

# Indiabulls Securities Limited

Annual Report 2010-11



Empowering your growth

**Indiabulls**  
SECURITIES

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# Company Information

## Board of Directors:

Mr. Divyesh B. Shah  
Mr. Ashok Sharma  
Mr. Aishwarya Katoch  
Mr. Karan Singh  
Mr. Prem Prakash Mirdha  
Brig. Labh Singh Sitara

## Company Secretary:

Mr. R. K. Agarwal

## Internal Auditors:

N.D. Kapur & Co.  
Chartered Accountants  
2-A, Shanker Market,  
Connaught Circus, New Delhi – 110 001

## Statutory Auditors:

Deloitte Haskins & Sells  
Chartered Accountants  
Opp. Shiv Sagar Estate  
12, Dr. Annie Besant Road  
Worli, Mumbai – 400 018

## Registrars & Transfer Agents:

Karvy Computershare Pvt. Ltd.  
Plot No. 17 to 24,  
Vittal Rao Nagar,  
Madhapur,  
Hyderabad – 500 081

## Registered Office:

F-60, Malhotra Building,  
2nd Floor, Connaught Place,  
New Delhi – 110 001

## Corporate Offices:

8&9/F, Indiabulls Finance Centre,  
Tower 1, Elphinstone Mills,  
Senapati Bapat Marg,  
Mumbai – 400 013

“Indiabulls House” 448-451,  
Udyog Vihar, Phase V,  
Gurgaon – 122 016

## Bankers:

Allahabad Bank  
Andhra Bank  
Axis Bank  
Bank of Baroda  
Bank of India  
Bank of Maharashtra  
Bank of Rajasthan  
Canara Bank  
Citi Bank  
Dena Bank  
HDFC Bank

HSBC Bank  
ICICI Bank  
IDBI Bank  
Indian Bank  
Indusind Bank  
ING Vysya Bank  
Karnataka Bank  
Karur Vysya Bank  
Oriental Bank of Commerce  
Punjab and Sind Bank  
Punjab National Bank

Royal Bank of Scotland  
Standard Chartered Bank  
State Bank of India  
State Bank of Patiala  
Syndicate Bank  
UCO Bank  
Union Bank of India  
United Bank of India  
Vijaya Bank  
Yes Bank

# Letter from the CEO

The year 2010-11 was marked by periods of volatility and lackluster performance in the Indian Capital Markets. Global uncertainties continue to rise primarily driven by the sovereign and banking sector default risks in part of Europe, and most recently in the United States. A rise in the global equity markets may shift investor preference away from emerging markets to advanced economies.

Global uncertainties as well as domestic developments impacted Indian Financial Markets. They however remained largely orderly, despite the challenges posted by persistent inflation and the consequent monetary tightening by the Reserve Bank of India, culminating in eleven successive rate hikes. Therefore, markets remained range bound for most part of the year. The subdued activities of FII, interest rates moving north, inflationary pressures, rising crude prices and the Tsunami in Japan all contributed to the markets remaining depressed. The primary markets also echoed this sentiment as large number of IPOs did not reach subscription levels as anticipated, due to significantly lower retail participation.

In India, another major factor affecting the performance of most capital market players was the dynamic shift of volumes from Cash Segment to Future & Options Segment. This has resulted in significantly lower broking incomes, thereby affecting the overall performance.

Your Company too has to an extent, withstood the challenge of the dynamic shift of volumes from Cash Segment to Future & Options Segment. Our strong fundamentals focus on processes, people and technology has helped us through this challenging phase. Your Company is actively looking into alternate revenue generating models to recoup the yields lost on account of this dynamic shift.

Notwithstanding the difficult and challenging environment, we have continued with our maxim to reward our shareholders by announcing a 50% interim dividend (i.e. Re. 1/- per equity share on face value of Rs. 2/- per equity share) during the year. I am also pleased to announce that CRISIL has yet again reaffirmed our BQ-1 Grading, which is once again a reflection on our quality of operations and customer service strengths.

The long term outlook remains positive for the Indian Equity Market in the overall context of positive demography, economic growth and earnings momentum. The growth prospects and the related capital requirements of Indian Companies will continue to drive strong growth in the Indian Capital Markets. Your company is well positioned to capitalize on the positive momentum once these temporary dark clouds of uncertainty are behind us.

Thank you.



“ Notwithstanding the difficult and challenging environment, we have continued with our maxim to reward our shareholders by announcing a 50% interim dividend during the year. I am also pleased to announce that CRISIL has yet again reaffirmed our BQ-1 Grading, which is once again a reflection on our quality of operations and customer service strengths. ”

**Mr. Divyesh B. Shah**  
CEO, Indiabulls Securities Limited

# Management Discussion and Analysis

## Economic Review

2010 was the year of the Emerging economies. Equity markets across the world delivered positive returns in 2010, even though sovereign issues in Europe caused periods of market volatility. Quantitative easing brought a flood of liquidity to Indian equity markets. Domestic factors also influenced Indian market performance, from the RBI's Exit to questions on government's Execution on reforms and the debates on corporate and political Ethics. Despite the uncertainty, backed by strong Earnings, India posted outperformance vs the global indices for the second consecutive year.

However, the year 2011 began on not so sanguine a note. India's economic growth rate has moderated to 8.2 per cent in 2011 from 10.4 percent in the previous year and likely to fall further in the next year, mainly because of tight monetary policy measures. The biggest concern over the last one year or so has been high level of inflation. The Reserve Bank of India (RBI) has already hiked policy rates ten times since March 2010 to tame inflation. The headline inflation in India stood at around 9 per cent in end May 2011, which is higher than the RBI's projection of 8 per cent, and much above the comfort level of 5-6 per cent. There could be additional risks from higher commodity prices, volatile capital inflows and possible spillovers from global uncertainties, particularly those stemming from the credit woes of Euro zone countries like Greece, Spain, Italy and Ireland.

Current macro-economic outlook is underpinned by three major concerns: high inflation, a widening current account deficit and tight inter-bank liquidity due to low deposit growth. Overall macro conditions will remain vulnerable over the next 4-5 months. Inflation, while moderating, will remain above the RBI's comfort zone; while we believe the current account deficit will also stay relatively high. Recent optimism (though somewhat muted due to recent reversals in the state of U.S. economy) in the developed world growth outlook has increased the risk of a potential rise in crude oil prices to \$110-120/bbl. Similarly, there is additional risk of pass through of agricultural and commodity prices. Thus, we expect the near term horizon to be characterized by dark clouds, for the next six months. We are expecting a distinct change in the economic outlook from the second half of the FY 2011-12 with inflationary expectations suitably tamed, accelerating infrastructure spending, FDI liberalization in retail; and fiscal deficit being reined in more aggressively.

## Capital Markets Overview

Indian capital markets operated with in a broad range in

the first six months ending June 2011. The sentiment in the market dampened on account of several factors like the Euro zone troubles (perception of Greece default being the most conspicuous one), continuing net withdrawals by the FIIs from the Indian markets, and the tightening liquidity situation in the banking system.

Notwithstanding the near term hiccups, India remains in a structural bull market, so any dip will enhance returns and provide an opportunity to buy equities. India's policy favours a change in mix of growth from consumption to capital spending. An improving global growth environment could be the trigger for higher-than anticipated capex. A disciplined capex cycle in 2011 and capex related sectors, such as industrials, property and materials (most of these have underperformed in 2010) are likely to gather pace. We therefore, expect capex proxies such as industrials, materials and property to perform better relative to consumption sectors.

The long term outlook, therefore, remains positive for Indian equities as economic growth momentum remains healthy with real GDP growth estimates ranging between 7.5% and 8.2%. We expect this growth to result in healthy corporate earnings. While the long term positive outlook remain intact, the near term challenges can influence market as it gets impacted by events/news flows with negative near term implications. Currently, the markets across the world are facing headwinds from the rising crude prices. In the Indian context, tightening interest rate cycle and inflationary pressures add to the near term challenges.

However, in the overall context of positive demography, economic growth, and earnings momentum, we are positive on the long term story of India's capital market.

## Business Review

The Company's core business is stock and share broking. It is also in commodities broking through a subsidiary. To complement these businesses, the Company provides depository services, equity research services and IPO distribution to its clients. The Company is a corporate member of the Capital Market, Wholesale Debt Market and Derivative Segment of the NSE and a corporate member of the Capital Market and Derivative Segment of the BSE. The Company had over 6.95 lacs client relationships as on March 31, 2011. The Company faces newer challenges as yields shrink due to investors growing interest in options market as compared to the cash market. The Company's maxim is to consistently reward its shareholders. Keeping this intact, an interim dividend of Re. 1/- per equity share (50% of the face value of Rs. 2/- per equity share) amounting to Rs. 2,310.84 lacs

(excluding corporate dividend tax) was declared by the Board of Directors of the Company in its meeting held on October 18, 2010 and paid for the financial year 2010-2011.

## Strengths

### Equity, Debt and Derivative Brokerage

The Company's retail equity business primarily covers secondary market equity broking and mainly targets retail investors. It offers automated on-line investing trading facilities as well as broker assisted trade execution to its customers. Investors have full access to personalised portfolio tracking, charting and quote applications, real-time market commentary, and real-time quotes and news. The Company also offers brokerage services for debt and derivatives markets.

### Online Trading Channels

At the core of the Company's on-line trading system is an in-house developed application that interfaces with the exchanges on a satellite-based network, which allows investors to carry out stock transactions online. The Company was one of the first companies to develop an in-house real-time link with the NSE. On-line trading can occur either on Indiabulls Group Professional Network, a browser-based network accessible via the internet, or via a specialized advanced trading platform which has direct connectivity with the Company, Power Indiabulls. On-line trading is convenient for clients and also minimizes the typical off-line costs incurred in responding to and processing routine client transactions. The Company has also introduced a seamless funds transfer platform for its clients where in the clients can transfer funds from their own bank accounts to Indiabulls Securities Limited bank accounts through payment gateways. The credit for the same is given instantly to the client's linked Trading Account.

### Indiabulls Group Professional Network

Indiabulls Group Professional Network is an on-line trading portal which is accessed through IBSL's website. Clients can execute the sale and purchase of securities, with or without the assistance of off-line relationship managers. Once a client sends a trade request, it is routed through the Risk Management System. The Risk Management System verifies that there are sufficient funds in the client account for the trade, and a confirmation reference number for the order will be sent to the client. The order request is then sent via high speed links to the NSE or the BSE where the trade is executed. On trade execution, the client receives confirmation. The IBSL trading website, <https://trade.indiabulls.com> provides many other facilities

to clients such as objective financial information on the top 400 Indian stocks to assist their investment decisions, streaming real-time quotes, integrated risk management, and support for trading in equity, debt & derivatives.

### Power Indiabulls

Power Indiabulls is an on-line trading system designed for the high volume traders, which provides enhanced trade information and order execution on an integrated software-based trading platform. Power Indiabulls, once installed on the client's computer, operates like an on-line dealer terminal, and has direct connectivity with the Company via internet. It provides integrated market watch for securities, equity, commodity and currency derivatives, advanced technical analysis of various securities, risk management reports, single key stroke order entry and split second order confirmation turnaround time, even in peak hours of trading.

### Mobile Power Indiabulls

Mobile Power Indiabulls is the state-of-the-art mobile trading platform from Indiabulls Securities that makes trading on the move a totally seamless experience. The application allows the client to view live streaming quotes, trade in equities as well as derivatives segment, view trading reports and account details. This latest offering from Indiabulls securities is again a benchmark trading platform in its category and its rich user interface and seamless trading options allow the clients to enjoy high speed trading on their handheld devices.

### SecurID

IBSL has always been at the forefront in introducing cutting edge technologies to enhance our customers' overall broking experience. As another step in this direction we launched SecurID, a hardware authentication device for our customers. This reiterates our constant commitment towards creating a secure and robust trading platform for our customers. The SecurID device generates a new 6-digit 'Security Code' every 30 seconds and ensures highest level of security for clients' account. Clients, who have been issued SecurID, need to enter 'Security Code' being displayed in their SecurID device, along with the 'Client ID' and 'Password' to login and place orders through their Indiabulls Internet Trading Account/ Power Indiabulls (PIB). These clients are also required to quote this 'Security Code' while placing orders over phone at their Service Branch. This concept of SecurID is considered to be most advanced and safest mechanism for trading. We are thankful to our customers for their overwhelming response to this pioneering concept. The introduction of

SecurID further cements our position as an innovative and leading brokerage house of the country.

### Indiabulls Signature Client

Indiabulls Signature Client is designed for self-directed experienced individual investors who want to manage their own portfolios. This service offers a stock trading account, Indiabulls Signature Account, which assists clients by allowing them to combine investments and cash in one account and trade securities on-line. Clients have full access to Indiabulls Equity Analysis, an objective analysis of stocks, usually available only on subscription. Other features of the Indiabulls Signature Account include on-line access to their portfolio statements and dedicated relationship manager support.

### Off-line Trading Channels

The Company facilitates off-line trading in equity, debt and derivatives for clients via operator assisted call centres and relationship managers. Relationship managers act as a single point of contact for the client whether it is in person or via its call centre facility. Relationship managers have access to various resources such as objective analysis of market stocks and other specialists.

### Depository Services

The Company is a depository participant with the National Securities Depository Limited ("NSDL") and Central Depository Services (India) Limited ("CDSL") for settlement of dematerialised shares. It performs clearing services for all securities and commodities transactions. Clients of the brokerage business are able to use the depository services to execute trades through the Company and settle transactions.

### Indiabulls Equity Analysis

Indiabulls Equity Analysis is an analysis of stocks, which can be accessed online. It provides clients with customised research reports and a rating system on top Indian companies. Indiabulls Equity Analysis does not provide a recommendation based upon its own assessment; instead it uses a formula to track previous historical performance and combines this with "buy" or "sell" recommendations from analyst reports to generate a rating.

### Centralised Customer Care Helpdesk

IBSL has a centralised Customer Care helpdesk, equipped with state-of-the-art facilities, to resolve customer queries. Customers can get in touch with Customer Care helpdesk through email, letters and phone. A phone

based customer care channel provides customers with the option to resolve their queries by either talking to our customer care executives or by accessing the 24/7 Interactive Voice Response System (IVRS).

### CRISIL Broker Grading, Ratings and Opinions

IBSL is the first brokerage house to be accorded with the highest broker grading by CRISIL. Our Company's quality of operations and services were reaffirmed by CRISIL, which once again assigned the highest broker grading of "BQ1".

### Challenges

The Company views the following as the challenges before it:

- Protecting brokerage yield in a highly competitive industry.
- Regulatory risk could bring structural changes in the industry.
- Continued upgrading of the risk management systems and monitoring policies to mitigate the associated risks especially during the periods of extreme market volatility.
- Maintaining flexible cost structure for protecting profitability in a market downturn.
- Dynamic shift in volumes from Capital Market to Derivatives Market resulting in extremely low yields.

### Risk Management Systems

The Company has fully automated risk management software, which performs direct monitoring of operational controlling parameters to minimise delinquency risks. IBSL risk management team performs real time monitoring of client positions across cash and derivative segments. Clients are informed about their margin requirements through multiple channels including automated SMS and e-mail channels. The Company employs strict risk management standards to reduce delinquency risks and has developed robust recovery processes. The Company has well managed control systems working along with the external audit which performs checks at regular intervals to identify and rectify any discrepancies in the system.

### Business Outlook

A healthy real GDP growth estimate, positive demography, economic growth and earnings momentum, augurs well for the Indian Capital Market. However, the dynamic shift of volumes from cash to derivative poses a challenge of

maintaining margins. The tightening interest rate cycle and inflationary pressures also add to the near term challenges. The scalability of the Company's technological platform will however help consolidate our position further in the market.

### **Human Resources**

Your Company firmly believes that its employees are the key to driving performance and developing competitive advantage. The emphasis has been on proper recruitment of talent and empowerment while devoting resources for their continuous development. The structured recruitment process, which the Company employs, focuses on recruiting people who have the right mindset for working at IBSL, supported by structured training programmes and internal growth opportunities. The basic objective has been to unlock the people potential and further developing their functional operational and behavioural competencies so as to build a team of dedicated employees who work with passion, zeal and a sense of belongingness and play a defining role in significantly accelerating the growth and transformation of the Company, thereby, consolidating its position in the market as one of the top corporate brokerage houses in the country. It is in continuation of this process that the Company has in place, Employee Stock Option Schemes

which aim at rewarding and nurturing talent so that the Company gets to retain what is best in the industry.

### **Internal Control Systems**

The Company has adequate system of strong internal controls for business processes, with regards to operations, financial reporting, compliance with applicable laws and regulations, etc. Regular internal audits and checks ensure that responsibilities are executed effectively. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening the existing control system in view of changing business needs from time to time.

### **Cautionary Statement**

Statements in this Management Discussion and Analysis Report describing the Company's objectives, projections, estimates and expectations may be forward looking statements within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied. The Company is not under any obligation to publicly amend, modify or revise any forward looking statements on the basis of any subsequent developments, information or events.



# Directors' Report

*Your Directors have pleasure in presenting the Sixteenth Annual Report and the audited accounts of the Company for the year ended March 31, 2011.*

## FINANCIAL RESULTS

The highlights of the financial results for the year ended March 31, 2011 are as under:

	Year ended March 31, 2011 (Amount in Rs.)	Year ended March 31, 2010 (Amount in Rs.)
Profit before Tax and Depreciation	731,434,968	1,151,597,171
Less: Depreciation	179,212,731	212,153,895
Profit before Tax	552,222,237	939,443,276
Less: Provision for Taxation & prior period tax adjustments	178,494,657	327,268,409
Profit after Tax and prior period Tax adjustment	373,727,580	612,174,867
Add: balance of profit brought forward	1,318,093,629	1,594,074,288
<b>Amount available for appropriation</b>	<b>1,691,821,209</b>	<b>2,206,249,155</b>
<b>Appropriations</b>		
Interim Dividend on Preference Shares paid	-	1,548,328
Final Dividend on Equity Shares	-	459,881,296
Interim Dividend on Equity Shares paid	231,084,236	-
Corporate Dividend Tax on Preference Dividend paid	-	263,139
Corporate Dividend Tax on Final Dividend on Equity Shares	-	76,380,535
Corporate Dividend Tax on Interim Dividend on Equity Shares	38,380,203	-
Transfer to Capital Redemption Reserve:		
- On buy back of Equity Shares	-	46,972,682
- On redemption of Preference Shares	-	45,946,335
Adjusted against premium paid on buy back	-	195,880,224
Transfer to General Reserves	37,400,000	61,300,000
Final Dividend for previous year on Equity Shares written back on shares bought back	-	(14,542)
Corporate Dividend Tax on Final Dividend For previous year on Equity Shares written back on shares bought back	-	(2,471)
<b>Balance of profit carried forward to Balance Sheet</b>	<b>1,384,956,770</b>	<b>1,318,093,629</b>

## OPERATIONS REVIEW

The Company is a corporate member of the capital market, wholesale debt market and derivative segment of the National Stock Exchange of India Limited (NSE) and a corporate member of the capital market and derivative segment of the Bombay Stock Exchange Limited (BSE). The Company is in the business of stock and share broking, commodities trading, distribution of Mutual Funds and other investments and tax planning products. It also provides depository services, equity research services and IPO distribution to its clients.

The Total Income of the Company during the year stood at Rs. 337.58 crores with a net profit after tax of Rs. 37.37 crores. The consolidated revenues of the Company for the year ended March 31, 2011 stood at Rs. 368.44 crores and the consolidated profit after tax stood at Rs. 37.88 crores respectively.

## FUTURE BUSINESS OUTLOOK

A healthy real GDP growth estimate, positive demography, economic growth and earnings momentum, augurs well for the Indian Capital Market. However the dynamic shift of volumes from cash to derivative poses a challenge of maintaining margins. The tightening interest rate cycle and inflationary pressures also add to the near term challenges. The scalability of the Company's technological platform will however help consolidate our position further in the market.

## DIVIDEND

The interim dividend of Re. 1/- per equity share (50% of the face value of Rs. 2/- per equity share) amounting to Rs. 23.11 crores (excluding corporate dividend tax) was declared by the Board of Directors of the Company in its meeting held on October 18, 2010 and paid for the financial year 2010-2011.

## EMPLOYEE STOCK OPTIONS

With a view to reward performance and to retain talented employees of the Company and its subsidiaries, the Company has established two employee stock option schemes titled 'Indiabulls Securities Limited Employees Stock Option Scheme – 2008' and 'Indiabulls Securities Limited Employees Stock Option Scheme – 2009', covering 40 million stock options, convertible into equal number of Equity Shares of face value Rs. 2/- each.

The disclosures as required under Clause 12.1 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guideline, 1999, in respect of the aforesaid schemes of the Company are set out in the Annexure to this Report.

## CHANGE IN SHARE CAPITAL

During the year under review, the Company has allotted an aggregate of 1,171,863 equity shares of face value Rs. 2/- each to certain eligible employees under the employee stock option scheme of the Company. Consequent to the said allotment the paid up equity share capital of the Company stood increased from Rs. 459,881,296/- divided into 229,940,648 equity shares of face value Rs. 2/- each to Rs. 462,225,022/- divided into 231,112,511 equity shares of face value Rs. 2/- each.

## DIRECTORS

In accordance with the provisions of Section 255 and 256 of the Companies Act, 1956 and Articles of Association of the Company Mr. Ashok Sharma (DIN:00010912) and Mr. Aishwarya Katoch (DIN:00557488) retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for reappointment.

Brief resume of the Directors proposed to be reappointed, nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships/ chairmanships of Board Committees, as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges in India, are provided in the Report on Corporate Governance forming part of the Annual Report.

Mr. Rajiv Rattan and Mr. Saurabh K. Mittal have ceased to be directors of the Company effective October 16, 2010.

## FIXED DEPOSITS

The Company has not accepted any deposits from the public during the year under review.

## SUBSIDIARIES

The statement pursuant to Section 212(1)(e) of the Companies Act, 1956 relating to subsidiary companies forms a part of the financial statements.

In terms of the circular no. 2/2011 No. 5/12/2007-CL-III dated February 8, 2011 issued by the Ministry of

Corporate Affairs for granting general permission for not attaching certain prescribed documents including annual accounts of the Subsidiaries to the Balance Sheet of the Holding Company, as required to be attached in terms of Section 212 of the Companies Act, 1956, and accordingly as approved by the Board of Directors of the Company in its meeting held on April 25, 2011, copies of the Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of the subsidiaries of the Company as of March 31, 2011 have not been attached with the Balance Sheet of the Company. These documents will be made available upon request by any Member of the Company interested in obtaining the same. The annual accounts of the subsidiary companies are also kept for inspection by any shareholders in the head office of the holding company and of the subsidiary companies concerned. However, in terms of the said circular, information desired to be disclosed in respect of the each of the subsidiary company, has been disclosed, in the notes to accounts of the Consolidated Balance Sheet forming part of the Annual Report. Further, pursuant to Accounting Standard AS-21 issued by The Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes financial information of its subsidiaries.

### **LISTING WITH STOCK EXCHANGES**

The equity shares of the Company continue to remain listed with the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE). The listing fees payable to both the exchanges for the financial year 2011-2012 have been paid. The Global Depository Receipts of the Company continue to be listed on the Luxembourg Stock Exchange.

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Management's Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

### **CORPORATE GOVERNANCE REPORT**

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a detailed report on Corporate

Governance is included in the Annual Report. A Practicing Company Secretary's Certificate certifying the Company's compliance with the requirements of Corporate Governance in relation to Clause 49 of the Listing Agreement is attached with the Corporate Governance Report.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217 (2AA) of the Companies Act, 1956 your Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures from the same;
2. 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 as at 31st March, 2011 and the profit of the Company for the year ended on that date;
3. the Directors have taken proper and sufficient care for maintaining 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; and
4. the Directors have prepared the Annual Accounts of the Company on a 'going concern' basis.

### **AUDITORS & AUDITORS' REPORT**

M/s Deloitte Haskins & Sells, Chartered Accountants (Regn. No. 117366W), Auditors of the Company will retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment. The Company has received a certificate from the Auditors to the effect that their reappointment, if made would be in accordance with Section 224(1B) of the Companies Act, 1956. The Board recommends their re-appointment.

The Notes to the Accounts referred to in the Auditors' Report are self – explanatory and therefore do not call for any further explanation.

**INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956**

The information required to be disclosed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, is given in the Annexure and forms a part of this Report.

In terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, having regard to the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the Members of the Company and others entitled thereto. Any member who is interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

**ACKNOWLEDGEMENT**

Your Directors wish to express their gratitude for the

continuous assistance and support received from the investors, clients, bankers, regulatory and government authorities, during the year. Your Directors also wish to place on record their deep sense of appreciation for the contributions made and committed services rendered by the employees of the Company.

For and on behalf of the Board of Directors

**Sd/-**  
**Divyesh B. Shah**  
Whole-time Director

**Sd/-**  
**Ashok Sharma**  
Whole-time Director

Place: New Delhi

Date: September 5, 2011

# Annexure to the Directors' Report

**ANNEXURE FORMING PART OF THE DIRECTORS' REPORT PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 IN RESPECT OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO.**

## A. ENERGY CONSERVATION

The Company uses electric energy for its equipment such as office equipment, computers, lighting and utilities in the work premises. As an ongoing process, the following measures are undertaken to conserve energy:

- a. Implementation of viable energy saving proposals.
- b. Installation of automatic power controllers to save maximum demand charges and energy.
- c. Training front end operational personnel on opportunities of energy conservation.
- d. Awareness and training sessions for maintenance personnel conducted by experts.

## B. TECHNOLOGY ABSORPTION

The nature of business being carried out by the Company entails an extensive use of effective information technology so as to ensure that its services reach the end users i.e. its clients without any loss of time.

What has enabled the Company to stay ahead of its competitors is the fact that it continuously encourages the introduction and use of latest available innovations in the field of information technology so that its clients can have the latest information instantly available to them at the mere push of a button, enabling them to stay updated and well informed at all points of time.

## C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The details of foreign exchange earnings and outgo on account of various heads is depicted in the table given below:

### Earnings in Foreign Currency:

Particulars	(Amount in Rs.)	
	Year ended March 31, 2011	Year ended March 31, 2010
Advisory Income	1,981,978	--
Dividend on Long-Term Investments	12,979,720	--

### Expenditure in Foreign Currency:

Particulars	(Amount in Rs.)	
	Year ended March 31, 2011	Year ended March 31, 2010
Consultancy & Professional Charges	552,900	--
Software Charges	419,667	--

**Remittance during the year in foreign currency on account of dividend on Preference Shares:**

Particulars	No. of Shareholders		Preference Shares held on which dividend is remitted		Amount Remitted (Rs.)	
	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010
Dividend (Year ended March 31, 2009) and Interim Dividend (Year ended March 31, 2010)	Not Applicable	1	Not Applicable	9,966,667	Not Applicable	2,681,251

**Remittance during the year in foreign currency on account of final and interim dividend on Equity Shares:**

Particulars	No. of Shareholders		Equity Shares held on which dividend is remitted		Amount Remitted (Rs.)	
	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010
Final Dividend (Year ended March 31, 2009)	Nil	2	Nil	12,810,143	Nil	25,620,286
Final Dividend (Year ended March 31, 2010)	6	Not Applicable	6,420,177	Not Applicable	12,840,354	Not Applicable
Interim Dividend (Year ended March 31, 2011)	6	Not Applicable	6,420,177	Not Applicable	6,420,177	Not Applicable

**ANNEXURE TO THE DIRECTORS' REPORT REGARDING THE ESOP ISSUE UNDER 'INDIABULLS SECURITIES LIMITED EMPLOYEES STOCK OPTION SCHEME – 2008' AS ON MARCH 31, 2011**

Particulars	IBSL ESOP 2008
a. Options Granted	20,000,000
b. Exercise price	Rs. 17.40
c. Options vested	1,685,750*
d. Options exercised	1,171,863
e. The total number of Shares arising as a result of exercise of option	1,171,863
f. Options lapsed	3,646,904
g. Variation in terms of options	Nil
h. Money realized by exercise of options	Rs. 20,390,416
i. Total number of options in force	15,181,233
j. Employee wise details of options granted to;	
i. Senior Management personnel	Mr. Divyesh B. Shah 2,500,000
ii. any other employee who received a grant in any one year of option amounting to 5% or more of option granted during that year	Nil
iii. identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital of the Company.	Nil

\*Net of options surrendered before vesting

Particulars	IBSL ESOP 2008
k. Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with [Accounting Standard (AS) 20 'Earnings Per Share']	Rs. 1.60
l. Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed	Refer to Schedule 'O' Part – B Notes to Accounts forming part of the Financial Statement.
m. Weighted – average exercise prices and weighted – average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Weighted average exercise price: Rs.17.40 per option Weighted average fair value: Re. 0.84 per option
n. A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted – average information:	Refer to Schedule 'O' Part – B Notes to Accounts forming part of the Financial Statement.
i. risk free interest rate	
ii. expected life	
iii. expected volatility	
iv. expected dividends, and	
v. the price of the underlying share in market at the time of option grant	

#### ANNEXURE TO THE DIRECTORS' REPORT REGARDING THE ESOP ISSUE UNDER 'INDIABULLS SECURITIES LIMITED EMPLOYEES STOCK OPTION SCHEME – 2009' AS ON MARCH 31, 2011

Particulars	IBSL ESOP 2009
a. Options Granted	12,050,000
b. Exercise price	10,000,000 options @ Rs. 35.25 and 2,050,000 options @ Rs. 31.35.
c. Options vested	1,000,000
d. Options exercised	Nil
e. The total number of Shares arising as a result of exercise of option	Nil
f. Options lapsed	Nil
g. Variation in terms of options	Nil
h. Money realized by exercise of options	Nil
i. Total number of options in force	12,050,000
j. Employee wise details of options granted to;	
i. Senior Management personnel	Mr. Divyesh B. Shah 500,000 Mr. Ajay Bhatia 10,000,000
ii. any other employee who received a grant in any one year of option amounting to 5% or more of option granted during that year	Nil
iii. identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital of the Company.	Mr. Ajay Bhatia, 10,000,000

balance 7,950,000 options under the scheme are yet to be granted.

<b>Particulars</b>	<b>IBSL ESOP 2009</b>			
k. Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with [Accounting Standard (AS) 20 'Earnings Per Share']	Rs. 1.60			
l. Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed	Refer to Schedule 'O' Part – B Notes to Accounts forming part of the Financial Statement.			
m. Weighted – average exercise prices and weighted – average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	<b>10,000,000 Options</b>		<b>2,050,000 Options</b>	
	Weighted average exercise price:	Weighted average fair value:	Weighted average exercise price:	Weighted average fair value:
	Rs. 35.25 per option	Rs. 6.48 per option	Rs. 31.35 per option	Rs. 9.39 per option
n. A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted – average information: <ul style="list-style-type: none"> <li>i. risk free interest rate</li> <li>ii. expected life</li> <li>lii. expected volatility</li> <li>iv. expected dividends, and</li> <li>v. the price of the underlying share in market at the time of option grant</li> </ul>	Refer to Schedule 'O' Part – B Notes to Accounts forming part of the Financial Statement.			



# Report on Corporate Governance

## 1. The Company's philosophy on Corporate Governance

Your Company is of firm view that Corporate Governance must maintain global standard of corporate conduct as it is a systematic process whereby companies are directed and controlled to enhance wealth generating capacity for the benefit of all its stakeholders. Sound Corporate governance is based on three principles viz fairness, transparency and accountability. Business practices based on these principles and responsible corporate behavior contribute to superior long term performance of the companies.

The Corporate Governance policy of the Company encompasses the simple doctrine of integrity, accountability, transparency and fairness in whatever the Company does and what it basically aims at achieving is a complete adherence to the applicable statutes while at the same time ensuring a complete commitment to values and the highest ethical standards in every facet of its business operations and in each of the functional areas. This in turn ensures that best in the class concept of corporate governance practices become a way of life in the Company.

