

**DSP MERRILL LYNCH MUTUAL FUND  
TULSIANI CHAMBERS, WEST WING, 11<sup>th</sup> FLOOR,  
NARIMAN POINT, MUMBAI – 400 021**

**HALF YEARLY FINANCIAL RESULTS (UNAUDITED)  
FOR THE PERIOD ENDED SEPTEMBER 30, 2004**

**NOTES TO ACCOUNTS**

**1. Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting, under the historical cost convention, as modified for investments, which are 'marked to market'. The financial statements have been prepared in accordance with the Securities and Exchange Board of India ('SEBI') (Mutual Funds) Regulations, 1996 as amended from time to time.

There are no changes in the accounting policies.

**2. Investments**

**a) Accounting for investment transactions**

Investments are accounted on the date of the transaction at cost after considering transaction costs as applicable excluding custodian transaction charges. The front end fee receivable, if any, is reduced from the cost of such investment. Bonus entitlements are recognised as investments on the 'ex- bonus date'. Rights entitlements are recognised as investments on the 'ex-rights date'.

**b) Valuation of investments**

During the year, the Fund has valued its investments in accordance with SEBI (Mutual Funds) Regulations, 1996, as amended from time to time. All investments are marked to market and are stated in the balance sheet at their market / fair value. In valuing the Scheme's investments:

**I. Valuation of Traded Securities**

**I.I. Equity and Equity related Securities**

Traded Equity and Equity related Securities are valued at the last quoted closing price on the National Stock Exchange (NSE) or other Stock Exchange (SE) (in case where security is either not listed on NSE or not traded on NSE). In case where a security is not traded on the valuation day then it is valued at last traded price on the NSE or any other SE on which it traded provided it is not more than thirty days prior to the date of valuation.

## **I.II. Debt Securities**

Traded Debt Securities (other than Government Securities) are valued at the last quoted price on the NSE on the day of valuation or one day prior to the valuation date.

## **II. Valuation of Thinly Traded Securities/ Non-traded and Unlisted Securities**

### **II.I Equity & Equity related Securities**

Thinly Traded, Non-traded and unlisted Equity and Equity Related securities are valued "in good faith" on the basis of net worth per share and earnings capitalization as prescribed by the SEBI.

### **II.II. Debt Securities of upto 182 Days to Maturity**

Non-traded / thinly traded / unlisted debt securities of upto 182 days to maturity are valued at cost or last valuation price (in case of securities having maturity period of more than 182 days at the time of purchase) plus difference between the redemption value and the cost or last valuation price spread uniformly over the remaining maturity period of the instrument.

### **II.III. Debt Securities of over 182 Days to Maturity**

Non traded / thinly traded / unlisted debt securities of over 182 days to maturity are valued in good faith by the investment manager on the basis of valuation principles laid down by the SEBI. The approach in valuation of a non-traded / thinly traded / unlisted debt security is based on the concept of using spreads over the benchmark rate to arrive at the yields for pricing the security.

## **III. Valuation of Non Traded /Thinly Traded and Unlisted Floating Rate Debt Securities (Floaters)**

There are no valuation guidelines prescribed by SEBI for Valuation of Non Traded / Thinly Traded and Unlisted Floating Rate Debt Securities. These securities are valued as determined by the investment manager based on policy as approved by the Board of Trustees.

## **IV. Valuation of Government Securities**

Government Securities are valued at the prices provided by the agency (currently Crisil Investment & Risk Management Services) approved by the Association of Mutual Funds of India (AMFI), on a daily basis.

## **V. Valuation of securities with Put/Call Options**

### **V.I. Securities with Call option**

The securities with call option are valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option. In case

there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is taken as the value of the instrument.

## V.II. Securities with Put option

The securities with put option are valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option. In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is taken as the value of the instruments.

V.III. The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly.

## VI. Valuation of Money Market Instruments

Investments in call money and short-term deposits with banks are valued at cost plus accrued interest.

Money market instruments are valued at the last traded yield on the date of valuation. In case the security is not traded on the valuation day then it is valued on straight-line amortization over the maturity period of the instruments

