	4	Yes	1	1	-
Shri. P V Rajaraman	Non Executive & Independent Director	4	No	2	1	1
Shri. P M Venkatasubramanian	Non Executive & Independent Director	4	Yes	5	8	2
Shri N Eswaran	Non Executive Director	4	Yes	3	2	-
Shri Banabihari Panda	President & Whole time Director	4	Yes	1	-	-

Audit Committee

A. Terms of reference

The Audit Committee provides direction to the audit and risk management function in the Company and monitors the quality of internal audit and management audit. The responsibilities of the Audit Committee include overseeing the financial reporting process to ensure proper disclosure of financial statements, fixing the audit fees for the external auditors who are appointed by the Comptroller & Auditor General of India and also approving the payment for any other services, reviewing the annual financial statements before submission to the Board, reviewing adequacy of internal control systems and adequacy, structure and staffing of the internal audit function, reviewing findings of internal investigations, discussing the scope of audit with external auditors and looking into reasons of substantial defaults, if any, of non-payment to stakeholders.

B. Composition

The Audit Committee has at present 4 members. The Audit Committee met 4 times during the year on 24.04.2012, 23.08.2012, 06.11.2012 and 14.02.2013.

The attendance of members at the meeting is as follows:

Name of Member	Status	No. of meetings attended
Shri. T M Nagarajan	Chairman	4
Shri. P V Rajaraman	Member	4
Shri P M Venkatasubramanian	Member	4
Shri N Eswaran	Member	4

President and Whole Time Director is a permanent invitee to the Committee. Vice President & Company Secretary is the Secretary of the Committee.

3. Remuneration Committee

President & Whole Time Director of the company is on deputation from Indian Bank and the remuneration is in accordance with the service rules of Indian Bank and also in terms of appointment as Whole Time Director by the shareholders of the company. In view of the above the company does not have a Remuneration Committee.

Managerial Remuneration

Rs. In lakhs

Name	Designation		2012-13	2011-12
Mr. Banabihari Panda	President & Wholetime Director	Salary	11.29	8.00
		Contribution to PF	0.64	0.49

For Non-Executive Directors (other than Directors nominated by Indian Bank) sitting fees are paid for attending Board and Committee Meetings. The amount paid to them is as follows:

(Rs. in lakhs)

Name of Directors	Fees paid (for attending Board & Committee Meetings)
Shri T M Nagarajan	0.32
Shri P V Rajaraman	0.32
Shri P M Venkatasubramanian	0.32
Total	0.96

4. Share Transfer & Investors' Grievance Committee

A. Terms of reference

The functions of the Committee include approval, rejection of transfer, transmission, transposition of shares, issue of duplicate shares in lieu of lost, mutilated share certificates, redressal of investor grievances and other issues relating to shares.

B. Composition

The Committee comprises of 2 members with Shri. N Eswaran, Director as Chairman and Shri. Banabihari Panda, President & Whole Time Director as a Member. Vice President & Company Secretary and Compliance Officer reviews the routine letters received from the shareholders/investors and also the letters received through Stock Exchanges/SEBI. These letters are replied immediately. The Committee reviews once in every quarter the status regarding the letters received through Stock Exchanges/SEBI and letters received directly from parties etc. and the replies given.

7 complaints were received and attended during the year from the shareholders/investors. As on March 31, 2013, no correspondence/complaint remains unattended.

The Committee met 18 times during the year and the attendance of members is as follows:

Name of member	Status	No. of meetings attended
Shri N Eswaran	Chairman	18
Shri Banabihari Panda	Member	18

5. General Body Meetings

The details of Annual General Meetings held in the last three years are given below:

Financial year	Date	Time	Venue
31.03.2010	28.07.2010	3.00 p.m.	Indian Bank Management Academy for Growth & Excellence, Chennai
31.03.2011	29.07.2011	3.00 p.m.	Indian Bank Management Academy for Growth & Excellence, Chennai
31.03.2012	06.07.2012	3.00 p.m.	Indian Bank Management Academy for Growth & Excellence, Chennai

No resolutions has been passed through Postal Ballot during 2012-13.

6. Disclosures

- A. There were no transactions of material nature with the Directors or the management or their subsidiaries or relatives.
- B. There were no instances of non-compliance on any matter relating to the capital market, during the last three years. No penalties or strictures were imposed on the company by Stock Exchanges or SEBI or any Statutory Authority on any matter relating to the capital market during the last three years.

7. Means of Communication

The quarterly results are published in national daily newspapers viz. News Today in English and Malai Chudra in Tamil. The quarterly results and Annual Report is also hosted in your company's website: www.indbankonline.com.

The annual report containing the accounts is posted to every member of the company either through physical mode or through soft copy to the members who have registered their email ID with the depository participant / registrars & transfer agents.

Management Discussion & Analysis Report forms part of this annual report, which is being posted to all members of the company.

8. General Shareholder Information

24th Annual General Meeting

Date & Time	23-09-2013, 11 a.m.
Venue	IMAGE, Chennai
Financial Year	1 st April 2012 to 31 st March 2013
Book closure dates	19-09-2013 to 23-09-2013.
Listing of equity shares	The company's shares are listed in the Mumbai Stock Exchange and National Stock Exchange. The Listing fees for the financial year 2012-13 has been paid to Mumbai Stock Exchange and to National Stock Exchange where the company's shares are listed.
Stock Code	BSE – 511473 NSE – INDBANK

Market price data

Performance in comparison with stock exchange index

Month	Indbank Merchant Banking Services Ltd				BSE Sensex		NSE Nifty	
	BSE		NSE		BSE		NSE	
	High	Low	High	Low	High	Low	High	Low
April 2012	7.05	5.55	7.00	6.00	17597.42	17094.51	5378.75	5154.30
May 2012	6.60	5.00	6.85	5.15	17301.91	15948.10	5279.60	4788.95
June 2012	6.35	5.18	6.70	5.00	17448.48	15748.98	5286.25	5189.00
July 2012	6.85	5.16	6.95	5.35	17631.19	16598.48	5348.55	5032.40
August 2012	6.60	5.15	6.50	5.30	17972.54	17026.97	5448.60	5164.65
September 2012	7.33	5.15	7.30	5.10	18869.94	17250.80	5735.15	5215.70
October 2012	10.05	6.40	9.95	6.25	19137.29	18393.42	5815.35	4888.20
November 2012	7.27	6.27	7.15	6.30	19372.70	18255.69	5885.25	5548.35
December 2012	8.05	6.50	8.20	6.60	19612.18	19149.03	5965.15	5823.15
January 2013	7.99	6.00	8.00	6.05	20203.66	19508.93	6111.80	5935.20
February 2013	7.30	5.60	7.45	5.40	19966.69	18793.97	6052.95	5671.90
March 2013	6.30	4.55	6.00	4.50	19754.66	18568.43	5971.20	5604.85

Registrar & Transfer Agent (For physical and electronic mode)

Cameo Corporate Services Ltd.

'Subramanian Building'

1, Club House Road, Chennai 600 002

Telephone Nos. (044) 28460390 (6 lines) Fax No. (044) 28460129

Address for correspondence

Shri V S Srinivasan

Vice President & Company Secretary

Indbank Merchant Banking Services Limited

Registered Office:

First Floor, Khivraj Complex 1

No.480, Anna Salai, Nandanam

Chennai 600035

Telephone Nos. (044) 24313094-97

Email ID: investors@indbankonline.com

Website: www.indbankonline.com

Share Transfer System

The power to approve transfer, transmission, transposition, issue of duplicate shares in lieu of lost, mutilated share certificates etc. have been delegated to the Share Transfer & Investors' Grievance Committee. All the requests received from the shareholders are processed within 20 days from the date of receipt.

Distributions of Shareholding as on 31.03.2013

	Category	No. of Folios	No. of shares held	% of shareholding
A	Promoters holding			
	Promoters			
1	-Indian Promoters	1	28773800	64.84
	-Foreign Promoters	--	--	--
2	Person acting in concert	--	--	--
	Sub-total	1	28773800	64.84
B	Non-Promoters holding			
	Institutional Investors			
	A Mutual funds and UTI	10	552000	1.24
	B Banks, financial institutions, insurance companies (Central/State Government institutions/Non Government institutions)	5	49900	0.11
	C FII's	1	2700	0.01
	Sub-total	16	604600	1.36
C	Others			
	A Private Corporate Bodies	415	2344421	5.28
	B Indian Public	44449	12151133	27.38
	C NRIs/OCBs	82	289274	0.65
	D Clearing Member and others	275	214972	0.49
	Sub-total	45221	14999800	33.80
	Grand Total	45238	44378200	100.00

Dematerialisation of shares & Liquidity

The Company's shares are traded in the Stock Exchanges only in electronic mode and 91.82% of the shareholdings have already been dematerialised. The shares of the company are traded in National Stock Exchange and Bombay Stock Exchange. The shares transferred during the last 3 years are given below:

Details	2012-13	2011-12	2010-11
No. of transfer deeds	89	98	184
No. of shares transferred	9201	11700	25100

CEO and CFO Certification

As stipulated under Clause 49 of the Listing Agreement, the CEO & CFO of the company have submitted a certificate to the Board with respect to financial statements.