In line with the nature and size of operation of the Company, the corporate governance framework in Indiabulls Securities Limited (IBSL) is based on the following main principles:

- Constitution of a Board of Directors of appropriate composition, size, varied experience and commitment to discharge their responsibilities and duties.
- Transparency and independence in the functions of the Board.
- Ensuring timely flow of information to the Board and its Committees to enable them discharge their functions effectively.
- Independent verification and assured integrity of financial reporting.
- Timely and balanced disclosure of all material information related to the Company to all stakeholders and protection of their rights and interests.
- A sound system of risk management and internal control.
- Compliance with applicable laws, rules and regulations in letter and spirit.

## 2. Board of Directors

### (A) Composition and size of the Board

The Board of Directors in IBSL has been constituted in a manner which ensures appropriate mix of executive/non executive and independent directors to ensure proper governance and management. The Board members have collective experience in diverse fields.

The Board consists of six Directors, two of whom including the CEO are Whole-time Executive Directors. The remaining four Directors are Non-Executive Independent directors. The Chairman being an Executive Director, the number of Independent Non-

Executive Directors on the Board is 50% of the Board strength at any point of time. The details of Directors, number of directorships held by them in other companies as also the number of their memberships and chairmanships on various board committees, are depicted in the table given below:

S. No.	Name of the Director	Category of Directorship	No. of Directorships in other Companies*	No. of Memberships/ Chairmanship in Board Committees of various companies (including the Company)**	
				Member	Chairman
1.	Mr. Divyesh B. Shah (DIN: 00010933)	Executive Director	12	2	Nil
2.	Mr. Ashok Sharma (DIN: 00010912)	Executive Director	14	5	Nil
3.	Mr. Aishwarya Katoch (DIN: 00557488)	Non-Executive Independent Director	3	7	3
4.	Mr. Karan Singh (DIN: 00017236)	Non-Executive Independent Director	5	4	2
5.	Brig. Labh Singh Sitara (DIN: 01724648)	Non-Executive Independent Director	2	2	Nil
6.	Mr. Prem Prakash Mirdha (DIN: 01352748)	Non-Executive Independent Director	4	4	Nil

\*Does not include directorships held in private limited companies and foreign companies.

\*\*As per Clause 49 of the Listing Agreement, only memberships/chairmanships of the Audit Committees and Shareholders' Grievance Committees in various public limited companies, considered.

No Director is related to any other Director on the Board.

**(B) Details of Board and the last Annual General Meeting (AGM) and attendance record of Directors thereat**

During the financial year 2010-2011 the Board met 9 (Nine) times. The dates of the Board meetings were April 24, 2010, May 17, 2010, July 23, 2010, August 13, 2010, August 18, 2010, August 31, 2010, October 18, 2010, November 10, 2010 and January 25, 2011.

The last Annual General Meeting of the Company was held on June 14, 2010.

A table depicting the attendance of Directors at various board meetings and annual general meeting held during the financial year 2010-2011 is given below:

Sr. no.	Name of the Director	No. of board meetings attended	Attendance at the last AGM
1.	Mr. Divyesh B. Shah	9	Yes
2.	Mr. Ashok Sharma	9	Yes
3.	Mr. Aishwarya Katoch	9	Yes
4.	Mr. Karan Singh	9	Yes
5.	Brig. Labh Singh Sitara	6	No
6.	Mr. Prem Prakash Mirdha	5	No

### (C) Code of Conduct

The Company has laid down a Code of Conduct for all Board members and Senior Management Personnel of the Company. The Code of Conduct is available on the website of the Company [www.indiabulls.com/securities](http://www.indiabulls.com/securities). All Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct. A declaration signed by the Chief Executive Officer to this effect is enclosed at the end of this Report.

The code of conduct seeks to ensure that the Directors and the Senior Management Personnel observe a total commitment to their duties and responsibilities while ensuring a complete adherence with the applicable statutes on one hand and values and ethics on the other.

## 3. Committees of the Board

The Board constituted committees namely, Audit Committee; Remuneration Committee and Shareholders'/ Investors' Grievance Committee to act in accordance with the terms of reference determined by the Board. Meetings of each of these Committees are convened by the respective Chairman. Matters requiring Board's attention/approval are placed before the Board. The role, the composition of these Committees including the number of meetings held during the financial year and the related attendance details are provided below:

### (A) Audit Committee

#### Composition

The Audit Committee comprises of four members namely Mr. Karan Singh as the Chairman, Mr. Ashok Sharma, Mr. Prem Prakash Mirdha and Mr. Aishwarya Katoch as members. Three out of the four members namely Mr. Karan Singh, Mr. Prem Prakash Mirdha and Mr. Aishwarya Katoch, are independent Directors. Mr. R.K. Agarwal Secretary of the Company also acts as Secretary of the Audit Committee.

#### Terms of reference

The terms of reference of Audit Committee, inter-alia, include:

- to oversee the financial reporting process and disclosure of financial information;
- to review with management, quarterly, half yearly and annual financial statements and ensure their accuracy and correctness before submission to the Board;
- to review with management and internal auditors, the adequacy of internal control systems, approving the internal audit plans and reviewing the efficacy of their function, discussion and review of periodic audit reports including findings of internal investigations;
- to recommend the appointment of the internal and statutory auditors and fixing their remuneration;
- to hold discussion with the Statutory and Internal Auditors.

#### Meetings and Attendance during the year

During the year four committee meetings were held respectively on April 23, 2010, July 20, 2010, October 18, 2010 and January 21, 2011.

Name of the Member	No. of meetings held during the tenure	No. of meetings attended
Mr. Karan Singh	4	4
Mr. Prem Prakash Mirdha	4	1
Mr. Ashok Sharma	4	3
Mr. Aishwarya Katoch	4	4

The Chief Financial Officer, Statutory Auditors and Internal Auditors attended the meeting(s) by invitation.

**(B) Remuneration Committee**

**Composition**

The Remuneration Committee of the Board comprises of three Independent Directors as its members namely Mr. Aishwarya Katoch as the Chairman, Mr. Prem Prakash Mirdha and Mr. Karan Singh.

**Terms of reference**

The terms of reference of Remuneration Committee, inter-alia, include:

- to recommend to the Board, compensation terms of the Executive Directors;
- to assist Board in determining and implementing the Company's Policy on the remuneration of Executive Directors.

**Meetings and Attendance during the year**

No committee meeting was held during the financial year 2010-11.

**Remuneration Policy**

Company's remuneration policy is market-led and takes into account the competitive circumstances of the business so as to attract and retain quality talent and leverage performance significantly.

**Remuneration of Directors**

**(i) Remuneration of Executive Director**

The Table given below specifies the details of remuneration of Executive Director and his relationship with other directors:

<b>Director</b>	<b>Relationship With other Directors</b>	<b>Salary (Rs.)</b>	<b>Monetary Value of perquisites (Rs.)</b>	<b>Total (Rs.)</b>
Mr. Divyesh B. Shah	None	17,729,142	NIL	17,729,142

**Notes:**

1. Remuneration includes Basic Salary, Allowances, Incentives and Employee Benefits consisting of Compensated Absences and Gratuity based on actuarial valuation.
2. Mr. Divyesh B. Shah held 769,000 Equity shares Rs. 2/- each, in the Company, as on March 31, 2011.
3. The Company granted 3,000,000 stock options in aggregate to Mr. Divyesh B. Shah, convertible into an equivalent number of Equity Shares during the exercise periods prescribed under the relevant-Stock Option Scheme.
4. Terms and conditions of service of Executive Director are governed by the applicable Rules and Policies of the Company.

**(ii) Remuneration of Non Executive Directors**

Non- Executive Directors have not been paid any remuneration/sitting fees during the financial year 2010-2011.

**(C) Shareholders/ Investors Grievance Committee**

**Composition**

Shareholders'/ Investors' Grievance Committee comprises of three Directors as its members namely Mr. Karan Singh, Mr. Prem Prakash Mirdha and Mr. Labh Singh Sitara. Mr. Karan Singh an Independent Non-Executive Director is the Chairman of the Committee.

### Terms of reference

The scope, terms of reference and functioning of the Committee is as prescribed under Clause 49 of the Listing Agreement. The primary functions carried out by the Committee are to approve requests for share transfers and transmissions and to approve the requests pertaining to remat of shares/sub-division/consolidation/issue of renewed and duplicate share certificates etc. and for this purpose the required authority has been delegated to Mr. Karan Singh.

The Committee oversees all matters encompassing the shareholders' / investors' related issues.

### Meetings and Attendance during the year

During the year four committee meetings were held respectively on April 30, 2010, July 30, 2010, October 30, 2010 and January 31, 2011.

Name of the Member	No. of meetings held during the tenure	No. of meetings attended
Mr. Karan Singh	4	4
Mr. Prem Prakash Mirdha	4	3
Mr. Labh Singh Sitara	4	4

### Name and designation of compliance officer

Mr. R.K.Agarwal, Company Secretary is the Compliance Officer pursuant to Clause 47(a) of the Listing Agreement with Stock Exchanges.

### Details of queries / complaints received and resolved during the year 2010-11

During the financial year 2010-2011, 815 investor complaints with regard to non-receipt of dividend and change/correction of bank mandate on dividend warrants and letter from SEBI/Stock Exchange were received and all were resolved to the satisfaction of the shareholders.

## 4. General Body Meetings

### A. Location and time of last three Annual General Meetings (AGMs)

Year	Location	Date	Time
2007-2008	Centaur Hotel, IGI Airport, Delhi-Gurgaon Road, New Delhi – 110 037	September 5, 2008	11:30 A.M.
2008-2009	Centaur Hotel, IGI Airport, Delhi-Gurgaon Road, New Delhi – 110 037	September 30, 2009	11:00 A.M.
2009-2010	Centaur Hotel, IGI Airport, Delhi-Gurgaon Road, New Delhi – 110 037	June 14, 2010	10:30 A.M.

### B. Details of special resolutions passed in the previous three AGMs

In the AGM of the Company for the year 2009-2010 no special resolution was passed. However, in the AGM for the years 2007-08 and 2008-09, special resolutions as per detail hereunder, were passed:

#### Special Resolutions passed in AGM for the year 2007-08:

- (a) Special Resolution seeking members approval under Section 372A of the Companies Act, 1956, to invest the Company's funds to acquire by way of subscription, purchase or otherwise, the securities of the

following companies from time to time in one or more tranches up to an aggregate sum of Rs. 1,000 Crore (Rupee one thousand crore only) in each of Devata Tradelink Limited and India Ethanol & Sugar Limited.

- (b) Special Resolution seeking members approval for enhancing the exercise period of the options granted to the employees of the Company under "Employees Stock Option Scheme 2007" from 90 (ninety) days to 5 (five) years and amendment of relevant clause of the said scheme.
- (c) Special Resolution seeking members approval for enhancing the exercise period of the options granted to the employees of subsidiary companies under "Employees Stock Option Scheme-2007" from 90 (ninety) days to 5 (five) years and amendment of relevant clause of the said scheme.
- (c) Special Resolution seeking members approval for alteration of Articles of Association of the Company for deletion of all clauses relating to the non-convertible preference shares which had since been redeemed by the Company.
- (d) Special Resolution seeking members approval to create, issue, offer and allot at any time to or to the benefit of such person(s) who are in permanent employment of the Company, including any Director, whether whole-time or otherwise (except the promoter directors of the Company, or any other director holding, directly or indirectly, more than 10% of the outstanding Equity Shares of the Company), under the employee stock option scheme titled "Indiabulls Securities Limited Employees Stock Option Scheme-2009", (hereinafter referred to as the "IBSL ESOP- 2009" or "Scheme"), 20,000,000 (Two Crores) Equity Options entitling the option holders to purchase an equivalent number of Equity Shares of face value Rs. 2/- (Rupees Two) each of the Company, at such price, in one or more tranches, and on such terms and conditions as may be decided by the Board under "IBSL ESOP-2009 and/or amendments thereto and as allowed under prevailing laws, rules and regulations and/or amendments thereto, from time to time.

**Special Resolutions passed in AGM for the year 2008-09:**

- (a) Special Resolution seeking members approval to the appointment of Mr. Divyesh Bharat Kumar Shah as Whole-time Director of the Company for a period of five years, with effect from April 1, 2009, up to a remuneration as may be recommended by the Remuneration Committee and fixed by the Board, from time to time, within a maximum ceiling of Rs. Thirty lacs per month, along with the benefit of Earned and Medical leave, Leave encashment and Gratuity as per the Company Rules, so however that the actual remuneration, payable to Mr. Shah during his tenure, shall be within the said overall limit.
- (b) Special Resolution seeking members approval to the appointment of Mr. Ashok Kumar Sharma as Whole-time Director of the Company for a period of five years, with effect from April 1, 2009 on NIL remuneration.
- (e) Special Resolution seeking members approval to extend the benefits of "IBSL ESOP- 2009" to or for the benefit of Employees of the Company's subsidiaries, including Directors (except Promoter Directors and any Director holding, directly or indirectly, more than 10% of the outstanding Equity shares of the Company) of such subsidiary companies, and on such terms and conditions as may be decided by the Board under "IBSL ESOP-2009" and/or amendments thereto and as allowed under prevailing laws, rules and regulations and/or amendments thereto, from time to time.

- (f) Special Resolution seeking members approval to create, issue, offer and allot the Stock Options, during any one year, equal to or exceeding 1% of the issued capital of the Company at the time of grant of options to certain eligible employees under the scheme titled “Indiabulls Securities Limited Employees Stock Option Scheme–2009”, (hereinafter referred to as the “IBSL ESOP-2009” or “Scheme”), at such price, in one or more tranches, and on such terms and conditions as may be decided by the Board under “IBSL ESOP-2009” and/or amendments thereto and as allowed under prevailing laws, rules and regulations and/or amendments thereto, from time to time.

### C. Special Resolutions passed during the financial year 2010-11 through postal ballot

During the financial year 2010-11, Special Resolution contained in Postal Ballot Notice dated 18th October 2010 was passed by the members of the Company through Postal Ballot under Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, the result of which was declared on 19th November 2010.

The Board appointed Mr. Sanjay Khandelwal, Practising Company Secretary as Scrutinizer for conducting the said Postal Ballot.

#### Details of voting pattern of Postal Ballot:

Date of declaration of Postal Ballot results	Description of Special Resolution	No. of valid Postal Ballot Forms received	Voting Pattern	
			For	Against
19.11.2010	Modification in the ‘Main Objects’ clause of the Memorandum of Association of the Company	55	73,458,824 (100%)	Nil (0%)

### D. Procedure for Postal Ballot

For conducting a postal ballot, notice specifying the resolutions proposed to be passed through postal ballot as also the relevant explanatory statement and the postal ballot forms, are dispatched to all the shareholders along with self addressed postage pre paid envelope. The shareholders are requested to send back the postal ballot forms duly filled up and signed, in the postage pre paid envelopes provided to them by the Company, so as to reach the Scrutinizer (in whose name the envelopes are marked) on or before the 30th day from the date of issue of notice by the Company.

The Scrutinizer compiles the postal ballot result out of the postal ballot forms found valid and hands over the results to the Chairman. The Chairman thereupon declares the results of the postal ballot and the same are also displayed on a notice board at the Registered office of the Company.

## 5. Disclosures

### (i) Details on materially significant related party transactions

Details of materially significant related party transactions made during the year 2010-2011, are contained in the notes to the annual accounts which form a part of the Annual Report.

### (ii) Details of non-compliance, penalties etc imposed by Stock Exchange, SEBI etc. on any matter related to capital markets, during the last three years:

- SEBI vide its order dated February 25, 2009 levied a penalty of Rs.15 lacs against the Company for entering into synchronized trades in F&O Contracts during the period January to March 2007. The Company had filed an appeal before SAT against the aforementioned order. SAT on hearing the plea set aside the impugned order vide its order dated October 26, 2010. SEBI filed its appeal against the SAT’s judgement before the Hon’ble Supreme Court. Matter is pending for hearing.

- Disciplinary Action Committee-NSE levied a penalty of Rs. 750,000/- vide its order dated December 24, 2010 in respect of limited purpose inspection conducted during March 2009.

**(iii) Whistle Blower policy and affirmation that no personnel has been denied access to the Audit Committee**

The Company has in place a highly effective Whistle blower policy which sets out the process and mechanism whereby employees at various levels in the organization can bring to the notice of the management any violations of the applicable laws, regulations as also any unethical or unprofessional conduct.

All such reports are taken up for consideration at appropriate intervals depending upon the gravity of the matter reported so that adequate rectifying measures can be initiated in the right earnest, at the appropriate levels.

Further, in order to encourage the employees to freely air their views and voice their concerns on various matters and to prevent any victimization of the employees, identity of the employees is kept strictly confidential.

It would be pertinent to mention here that the Audit Committee set by the Board, constitutes a vital component of the whistle blower mechanism and instances of financial misconduct, if any, are reported to the Audit committee. No employee is denied access to the Audit Committee.

**(iv) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of Clause 49**

The Company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement. The details of these compliances have been given in the relevant sections of this Report. The status on compliance with the Non mandatory requirements is given at the end of the Report.

**(v) Group coming within the definition of group as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969).**

Persons constituting "group" as defined under the Monopolies and Restrictive Trade Practices Act, 1969 for the purpose of Regulation 3(1)(e) (i) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997, as amended from time to time, include the following:

Mr. Sameer Gehlaut  
Mr. Rajiv Rattan  
Mr. Saurabh Mittal  
Inuus Developers Private Limited  
Orthia Properties Private Limited  
Inuus Properties Private Limited  
Orthia Constructions Private Limited  
Priapus Land Development Private Limited  
Inuus Constructions Private Limited  
Hespera Land Development Private Limited  
Hespera Constructions Private Limited

## 6. Means of Communication

**(i) Publication of Results:**

The quarterly / annual results of the Company are published in the leading newspapers viz The Financial Express/ Business Standard (English)/ Dainik Hawk (English)/ Free Press Journal - Mumbai and Jansatta/Business Standard (Hindi) and Dainik Hawk (Hindi).

**(ii) News, Release, etc:**

The Company has its own website [www.indiabulls.com/securities](http://www.indiabulls.com/securities) and all vital information relating to the Company and its performance including financial results, press releases pertaining to important developments, performance updates and corporate presentations etc. are regularly posted on the website

**(iii) Management's Discussion and Analysis Report:**

The same has been included in a separate section, which forms a part of the Annual Report.

**(iv) Investors' Relation:**

The Company's web site contains a separate dedicated section "Investor Relation" where general information to shareholders' is available.



## 7. General Shareholders' Information

### (A) Date, Time and Venue of Annual General Meeting (AGM)

The date, time and venue of the AGM has been indicated in the Notice convening the AGM, which forms a part of the Annual Report

### (B) Profile of Directors seeking reappointment

#### Mr. Ashok Sharma

Mr. Ashok Sharma, aged about 42 years is a Chartered Accountant with over 17 years experience in the financial services industry and share broking. Mr. Sharma heads the finance operations, risk management and back office operations. He has designed and implemented MIS, internal procedures and controls for the back office and finance department. His expertise in the areas of finance, system implementation and internal controls coupled with strong analytical skills will be to the benefit of the Company in the years to come, meriting his reappointment as director on the Board of the Company.

Mr. Sharma is also on the Board of IIC Limited (formerly known as Indiabulls Infrastructure Company Limited), Yarrow Infrastructure Limited, Pontus Infrastructure Limited, Indiabulls Energy Company Limited, Indiabulls Construction Materials Limited, Indiabulls Holdings Limited, Indiabulls Infrastructure Development Limited, Notus Infrastructure Limited, Priapus Infrastructure Private Limited, Phlox Infrastructure Limited, Indiabulls Industrial Infrastructure Limited, IINFC Limited (formerly known as Indiabulls Infra Constructions Limited), Indiabulls Infrastructure Credit Limited, Indiabulls Infra Realty Limited, Crocus Mining Private Limited, Ellery Mining Pvt Ltd, Erwan Mining Private Limited, Kezia Mining Private Limited, Ceres Infrastructure Development Private Ltd., Arcelormittal Indiabulls Mining Private Limited, Auster Mining Private Limited, Eurus Mining Private Limited, Peitha Mining Pvt Ltd, Ceres Power Services Private Limited, Vervain Mining Private Limited, Endine Mining Private Limited,

Ayken Mining Private Limited and Keysha Mining Private Limited.

Mr. Sharma is also a member of the Audit Committee and Compensation Committee of the Company. He is also a member of Audit Committee of Indiabulls Infrastructure Credit Limited, IIC Limited, Indiabulls Industrial Infrastructure Limited and Indiabulls Infrastructure Development Limited. He held 288,500 equity shares in the Company as on March 31, 2011, representing 0.12% of the total paid up capital of the Company.

#### Mr. Aishwarya Katoch

Mr. Aishwarya Katoch, aged about 42 years is a Non-Executive Independent Director on the Board of Directors since October 6, 2003. He holds a bachelor's degree in business administration and merchandising from American College of Applied Arts, London. Mr. Katoch runs a successful business engaged in the business of leisure & heritage Hotels and Resorts. His business skills will be to the benefit of the Company in the years to come, meriting his reappointment as Director on the Board of the Company.

Mr. Katoch is also on the Board of Indiabulls Real Estate Limited, Indiabulls Financial Services Limited, Store One Retail India Limited, Kangra Hotels Private Limited and Royal Expeditions Private Limited. Mr. Katoch is also a member of the Audit Committee and Compensation Committee and Chairman of Remuneration Committee of the Company. Mr. Katoch is also a member of the Audit Committee and Chairman of the Shareholders' Investors' Grievance Committee, Remuneration Committee and Compensation Committee of Store One Retail India Limited and Indiabulls Real Estate Limited. He is also member of the Audit Committee and Compensation Committee and Chairman of the Shareholders' Investors' Grievance Committee and Remuneration Committee of Indiabulls Financial Services Limited.

Mr. Katoch does not hold any shares in the Company.

**(C) Financial Calendar 2011-2012 (tentative)\***

**Tentative Schedule\***

Financial reporting for the quarter ending 30th June 2011	Meeting held on August 12, 2011
Financial reporting for the half year ending 30th September 2011	Upto November 14, 2011
Financial reporting for the quarter ending 31st December 2011	Upto February 14, 2012
Financial reporting for the quarter and year ending 31st March 2012	Upto May 15, 2012**
Annual General Meeting for the year ending 31st March 2012	Upto September 30, 2012

\*Except for meetings already held.

\*\* Pursuant to Clause 41 of the Listing Agreement, Board may also consider publication of Audited results for the financial year 2011-2012 by May 30, 2012, instead of publishing unaudited results for the fourth quarter.

**(D) Date of Book Closure**

Relevant dates of Book Closure have been provided in the Notice convening the AGM forming part of this Annual Report.

**(E) Dividend Payment date**

No dividend has been recommended by the Board of directors for the financial year 2010-11.

**(F) (i) Distribution of shareholding as on 31st March 2011**

SL. No.	Shareholding of nominal value (in Rs.)		No. of holders	% to total holders	Value in Rs.	% to nominal value
	From	To				
1	Upto 5,000		127,836	95.70	77,898,668	16.86
2	5,001	- 10,000	3087	2.31	22,893,342	4.95
3	10,001	- 20,000	1396	1.04	20,917,860	4.53
4	20,001	- 30,000	401	0.30	10,047,442	2.17
5	30,001	- 40,000	229	0.17	8,168,640	1.77
6	40,001	- 50,000	129	0.10	5,936,782	1.28
7	50,001	- 100,000	279	0.21	19,364,518	4.19
8	100,001	and above	233	0.17	296,997,770	64.25
<b>TOTAL</b>			<b>133,590</b>	<b>100.00</b>	<b>462,225,022</b>	<b>100.00</b>

**(ii) Shareholding pattern as on 31st March 2011**

Sr. no.	Category	No. of Shares	% holding
1.	Promoters	68,713,425	29.73
2.	Financial Institutions/Banks	382,320	0.17
3.	FIs	24,732,792	10.70
4.	Bodies Corporate	33,163,095	14.35
5.	Indian Public	84,409,537	36.52
6.	NRIs / OCBs	4,766,376	2.06
7.	GDRs (Shares underlying)	4,688,982	2.03
8.	Other foreign entities	9,790,034	4.24
9.	Clearing Members	465,950	0.20
<b>Total</b>		<b>231,112,511</b>	<b>100.00</b>

**(G) Dematerialization of shares and liquidity**

Equity Shares of the Company are compulsorily traded in dematerialized mode and are available for trading under both the depositories i.e. NSDL and CDSL.

As on March 31, 2011, 99.86 % Equity shares of the Company representing 230,795,236 out of a total of 231,112,511 Equity shares were held in dematerialized form and the balance 317,275 shares representing 0.14% of the total equity capital of the Company were held in physical form.

**(H) Outstanding GDRs and Stock Options**

The number of outstanding GDRs as on March 31, 2011 were 4,688,982. Each GDR represents one equity share of Rs. 2/- in the equity capital of the Company. Further, an aggregate of 27,231,233 stock options are outstanding as on March 31, 2011. As and when the stock options are exercised, the equity share capital of the Company will stand increased accordingly.

**(I) Listing on Stock Exchanges**

The Company's securities were listed on the following stock exchanges:

**Equity Shares**

National Stock Exchange of India Limited (NSE)  
"Exchange Plaza", Bandra-Kurla Complex,  
Bandra (E), Mumbai – 400 051

Bombay Stock Exchange Limited (BSE)  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai – 400 001

**Global Depository Receipts (GDRs)**

Luxembourg Stock Exchange  
Societe de la Bourse de Luxembourg, II, av de la  
Porte-Nenve, L-2227,  
Luxembourg

**(J) Stock Code**

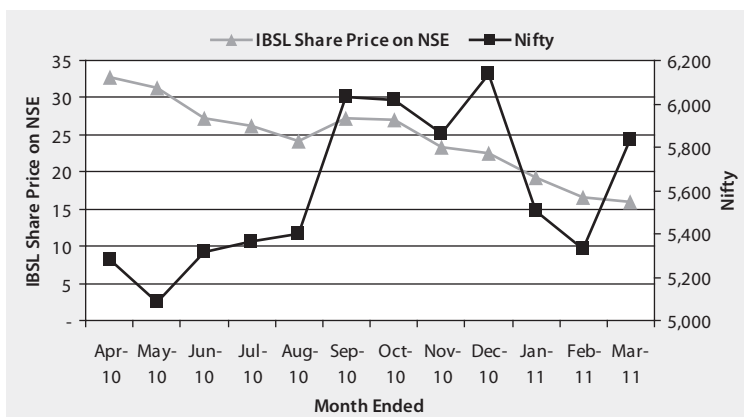
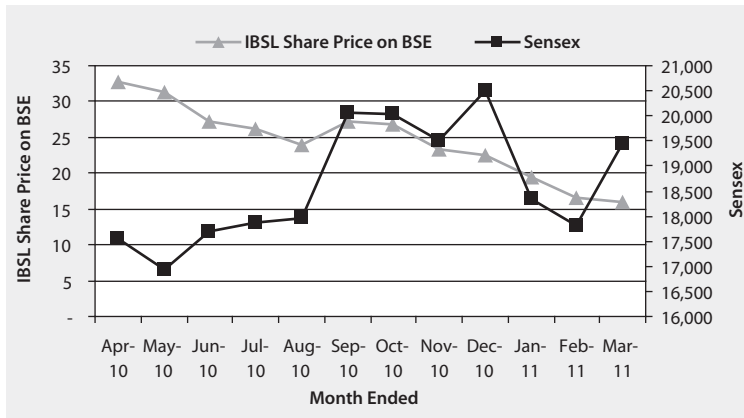
Bombay Stock Exchange Ltd.	532960
National Stock Exchange of India Ltd	IBSEC/EQ
ISIN for Dematerialization	INE274G01010

**(K) Market Price data**

The monthly high and low market prices of equity shares at the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) for the year ended March 31, 2011 are as under:

Month	NSE		BSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2010	33.35	27.80	33.40	28.00
May 2010	34.15	28.45	34.15	28.55
June 2010	32.35	26.35	32.30	26.20
July 2010	30.00	26.05	30.40	26.00
August 2010	27.60	23.95	27.65	22.00
September 2010	28.70	24.00	28.75	22.00
October 2010	30.60	26.75	30.60	26.75
November 2010	29.40	21.10	28.70	21.05
December 2010	24.70	20.50	24.40	20.50
January 2011	24.00	16.00	24.00	17.50
February 2011	20.90	15.55	19.50	15.65
March 2011	17.05	15.15	17.10	15.20

**(L) Performance of the Company in comparison to broad-based indices**



**(M) Registrar and Transfer Agents**

M/s Karvy Computershare Private Limited are acting as the Registrar and Transfer Agents of the Company for handling the share related matters, both in physical and dematerialised mode.

**The contact details are as under:**

Karvy Computershare Pvt. Ltd  
 Unit : **Indiabulls Securities Ltd**  
 Plot No.17-24 Vittal Rao Nagar  
 Madhapur Hyderabad – 500081  
 Tel : 040-44655000/23420815-23420825  
 Fax : 040-23420814  
 E-mail : einward.ris@karvy.com – for investors/shareholders  
 Contact Person : Mr. K Sreedhara Murthy, Asst. Gen. Manager  
 E-mail : sreedharamurthy@karvy.com

**(N) Share Transfer System**

For smooth and speedy processing of share transfers, the authority to approve share transfers has been delegated to the Shareholders'/Investors' Grievance Committee of the Board. The share transfer requests, are

processed on the first, third and fifth Monday, if any, of every month ensuring thereby that share transfers are processed without delay and the transferred certificates sent to the concerned investor(s) well within the stipulated time as prescribed under the Listing agreements.

**(O) Address for Correspondence**

**(i) Registered Office:**

**Indiabulls Securities Limited**

F-60, Malhotra Building, 2nd Floor,  
Connaught Place, New Delhi- 110 001

**(ii) Corporate Office:**

1. **"Indiabulls House"**  
448-451, Udyog Vihar, Phase V,  
Gurgaon – 122016, Haryana
2. 8&9/F, Indiabulls Finance Centre,  
Tower 1, Elphinstone Mills,  
Senapati Bapat Marg,  
Mumbai- 400 013.

**8. Compliance Certificate from the Practicing Company Secretary**

A certificate from Mr. Sanjay Khandelwal, Practicing Company Secretary certifying the Company's compliance with the provisions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to and forms a part of this Report.

The certificate is also being forwarded to the Stock Exchanges in India where the Securities of the Company are listed.

**9. CEO & CFO Certification**

The certificate required under Clause 49(V) of the listing agreement duly signed by the CEO and CFO has been submitted to the Board.

**10. Non-Mandatory Requirements**

Status of Compliance of Non-Mandatory requirement stipulated under Clause 49 is as under:

**(A) Non –Executive Chairman**

The Company has an executive Chairman and hence the requirement recommended as to a non –executive chairman under clause 49, is not required to be adopted by the Company.

**(B) Remuneration Committee**

The Company has a duly constituted Remuneration Committee. For details as to the constitution of the remuneration committee and the functional responsibility vested in it, please refer to point no. 3 in the earlier part of this report.

**(C) Shareholders Rights**

The Company is getting its quarterly / half yearly and annual financial results published in leading newspapers

with wide circulation across the country and regularly updates the same on its public domain website.

In view of the same individual communication of quarterly / annual financial results to the shareholders is not being made at present.

**(D) Unqualified financial statements**

The Auditors report on the audited annual accounts of the Company does not contain any qualification and it shall be the endeavor of the Company to continue the trend by strengthening the existing accounting systems and controls as well as ensuring complete adherence to the applicable accounting standards, procedures and practices to have unqualified financial statements.