### 3. Details of Transactions with Associates in terms of Regulation 25(8):

Scheme Name	Securities transaction in the form of investments in various Public issues / Private placements where the associate was the sole or one of the several lead managers. Rs. Crores	Payment of Brokerage on Secondary Market transactions Rs. Lakhs	Payment of Brokerage for Distribution and Sale of Units Rs. Lakhs	
			DSP Merrill Lynch Limited	ING Vysya Financial Services Ltd. (subsidiary of ING Vysya Bank Ltd.)
	DSP Merrill Lynch Limited	DSP Merrill Lynch Limited	DSP Merrill Lynch Limited	ING Vysya Financial Services Ltd. (subsidiary of ING Vysya Bank Ltd.)
<b>BF</b>	-	-	40.67	0.99
<b>EF</b>	0.21	0.68	3.61	0.06
<b>LF</b>	190.00	-	61.41	0.32
<b>BaF</b>	0.29	2.42	12.06	0.05
<b>GSA</b>	-	-	2.74	0.41
<b>GSFB</b>	-	-	0.84	0.09
<b>TF</b>	-	0.42	3.31	0.04
<b>OF</b>	1.57	19.49	39.22	1.79
<b>STF</b>	-	-	17.00	-
<b>TEF</b>	0.34	3.50	10.80	0.21
<b>SPF - M</b>	0.78	6.51	80.34	0.21
<b>FRF</b>	20.00	-	32.58	0.02
<b>SPF-C</b>	-	0.03	1.49	0.01
<b>SPF-A</b>	-	0.07	6.36	0.07
<b>ITF</b>	-	7.16	50.81	0.58

BF-Bond Fund, EF - Equity Fund, LF - Liquidity Fund, BaF – Balanced Fund, GSFA – Government Securities Fund – Plan A, GSFB – Government Securities Fund – Plan B, TF – Technology.com fund, OF - Opportunities Fund, STF – Short Term Fund, TEF- Top 100 Equity Fund, SPF-M – Savings Plus Fund - Moderate, FRF- Floating Rate Fund, SPF-A - Savings Plus Fund - Aggressive, SPF-C - Savings Plus Fund - Conservative, ITF - India T.I.G.E.R. Fund

4. Large holdings in any of the Schemes (over 25% of the NAV of the Scheme): NIL

5. Investments made in companies which have invested more than five percent of the net asset value of the Schemes of DSP Merrill Lynch Mutual Fund in terms of Regulation 25 (11).

Rupees Crores				
Company Name @	Scheme invested in by the company	Investing Scheme	Aggregate Purchase Cost during the period under 25(11) *	At Market/Fair Value as at September 30, 2004
Allahabad Bank	EF	FRF	25.00	25.00
		LF	95.00	95.00
Bank of Baroda	FRF, LF	ITF	3.26	-
Bharti Televentures Ltd.	FRF	BaF	3.11	1.32
		BF	-	5.24
		EF	0.06	1.61
		ITF	10.31	5.17
		OF	8.08	11.58
		SPF-A	0.49	-
		SPF-C	0.18	-
		SPF-M	7.10	-
		TEF	1.40	2.99
		TF	0.12	1.28
Dabur India Ltd	FRF	BaF	3.14	2.89
		TEF	0.32	0.37
Dr Reddys Laboratories Ltd.	FRF	BaF	4.36	-
		EF	0.52	-
		OF	2.66	-
		SPF-M	6.49	-
Export Import Bank of India	STF	SPF-M	-	30.31
FDC Ltd	SPF-M	BaF	2.28	2.72
		EF	1.47	1.41
Finolex Cables Ltd.	FRF	LF	20.00	-
Grasim Industries Ltd.	FRF, STF	BaF	1.33	1.40
		EF	0.16	3.14
		ITF	10.20	8.76
		OF	12.58	38.03
		SPF-A	0.64	-
		SPF-C	0.25	-
		SPF-M	4.76	-
TEF	-	8.22		
Gujarat Ambuja Cements Ltd	LF	BaF	2.39	3.61
		EF	0.05	1.39
		OF	6.99	9.34
		SPF-A	0.65	0.65

Company Name @	Scheme invested in by the company	Investing Scheme	Aggregate Purchase Cost during the period under 25(11) *	At Market/Fair Value as at September 30, 2004
		SPF-C	0.23	0.23
		SPF-M	5.64	5.66
		TEF	1.53	1.56
HCL Corporation Limited	TEF	EF	0.62	1.55
		TF	0.63	1.68
HCL Technologies Ltd (HCL Corporation is the holding company)	STF	OF	3.98	13.99
		TEF	2.96	3.18
		TF	-	1.17
Hero Honda Ltd	SPF-M, SPF - C, FRF	BaF	1.98	-
		EF	0.03	0.68
		OF	7.88	9.87
		SPF-A	0.35	-
		SPF-C	0.14	-
		SPF-M	3.15	-
		TEF	3.33	1.91
Hindalco Ltd.	BF, LF	BF	-	5.32
		OF	1.25	15.97
		TEF	-	3.34
Hindustan Lever Ltd	LF, STF	EF	0.34	0.03
ICICI Bank Ltd.	LF, SPF - C	BaF	1.90	-
		BF	-	10.69
		EF	1.54	0.89
		FRF	164.64	-
		ITF	0.54	-
		LF	328.73	230.17
		OF	8.13	-
		SPF-A	0.12	-
		SPF-C	0.10	-
		SPF-M	7.63	9.59
		TEF	5.69	1.43
IDBI	GSFA, OF, FRF, LF, SPF-C, STF	BF	-	34.64
		FRF	141.55	188.31
		LF	331.42	396.67
		OF	4.88	7.39
		SPF-M	34.78	60.23
		STF	25.10	-
Indian Overseas Bank	ITF	OF	4.39	-
Indian Rayon and Industries Ltd.	FRF	ITF	3.44	3.10
		OF	1.77	6.23
ITC Ltd.	FRF, LF, STF	BaF	-	2.00
		EF	0.07	1.34
		OF	11.04	16.12