Compliance Certificate

A certificate from the auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Indbank Merchant Banking Services Limited, Chennai

We have examined the compliance of the conditions of Corporate Governance by **Indbank Merchant Banking Services Limited** ("the Company") for the year ended 31st March 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges, with the relevant records and documents maintained by the Company and furnished to us and the Report on Corporate Governance as approved by the Board of Directors

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, subject to the above, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We further state that our examination of such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For & on behalf of
Raman Associate
 Chartered Accountants

Place : Chennai
 Date : 03.05.2013

A P Vijayendran
 Partner
 Membership No.215166
 Firm No: 002910S

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Areas of Business Operations

Your company is engaged in Merchant Banking, Stock Broking, Depository Participant and allied activities. Your company is a member of NSE, BSE, MCX-SX, MSE and registered with NSDL as a Depository Participant. Your company is also registered with Association of Mutual Funds of India (AMFI) for distribution of Mutual Fund products.

Operations during the year

During the year your company has earned a gross income of Rs. 703.36 lakhs as against Rs. 1233.68 lakhs in the previous year. Under Stock broking your company has a mix of Institutional and individual clients and has achieved a turnover of Rs. 3445.07 crores during the year. Your company also provides Depository services to Institutions and retail customers and has 42391 accounts under DP operations and 17884 under broking operations.

Risk Management & Internal Control Systems

The major risks among others that your company manages include credit risk, liquidity risk, interest rate risk and operational risk. In view of the discontinuance of fund based activities the credit risks on appraisal and disbursement do not arise. The company has put in place an aggressive recovery mechanism for realisation of existing fund-based exposures.

Your company has detailed operating manuals and well laid down delegation of powers to ensure that operational controls are maintained on the business. The policies and procedures are continuously reviewed through interaction between office heads and other support functional heads. Your company has also an adequate internal audit system to ensure feedback on adherence to the defined policies and procedures and regulatory guidelines.

Human Resources

Human Resources of your company comprise a mix of 6 Officers on deputation from Indian Bank and 96 employees on direct rolls. The employees are well qualified and experienced in their field of operations.

Financial Performance

Balance Sheet items

Share Capital

The Share Capital of your company comprises 44378200 number of Equity shares of Rs.10/- each. Your company's shares are listed with Bombay Stock Exchange and National Stock Exchange. There is no change in share capital of the company during the year.

Reserves & Surplus

After adjusting the net profit for the year of Rs. 72.94 lakhs, the accumulated losses brought forward from previous year of Rs. 371.45 lakhs stands reduced to Rs. 298.51 lakhs as on 31.3.2013.

Current Liabilities

The current liabilities have reduced from Rs. 847.05 lakhs to Rs.494.93 lakhs mainly in view of reduction in amount payable to trading clients under Broking compared to previous year. As per SEBI guidelines clients deposit with us has to be returned to them at least once in a quarter on running settlement system. The provisions have reduced from Rs. 69.17 lakhs to Rs.65.09 lakhs on account of reversal of provisions made for encashment of leave on actuarial valuation as at the end of the year.

Fixed Assets

Fixed assets have increased by Rs.126.48 lakhs in view of the capital expenditure incurred for providing 24X7 services to the clients, hardware/software for the proposed DR site at Mumbai and voice logger to the terminals in addition to catering to replacement of fixed assets for normal operations.

Investments

The investments of your company comprise Quoted shares, unquoted investments acquired under Bought Out Deals and Debentures. Gross investments have decreased from Rs. 2514.18 lakhs as on 31.03.2012 to Rs.2488.42 lakhs as on 31.03.2013 on account of disinvestments. Net investments after adjusting provisions have decreased in view of provisions made for depreciation in the value of the investments. Your company made a profit of Rs.21.74 lakhs from investments during the year. The market value of quoted investments (cost - Rs.623.48 lakhs) of the company as on 31.03.2013 was Rs. 234.77 lakhs.

Deferred Tax Assets

During the year the company has provided Rs.29.35 lakhs towards deferred tax liability in the profit and loss account. Accordingly, the Net Deferred Tax Assets have reduced from Rs.562.26 lakhs in the previous year to Rs.532.91 lakhs in the current year.

Current Assets

The current assets have decreased from Rs. 3318.94 lakhs as on 31 03 2012 to Rs.3056.99 lakhs as on 31 03 2013 in view of the decrease in Trade receivables, Cash & cash equivalents and Short term loans & advances consequent upon the similar magnitude decrease in current liabilities discussed above.

Revenue from Operations

Merchant Banking income has decreased from Rs.243.76 lakhs in 2011-12 to Rs.41.85 lakhs in 2012-13 in view of sluggish market conditions in the primary market and decline in brokerage income from distribution of mutual funds.

Stock Broking income has increased from Rs.457.55 lakhs in 2011-12 to Rs.482.68 lakhs in 2012-13. Other income has increased in view of income from fixed deposits which have increased from Rs. 833.28 lakhs as on 31.3.2012 to Rs. 887.92 lakhs as on 31.3.2013.

Based on the assessment orders received during the year, the interest allowed by the Income Tax department on the refunds due under income tax / interest tax for various assessment years amounting to Rs. 50.08 lakhs has been reckoned in the accounts.

The company has made a profit of Rs.70.99 lakhs in the current year from discontinued operations as against profit of Rs. 98.92 lakhs made in the previous year as the expected recovery in NPAs and investments did not materialize fully.

Expenses

Employee benefit expenses have reduced from Rs. 406.51 lakhs in the previous year to Rs. 335.55 lakhs in the current year in view of reduction in number of employees and due to the results of various steps taken for rationalization. Depreciation and amortization expenses have marginally increased from Rs. 52.60 lakhs in the previous year to Rs.70.85 lakhs in the current year as the additions made to fixed assets made in the last month of the previous year have to be provided in the current year and also due to the additions to fixed assets made in the current year. Other expenses have decreased from Rs. 365.31 lakhs to Rs. 307.43 lakhs due to cost control measures initiated which are yielding results. Provisions for NPAs have decreased from Rs. 186.27 lakhs in the previous year to Rs. 11.60 lakhs in the current year consequent to better receivable management efforts.

Financial Results

Rs. in lakhs

	Particulars	2012-13	2011-12
I	Revenue from Operations	524.53	701.32
II	Other Income	128.74	76.55
	Interest on Income tax/interest tax refund due	50.08	455.81
III	Total Revenue	703.35	1233.68
IV	<u>EXPENSES</u>		
	Employee Benefit expenses	335.55	406.51
	Depreciation & Amortization expenses	70.85	52.60
	Finance Cost	0.63	0.00
	Other Expenses	307.43	365.31
	Bad debts written off	8.44	141.67
	Provisions made	11.60	186.27
	Reversal of Provisions	(19.58)	(212.97)
	Total expenses	714.92	939.39

	Particulars	2012-13	2011-12
V	Profit Before Exceptional and Extraordinary items and Tax	(11.57)	294.29
VI	Exceptional Items	0.00	247.48
VII	Prior Period adjustments	42.86	0.00
VIII	Profit Before Extraordinary Items and Tax	31.29	46.81
IX	Extraordinary Items	0.00	0.00
X	PROFIT/(LOSS) BEFORE TAX	31.29	46.81
XI	Tax Expenses - Current	0.00	0.00
	- Deferred	29.35	11.62
	-Prior years	0.00	122.94
XII	PROFIT/(LOSS) for the period from continuing operations	1.94	(87.75)
XIII	PROFIT/(LOSS) for the period from discontinuing operations	71.00	98.92
XIV	Tax expenses of discontinuing operations	0.00	0.00
XV	PROFIT/(LOSS) from discontinuing operations after tax	71.00	98.92
XVI	PROFIT/(LOSS) for the period	72.94	11.17
XVII	Add: Balance brought forward from Previous Year	(371.45)	(382.61)
XVIII	Less: Transferred from General Reserves	0.00	0.00
XIX	Balance carried to Balance Sheet	(298.51)	(371.45)
XX	Earnings Per Share - Basic & Diluted	0.16	0.03

Outlook

With the relocation of stock broking terminals to within Indian Bank branches, your Company will have savings in administrative cost, in addition to the potential business opportunities available to your Company. Your company will continue to focus its efforts to increase its activities under fee-based business in addition to concentrating on recovery of overdues and reduction of Non Performing Assets, disinvestment of quoted and unquoted investments. Your company's involved management network, satisfied clientele, quality manpower and diligent internal control and cost control measures will enable your company to continue to report better performance in the coming years.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF INDBANK MERCHANT BANKING SERVICES LIMITED, CHENNAI FOR THE YEAR ENDED 31st MARCH 2013

The preparation of financial statements of Indbank Merchant Banking Services Limited for the year ended 31st March 2013 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 3rd May 2013.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of Indbank Merchant Banking Services Limited for the year ended 31 March 2013. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditor's report under Section 619(4) of the Companies Act, 1956.