**(E) Whistle Blower Policy**

The Company has a well defined Whistle blower policy in place which lays down an effective mechanism for the employees to report violations of laws, rules and regulations as also unethical conduct, at the appropriate management levels for timely and appropriate actions without loss of time. For a detailed description of the whistle blower policy please refer to point no.5 (iii) of this Report.

Except as defined above, the Company has not adopted any other non mandatory requirements recommended under Annexure 1D of the Clause 49 of the Listing Agreements with the Stock Exchanges.

**ANNUAL DECLARATION BY CHIEF EXECUTIVE OFFICER (CEO) PURSUANT TO CLAUSE 49 (I)(D)(ii) OF THE LISTING AGREEMENT**

As the Chief Executive Officer of Indiabulls Securities Limited and as required by Clause 49 (I)(D)(ii) of the Listing Agreement, I hereby declare that all the Board Members and Senior Management Personnel of the Company have affirmed compliance with the Company's Code of Business Conduct and Ethics, for the financial year 2010-11.

**Sd/-**  
**Divyesh B. Shah**  
Chief Executive Officer

Place: New Delhi  
Date: September 5, 2011

## CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of Indiabulls Securities Limited

We have examined the compliance of conditions of Corporate Governance by Indiabulls Securities Limited ("the Company"), for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges.

We state that there are no investor grievances as on March 31, 2011 as per the records maintained by the Company.

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

For **S. Khandelwal & Co.**  
Company Secretaries

**Sd/-**  
**Sanjay Khandelwal**  
Proprietor  
Membership No: FCS-5945  
CP No.: 6128

Date: September 5, 2011  
Place: New Delhi



# Auditors' Report

to the Board of Directors of Indiabulls Securities Limited

1. We have audited the attached Consolidated Balance Sheet of Indiabulls Securities Limited ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at March 31, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of five subsidiaries, whose financial statements reflect total assets of Rs. 184,925,846 as at March 31, 2011, total revenues of Rs. 360,818,273 and net cash inflows amounting to Rs. 59,982,660 for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the Management of the Group, and our opinion in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements as notified under the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of the separate audit reports on the individual financial statements of the Company, and its aforesaid subsidiaries, and to the best of our information and according to the explanations given to us, in our opinion the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a. in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2011.
  - b. in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
  - c. in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No. 117366W)

**K. A. Katki**  
Partner  
(Membership No.: 038568)

Mumbai, April 25, 2011

# Consolidated Balance Sheet

of Indiabulls Securities Limited Group as at March 31, 2011

	Schedule	(Amount in Rs.)	
		As at March 31, 2011	As at March 31, 2010
<b>I. SOURCES OF FUNDS</b>			
Shareholders' Funds			
(a) Share Capital	A	462,225,022	459,881,296
(b) Reserves and Surplus	B	1,983,305,488	1,855,893,376
		2,445,530,510	2,315,774,672
Loan Funds			
(a) Secured Loans	C	1,980,526,922	1,655,157,478
(b) Unsecured Loans	D	-	1,750,000,000
		1,980,526,922	3,405,157,478
Deferred Tax Liability (Net) (Refer Note B 14 of Schedule O)		-	26,183,709
<b>TOTAL</b>		<b>4,426,057,432</b>	<b>5,747,115,859</b>
<b>II. APPLICATION OF FUNDS</b>			
Fixed Assets			
Gross Block	E	1,535,465,333	1,639,155,180
Less : Depreciation / Amortisation		1,039,557,558	919,777,177
Net Block		495,907,775	719,378,003
Capital Work in Progress (including Capital Advances)		4,761,225	15,377,893
		500,669,000	734,755,896
Investments			
Deferred Tax Assets (Net) (Refer Note B 14 of Schedule O)	F	476,731,379	476,729,365
		42,026,851	-
Current Assets, Loans and Advances			
(a) Stock-in-trade	G	-	49,949,898
(b) Sundry Debtors		458,012,688	1,023,891,479
(c) Cash and Bank Balances		4,938,240,560	5,939,945,196
(d) Other Current Assets		60,390,926	97,350,170
(e) Loans and Advances		828,965,624	1,917,043,524
		6,285,609,798	9,028,180,267
Less : Current Liabilities and Provisions			
(a) Current Liabilities	H	2,733,585,749	3,835,252,995
(b) Provisions		145,393,847	657,296,674
		2,878,979,596	4,492,549,669
Net Current Assets		3,406,630,202	4,535,630,598
<b>TOTAL</b>		<b>4,426,057,432</b>	<b>5,747,115,859</b>
Significant accounting policies and notes to accounts	O		

In terms of our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

For and on behalf of the Board

**K. A. Katki**  
Partner

Place : Mumbai  
Date: April 25, 2011

**Divyesh B. Shah**  
Director

Place : Mumbai  
Date: April 25, 2011

**Ashok Sharma**  
Director

**R. K. Agarwal**  
Company Secretary

# Consolidated Profit & Loss Account

of Indiabulls Securities Limited Group for the Year ended March 31, 2011

	Schedule	(Amount in Rs.)	
		Year ended March 31, 2011	Year ended March 31, 2010
<b>INCOME</b>			
Revenue from Operations	I	3,469,851,844	3,515,746,484
Other Income	J	214,503,231	82,197,175
		<b>3,684,355,075</b>	<b>3,597,943,659</b>
<b>EXPENDITURE</b>			
Operating Expenses	K	311,027,058	295,581,241
Personnel Costs	L	1,458,857,618	1,370,266,473
Administrative and Other Expenses	M	767,389,717	506,235,428
Interest and Finance Charges	N	398,337,328	190,882,894
Depreciation / Amortisation		181,581,840	214,148,041
		<b>3,117,193,561</b>	<b>2,577,114,077</b>
<b>PROFIT BEFORE TAX</b>			
Provision for Taxation		<b>567,161,514</b>	<b>1,020,829,582</b>
- Current Tax (Refer Note B 23 of Schedule O)		252,600,000	329,304,800
- Tax Adjustment in respect of earlier years		3,942,213	267,365
- Deferred Tax (Credit) / Charge (net) (Refer Note B 14 of Schedule O)		(68,210,560)	16,521,743
<b>NET PROFIT AFTER TAX</b>		<b>378,829,861</b>	<b>674,735,674</b>
Add: Balance of Profit brought forward		1,410,111,762	1,623,531,614
<b>Amount available for appropriation</b>		<b>1,788,941,623</b>	<b>2,298,267,288</b>
<b>APPROPRIATIONS</b>			
Interim Dividend on Preference Shares paid		-	1,548,328
Proposed Final Dividend on Equity Shares		-	459,881,296
Interim Dividend on Equity Shares paid		231,084,236	-
Corporate Dividend Tax on Preference dividend paid		-	263,139
Corporate Dividend Tax on Proposed Final Dividend on Equity Shares		-	76,380,535
Corporate Dividend Tax on Interim Dividend on Equity Shares		38,380,203	-
Transfer to Capital Redemption Reserve:			
- On buy back of Equity Shares (Refer Note B 5 of Schedule O)		-	46,972,682
- On redemption of Preference Shares (Refer Note B 3 of Schedule O)		-	45,946,335
Adjusted against premium paid on buy back (Refer Note B 5 of Schedule O)		-	195,880,224
Transfer to General Reserve		37,400,000	61,300,000
Proposed Final Dividend for previous year on Equity Shares written back on shares bought back		-	(14,542)
Corporate Dividend Tax on Proposed Final Dividend for previous year on Equity Shares written back on shares bought back		-	(2,471)
<b>BALANCE OF PROFIT CARRIED FORWARD</b>		<b>1,482,077,184</b>	<b>1,410,111,762</b>
Earnings per Share (Refer Note B 13 of Schedule O)			
Basic Earnings per Share (Rs.)		1.64	2.68
Diluted Earnings per Share (Rs.)		1.62	2.58
Face value per Equity Share (Rs.)		2.00	2.00
Significant accounting policies and notes to accounts	O		

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

For and on behalf of the Board

**K. A. Katki**

Partner

Place : Mumbai

Date: April 25, 2011

**Divyesh B. Shah**

Director

Place : Mumbai

Date: April 25, 2011

**Ashok Sharma**

Director

**R. K. Agarwal**

Company Secretary

# Consolidated Cash Flow Statement

of Indiabulls Securities Limited Group for the Year ended March 31, 2011

(Amount in Rs.)

	Year ended March 31, 2011	Year ended March 31, 2010
<b>A CASH FLOW FROM OPERATING ACTIVITIES :</b>		
<b>Net Profit before tax</b>	<b>567,161,514</b>	<b>1,020,829,582</b>
Adjustments for :		
Depreciation / Amortisation	181,581,840	214,148,041
Provision for Gratuity and Compensated Absences	(6,357,509)	14,886,212
Provision for Doubtful Debts, Advances and Security Deposits	58,365,060	24,175,825
Bad Debts / Advances written off	6,796,389	1,816,635
Loss on sale / scrap of fixed assets	79,797,534	13,950,937
Securities Transaction Tax	76,852,175	-
Sundry Credit balances written back	(14,448,783)	(17,374,492)
Excess provision no longer required written back	(31,508,130)	(37,730,798)
Profit on sale of Non trade Current Investments / Dealing in Securities	(125,906,622)	(4,758,603)
Dividend Income on Current Investments	(28,864,219)	(21,740,994)
Dividend Income on Long Term Investments	(13,499,720)	(520,000)
Interest Income on Fixed Deposits	(354,135,380)	(349,920,960)
Interest Expense	326,465,277	131,509,902
	<b>155,137,912</b>	<b>(31,558,295)</b>
<b>Operating Profit before working capital changes</b>	<b>722,299,426</b>	<b>989,271,287</b>
Adjustments for:		
Trade and other receivables	1,588,169,953	(1,485,898,530)
Trade Payables and other liabilities	(1,060,242,269)	1,001,503,151
	<b>527,927,684</b>	<b>(484,395,379)</b>
<b>Cash generated from operations</b>	<b>1,250,227,110</b>	<b>504,875,908</b>
Direct taxes paid	(225,910,209)	(384,726,592)
	<b>(225,910,209)</b>	<b>(384,726,592)</b>
<b>Net cash generated from operating activities</b>	<b>1,024,316,901</b>	<b>120,149,316</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of fixed assets (including Capital Work in Progress)	(36,547,770)	(54,933,343)
Sale of fixed assets	9,255,295	5,246,520
Dividend Income on Current Investments	28,864,219	21,740,994
Dividend Income on Long Term Investments	13,499,720	520,000
Net proceeds from sale of Non Trade Investment/ Dealing in Securities	99,004,345	(45,191,295)
Purchase of Long Term Investments	(2,014)	(1,854)
Proceeds from / (Investment in) Fixed Deposits having maturity of more than three months	366,115,041	(516,980,629)
Interest received on Fixed Deposits	391,094,624	434,446,834
<b>Net cash generated from / (used in) investing activities</b>	<b>871,283,460</b>	<b>(155,152,773)</b>

Consolidated Cash Flow Statement

of Indiabulls Securities Limited Group for the Year ended March 31, 2011 (contd.)

		(Amount in Rs.)	
		Year ended March 31, 2011	Year ended March 31, 2010
<b>C</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
	Interest paid	(326,284,235)	(133,038,669)
	Payment of Dividend on Preference Shares	-	(2,681,251)
	Corporate Dividend tax on Dividend on Preference Shares	-	(455,679)
	Payment of Final Dividend on Equity Shares	(457,584,557)	(504,967,532)
	Payment of Interim Dividend on Equity Shares	(229,052,820)	-
	Corporate dividend tax on Final Dividend on Equity Shares	(76,380,535)	(86,137,363)
	Corporate dividend tax on Interim Dividend on Equity Shares	(38,380,203)	-
	Redemption of Preference Share Capital	-	(45,946,335)
	Amount paid on Buy Back of Equity Shares	-	(741,909,192)
	Proceeds from Issue of Equity Share Capital	2,343,726	-
	Securities Premium received on Issue of Equity Shares	18,046,690	-
	Net Proceeds from Bank Loans	326,101,978	1,159,451,217
	(Repayment of) / Net Proceeds from Commercial Papers	(1,500,000,000)	1,000,000,000
	Intercompany Deposit (repaid) / taken (net)	(250,000,000)	55,000,000
	<b>Net cash (used in) / generated from financing activities</b>	<b>(2,531,189,956)</b>	<b>699,315,196</b>
<b>D</b>	<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(635,589,595)</b>	<b>664,311,739</b>
<b>E</b>	<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>1,001,392,383</b>	<b>337,080,644</b>
<b>F</b>	<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (D+E)</b>	<b>365,802,788</b>	<b>1,001,392,383</b>

**Notes:**

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard (AS) - 3 on 'Cash Flow Statements' as notified by the Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents as at the end of the year include:

Cash and Bank Balances (Refer Schedule G)	4,938,240,560	5,939,945,196
Less: Fixed Deposit Accounts having Maturity of more than three months	4,572,437,772	4,938,552,813
	<b>365,802,788</b>	<b>1,001,392,383</b>
- Cash and cash equivalents include fixed deposit amounting to Rs. 51,329 (Previous Year Rs. 49,548) pledged with Stock Exchange for arbitration matters.
- Unclaimed Dividend Balances in designated Bank accounts aggregating to Rs. 10,797,200 (Previous Year Rs. 6,469,045) are not available for use by the Company.
- Previous year's figures are regrouped wherever considered necessary.

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

For and on behalf of the Board

**K. A. Katki**  
Partner

Place : Mumbai  
Date : April 25, 2011

**Divyesh B. Shah**  
Director

Place : Mumbai  
Date : April 25, 2011

**Ashok Sharma**  
Director

**R. K. Agarwal**  
Company Secretary

# Schedules

forming part of Consolidated Balance Sheet of Indiabulls Securities Limited  
Group as at March 31, 2011

	(Amount in Rs.)	
	As at	
	As at	
	March 31, 2011	
	March 31, 2010	
<b>SCHEDULE A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
500,000,000 (Previous Year 500,000,000) Equity shares of Rs. 2 each	1,000,000,000	1,000,000,000
25,000,000 (Previous Year 25,000,000) Preference Share of Rs. 4.61 each	115,250,000	115,250,000
	<b>1,115,250,000</b>	<b>1,115,250,000</b>
<b>Issued, Subscribed and Paid up</b>		
(Refer Note B 3 and B 5 of Schedule O)		
231,112,511 (Previous Year 229,940,648) Equity Shares of Rs. 2 each fully paid up	462,225,022	459,881,296
<b>Per Balance Sheet</b>	<b>462,225,022</b>	<b>459,881,296</b>
<b>SCHEDULE B</b>		
<b>RESERVES AND SURPLUS</b>		
1. Capital Reserve arising on Consolidation	24,445,430	24,445,430
2. Capital Redemption Reserve		
Balance as per last Balance Sheet	360,036,184	267,117,167
Add: Addition during the year (Refer Note B 3 and B 5 of Schedule O)	-	92,919,017
	360,036,184	360,036,184
3. Securities Premium Account		
Balance as per last Balance Sheet	-	40,000
Add: Addition during the year	18,046,690	-
Less: Utilised during the year (Refer Note B 5 of Schedule O)	-	40,000
	18,046,690	-
4. General Reserve		
Balance as per last Balance Sheet	61,300,000	499,016,286
Add: Addition during the year	37,400,000	61,300,000
Less: Utilised during the year (Refer Note B 5 of Schedule O)	-	499,016,286
	98,700,000	61,300,000
5. Surplus as per Profit and Loss Account	1,482,077,184	1,410,111,762
<b>Per Balance Sheet</b>	<b>1,983,305,488</b>	<b>1,855,893,376</b>

Schedules

forming part of Consolidated Balance Sheet of Indiabulls Securities Limited  
Group as at March 31, 2011 (contd.)

	As at March 31, 2011	(Amount in Rs.) As at March 31, 2010
<b>SCHEDULE C</b>		
<b>SECURED LOANS</b>		
From Banks (Refer Note B 6 and B 8 of Schedule O)		
- Vehicle Loans	8,143,586	4,589,805
- Bank Overdraft	1,720,567,925	1,148,019,728
- Working Capital Loans	250,000,000	500,000,000
- Interest accrued and due on Working Capital Loan	1,815,411	2,547,945
<b>Per Balance Sheet</b>	<b>1,980,526,922</b>	<b>1,655,157,478</b>
<b>SCHEDULE D</b>		
<b>UNSECURED LOANS</b>		
Short Term Loans (Refer Note B 7 of Schedule O)		
From Others		
Commercial Papers (Maximum Balance outstanding during the year Rs. 3,250,000,000 (Previous Year - Rs. 6,000,000,000))	-	1,500,000,000
Inter Corporate Deposits	-	250,000,000
<b>Per Balance Sheet</b>	<b>-</b>	<b>1,750,000,000</b>

forming part of Consolidated Balance Sheet of Indiabulls Securities Limited  
Group as at March 31, 2011 (contd.)

Particulars	Gross Block At Cost				Depreciation / Amortisation			Net Block	
	As at April 1, 2010	Additions during the year	Adjustments/Sales during the year	As at March 31, 2011	As at April 1, 2010	Provided during the year	Adjustments during the year	As at March 31, 2011	As at March 31, 2010
<b>A. TANGIBLE ASSETS</b>									
Computers	471,021,549	15,687,387	34,792,789	451,916,147	282,689,142	67,883,500	27,077,869	128,421,374	188,332,407
Office Equipment	262,849,334	10,655,784	26,347,222	247,157,896	55,132,036	12,659,380	6,566,314	185,932,794	207,717,298
Furniture and Fixtures*	214,004,922	5,452,006	81,059,366	138,397,562	67,453,272	14,932,729	24,395,684	80,407,245	146,551,650
Vehicles*	91,161,263	10,270,558	8,654,908	92,776,913	30,886,072	8,864,009	3,761,592	56,788,424	60,275,191
<b>TOTAL (A)</b>	<b>1,039,037,068</b>	<b>42,065,735</b>	<b>150,854,285</b>	<b>930,248,518</b>	<b>436,160,522</b>	<b>104,339,618</b>	<b>61,801,459</b>	<b>451,549,837</b>	<b>602,876,546</b>
<b>B. INTANGIBLE ASSETS</b>									
Membership Rights of The Stock Exchange, Mumbai	7,005,000	-	-	7,005,000	7,005,000	-	-	-	-
Software	587,850,528	5,098,703	-	592,949,231	471,349,071	77,242,222	-	44,357,938	116,501,457
Indiabulls.com Web Site	5,262,584	-	-	5,262,584	5,262,584	-	-	-	-
<b>TOTAL (B)</b>	<b>600,118,112</b>	<b>5,098,703</b>	<b>-</b>	<b>605,216,815</b>	<b>483,616,655</b>	<b>77,242,222</b>	<b>-</b>	<b>44,357,938</b>	<b>116,501,457</b>
<b>TOTAL (A+B)</b>	<b>1,639,155,180</b>	<b>47,164,438</b>	<b>150,854,285</b>	<b>1,535,465,333</b>	<b>919,777,177</b>	<b>181,581,840</b>	<b>61,801,459</b>	<b>495,907,775</b>	<b>719,378,003</b>
Previous Year	1,627,499,131	41,380,407	29,724,358	1,639,155,180	716,156,037	214,148,041	10,526,901	719,378,003	-
<b>CAPITAL WORK-IN-PROGRESS AND ADVANCES THEREAGAINST, AT COST</b>								<b>4,761,225</b>	<b>15,377,893</b>
								<b>500,669,000</b>	<b>734,755,896</b>

\* Including assets having original cost of Rs. 10,689,738 (Previous Year Rs. 32,481,509) hypothecated to banks against the loans.



Schedules

forming part of Consolidated Balance Sheet of Indiabulls Securities Limited  
Group as at March 31, 2011 (contd.)

(Amount in Rs.)

	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE F</b>		
<b>INVESTMENTS (At cost, unless otherwise stated)</b>		
<b>Long Term - Trade - Unquoted</b>		
130,000 (Previous Year 130,000) Fully paid up Equity Shares of face value of Re. 1 each in Bombay Stock Exchange Limited	10,000	10,000
<b>Long Term - Non Trade - Unquoted</b>		
1,098,137 (Previous Year 1,098,137) Fully paid up Ordinary Shares of face value of ₹.001 each in Copal Partners Limited	476,694,683	476,694,683
Investment in 6th issue National Saving Certificate (Pledged with Sales Tax Authorities)	26,696	24,682
<b>Per Balance Sheet</b>	<b>476,731,379</b>	<b>476,729,365</b>
Aggregate Book Value of Quoted Investments	-	-
Aggregate Market Value of Quoted Investments	-	-
Aggregate Book Value of Unquoted Investments	476,731,379	476,729,365
<b>SCHEDULE G</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>A. Current Assets</b>		
1. Stock-in-Trade (Securities) (Valued at Lower of Cost and Market Value)	-	49,949,898
	-	49,949,898
Aggregate Book Value of Stock-in-Trade	-	49,949,898
Aggregate Market Value of Stock-in-Trade	-	49,949,898
2. Sundry Debtors (Unsecured, Considered Good, Unless Otherwise Stated)		
Debts Outstanding For a Period Exceeding Six Months		
Considered Good	262,841,864	296,624,920
Considered Doubtful	126,701,807	115,086,916
	389,543,671	411,711,836
Other Debts		
Considered Good	195,170,824	727,266,559
Considered Doubtful	118,463	-
	195,289,287	727,266,559
Less: Provision For Doubtful Debts	126,820,270	115,086,916
	458,012,688	1,023,891,479
3. Cash And Bank Balances		
Cash on Hand	209,641	159,768
Balances With Scheduled Banks		
In Current Accounts	365,541,818	1,001,183,067
In Fixed Deposit Accounts (Refer Note B 8 of Schedule O)	4,572,489,101	4,938,602,361
	4,938,240,560	5,939,945,196

Schedules (contd.)

forming part of Consolidated Balance Sheet of Indiabulls Securities Limited  
Group as at March 31, 2011 (contd.)

	(Amount in Rs.)	
	As at March 31, 2011	As at March 31, 2010
4. Other Current Assets		
Interest Accrued On Fixed Deposits	60,390,926	97,350,170
<b>Total (A)</b>	<b>5,456,644,174</b>	<b>7,111,136,743</b>
<b>B. LOANS AND ADVANCES</b>		
Loans and Advances (Unsecured, considered good, unless otherwise stated)		
1. Advances recoverable in cash or in kind or for value to be received:		
Considered Good	63,615,208	95,642,939
Considered Doubtful	5,992,795	6,601,015
	69,608,003	102,243,954
Less: Provision For Doubtful Advances	5,992,795	6,601,015
	63,615,208	95,642,939
2. Margin Funding Loan Receivables (Secured)	74,268,496	1,330,966,466
Less: Margin Received	23,930,675	371,529,334
	50,337,821	959,437,132
3. Security Deposits		
Considered Good	184,779,932	131,705,501
Considered Doubtful	19,933,972	6,027,431
	204,713,904	137,732,932
Less: Provision For Doubtful Deposits	19,933,972	6,027,431
	184,779,932	131,705,501
4. Deposits (Including Margin Money) With Stock Exchanges	77,493,056	276,893,056
5. Advance Income Tax / Tax Deducted At Source (Net of Provision for tax Rs. 7,715,988; Previous Year Rs 1,217,100,000)	452,739,607	453,364,896
<b>Total (B)</b>	<b>828,965,624</b>	<b>1,917,043,524</b>
<b>Per Balance Sheet Total (A + B)</b>	<b>6,285,609,798</b>	<b>9,028,180,267</b>

Schedules

forming part of Consolidated Balance Sheet of Indiabulls Securities Limited  
Group as at March 31, 2011 (contd.)

	(Amount in Rs.)	
	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE H</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. CURRENT LIABILITIES</b>		
1. Sundry Creditors (Refer Note B 20 of Schedule O)		
- Dues to Micro and Small Enterprises	-	-
- Dues to Others	13,709,849	9,579,882
2. Margin from Customers	1,991,911,654	3,102,297,495
3. Temporary Overdrawn bank balances as per books	238,798,692	342,689,949
4. Other Liabilities	478,368,354	374,216,624
5. Unclaimed Dividends	10,797,200	6,469,045
	<b>2,733,585,749</b>	<b>3,835,252,995</b>
<b>B. PROVISIONS</b>		
1. Provision for Gratuity (Refer Note B 15 of Schedule O)	54,870,332	57,315,798
2. Provision for Compensated Absences (Refer Note B 15 of Schedule O)	20,391,929	24,303,972
3. Provision for Taxation (Net of Advance Tax of Rs. 1,737,423,587; Previous Year Rs. 310,842,705 )	70,109,725	39,189,283
4. Provision for Fringe Benefits Tax (Net of advance tax of Rs. 51,610,477 ; Previous Year Rs. 59,078,961 )	21,861	22,012
5. Proposed Final Dividend on Equity Shares	-	459,881,296
6. Corporate Dividend Tax on Proposed Final Dividend on Equity shares	-	76,380,535
7. Excess of Provision for Loss - Equity Stock Futures Account over Mark- to-Market - ESF Account	-	203,778
	<b>145,393,847</b>	<b>657,296,674</b>
<b>Per Balance Sheet</b>	<b>2,878,979,596</b>	<b>4,492,549,669</b>

Schedules

forming part of Consolidated Profit and Loss Account of Indiabulls Securities Limited Group for the year ended March 31, 2011

	Year ended March 31, 2011	Year ended March 31, 2010
(Amount in Rs.)		
<b>SCHEDULE I</b>		
<b>REVENUE</b>		
Brokerage Income	2,476,412,231	2,466,635,999
Interest on Margin funding	359,814,169	261,434,186
Income from Depository Services	29,944,262	43,504,483
Transaction and Other Charges	188,952,365	279,637,776
Interest on Fixed Deposits (Tax deducted at source Rs. 31,502,122 ; Previous Year Rs. 26,294,495)	354,135,380	349,920,960
Advisory Income	17,200,600	7,500,000
Income from Equity Analysis, Mutual Funds, Account Opening & Other Charges	43,392,837	107,113,080
<b>Per Profit and Loss Account</b>	<b>3,469,851,844</b>	<b>3,515,746,484</b>
<b>SCHEDULE J</b>		
<b>OTHER INCOME</b>		
Profit on Sale of Current Investments / Dealing in Securities	125,906,622	4,758,603
Dividend Income on Current Investments	28,864,219	21,740,994
Dividend Income on Long Term Investments	13,499,720	520,000
Miscellaneous Income	275,757	72,288
Excess provision no longer required written back	31,508,130	37,730,798
Sundry Credit Balances Written Back	14,448,783	17,374,492
<b>Per Profit and Loss Account</b>	<b>214,503,231</b>	<b>82,197,175</b>
<b>SCHEDULE K</b>		
<b>OPERATING EXPENSES</b>		
Stamp Duty	73,238,893	89,505,176
Demat Charges	903,676	-
SEBI Charges	3,985,962	4,402,270
Commission	11,600,461	7,097,180
Depository Charges	14,089,664	18,038,346
Transaction Charges	110,108,727	96,628,931
Membership Fees	1,328,613	2,346,379
Web Hosting Expenses	15,452,610	21,541,637
VSAT Charges	6,429,438	7,448,883
Leased Line Expenses	32,115,316	36,573,629
Content Expenses	10,252,373	4,686,750
Software Expenses	31,521,325	7,312,060
<b>Per Profit and Loss Account</b>	<b>311,027,058</b>	<b>295,581,241</b>

Schedules

forming part of Consolidated Profit and Loss Account of Indiabulls Securities Limited Group for the year ended March 31, 2011 (contd.)

(Amount in Rs.)

	Year ended March 31, 2011	Year ended March 31, 2010
<b>SCHEDULE L</b>		
<b>PERSONNEL COSTS</b>		
Salaries (Refer Note B 17 of Schedule O)	1,425,670,927	1,333,375,447
Contribution to Provident Fund and Other Funds (Refer Note B 15 of Schedule O)	6,156,225	1,438,681
Staff Welfare Expenses	18,793,419	17,806,906
Provision for Gratuity and Compensated Absences (Refer Note B 15 of Schedule O)	8,237,047	17,645,439
<b>Per Profit and Loss Account</b>	<b>1,458,857,618</b>	<b>1,370,266,473</b>
<b>SCHEDULE M</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Lease Rent (Refer Note B 9 of Schedule O)	217,474,710	118,712,271
Recruitment Expenses	150,000	1,806,665
Rates and Taxes	3,272,036	5,351,719
Electricity Expenses	30,615,151	26,762,106
Insurance	1,235,159	561,209
Communication Expenses	84,376,703	85,315,077
Professional Charges	58,505,928	78,391,678
Traveling & Conveyance	16,457,311	14,982,336
Printing and Stationery	27,259,001	26,552,706
Office Maintenance	34,167,712	31,528,482
Repairs and Maintenance - Others	53,123,627	49,054,526
Business Promotion	9,981,900	10,505,768
Advertisement	-	2,009,282
Auditors' Remuneration		
- As Auditors	5,370,000	5,440,600
- Other Services - Certifications	800,000	800,000
- Out of Pocket Expenses	700,000	700,000
Loss on erroneous transactions (Refer Note B 10 of Schedule O)	852,918	7,080,857
Loss on Sale / Scrap of fixed assets	79,797,534	13,950,937
Securities Transaction Tax	76,852,175	-
Bad Debts / advances written off	44,239,973	6,583,235
Less: Adjusted against provision of earlier years	37,443,584	4,766,600
	6,796,389	1,816,635
Provision for Doubtful Debts and Advances	58,365,060	24,175,825
Preliminary Expenses	-	239,200
Foreign exchange fluctuation loss	14,846	-
Miscellaneous Expenses	1,221,557	497,549
<b>Per Profit and Loss Account</b>	<b>767,389,717</b>	<b>506,235,428</b>

Schedules

forming part of Consolidated Profit and Loss Account of Indiabulls Securities Limited Group for the year ended March 31, 2011 (contd.)

	(Amount in Rs.)	
	Year ended March 31, 2011	Year ended March 31, 2010
<b>SCHEDULE N</b>		
<b>INETEREST AND FINANCE CHARGES</b>		
Bank Charges	71,872,051	59,372,992
Interest on Inter Corporate Deposits	13,397,208	24,684,448
Interest on Taxes	913,576	-
Interest on Working Capital Loan	66,936,514	40,438,664
Interest on Bank Overdraft	73,460,776	14,566,790
Interest on Vehicle loans	523,229	1,106,579
Interest on Debentures	46,239,061	670,180
Interest on Commercial Papers	124,994,913	50,043,241
<b>Per Profit and Loss Account</b>	<b>398,337,328</b>	<b>190,882,894</b>

# Significant Accounting Policies and Notes

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011

## SCHEDULE O

### A. Significant Accounting Policies:

#### a) Basis of Consolidation:

The Consolidated Financial Statements are prepared in accordance with Accounting Standard (AS) 21 - Consolidated Financial Statements as notified under the Companies (Accounting Standards) Rules, 2006. Reference in these notes to Company, Holding Company, Companies or Group shall mean to include Indiabulls Securities Limited or any of its subsidiaries, unless otherwise stated.

#### b) Principles of consolidation:

The Consolidated Financial Statements comprise of the Financial Statements of Indiabulls Securities Limited and its subsidiaries. The financial statements of the group companies are prepared according to uniform accounting policies, in accordance with accounting principles generally accepted in India. The effects of intercompany transactions are eliminated on consolidation.

#### c) Goodwill / Capital Reserve on consolidation:

Goodwill / Capital Reserve represents the difference between the company's share in the net worth of subsidiaries, and the cost of acquisition at each point of time of making the investment in the subsidiaries. For this purpose, the company's share of net worth is determined on the basis of the latest financial statements prior to the acquisition after making necessary adjustments for material events between the date of such financial statements and the date of respective acquisition. Capital Reserve on consolidation is adjusted against Goodwill on consolidation, if any. The Goodwill on consolidation is evaluated for impairment whenever events or changes in circumstances indicate that its carrying amount may have been impaired.

