

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 |
| Amount available for appropriation | 1,691,821,209 | 2,206,249,155 |
| Appropriations | | |
| 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) |
| Balance of profit carried forward to Balance Sheet | 1,384,956,770 | 1,318,093,629 |

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.

| Particulars | IBSL ESOP 2009 | | | |
|--|--|------------------------------|----------------------------------|------------------------------|
| 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. | 10,000,000 Options | | 2,050,000 Options | |
| | 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"> i. risk free interest rate ii. expected life lii. expected volatility iv. expected dividends, and v. the price of the underlying share in market at the time of option grant | 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. 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:

| Director | Relationship With other Directors | Salary (Rs.) | Monetary Value of perquisites (Rs.) | Total (Rs.) |
|---------------------|--|-------------------------|--|------------------------|
| 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.

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.

- (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.
- (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 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 |
| TOTAL | | | 133,590 | 100.00 | 462,225,022 | 100.00 |

(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 |
| Total | | 231,112,511 | 100.00 |

(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, 11, av de la
Porte-Nenve, L-2227,
Luxembourg

(J) Stock Code

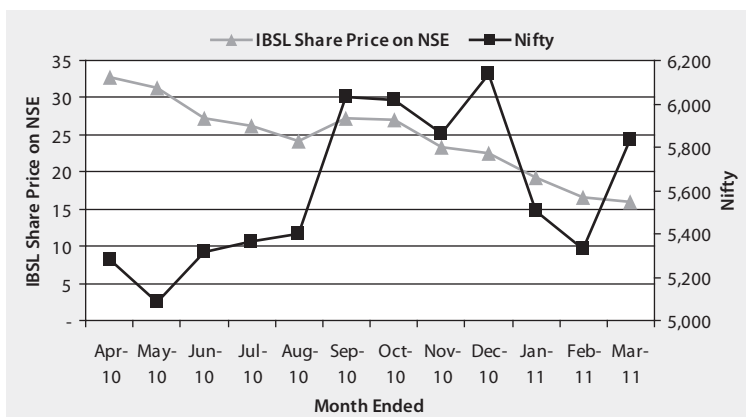
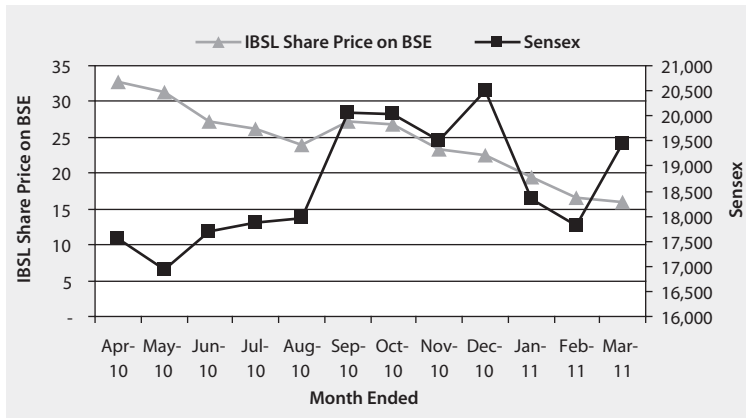
| | |
|--------------------------------------|--------------|
| Bombay Stock Exchange Ltd. | 532960 |
| National Stock Exchange of India Ltd | IBSEC/EQ |
| ISIN for Dematerialization | INE274G01010 |