Place : Chennai
Date : 30.05.2013

(M V RAJESWARI)
PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT
AND EX-OFFICIO MEMBER AUDIT BOARD

AUDITOR'S REPORT TO THE MEMBERS OF INDBANK MERCHANT BANKING SERVICES LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of INDBANK MERCHANT BANKING SERVICES LIMITED which comprise the Balance Sheet as at March 31, 2013 and the Statement of Profit and Loss and 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

Management is responsible for 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 Standards referred to in Sub section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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.

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 control relevant to the Company's preparation and fair presentation of the financial statement 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 management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our audit opinion.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the 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, subject to Note No.18 regarding non-consideration of liability towards interest claim of Rs.897.48 lakhs under the right of recompense clause on certain settled borrowings by the Holding Company. Had the liability been recognized in the Books, the profit of Rs.72.94 lakhs would have become a loss of Rs.824.54 lakhs.

- a) in the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b) in the case of Profit and Loss Account, of the Profit for the year ended on that date; and
- c) in the case of 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, 2003 ("the Order") issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that
 - I. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - II. 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;
 - III. 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;
 - IV. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.
 - V. On the basis of written representations received from the Directors as on March 31, 2013, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2013 from being appointed as a Director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.
 - VI. Since the Central Government has not issued any notification as to the rate at which, the cess is to be paid under Section 441 (a) of the Companies Act, 1956, nor has it issued any rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For & on behalf of
Raman Associate
Chartered Accountants

Place : Chennai
Date : 03.05.2013

A P Vijayendran
Partner
Membership No.215166
Firm No: 002910S

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 of our Report of even date.

Re: Indbank Merchant Banking Services Ltd.

- (i)
 - a. The company has maintained records showing full particulars including situation and quantity of fixed assets.
 - b. Fixed assets of the Company have been physically verified by the Company during the year.
 - c. The fixed assets that have been sold during the year do not constitute a substantial part of the total fixed assets of the Company.
- (ii) Clause (ii) of Paragraph 4 of Companies (Auditor's Report) Order, 2003, relating to inventory, is not applicable to the Company.
- (iii) The Company has not granted or taken any loans secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly clauses (iii)b to (iii)g of Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and rendering of services. During the course of our audit, we have not observed any major weaknesses in internal controls.
- (v) In our opinion and according to the information and explanation given to us, there are no transactions that have been made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposits from public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956.
- (ix)
 - a. The Company is regular in depositing with appropriate authorities all applicable undisputed statutory dues viz. Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Service Tax, and Cess. The other statutory dues viz. ESI, Excise duty, Customs duty and Cess are not applicable to this organization. There are no arrears of outstanding undisputed statutory dues as at 31st March 2013 for a period of more than six months from the date they become payable.
 - b. According to the records of the Company and the information and explanations given to us, the following are the particulars of disputed dues in respect of Income tax and sales tax that have not been deposited.

Name of the Statute	Assessment Year	Amount (Rs.Lakhs)	Forum where the dispute is pending
Income Tax	2007-08	617.47	High Court, Madars
	2008-09	1129.05	High Court, Madras
Sales Tax-Chennai	1993-94	5.05	Joint Commissioner of Commercial Taxes (Appeals)
	1994-95	8.63	
	1995-96	12.05	
	1998-99	10.64	
Sales Tax-Rajasthan	1995-96	1.28	
	1996-97	9.73	
	1997-98	3.09	
	1998-99	0.49	

- (x) The Company has accumulated losses of Rs.371.44 lakhs as at 31.03.2012 which has been reduced to Rs.298.51 lakhs after adjusting the net profit of Rs.72.94 lakhs for the year. The Company has not incurred cash losses during this financial year.
- (xi) The Company has not defaulted in repayment of dues to its bankers. There are no borrowings from financial institutions. The Company has not issued any debentures.
- (xii) Adequate documents and records are maintained by the Company for the loans and advances granted on the basis of security by way of pledge of shares and other securities.
- (xii) The provisions of special statute applicable to chit funds / nidhi / mutual benefit funds / society do not apply to the Company.
- (xiv) In our opinion and according to the information given to us, proper records have been maintained by the Company for the transactions and contracts relating to trading in shares, securities, debentures and other investments and timely entries have been made therein. The investments of the Company are held in its own name.
- (xv) In our opinion and according to the explanations and information given to us the Company has not given guarantees for loans taken by others from banks and financial institutions.
- (xvi) The Company has not availed any term loans.
- (xvii) No short-term funds have been raised during the year.
- (xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xix) No debentures have been issued by the Company during the year.
- (xx) During the year, the Company has not raised any money by public issue.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For & on behalf of
Raman Associate
Chartered Accountants

Place : Chennai
Date : 03.05.2013

A P Vijayendran
Partner
Membership No.215166
Firm No: 002910S

BALANCE SHEET AS AT 31st March 2013

Particulars	NOTE No.	As at 31-Mar-2013 Rs.	As at 31-Mar-2012 Rs.
I EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	1	44,37,82,000	44,37,82,000
(b) Reserves & Surplus	2	(2,98,51,083) 41,39,30,917	(3,71,44,816) 40,66,37,184
(2) Current Liabilities			
(a) Other Current Liabilities	3	4,94,93,190	8,47,04,601
(b) Short Term Provisions		65,09,130 5,60,02,320	69,17,235 9,16,21,836
Total		<u>46,99,33,237</u>	<u>49,82,59,020</u>
II ASSETS			
(1) Non Current Assets			
(a) Fixed Assets - Tangible assets	4	6,48,12,316	6,12,68,831
(b) Non current Investments	5	4,37,30,207	4,64,69,374
(c) Deferred Tax Assets (Net)	6	5,32,90,983 16,18,33,506	5,62,26,454 16,39,64,659
(2) Current Assets			
(a) Trade Receivables	7	4,53,11,922	5,42,76,986
(b) Cash and Cash equivalents	8	9,69,18,008	10,51,12,698
(c) Short term Loans & Advances	9	15,39,59,560	16,79,86,044
(d) Interest accrued on Fixed Deposits		93,07,476	41,00,903
(e) Other Current Assets	10	2,02,765 30,56,99,731	4,17,730 33,18,94,361
(3) Assets under Discontinuing Operations	11	24,00,000	24,00,000
Total		<u>46,99,33,237</u>	<u>49,82,59,020</u>

See accompanying Notes to the financial statements 1-31

RAJEEV RISHI
CHAIRMAN

N ESWARAN
DIRECTOR

V S SRINIVASAN
VICE PRESIDENT & COMPANY SECRETARY
Place: Chennai
Date : 03.05.2013

P V RAJARAMAN
DIRECTOR

P M VENKATASUBRAMANIAN
DIRECTOR

BANABIHARI PANDA
PRESIDENT & WHOLETIME DIRECTOR
As per our report of even date attached
For & on behalf of
Raman Associate
Chartered Accountants

A P VIJAYENDRAN
PARTNER
Membership No.215166
Firm No.002910S

STATEMENT OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2013

Particulars	NOTE No.	Year ended 31.03.2013 Rs.	Year ended 31.03.2012 Rs.
INCOME			
I Revenue from Operations	12	5,24,53,100	7,01,31,718
II Other Income		1,28,74,049	76,55,062
Interest on Income tax /Interest tax refund due	13	50,08,386	4,55,81,155
III Total Revenue		7,03,35,535	12,33,67,935
IV EXPENSES			
Employee Benefit expenses	14	3,35,54,964	4,06,50,776
Depreciation & Amortization expenses	4	70,85,463	52,60,311
Finance Cost	15	63,094	0
Other Expenses	16	3,07,42,500	3,65,30,596
Bad debts written off	17	8,43,925	1,41,66,824
Total expenses		7,22,89,946	9,66,08,507
V Profit Before Provisions, Exceptional and Extraordinary items and Tax		(19,54,411)	2,67,59,428
Provisions made	17	11,60,178	1,86,26,645
Reversal of Provisions	17	(19,57,902)	(2,12,96,529)
VI Profit Before Exceptional and Extraordinary items and Tax		(11,56,687)	2,94,29,312
VII Exceptional item		0	2,47,48,000
VIII Prior period Adjustments	18	42,86,154	0
IX Profit Before Extraordinary Items and Tax		31,29,467	46,81,312
X Extraordinary Items		0	0
XI PROFIT/(LOSS) BEFORE TAX		31,29,467	46,81,312
XII Tax Expenses - Current		0	0
- Deferred	19	29,35,471	11,62,002
- Prior years		0	1,22,94,385
XIII PROFIT/(LOSS) for the period from continuing operations		1,93,996	(87,75,075)
XIV PROFIT/(LOSS) for the period from discontinuing operations	20	70,99,737	98,91,678
XV Tax expenses of discontinuing operations		0	0
XVI PROFIT/(LOSS) from discontinuing operations after tax		70,99,737	98,91,678
XVII PROFIT/(LOSS) for the period		72,93,733	11,16,603
XVIII Add: Balance brought forward from Previous Year		(3,71,44,816)	(3,82,61,419)
XIX Less: Transferred from General Reserves		0	0
XX Balance carried to Balance Sheet		(2,98,51,083)	(3,71,44,816)
XXI Earnings Per Share - Basic & Diluted	21	0.16	0.03

RAJEEV RISHI
CHAIRMAN

N ESWARAN
DIRECTOR

V S SRINIVASAN
VICE PRESIDENT & COMPANY SECRETARY
Place: Chennai
Date : 03.05.2013

P V RAJARAMAN
DIRECTOR

P M VENKATASUBRAMANIAN
DIRECTOR

BANABIHARI PANDA
PRESIDENT & WHOLETIME DIRECTOR

As per our report of even date attached
For & on behalf of
Raman Associate
Chartered Accountants

A P VIJAYENDRAN
PARTNER

Membership No.215166
Firm No.002910S

Notes on Accounts forming part of Balance Sheet as at 31.03.2013 and statement of Profit & Loss account for the year ended 31.03.2013.