#### d) Companies included in consolidation:

Name of Subsidiaries	Country of Incorporation	Year / Period ended included in consolidation	Proportion of Ownership	Auditors
Indiabulls Commodities Limited	India	April 01, 2010 to March 31, 2011	100%	Ajay Sardana Associates
		April 01, 2009 to March 31, 2010	100%	Ajay Sardana Associates
India Ethanol and Sugar Limited (Subsidiary of Indiabulls Commodities Limited)	India	April 01, 2010 to March 31, 2011	100%	Ajay Sardana Associates
		April 01, 2009 to March 31, 2010	100%	Ajay Sardana Associates
Devata Tradelink Limited	India	April 01, 2010 to March 31, 2011	100%	Sumit Mohit & Company
		April 01, 2009 to March 31, 2010	100%	Sumit Mohit & Company
Indiabulls Brokerage Limited	India	April 01, 2010 to March 31, 2011	100%	Ajay Sardana Associates
		April 01, 2009 to March 31, 2010	100%	Ajay Sardana Associates

Significant Accounting Policies and Notes

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)

Name of Subsidiaries	Country of Incorporation	Year / Period ended included in consolidation	Proportion of Ownership	Auditors
Indiabulls Distribution Services Limited	India	April 01, 2010 to March 31, 2011	100%	A Sardana & Co.
		June 11, 2009 to March 31, 2010	100%	A Sardana & Co.

The Consolidated Financial Statements are presented, to the extent possible, in the same format as that adopted by the holding company for its independent financial statements.

**Information relating to Subsidiaries including subsidiaries of subsidiaries:**

(In terms of Government of India, Ministry of Corporate Affairs General Circular No: 2/2011, No: 5/12/2007-CL-III dated 8th February, 2011)

**Indiabulls Commodities Limited**

(Amount in Rs.)

	2010-11	2009-10
Share Capital	6,000,000	6,000,000
Reserves and Surplus (Net of debit balance of Profit & Loss Account)	128,002,393	110,457,220
Total Assets (Fixed Assets + Current Assets + Deferred Tax Assets)	315,942,335	501,535,407
Total Liabilities (Debts + Current Liabilities & Provisions + Deferred Tax Liabilities)	183,866,638	387,002,869
Details of Investments (excluding investment in the subsidiary companies) - Treasury Bill	26,696	24,682
Turnover	219,397,354	153,590,539
Profit / (Loss) before Taxation	27,057,533	87,497,233
Provision for Taxation	9,512,360	30,545,237
Profit / (Loss) after Taxation	17,545,173	56,951,996
Proposed Dividend (including Corporate Dividend Tax)	—	—

**India Ethanol and Sugar Limited**

(Amount in Rs.)

	2010-11	2009-10
Share Capital	1,900,000	1,900,000
Reserves and Surplus (Net of debit balance of Profit & Loss Account)	(1,859,312)	(968,752)
Total Assets (Fixed Assets + Current Assets + Deferred Tax Assets)	187,700	964,812
Total Liabilities (Debts + Current Liabilities & Provisions + Deferred Tax Liabilities)	147,012	33,564
Details of Investments (excluding investment in the subsidiary companies) - Treasury Bill	—	—



Significant Accounting Policies and Notes

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)

	2010-11	2009-10
Turnover	29,400	41,713
Profit / (Loss) before Taxation	(901,760)	(17,174)
Provision for Taxation	(11,200)	4,800
Profit / (Loss) after Taxation	(890,560)	(21,974)
Proposed Dividend (including Corporate Dividend Tax)	—	—

**Devata Tradelink Limited**

(Amount in Rs.)

	2010-11	2009-10
Share Capital	500,000	500,000
Reserves and Surplus (Net of debit balance of Profit & Loss Account)	(1,806,273,071)	(1,806,119,622)
Total Assets (Fixed Assets + Current Assets + Deferred Tax Assets)	13,148,039	13,197,705
Total Liabilities (Debts + Current Liabilities & Provisions + Deferred Tax Liabilities)	1,818,921,110	1,818,817,327
Details of Investments (excluding investment in the subsidiary companies) - Treasury Bill	—	—
Turnover	2,145	6,404
Profit / (Loss) before Taxation	(153,449)	(214,159)
Provision for Taxation	—	(11,639,024)
Profit / (Loss) after Taxation	(153,449)	11,424,865
Proposed Dividend (including Corporate Dividend Tax)	—	—

**Indiabulls Brokerage Limited**

(Amount in Rs.)

	2010-11	2009-10
Share Capital	55,000,000	35,000,000
Reserves and Surplus (Net of debit balance of Profit & Loss Account)	(15,506,796)	(5,734,501)
Total Assets (Fixed Assets + Current Assets + Deferred Tax Assets)	41,695,987	305,210,985
Total Liabilities (Debts + Current Liabilities & Provisions + Deferred Tax Liabilities)	2,202,783	275,945,486
Details of Investments (excluding investment in the subsidiary companies) - Treasury Bill	—	—
Turnover	156,767,371	1,162,559
Profit / (Loss) before Taxation	(9,436,459)	(5,526,914)
Provision for Taxation	335,836	(85,514)
Profit / (Loss) after Taxation	(9,772,295)	(5,441,400)
Proposed Dividend (including Corporate Dividend Tax)	—	—

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)

**Indiabulls Distribution Services Limited**

(Amount in Rs.)

	<b>2010-11</b>	<b>2009-10</b>
Share Capital	500,000	500,000
Reserves and Surplus (Net of debit balance of Profit & Loss Account)	(1,979,267)	(352,677)
Total Assets (Fixed Assets + Current Assets + Deferred Tax Assets)	780,554	257,623
Total Liabilities (Debts + Current Liabilities & Provisions + Deferred Tax Liabilities)	2,259,821	110,300
Details of Investments (excluding investment in the subsidiary companies) – Treasury Bill	—	—
Turnover	1,037,947	2,627
Profit / (Loss) before Taxation	(1,626,590)	(352,677)
Provision for Taxation	—	—
Profit / (Loss) after Taxation	(1,626,590)	(352,677)
Proposed Dividend (including Corporate Dividend Tax)	—	—

There were no figures in Foreign Currency appearing in the accounts of the subsidiary companies.

**e) Basis of Preparation of Financial Statements:**

The financial statements are prepared under the historical cost convention, on an accrual basis and in accordance with the Generally Accepted Accounting Principles in India and Accounting Standards as notified under the Companies (Accounting Standards) Rules, 2006.

**f) Use of Estimates:**

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known / materialised.

**g) Revenue Recognition:**

- Revenue from Securities Brokerage activities is accounted for on the trade date of transaction.
- Income from Brokerage and commission on account of cross-selling of real estate products is recognised on accrual basis.

- Revenue from interest charged to customers on margin funding is recognised on a daily/ monthly basis up to the last day of accounting period.
- Depository income is accounted on accrual basis as and when the right to receive the income is established.
- Revenue from interest from fixed deposits is recognised on accrual basis.
- Commission on mutual fund is recognised on accrual basis.
- Income from fee based advisory services is recognised on an accrual basis.
- Dividend income on equity shares is recognised when the right to receive the dividend is unconditional at the Balance Sheet date.
- Dividend Income on units of Mutual Fund is recognised when the right to receive the dividend is unconditional at the Balance Sheet date and any gains/losses are recognised on the date of redemption.

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)

- Interest income on inter corporate deposits is recognised on accrual basis.

**h)** Income from arbitrage and trading in securities and derivatives comprises profit/loss on sale of securities held as stock-in-trade and profit/loss on equity derivative instruments. Profit/loss on sale of securities is determined based on the weighted average cost of the securities sold. Profit/loss on equity derivative transactions is accounted for based on the 'Guidance Note on Accounting for Equity Index and Equity Stock Futures and Options' issued by the Institute of Chartered Accountants of India which is more fully explained in i) and ii) below :-

Equity Index / Stock Futures:

In accordance with Guidance Note on "Accounting for Equity Index and Equity Stock Futures and Options" issued by The Institute of Chartered Accountants of India

- (i) Initial Margin – Equity Index/ Stock Futures, representing the initial margin paid, and margin deposits representing additional margin paid over and above the initial margin, for entering into a contract for equity index/ stock futures which are released on final settlement / squaring-up of the underlying contract, are disclosed under Loans and Advances.
- (ii) Equity Index / Stock Futures are marked-to-market on a daily basis. Debit or credit balance disclosed under Loans and Advances or Current Liabilities, respectively, in the "Mark-to-Market Margin – Equity Index/ Stock Futures Account", represents the net amount paid or received on the basis of movement in the prices of index/ stock futures till the Balance Sheet date.
- (iii) As on the balance sheet date, profit/loss on open positions in Equity index/ stock futures is accounted for as follows:
  - Credit balance in the "Mark-to-Market Margin – Equity Index/Stock Futures Account", being the anticipated profit, is ignored and no credit for the same is taken in the Profit And Loss Account.
  - Debit balance in the "Mark-to-Market Margin – Equity Index/Stock Futures

Account", being the anticipated loss, is adjusted in the Profit and Loss Account.

- (iv) On final settlement or squaring-up of contracts for equity index/stock futures, the profit or loss is calculated as the difference between the settlement/squaring-up price and the contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract in "Mark-to-Market Margin – Equity Index/ Stock Futures Account" after adjustment of the provision for anticipated losses is recognised in the Profit and Loss Account. When more than one contract in respect of the relevant series of equity index/stock futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using the weighted average cost method for calculating the profit/loss on squaring-up.

**i) Stock-in-trade:**

Stock-in-trade comprising of securities held for the purposes of trading is valued at lower of cost and market value. Profit or loss on sale of such securities is determined using weighted average cost method.

**j) Commercial Papers:**

The liability is recognised at face value of the commercial paper at the time of issue of commercial paper. The discount on issue of commercial paper is amortised over the tenure of the instrument.

**k) Fixed Assets:**

**(i) Tangible Assets:**

Tangible fixed assets are stated at cost, net of tax / duty credits availed, if any, less accumulated depreciation / impairment losses, if any. Cost includes original cost of acquisition, including incidental expenses related to such acquisition and installation.

**(ii) Intangible Assets:**

Intangible assets are stated at cost, net of tax / duty credits availed, if any, less accumulated amortisation / impairment losses, if any. Cost includes original cost of acquisition, including

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)

incidental expenses related to such acquisition and installation.

**l) Depreciation / Amortisation:**

Depreciation on tangible fixed assets is provided on straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on additions to fixed assets is provided on pro-rata basis from the date the asset is put to use. Depreciation on sale / deduction from fixed assets is provided for up to the date of sale / deduction / scrapping, as the case may be. Assets taken on finance lease are depreciated over the tenure of the lease. Assets costing Rs. 5,000 or less per item are fully depreciated in the year of purchase.

Intangible assets consisting of Membership Rights of the Bombay Stock Exchange Limited are amortised on straight-line method basis over a period of five years from the date when the rights became available for use.

Intangible assets consisting of Software are amortised on a straight line basis over a period of four years from the date when the assets are available for use.

**m) Impairment of Assets:**

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. Recoverable amount is higher of an asset's net selling price and its value in use. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

**n) Investments:**

Investments are classified as long term and current investments. Long term investments are carried at

cost less provision, if any, for diminution other than temporary in their value. Current investments are valued at lower of cost and fair value.

**o) Foreign Currency Transactions:**

i. Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of transaction.

ii. Monetary items denominated in foreign currencies at the year end are translated at year end rates.

iii. Non monetary foreign currency items are carried at cost.

iv. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the Profit and Loss Account.

**p) Employee Benefits:**

The Company has defined contribution plans namely Provident Fund and Employees' State Insurance. Annual contributions to Employees Provident Fund Organisation and Employees' State Insurance are charged to Profit and Loss Account. The Company has unfunded defined benefit plans namely long term compensated absences and gratuity for all eligible employees, the liability for which is determined on the basis of an actuarial valuation at the end of the year using the Projected Unit Credit Method. Actuarial gains and losses comprise experience adjustments and the effects of change in actuarial assumptions and are recognised in Profit and Loss Account as income or expenses.

**q) Deferred Employee Stock Compensation Cost:**

The Company follows intrinsic value method as per Guidance Note on "Accounting for Employee Share-based Payments" issued by The Institute of Chartered Accountants of India for accounting for Employee Stock Options granted. Deferred employee stock compensation cost for stock options are recognised and measured by the difference between the intrinsic value of the Company's shares at the stock options grant date and the exercise price to be paid by the option holders. The compensation expense is amortised over the vesting period of the options. The fair value of options for disclosure purpose is

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)

measured on the basis of a valuation performed in respect of stock options granted.

**r) Taxes on Income:**

Current tax is determined as the tax payable in respect of taxable income for the year and is computed in accordance with relevant tax regulations.

Deferred tax resulting from timing differences between book and tax profits is accounted for at the current rate of tax / substantively enacted tax rates at the Balance Sheet date, as applicable, to the extent that the timing differences are expected to crystallise.

Deferred Tax Assets are recognised where realisation is reasonably certain whereas in case of carried forward losses or unabsorbed depreciation, deferred tax assets are recognised only if there is a virtual certainty of realisation backed by convincing evidence. Deferred Tax Assets are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date.

**s) Leases:**

In case of assets taken on operating lease, the lease rentals are charged to the Profit and Loss Account and assets taken on finance lease have been capitalised, in accordance with Accounting Standard (AS) 19 - Leases as notified under the Companies (Accounting Standards) Rules, 2006.

**t) Preliminary Expenses:**

Preliminary expenses are adjusted against Securities Premium account (net of tax) to the extent available and the balance, if any, is charged off to the Profit and Loss Account, as incurred.

**u) Share Issue Expenses:**

Share issue expenses are adjusted against Securities Premium account to the extent of balance available and thereafter, the balance portion is charged off to the Profit and Loss Account, as incurred.

**v) Borrowing Costs:**

Borrowing costs that are attributable to the acquisition, construction or production of qualifying

assets are capitalised as part of cost of the asset. All other borrowing costs are charged to Profit and Loss Account.

**w) Provisions, Contingent Liabilities and Contingent Assets:**

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (1) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or (2) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent Assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

**B. Notes to accounts:**

1. Indiabulls Securities Limited ("IBSL" or "the Company") carries on the business as stock and share brokers on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited; depository participants and other related ancillary services. On February 1, 1996 IBSL received a certificate of registration from the Securities and Exchange Board of India ("SEBI") under sub-section 1 of section 12 of the Securities and Exchange Board of India Act, 1992 to carry on the business as a stock broker. Accordingly, all provisions of the Securities and Exchange Board of India Act, 1992, and rules and regulations relating thereto are applicable to IBSL. On April 2, 2008 the equity shares of the Company were listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) after the demerger of the Company from Indiabulls Financial Services Limited.

The Consolidated Financial Statements comprise of the Financial Statements of Indiabulls Securities Limited and its subsidiaries. These consolidated financial statements are prepared in accordance with Accounting Standard – 21 Consolidated Financial Statements as notified under the Companies (Accounting Standards) Rules, 2006.

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)

2. Contingent liabilities not provided for in respect of:

(Amount in Rs.)

	As at March 31, 2011	As at March 31, 2010
- Bank Guarantees		
Credit facilities availed from banks*	3,850,000,000	5,170,000,000
Others	—	300,000
- Claims against the Company not acknowledged as debts in respect of:		
Penalty for synchronised trading under SEBI regulations**	1,500,000	1,500,000
Arbitration matters	2,415,706	7,732,045
- Capital Commitments	3,062,554	3,560,258
- Corporate guarantee for bank guarantees availed by subsidiary	100,000,000	170,000,000

\* Includes Rs. 100,000,000 (Previous Year Rs. 170,000,000) for which the Company has given corporate guarantee for bank guarantees availed by subsidiary.

\*\* During the year, the Securities Appellate Tribunal ("SAT") has passed an order dated October 26, 2010 in favour of the Company setting aside the penalty imposed by SEBI. However, subsequent to the year end, SEBI has preferred an appeal at the Honourable Supreme Court of India against the judgment of the SAT.

**Note:**

The Company is involved in various legal proceedings as respondents / defendants for various claims including those related to matters relating to conduct of its business. In respect of these claims, the Company believes, these claims do not constitute material litigation matters and with its meritorious defenses the ultimate disposition of these matters will not have material adverse effect on its Financial Statements / Position.

3. During the previous year, the Company has redeemed 9,966,667 10% Cumulative, Non-convertible Preference Shares of face value Rs. 4.61 per share amounting to Rs. 45,946,335, held by Oberon Limited. Consequently, the paid-up Preference Share Capital of the Company stands fully repaid.

**4. Employee Stock Option Schemes:**

**Indiabulls Employees' Welfare Trust:**

During the year, pursuant to the approval accorded at an Extraordinary General Meeting of the members of the Company held on September 30, 2010, the "Indiabulls Employees' Welfare Trust" ("Trust") has been formed on October 04, 2010 with an initial corpus of Rs. 50,000, contributed equally by the Company and four other listed Settlor entities, to administer and implement the Settlor entities' current un granted Employee Stock Option Schemes ("ESOP") and any future ESOP / Employee Stock Purchase Schemes. The Company being one of the Settlor entities of the Trust, has contributed its share of Rs. 10,000 as its initial contribution towards the Corpus of the said Trust. The Trust is administered by Independent Trustees. In terms of the Trust Deed, Equity shares of the Settlor entities are purchased by the Trust to the extent permissible in terms of the ESOP scheme as approved by the Members of the Company for the purposes of allotment of the same to eligible Employees of settlor companies and their subsidiaries, upon exercise of options granted by the Compensation Committee of those companies, at a price to be determined by the Trust based on its carrying cost. During the year, there has been no new grants made by the Company which is required to be administered by the Trust.

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)

### Employees Stock Option Scheme - 2008

Pursuant to resolution passed by the shareholders on January 19, 2009 the Company had cancelled and withdrawn the existing "Employee Stock Option Scheme - 2007", covering 15,000,000 stock options and established a new Employee Stock Option Scheme titled "Employee Stock Option Scheme - 2008" in accordance with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI Guidelines"). Under the Scheme, the Company was authorised to grant 20,000,000 equity settled options to eligible employees including its directors (other than promoter directors) and employees of its subsidiary companies including their directors. All options under the Scheme are exercisable for equity shares of the Company. Employees covered by the plan were granted an option to purchase shares of the Company subject to the requirements of vesting.

A Compensation Committee constituted by the Board of Directors of the Company administered the plan. The Compensation Committee at its meeting held on January 24, 2009, had granted, under the "Indiabulls Securities Limited Employees Stock Option Scheme - 2008" ("IBSL ESOP - 2008"), 20,000,000 Stock Options representing an equal number of equity shares of face value Rs. 2 each in the Company, to the Eligible Employees, at an exercise price of Rs. 17.40, being the latest available closing market price on the National Stock Exchange of India Ltd., as on January 23, 2009 following the intrinsic method of accounting as is prescribed in the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employees Share based Payments ("the Guidelines"). As the options have been granted at intrinsic value, there is no employee stock compensation expense on account of the same. The Stock Options so granted, shall vest in the eligible employees over a period of 10 years beginning from January 25, 2010 being the first vesting date. The options granted under each of the slabs, can be exercised by the grantees within a period of five years from the relevant vesting date.

Sr. No.	Particulars	IBSL ESOP - 2008
1	Exercise price	Rs. 17.40
2	Expected volatility	79%
3	Expected forfeiture percentage on each vesting date	Nil
4	Option Life (Weighted Average)	11 Years
5	Expected Dividends yield	22.99%
6	Risk Free Interest rate	6.50%
The fair value of the options under the plans using the Black Scholes Merton Option Pricing Model as certified by an independent firm of Chartered Accountants.		Re. 0.84

The expected volatility was determined based on historical volatility data.

### Employees Stock Option Scheme - 2009

The Shareholders of the Company at their Annual General Meeting held on September 30, 2009 have authorised the Board of Directors to grant 20,000,000 options, representing equivalent number of Equity shares of face value Rs. 2 each in one or more tranches, pursuant to a new employee stock option scheme titled as 'Indiabulls Securities Limited Employees Stock Option Scheme - 2009' ("IBSL ESOP - 2009"). The options covered under the Scheme would be granted, at a price and on such terms and conditions as may be decided by the Compensation Committee, to the eligible employees of the Company and its subsidiaries.

The Compensation Committee constituted by the Board of Directors of the Company, at its meeting held on December 1, 2009, granted, under the "Indiabulls Securities Limited Employees Stock Option Scheme- 2009" ("IBSL ESOP - 2009") 10,000,000 Stock Options representing an equal number of equity shares of face value Rs. 2 each in the Company, at an exercise price of Rs. 35.25, being the latest available closing market price on the National Stock Exchange of India Ltd., as on November 30, 2009. The Stock Options so granted, shall vest uniformly within 10 years beginning from December 2, 2010 being the first vesting date. The option granted under each of the slabs, can be exercised within a period of five years from the relevant vesting date.

Significant Accounting Policies and Notes

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)

Further, the Compensation Committee constituted by the Board of Directors of the Company has, at its meeting held on April 12, 2010, granted, under the "Indiabulls Securities Limited Employees Stock Option Scheme – 2009" ("IBSL ESOP – 2009") 2,050,000 Stock Options representing an equal number of equity shares of face value Rs. 2 each in the Company, at an exercise price of Rs. 31.35, being the latest available closing market price on the National Stock Exchange of India Ltd., as on April 9, 2010. The Stock Options so granted, shall vest uniformly within 10 years beginning from April 13, 2011 being the first vesting date. The options granted under each of the slabs, can be exercised within a period of five years from the relevant vesting date.

Sr. No.	Particulars	IBSL ESOP – 2009	
		10,000,000 Options	2,050,000 Options
1	Exercise price	Rs. 35.25	Rs. 31.35
2	Expected volatility	77%	48.96%
3	Expected forfeiture percentage on each vesting date	Nil	Nil
4	Option Life (Weighted Average)	10 Years	10 Years
5	Expected Dividends yield	13.48%	6.86%
6	Risk Free Interest rate	7.50%	8.05%
The fair value of the options under the plans using the Black Scholes Merton Option Pricing Model as certified by an independent firm of Chartered Accountants.		Rs. 6.48	Rs. 9.39

The expected volatility was determined based on historical volatility data.

Had the compensation cost for the stock options granted under IBSL ESOP - 2008 and IBSL ESOP - 2009 been determined based on the fair value approach, the Company's net profit and earnings per share would have been as per the pro forma amounts indicated below:-

(Amount in Rs.)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Net Profit attributable to Equity Shareholders (Refer note B 13 of Schedule O)	378,829,861	672,924,206
Less : Stock-based compensation expense determined under fair value based method: [Gross Rs. 98,266,798 (Previous Year Rs. 81,600,000)] (pro forma)	24,697,273	9,483,238
Net profit considered for computing EPS (pro forma)	354,132,588	663,440,968
<b>Basic / Diluted Earnings Per Share:</b>		
Weighted average number of equity shares used for computing Basic Earnings per Share	230,658,648	251,122,616
Add: Potential number of Equity share that could arise on exercise of Employee Stock Options	3,150,480	9,602,680
Weighted average number of equity shares used for computing Diluted Earnings per Share	233,809,128	260,725,296
Basic earnings per share (as reported)	1.64	2.68
Basic earnings per share (pro forma)	1.54	2.64



Significant Accounting Policies and Notes

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Diluted earnings per share (as reported)	1.62	2.58
Diluted earnings per share (pro forma)	1.51	2.54

The other disclosures in respect of the above Schemes are as under:-

Total Options under the Scheme (Nos.)	IBSL ESOP - 2008	IBSL ESOP - 2009	
	20,000,000	20,000,000	
Options granted (Nos.)	20,000,000	10,000,000	2,050,000
Vesting Period and Percentage	Ten years, 1 <sup>st</sup> Year - 15%, 2 <sup>nd</sup> year to 9 <sup>th</sup> year - 10%, each year 10 <sup>th</sup> year - 5%	Uniformly over a period of Ten years	Uniformly over a period of Ten years
Vesting Date	January 25 <sup>th</sup> each year, commencing January 25, 2010	December 2 <sup>nd</sup> each year, commencing December 2, 2010	April 13 <sup>th</sup> each year, commencing April 13, 2011
Exercise Price (Rs.)	17.40	35.25	31.35
Outstanding at the beginning of the year (Nos.)	18,147,325	10,000,000	2,050,000
Options vested during the year (Nos.)	1,685,750*	1,000,000	—
Exercised during the year (Nos.)	1,171,863	—	—
Expired during the year (Nos.)	—	—	—
Surrendered and eligible for re-grant (Nos.)	1,794,229	—	—
Outstanding at the end of the year (Nos.)	15,181,233	10,000,000	2,050,000
Exercisable at the end of the year (Nos.)	2,974,346	1,000,000	—
Remaining contractual Life (Weighted Months)	97	115	126

\* Net of options surrendered before vesting.

5. During the year ended March 31, 2009, the Shareholders of the Company by means of Special Resolution passed through the postal ballot with requisite majority, authorised on March 06, 2009 the buy-back of the Company's fully paid-up Equity Shares of face value Rs. 2 each from the open market through stock exchanges, at a price not exceeding Rs. 33 per share up to a maximum amount of Rs. 831,796,227, being 25% of the total paid-up equity capital and free reserves as per the audited Balance Sheet of the Company as at March 31, 2008, to be financed out of the Company's free reserves and surplus and balance in the Profit and Loss Account. The Company had proposed to buyback upto 39,281,000 of its fully paid up Equity Shares and minimum number of 5,000,000 of its fully paid up Equity Shares at a price not exceeding Rs. 33 per Equity Share.

Subsequently, during the year ended March 31, 2010 the Company had completed the said buy back on March 5, 2010 and had bought back 23,486,341 Equity Shares of face value of Rs. 2 each utilising an aggregate amount of Rs. 741,909,192 from General Reserve, Securities Premium and Profit & Loss Account.

**6. Secured Loans**

- Vehicles Loans of Rs. 8,143,586 (Previous Year Rs. 4,589,805) are secured against hypothecation of the Vehicles purchased.
- Working Capital loan of Rs. 250,000,000 (Previous Year Rs. 500,000,000) and Bank Overdraft of Rs. 1,720,567,925 (Previous Year Rs. 1,148,019,728) are secured against Fixed Deposits placed with Banks.

Significant Accounting Policies and Notes

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)

7. During the year, the Company had privately placed Unsecured Redeemable Non-Convertible Debentures, the salient features of the same are given below:

Party	Face Value (Rs.)	Amount (Rs. In Crores)	Coupon Rate			Date of Allotment	Earliest date of redemption	Date of actual redemption	Amount Redeemed (Rs. In Crores)
			Original Rate	Revised Rate	Effective Date for revised rate				
Taurus Mutual Fund	1,000,000	50	MIBOR +30bps			12-Apr-10	09-Jul-10	16-Apr-10* 23-Apr-10*	10 40
Taurus Mutual Fund	1,000,000	25	4.25% p.a.			15-Apr-10	13-Jul-10	23-Apr-10*	25
Taurus Mutual Fund	1,000,000	35	MIBOR +40bps			27-Apr-10	23-Jul-10	04-May-10*	35
Taurus Mutual Fund	1,000,000	25	MIBOR +40bps			27-Apr-10	23-Jul-10	30-Apr-10*	25
Taurus Mutual Fund	1,000,000	40	MIBOR +40bps			27-Apr-10	23-Jul-10	04-May-10*	40
Taurus Mutual Fund	1,000,000	100	MIBOR +60bps	MIBOR +100bps	28-May-10	04-May-10	30-Jul-10	17-May-10*	50
Taurus Mutual Fund	1,000,000	25	MIBOR +50bps			19-May-10	16-Aug-10	21-May-10*	25
Taurus Mutual Fund	1,000,000	50	MIBOR +50bps			20-May-10	17-Aug-10	21-May-10*	50
Taurus Mutual Fund	1,000,000	25	MIBOR +60bps	MIBOR +100bps	28-May-10	21-May-10	18-Aug-10	31-May-10*	25
Taurus Mutual Fund	1,000,000	50	MIBOR +150bps			21-Jun-10	17-Sep-10	25-Jun-10* 30-Jun-10*	35 15
Taurus Mutual Fund	1,000,000	50	MIBOR +100bps			23-Jun-10	17-Sep-10	30-Jun-10*	50
Axis Mutual Fund	1,000,000	50	MIBOR -45bps			23-Apr-10	21-Jul-10	26-Apr-10*	50
Axis Mutual Fund	1,000,000	25	MIBOR +20bps			12-May-10	09-Aug-10	14-May-10*	25
Shinsei Mutual Fund	1,000,000	35	MIBOR +25bps	MIBOR +50bps	10-May-10	07-May-10	04-Aug-10	10-May-10* 11-May-10* 12-May-10*	3 13 19
Shinsei Mutual Fund	1,000,000	30	MIBOR +25bps	MIBOR +40bps	14-May-10	12-May-10	09-Aug-10	18-May-10* 19-May-10*	10 20
Shinsei Mutual Fund	1,000,000	40	MIBOR +40bps	MIBOR +50bps	20-May-10	14-May-10	11-Aug-10	14-May-10* 14-May-10* 03-Jun-10*	13 5 12
Shinsei Mutual Fund	1,000,000	30	MIBOR +150bps	MIBOR +75bps	24-May-10	14-May-10	11-Aug-10	14-Jun-10*	10
Shinsei Mutual Fund	1,000,000	30	MIBOR +150bps	MIBOR +100bps	28-May-10	21-Jun-10	17-Sep-10	24-Jun-10* 28-Jun-10*	26 4
Shinsei Mutual Fund	1,000,000	30	MIBOR +150bps	MIBOR +250bps	01-Jun-10	21-Jun-10	17-Sep-10	12-May-10* 20-May-10*	10 25
Peerless Mutual Fund	1,000,000	35	MIBOR +25bps	MIBOR +175bps	09-Jun-10	11-May-10	06-Aug-10	24-May-10*	10
Peerless Mutual Fund	1,000,000	10	MIBOR +25bps			12-May-10	09-Aug-10	24-May-10*	10
Peerless Mutual Fund	1,000,000	25	MIBOR +50bps			21-May-10	18-Aug-10	28-May-10*	25
Peerless Mutual Fund	1,000,000	25	MIBOR +60bps			25-May-10	20-Aug-10	26-May-10*	25
Peerless Mutual Fund	1,000,000	25	MIBOR +60bps			26-May-10	23-Aug-10	28-May-10*	25
Peerless Mutual Fund	1,000,000	50	MIBOR +100bps			28-May-10	25-Aug-10	01-Jun-10*	50
Peerless Mutual Fund	1,000,000	25	6.60% p.a.			01-Jun-10	26-Aug-10	26-Aug-10	25

Significant Accounting Policies and Notes

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)

Party	Face Value (Rs.)	Amount (Rs. In Crores)	Coupon Rate			Date of Allotment	Earliest date of redemption	Date of actual redemption	Amount Redeemed (Rs. In Crores)
			Original Rate	Revised Rate	Effective Date for revised rate				
Peerless Mutual Fund	1,000,000	19	MIBOR +225bps			02-Jun-10	26-Aug-10	09-Jun-10*	19
Peerless Mutual Fund	1,000,000	19	MIBOR +150bps			09-Jun-10	06-Sep-10	18-Jun-10*	19
Peerless Mutual Fund	1,000,000	25	MIBOR +150bps			21-Jun-10	17-Sep-10	17-Sep-10	25
Peerless Mutual Fund	1,000,000	25	MIBOR +100bps			24-Jun-10	17-Sep-10	17-Sep-10	25
Reliance Mutual Fund	1,000,000	75	MIBOR +100bps			24-Jun-10	21-Sep-10	30-Jun-10*	75
UTI Mutual Fund	1,000,000	100	MIBOR +100bps			30-Jun-10	27-Sep-10	27-Sep-10	100
Birla Mutual Fund	1,000,000	50	MIBOR +150bps			30-Jun-10	27-Sep-10	02-Jul-10*	50
Peerless Mutual Fund	1,000,000	35	MIBOR +125bps			29-Jul-10	26-Oct-10	30-Jul-10*	35
Birla Mutual Fund	1,000,000	50	MIBOR +120bps			02-Jul-10	29-Sep-10	29-Sep-10	50

\*Call option exercised and redeemed before the due date.