(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 |
| I. SOURCES OF FUNDS | | | |
| 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 |
| TOTAL | | 4,426,057,432 | 5,747,115,859 |
| II. APPLICATION OF FUNDS | | | |
| 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 |
| TOTAL | | 4,426,057,432 | 5,747,115,859 |
| 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 |
| INCOME | | | |
| Revenue from Operations | I | 3,469,851,844 | 3,515,746,484 |
| Other Income | J | 214,503,231 | 82,197,175 |
| | | 3,684,355,075 | 3,597,943,659 |
| EXPENDITURE | | | |
| 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 |
| | | 3,117,193,561 | 2,577,114,077 |
| PROFIT BEFORE TAX | | | |
| Provision for Taxation | | 567,161,514 | 1,020,829,582 |
| - 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 |
| NET PROFIT AFTER TAX | | 378,829,861 | 674,735,674 |
| Add: Balance of Profit brought forward | | 1,410,111,762 | 1,623,531,614 |
| Amount available for appropriation | | 1,788,941,623 | 2,298,267,288 |
| APPROPRIATIONS | | | |
| 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) |
| BALANCE OF PROFIT CARRIED FORWARD | | 1,482,077,184 | 1,410,111,762 |
| 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 |
|--|------------------------------|------------------------------|
| A CASH FLOW FROM OPERATING ACTIVITIES : | | |
| Net Profit before tax | 567,161,514 | 1,020,829,582 |
| 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 |
| | 155,137,912 | (31,558,295) |
| Operating Profit before working capital changes | 722,299,426 | 989,271,287 |
| 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 |
| | 527,927,684 | (484,395,379) |
| Cash generated from operations | 1,250,227,110 | 504,875,908 |
| Direct taxes paid | (225,910,209) | (384,726,592) |
| | (225,910,209) | (384,726,592) |
| Net cash generated from operating activities | 1,024,316,901 | 120,149,316 |
| B CASH FLOW FROM INVESTING ACTIVITIES : | | |
| 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 |
| Net cash generated from / (used in) investing activities | 871,283,460 | (155,152,773) |

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 |
| C | CASH FLOW FROM FINANCING ACTIVITIES | | |
| | 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 |
| | Net cash (used in) / generated from financing activities | (2,531,189,956) | 699,315,196 |
| D | NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C) | (635,589,595) | 664,311,739 |
| E | CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 1,001,392,383 | 337,080,644 |
| F | CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (D+E) | 365,802,788 | 1,001,392,383 |

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 |
| | 365,802,788 | 1,001,392,383 |
- 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 |
| SCHEDULE A | |
| SHARE CAPITAL | |
| Authorised | |
| 500,000,000 (Previous Year 500,000,000) Equity shares of Rs. 2 each | 1,000,000,000 |
| 25,000,000 (Previous Year 25,000,000) Preference Share of Rs. 4.61 each | 115,250,000 |
| | 1,115,250,000 |
| Issued, Subscribed and Paid up | |
| (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 |
| | 462,225,022 |
| Per Balance Sheet | 462,225,022 |
| | 459,881,296 |
| SCHEDULE B | |
| RESERVES AND SURPLUS | |
| 1. Capital Reserve arising on Consolidation | 24,445,430 |
| 2. Capital Redemption Reserve | |
| Balance as per last Balance Sheet | 360,036,184 |
| Add: Addition during the year (Refer Note B 3 and B 5 of Schedule O) | - |
| | 360,036,184 |
| 3. Securities Premium Account | |
| Balance as per last Balance Sheet | - |
| Add: Addition during the year | 18,046,690 |
| Less: Utilised during the year (Refer Note B 5 of Schedule O) | - |
| | 18,046,690 |
| 4. General Reserve | |
| Balance as per last Balance Sheet | 61,300,000 |
| Add: Addition during the year | 37,400,000 |
| Less: Utilised during the year (Refer Note B 5 of Schedule O) | - |
| | 98,700,000 |
| 5. Surplus as per Profit and Loss Account | 1,482,077,184 |
| | 1,482,077,184 |
| Per Balance Sheet | 1,983,305,488 |
| | 1,855,893,376 |

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 |
|---|-------------------------|--|
| SCHEDULE C | | |
| SECURED LOANS | | |
| 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 |
| Per Balance Sheet | 1,980,526,922 | 1,655,157,478 |
| SCHEDULE D | | |
| UNSECURED LOANS | | |
| 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 |
| Per Balance Sheet | - | 1,750,000,000 |

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 |
| | | | | | | | | | |
| A. TANGIBLE ASSETS | | | | | | | | | |
| 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 |
| TOTAL (A) | 1,039,037,068 | 42,065,735 | 150,854,285 | 930,248,518 | 436,160,522 | 104,339,618 | 61,801,459 | 451,549,837 | 602,876,546 |
| B. INTANGIBLE ASSETS | | | | | | | | | |
| 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 | - | - | - | - |
| TOTAL (B) | 600,118,112 | 5,098,703 | - | 605,216,815 | 483,616,655 | 77,242,222 | - | 44,357,938 | 116,501,457 |
| TOTAL (A+B) | 1,639,155,180 | 47,164,438 | 150,854,285 | 1,535,465,333 | 919,777,177 | 181,581,840 | 61,801,459 | 495,907,775 | 719,378,003 |
| 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 | |
| CAPITAL WORK-IN-PROGRESS AND ADVANCES THEREAGAINST, AT COST | | | | | | | | 4,761,225 | 15,377,893 |
| | | | | | | | | 500,669,000 | 734,755,896 |