1. Share Capital

(Amount in Rs.)

Sl.No	Details	2012-13	2011-12
(a)	Authorised Capital 10,00,00,000 Equity Shares of Rs 10 each	100,00,00,000	100,00,00,000
(b)(i)	Issued capital 4,44,10,000 equity shares of Rs. 10 each	44,41,00,000	44,41,00,000
(b)(ii)	Subscribed and fully paid 4,43,78,200 equity shares of Rs. 10 each	44,37,82,000	44,37,82,000
(c)	Par value per share	10	10
(d)	Reconciliation of No. of shares outstanding at the beginning and at the end of the year	Not Applicable	Not Applicable
(e)	Out of the above, 2,87,73,800 equity shares are held by Indian Bank, the holding bank	28,77,38,000 64.84 %	28,77,38,000 64.84 %
(f)	Shares held by each share holder holding more than 5 %	Nil	Nil
(g)	Shares reserved for issue under options and contracts / commitments for the sale of shares / disinvestment, including the terms and amounts	Nil	Nil
(h)(i)	Aggregate number of shares allotted as fully paid up pursuant to contract without payment being received in cash in the preceding 5 years	Nil	Nil
(h)(ii)	Aggregate number of shares allotted as fully paid up by way of bonus shares in the preceding 5 years	Nil	Nil
(h)(iii)	Aggregate number of shares brought back	Nil	Nil
(i)	Terms of any Securities convertible in to equity shares / preference shares issued along with the earliest date of conversion in descending order starting from the farthest such date	Nil	Nil
(j)	Calls unpaid	Nil	Nil
(k)	Forfeited Shares	Nil	Nil

2. Reserves and Surplus

(Amount in Rs.)

Details	2012-13	2011-12
Opening Balance	0	0
Less: Transfer to Profit & Loss account	0	0
Closing Balance	0	0
Balance in Profit & Loss account	(2,98,51,083)	(3,71,44,816)
Total	(2,98,51,083)	(3,71,44,816)

3. Current Liabilities

(Amount in Rs.)

Details	2012-13		2011-12	
(a) Other current liabilities				
Sundry Creditors for Expenses	69,15,923		2,78,54,307	
Unpaid Dividend(unclaimed as per contra)	38,22,673		38,25,185	
Overdraft against Deposits from Indian Bank	87,60,032		-	
Other current liabilities	2,99,94,562	4,94,93,190	5,30,25,109	8,47,04,601
(b) Short Term Provisions - Provision for leave encashment		65,09,130		69,17,235

4. Fixed Assets - Tangible assets

Description	Gross Block at Cost				Depreciation				Net Block	
	As at 1-Apr-12 Rs.	Addition during the year Rs.	Deletions Rs.	As at 31-Mar-13 Rs.	As at 1-Apr-12 Rs.	For the year Rs.	On Deletions Rs.	As at 31-Mar-13 Rs.	As at 31-Mar-12 Rs.	As at 31-Mar-13 Rs.
Buildings*	4,84,78,385	0	0	4,84,78,385	1,34,68,918	7,90,198	0	1,42,59,116		3,42,19,269
Furniture & Fixtures	1,43,70,757	2,57,505	26,07,880	1,20,20,382	70,67,820	9,29,631	16,52,626	63,44,825		56,75,557
Motor Vehicle	11,17,978	6,26,918	2,99,891	14,45,005	3,22,804	1,32,312	1,51,369	3,03,747		11,41,258
Office equipment	1,36,64,644	3,64,859	26,10,365	1,14,19,138	61,61,783	6,04,482	18,14,239	49,52,026		64,67,112
Data Processing Machines	2,52,51,865	74,35,513	30,35,469	2,96,51,909	1,53,27,511	32,98,816	29,16,822	1,57,09,505		1,39,42,404
Software	99,50,720	39,62,729	43,89,635	95,23,814	92,16,682	13,30,024	43,89,608	61,57,098		33,66,716
Total Other Assets	11,28,34,349	1,26,47,524	1,29,43,240	11,25,38,633	5,15,65,518	70,85,463	1,09,24,664	4,77,26,317		6,48,12,316
*Includes cost of un-divided portion of land separately not identifiable										
Previous Year 31.03.2012	11,59,65,384	93,57,101	1,24,88,136	11,28,34,349	5,28,93,466	52,60,311	65,88,259	5,15,65,518		6,12,68,831

5. Non current Investments

Description	As at 31-Mar-2013 Rs.		As at 31-Mar-2012 Rs.	
	Non current Investments			
Shares at cost	23,77,01,130		24,02,76,890	
Less: Provision for Diminution in value of Investments	19,39,70,923	4,37,30,207	<u>19,38,07,516</u>	4,64,69,374
Debentures at cost	1,11,41,400		1,11,41,400	
Less: Provision for Diminution in value of Investments	1,11,41,400	0	<u>1,11,41,400</u>	0
		4,37,30,207		4,64,69,374

NON CURRENT INVESTMENTS –Details

(i) INVESTMENT IN EQUITY SHARES OF LIMITED COMPANIES

a) QUOTED - NON TRADE

Sl. No.	Name of the Company	No. of Shares	Face Value Rs.	Paid up Value Rs.	Cost as on 31.03.2013 Rs.	No. of Shares	Cost as on 31.03.2012 Rs.
1	Engineers India Ltd	300	5	5	1,35,000	300	1,35,000
2	NHPC Ltd	35000	10	10	12,76,343	35000	12,76,343
3	NTPC Ltd	5000	10	10	10,52,250	5000	10,52,250
4	Punj Lloyd Ltd	356344	2	2	5,03,76,298	356344	5,03,76,298
5	Seasons Furnishings Ltd	185001	10	10	18,50,010	185001	18,50,010
6	Steel Authority of India Ltd	5000	10	10	11,15,500	5000	11,15,500
7	Suryachakra Power Corporation Ltd	12000	10	10	2,40,000	12000	2,40,000
8	Suzlon Energy Ltd	10000	2	2	6,55,500	10000	6,55,500
9	Tulsi Extrusions Ltd	5500	10	10	4,15,800	5500	4,15,800
10	Wanbury Ltd	42387	2	2	52,31,751	42387	52,31,751
	Total - (A)				6,23,48,452		6,23,48,452

(Market value as on 31.03.2013 - **Rs. 2,34,76,889/-** Previous year - Rs. 2,36,40,960/-)

b) UNQUOTED - NON TRADE

Sl. No.	Name of the Company	No. of Shares	Face Value Rs.	Paid up Value Rs.	Cost as on 31.03.2013 Rs.	No. of Shares	Cost as on 31.03.2012 Rs.
1	Alan Scot Industries Ltd	18600	10	10	2,72,942	18600	2,72,942
2	Core Organics Ltd	3800	10	10	38,000	3800	38,000
3	Datar Switchgear Ltd	40100	10	10	19,04,750	40100	19,04,750
4	Doon Valley Rice Ltd	254300	10	10	76,29,000	254300	76,29,000
5	G S L (India) Ltd	1200000	10	10	1,20,00,000	1200000	1,20,00,000