All the above debentures had been redeemed as at the year end.

**8. Fixed deposits include:**

- Rs. 1,934,173,628 (Previous Year Rs. 2,585,562,281) pledged with the banks against bank guarantees issued by banks for base capital and additional base capital to National Stock Exchange of India, Bombay Stock Exchange of India, National Securities Clearing Corporation Limited, Multi Commodity Exchange of India Limited and National Commodity and Derivative Exchange Limited.
  - Rs. 274,400,000 (Previous Year Rs. 448,400,000) pledged with National Stock Exchange of India, Bombay Stock Exchange of India, National Securities Clearing Corporation Limited, Multi Commodity Exchange of India Limited and National Commodity & Derivatives Exchange Limited for the purpose of base capital and additional base capital.
  - Rs. 1,914,500,000 (Previous Year Rs. 1,310,000,000) pledged with banks for overdraft facilities.
  - Rs. 250,000,000 (Previous Year Rs. 500,000,000) pledged against working capital loans taken from Bank.
  - Rs. 22,138,193 (Previous Year Rs. 18,675,079) pledged for arbitration matters.
  - Rs. 190,000 (Previous Year Rs. 190,000) pledged with VAT authorities.
  - Rs. Nil (Previous Year Rs. 500,000) given as earnest money deposit to Hindustan Copper Limited.
  - Rs. 25,000 (Previous Year Rs. 25,000) pledged with State Commission, New Delhi for appeal filed by the Company in a consumer dispute matter.
9. The Company has taken office premises on operating lease at various locations in India and lease rent in respect of the same amounting to Rs. 217,474,710 (Previous Year Rs. 118,712,271) has been charged to Profit and Loss Account. The minimum lease rental outstanding as at March 31, 2011 are as under:

(Amount in Rs.)

	As at March 31, 2011	As at March 31, 2010
Within one year	190,810,157	106,667,738
One to Five years	460,614,374	136,426,817
More than Five years	362,039	2,108,859

Significant Accounting Policies and Notes

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)

The agreements are executed for a period ranging from 11 months to 10 years with a renewable clause and in many cases, also provide for termination at will by either party giving a prior notice of 30 to 90 days.

10. The loss on squaring off of erroneous transactions on account of trading in securities amounting to Rs. 852,918 (Net) (Previous Year loss Rs. 7,080,857 (Net)) has been adjusted to Profit and Loss Account.

11. Segment Reporting:

Segment information for the period from April 01, 2010 to March 31, 2011 as per AS -17 'Segment Reporting' as notified under the Companies (Accounting Standards) Rules, 2006:

(a) Primary segment information (by business segments):

(Amount in Rs.)

	Broking and related activities	Others	Total
(i) Segment Revenue	3,467,856,136	142,397,999	3,610,254,135
	<i>3,515,746,484</i>	<i>6,658,856</i>	<i>3,522,405,340</i>
(ii) Segment Results	849,239,962	35,075,255	884,315,217
	<i>1,149,020,863</i>	<i>1,793,958</i>	<i>1,150,814,821</i>
Less: Interest expenditure			326,465,277
			<i>131,509,902</i>
Add: Unallocated Income net of other unallocated Expenditure			9,311,574
			<i>1,524,663</i>
Less: Income taxes			188,331,653
			<i>346,093,908</i>
<b>Total Profit after tax</b>			<b>378,829,861</b>
			<b>674,735,674</b>
(iii) Segment Assets	6,244,298,131	21,648,732	6,265,946,863
	<i>9,173,115,677</i>	<i>69,432,042</i>	<i>9,242,547,719</i>
Unallocated Corporate Assets			1,039,090,165
			<i>997,117,809</i>
<b>Total Assets</b>			<b>7,305,037,028</b>
			<b>10,239,665,528</b>
(iv) Segment Liabilities	4,662,436,774	1,340,729	4,663,777,503
	<i>5,444,016,936</i>	<i>1,584,971</i>	<i>5,445,601,907</i>
Unallocated Corporate Liabilities			195,729,015
			<i>2,478,288,949</i>
<b>Total Liabilities</b>			<b>4,859,506,518</b>
			<b>7,923,890,856</b>
(v) Capital Expenditure including Capital Advances	21,178,508	—	21,178,508
	<i>54,933,343</i>		<i>54,933,343</i>
(vi) Depreciation	172,717,831	—	172,717,831
	<i>205,364,509</i>		<i>205,364,509</i>
(vii) Non cash expenditure other than Depreciation	66,602,107	—	66,602,107
	<i>39,062,037</i>		<i>39,062,037</i>

(Previous year's figures are stated in Italics)

Significant Accounting Policies and Notes

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)

- (b) The Company operates solely in one Geographic segment namely "Within India" and hence no separate information for Geographic segment wise disclosure is required.
- (c) The Company's primary Business segment is reflected based on principal business activities carried on by the Company. The Company's primary business activity is to carry on business of stock and share broker on National Stock Exchange of India Limited and Bombay Stock Exchange Limited and other related ancillary service.
- (d) "Others" business segment constitutes Investment and dealing in tradable securities and arbitrage transaction in securities. This not being the normal business activity of the Company, the same is shown as "Others".
- (e) Segment revenue, results, assets and liabilities include amounts identifiable to each segment and amounts allocated on a reasonable basis.
- (f) The accounting policies adopted for segment reporting are in line with the accounting policies adopted for preparation of financial information as disclosed in (A) above.

12. Disclosures in respect of AS - 18 'Related Party Disclosures' as notified under the Companies (Accounting Standards) Rules, 2006:

(a) **Other related parties:**

<b><u>Nature of relationship</u></b>	<b><u>Name of the Party</u></b>
Key Management Personnel	Mr. Divyesh B. Shah, Director
	Mr. Ashok Sharma, Director
	Mr. Sameer Gehlaut, person exercising significant influence
	Mr. Rajiv Rattan, person exercising significant influence
	Mr. Saurabh K. Mittal, person exercising significant influence

(b) **Significant Transactions with Related Parties:**

<b><u>Nature of Transaction</u></b>	<b><u>Key Management Personnel</u></b>
(Amount in Rs.)	
<b>Income</b>	
Brokerage Income	18,154
	192,620
<b>Expenses</b>	
Remuneration	17,729,142
	29,589,425
<i>(Previous year's figures are stated in Italics)</i>	

(c) **Outstanding as at March 31, 2011:**

Remuneration Payable	(Amount in Rs.)
- Mr. Divyesh B. Shah	-
	10,352,282
<i>(Previous year's figures are stated in Italics)</i>	

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)

(d) Statement of Material Transactions

(Amount in Rs.)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
<b>Brokerage Income</b>		
- Mr. Rajiv Rattan	—	39,730
- Mr. Sameer Gehlaut	—	79,520
- Mr. Saurabh Mittal	—	36,070
- Mr. Ashok Sharma	949	6,105
- Mr. Divyesh B. Shah	17,205	31,195
<b>Remuneration</b>		
- Mr. Divyesh B. Shah	17,729,142	29,589,425

13. Disclosure in respect of AS – 20 'Earnings Per Share' as notified under the Companies (Accounting Standards) Rules, 2006:

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting year. Diluted earnings per share are computed using the weighted average number of equity shares and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value.

Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The number of equity shares and potential diluted equity shares are adjusted for stock split and bonus shares as appropriate.

	Year ended March 31, 2011	Year ended March 31, 2010
Net Profit after tax (Rs.)	378,829,861	674,735,674
Less: Preference Dividend and tax thereon (Rs.)	—	1,811,467
<b>Net Profit attributable to Equity Shareholders (Rs.)</b>	<b>378,829,861</b>	<b>672,924,207</b>
<b>Basic / Diluted Earnings per Share</b>		
Weighted average number of equity shares used for computing Basic earnings per share	230,658,648	251,122,616
Add: Potential number of equity shares that could arise on exercise of Employee Stock Options	3,150,480	9,602,680
Weighted average number of equity shares used for computing Diluted earnings per share	233,809,128	260,725,296
Face / Nominal Value of equity Shares - (Rs.)	2.00	2.00
<b>Earnings Per Share - Basic (Rs.)</b>	<b>1.64</b>	<b>2.68</b>
<b>Earnings Per Share - Diluted (Rs.)</b>	<b>1.62</b>	<b>2.58</b>

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)

14. The breakup of Deferred Tax Assets (Net) into major components as at March 31, 2011 is as under:

(Amount in Rs.)

	As at March 31, 2011	As at March 31, 2010
<b>Deferred Tax Assets</b>		
Provision for Doubtful debts and advances	49,558,775	42,423,850
Disallowance u/s 43B of the Income Tax Act, 1961	31,655,139	27,094,372
Preliminary Expenses	14,747	22,120
Others	2,292,631	—
	<b>83,521,292</b>	<b>69,540,342</b>
<b>Deferred Tax Liability</b>		
Depreciation	41,494,441	95,724,051
	41,494,441	95,724,051
<b>Deferred Tax Assets/(Liability) (Net)</b>	<b>42,026,851</b>	<b>(26,183,709)</b>

In compliance with AS - 22 "Accounting for Taxes on Income" as notified under the Companies (Accounting Standards) Rules, 2006, deferred tax credit (net) of Rs. 68,210,560 (Previous Year charge (net) - Rs. 16,521,743) has been credited/(debited) to the Profit and Loss Account for the year.

#### 15. Employee Benefits:

Provident Fund, Employees' State Insurance, Gratuity and Long Term Compensated Absences - disclosures as per Accounting Standard (AS) 15 (Revised) - Employee Benefits as notified under the Companies (Accounting Standards) Rules, 2006:

Contributions are made to Government Provident Fund, Family Pension Fund, Employees' State Insurance and other statutory funds which cover all regular employees eligible under the respective acts. Both the employees and the Company make predetermined contributions to the Provident Fund and Employees' State Insurance. The contributions are normally based on a certain proportion of the employee's salary. The Company has recognised an amount of Rs. 5,979,912 (Previous year Rs. 1,119,768) towards Employer's Contribution for the above mentioned funds.

Provision for unfunded Gratuity and Long Term Compensated Absences for eligible employees is based upon actuarial valuation carried out at the end of every financial year. Major drivers in actuarial assumptions, typically, are years of service and employee compensation. After the issuance of the Accounting Standard 15 (AS) (revised) - 'Employee Benefits' as notified by the Companies (Accounting Standards) Rules, 2006, commitments are actuarially determined using the 'Projected Unit Credit' method. Gains and losses on changes in actuarial assumptions are accounted for in the Profit and Loss Account.

Significant Accounting Policies and Notes

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)

Disclosures in respect of Gratuity and Compensated Absences:

(Amount in Rs.)

Particulars	Gratuity (unfunded)	Gratuity (unfunded)	Compensated Absences (unfunded)	Compensated Absences (unfunded)
	2010-11	2009-10	2010-11	2009-10
<b>Reconciliation of Liability recognised in the Balance Sheet:</b>				
Present Value of Commitments (as per Actuarial valuation)	54,870,332	57,315,798	20,391,929	24,303,972
Fair Value of Plans	—	—	—	—
Net Liability in the Balance Sheet (as per Actuarial valuation)	54,870,332	57,315,798	20,391,929	24,303,972
<b>Movement in net Liability recognised in the Balance Sheet:</b>				
Net Liability as at beginning of the year	57,315,798	42,905,358	24,303,972	23,828,200
Amount Paid during the year	(8,944,464)	(584,318)	(1,169,031)	—
Net expense / (gain) recognised in the Profit and Loss account	6,498,998	14,994,758	(2,743,012)	475,772
Contribution during the year	—	—	—	—
Net Liability as at end of the year	54,870,332	57,315,798	20,391,929	24,303,972
<b>Expense recognised in the Profit and Loss Account:</b>				
Current Service Cost	12,796,302	15,512,082	6,981,334	6,978,850
Past Service Cost	—	3,880,079	—	—
Interest Cost	4,191,333	3,217,902	1,871,448	1,787,115
Expected return on plan assets	—	—	—	—
Actuarial losses / (gains)	(10,488,637)	(7,615,305)	(11,595,794)	(8,290,193)
Expense charged / (reversal) to the Profit and Loss Account	6,498,998	14,994,758	(2,743,012)	475,772
<b>Return on plan assets:</b>				
Expected return on plan assets	—	—	—	—
Actuarial (gains) / losses	—	—	—	—
Actual return on plan assets	—	—	—	—
<b>Reconciliation of defined-benefit Commitments:</b>				
Commitments as at beginning of the year	57,315,798	42,905,358	24,303,972	23,828,200
Current Service Cost	12,796,302	15,512,082	6,981,334	6,978,850
Past Service Cost	—	3,880,079	—	—
Interest Cost	4,191,333	3,217,902	1,871,448	1,787,115
Paid benefits	(8,944,464)	(584,318)	(1,169,031)	—
Actuarial losses / (gains)	(10,488,637)	(7,615,305)	(11,595,794)	(8,290,193)
Commitments as at end of the year	54,870,332	57,315,798	20,391,929	24,303,972
<b>Reconciliation of plan assets:</b>				
Plan assets as at beginning of the year	—	—	—	—
Expected return on plan assets	—	—	—	—
Contributions during the year	—	—	—	—
Paid benefits	—	—	—	—
Actuarial (gains) / losses	—	—	—	—
Plan assets as at end of the year	—	—	—	—



Significant Accounting Policies and Notes

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)

(Amount in Rs.)

**Gratuity (Unfunded)**

	2010-11	2009-10	2008-09	2007-08
<b>Experience adjustment:</b>				
On plan liabilities (Gain/ (Loss))	6,601,818	3,993,908	1,509,234	*
On plan assets (Gain/ (Loss))	—	—	—	—
Present value of benefit obligation	54,870,332	57,315,798	42,905,358	26,001,637
Fair value of plan assets	—	—	—	—
Excess of obligation over plan assets	54,870,332	57,315,798	42,905,358	26,001,637

\* Not Available.

(Amount in Rs.)

**Compensated Absences (Unfunded)**

	2010-11	2009-10	2008-09	2007-08
<b>Experience adjustment:</b>				
On plan liabilities (Gain/ (Loss))	9,934,485	6,788,766	2,586,005	*
On plan assets (Gain/ (Loss))	—	—	—	—
Present value of benefit obligation	20,391,929	24,303,972	23,828,200	15,111,517
Fair value of plan assets	—	—	—	—
Excess of obligation over plan assets	20,391,929	24,303,972	23,828,200	15,111,517

\* Not Available.

As, this is the fourth year in which the AS - 15 (Revised) has been applied, the amounts of the present value of the obligation, fair value of plan assets, surplus or deficit in the plan and experience adjustment arising on plan liabilities and plan assets for the previous four years have not been furnished.

The actuarial calculations used to estimate commitments and expenses in respect of unfunded Gratuity and Compensated absences are based on the following assumptions which if changed, would affect the commitment's size, funding requirements and expenses:

	Year ended March 31, 2011	Year ended March 31, 2010
Discount rate - Gratuity and Compensated Absences	8.00%	7.50%
Expected return on plan assets	NA	NA
Expected rate of salary increase	5.00%	5.00%
Mortality	LIC (1994-96)	LIC (1994-96)

*Significant Accounting Policies and Notes*

*forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)*

- 16.** During the year, the Company has invested an additional amount of Rs. 20,000,000 (Previous Year Rs. 500,000) in its wholly owned subsidiary Indiabulls Brokerage Limited (Previous year - Indiabulls Distribution Services Limited).
- 17.** During the year, personnel cost amounting to Rs. 156,026,787 (Previous Year Rs. 120,551,408) was apportioned to the Company from its subsidiary - Indiabulls Commodities Limited.
- 18.** Derivative Instruments:  
The Company does not have any foreign currency exposures towards receivables, payables or any other derivative instrument that have not been hedged.
- 19.** There were no outstanding derivative instruments as at March 31, 2011 in respect of trading in Equity Futures relating to arbitrage activity of the Company. Quantitative data about derivative instruments outstanding (Open Short Positions) as at March 31, 2010 in respect of trading in Equity Futures relating to arbitrage activity of the Company:

<b>Series</b>	<b>Expiry Date</b>	<b>Lot Size</b>	<b>No. of Contracts</b>	<b>Quantity</b>
FUTSTK APOLLOTYRE	29-Apr-10	3,400	16	54,400
FUTSTK AREVAT&D	29-Apr-10	750	1	750
FUTSTK CIPLA	29-Apr-10	1,250	2	2,500
FUTSTK CROMPGREAV	29-Apr-10	1,750	1	1,750
FUTSTK ESSAROIL	29-Apr-10	1,412	6	8,472
FUTSTK FORTIS	29-Apr-10	1,300	3	3,900
FUTSTK FSL	29-Apr-10	9,500	23	218,500
FUTSTK HDIL	29-Apr-10	774	4	3,096
FUTSTK HINDPETRO	29-Apr-10	650	1	650
FUTSTK ICIBANK	29-Apr-10	350	20	7,000
FUTSTK ITC	29-Apr-10	1,125	5	5,625
FUTSTK JINDALSAW	29-Apr-10	5,000	2	10,000
FUTSTK JSWSTEEL	29-Apr-10	412	13	5,356
FUTSTK LITL	29-Apr-10	6,380	2	12,760
FUTSTK NEYVELILIG	29-Apr-10	1,475	6	8,850
FUTSTK NTPC	29-Apr-10	1,625	9	14,625
FUTSTK POWERGRID	29-Apr-10	1,925	11	21,175
FUTSTK PRAJIND	29-Apr-10	2,200	4	8,800
FUTSTK SBIN	29-Apr-10	132	30	3,960
FUTSTK TATAPOWER	29-Apr-10	200	7	1,400
FUTSTK VOLTAS	29-Apr-10	2,700	1	2,700

- 20.** Disclosures under the Micro, Small and Medium Enterprises Development Act, 2006:
- (a) An amount of Rs. Nil (Previous Year Rs. Nil) and Rs. Nil (Previous Year Rs. Nil) was due and outstanding to suppliers as at the end of the accounting year on account of Principal and Interest respectively.

forming part of the Consolidated Balance Sheet as at March 31, 2011 and the Consolidated Profit and Loss Account for the Year ended March 31, 2011 (contd.)

- (b) No interest was paid during the year in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 and no amount was paid to the supplier beyond the appointed day.
- (c) No interest is payable at the end of the year other than interest under Micro, Small and Medium Enterprises Development Act, 2006.
- (d) No amount of interest was accrued and unpaid at the end of the accounting year.

The above information and that given in Schedule H - "Current Liabilities and Provisions" regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

- 21. No borrowing cost has been capitalised during the year.
- 22. As per the best estimate of the management, no provision is required to be made as per Accounting Standard (AS) 29 - Provisions, Contingent Liabilities and Contingent Assets as notified under the Companies (Accounting Standards) Rules, 2006, in respect of any present obligation as a result of a past event that could lead to a probable outflow of resources, which would be required to settle the obligation.
- 23. Provision for Current Tax includes provision for Wealth Tax of Rs. 456,448 (Previous year Rs. 526,854).
- 24. During the year ended March 31, 2009, the Company had advanced a sum of Rs. 1,809,300,000 by way of loan to one of its wholly owned subsidiary - viz Devata Tradelink Limited ("DTL"). During that financial year, DTL had incurred / provided for losses aggregating to Rs. 1,562,932,320 in respect of dealing in securities. Based upon the availability of resources as at that year end to repay those loans and considering the erosion of the networth of the subsidiary, the Company had written off loans given to DTL aggregating to Rs. 1,809,300,000 as bad loans / advances written off. Investments made by the Company in the equity share capital of DTL amounting to Rs. 500,000 though considered as strategic and long term in nature, considering the losses suffered by this subsidiary, diminution in the value of the investment is considered as other than temporary in nature and accordingly provision for diminution in value amounting to Rs. 500,000 was made in books of account in that financial year.
- 25. In respect of amounts as mentioned under Section 205C of the Companies Act, 1956, there were no dues required to be credited to the Investor Education and Protection Fund as at March 31, 2011.
- 26. Interim dividend of Re. 1 per equity share (50% of the face value of Rs. 2 per equity share) amounting to Rs. 231,084,236 (excluding corporate dividend tax thereon) was approved at the meeting of the Board of Directors of the Company held on October 18, 2010 and was transferred by the Company on October 22, 2010 into the designated Dividend Account. Corporate dividend tax thereon aggregating to Rs. 38,380,203 was paid on November 01, 2010.
- 27. Previous year's figures have been re-grouped / re-arranged wherever considered necessary to conform to current year's groupings and classifications.

Signature to Schedules A to O

For and on behalf of the Board

**Divyesh B. Shah**  
Director

**Ashok Sharma**  
Director

**R. K. Agarwal**  
Company Secretary

Mumbai, April 25, 2011

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# Auditors' Report

to the Members of Indiabulls Securities Limited

1. We have audited the attached Balance Sheet of Indiabulls Securities Limited ("the Company") as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
  - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
5. On the basis of the written representations received from the Directors as on March 31, 2011 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;
  - (iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - (b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
    - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No. 117366W)

**K. A. Katki**

Partner  
(Membership No. 038568)

Mumbai, April 25, 2011

# Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

- i. Having regard to the nature of the Company's business/activities/results, clauses ii, viii, xiii and xiv of CARO are not applicable to the Company.
- ii. In respect of its fixed assets:
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b. Some of the fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification, which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - c. The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- iii. In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register under Section 301 of the Companies Act, 1956; according to the information and explanations given to us:
  - a. The Company has granted loans to two companies during the year. At the year-end, the outstanding balances of such loans aggregated to Rs. Nil and the maximum amount involved during the year was Rs. 3,207,000,000.
  - b. The rate of interest and other terms and conditions of such loans, wherever stipulated, are, in our opinion, *prima facie* not prejudicial to the interest of the Company.
  - c. The receipts of principal amounts and interest have been regular/as per stipulations.
  - d. There are no overdue amounts in excess of Rs. 1 lakh in respect of loans granted to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

In respect of loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

  - e. The Company has taken loan from two companies during the year. At the year-end, the outstanding balance of such loan aggregated to Rs. Nil and the maximum amount involved during the year was Rs. 780,000,000.
- f. The rate of interest and other terms and conditions of such loans, wherever stipulated, are, in our opinion, *prima facie* not prejudicial to the interest of the Company.
- g. The payments of principal amount and interest in respect of such loans are regular / as per stipulations.
- iv. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to fixed assets and the sale of services. There were no transactions in respect of purchase of inventory and sale of goods during the year. During the course of our audit, we have not observed any major weakness in such internal control system.
- v. In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - a. The particulars of contracts or arrangements referred to Section 301 that needed to be entered into the Register maintained under the said Section have been so entered.
  - b. Where each of such transactions is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time, except that in respect of purchase and sale of services, for which comparable quotations are not available and in respect of which we are unable to comment.
- vi. According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year within the meaning of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956.
- vii. In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- viii. According to the information and explanations

given to us in respect of statutory dues:

- a. The Company has generally been regular in depositing undisputed dues, including Provident Fund, Income-tax, Wealth Tax, Service Tax, Cess and any other material statutory dues with the appropriate authorities during the year. There were no dues payable in respect of Investor Education and Protection Fund, Employees' State Insurance, Sales Tax, Custom Duty and Excise Duty.
- b. There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at March 31, 2011 for a period of more than six months from the date they became payable.
- c. Details of dues of Income-tax which have not been deposited as on March 31, 2011 on account of disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs.)
Income Tax Act, 1961	Income Tax demand arising on assessment u/s 143(3) of the Income Tax Act, 1961	Appeal filed with Commissioner of Income-Tax (Appeals) – XV, New Delhi	Year ended March 31, 2008	818,469

There are no disputed dues payable in respect of Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on March 31, 2011.

- ix. The Company does not have any accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- x. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and unsecured debenture holders. During the year the Company has not obtained any borrowings from financial institutions.
- xi. In our opinion and according to the information and explanations given to us the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xii. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions are not prima facie prejudicial to the interests of the Company.
- xiii. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.
- xiv. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- xv. According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- xvi. According to the information and explanations given to us, during the period covered by our audit report, the Company has not issued any secured debentures. Accordingly, no security is created on issue of unsecured debentures during the year.
- xvii. The Company has not raised any money by public issues during the year.
- xviii. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No. 117366W)

**K. A. Katki**  
Partner  
(Membership No. 038568)  
Mumbai, April 25, 2011

# Balance Sheet

of Indiabulls Securities Limited as at March 31, 2011

(Amount in Rs.)

	Schedule	As At March 31, 2011	As At March 31, 2010
<b>I. SOURCES OF FUNDS</b>			
Shareholders' Funds			
(a) Share Capital	A	462,225,022	459,881,296
(b) Reserves and Surplus	B	1,861,739,644	1,739,429,813
		2,323,964,666	2,199,311,109
Loan Funds			
(a) Secured Loans	C	1,980,526,922	1,655,157,478
(b) Unsecured Loans	D	–	1,540,000,000
		1,980,526,922	3,195,157,478
Deferred Tax Liability (Net) (Refer Note B 14 of Schedule O)		–	28,230,941
<b>TOTAL</b>		<b>4,304,491,588</b>	<b>5,422,699,528</b>
<b>II. APPLICATION OF FUNDS</b>			
Fixed Assets			
Gross Block	E	1,515,454,734	1,622,463,805
Less : Depreciation / Amortisation		1,031,343,894	913,932,619
Net Block		484,110,840	708,531,186
Capital Work in Progress (including Capital Advances)		4,761,225	14,390,315
		488,872,065	722,921,501
Investments	F	538,204,683	518,204,683
Deferred Tax Assets (Net) (Refer Note B 14 of Schedule O)		38,420,434	–
Current Assets, Loans and Advances	G	–	–
(a) Stock-in-trade		–	–
(b) Sundry Debtors		450,199,892	1,013,485,692
(c) Cash and Bank Balances		4,645,248,230	5,706,935,526
(d) Other Current Assets		58,817,792	96,167,545
(e) Loans and Advances		777,254,560	1,716,880,660
		5,931,520,474	8,533,469,423
Less : Current Liabilities and Provisions	H	–	–
(a) Current Liabilities		2,560,999,039	3,703,858,074
(b) Provisions		131,527,029	648,038,005
		2,692,526,068	4,351,896,079
Net Current Assets		3,238,994,406	4,181,573,344
<b>TOTAL</b>		<b>4,304,491,588</b>	<b>5,422,699,528</b>
Significant accounting policies and notes to accounts	O		

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

For and on behalf of the Board

**K. A. Katki**  
Partner

Place : Mumbai  
Date: April 25, 2011

**Divyesh B. Shah**  
Director

Place : Mumbai  
Date: April 25, 2011

**Ashok Sharma**  
Director

**R. K. Agarwal**  
Company Secretary



# Profit & Loss Account

of Indiabulls Securities Limited for the year ended March 31, 2011

	Schedule	(Amount in Rs.)	
		Year ended March 31, 2011	Year ended March 31, 2010
<b>INCOME</b>			
Revenue from Operations	I	3,254,504,635	3,368,914,954
Other Income	J	121,342,300	78,625,761
		<b>3,375,846,935</b>	<b>3,447,540,715</b>
<b>EXPENDITURE</b>			
Operating Expenses	K	278,305,721	278,141,187
Personnel Costs	L	1,304,541,391	1,335,717,956
Administrative and Other Expenses	M	669,354,975	491,284,933
Interest and Finance Charges	N	392,209,880	190,799,468
Depreciation / Amortisation		179,212,731	212,153,895
		<b>2,823,624,698</b>	<b>2,508,097,439</b>
<b>PROFIT BEFORE TAX</b>			
Provision for Taxation		<b>552,222,237</b>	<b>939,443,276</b>
- Current Tax (Refer Note B 25 of Schedule O)		241,400,000	298,400,000
- Tax Adjustment in respect of earlier years		3,746,032	11,658,067
- Deferred Tax (Credit) / Charge (net) (Refer Note B 14 of Schedule O)		(66,651,375)	17,210,342
<b>NET PROFIT AFTER TAX</b>			
		<b>373,727,580</b>	<b>612,174,867</b>
Add: Balance of Profit brought forward		1,318,093,629	1,594,074,288
<b>Amount available for appropriation</b>		<b>1,691,821,209</b>	<b>2,206,249,155</b>
<b>APPROPRIATIONS</b>			
Interim Dividend on Preference Shares paid (Refer Note B 20 of Schedule O)		-	1,548,328
Proposed Final Dividend on Equity Shares		-	459,881,296
Interim Dividend on Equity Shares paid		231,084,236	-
Corporate Dividend Tax on Preference dividend paid		-	263,139
Corporate Dividend Tax on Proposed Final Dividend on Equity Shares		-	76,380,535
Corporate Dividend Tax on Interim Dividend on Equity Shares		38,380,203	-
Transfer to Capital Redemption Reserve:			
- On buy back of Equity Shares (Refer Note B 5 of Schedule O)		-	46,972,682
- On redemption of Preference Shares (Refer Note B 3 of Schedule O)		-	45,946,335
Adjusted against premium paid on buy back (Refer Note B 5 of Schedule O)		-	195,880,224
Transfer to General Reserve		37,400,000	61,300,000
Proposed Final Dividend for previous year on Equity Shares written back on shares bought back		-	(14,542)
Corporate Dividend Tax on Proposed Final Dividend for previous year on Equity Shares written back on shares bought back		-	(2,471)
<b>BALANCE OF PROFIT CARRIED FORWARD</b>			
		<b>1,384,956,770</b>	<b>1,318,093,629</b>
Earnings per Share (Refer Note B 13 of Schedule O)			
Basic Earnings per Share (Rs.)		1.62	2.43
Diluted Earnings per Share (Rs.)		1.60	2.34
Face value per Equity Share (Rs.)		2.00	2.00
Significant accounting policies and notes to accounts	O		

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

For and on behalf of the Board

**K. A. Katki**

Partner

Place : Mumbai

Date: April 25, 2011

**Divyesh B. Shah**

Director

Place : Mumbai

Date: April 25, 2011

**Ashok Sharma**

Director

**R. K. Agarwal**

Company Secretary

# Cash Flow Statement

of Indiabulls Securities Limited for the Year ended March 31, 2011

	Year ended March 31, 2011	Year ended March 31, 2010
<b>A CASH FLOW FROM OPERATING ACTIVITIES :</b>		
<b>Net Profit before tax</b>	<b>552,222,237</b>	<b>939,443,276</b>
Adjustments for :		
Depreciation / Amortisation	179,212,731	212,153,895
Provision for Gratuity and Compensated Absences	(10,323,089)	16,298,414
Provision for Doubtful Debts, Advances and Security Deposits	23,977,433	13,508,247
Bad Debts / Advances written off	2,686,204	1,816,635
Loss on sale / scrap of fixed assets	79,797,534	13,950,937
Sundry Credit balances written back	(14,393,633)	(17,306,483)
Excess provision no longer required written back	(30,396,203)	(35,421,925)
Profit on sale of Non trade Current Investments / Dealing in Securities	-	(5,218,120)
Dividend Income on Current Investments	(10,776,361)	(20,159,233)
Dividend Income on Long Term Investments	(13,499,720)	(520,000)
Interest Income on Fixed Deposits	(336,026,996)	(340,285,413)
Interest Income from Inter Corporate Deposit	(52,276,383)	-
Interest Expense	327,854,890	132,412,896
	<b>145,836,407</b>	<b>(28,770,150)</b>
<b>Operating Profit before working capital changes</b>	<b>698,058,644</b>	<b>910,673,126</b>
Adjustments for:		
Trade and other receivables	1,410,889,903	(1,252,048,906)
Trade Payables and other liabilities	(1,102,397,354)	954,331,357
	<b>308,492,549</b>	<b>(297,717,549)</b>
<b>Cash generated from operations</b>	<b>1,006,551,193</b>	<b>612,955,577</b>
Direct taxes paid	(212,213,728)	(358,090,038)
	<b>(212,213,728)</b>	<b>(358,090,038)</b>
<b>Net cash generated from operating activities</b>	<b>794,337,465</b>	<b>254,865,539</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of fixed assets (including Capital Work in Progress)	(34,216,124)	(51,525,457)
Sale of fixed assets	9,255,295	5,246,520
Net proceeds from sale of Non Trade Investment/ Dealing in Securities	-	5,218,120
Dividend Income on Current Investments	10,776,361	20,159,233
Dividend Income on Long Term Investments	13,499,720	520,000
Investment in wholly owned subsidiary	(20,000,000)	(500,000)
Proceeds from / (Investment in) Fixed Deposits having maturity of more than three months	360,865,041	(435,530,629)
Interest received on Fixed Deposits	373,376,749	425,083,384
<b>Net cash generated from / (used in) investing activities</b>	<b>713,557,042</b>	<b>(31,328,829)</b>

Cash Flow Statement

of Indiabulls Securities Limited for the Year ended March 31, 2011 (contd.)