* 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.)

| | As at March 31, 2011 | As at March 31, 2010 |
|--|-------------------------|-------------------------|
| (Amount in Rs.) | | |
| SCHEDULE F | | |
| INVESTMENTS (At cost, unless otherwise stated) | | |
| Long Term - Trade - Unquoted | | |
| 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 |
| Long Term - Non Trade - Unquoted | | |
| 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 |
| Per Balance Sheet | 476,731,379 | 476,729,365 |
| Aggregate Book Value of Quoted Investments | - | - |
| Aggregate Market Value of Quoted Investments | - | - |
| Aggregate Book Value of Unquoted Investments | 476,731,379 | 476,729,365 |
| SCHEDULE G | | |
| CURRENT ASSETS, LOANS AND ADVANCES | | |
| A. Current Assets | | |
| 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 |
| Total (A) | 5,456,644,174 | 7,111,136,743 |
| B. LOANS AND ADVANCES | | |
| 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 |
| Total (B) | 828,965,624 | 1,917,043,524 |
| Per Balance Sheet Total (A + B) | 6,285,609,798 | 9,028,180,267 |

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 |
| SCHEDULE H | | |
| CURRENT LIABILITIES AND PROVISIONS | | |
| A. CURRENT LIABILITIES | | |
| 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 |
| | 2,733,585,749 | 3,835,252,995 |
| B. PROVISIONS | | |
| 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 |
| | 145,393,847 | 657,296,674 |
| Per Balance Sheet | 2,878,979,596 | 4,492,549,669 |

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.) | | |
| SCHEDULE I | | |
| REVENUE | | |
| 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 |
| Per Profit and Loss Account | 3,469,851,844 | 3,515,746,484 |
| SCHEDULE J | | |
| OTHER INCOME | | |
| 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 |
| Per Profit and Loss Account | 214,503,231 | 82,197,175 |
| SCHEDULE K | | |
| OPERATING EXPENSES | | |
| 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 |
| Per Profit and Loss Account | 311,027,058 | 295,581,241 |

Schedules

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

| | Year ended March 31, 2011 | Year ended March 31, 2010 |
|---|------------------------------|------------------------------|
| (Amount in Rs.) | | |
| SCHEDULE L | | |
| PERSONNEL COSTS | | |
| 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 |
| Per Profit and Loss Account | 1,458,857,618 | 1,370,266,473 |
| SCHEDULE M | | |
| ADMINISTRATIVE AND OTHER EXPENSES | | |
| 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 |
| Per Profit and Loss Account | 767,389,717 | 506,235,428 |

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 |
| SCHEDULE N | | |
| INETEREST AND FINANCE CHARGES | | |
| 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 |
| Per Profit and Loss Account | 398,337,328 | 190,882,894 |

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.)