Sl. No.	Name of the Company	No. of Shares	Face Value Rs.	Paid up Value Rs.	Cost as on 31.03.2013 Rs.	No. of Shares	Cost as on 31.03.2012 Rs.
6	Greenfield Corporation Ltd	84600	10	10	8,46,000	84600	8,46,000
7	Indo Gulf Industries Ltd	2000	10	10	1,95,250	2000	1,95,250
8	Karnav Leather Chemicals Ltd	162416	10	10	16,24,160	162416	16,24,160
9	KJ International Ltd	5300	10	10	1,32,500	5300	1,32,500
10	Krisons Electronic Systems Ltd	70800	10	10	7,08,000	70800	7,08,000
11	Malanpur Leathers Ltd	225000	10	10	25,87,500	225000	25,87,500
12	MSEFSL Ltd	20445	10	10	2,45,340	20445	2,45,340
13	Nonmag India Ltd	26600	10	10	2,62,430	26600	2,62,430
14	Nova Dhatu Udyog Ltd	469700	10	10	46,97,000	469700	46,97,000
15	Nova International Ltd	125600	10	10	12,56,000	125600	12,56,000
16	Pondicherry Spinners Ltd	34500	10	10	3,47,900	34500	3,47,900
17	Rakan Steels Ltd	150876	10	10	22,63,140	150876	2,26,314
18	Sagar Tourist Resorts Ltd	214600	10	10	21,46,000	214600	2,146,000
19	Salstar Foods Ltd	51300	10	10	8,20,800	51300	8,20,800
20	Saurashtra Chemicals Ltd	5750	10	10	-	5750	-
21	Shri Vardhaman Overseas Ltd	100000	10	10	70,35,000	100000	70,35,000
22	Sivananda Pipe Ltd	12600	10	10	2,52,000	12600	2,52,000
23	Sri Jayalakshmi Spinning Mills Ltd	57400	10	10	5,74,000	57400	5,74,000
24	Tebma Shipyard Ltd	41699	10	10	17,59,747	41699	17,59,747
25	Veekay Fibres Ltd	196400	10	10	43,20,800	196400	43,20,800
26	Vikram Projects Ltd	402158	10	10	1,40,75,530	402158	1,40,75,530
27	Xylon Liquitur Ltd	146700	10	10	44,01,000	146700	44,01,000
	Total - (B)				7,23,94,789		7,23,94,789

c) UNLISTED - NON TRADE

Sl. No.	Name of the Company	No. of Shares	Face Value Rs.	Paid up Value Rs.	Cost as on 31.03.2013 Rs.	No. of Shares	Cost as on 31.03.2012 Rs.
1	Amaravathi Sri Venkatesa Paper Mills Ltd	362942	10	10	1,59,69,712	421482	1,85,45,472
2	Armour Pharmaceuticals Ltd	1587500	10	10	2,54,00,000	1587500	2,54,00,000
3	Arraycom India Ltd (Restructured into 75000 shares of Rs. 10/- each as per scheme approved by Gujarat High court)	75000	10	10	75,00,000	300000	75,00,000
4	Benechlor Chemicals Ltd	200000	10	10	20,00,000	200000	20,00,000
5	Galaxy Surfactanants Ltd (Including 4400 bonus shares received during the year 2011-12)	8800	10	10	73,128	8800	73,128
6	Indo Deutsche Metallo Ltd	114286	10	10	2,00,00,050	114286	2,00,00,050
7	Madras Stock Exchange Ltd	285000	1	1	15,000	285000	15,000
8	Prasanth Textiles Ltd	833333	10	10	3,20,00,000	833333	3,20,00,000
	Total - (C)				10,29,57,890		10,55,33,650
	Total cost (A) + (B) + (C)				23,77,01,130		24,02,76,891

(ii) INVESTMENT IN DEBENTURES OF LIMITED COMPANIES
UNQUOTED - NON TRADE

Sl. No.	Name of the Company	No. of Shares	Face Value Rs.	Paid up Value Rs.	Cost as on 31.03.2013 Rs.	No. of Shares	Cos on 31.03.2012 Rs. as
1	14% Khaitan Hostambe Spinning Mills Ltd	125000	100	100	1,11,41,400	125000	1,11,41,400
	Total - (D)				1,11,41,400		1,11,41,400
	Grand Total of Investments (A) + (B) + (C) + (D)				24,88,42,530		25,14,18,291

6. Deferred Tax Assets (Net)

The major components of deferred tax asset/liability are as below:

Deferred Tax (Rs)

	As on 31.3.2013		As on 31.3.2012	
	Asset	Liability	Asset	Liability
i) Timing difference in depreciable assets		3,87,97,180		3,69,30,816
ii) Provision for Bad debts and NPAs	8,97,97,499		9,06,44,827	
iii) Others	22,90,664		25,12,443	
Total	5,32,90,983		5,62,26,454	

7. Trade Receivables

	As at 31.3.2013 Rs.		As at 31.3.2012 Rs.	
Debt outstanding for a period exceeding six months				
- Considered Good(Secured)	52,14,122		57,10,507	
- Considered Good(Unsecured)	1,59,01,659		35,624	
- Considered Doubtful(Unsecured)	3,90,89,392		3,99,56,467	
	6,02,05,173		4,57,02,598	
Others - Considered Good	2,41,96,141		4,85,30,855	
	8,44,01,314		9,42,33,453	
Less: Provision for Bad & Non Performing Assets	3,90,89,392	4,53,11,922	3,99,56,467	5,42,76,986

8. Cash and Cash equivalents

	As at 31.3.2013 Rs.		As at 31.3.2012 Rs.	
Cash and Cash equivalents				
Cash on Hand	27,009		1,21,875	
Stamps on Hand	0		0	
Cheques on Hand	0		0	
	<u>27,009</u>		<u>1,21,875</u>	
Balances with Scheduled Banks				
In Term Deposits	8,87,91,806		8,33,28,039	
In Current Accounts	42,76,520		1,78,37,599	
Unclaimed Dividend (as per contra)	38,22,673		38,25,185	
	<u>9,68,90,999</u>	<u>9,69,18,008</u>	<u>10,49,90,823</u>	<u>10,51,12,698</u>

Term deposits include the following which are given as security deposit

Name of the organization	Amount (Rs. Lakhs)	Purpose	Previous Year (Rs. Lakhs)
Indian Bank	119.29	For Guarantee facility availed	119.29
Indian Bank	184.29	For overdraft against deposits	0.00
National Stock Exchange	75.00	Margin	75.00
Bombay Stock Exchange	10.00	Margin	10.00
MCX SX Stock Exchange	28.47	Margin	0.00

9. Short term Loans & Advances

Amount in Rs.

	As at 31.3.2013 Rs.		As at 31.3.2012 Rs.	
(Unsecured & considered good unless otherwise stated)				
Loans - Secured		4,70,712		7,62,252
Prepaid Expenses		3,94,062		0
Advance Tax & TDS (Net of Provisions)		9,69,69,045		11,07,95,014
Advances Recoverable in Cash or in Kind or for value to be received - Considered Good	1,34,05,941		1,81,92,719	
- Considered Doubtful	63,53,083		63,63,286	
	<u>1,97,59,024</u>		<u>2,45,56,005</u>	
Less: Provision for Bad & Non Performing Assets	63,53,083	1,34,05,941	63,63,286	1,81,92,719
Security & Other Deposits		4,27,19,800		3,82,36,059
		<u>15,39,59,560</u>		<u>16,79,86,044</u>

Loans and Advances include the following:

Rs. Lakhs

	2012-13	2011-12
Amount due from Director	0.75	0.68
Maximum amount due during the year	0.94	0.85
Amount due from Officer	0.22	1.73
Maximum Amount due during the year	0.55	2.48

10. Other Current Assets

Amount in Rs.

	As at 31.03.2013	As at 31.03.2012
Interest accrued on Staff Loans - Secured	2,02,765	4,17,730

11. Assets under Discontinuing Operations

Amount in Rs.

	As at 31.3.2013 Rs.		As at 31.3.2012 Rs.	
Stock on Hire	12,86,93,225		12,96,24,025	
Less: Provision for Bad & Non Performing Assets	12,86,93,225	0	12,96,24,025	0
Lease Rentals Receivable - Considered Good	24,00,000		24,00,000	
- Considered Doubtful	1,38,22,583		1,38,22,583	
Less: Provision for Bad Non Performing Assets	1,38,22,583	24,00,000	1,38,22,583	24,00,000
Intercorporate Deposits - Unsecured - Considered Doubtful	1,04,41,421		1,04,41,421	
Less: Provision for Bad & Non Performing Assets	1,04,41,421	0	1,04,41,421	0
Assets on Lease under discontinuing operations Gross Block	19,78,97,152		19,78,97,152	
Depreciation & Lease terminal adjustment	19,78,97,152	0	19,78,97,152	0
		24,00,000		24,00,000

12. Revenue from Operations

	As at 31.3.2013 Rs.		As at 31.3.2012 Rs.	
Fee Based Income				
Merchant Banking Income	41,85,152		2,43,76,348	
Stock Broking Membership Operations	4,82,67,948	5,24,53,100	4,57,55,370	7,01,31,718
Other Income				
Interest on FDs	96,79,510		70,73,103	
Profit on sale of assets (Net)	0		0	
Others	31,94,539	1,28,74,049	5,81,959	76,55,062

13. Interest on Income tax / interest tax refund due

Based on the orders received during the year, the interest allowed by the department on the refunds due under Income Tax/Interest Tax has been reckoned in the accounts for various assessment years as under:

Assessment Year	Particulars	Amount (Rs.)
1996-97	Interest on Interest tax refund due	12,62,977
1998-99	Interest on Income tax refund due	37,45,409
	Total	50,08,386

14. Employee Benefit expenses

Amount in Rs.

	As at 31.3.2013 Rs.	As at 31.3.2012 Rs.
Salaries, Wages & Bonus	2,86,91,071	3,53,73,168
Contribution to PF & Other Funds	36,47,470	39,90,998
Staff Welfare Expenses	12,16,423	12,86,610
Total	3,35,54,964	4,06,50,776

15. Finance Cost

Amount in Rs.

	As at 31.3.2013 Rs.	As at 31.3.2012 Rs.
Interest on overdraft availed from Indian Bank	63,094	0

16. Other Expenses

Amount in Rs.