	Year ended March 31, 2011	Year ended March 31, 2010
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	(328,587,424)	(133,941,663)
Interest Income from Inter corporate Deposit	52,276,383	-
Payment of Dividend on Preference Shares	-	(2,681,251)
Corporate Dividend Tax on Dividend on Preference Shares	-	(455,679)
Payment of Final Dividend on Equity Shares	(457,584,557)	(504,967,532)
Payment of Interim Dividend on Equity Shares	(229,052,820)	-
Corporate dividend tax on Final Dividend on Equity Shares	(76,380,535)	(86,137,363)
Corporate dividend tax on Interim Dividend on Equity Shares	(38,380,203)	-
Net Proceeds from Bank Loans	326,101,978	1,159,451,218
Net (Repayment) / Proceeds from Commercial Papers	(1,500,000,000)	1,000,000,000
Intercorporate Deposit repaid (net)	(40,000,000)	(155,000,000)
Intercorporate Deposit received back / (given) (net)	62,500,000	(62,500,000)
Issue of Equity Shares	2,343,726	-
Securities Premium received on issue of Equity Shares	18,046,690	-
Amount paid on Buy Back of Equity Shares	-	(741,909,192)
Redemption of Preference Share Capital	-	(45,946,335)
<b>Net cash (used in) / generated from financing activities</b>	<b>(2,208,716,762)</b>	<b>425,912,203</b>
<b>D NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(700,822,255)</b>	<b>649,448,913</b>
<b>E CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>925,822,713</b>	<b>276,373,800</b>
<b>F CASH AND CASH EQUIVALENTS AT THE CLOSE OF THE YEAR (D+E)</b>	<b>225,000,458</b>	<b>925,822,713</b>

Notes:

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard (AS)-3 on 'Cash Flow Statements' as notified by the Companies (Accounting Standards) Rules, 2006.
- Cash and cash equivalents as at the close of the Year include:

Cash and Bank Balances (Refer Schedule G)	4,645,248,230	5,706,935,526
Less: in Fixed Deposit Accounts having Maturity more than three months	4,420,247,772	4,781,112,813
	<b>225,000,458</b>	<b>925,822,713</b>
- Cash and cash equivalents include fixed deposit amounting to Rs. 51,329 (Previous Year Rs. 49,548) pledged with Stock Exchange for arbitration matters.
- Unclaimed Dividend Balances in designated Bank accounts aggregating to Rs. 10,797,200 (Previous Year Rs. 6,469,045) are not available for use by the Company.
- Previous year's figures are regrouped wherever considered necessary.

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

For and on behalf of the Board

**K. A. Katki**  
Partner

Place : Mumbai  
Date: April 25, 2011

**Divyesh B. Shah**  
Director

Place : Mumbai  
Date: April 25, 2011

**Ashok Sharma**  
Director

**R. K. Agarwal**  
Company Secretary

# Schedules

Schedules forming part of Balance Sheet as at March 31, 2011  
of Indiabulls Securities Limited

(Amount in Rs.)

	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE A</b>		
<b>SHARE CAPITAL</b>		
Authorised		
500,000,000 (Previous Year 500,000,000) Equity shares of Rs. 2 each	1,000,000,000	1,000,000,000
25,000,000 (Previous Year 25,000,000) Preference Share of Rs. 4.61 each	115,250,000	115,250,000
	<b>1,115,250,000</b>	<b>1,115,250,000</b>
<b>Issued, Subscribed and Paid up</b>		
(Refer Note B 3 and B 5 of Schedule O)		
231,112,511 (Previous Year 229,940,648) Equity Shares of Rs. 2 each fully paid up	462,225,022	459,881,296
<b>Per Balance Sheet</b>	<b>462,225,022</b>	<b>459,881,296</b>
<b>SCHEDULE B</b>		
<b>RESERVES AND SURPLUS</b>		
1. Capital Redemption Reserve		
Balance as per last Balance Sheet	360,036,184	267,117,167
Add: Addition during the year	-	92,919,017
	360,036,184	360,036,184
2. Securities Premium Account		
Balance as per last Balance Sheet	-	40,000
Add: Addition during the year	18,046,690	-
Less: Utilised during the year	-	40,000
	18,046,690	-
3. General Reserve		
Balance as per last Balance Sheet	61,300,000	499,016,286
Add: Addition during the year	37,400,000	61,300,000
Less: Utilised during the year	-	499,016,286
	98,700,000	61,300,000
4. Surplus as per Profit and Loss Account	1,384,956,770	1,318,093,629
<b>Per Balance Sheet</b>	<b>1,861,739,644</b>	<b>1,739,429,813</b>

Schedules

Schedules forming part of Balance Sheet as at March 31, 2011  
of Indiabulls Securities Limited (contd.)

	As at March 31, 2011	(Amount in Rs.) As at March 31, 2010
<b>SCHEDULE C</b>		
<b>SECURED LOANS</b>		
From Banks (Refer Note B 6 and B 8 of Schedule O)		
- Vehicle Loans	8,143,586	4,589,805
- Bank Overdraft	1,720,567,925	1,148,019,728
- Working Capital Loans	250,000,000	500,000,000
- Interest accrued and due on Working Capital Loan	1,815,411	2,547,945
<b>Per Balance Sheet</b>	<b>1,980,526,922</b>	<b>1,655,157,478</b>
<b>SCHEDULE D</b>		
<b>UNSECURED LOANS</b>		
Short Term Loans (Refer Note B 7 of Schedule O)		
From Others		
Commercial Papers (Maximum Balance outstanding during the year Rs. 3,250,000,000 (Previous Year-Rs. 6,000,000,000))	-	1,500,000,000
Inter Corporate Deposits	-	40,000,000
<b>Per Balance Sheet</b>	<b>-</b>	<b>1,540,000,000</b>

Schedules forming part of Balance Sheet as at March 31, 2011  
of Indiabulls Securities Limited (contd.)

**SCHEDULE E  
FIXED ASSETS**

Particulars	Gross Block At Cost			Depreciation / Amortisation			Net Block		
	As at April 1, 2010	Additions during the year	Adjustments/Sales during the year	As at March 31, 2011	As at April 1, 2010	Provided during the year	Adjustments during the year	As at March 31, 2011	As at March 31, 2010
<b>A. TANGIBLE ASSETS</b>									
Computers	467,714,932	15,309,611	34,792,789	448,231,754	281,833,966	67,324,625	27,077,869	126,151,032	185,880,966
Office Equipment	254,958,880	10,504,013	26,347,222	239,115,671	53,513,834	12,280,184	6,566,311	179,887,964	201,445,046
Furniture and Fixtures*	213,996,642	2,662,329	81,059,366	135,599,605	67,444,992	14,816,963	24,395,684	77,733,334	146,551,650
Vehicles*	91,161,263	10,270,558	8,654,908	92,776,913	30,886,072	8,864,009	3,761,592	56,788,424	60,275,191
<b>TOTAL (A)</b>	<b>1,027,831,717</b>	<b>38,746,511</b>	<b>150,854,285</b>	<b>915,723,943</b>	<b>433,678,864</b>	<b>103,285,781</b>	<b>61,801,456</b>	<b>440,560,754</b>	<b>594,152,853</b>
<b>B. INTANGIBLE ASSETS</b>									
Membership Rights of the Stock Exchange, Mumbai	7,005,000	-	-	7,005,000	7,005,000	-	-	-	-
Software	582,364,504	5,098,703	-	587,463,207	467,986,171	75,926,950	-	43,550,086	114,378,333
Indiabulls.com Web Site	5,262,584	-	-	5,262,584	5,262,584	-	-	-	-
<b>TOTAL (B)</b>	<b>594,632,088</b>	<b>5,098,703</b>	<b>-</b>	<b>599,730,791</b>	<b>480,253,755</b>	<b>75,926,950</b>	<b>-</b>	<b>43,550,086</b>	<b>114,378,333</b>
<b>TOTAL (A+B)</b>	<b>1,622,463,805</b>	<b>43,845,214</b>	<b>150,854,285</b>	<b>1,515,454,734</b>	<b>913,932,619</b>	<b>179,212,731</b>	<b>61,801,456</b>	<b>484,110,840</b>	<b>708,531,186</b>
Previous Year	1,613,228,064	38,960,099	29,724,358	1,622,463,805	712,305,625	212,153,895	10,526,901	708,531,186	722,921,501
<b>CAPITAL WORK - IN- PROGRESS AND ADVANCES THEREAGAINST, AT COST</b>								<b>4,761,225</b>	<b>14,390,315</b>
								<b>488,872,065</b>	<b>722,921,501</b>

\* Including assets having original cost of Rs. 10,689,738 (Previous Year Rs. 32,481,509) hypothecated to bank against the loans.

Schedules

Schedules forming part of Balance Sheet as at March 31, 2011  
of Indiabulls Securities Limited (contd.)

	As at March 31, 2011	As at March 31, 2010
(Amount in Rs.)		
<b>SCHEDULE F</b>		
<b>INVESTMENTS</b> (At cost unless otherwise stated)		
(Refer Note B 24 of Schedule O)		
<b>Long Term–Trade–Unquoted</b>		
(i) In Others		
130,000 (Previous Year 130,000) Fully paid up Equity Shares of face value of Re 1 each in Bombay Stock Exchange Limited	10,000	10,000
<b>Long Term–Non Trade–Unquoted</b>		
(i) In Subsidiary Companies		
600,000 (Previous Year 600,000) Fully paid up Equity shares of face value Rs 10 each in Indiabulls Commodities Limited (Formerly Indiabulls Commodities Private Limited)	6,000,000	6,000,000
5,500,000 (Previous Year 3,500,000) Fully paid up Equity shares of face value Rs 10 each in Indiabulls Brokerage Limited	55,000,000	35,000,000
50,000 (Previous Year 50,000) Fully paid up Equity shares of face value Rs 10 each in Indiabulls Distribution Services Limited	500,000	500,000
50,000 (Previous Year 50,000) Fully paid up Equity shares of face value Rs 10 each in Devata Tradelink Limited	500,000	500,000
Less: Provision for Diminution in the value of investment	500,000	500,000
	-	-
(ii) In Others		
1,098,137 (Previous Year 1,098,137) Fully paid up Ordinary Shares of face value of £.001 each in Copal Partners Limited	476,694,683	476,694,683
<b>Per Balance Sheet</b>	<b>538,204,683</b>	<b>518,204,683</b>
Aggregate Book Value of Quoted Investments	-	-
Aggregate Market Value of Quoted Investments	-	-
Aggregate Book Value of Unquoted Investments	538,204,683	518,204,683

Schedules

Schedules forming part of Balance Sheet as at March 31, 2011  
of Indiabulls Securities Limited (contd.)

(Amount in Rs.)

	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE G</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>A. CURRENT ASSETS</b>		
1. Stock-in-trade (Securities) (Refer Note B 24 of Schedule O) (Valued at lower of cost and market value)	-	-
	-	-
Aggregate Book Value of Stock-in-trade	-	-
Aggregate Market Value of Stock-in-trade	-	-
2. Sundry Debtors (Unsecured, considered good, unless otherwise stated)		
Debts outstanding for a period exceeding six months		
Considered Good	256,212,801	292,458,888
Considered Doubtful	121,106,309	110,545,660
	377,319,110	403,004,548
Other Debts		
Considered Good	193,987,091	721,026,804
Considered Doubtful	118,463	-
	194,105,554	721,026,804
Less: Provision for Doubtful Debts	121,224,772	110,545,660
	450,199,892	1,013,485,692
3. Cash and Bank Balances		
Cash on Hand	173,078	146,647
Balances with Scheduled Banks		
In Current Accounts	224,776,051	925,626,518
In Fixed Deposit Accounts (Refer Note B 8 of Schedule O)	4,420,299,101	4,781,162,361
	4,645,248,230	5,706,935,526
4. Other Current Assets		
Interest Accrued on Fixed Deposits	58,817,792	96,167,545
<b>Total (A)</b>	<b>5,154,265,914</b>	<b>6,816,588,763</b>



Schedules

Schedules forming part of Balance Sheet as at March 31, 2011  
of Indiabulls Securities Limited (contd.)

	As at March 31, 2011	(Amount in Rs.) As at March 31, 2010
<b>B. LOANS AND ADVANCES</b>		
(Unsecured, considered good, unless otherwise stated)		
1. Advances recoverable in cash or in kind or for value to be received:		
Considered Good	56,657,162	76,473,738
Considered Doubtful	5,992,795	6,601,015
	62,649,957	83,074,753
Less: Provision for Doubtful Advances	5,992,795	6,601,015
	56,657,162	76,473,738
2. Margin Funding Loan Receivables (Secured)	74,268,496	1,330,966,466
Less: Margin received	23,930,675	371,529,334
	50,337,821	959,437,132
3. Loan to Subsidiary Company		
Indiabulls Brokerage Limited (Maximum balance outstanding during the year Rs. 3,207,000,000, Previous Year Rs. 266,000,000)	-	62,500,000
Indiabulls Commodities Limited (Maximum balance outstanding during the year Rs. 40,000,000, Previous Year Rs. Nil)	-	-
4. Security Deposits		
Considered Good	183,790,148	129,342,001
Considered Doubtful	19,933,972	6,027,431
	203,724,120	135,369,432
Less: Provision for Doubtful Deposits	19,933,972	6,027,431
	183,790,148	129,342,001
5. Deposits (including margin money) with Stock Exchanges	51,543,056	51,343,056
6. Advance Income Tax/Tax Deducted At Source (Net of Provision for tax Rs Nil; Previous Year Rs 1,217,100,000)	434,926,373	437,784,733
<b>Total (B)</b>	<b>777,254,560</b>	<b>1,716,880,660</b>
<b>Per Balance Sheet (A + B)</b>	<b>5,931,520,474</b>	<b>8,533,469,423</b>

Schedules

Schedules forming part of Balance Sheet as at March 31, 2011  
of Indiabulls Securities Limited (contd.)

(Amount in Rs.)

	As at March 31, 2011	As at March 31, 2010
<b>SCHEDULE H</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. CURRENT LIABILITIES</b>		
1. Sundry Creditors (Refer Note B 22 of Schedule O)		
- Dues to Micro and Small Enterprises	-	-
- Dues to Others	12,558,609	9,493,250
2. Margin from Customers	1,837,724,420	2,982,118,090
3. Temporary Overdrawn bank balances as per books	238,798,692	341,028,531
4. Other Liabilities	461,120,118	364,749,158
5. Unclaimed Dividends	10,797,200	6,469,045
<b>Total</b>	<b>2,560,999,039</b>	<b>3,703,858,074</b>
<b>B. PROVISIONS</b>		
1. Provision for Gratuity (Refer Note B 15 of Schedule O)	47,066,227	52,744,001
2. Provision for Compensated Absences (Refer Note B 15 of Schedule O)	17,584,459	22,229,774
3. Provision for Taxation (Net of Advance Tax of Rs. 1,693,264,847; Previous Year Rs. 261,619,613)	66,854,895	36,780,387
4. Provision for Fringe Benefits Tax (Net of advance tax of Rs. 51,590,477; Previous Year Rs. 59,078,961)	21,448	22,012
5. Proposed Final Dividend on Equity Shares	-	459,881,296
6. Corporate Dividend Tax on Proposed Final Dividend on Equity Shares	-	76,380,535
<b>Total</b>	<b>131,527,029</b>	<b>648,038,005</b>
<b>Per Balance Sheet</b>	<b>2,692,526,068</b>	<b>4,351,896,079</b>

Schedules

Schedules forming part of Profit & Loss Account for the Year ended March 31, 2011

	(Amount in Rs.)	
	Year ended March 31, 2011	Year ended March 31, 2010
<b>SCHEDULE I</b>		
<b>REVENUE</b>		
Brokerage Income	2,326,859,343	2,360,092,475
Interest on Margin funding	358,982,446	260,932,020
Income from Depository Services	29,978,012	43,504,483
Transaction and Other Charges	154,622,965	256,127,181
Interest on Fixed Deposits (Tax deducted at source Rs. 29,574,815 (Previous Year Rs. 25,289,604))	336,026,996	340,285,413
Advisory Income	9,691,081	7,500,000
Income From Equity Analysis, Mutual Funds, Account Opening & Other Charges	38,343,792	100,473,382
<b>Per Profit and Loss Account</b>	<b>3,254,504,635</b>	<b>3,368,914,954</b>
<b>SCHEDULE J</b>		
<b>OTHER INCOME</b>		
Profit on Sale of Current Investments/Dealing in Securities (Refer Note B 24 of Schedule O)	-	5,218,120
Interest Income from Inter Corporate Deposit	52,276,383	-
Dividend Income on Current Investments	10,776,361	20,159,233
Dividend Income on Long Term Investments	13,499,720	520,000
Excess provision no longer required written back	30,396,203	35,421,925
Sundry Credit Balances Written Back	14,393,633	17,306,483
<b>Per Profit and Loss Account</b>	<b>121,342,300</b>	<b>78,625,761</b>

Schedules

Schedules forming part of Profit & Loss Account for the Year ended March 31, 2011  
(contd.)

(Amount in Rs.)

	Year ended March 31, 2011	Year ended March 31, 2010
<b>SCHEDULE K</b>		
<b>OPERATING EXPENSES</b>		
Stamp Duty	71,613,133	88,107,573
Demat Charges	903,676	-
SEBI Charges	3,727,848	4,402,270
Commission	11,600,461	7,097,180
Depository Charges	13,069,481	18,038,346
Transaction Charges	85,188,342	83,605,271
Membership Fees	1,001,115	2,020,512
Web Hosting Expenses	15,452,610	21,541,637
VSAT Charges	5,897,888	6,883,132
Leased Line Expenses	31,048,458	35,662,388
Content Expenses	9,745,045	4,302,559
Software Expenses	29,057,664	6,480,319
<b>Per Profit and Loss Account</b>	<b>278,305,721</b>	<b>278,141,187</b>
<b>SCHEDULE L</b>		
<b>PERSONNEL COSTS</b>		
Salaries (Refer Note B 17 of Schedule O)	1,283,942,465	1,300,182,760
Contribution to Provident Fund and Other Funds (Refer Note B 15 of Schedule O)	1,178,419	1,211,429
Staff Welfare Expenses	18,567,970	17,441,035
Provision for Gratuity and Compensated Absences (Refer Note B 15 of Schedule O)	852,537	16,882,732
<b>Per Profit and Loss Account</b>	<b>1,304,541,391</b>	<b>1,335,717,956</b>

Schedules

Schedules forming part of Profit & Loss Account for the Year ended March 31, 2011  
(contd.)

(Amount in Rs.)

	Year ended March 31, 2011	Year ended March 31, 2010
<b>SCHEDULE M</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Lease Rent (Refer Note B 9 of Schedule O)	213,514,710	118,485,819
Recruitment Expenses	150,000	1,806,665
Rates and Taxes	3,165,072	4,806,356
Electricity Expenses	30,259,499	26,756,232
Insurance	1,181,323	511,403
Communication Expenses	81,586,809	83,439,602
Professional Charges	53,314,609	75,928,927
Travelling & Conveyance	15,940,469	14,276,697
Printing and Stationery	26,495,680	25,954,664
Office Maintenance	32,397,100	30,476,934
Repairs and Maintenance–Others	52,504,595	48,303,796
Business Promotion	9,469,900	10,505,768
Advertisement	-	2,000,000
Auditors' Remuneration (excluding service tax Rs. 669,500 (Previous Year Rs. 669,500))		
- As Auditors	5,000,000	5,000,000
- Other Services–Certifications	800,000	800,000
- Out of Pocket Expenses	700,000	700,000
Loss on erroneous transactions (Refer Note B 10 of Schedule O)	864,630	7,071,519
Loss on Sale/ Scrap of fixed assets	79,797,534	13,950,937
Provision for Doubtful Debts, Advances and Security Deposits	58,365,060	18,274,847
Bad Debts / Advances written off	37,073,831	6,583,235
Less : Adjusted against provision of earlier years	34,387,627	4,766,600
	2,686,204	1,816,635
Foreign exchange fluctuation loss	14,846	-
Miscellaneous Expenses	1,146,935	418,132
<b>Per Profit and Loss Account</b>	<b>669,354,975</b>	<b>491,284,933</b>
<b>SCHEDULE N</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
Bank Charges	64,354,990	58,386,572
Interest on Inter Corporate Deposits	15,700,397	25,587,442
Interest on Bank Overdraft	73,460,776	14,566,790
Interest on Working Capital Loan	66,936,514	40,438,664
Interest on Vehicle loans	523,229	1,106,579
Interest on Debentures	46,239,061	670,180
Interest on Commercial Papers	124,994,913	50,043,241
<b>Per Profit and Loss Account</b>	<b>392,209,880</b>	<b>190,799,468</b>

# Significant Accounting Policies and Notes

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011

## SCHEDULE O

### A. Significant Accounting Policies:

#### a) Basis of Preparation of Financial Statements:

The financial statements are prepared under the historical cost convention, on an accrual basis and in accordance with the Generally Accepted Accounting Principles in India and Accounting Standards as notified under the Companies (Accounting Standards) Rules, 2006.

#### b) Use of Estimates:

The preparation of financial statements in conformity with the Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known / materialised.

#### c) Revenue Recognition:

- Revenue from brokerage activities is accounted for on the trade date of transaction.
- Revenue from interest charged to customers on margin funding is recognised on a daily/monthly basis up to the last day of accounting period.
- Depository income is accounted on accrual basis as and when the right to receive the income is established.
- Revenue from interest from fixed deposits is recognised on accrual basis.
- Commission on mutual fund is recognised on accrual basis.
- Income from fee based advisory services is recognised on an accrual basis.
- Dividend income on equity shares is recognised when the right to receive the dividend is unconditional at the Balance Sheet date.
- Dividend Income on units of Mutual Fund is recognised when the right to receive the dividend is unconditional at the Balance Sheet

date and any gains/losses are recognised on the date of redemption.

- Interest income on inter corporate deposits is recognised on accrual basis.

- d) Income from arbitrage and trading in securities and derivatives comprises profit/loss on sale of securities held as stock-in-trade and profit/loss on equity derivative instruments. Profit/loss on sale of securities is determined based on the weighted average cost of the securities sold. Profit/loss on equity derivative transactions is accounted for based on the 'Guidance Note on Accounting for Equity Index and Equity Stock Futures and Options' issued by the Institute of Chartered Accountants of India which is more fully explained in i) and ii) below :-

#### Equity Index / Stock Futures:

In accordance with Guidance Note on "Accounting for Equity Index and Equity Stock Futures and Options" issued by The Institute of Chartered Accountants of India

- (i) Initial Margin–Equity Index/ Stock Futures, representing the initial margin paid, and margin deposits representing additional margin paid over and above the initial margin, for entering into a contract for equity index/ stock futures which are released on final settlement / squaring-up of the underlying contract, are disclosed under Loans and Advances.
- (ii) Equity Index / Stock Futures are marked-to-market on a daily basis. Debit or credit balance disclosed under Loans and Advances or Current Liabilities, respectively, in the "Mark-to-Market Margin–Equity Index/ Stock Futures Account", represents the net amount paid or received on the basis of movement in the prices of index/ stock futures till the Balance Sheet date.
- (iii) As on the Balance Sheet date, profit/loss on open positions in Equity index/ stock futures is accounted for as follows:
  - Credit balance in the "Mark-to-Market Margin–Equity Index/Stock Futures Account", being the anticipated profit, is ignored and no credit for the same is taken in the Profit and Loss Account.

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

- Debit balance in the "Mark-to-Market Margin–Equity Index/Stock Futures Account", being the anticipated loss, is adjusted in the Profit and Loss Account.

(iv) On final settlement or squaring-up of contracts for equity index/stock futures, the profit or loss is calculated as the difference between the settlement/squaring-up price and the contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract in "Mark-to-Market Margin–Equity Index/Stock Futures Account" after adjustment of the provision for anticipated losses is recognised in the Profit and Loss Account. When more than one contract in respect of the relevant series of equity index/stock futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using the weighted average cost method for calculating the profit/loss on squaring-up.

**e) Stock-in-trade:**

Stock-in-trade comprising of securities held for the purposes of trading is valued at lower of cost and market value. Profit or loss on sale of such securities is determined using weighted average cost method.

**f) Commercial Papers:**

The liability is recognised at face value of the commercial paper at the time of issue of commercial paper. The discount on issue of commercial paper is amortised over the tenure of the instrument.

**g) Fixed Assets:**

**(i) Tangible Assets:**

Tangible fixed assets are stated at cost, net of tax / duty credits availed, if any, less accumulated depreciation / impairment losses, if any. Cost includes original cost of acquisition, including incidental expenses related to such acquisition and installation.

**(ii) Intangible Assets:**

Intangible assets are stated at cost, net of tax / duty credits availed, if any, less accumulated amortisation

/ impairment losses, if any. Cost includes original cost of acquisition, including incidental expenses related to such acquisition and installation.

**h) Depreciation / Amortisation:**

Depreciation on tangible fixed assets is provided on straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on additions to fixed assets is provided on pro-rata basis from the date the asset is put to use. Depreciation on sale / deduction from fixed assets is provided for up to the date of sale / deduction / scrapping, as the case may be. Assets taken on finance lease are depreciated over the tenure of the lease. Assets costing Rs. 5,000 or less per item are fully depreciated in the year of purchase.

Intangible assets consisting of Membership Rights of the Bombay Stock Exchange Limited are amortised on straight-line method basis over a period of five years from the date when the rights became available for use.

Intangible assets consisting of Software are amortised on a straight line basis over a period of four years from the date when the assets are available for use.

**i) Impairment of Assets:**

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. Recoverable amount is higher of an asset's net selling price and its value in use. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

**j) Investments:**

Investments are classified as long term and current investments. Long term investments are carried at cost less provision, if any, for diminution other than

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

temporary in their value. Current investments are valued at lower of cost and fair value.

**k) Foreign Currency Transactions:**

- i. Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of transaction.
- ii. Monetary items denominated in foreign currencies at the year end are translated at year end rates.
- iii. Non monetary foreign currency items are carried at cost.
- iv. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the Profit and Loss Account.

**l) Employee Benefits:**

The Company has a defined contribution plan namely Provident Fund. Annual contribution to Employees Provident Fund Organisation is charged to Profit and Loss Account. The Company has unfunded defined benefit plans namely long term compensated absences and gratuity for all eligible employees, the liability for which is determined on the basis of an actuarial valuation at the end of the year using the Projected Unit Credit Method. Actuarial gains and losses comprise experience adjustments and the effects of change in actuarial assumptions and are recognised in Profit and Loss Account as income or expenses.

**m) Deferred Employee Stock Compensation Cost:**

The Company follows intrinsic value method as per Guidance Note on "Accounting for Employee Share-based Payments" issued by The Institute of Chartered Accountants of India for accounting for Employee Stock Options granted. Deferred employee stock compensation cost for stock options are recognised and measured by the difference between the intrinsic value of the Company's shares at the stock options grant date and the exercise price to be paid by the option holders. The compensation expense is amortised over the vesting period of the options. The fair value of options for disclosure purposes is measured on the basis of a valuation performed in respect of stock options granted.

**n) Taxes on Income:**

Current tax is determined as the tax payable in respect of taxable income for the year and is computed in accordance with relevant tax regulations.

Deferred tax resulting from timing differences between book and tax profits is accounted for at the current rate of tax / substantively enacted tax rates at the Balance Sheet date, as applicable, to the extent that the timing differences are expected to crystallise.

Deferred Tax Assets are recognised where realisation is reasonably certain whereas in case of carried forward losses or unabsorbed depreciation, deferred tax assets are recognised only if there is a virtual certainty of realisation backed by convincing evidence. Deferred Tax Assets are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date.

**o) Leases:**

In case of assets taken on operating lease, the lease rentals are charged to the Profit and Loss Account and assets taken on finance lease have been capitalised, in accordance with Accounting Standard (AS) 19-Leases as notified under the Companies (Accounting Standards) Rules, 2006.

**p) Share Issue Expenses:**

Share issue expenses are adjusted against Securities Premium account to the extent of balance available and thereafter, the balance portion is charged off to the Profit and Loss Account, as incurred.

**q) Borrowing Costs:**

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of cost of the asset. All other borrowing costs are charged to Profit and Loss Account.

**r) Provisions, Contingent Liabilities and Contingent Assets:**

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (1) Possible obligations which will be confirmed



forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

only by future events not wholly within the control of the Company or (2) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of

the obligation cannot be made. Contingent Assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

**B. Notes to accounts:**

- Indiabulls Securities Limited ("IBSL" or "the Company") carries on the business as stock and share brokers on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited; depository participants and other related ancillary services. On February 1, 1996 IBSL received a certificate of registration from the Securities and Exchange Board of India ("SEBI") under sub-section 1 of section 12 of the Securities and Exchange Board of India Act, 1992 to carry on the business as a stock broker. Accordingly, all provisions of the Securities and Exchange Board of India Act, 1992, and rules and regulations relating thereto are applicable to IBSL. On April 2, 2008 the equity shares of the Company were listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) after the demerger of the Company from Indiabulls Financial Services Limited.
- Contingent liabilities not provided for in respect of:

	As at March 31, 2011	As at March 31, 2010
- Bank Guarantees		
Credit facilities availed from banks	3,750,000,000	5,000,000,000
Others	—	300,000
- Claims against the Company not acknowledged as debts in respect of:		
Penalty for synchronised trading under SEBI regulations*	1,500,000	1,500,000
Arbitration matters	2,415,706	7,732,045
- Capital Commitments	3,062,554	3,560,258
- Corporate guarantee for bank guarantees availed by subsidiary	100,000,000	170,000,000

\* During the year, the Securities Appellate Tribunal ("SAT") has passed an order dated October 26, 2010 in favour of the Company setting aside the penalty imposed by SEBI. However, subsequent to the year end, SEBI has preferred an appeal at the Honourable Supreme Court of India against the judgment of the SAT.

Note:

The Company is involved in various legal proceedings as respondents / defendants for various claims including those related to matters relating to conduct of its business. In respect of these claims, the Company believes, these claims do not constitute material litigation matters and with its meritorious defenses the ultimate disposition of these matters will not have material adverse effect on its Financial Statements / Position.

- During the previous year, the Company had redeemed 9,966,667 10% Cumulative, Non-convertible Preference Shares of face value Rs. 4.61 per share amounting to Rs. 45,946,335, held by Oberon Limited. Consequently, the paid-up Preference Share Capital of the Company stood fully repaid.