Company Name @	Scheme invested in by the company	Investing Scheme	Aggregate Purchase Cost during the period under 25(11) *	At Market/Fair Value as at September 30, 2004
		SPF-A	0.29	-
		SPF-C	0.11	-
		SPF-M	-	-
		TEF	-	3.23
Kotak Mahindra Bank	LF	EF	0.06	1.72
		FRF	-	25.00
		LF	173.73	155.41
		STF	20.00	-
		TEF	1.61	-
Maruti Udyog Ltd	FRF, STF	BaF	1.04	-
		EF	0.08	-
		OF	17.70	6.03
		SPF-A	0.46	-
		SPF-C	0.17	-
		SPF-M	6.13	-
		TEF	1.22	-
State Bank of India	OF, EF, ITF	BaF	1.60	4.08
		BF	35.25	34.74
		EF	0.15	3.55
		ITF	13.06	12.02
		LF	73.83	73.83
		OF	10.06	32.06
		SPF-A	0.60	0.47
		SPF-C	0.24	0.19
		SPF-M	6.28	4.57
		STF	21.76	21.55
		TEF	1.59	7.65
Tata Motors Limited	SPF-M, FRF, LF, STF	BaF	1.42	-
		EF	0.26	1.61
		ITF	9.94	7.62
		OF	10.01	11.68
		SPF-A	0.66	-
		SPF-C	0.23	-
		SPF-M	6.20	-
		TEF	1.99	1.50
The Tata Iron And Steel Company Limited	LF	BaF	1.31	-
		BF	20.16	-
		EF	3.05	1.38
		FRF	20.27	-
		ITF	5.15	-
		LF	20.12	-
		OF	33.05	17.19

Company Name @	Scheme invested in by the company	Investing Scheme	Aggregate Purchase Cost during the period under 25(11) *	At Market/Fair Value as at September 30, 2004
		TEF	4.90	1.37
UCO Bank	LF, STF	LF	140.00	140.00
Union Bank of India	SPF-M, SPF - A, FRF	BaF	2.53	1.07
		STF	-	10.63
		TEF	1.54	1.23
UTI Bank	SPF-M, FRF, LF	BaF	0.86	2.05
		FRF	19.55	19.55
		ITF	3.93	4.10
		LF	212.68	167.93
Vijaya Bank	BaF, EF, TEF	EF	0.07	0.66
		ITF	4.35	3.45
		OF	6.05	18.52
		SPF-A	0.19	-
		SPF-C	0.07	-
		SPF-M	1.96	-
		TEF	0.50	2.29
VSNL	STF, LF, FRF	ITF	1.70	1.76
Wipro	STF	BaF	2.95	1.59
		EF	0.06	0.12
		TF	0.68	2.13

@ including investment in subsidiaries, \* - Includes the Inter Scheme investments

The Investment Manager is of the opinion that the investments are made by the schemes in such companies since they are perceived as fundamentally strong and possess a high potential for growth. Further, investments in bonds issued by the aforesaid companies would yield attractive returns commensurate with the risks associated with the issuer.

6. Unit-holders can obtain from the mutual fund a copy of the Annual Report of the scheme in which he /she has invested.
7. The unaudited financial results have been approved by the Directors of the Board of DSP Merrill Lynch Fund Managers Limited and DSP Merrill Lynch Trustee Co. Pvt. Ltd. The Auditors of the Fund have performed a limited review of the above unaudited financial results.

**For DSP Merrill Lynch  
Fund Managers Limited**

**Hemendra Kothari**  
*Chairman*

Mumbai,  
October 27, 2004

**Ranjan Pant**  
*Director*

Delhi,  
October 27, 2004

**For DSP Merrill Lynch  
Trustee Co. Pvt. Ltd.**

**Shitin Desai**  
*Chairman*

Mumbai,  
October 28, 2004

**S.S.Thakur**  
*Director*

Mumbai,  
October 28, 2004