	As at 31.3.2013 Rs.	As at 31.3.2012 Rs.
Rent	21,49,804	50,11,155
Postage & Telephone	49,19,245	73,03,015
MPLS & other connectivity charges	37,56,892	0
Data Centre charges	11,74,540	0
Printing & Stationery	11,40,495	17,01,742
Depository Participant Charges	8,06,177	8,67,633
Travelling & Conveyance	15,64,432	26,71,804
Repairs & Maintenance - Equipment	18,26,850	23,01,211
Repairs & Maintenance - Others	18,81,478	19,83,639
Electricity Charges	17,40,609	23,63,734
Subscription & Membership	24,08,480	9,36,417
Loss on sale of assets (Net)	14,12,647	49,64,108
Professional Charges	7,61,940	16,64,361
Miscellaneous Expenses	51,98,911	47,61,777
Total	3,07,42,500	3,65,30,596

Miscellaneous Expenses includes remuneration to Auditors as under:

Rs. In Lakhs

	2012-13	2011-12
i) Audit Fees	3.00	3.00
ii) Tax Audit	0.60	0.60
ii) Fees for certification	1.55	1.28

17. Write off/Provisions made/ Reversal of Provisions (Net)

	As at 31.3.2013 Rs.		As at 31.3.2012 Rs..	
Bad debts/NPAs written off		8,43,925		1,41,66,824
Provision for Bad Debts & Non-Performing Assets	11,60,178		1,86,26,645	
Less: Reversal of Provision made for NPAs in earlier years no longer required	19,57,902	(7,97,724)	2,12,96,529	(26,69,884)
Total		46,201		1,14,96,940

18. Prior period adjustments

During the year 2011-12, based on the orders of the Income tax department for interest on income tax/interest tax refunds due an amount of Rs. 455.81 lakhs was reckoned in the accounts. However the said orders were revised by the department on 29.06.2012 as there was an error in the interest calculations and the excess interest of Rs. 204.62 lakhs was reversed. Consequent to the above, the interest provision of Rs. 247.48 lakhs made in the accounts in the year 2011-12 towards the interest payable to Indian Bank under the right of recompense was reversed during the year and the net resultant amount of Rs. 42.86 lakhs is shown under prior period adjustment. Consequent to the above, the balance interest payable to Indian Bank under the right of recompense is Rs. 897.48 lakhs. The bank has permitted the company to pay the balance on or before 30.9.2013.

19. Tax expenses

- In view of losses (as per Income tax) as well as book losses (as per MAT computation) no provision for tax is required for the year.
- No provision is made for the disputed demands of income tax keeping in view the judicial pronouncements and/or legal opinion on the issues.
- The provision for deferred tax (net) for the year is Rs.29.35 lakhs (Previous year Rs.11.62 lakhs) which has been charged to profit & loss account.

20. Income from discontinued operations

	As at 31.3.2013 Rs.		As at 31.3.2012 Rs.	
Lease & Hire Purchase Income:				
Gross income from Lease	6,95,000		70,91,200	
Less: Depreciation	22,43,175		26,05,617	
Less: Lease Equalisation	(15,48,175)		(19,25,617)	
Net income from lease	0		64,11,200	
Hire Purchase Income	0	0	0	64,11,200
Investment Income:				
Profit on Sale of Investments	21,74,240		80,11,201	
Interest on investment	22,66,809		30,18,924	
Dividend	4,55,945	48,96,994	4,30,198	1,14,60,323
Total Income		48,96,994		1,78,71,523
Less: Expenses attributable to income		14,86,650		19,40,256
Provisions made for NPAs		4,36,425		72,69,589
Reversal of Provisions		(41,25,818)		(12,30,000)
Net Income from discontinued operations		70,99,737		98,91,678

21. AS-20 - Earnings per share (basic and diluted)

Sl. No.	Description	2012-13 Rs.	2011-12 Rs.
1	Profit/(Loss) for the year After Tax	72,93,733	11,16,603
2	No of Equity shares of face value Rs. 10 each outstanding	4,43,78,200	4,43,78,200
3	Basic and diluted earnings per share(1/2) (in Rs)	0.16	0.03

22. Significant Accounting Policies:

The financial statements are prepared by following the going concern concept on historical cost convention using the accrual method of accounting, unless otherwise stated.

Use of Estimates:

The preparation of the financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities on the date of the financial statements, disclosure of contingent liabilities and reported amounts to revenues and expenses for the year. Estimates are based on historical experience, where applicable and other assumptions that management believes are reasonable under the circumstances. Actual results could vary from these estimates and any such differences are dealt with in the period in which the results are known/materialize.

A Revenue recognition

- Issue Management Fee and fees for other managerial services - Considered on the completion of assignment.
- Underwriting Commission and brokerage on distribution of financial products - Considered on receipt of subscription particulars.
- Brokerages under stock broking operations are accounted on completion of contract.
- Interest on overdue lease rentals and hire purchase installments are accounted for on receipt basis.
- Dividend income is recognized when the right to receive is established.

B Fixed Assets

Fixed Assets are stated at historical cost less accumulated depreciation & provision for impairment (if any). Assets given on lease (Contracted prior to December 1997) are further adjusted for the balance in lease adjustment account.

C Depreciation

- On Assets other than given on lease
In respect of assets other than assets given on lease, the Company provides depreciation on the assets on the Straight Line Method (SLM) at the rates prescribed in Schedule XIV to the Companies Act, 1956, on pro-rata basis, the month in which the assets are installed taken as full month. Software costs are amortized on SLM over a period of three years, from the year of acquisition.
- On Assets given on lease under discontinuing operations
In respect of Assets given on lease under discontinuing operations, the Company provides depreciation on the assets in the WDV method at the rates prescribed in Schedule XIV to the Companies Act 1956 on pro-rata basis, the month in which the assets are installed taken as full month. The cost of the Assets given on lease are amortized fully during the Lease period. (In accordance with the Guidance note on Accounting for Leases (revised) issued by the Institute of Chartered Accountants of India). The difference between the statutory depreciation and the annual lease charge is adjusted through the Lease Equalization, which is adjusted with the lease income.

D Investments

The investments held by the Company are all long-term investments. Long term investments are carried at cost less provision for diminution, other than temporary in nature. The Company has reckoned diminution in value of shares / debentures as permanent in nature by relying on market value of quoted shares and book value/ fair value whichever is higher in respect of unquoted shares.

E Employee Benefits

- a) Short Term employee benefits/obligations are estimated and provide for.
- b) Gratuity – The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days' salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The company remits annual contribution to gratuity fund established as a Trust through a Group Gratuity Policy with Life Insurance Corporation of India. The Company's liability towards Gratuity is actuarially determined at balance sheet date using the Project Unit Credit (PUC) method. Actuarial gains and losses are recognized in revenue.
- c) Provident Fund – The eligible employees of the company are entitled to receive benefits under Provident Fund, a defined contribution plan in which both employees and the company makes monthly contributions at a specified percentage of the covered employees salary, the contributions as specified under the Law are paid to the Provident fund and pension fund to the provident fund authorities.
- d) Leave encashment - The eligible Leave encashment liability to the employees other than those deputed by Indian Bank has been provided for on the basis of actuarial valuation based on number of days un-utilised leave at each balance sheet date.
- e) The retirement benefit liability to staff on deputation from Indian Bank is borne by Indian Bank except eligible Provident Fund contribution.

F Segment Reporting

The Segment Reporting is prepared in conformity with the accounting policies of the Company.

G Discontinuing Operations

The accounting policies adopted for discontinuing Operations are in line with the accounting policies adopted for Continuing Operations.

H Income Tax

Income Tax comprises the current tax provision and the net change in the deferred tax asset or liability during the year. Deferred tax assets and liabilities are recognized for the future tax consequences arising out of temporary differences between the carrying values of the assets and liabilities and their respective tax bases. Deferred tax assets are recognized and carried forward to the extent that there is a reasonable/virtual certainty (as applicable) that sufficient future taxable income will be available against which such deferred tax asset can be realized. The effect on deferred tax assets and liabilities resulting from change in tax rates is recognized in the income statement in the period of enactment of the change.

23. AS-15 - Employee Benefits

Defined Contribution Plan

Contribution to Defined Contribution Plan, recognized as expense for the year are as under:

(Amount in Rs.)

Details	2012-13	2011-12
Employer's contribution to Provident Fund	27,49,762	31,25,100
Employees Deposit Linked Insurance Scheme contribution to LIC	35,219	57,566

Defined Benefit Plan
I. Reconciliation of opening and closing balances of Defined benefit obligation

(Rs.)

Details	Gratuity (Funded)		Leave Encashment (Unfunded)	
	2012-13	2011-12	2012-13	2011-12
Defined benefit obligation at the beginning of the year	57,47,698	51,66,832	69,17,235	59,03,571
Current service cost	6,34,967	6,28,584	90,130	10,28,232
Interest cost	4,59,816	4,13,347	5,53,379	4,72,286
Actuarial (gain)/ loss	2,09,669	1,89,681	(14,16,471)	(4,86,854)
Benefits paid	22,30,908	6,50,746	-	-
Settlement cost	-	-	-	-
Defined benefit obligation at the year end	48,21,242	57,47,698	61,44,273	69,17,235

II. Reconciliation of opening and closing balances of fair value of plan assets

(Rs.)