**4. Employee Stock Option Schemes:**

**Indiabulls Employees' Welfare Trust:**

During the year, pursuant to the approval accorded at an Extraordinary General Meeting of the members of the Company held on September 30, 2010, the "Indiabulls Employees' Welfare Trust" ("Trust") has been formed on

*forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)*

October 04, 2010 with an initial corpus of Rs. 50,000, contributed equally by the Company and four other listed Settlor entities, to administer and implement the Settlor entities' current ungranted Employee Stock Option Schemes ("ESOP") and any future ESOP / Employee Stock Purchase Schemes. The Company being one of the Settlor entities of the Trust, has contributed its share of Rs. 10,000 as its initial contribution towards the corpus of the said Trust. The Trust is administered by Independent Trustees. In terms of the Trust Deed, Equity shares of the Settlor entities are purchased by the Trust to the extent permissible in terms of the ESOP scheme as approved by the Members of the Company for the purposes of allotment of the same to eligible Employees of settlor companies and their subsidiaries, upon exercise of options granted by the Compensation Committee of those companies, at a price to be determined by the Trust based on its carrying cost. During the year, there has been no new grants made by the Company which is required to be administered by the Trust.

**Employees Stock Option Scheme–2008**

Pursuant to resolution passed by the shareholders on January 19, 2009 the Company had cancelled and withdrawn the existing "Employee Stock Option Scheme–2007", covering 15,000,000 stock options and established a new Employee Stock Option Scheme titled "Employee Stock Option Scheme–2008" in accordance with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI Guidelines"). Under the Scheme, the Company was authorised to grant 20,000,000 equity settled options to eligible employees including its directors (other than promoter directors) and employees of its subsidiary companies including their directors. All options under the Scheme are exercisable for equity shares of the Company. Employees covered by the plan were granted an option to purchase shares of the Company subject to the requirements of vesting.

A Compensation Committee constituted by the Board of Directors of the Company administered the plan. The Compensation Committee at its meeting held on January 24, 2009, had granted, under the "Indiabulls Securities Limited Employees Stock Option Scheme–2008" ("IBSL ESOP–2008"), 20,000,000 Stock Options representing an equal number of equity shares of face value Rs. 2 each in the Company, to the Eligible Employees, at an exercise price of Rs. 17.40, being the latest available closing market price on the National Stock Exchange of India Ltd., as on January 23, 2009 following the intrinsic method of accounting as is prescribed in the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employees Share based Payments ("the Guidelines"). As the options have been granted at intrinsic value, there is no employee stock compensation expense on account of the same. The Stock Options so granted, shall vest in the eligible employees over a period of 10 years beginning from January 25, 2010 being the first vesting date. The options granted under each of the slabs, can be exercised by the grantees within a period of five years from the relevant vesting date.

<b>S. No.</b>	<b>Particulars</b>	<b>IBSL ESOP–2008</b>
1	Exercise price	Rs. 17.40
2	Expected volatility	79%
3	Expected forfeiture percentage on each vesting date	Nil
4	Option Life (Weighted Average)	11 Years
5	Expected Dividends yield	22.99%
6	Risk Free Interest rate	6.50%
The fair value of the options under the plans using the Black Scholes Merton Option Pricing Model as certified by an independent firm of Chartered Accountants.		Re. 0.84

The expected volatility was determined based on historical volatility data.

**Employees Stock Option Scheme–2009**

The Shareholders of the Company at their Annual General Meeting held on September 30, 2009 have authorised the Board of Directors to grant 20,000,000 options, representing equivalent number of Equity shares of face value Rs. 2 each in one or more tranches, pursuant to a new employee stock option scheme titled as 'Indiabulls Securities Limited Employees Stock Option Scheme–2009' ("IBSL ESOP–2009"). The options covered under the Scheme would

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

be granted, at a price and on such terms and conditions as may be decided by the Compensation Committee, to the eligible employees of the Company and its subsidiaries.

The Compensation Committee constituted by the Board of Directors of the Company, at its meeting held on December 1, 2009, granted, under the "Indiabulls Securities Limited Employees Stock Option Scheme- 2009" ("IBSL ESOP – 2009") 10,000,000 Stock Options representing an equal number of equity shares of face value Rs. 2 each in the Company, at an exercise price of Rs. 35.25, being the latest available closing market price on the National Stock Exchange of India Ltd., as on November 30, 2009. The Stock Options so granted, shall vest uniformly within 10 years beginning from December 2, 2010 being the first vesting date. The option granted under each of the slabs, can be exercised within a period of five years from the relevant vesting date.

Further, the Compensation Committee constituted by the Board of Directors of the Company has, at its meeting held on April 12, 2010, granted, under the "Indiabulls Securities Limited Employees Stock Option Scheme – 2009" ("IBSL ESOP – 2009") 2,050,000 Stock Options representing an equal number of equity shares of face value Rs. 2 each in the Company, at an exercise price of Rs. 31.35, being the latest available closing market price on the National Stock Exchange of India Ltd., as on April 9, 2010. The Stock Options so granted, shall vest uniformly within 10 years beginning from April 13, 2011 being the first vesting date. The options granted under each of the slabs, can be exercised within a period of five years from the relevant vesting date.

S. No.	Particulars	IBSL ESOP – 2009	
		10,000,000 Options	2,050,000 Options
1	Exercise price	Rs. 35.25	Rs. 31.35
2	Expected volatility	77%	48.96%
3	Expected forfeiture percentage on each vesting date	Nil	Nil
4	Option Life (Weighted Average)	10 Years	10 Years
5	Expected Dividends yield	13.48%	6.86%
6	Risk Free Interest rate	7.50%	8.05%
The fair value of the options under the plans using the Black Scholes Merton Option Pricing Model as certified by an independent firm of Chartered Accountants.		Rs. 6.48	Rs. 9.39

The expected volatility was determined based on historical volatility data.

Had the compensation cost for the stock options granted under IBSL ESOP–2008 and IBSL ESOP–2009 been determined based on the fair value approach, the Company's net profit and earnings per share would have been as per the pro forma amounts indicated below:-

Particulars	(Amount in Rs.)	
	Year ended March 31, 2011	Year ended March 31, 2010
Net Profit attributable to Equity Shareholders (Refer note B 13 of Schedule O)	373,727,580	610,363,400
Less : Stock-based compensation expense determined under fair value based method: [Gross Rs. 98,266,798 (Previous Year Rs. 81,600,000)] (pro forma)	24,697,273	9,483,238
Net profit considered for computing EPS (pro forma)	349,030,307	600,880,162
<b>Basic / Diluted Earnings Per Share:</b>		
Weighted average number of equity shares used for computing Basic Earnings per Share	230,658,648	251,122,616
Add: Potential number of Equity share that could arise on exercise of Employee Stock Options	3,150,480	9,602,680
Weighted average number of equity shares used for computing Diluted Earnings per Share	233,809,128	260,725,296

Significant Accounting Policies and Notes

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

Particulars	Year ended	Year ended
	March 31, 2011	March 31, 2010
Basic earnings per share (as reported)	1.62	2.43
Basic earnings per share (pro forma)	1.51	2.39
Diluted earnings per share (as reported)	1.60	2.34
Diluted earnings per share (pro forma)	1.50	2.30

The other disclosures in respect of the above Schemes are as under:-

	IBSL ESOP-2008	IBSL ESOP-2009	
	20,000,000	10,000,000	2,050,000
<b>Total Options under the Scheme (Nos.)</b>	<b>20,000,000</b>	<b>10,000,000</b>	<b>2,050,000</b>
<b>Options granted (Nos.)</b>	<b>20,000,000</b>	<b>10,000,000</b>	<b>2,050,000</b>
Vesting Period and Percentage	Ten years, 1st Year-15% 2nd year to 9th year-10% each year 10th year-5%	Uniformly over a period of Ten years	Uniformly over a period of Ten years
Vesting Date	January 25th each year, commencing January 25, 2010	December 2nd each year, commencing December 2, 2010	April 13th each year, commencing April 13, 2011
Exercise Price (Rs.)	17.40	35.25	31.35
Outstanding at the beginning of the year (Nos.)	18,147,325	10,000,000	2,050,000
Options vested during the year (Nos.)	1,685,750*	1,000,000	—
Exercised during the year (Nos.)	1,171,863	—	—
Expired during the year (Nos.)	—	—	—
Surrendered and eligible for re-grant (Nos.)	1,794,229	—	—
Outstanding at the end of the year (Nos.)	15,181,233	10,000,000	2,050,000
Exercisable at the end of the year (Nos.)	2,974,346	10,000,000	—
Remaining contractual Life (Weighted Months)	97	115	126

\* Net of options surrendered before vesting.

5. During the year ended March 31, 2009, the Shareholders of the Company by means of Special Resolution passed through the postal ballot with requisite majority, authorised on March 06, 2009 the buy-back of the Company's fully paid-up Equity Shares of face value Rs. 2 each from the open market through stock exchanges, at a price not exceeding Rs. 33 per share up to a maximum amount of Rs. 831,796,227, being 25% of the total paid-up equity capital and free reserves as per the audited Balance Sheet of the Company as at March 31, 2008, to be financed out of the Company's free reserves and surplus and balance in the Profit and Loss Account. The Company had proposed to buyback upto 39,281,000 of its fully paid up Equity Shares and minimum number of 5,000,000 of its fully paid up Equity Shares at a price not exceeding Rs. 33 per Equity Share.

Subsequently, during the year ended March 31, 2010, the Company had completed the said buy back on March 5, 2010 and had bought back 23,486,341 Equity Shares of face value of Rs. 2 each utilising an aggregate amount of Rs. 741,909,192 from General Reserve, Securities Premium and Profit & Loss Account.

Significant Accounting Policies and Notes

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

**6. Secured Loans:**

- a) Vehicles Loans of Rs. 8,143,586 (Previous Year Rs. 4,589,805) are secured against hypothecation of the Vehicles purchased.
- b) Working Capital loans of Rs. 250,000,000 (Previous Year Rs. 500,000,000) and Bank Overdraft of Rs. 1,720,567,925 (Previous Year Rs. 1,148,019,728) are secured against Fixed Deposits placed with Banks.

7. During the year, the Company had privately placed Unsecured Redeemable Non-Convertible Debentures, the salient features of the same are given below:

Party	Face Value (Rs.)	Amount (Rs. In Crores)	Coupon Rate			Date of Allotment	Earliest date of redemption	Date of actual redemption	Amount Redeemed (Rs. In Crores)	
			Original Rate	Revised Rate	Effective Date for revised rate					
Taurus Mutual Fund	1,000,000	50	MIBOR +30bps			12-Apr-10	9-Jul-10	16-Apr-10* 23-Apr-10*	10 40	
Taurus Mutual Fund	1,000,000	25	4.25% p.a.			15-Apr-10	13-Jul-10	23-Apr-10*	25	
Taurus Mutual Fund	1,000,000	35	MIBOR +40bps			27-Apr-10	23-Jul-10	04-May-10*	35	
Taurus Mutual Fund	1,000,000	25	MIBOR +40bps			27-Apr-10	23-Jul-10	30-Apr-10*	25	
Taurus Mutual Fund	1,000,000	40	MIBOR +40bps			27-Apr-10	23-Jul-10	04-May-10*	40	
Taurus Mutual Fund	1,000,000	100	MIBOR +60bps	MIBOR +100bps	28-May-10	4-May-10 4-May-10	30-Jul-10 30-Jul-10	17-May-10* 31-May-10*	50 50	
Taurus Mutual Fund	1,000,000	25	MIBOR +50bps			19-May-10	16-Aug-10	21-May-10*	25	
Taurus Mutual Fund	1,000,000	50	MIBOR +50bps			20-May-10	17-Aug-10	21-May-10*	50	
Taurus Mutual Fund	1,000,000	25	MIBOR +60bps	MIBOR +100bps	28-May-10	21-May-10	18-Aug-10	31-May-10*	25	
Taurus Mutual Fund	1,000,000	50	MIBOR +150bps			21-Jun-10	17-Sep-10	25-Jun-10* 30-Jun-10*	35 15	
Taurus Mutual Fund	1,000,000	50	MIBOR +100bps			23-Jun-10	17-Sep-10	30-Jun-10*	50	
Axis Mutual Fund	1,000,000	50	MIBOR-45bps			23-Apr-10	21-Jul-10	26-Apr-10*	50	
Axis Mutual Fund	1,000,000	25	MIBOR +20bps			12-May-10	9-Aug-10	14-May-10*	25	
Shinsei Mutual Fund	1,000,000	35	MIBOR +25bps	MIBOR +50bps	10-May-10	7-May-10	4-Aug-10	10-May-10* 11-May-10*	3 13	
						12-May-10	4-Aug-10	12-May-10*	19	
Shinsei Mutual Fund	1,000,000	30	MIBOR +25bps	MIBOR +40bps	14-May-10	12-May-10	9-Aug-10	18-May-10* 19-May-10*	10 20	
						14-May-10	11-Aug-10	19-May-10* 20-May-10*	13 5	
Shinsei Mutual Fund	1,000,000	40	MIBOR +40bps	MIBOR +50bps	20-May-10	14-May-10	11-Aug-10	03-Jun-10*	12	
										24-May-10
										28-May-10
										1-Jun-10
Shinsei Mutual Fund	1,000,000	30	MIBOR +175bps			21-Jun-10	17-Sep-10	14-Jun-10*	10	
								24-Jun-10* 28-Jun-10*	26 4	

Significant Accounting Policies and Notes

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

Party	Face Value (Rs.)	Amount (Rs. In Crores)	Coupon Rate			Date of Allotment	Earliest date of redemption	Date of actual redemption	Amount Redeemed (Rs. In Crores)
			Original Rate	Revised Rate	Effective Date for revised rate				
Peerless Mutual Fund	1,000,000	35	MIBOR +25bps			11-May-10	6-Aug-10	12-May-10* 20-May-10*	10 25
Peerless Mutual Fund	1,000,000	10	MIBOR +25bps			12-May-10	9-Aug-10	24-May-10*	10
Peerless Mutual Fund	1,000,000	25	MIBOR +50bps			21-May-10	18-Aug-10	28-May-10*	25
Peerless Mutual Fund	1,000,000	25	MIBOR +60bps			25-May-10	20-Aug-10	26-May-10*	25
Peerless Mutual Fund	1,000,000	25	MIBOR +60bps			26-May-10	23-Aug-10	28-May-10*	25
Peerless Mutual Fund	1,000,000	50	MIBOR +100bps			28-May-10	25-Aug-10	01-Jun-10*	50
Peerless Mutual Fund	1,000,000	25	6.60% p.a.			1-Jun-10	26-Aug-10	26-Aug-10	25
Peerless Mutual Fund	1,000,000	19	MIBOR +225bps			2-Jun-10	26-Aug-10	09-Jun-10*	19
Peerless Mutual Fund	1,000,000	19	MIBOR +150bps			9-Jun-10	6-Sep-10	18-Jun-10*	19
Peerless Mutual Fund	1,000,000	25	MIBOR +150bps			21-Jun-10	17-Sep-10	17-Sep-10	25
Peerless Mutual Fund	1,000,000	25	MIBOR +100bps			24-Jun-10	17-Sep-10	17-Sep-10	25
Reliance Mutual Fund	1,000,000	75	MIBOR +100bps			24-Jun-10	21-Sep-10	30-Jun-10*	75
UTI Mutual Fund	1,000,000	100	MIBOR +100bps			30-Jun-10	27-Sep-10	27-Sep-10	100
Birla Mutual Fund	1,000,000	50	MIBOR +150bps			30-Jun-10	27-Sep-10	02-Jul-10*	50
Peerless Mutual Fund	1,000,000	35	MIBOR +125bps			29-Jul-10	26-Oct-10	30-Jul-10*	35
Birla Mutual Fund	1,000,000	50	MIBOR +120bps			2-Jul-10	29-Sep-10	29-Sep-10	50

\* Call option exercised and redeemed before the due date.

All the above debentures had been redeemed as at the year end.

**8. Fixed deposits includes:**

- Rs. 1,884,173,628 (Previous Year Rs. 2,500,562,281) pledged with the banks against bank guarantees issued by banks for base capital and additional base capital to National Stock Exchange of India, Bombay Stock Exchange of India and National Securities Clearing Corporation Limited.
- Rs. 250,000,000 (Previous Year Rs. 500,000,000) pledged against working capital loan taken from bank.
- Rs. 172,400,000 (Previous Year Rs. 376,900,000) pledged with National Stock Exchange of India, Bombay Stock Exchange of India and National Securities Clearing Corporation Limited for the purpose of base capital and additional base capital.
- Rs. 1,914,500,000 (Previous Year Rs. 1,310,000,000) pledged with banks for overdraft facilities.
- Rs. 22,138,193 (Previous Year Rs. 18,675,079) pledged for arbitration matters.
- Rs. 25,000 (Previous Year Rs. 25,000) pledged with State Commission, New Delhi for appeal filed by the Company in a consumer dispute matter.

Significant Accounting Policies and Notes

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

9. The Company has taken office premises on operating lease at various locations in India and lease rent in respect of the same amounting to Rs. 213,514,710 (Previous Year Rs. 118,485,819) has been charged to Profit and Loss Account. The minimum lease rental outstanding as at March 31, 2011 are as under:

	As at March 31, 2011	As at March 31, 2010
Within one year	190,810,157	105,587,738
One to Five years	460,614,374	134,761,817
More than Five years	362,039	2,108,859

(Amount in Rs.)

The agreements are executed for a period ranging from 11 months to 10 years with a renewable clause and in many cases, also provide for termination at will by either party giving a prior notice of 30 to 90 days.

10. The loss on squaring off of erroneous transactions on account of trading in securities amounting to Rs. 864,630 (Net) (Previous Year loss Rs. 7,071,519 (Net)) has been adjusted to Profit and Loss Account.

11. Segment Reporting:

Segment information for the period from April 01, 2010 to March 31, 2011 as per AS -17 'Segment Reporting' as notified under the Companies (Accounting Standards) Rules, 2006:

- (a) Primary segment information (by Business Segments):

(Amount in Rs.)

	Broking and related activities	Others	Total
(i) Segment Revenue	3,254,504,635	—	3,254,504,635
	3,368,914,954	7,118,373	3,376,033,327
(ii) Segment Results	874,347,455	—	874,347,455
	1,064,688,854	7,118,373	1,071,807,227
Add: Unallocated Income net of other unallocated Expenditure			5,729,672
			48,945
Less: Interest expenditure			327,854,890
			132,412,896
Less: Income taxes			178,494,657
			327,268,409
<b>Total Profit after tax</b>			<b>373,727,580</b>
			<b>612,174,867</b>
(iii) Segment Assets	5,979,390,542	—	5,979,390,542
	8,780,146,989	—	8,780,146,989
Unallocated Corporate Assets			1,017,627,114
			981,223,653
<b>Total Assets</b>			<b>6,997,017,656</b>
			<b>9,761,370,642</b>

Significant Accounting Policies and Notes

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

	<b>Broking and related activities</b>	<b>Others</b>	<b>Total</b>
(iv) Segment Liabilities	4,480,949,217	—	4,480,949,217
	<i>5,316,643,833</i>	—	<i>5,316,643,833</i>
Unallocated Corporate Liabilities			192,103,773
			<i>2,245,415,701</i>
<b>Total Liabilities</b>			<b>4,673,052,990</b>
			<b><i>7,562,059,534</i></b>
(v) Capital Expenditure including Capital Advances	23,945,566	—	23,945,566
	<i>51,525,458</i>	—	<i>51,525,458</i>
(vi) Depreciation	170,348,722	—	170,348,722
	<i>203,370,364</i>	—	<i>203,370,364</i>
(vii) Non cash expenditure other than Depreciation	24,829,970	—	24,829,970
	<i>29,806,661</i>	—	<i>29,806,661</i>

(Previous year's figures are stated in Italics)

- (b) The Company operates solely in one Geographic segment namely "Within India" and hence no separate information for Geographic segment wise disclosure is required.
- (c) The Company's primary Business segment is reflected based on principal business activities carried on by the Company. The Company's primary business activity is to carry on business of stock and share broker on National Stock Exchange of India Limited and Bombay Stock Exchange Limited and other related ancillary services.
- (d) "Others" business segment constitutes Investment and dealing in tradable securities and arbitrage transaction in securities. This not being the normal business activity of the Company, the same is shown as "Others".
- (e) Segment revenue, results, assets and liabilities include amounts identifiable to each segment and amounts allocated on a reasonable basis.
- (f) The accounting policies adopted for segment reporting are in line with the accounting policies adopted for preparation of financial information as disclosed in (A) above.

**12.** Disclosures in respect of AS-18 'Related Party Disclosures' as notified under the Companies (Accounting Standards) Rules, 2006:

**(a) Related parties where control exists:**

Nature of Relationship	Name of the Party
Subsidiary Companies	Indiabulls Commodities Limited India Ethanol and Sugar Limited (a 100% subsidiary of Indiabulls Commodities Limited) Devata Tradelink Limited Indiabulls Brokerage Limited Indiabulls Distribution Services Limited



Significant Accounting Policies and Notes

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

(b) Other Related Parties:

<u>Nature of Relationship</u>	<u>Name of the Party</u>
Key Management Personnel	Mr. Divyesh B. Shah, Director Mr. Ashok Sharma, Director Mr. Sameer Gehlaut, person exercising significant influence Mr. Rajiv Rattan, person exercising significant influence Mr. Saurabh K. Mittal, person exercising significant influence

(c) Significant Transactions with Related Parties:

(Amount in Rs.)

<u>Nature of Transaction</u>	<u>Subsidiaries</u>	<u>Key Management Personnel</u>	<u>Total</u>
<b>Income</b>			
Brokerage Income	—	18,154	18,154
		<i>192,620</i>	<i>192,620</i>
Income from Depository Services	33,750	—	33,750
	—	—	—
<b>Expenses</b>			
Reimbursement of expenses paid	156,026,787	—	156,026,787
	<i>120,553,784</i>	—	<i>120,553,784</i>
Reimbursement of expenses received	37,328	—	37,328
	<i>267,980</i>	—	<i>267,980</i>
Remuneration	—	17,729,142	17,729,142
	—	<i>29,589,425</i>	<i>29,589,425</i>
<b>Finance</b>			
Intercompany Deposit Given	3,247,000,000	—	3,247,000,000
(maximum balance outstanding during the year)	<i>266,000,000</i>	—	<i>266,000,000</i>
Intercompany Deposit Taken	1,082,500,000	—	1,082,500,000
(maximum balance outstanding during the year)	<i>1,050,000,000</i>	—	<i>1,050,000,000</i>
Interest income on Intercompany Deposit	52,276,383	—	52,276,383
	—	—	—
Interest expense on Intercompany Deposit	15,700,397	—	15,700,397
	<i>3,756,986</i>	—	<i>3,756,986</i>
<b>Investment</b>			
Equity Shares	20,000,000	—	20,000,000
	<i>500,000</i>	—	<i>500,000</i>
<b>Advances</b>			
Advance Given	1,862,280	—	1,862,280
(maximum balance outstanding during the year)	—	—	—

(Previous year's figures are stated in Italics)

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

(d) Outstanding as at March 31, 2011:

(Amount in Rs.)

Nature of Transaction	Subsidiaries	Key Management Personnel	Total
Intercorporate Deposit Taken	-	-	-
- Indiabulls Commodities Limited	40,000,000	-	40,000,000
Intercorporate Deposit Given	-	-	-
- Indiabulls Brokerage Limited	62,500,000	-	62,500,000
Advance Given	1,860,000	-	1,860,000
- Indiabulls Distribution Services Limited	-	-	-
Remuneration Payable	-	-	-
- Divyesh B. Shah	-	10,352,282	10,352,282

(Previous year's figures are stated in Italics)

(e) Statement of Material Transactions

(Amount in Rs.)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
<b>Brokerage Income</b>		
- Mr. Rajiv Rattan	—	39,730
- Mr. Sameer Gehlaut	—	79,520
- Mr. Saurabh Mittal	—	36,070
- Mr. Ashok Sharma	949	6,105
- Mr. Divyesh B. Shah	17,205	31,195
<b>Income from Depository Services</b>		
- Indiabulls Brokerage Limited	33,750	—
<b>Reimbursement of Expenses paid</b>		
- Indiabulls Commodities Limited	156,026,787	120,553,784
<b>Reimbursement of Expenses received</b>		
- Indiabulls Commodities Limited	35,048	24,416
- Indiabulls Distribution Services Limited	2,280	243,564
<b>Intercorporate Deposit Given</b> (maximum balance outstanding during the year)		
- Indiabulls Brokerage Limited	3,207,000,000	266,000,000
- Indiabulls Commodities Limited	40,000,000	—
<b>Intercorporate Deposit Taken</b> (maximum balance outstanding during the year)		
- Indiabulls Commodities Limited	780,000,000	1,050,000,000
- Indiabulls Brokerage Limited	302,500,000	—
<b>Interest Expense</b>		
- Indiabulls Commodities Limited	15,272,055	3,756,986
- Indiabulls Brokerage Limited	428,342	—

Significant Accounting Policies and Notes

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

Particulars	(Amount in Rs.)	
	For the year ended March 31, 2011	For the year ended March 31, 2010
<b>Interest Income</b>		
- Indiabulls Commodities Limited	184,110	—
- Indiabulls Brokerage Limited	52,092,273	—
<b>Investment in Equity Shares</b>		
- Indiabulls Distribution Services Limited	—	500,000
- Indiabulls Brokerage Limited	20,000,000	—
<b>Advance Given</b>		
- Indiabulls Distribution Services Limited	1,860,000	—
<b>Remuneration</b>		
- Mr. Divyesh B. Shah	17,729,142	29,589,425

13. Disclosure in respect of AS – 20 'Earnings Per Share' as notified under the Companies (Accounting Standards) Rules, 2006:

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting year. Diluted earnings per share are computed using the weighted average number of equity shares and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value.

Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The number of equity shares and potential diluted equity shares are adjusted for stock split, bonus shares and the potential dilutive effect of employee stock option plan as appropriate.

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Net Profit as per Profit & Loss Account (Rs.)	373,727,580	612,174,867
Less: Preference Dividend and tax thereon (Rs.)	—	1,811,467
<b>Net Profit attributable to Equity Shareholders (Rs.)</b>	<b>373,727,580</b>	<b>610,363,400</b>
<b>Basic / Diluted Earnings Per Share:</b>		
Weighted average number of Equity Shares used for computing Basic Earnings per Share	230,658,648	251,122,616
Add: Potential number of Equity Shares that could arise on exercise of Employee Stock Options	3,150,480	9,602,680
Weighted average number of Equity Shares used for computing Diluted Earnings per Share	233,809,128	260,725,296
Face / Nominal Value of Equity Shares (Rs.)	2.00	2.00
<b>Earnings Per Share–Basic (Rs.)</b>	<b>1.62</b>	<b>2.43</b>
<b>Earnings Per Share–Diluted (Rs.)</b>	<b>1.60</b>	<b>2.34</b>

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

14. The breakup of Deferred Tax Assets (Net) into major components as at March 31, 2011 is as under:

(Amount in Rs.)

	As at March 31, 2011	As at March 31, 2010
<b>Deferred Tax Assets:</b>		
Provision for Doubtful Debts and Advances	47,743,316	40,915,358
Disallowance u/s. 43B of the Income Tax Act, 1961	28,334,622	24,904,414
Others	2,292,631	—
	<b>78,370,569</b>	<b>65,819,772</b>
<b>Deferred Tax Liability:</b>		
Depreciation	39,950,135	94,050,713
	<b>39,950,135</b>	<b>94,050,713</b>
<b>Deferred Tax Assets / (Liability) (Net)</b>	<b>38,420,434</b>	<b>(28,230,941)</b>

In compliance with AS-22 "Accounting for Taxes on Income" as notified under the Companies (Accounting Standards) Rules, 2006, deferred tax credit (net) of Rs. 66,651,375 (Previous Year charge (net) – Rs. 17,210,342) has been credited / (debited) to the Profit and Loss Account for the year.

15. Employee Benefits:

Provident Fund, Gratuity and Long Term Compensated Absences – disclosures as per Accounting Standard (AS) 15 (Revised)–Employee Benefits as notified by the Companies (Accounting Standards) Rules, 2006:

Contributions are made to Government Provident Fund and Family Pension Fund and other statutory funds which cover all regular employees eligible under the respective acts. Both the employees and the Company make predetermined contributions to the Provident Fund. The contributions are normally based on a certain proportion of the employee's salary. The Company has recognised an amount of Rs. 1,096,978 (Previous year Rs. 1,080,933) towards Employer's Contribution for the above mentioned funds.

Provision for unfunded Gratuity and Long Term Compensated Absences for eligible employees is based upon actuarial valuation carried out at the end of every financial year. Major drivers in actuarial assumptions, typically, are years of service and employee compensation. Commitments are actuarially determined using the 'Projected Unit Credit' method. Gains and losses on changes in actuarial assumptions are accounted for in the Profit and Loss Account.

**Disclosures in respect of Gratuity and Compensated Absences:**

(Amount in Rs.)

Particulars	Gratuity (unfunded) 2010-11	Gratuity (unfunded) 2009-10	Compensated Absences (unfunded) 2010-11	Compensated Absences (unfunded) 2009-10
	<b>Reconciliation of Liability recognised in the Balance Sheet:</b>			
Present Value of Commitments (as per Actuarial valuation)	47,066,227	52,744,001	17,584,459	22,229,774
Fair Value of Plans	—	—	—	—
Net Liability in the Balance Sheet (as per Actuarial valuation)	47,066,227	52,744,001	17,584,459	22,229,774

Significant Accounting Policies and Notes

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

Particulars	(Amount in Rs.)			
	Gratuity (unfunded) 2010-11	Gratuity (unfunded) 2009-10	Compensated Absences (unfunded) 2010-11	Compensated Absences (unfunded) 2009-10
<b>Movement in net Liability recognised in the Balance Sheet:</b>				
Net Liability as at beginning of the year	52,744,001	37,557,305	22,229,774	21,118,056
Amount Paid during the year	(6,530,311)	(584,318)	(611,635)	—
Net expense / (gain) recognised in the Profit and Loss Account	852,537	15,771,014	(4,033,680)	1,111,718
Contribution during the year	—	—	—	—
Net Liability as at end of the year	47,066,227	52,744,001	17,584,459	22,229,774
<b>Expense recognised in the Profit and Loss account:</b>				
Current Service Cost	10,168,432	13,993,742	4,729,199	6,204,975
Past Service Cost	—	3,880,079	—	—
Interest Cost	3,817,953	2,816,798	1,615,390	1,583,854
Expected return on plan assets	—	—	—	—
Actuarial losses / (gains)	(13,133,848)	(4,919,605)	(10,378,269)	(6,677,111)
Expense charged / (reversal) to the Profit and Loss Account	852,537	15,771,014	(4,033,680)	1,111,718
<b>Return on plan assets:</b>				
Expected return on plan assets	—	—	—	—
Actuarial (gains) / losses	—	—	—	—
Actual return on plan assets	—	—	—	—
<b>Reconciliation of defined-benefit Commitments:</b>				
Commitments as at beginning of the year	52,744,001	37,557,305	22,229,774	21,118,056
Current Service Cost	10,168,432	13,993,742	4,729,199	6,204,975
Past Service Cost	—	3,880,079	—	—
Interest Cost	3,817,953	2,816,798	1,615,390	1,583,854
Paid benefits	(6,530,311)	(584,318)	(611,635)	—
Actuarial losses / (gains)	(13,133,848)	(4,919,605)	(10,378,269)	(6,677,111)
Commitments as at end of the year	47,066,227	52,744,001	17,584,459	22,229,774
<b>Reconciliation of plan assets:</b>				
Plan assets as at beginning of the year	—	—	—	—
Expected return on plan assets	—	—	—	—
Contributions during the year	—	—	—	—
Paid benefits	—	—	—	—
Actuarial (gains) / losses	—	—	—	—
Plan assets as at end of the year	—	—	—	—

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

**Gratuity (Unfunded)**

	(Amount in Rs.)			
	2010-11	2009-10	2008-09	2007-08
<b>Experience adjustment:</b>				
On plan liabilities	9,613,594	1,007,683	3,930,773	*
On plan assets	—	—	—	—
Present value of benefit obligation	47,066,227	52,744,001	37,557,305	25,745,714
Fair value of plan assets	—	—	—	—
Excess of obligation over plan assets	47,066,227	52,744,001	37,557,305	25,745,714

\* Not Available.