| | 2010-11 | 2009-10 |
|--|----------------|----------------|
| 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 |
| Basic / Diluted Earnings Per Share: | | |
| 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 st Year - 15%, 2 nd year to 9 th year - 10%, each year 10 th year - 5% | Uniformly over a period of Ten years | Uniformly over a period of Ten years |
| Vesting Date | January 25 th each year, commencing January 25, 2010 | December 2 nd each year, commencing December 2, 2010 | April 13 th 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* 20-May-10* | 10 20 |
| Shinsei Mutual Fund | 1,000,000 | 40 | MIBOR +40bps | MIBOR +50bps | 20-May-10 | 14-May-10 | 11-Aug-10 | 03-Jun-10* | 12 |
| Shinsei Mutual Fund | 1,000,000 | 40 | MIBOR +40bps | MIBOR +75bps | 24-May-10 | 14-May-10 | 11-Aug-10 | 03-Jun-10* | 12 |
| Shinsei Mutual Fund | 1,000,000 | 40 | MIBOR +40bps | MIBOR +100bps | 28-May-10 | 14-May-10 | 11-Aug-10 | 03-Jun-10* | 12 |
| Shinsei Mutual Fund | 1,000,000 | 40 | MIBOR +40bps | MIBOR +250bps | 01-Jun-10 | 14-May-10 | 11-Aug-10 | 03-Jun-10* | 12 |
| Shinsei Mutual Fund | 1,000,000 | 40 | MIBOR +40bps | MIBOR +175bps | 09-Jun-10 | 14-May-10 | 11-Aug-10 | 14-Jun-10* | 10 |
| Shinsei Mutual Fund | 1,000,000 | 30 | MIBOR +150bps | | | 21-Jun-10 | 17-Sep-10 | 24-Jun-10* 28-Jun-10* | 26 4 |
| Peerless Mutual Fund | 1,000,000 | 35 | MIBOR +25bps | | | 11-May-10 | 06-Aug-10 | 12-May-10* 20-May-10* | 10 25 |
| 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 |

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> |
| Total Profit after tax | | | 378,829,861 |
| | | | 674,735,674 |
| (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> |
| Total Assets | | | 7,305,037,028 |
| | | | 10,239,665,528 |
| (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> |
| Total Liabilities | | | 4,859,506,518 |
| | | | 7,923,890,856 |
| (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)

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:

| <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 |

(b) Significant Transactions with Related Parties:

| <u>Nature of Transaction</u> | <u>Key Management Personnel</u> |
|--|--|
| (Amount in Rs.) | |
| Income | |
| Brokerage Income | 18,154 |
| | 192,620 |
| Expenses | |
| 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 |
|-------------------------|------------------------------|------------------------------|
| Brokerage Income | | |
| - 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 |
| Remuneration | | |
| - 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 |
| Net Profit attributable to Equity Shareholders (Rs.) | 378,829,861 | 672,924,207 |
| Basic / Diluted Earnings per Share | | |
| 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 |
| Earnings Per Share - Basic (Rs.) | 1.64 | 2.68 |
| Earnings Per Share - Diluted (Rs.) | 1.62 | 2.58 |

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 |
|--|-------------------------|-------------------------|
| Deferred Tax Assets | | |
| 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 | — |
| | 83,521,292 | 69,540,342 |
| Deferred Tax Liability | | |
| Depreciation | 41,494,441 | 95,724,051 |
| | 41,494,441 | 95,724,051 |
| Deferred Tax Assets/(Liability) (Net) | 42,026,851 | (26,183,709) |

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 | Gratuity | Compensated | Compensated |
|---|--------------|-------------|--------------|-------------|
| | (unfunded) | (unfunded) | Absences | Absences |
| | 2010-11 | 2009-10 | (unfunded) | (unfunded) |
| | | | 2010-11 | 2009-10 |
| Reconciliation of Liability recognised in the Balance Sheet: | | | | |
| 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 |
| Movement in net Liability recognised in the Balance Sheet: | | | | |
| 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 |
| Expense recognised in the Profit and Loss Account: | | | | |
| 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 |
| Return on plan assets: | | | | |
| Expected return on plan assets | — | — | — | — |
| Actuarial (gains) / losses | — | — | — | — |
| Actual return on plan assets | — | — | — | — |
| Reconciliation of defined-benefit Commitments: | | | | |
| 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 |
| Reconciliation of plan assets: | | | | |
| 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 |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Experience adjustment: | | | | |
| 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 |
|--|----------------|----------------|----------------|----------------|
| Experience adjustment: | | | | |
| 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) |

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:

| Series | Expiry Date | Lot Size | No. of Contracts | Quantity |
|-------------------|-------------|----------|------------------|----------|
| 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 |
|--|----------|-------------------------|-------------------------|
| I. SOURCES OF FUNDS | | | |
| 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 |
| TOTAL | | 4,304,491,588 | 5,422,699,528 |
| II. APPLICATION OF FUNDS | | | |
| 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 |
| TOTAL | | 4,304,491,588 | 5,422,699,528 |
| 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 |
| INCOME | | | |
| Revenue from Operations | I | 3,254,504,635 | 3,368,914,954 |
| Other Income | J | 121,342,300 | 78,625,761 |
| | | 3,375,846,935 | 3,447,540,715 |
| EXPENDITURE | | | |
| 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 |
| | | 2,823,624,698 | 2,508,097,439 |
| PROFIT BEFORE TAX | | | |
| Provision for Taxation | | 552,222,237 | 939,443,276 |
| - 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 |
| NET PROFIT AFTER TAX | | | |
| | | 373,727,580 | 612,174,867 |
| Add: Balance of Profit brought forward | | 1,318,093,629 | 1,594,074,288 |
| Amount available for appropriation | | 1,691,821,209 | 2,206,249,155 |
| APPROPRIATIONS | | | |
| 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) |
| BALANCE OF PROFIT CARRIED FORWARD | | | |
| | | 1,384,956,770 | 1,318,093,629 |
| 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 |
|--|------------------------------|------------------------------|
| A CASH FLOW FROM OPERATING ACTIVITIES : | | |
| Net Profit before tax | 552,222,237 | 939,443,276 |
| 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 |
| | 145,836,407 | (28,770,150) |
| Operating Profit before working capital changes | 698,058,644 | 910,673,126 |
| 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 |
| | 308,492,549 | (297,717,549) |
| Cash generated from operations | 1,006,551,193 | 612,955,577 |
| Direct taxes paid | (212,213,728) | (358,090,038) |
| | (212,213,728) | (358,090,038) |
| Net cash generated from operating activities | 794,337,465 | 254,865,539 |
| B CASH FLOW FROM INVESTING ACTIVITIES : | | |
| 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 |
| Net cash generated from / (used in) investing activities | 713,557,042 | (31,328,829) |

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 |
|---|------------------------------|------------------------------|
| C CASH FLOW FROM FINANCING ACTIVITIES | | |
| 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) |
| Net cash (used in) / generated from financing activities | (2,208,716,762) | 425,912,203 |
| D NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C) | (700,822,255) | 649,448,913 |
| E CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 925,822,713 | 276,373,800 |
| F CASH AND CASH EQUIVALENTS AT THE CLOSE OF THE YEAR (D+E) | 225,000,458 | 925,822,713 |

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 |
| | 225,000,458 | 925,822,713 |
- 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 |
|---|-------------------------|-------------------------|
| SCHEDULE A | | |
| SHARE CAPITAL | | |
| 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 |
| | 1,115,250,000 | 1,115,250,000 |
| Issued, Subscribed and Paid up | | |
| (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 |
| Per Balance Sheet | 462,225,022 | 459,881,296 |
| SCHEDULE B | | |
| RESERVES AND SURPLUS | | |
| 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 |
| Per Balance Sheet | 1,861,739,644 | 1,739,429,813 |

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 |
|---|-------------------------|--|
| SCHEDULE C | | |
| SECURED LOANS | | |
| 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 |
| Per Balance Sheet | 1,980,526,922 | 1,655,157,478 |
| SCHEDULE D | | |
| UNSECURED LOANS | | |
| 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 |
| Per Balance Sheet | - | 1,540,000,000 |

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 |
| A. TANGIBLE ASSETS | | | | | | | | | |
| 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 |
| TOTAL (A) | 1,027,831,717 | 38,746,511 | 150,854,285 | 915,723,943 | 433,678,864 | 103,285,781 | 61,801,456 | 440,560,754 | 594,152,853 |
| B. INTANGIBLE ASSETS | | | | | | | | | |
| Membership Rights of the Stock Exchange, Mumbai | 7,005,000 | - | - | 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 | - | - | - | - |
| TOTAL (B) | 594,632,088 | 5,098,703 | - | 599,730,791 | 480,253,755 | 75,926,950 | - | 43,550,086 | 114,378,333 |
| TOTAL (A+B) | 1,622,463,805 | 43,845,214 | 150,854,285 | 1,515,454,734 | 913,932,619 | 179,212,731 | 61,801,456 | 484,110,840 | 708,531,186 |
| 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 |
| CAPITAL WORK - IN- PROGRESS AND ADVANCES THEREAGAINST, AT COST | | | | | | | | 4,761,225 | 14,390,315 |
| | | | | | | | | 488,872,065 | 722,921,501 |

* 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.)