Details	Gratuity (Funded)	
	2012-13	2011-12
Fair value of plan assets at the beginning of the year	61,80,698	56,02,358
Expected return on plan assets	4,49,272	4,63,188
Contributions	8,71,452	7,65,898
Actuarial (gain)/ loss	-	-
Benefits paid	22,30,908	6,50,746
Settlement cost	-	-
Fair value of plan assets at year end	52,70,514	61,80,698
Actual return on plan assets	4,49,272	4,63,188

III. Reconciliation of fair value of assets and obligations

(Rs.)

Details	Gratuity (Funded)		Leave Encashment (Unfunded)	
	2012-13	2011-12	2012-13	2011-12
Fair value of plan assets	52,70,514	61,80,698	61,44,273	69,17,235
Present value of obligation	48,21,242	57,47,698	69,17,235	59,03,571
Amount recognized in Balance Sheet	4,49,272	4,33,000	(7,72,962)	10,13,664

IV. Expense recognized during the year

(Rs.)

Details	Gratuity (Funded)		Leave Encashment (Unfunded)	
	2012-13	2011-12	2012-13	2011-12
Current Service Cost	6,34,967	6,28,584	90,130	10,28,232
Interest Cost	4,59,816	4,13,347	5,53,379	4,72,286
Expected return on plan assets	4,49,272	4,63,188	-	-
Actuarial (gain)/ loss	2,09,669	1,89,681	(14,16,471)	(4,86,854)
Net Cost	8,55,180	7,68,424	(7,72,962)	10,13,664

V. Actuarial assumptions

Details	Gratuity (Funded)		Leave Encashment (Unfunded)	
	2012-13	2011-12	2012-13	2011-12
Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	8%	8%	8%	8%
Expected rate of return (per annum)	8%	8%	—	—
Rate of escalation of salary (per annum)	5%	5%	5%	5%
Attrition Rate	1% to 3%	1% to 3%	1% to 3%	1% to 3%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The expected rate of return is determined considering several applicable factors, mainly the composition of plan assets held, assessed risks, historical results of return on plan assets and the company's policy for plan assets management. The retirement benefit liability in respect of staff on deputation from Indian Bank is borne by Indian Bank.

The company has contributed Rs. 8.98 Lakhs (previous year- Rs. 8.66 lakhs) towards Gratuity liability in the year 2012-13.

24. AS-18 - Related Party Transactions

The Company has identified all related parties and transactions with the related parties as per details given below:

Name	Relationship
Indian Bank	Holding Company
Ind Bank Housing Limited	Fellow Subsidiary
Key Management Personnel	Mr. Banabihari Panda, President & Wholetime Director

The transactions with Holding company and fellow subsidiaries has not been disclosed in view of exemption for State-controlled enterprises from making any disclosure pertaining to their transactions with other related parties which are also state-controlled enterprises.

The related party transactions with key management personnel have been disclosed in Managerial Remuneration – Note 28 of Notes on Accounts.

25. AS-19 - Leases

In case of assets taken on lease.

The company has operating leases for office premises at various locations with Indian Bank. The future minimum payments required under non-cancellable operating leases at year-end are as follows:

Rs. Lakhs

	As on 31.03.2013	As on 31.03.2012
Lease payments for the year	21.50	50.11
Minimum Lease payments: Not later than one year	0.00	0.00
Later than one year but not later than five years	0.00	0.00
Later than five years	0.00	0.00

26. AS-24 - Discontinuing operations and Segment reporting

The Company had discontinued fund-based activities consequent to SEBI regulations coming into force with effect from December 1997 and had decided to undertake only fee-based activities. The existing fund based exposures as on December 1997 are continued to run down to their contracted period. The Company had obtained cancellation of registration as NBFC from RBI consequent to repayment of fixed deposits and transfer of unclaimed fixed deposits to an escrow account with a nationalized bank for repayment as and when claimed. The Company is now governed only by SEBI regulations.

The business segments have been identified as the Primary Segment considering the nature of service, organizational structure and internal financial reporting system. The services of the reported domestic business segments are classified as “Discontinuing operations” (Fund Based) and “Continuing Operations” (Fee Based). Discontinuing operations consists of Leasing, Hire purchase, Intercompany deposits and Investments. Continuing operations include Merchant Banking, Stock Broking, Depository Participant services, Distribution of Financial Products and allied activities. There is no Secondary Reportable Segment.

Rs. Lakhs

Particulars	2012-13				2011-12			
	Continuing Operations (Fee based)	Discontinued Operations (Fund based)	Un-Allocated	Total	Continuing Operations (Fee based)	Discontinued Operations (Fund based)	Un-Allocated	Total
Income from Operations	703.36	48.97	0.00	752.33	1233.68	178.71	0.00	1412.39
Expenses								
Administration & Other exp	642.98	14.87	0.00	657.84	771.81	19.40	0.00	791.21
Depreciation	70.85	0.00	0.00	70.85	52.60	0.00	0.00	52.60
Provisions	0.46	(36.89)	0.00	(36.43)	114.97	60.39	0.00	175.36
Finance Cost	0.63	0.00	0.00	0.63	0.00	0.00	0.00	0.00
Total – Expenses	714.92	(22.02)	0.00	692.89	939.38	79.79	0.00	1019.17
Profit/(Loss) before Tax	(11.57)	70.99	0.00	59.42	294.30	98.92	0.00	393.22
Exceptional item – Interest	0.00	0.00	0.00	0.00	0.00	0.00	247.48	247.48
Exceptional item – Prior period adjustments	0.00	0.00	42.86	42.86	0.00	0.00	0.00	0.00
Provision for tax – Deferred	0.00	0.00	29.35	29.35	0.00	0.00	11.62	11.62
Provision for tax – Prior period	0.00	0.00	0.00	0.00	0.00	0.00	122.94	122.94
Profit/(Loss) after Tax	(10.93)	70.99	12.88	72.94	294.30	98.92	(382.04)	11.18
Total Assets	2735.43	461.30	1502.60	4699.33	2823.68	488.69	1670.21	4982.58
Total liabilities	560.02	0.00	0.00	560.02	668.73	0.00	247.48	916.21
Capital Expenditure	126.47	0.00	0.00	126.47	93.57	0.00	0.00	93.57
Non cash expenditure	0.46	(14.62)	(42.86)	(57.02)	155.38	19.98	0.00	175.36
Net Cash flow from operating activities	(89.27)	22.03	29.35	(37.89)	(42.29)	(15.69)	11.62	(46.36)
Net Cash flow from Investment activities	(175.05)	76.36	0.00	(98.69)	(404.42)	269.57	0.00	(134.85)

27. AS-29 - Contingent Liability
A. Disputed demand on taxes
i) Income Tax

Rs. Lakhs

Asst Year	2012-13			2011-12		
	Tax Demand	Interest	Total	Tax Demand	Interest	Total
2007-08	462.02	155.45	617.47	0.00	0.00	0.00
2008-09	832.56	296.49	1129.05	0.00	0.00	0.00
2009-10	72.23	0.00	72.23	72.23	0.00	72.23
Total	1366.81	451.94	1818.75	72.23	0.00	72.23

ii) Sales Tax demand disputed in appeal – Rs. 108.87 lakhs (Previous year Rs. 110.72 lakhs). (Rs. 51.50 lakhs at Bangalore, Rs. 42.78 lakhs at Chennai and Rs. 14.59 lakhs at Rajasthan)

B. Guarantees - Counter guarantee issued to bank for guarantees – Rs.200.00 lakhs (Previous Year- Rs. 200.00 lakhs)

C. Estimated amount of contracts remaining to be executed on capital account and not provided for – Rs. 20.72 lakhs (Previous Year Rs. 109.40 lakhs).

28. Managerial Remuneration:

Rs. Lakhs

Name	Designation		2012-13	2011-12
Mr. Banabihari Panda	President & Wholetime Director	Salary	11.29	8.00
		Contribution to PF	0.64	0.49
Sitting Fees paid to Non – Wholetime Directors			0.96	1.20

President and Whole Time Director of the Company is on deputation from Indian Bank and the remuneration is in accordance with the service rules of the said Bank and also in terms of appointment as 'Whole Time Director' by the shareholders of the Company.

29. As at March 31, 2013, the Company has no outstanding dues to medium and small enterprises. There is no liability towards interest on delayed payments under the Micro, Small and Medium Enterprises Development Act, 2006 during the year.

30. In the opinion of the Management all Fixed Assets, Current Assets, Loans & Advances will have value on realization in the ordinary course of business at least equal to the amounts at which they are stated in the accounts.

31. The previous year's figures in the Balance Sheet, Profit and Loss Account and Cash Flow Statement have been regrouped and reclassified, wherever necessary, to conform to the current year's classification.