**Compensated Absences (Unfunded)**

	(Amount in Rs.)			
	2010-11	2009-10	2008-09	2007-08
<b>Experience adjustment:</b>				
On plan liabilities	8,961,120	5,100,682	3,689,553	*
On plan assets	—	—	—	—
Present value of benefit obligation	17,584,459	22,229,774	21,118,056	14,926,966
Fair value of plan assets	—	—	—	—
Excess of obligation over plan assets	17,584,459	22,229,774	21,118,056	14,926,966

\* Not Available.

As, this is the fourth year in which the AS-15 (Revised) has been applied, the amounts of the present value of the obligation, fair value of plan assets, surplus or deficit in the plan and experience adjustment arising on plan liabilities and plan assets for the previous four years have not been furnished.

The actuarial calculations used to estimate commitments and expenses in respect of unfunded Gratuity and Compensated absences are based on the following assumptions which if changed, would affect the commitment's size, funding requirements and expenses:

	Year ended March 31, 2011	Year ended March 31, 2010
Discount rate - Gratuity and Compensated Absences	8.00%	7.50%
Expected return on plan assets	NA	NA
Expected rate of salary increase	5.00%	5.00%
Mortality	LIC (1994-96)	LIC (1994-96)

16. During the year, the Company has invested an additional amount of Rs. 20,000,000 (Previous Year Rs. 500,000) in its wholly owned subsidiary Indiabulls Brokerage Limited (Previous year – Indiabulls Distribution Services Limited).
17. During the year, personnel cost amounting to Rs. 156,026,787 (Previous Year Rs. 120,551,408) was apportioned to the Company from its subsidiary – Indiabulls Commodities Limited.

Significant Accounting Policies and Notes

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

18. Managerial Remuneration under Section 198 of the Companies Act, 1956 (included under Personnel Cost in Schedule L)

(Amount in Rs.)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Salary	17,824,711	29,007,478
Perquisites	—	—
Employee Benefits *	(95,569)	581,947
<b>Total</b>	<b>17,729,142</b>	<b>29,589,425</b>

\* Employee Benefits consists of Compensated Absences and Gratuity as valued by actuary.

As no commission is payable to Directors, the computation of net profits in accordance with Section 309(5) read with Section 349 of the Companies Act, 1956 has not been given.

19. (a) Expenditure in Foreign Currency:

(Amount in Rs.)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Consultancy & Professional Charges	552,900	—
Software Charges	419,667	—

(b) Earnings in Foreign Currency:

(Amount in Rs.)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Advisory Income	1,981,978	—
Dividend on Long-Term Investments	12,979,720	—

20. (a) Remittance during the year in foreign currency on account of dividend on Preference Shares:

Particulars	No. of Shareholders		Preference Shares held on which dividend is remitted		Amount Remitted (Rs.)	
	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010
Proposed Dividend (Year ended March 31, 2009) and Interim Dividend (Year ended March 31, 2010)	Not Applicable	1	Not Applicable	9,966,667	Not Applicable	2,681,251

The Company does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividends have been made to non-resident shareholders.

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

(b) Remittance during the year in foreign currency on account of final and interim dividend on Equity Shares:

Particulars	No. of Shareholders		Equity Shares held on which dividend is remitted		Amount Remitted (Rs.)	
	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010
Final Dividend (Year ended March 31, 2009)	Nil	2	Nil	12,810,143	Nil	25,620,286
Proposed Final Dividend (Year ended March 31, 2010)	6	Not Applicable	6,420,177	Not Applicable	12,840,354	Not Applicable
Interim Dividend (Year ended March 31, 2011)	6	Not Applicable	6,420,177	Not Applicable	6,420,177	Not Applicable

The Company does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividends have been made to non-resident shareholders.

#### 21. Derivative Instruments:

The Company does not have any foreign currency exposures towards receivables, payables or any other derivative instrument that have not been hedged.

#### 22. Disclosures under the Micro, Small and Medium Enterprises Development Act, 2006:

- An amount of Rs. Nil (Previous Year Rs. Nil) and Rs. Nil (Previous Year Rs. Nil) was due and outstanding to suppliers as at the end of the accounting year on account of Principal and Interest respectively.
- No interest was paid during the year in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 no amount was paid to the supplier beyond the appointed date.
- No interest is payable at the end of the year other than interest under Micro, Small and Medium Enterprises Development Act, 2006.
- No amount of interest was accrued and unpaid at the end of the accounting year.

The above information and that given in Schedule H—"Current Liabilities and Provisions" regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

23. No borrowing cost has been capitalised during the year.

24. Information under paragraphs 3 and 4 of Part II to Schedule VI of the Companies Act, 1956 is stated to the extent applicable to the Company.

(a) Quantitative information in respect of Non Trade Current Investment / Dealing in securities:

	Year ended March 31, 2011		Year ended March 31, 2010	
	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
<b>Opening Stock</b>				
Equity Shares	—	—	—	—
Mutual Fund	—	—	—	—
<b>Total (A)</b>	—	—	—	—
<b>Purchases</b>				
Equity Shares	—	—	50,301,252	14,035,677,971



Significant Accounting Policies and Notes

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

	Year ended March 31, 2011		Year ended March 31, 2010	
	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
Mutual Fund	3,219,249,441	45,281,911,304	7,251,936,222	78,335,733,639
<b>Total (B)</b>	<b>3,219,249,441</b>	<b>45,281,911,304</b>	<b>7,302,237,474</b>	<b>92,371,411,610</b>
<b>Sales</b>				
Equity Shares	—	—	50,301,252	14,026,313,168
Mutual Fund	3,219,249,441	45,281,911,304	7,251,936,222	78,335,756,906
<b>Total (C)</b>	<b>3,219,249,441</b>	<b>45,281,911,304</b>	<b>7,302,237,474</b>	<b>92,362,070,074</b>
<b>Closing Stock</b>				
Equity Shares	—	—	—	—
Mutual Fund	—	—	—	—
<b>Total (D)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Profit/(Loss) on trading in Futures &amp; Option Contract (Net) (E)</b>				<b>14,559,656</b>
<b>Profit / (Loss) (C+D+E-A-B)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5,218,120</b>

(b) Detailed Quantitative information in respect of Non Trade Quoted Current Investment / Dealing in securities:

In Equity Shares–Non-Trade Quoted	Purchase /Cost of Sale Year ended March 31, 2011		Purchase /Cost of Sale Year ended March 31, 2010	
	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
3I Infotech Ltd.	—	—	540	50,078
Aarti Industries Ltd.	—	—	433	21,552
Aban Offshore Ltd.	—	—	97,990	135,749,759
ABB Ltd.	—	—	18,104	14,428,654
Aditya Birla Nuvo Ltd.	—	—	2	1,921
ACC Ltd.	—	—	26,838	23,228,828
Adani Enterprises Ltd.	—	—	1	504
Advanta India Ltd.	—	—	505	338,794
Allahabad Bank	—	—	34,602	4,919,099
Ambuja Cements Ltd.	—	—	827,920	82,077,654
Andhra Bank	—	—	262	26,199
Apollo Tyres Ltd.	—	—	1	70
Areva T&D India Ltd.	—	—	6,921	1,867,254
Aurobindo Pharma Ltd.	—	—	5	4,622
Axis Bank Ltd.	—	—	84,037	81,272,363
Bajaj Auto Ltd.	—	—	12,398	21,416,988
Bajaj Hindustan Ltd.	—	—	858,445	137,143,785
Balrampur Chini Mills Ltd.	—	—	19,228	2,455,336
Bank of Baroda	—	—	126,050	67,102,574

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

In Equity Shares–Non-Trade Quoted	Purchase /Cost of Sale Year ended March 31, 2011		Purchase /Cost of Sale Year ended March 31, 2010	
	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
Bank of India	—	—	65,681	25,266,004
Bharat Electronics Ltd.	—	—	34,169	68,196,580
Bharat Forge Ltd.	—	—	388,846	108,336,941
Bharti Airtel Ltd.	—	—	522,779	164,690,145
BHEL	—	—	139,263	326,724,070
Bhushan Steel Ltd.	—	—	3,979	5,799,597
Biocon Ltd.	—	—	127	37,000
Bombay Dyeing & Mfg. Co Ltd.	—	—	1,760	935,018
Bharat Petroleum Corp Ltd.	—	—	37,822	21,214,675
Bombay Rayon Fashions Ltd.	—	—	26	5,634
Brigade Enter. Ltd.	—	—	10	1,501
Cairn India Ltd.	—	—	710,497	192,647,056
Canara Bank	—	—	11,101	4,198,903
Century Textiles Ltd.	—	—	6,664	3,270,524
Chambal Fertilizers Ltd.	—	—	16,391	891,571
Cipla Ltd.	—	—	368,002	117,069,931
Colgate Palmolive Ltd.	—	—	12,164	8,308,024
Crompton Greaves Ltd.	—	—	161,336	60,996,945
Cummins India Ltd.	—	—	6,049	2,903,024
Dabur India Ltd.	—	—	57,365	9,120,130
Deccan Chronicle Hold Ltd.	—	—	57,862	8,594,509
Dena Bank	—	—	1,000	62,602
Dish TV India Ltd.	—	—	301,987	11,091,991
Divi's Laboratories Ltd.	—	—	14,355	8,532,047
DLF Ltd.	—	—	915,012	333,192,631
Dr. Reddy's Laboratories	—	—	3,662	4,334,715
Educomp Solutions Ltd.	—	—	385,712	276,301,456
Everest Kanto Cylinder Ltd.	—	—	1	136
Essar Oil Ltd.	—	—	300,321	43,153,528
Federal Bank Ltd.	—	—	32,928	8,630,842
Financial Techno (I) Ltd.	—	—	13,832	22,017,159
Fortis Healthcare Ltd.	—	—	194,674	34,598,439
Firstsource Solu. Ltd.	—	—	3,568,005	114,467,598
GAIL (India) Ltd.	—	—	305,770	121,368,963
The GE Shipping.Ltd	—	—	12,489	3,521,679
GMR Infrastructure Ltd.	—	—	14,075	791,603
Godrej Industries Ltd.	—	—	3	631
Godrej Properties Ltd.	—	—	1,934	1,082,663
Grasim Industries Ltd.	—	—	46,988	118,637,892
Gujarat State Petro Ltd.	—	—	52,378	4,802,105
GTL Ltd.	—	—	17,717	7,132,226
GTL Infra. Ltd.	—	—	2,698	89,329
GVK Pow. & Infra Ltd.	—	—	148,654	7,417,813

Significant Accounting Policies and Notes

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

In Equity Shares–Non-Trade Quoted	Purchase /Cost of Sale Year ended March 31, 2011		Purchase /Cost of Sale Year ended March 31, 2010	
	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
Hindustan Construction Co.	—	—	68,515	9,049,837
HCL Technologies Ltd.	—	—	18,499	6,841,640
HDFC Ltd.	—	—	228,320	602,132,148
HDFC Bank Ltd.	—	—	132,116	220,809,386
Housing Dev & Infra Ltd.	—	—	2,978,168	1,009,863,410
Hero Honda Motors Ltd.	—	—	20,990	34,314,322
Hindalco Industries Ltd.	—	—	2,270,784	344,693,874
Hindustan Petroleum Corp. Ltd.	—	—	221,447	80,427,453
Hindustan Unilever Ltd.	—	—	158,870	42,174,687
Hindustan Zinc Ltd.	—	—	3,497	4,135,046
ICICI Bank Ltd.	—	—	583,111	489,195,878
IDBI Bank Ltd.	—	—	1,193,814	150,468,984
Idea Cellular Ltd.	—	—	64,782	4,059,818
Infra. Dev. Fin. Co. Ltd.	—	—	5,475	936,088
IFCI Ltd.	—	—	598	34,637
The Indian Hotels Co. Ltd.	—	—	195,421	19,441,763
Indian Bank	—	—	2,926	482,087
Infosys Technologies Ltd.	—	—	106,299	255,121,362
Indian Oil Corp Ltd.	—	—	52,744	16,090,696
Ispat Industries Ltd.	—	—	2	46
ITC Ltd.	—	—	631,377	158,763,265
IVRCL Infracst & Proj Ltd.	—	—	358,140	127,887,765
Jindal Saw Ltd.	—	—	985,877	211,279,911
Jindal Steel & Power Ltd.	—	—	1,647	4,063,895
Jaiprakash Associates Ltd.	—	—	1,555,999	337,970,443
Jaiprakash Power Ven. Ltd.	—	—	3,051	217,006
JSW Steel Ltd.	—	—	372,125	428,190,656
Kingfisher Airlines Ltd.	—	—	38,490	1,907,173
Kotak Mahindra Bank Ltd.	—	—	52,970	40,532,862
K S Oils Ltd.	—	—	26,061	1,645,484
LIC Housing Finance Ltd.	—	—	67,306	53,493,304
Lanco Infracore Ltd.	—	—	4,724,779	245,482,375
Larsen & Toubro Ltd.	—	—	129,170	207,086,622
Lupin Ltd.	—	—	44,725	65,647,998
Mahindra & Mahindra Ltd.	—	—	106,156	109,135,214
Maruti Suzuki India Ltd.	—	—	196,397	289,038,708
Maytas Infr. Ltd.	—	—	1,431	291,935
United Spirits Ltd.	—	—	20,820	20,206,436
McLeod Russel India Ltd.	—	—	3,601	790,489
Mercator Lines Ltd.	—	—	431,036	26,940,042
Moser-Baer (I) Ltd.	—	—	240,169	18,900,501
Mphasis Ltd.	—	—	737,110	509,461,799
Mahanagar Telephone Nigam Ltd.	—	—	34,264	2,550,006

Significant Accounting Policies and Notes

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

In Equity Shares–Non-Trade Quoted	Purchase /Cost of Sale Year ended March 31, 2011		Purchase /Cost of Sale Year ended March 31, 2010	
	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
Mundra Port & Sez Ltd.	—	—	16,002	11,313,266
Nagarjuna Fert & Chem Ltd.	—	—	5,050	172,351
National Aluminium Co Ltd.	—	—	8,592	3,761,491
Neyveli Lignite Corporation Ltd.	—	—	1,576	261,081
NHPC Ltd.	—	—	1	35
NTPC Ltd.	—	—	491,695	106,719,238
Oracle Fin Serv Soft Ltd.	—	—	659	1,633,883
Oil and Natural Gas Corp. Ltd.	—	—	50,560	59,470,837
Onmobile Global Ltd.	—	—	2,261	850,366
Orchid Chem & Pharma Ltd.	—	—	86,662	15,264,626
Oriental Bank of Commerce	—	—	18,633	5,467,429
Pantaloon Retail (I) Ltd.	—	—	4,548	1,953,162
Patni Computer Syst Ltd.	—	—	9,407	4,760,146
Petronet LNG Ltd.	—	—	56,544	3,994,887
Power Fin Corp Ltd.	—	—	55,136	14,267,876
Punjab National Bank	—	—	23,015	20,760,295
Polaris Software Lab Ltd.	—	—	5	937
Power Grid Corp. Ltd.	—	—	54,299	6,117,812
Praj Industries Ltd.	—	—	20,264	2,186,237
PSL Ltd.	—	—	3	491
PTC India Ltd.	—	—	401	41,328
Punj Lloyd Ltd.	—	—	44,767	9,240,868
Ranbaxy Labs Ltd.	—	—	187,565	87,403,695
Rashtriya Chemicals & Fertilizers Ltd.	—	—	510	53,812
Reliance Communications Ltd.	—	—	775,933	135,021,567
Rural Elec. Corp. Ltd.	—	—	6	1,423
Reliance Capital Ltd.	—	—	532,968	448,825,609
Reliance Industries Ltd.	—	—	230,754	307,760,783
Reliance Infrastructure Ltd.	—	—	135,686	141,148,096
Reliance Mediaworks Ltd.	—	—	4	1,231
Shree Renuka Sugars Ltd.	—	—	85,409	14,283,551
Reliance Natural Resources Ltd.	—	—	50,237	4,029,917
Rolta India Ltd.	—	—	19,314	3,616,354
Reliance Power Ltd.	—	—	4,516	725,313
Steel Authority of India	—	—	2,943,608	645,010,001
Satyam Computer Services	—	—	5,001	568,636
State Bank of India	—	—	521,618	1,064,760,859
Shipping Corp of India Ltd.	—	—	295,700	45,958,944
Sesa Goa Ltd.	—	—	108,968	36,211,871
Siemens Ltd.	—	—	1,105	672,542
Sterlite Inds (Ind) Ltd.	—	—	153,360	122,797,449
Sun Pharmaceuticals Ind.	—	—	7,480	11,505,107
Sun TV Network Ltd.	—	—	9,133	3,788,739

Significant Accounting Policies and Notes

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

In Equity Shares–Non-Trade Quoted	Purchase /Cost of Sale Year ended March 31, 2011		Purchase /Cost of Sale Year ended March 31, 2010	
	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
Suzlon Energy Ltd.	—	—	571,622	44,707,122
Syndicate Bank	—	—	3,710	314,926
Tata Chemicals Ltd.	—	—	26,198	8,217,853
Tata Communications Ltd.	—	—	11,104	3,670,284
Tata Motors Ltd.	—	—	104,510	74,634,142
Tata Power Co Ltd.	—	—	71,554	95,157,826
Tata Steel Ltd.	—	—	434,843	235,255,901
Tata Tea Ltd.	—	—	2,258	2,163,811
Tata Consultancy Serv Ltd	—	—	60,663	40,694,383
Tech Mahindra Ltd.	—	—	25,757	25,011,227
Titan Industries Ltd.	—	—	13,983	20,950,918
Triveni Engg. & Inds. Ltd.	—	—	300	36,041
Tata Teleserv (Maharashtra) Ltd.	—	—	29,456	798,675
United Brew. (Hold.) Ltd.	—	—	109	37,530
UCO Bank	—	—	159,811	9,030,404
Ultratech Cement Ltd.	—	—	11,296	12,506,681
Union Bank of India	—	—	86,630	23,075,977
Unitech Ltd.	—	—	10,125,518	751,951,375
Videocon Industries Ltd.	—	—	2,740	630,258
Voltas Ltd.	—	—	271,630	45,300,149
Welspun Gujarat Stahl Rohren Ltd.	—	—	45,638	12,331,766
Wipro Ltd.	—	—	81,257	53,914,393
Yes Bank Ltd.	—	—	1,019,395	257,979,904
Zee Entertainment Ent Ltd.	—	—	2,866	623,369
<b>TOTAL</b>				<b>14,035,677,971</b>

(c) Details of Non Trade unquoted Current Investments in units of Mutual Fund during the year:

Mutual Fund	Type	Purchase / Cost of Sales	
		Units	Amount (Rs.)
UTI Liquid Cash Plan Institutional	Daily Income Reinvestment	11,755,502	11,984,096,171
Axis Treasury Advantage Fund–Institutional	Daily Dividend Reinvestment	500,455	500,455,814
Axis Liquid Fund–Institutional	Daily Dividend Reinvestment	500,220	500,227,851
HDFC Liquid Fund Premium Plan	Daily Dividend Reinvestment	40,788,357	500,057,097
HDFC Cash Management Fund–Treasury Advantage Plan–Wholesale	Daily Dividend Reinvestment	49,871,547	500,286,420
ICICI Prudential Institutional Liquid Fund	Daily Dividend Reinvestment	—	—
		160,009,832	1,600,414,944

Significant Accounting Policies and Notes

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

Mutual Fund	Type	Purchase / Cost of Sales	
		Units	Amount (Rs.)
LICMF Liquid Fund	Daily Dividend	125,706,252	1,380,267,217
	Reinvestment	55,107,822	605,089,393
LICMF Savings Plus Fund	Weekly Dividend	—	—
	Reinvestment	50,086,336	500,863,356
Reliance Medium Term Fund	Daily Dividend	—	—
	Reinvestment	250,355,907	4,279,959,406
Reliance Money Manager Fund-Institutional	Daily Dividend	—	—
	Reinvestment	4,000,197	4,004,743,049
Reliance Liquidity Fund	Daily Dividend	2,990,127,109	29,916,520,734
	Reinvestment	6,732,376,128	67,344,663,490

(Previous Year figures are given in italics)

d) Summary Quantitative information in respect of Trade Unquoted Long Term Investment:

	As at March 31, 2011		As at March 31, 2010	
	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
<b>Investment at the beginning of the year</b>				
Equity Shares	130,000	10,000	130,000	10,000
<b>Total (A)</b>	<b>130,000</b>	<b>10,000</b>	<b>130,000</b>	<b>10,000</b>
<b>Investments made during the year</b>				
Equity Shares	—	—	—	—
<b>Total (B)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Investments sold during the year				
Equity Shares	—	—	—	—
<b>Total (C)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Investments as at the year end</b>				
Equity Shares	130,000	10,000	130,000	10,000
<b>Total (D)</b>	<b>130,000</b>	<b>10,000</b>	<b>130,000</b>	<b>10,000</b>

e) Detailed Quantitative information in respect of Trade Unquoted Long Term Investment:

In Equity / Ordinary Shares—Trade Unquoted	As at March 31, 2011		As at March 31, 2010	
	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
Bombay Stock Exchange Limited	130,000	10,000	130,000	10,000
<b>TOTAL</b>		<b>10,000</b>		<b>10,000</b>

f) Summary Quantitative information in respect of Non Trade Unquoted Long Term Investment:

	As at March 31, 2011		As at March 31, 2010	
	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
<b>Investment at the beginning of the year</b>				
Equity Shares / Ordinary Shares	5,298,137	518,194,683	5,248,137	517,694,683

Significant Accounting Policies and Notes

forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)

	As at March 31, 2011		As at March 31, 2010	
	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
<b>Total (A)</b>	<b>5,298,137</b>	<b>518,194,683</b>	<b>5,248,137</b>	<b>517,694,683</b>
<b>Investments made during the year</b>				
Equity Shares	2,000,000	20,000,000	50,000	500,000
<b>Total (B)</b>	<b>2,000,000</b>	<b>20,000,000</b>	<b>50,000</b>	<b>500,000</b>
<b>Investments sold / provided during the year</b>				
Equity Shares	—	—	—	—
<b>Total (C)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Investments as at the year end</b>				
Equity Shares	7,298,137	538,194,683	5,298,137	518,194,683
<b>Total (D)</b>	<b>7,298,137</b>	<b>538,194,683</b>	<b>5,298,137</b>	<b>518,194,683</b>

g) Detailed Quantitative information in respect of Non Trade Unquoted Long Term Investment:

In Equity / Ordinary Shares–Non-Trade Unquoted	As at March 31, 2011	
	No. of units	Amount (Rs.)
Copal Partners Limited	1,098,137	476,694,683
	<i>1,098,137</i>	<i>476,694,683</i>
Indiabulls Commodities Limited	600,000	6,000,000
	<i>600,000</i>	<i>6,000,000</i>
Devata Tradelink Limited	50,000	—
	<i>50,000</i>	<i>—</i>
Indiabulls Brokerage Limited	5,500,000	55,000,000
	<i>3,500,000</i>	<i>35,000,000</i>
Indiabulls Distribution Services Limited	50,000	500,000
	<i>50,000</i>	<i>500,000</i>
<b>Total</b>	<b>7,298,137</b>	<b>538,194,683</b>
	<b><i>5,298,137</i></b>	<b><i>518,194,683</i></b>

(Previous Year figures are given in italics)

25. Provision for Current Tax includes provision for Wealth Tax of Rs. 456,448 (Previous year Rs. 526,854).
26. During the year ended March 31, 2009, the Company had advanced a sum of Rs. 1,809,300,000 by way of loan to one of its wholly owned subsidiary—viz Devata Tradelink Limited (“DTL”). During that financial year, DTL had incurred / provided for losses aggregating to Rs. 1,562,932,320 in respect of dealing in securities. Based upon the availability of resources as at that year end to repay those loans and considering the erosion of the networth of the subsidiary, the Company had written off loans given to DTL aggregating to Rs. 1,809,300,000 as bad loans / advances written off. Investments made by the Company in the equity share capital of DTL amounting to Rs. 500,000 though considered as strategic and long term in nature, considering the losses suffered by this subsidiary, diminution in the value of the investment is considered as other than temporary in nature and accordingly provision for diminution in value amounting to Rs. 500,000 was made in books of account in that financial year.
27. As at March 31, 2011, the Company holds 100% of the equity share capital of Indiabulls Distribution Services Limited (“IDSL”) at a cost of Rs. 500,000. Based on the audited financials of IDSL as at and for the year ended March 31, 2011, there has been an erosion in the value of investment made in IDSL as the operations in IDSL are in the process of being set up. Considering the investment in IDSL as strategic and long term in nature, the Company considers the

*forming part of the Balance Sheet as at March 31, 2011 and Profit & Loss Account for the year ended March 31, 2011 (contd.)*

losses suffered by IDSL as temporary in nature and accordingly no provision for diminution in value has been made in books of account.

28. As per the best estimate of the management, no provision is required to be made as per Accounting Standard (AS) 29–Provisions, Contingent Liabilities and Contingent Assets as notified under the Companies (Accounting Standards) Rules, 2006, in respect of any present obligation as a result of a past event that could lead to a probable outflow of resources, which would be required to settle the obligation.
29. In respect of amounts as mentioned under Section 205C of the Companies Act, 1956, there were no dues required to be credited to the Investor Education and Protection Fund as at March 31, 2011.
30. Interim dividend of Re. 1 per equity share (50% of the face value of Rs. 2 per equity share) amounting to Rs. 231,084,236 (excluding corporate dividend tax thereon) was approved at the meeting of the Board of Directors of the Company held on October 18, 2010 and was transferred by the Company on October 22, 2010 into the designated Dividend Account. Corporate dividend tax thereon aggregating to Rs. 38,380,203 was paid on November 01, 2010.
31. Previous year's figures have been re-grouped/re-arranged wherever considered necessary to conform to current year's groupings and classifications.

Signature to Schedules A to O  
For and on behalf of the Board

**Divyesh B. Shah**  
Director

**Ashok Sharma**  
Director

**R. K. Agarwal**  
Company Secretary

Mumbai, April 25, 2011



# Statement Pursuant to Section 212(1)(e) of the Companies Act, 1956,

Relating to Company's Interest in its Subsidiary Companies for the Financial Year 2010-11

Sr. No.	Name of the Subsidiary Company	Financial year / period ending of the Subsidiary	Date from which they became Subsidiary Companies	Holding Company's interest Number of shares held (Equity Shares of Rs. 10 each stated otherwise)	Extent of Holding	"The net aggregate amount of profits/(losses) so far as it concerns the members of the Holding Company"			
						a. Not dealt with in the Holding Company Accounts		b. Dealt with in the Holding Company Accounts	
						i) For the Financial Year ended March 31, 2011	ii) For the previous financial years of the Subsidiary Companies since they become Holding Company's subsidiaries		i) For the Financial Year ended March 31, 2011
1	Indiabulls Commodities Limited	31-Mar-11	1-Apr-07	600,000 Equity Shares of Rs 10 each fully paid up	100%	17,545,173	85,094,327	NIL	NIL
2	India Ethanol And Sugar Limited <sup>1</sup>	31-Mar-11	1-Apr-07	190,000 Equity Shares of Rs 10 each fully paid up	100%	(890,560)	(51,290)	NIL	NIL
3	Devata Tradelink Limited	31-Mar-11	9-Jan-08	50,000 Equity Shares of Rs 10/- each fully paid up	100%	(153,449)	(1,806,119,622)	NIL	NIL
4	Indiabulls Brokerage Limited	31-Mar-11	22-Aug-08	5,500,000 Equity Shares of Rs 10/- each fully paid up	100%	(9,772,295)	(5,734,501)	NIL	NIL
5	Indiabulls Distribution Services Limited	31-Mar-11	11-Jun-09	50,000 Equity Shares of Rs 10/- each fully paid up	100%	(1,626,590)	(352,677)	NIL	NIL

Note:

1 India Ethanol and Sugar Limited being a subsidiary of Indiabulls Commodities Limited, is a subsidiary of the Company in terms of Section 4(1)(c) of the Companies Act, 1956.

For and on behalf of the Board

**Divyesh B. Shah**

Director

Place : Mumbai

Date: April 25, 2011

**Ashok Sharma**

Director

**R. K. Agarwal**

Company Secretary

# Balance Sheet Abstract and Company's General Business Profile

## I. Registration Details

Registration No.  State Code   
 Balance Sheet Date

## II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	<input type="text" value=""/>	<input type="text" value="NIL"/>	Rights Issue	<input type="text" value=""/>	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value=""/>	<input type="text" value="NIL"/>	Private Placement	<input type="text" value=""/>	<input type="text" value="NIL"/>
Global Depository Receipt	<input type="text" value=""/>	<input type="text" value="NIL"/>	Employees Stock Options Plan	<input type="text" value=""/>	<input type="text" value="2344"/>

## III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	<input type="text" value=""/>	<input type="text" value="6997018"/>	Total Assets	<input type="text" value=""/>	<input type="text" value="6997018"/>
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### Sources of Funds

Paid-up Capital	<input type="text" value=""/>	<input type="text" value="462225"/>	Reserves & Surplus	<input type="text" value=""/>	<input type="text" value="1861740"/>
Secured Loans	<input type="text" value=""/>	<input type="text" value="1980527"/>	Unsecured Loans	<input type="text" value=""/>	<input type="text" value="NIL"/>
Deferred Tax Liability (Net)	<input type="text" value=""/>	<input type="text" value="NIL"/>			

### Application of Funds

Net Fixed Assets	<input type="text" value=""/>	<input type="text" value="488872"/>	Investments	<input type="text" value=""/>	<input type="text" value="538205"/>
Net Current Assets	<input type="text" value=""/>	<input type="text" value="3238994"/>	Misc. Expenditure	<input type="text" value=""/>	<input type="text" value="NIL"/>
Accumulated Losses	<input type="text" value=""/>	<input type="text" value="NIL"/>	Deferred Tax Assets (Net)	<input type="text" value=""/>	<input type="text" value="38421"/>

## IV. Performance of Company (Amounts in Rs. Thousands)

Turnover	<input type="text" value=""/>	<input type="text" value="3375847"/>	Total Expenditure	<input type="text" value=""/>	<input type="text" value="2823625"/>
Profit / Loss before tax	<input type="text" value=""/>	<input type="text" value="+552222"/>	Profit/ Loss after tax	<input type="text" value=""/>	<input type="text" value="+373728"/>
Earning per Share in Rs. (Basic)	<input type="text" value=""/>	<input type="text" value="1.62"/>	Earning per Share in Rs. (Diluted)	<input type="text" value=""/>	<input type="text" value="1.60"/>
Dividend	<input type="text" value=""/>	<input type="text" value="50%"/>			

## V. Generic Names of Three Principal Products/ Services of Company (as per monetary terms)

Item Code No. (NIC Code)	<input type="text" value=""/>	<input type="text" value="671"/>
Product	<input type="text" value="SECURITIES BROKING &amp;"/>	
Description	<input type="text" value="ADVISORY BUSINESS"/>	
Item Code No. (NIC Code)	<input type="text" value=""/>	
Product	<input type="text" value=""/>	
Description	<input type="text" value=""/>	



**Registered Office**

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New Delhi - 110001



**Corporate Offices**

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