(Amount in Rs.)

| | As at March 31, 2011 | As at March 31, 2010 |
|--|-------------------------|-------------------------|
| SCHEDULE F | | |
| INVESTMENTS (At cost unless otherwise stated) | | |
| (Refer Note B 24 of Schedule O) | | |
| Long Term–Trade–Unquoted | | |
| (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 |
| Long Term–Non Trade–Unquoted | | |
| (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 |
| Per Balance Sheet | 538,204,683 | 518,204,683 |
| 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 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 |
|--|-------------------------|-------------------------|
| SCHEDULE G | | |
| CURRENT ASSETS, LOANS AND ADVANCES | | |
| A. CURRENT ASSETS | | |
| 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 |
| Total (A) | 5,154,265,914 | 6,816,588,763 |

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. 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 | 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 |
| Total (B) | 777,254,560 | 1,716,880,660 |
| Per Balance Sheet (A + B) | 5,931,520,474 | 8,533,469,423 |

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 |
|--|-------------------------|-------------------------|
| SCHEDULE H | | |
| CURRENT LIABILITIES AND PROVISIONS | | |
| A. CURRENT LIABILITIES | | |
| 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 |
| Total | 2,560,999,039 | 3,703,858,074 |
| B. PROVISIONS | | |
| 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 |
| Total | 131,527,029 | 648,038,005 |
| Per Balance Sheet | 2,692,526,068 | 4,351,896,079 |

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 |
| SCHEDULE I | | |
| REVENUE | | |
| 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 |
| Per Profit and Loss Account | 3,254,504,635 | 3,368,914,954 |
| SCHEDULE J | | |
| OTHER INCOME | | |
| 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 |
| Per Profit and Loss Account | 121,342,300 | 78,625,761 |

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 |
|---|------------------------------|------------------------------|
| SCHEDULE K | | |
| OPERATING EXPENSES | | |
| 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 |
| Per Profit and Loss Account | 278,305,721 | 278,141,187 |
| SCHEDULE L | | |
| PERSONNEL COSTS | | |
| 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 |
| Per Profit and Loss Account | 1,304,541,391 | 1,335,717,956 |

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 |
|--|------------------------------|------------------------------|
| SCHEDULE M | | |
| ADMINISTRATIVE AND OTHER EXPENSES | | |
| 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 |
| Per Profit and Loss Account | 669,354,975 | 491,284,933 |
| SCHEDULE N | | |
| INTEREST AND FINANCE CHARGES | | |
| 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 |
| Per Profit and Loss Account | 392,209,880 | 190,799,468 |

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:

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.
2. 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.

3. 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.

| S. 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

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 |
| Basic / Diluted Earnings Per Share: | | |
| 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 |
| Total Options under the Scheme (Nos.) | 20,000,000 | 10,000,000 | 2,050,000 |
| Options granted (Nos.) | 20,000,000 | 10,000,000 | 2,050,000 |
| 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:

- Vehicles Loans of Rs. 8,143,586 (Previous Year Rs. 4,589,805) are secured against hypothecation of the Vehicles purchased.
- 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 |
| Total Profit after tax | | | 373,727,580 |
| | | | 612,174,867 |
| (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 |
| Total Assets | | | 6,997,017,656 |
| | | | 9,761,370,642 |

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.)