RAJEEV RISHI
CHAIRMAN

N ESWARAN
DIRECTOR

V S SRINIVASAN
VICE PRESIDENT & COMPANY SECRETARY
Place: Chennai
Date : 03.05.2013

P V RAJARAMAN
DIRECTOR

P M VENKATASUBRAMANIAN
DIRECTOR

BANABIHARI PANDA
PRESIDENT & WHOLETIME DIRECTOR
As per our report of even date attached

For & on behalf of
Raman Associate
Chartered Accountants

A P VIJAYENDRAN
PARTNER

Membership No.215166
Firm No.002910S

Cash Flow Statement for the Year ended 31.03.2013

	2012-13 Rs. in Lakhs	2011-12 Rs. in Lakhs
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit after tax	72.94	11.17
Adjustments for:		
Add : Depreciation/Lease Adjustments	70.85	52.60
Provision for taxation - Current	0.00	0.00
- Fringe Benefit Tax	0.00	0.00
- Deferred	29.35	11.62
Loss on sale of assets (net)	14.13	49.64
Interest expense	0.00	247.48
	187.27	372.51
Less:		
Profit on sale of investments(net)	44.41	110.30
Dividend income	4.56	4.30
	48.97	114.60
Operating Profit before working capital changes	138.30	257.91
Less : Decrease in Current liabilities	356.20	(189.10)
	(217.89)	447.01
Add:		
Decrease in other current assets	180.00	(245.89)
Cash generated from operations	(37.89)	201.12
Less : Interest expense	0.00	247.48
Less : Taxes	0.00	0.00
Cash Flow before Extraordinary Items	(37.89)	(46.36)
B. CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase of Fixed Assets	(126.48)	(93.57)
Decrease in Term Deposits with banks	(54.64)	(369.85)
Sale of Fixed Assets	6.06	9.36
Sale of investments	71.80	265.27
Dividend received	4.56	4.30
Net cash from Investing Activities	(98.69)	(184.50)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Short term loans & Adv.	0.00	0.00
Dividend paid(including taxes thereon)	0.00	0.00
Net Cash used in Financing Activities	0.00	0.00
Net increase in cash & cash equivalents	(136.58)	(230.86)
Cash & Cash equivalents as at 01.04.12 (opg.bal.)	217.85	448.71
Cash & Cash equivalents as at 31.03.13 (clg. bal.)	81.26	217.85

RAJEEV RISHI
CHAIRMAN

P V RAJARAMAN
DIRECTOR

P M VENKATASUBRAMANIAN
DIRECTOR

N ESWARAN
DIRECTOR

BANABIHARI PANDA
PRESIDENT & WHOLETIME DIRECTOR

V S SRINIVASAN
VICE PRESIDENT & COMPANY SECRETARY
Place: Chennai
Date : 03.05.2013

As per our report of even date attached
For & on behalf of
Raman Associate
Chartered Accountants
A P VIJAYENDRAN
PARTNER
Membership No.215166
Firm No.002910S

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 - ☆ Facility to view online your transactions and holdings
- Off-line Trading Account
- Receive Payout through RTGS/NEFT
- Distribution of Mutual Funds / IPOs
- Distribution of Infrastructure Bonds / Capital Gain Bonds
- Instant SMS Alerts of all your transactions
- Weekly / Monthly Research Reports / Newsletters
- Merchant Banking & Advisory Services
 - ☆ Issue Management – IPO/ FPO/ Rights / TakeOver / Delisting
 - ☆ Valuations – ESOP, Mergers & Acquisitions
 - ☆ Project Appraisal & Viability Studies



Registered Office: First Floor, Khivraj Complex 1, No.480, Anna Salai, Nandanam, Chennai - 600 035

DP ID No.	
Client ID No.	

PROXY FORM

Folio No.	
No. of shares held	

I/We _____ of _____ in the district of _____ being a member(s) of INDBANK MERCHANT BANKING SERVICES LIMITED, hereby appoint _____ of _____ in the district of _____ or failing him _____ of _____ in the district of _____ as my/our Proxy to vote for me/us on my/ our behalf, at the Twenty Fourth Annual General Meeting to be held on Monday, 23rd September 2013 at 11.00 a.m. at Indian Bank Management Academy for Growth & Excellence, MRC Ngar, Raja Annamalaipuram, Chennai 600028 and at any adjournment thereof.

Signed this _____ day of _____ 2013.

Note: 1. The Proxy to be valid must be deposited at the Regd. Office of the Company at First Floor, Khivraj Complex, 1. No.480Anna Salai, Nandanam, Chennai-600 035 not less than 48 hours before the commencement of the meeting. 2. In the case of a Corporation, the Proxy shall be given under the Common Seal or signed on its behalf by an Attorney or officer of the Corporation.

Signature..... Affix
1 Rupee
Revenue
Stamp



Registered Office: First Floor, Khivraj Complex 1, No.480, Anna Salai, Nandanam, Chennai - 600 035

ATTENDANCE SLIP

To be handed over at the entrance of the meeting hall

Name of the member attending.....

Name of the Proxy.....

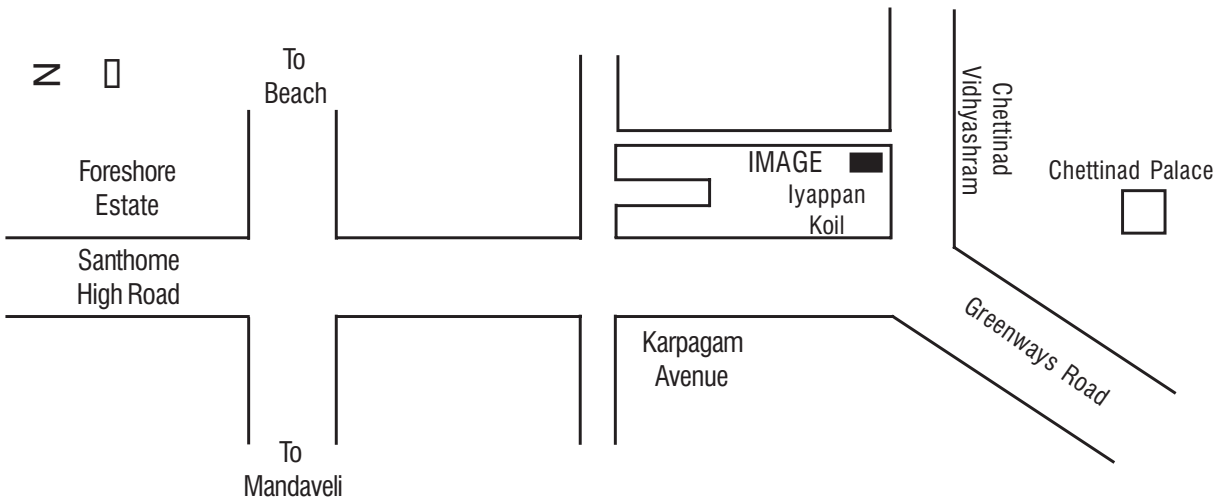
I hereby record my presence at the Twenty Fourth Annual General Meeting to be held on Monday, 23rd September 2013 at 11.00 a.m. at Indian Bank Management Academy for Growth & Excellence, MRC Ngar, Raja Annamalaipuram, Chennai 600028.

DP ID No.	
Client ID No.	
Folio No.	
No. of Shares held	

Member's / Proxy's signature
 (To be signed at the time of handing over the slip)

NOTE: Please note that no gifts will be given at the Annual General Meeting

Venue :
**INDIAN BANK MANAGEMENT ACADEMY FOR
GROWTH & EXCELLENCE (IMAGE)**





Shri V T Naimur Rahman, one of the valued customer of Indian Bank, Purasawakkam branch inaugurating our terminal at Purasawakkam on 18th October, 2012 in the presence of Shri B Raj Kumar, Executive Director, Indian Bank, Shri Banabihari Panda, President & Wholetime Director, Shri S Bhaskaran, General Manager, Indian Bank, Zonal Office, Chennai North & others.



Regd. Office: First Floor, Khivraj Complex I, No. 480, Anna Salai, Nandanam, Chennai - 600 035.

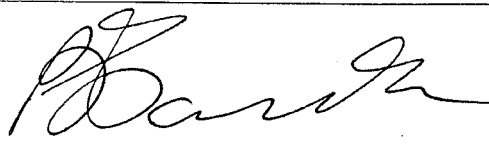


Registered Office :
 1st Floor, Khivraj Complex 1
 No. 480, Anna Salai,
 Nandanam, Chennai 600035
 Phone : 24313094 to 97
 Fax : 24313093
 Email : registered@indbankonline.com



Indbank
 Merchant Banking Services Ltd
 (A Subsidiary of Indian Bank)

Form A

(In pursuance to Clause 31 of the of the Listing Agreement)

1.	Name of the Company	Indbank Merchant Banking Services Limited
2.	Annual financial statements for the year ended	31 st March 2013
3.	Type of Audit Qualification	Matter of Emphasis
4	Frequency of qualification	Appeared since the financial year 2009-10.
5	Signed by:	
	CEO/President & Wholetime Director	
	CFO/Vice President & Company Secretary	
	Auditor of the Company	For RAMAN ASSOCIATE  Partner M.NO. 215166
	Audit Committee Chairman	<u>P. Rajaraman</u>