| | Broking and related activities | Others | Total |
|--|---|---------------|-----------------------------|
| (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> |
| Total Liabilities | | | 4,673,052,990 |
| | | | <i>7,562,059,534</i> |
| (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> |
|---|----------------------|---------------------------------|----------------------|
| Income | | | |
| Brokerage Income | — | 18,154 | 18,154 |
| | | <i>192,620</i> | <i>192,620</i> |
| Income from Depository Services | 33,750 | — | 33,750 |
| | — | — | — |
| Expenses | | | |
| 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> |
| Finance | | | |
| 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> |
| Investment | | | |
| Equity Shares | 20,000,000 | — | 20,000,000 |
| | <i>500,000</i> | — | <i>500,000</i> |
| Advances | | | |
| 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 |
|--|--------------------------------------|--------------------------------------|
| Brokerage Income | | |
| - 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 |
| Income from Depository Services | | |
| - Indiabulls Brokerage Limited | 33,750 | — |
| Reimbursement of Expenses paid | | |
| - Indiabulls Commodities Limited | 156,026,787 | 120,553,784 |
| Reimbursement of Expenses received | | |
| - Indiabulls Commodities Limited | 35,048 | 24,416 |
| - Indiabulls Distribution Services Limited | 2,280 | 243,564 |
| Intercorporate Deposit Given (maximum balance outstanding during the year) | | |
| - Indiabulls Brokerage Limited | 3,207,000,000 | 266,000,000 |
| - Indiabulls Commodities Limited | 40,000,000 | — |
| Intercorporate Deposit Taken (maximum balance outstanding during the year) | | |
| - Indiabulls Commodities Limited | 780,000,000 | 1,050,000,000 |
| - Indiabulls Brokerage Limited | 302,500,000 | — |
| Interest Expense | | |
| - 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 |
| Interest Income | | |
| - Indiabulls Commodities Limited | 184,110 | — |
| - Indiabulls Brokerage Limited | 52,092,273 | — |
| Investment in Equity Shares | | |
| - Indiabulls Distribution Services Limited | — | 500,000 |
| - Indiabulls Brokerage Limited | 20,000,000 | — |
| Advance Given | | |
| - Indiabulls Distribution Services Limited | 1,860,000 | — |
| Remuneration | | |
| - 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 |
| Net Profit attributable to Equity Shareholders (Rs.) | 373,727,580 | 610,363,400 |
| Basic / Diluted Earnings Per Share: | | |
| 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 |
| Earnings Per Share–Basic (Rs.) | 1.62 | 2.43 |
| Earnings Per Share–Diluted (Rs.) | 1.60 | 2.34 |

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 |
|---|-------------------------|-------------------------|
| Deferred Tax Assets: | | |
| 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 | — |
| | 78,370,569 | 65,819,772 |
| Deferred Tax Liability: | | |
| Depreciation | 39,950,135 | 94,050,713 |
| | 39,950,135 | 94,050,713 |
| Deferred Tax Assets / (Liability) (Net) | 38,420,434 | (28,230,941) |

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 |
|---|---|-----------------------------------|--|--|
| | Reconciliation of Liability recognised in the Balance Sheet: | | | |
| 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 |
| Movement in net Liability recognised in the Balance Sheet: | | | | |
| 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 |
| Expense recognised in the Profit and Loss account: | | | | |
| 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 |
| Return on plan assets: | | | | |
| Expected return on plan assets | — | — | — | — |
| Actuarial (gains) / losses | — | — | — | — |
| Actual return on plan assets | — | — | — | — |
| Reconciliation of defined-benefit Commitments: | | | | |
| 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 |
| Reconciliation of plan assets: | | | | |
| 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 |
| Experience adjustment: | | | | |
| 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 |
| Experience adjustment: | | | | |
| 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 |
| Total | 17,729,142 | 29,589,425 |

* 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.) |
| Opening Stock | | | | |
| Equity Shares | — | — | — | — |
| Mutual Fund | — | — | — | — |
| Total (A) | — | — | — | — |
| Purchases | | | | |
| 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 |
| Total (B) | 3,219,249,441 | 45,281,911,304 | 7,302,237,474 | 92,371,411,610 |
| Sales | | | | |
| 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 |
| Total (C) | 3,219,249,441 | 45,281,911,304 | 7,302,237,474 | 92,362,070,074 |
| Closing Stock | | | | |
| Equity Shares | — | — | — | — |
| Mutual Fund | — | — | — | — |
| Total (D) | — | — | — | — |
| Profit/(Loss) on trading in Futures & Option Contract (Net) (E) | | | | 14,559,656 |
| Profit / (Loss) (C+D+E-A-B) | — | — | — | 5,218,120 |

(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 |
| TOTAL | | | | 14,035,677,971 |

(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.) |
| Investment at the beginning of the year | | | | |
| Equity Shares | 130,000 | 10,000 | 130,000 | 10,000 |
| Total (A) | 130,000 | 10,000 | 130,000 | 10,000 |
| Investments made during the year | | | | |
| Equity Shares | — | — | — | — |
| Total (B) | — | — | — | — |
| Investments sold during the year | | | | |
| Equity Shares | — | — | — | — |
| Total (C) | — | — | — | — |
| Investments as at the year end | | | | |
| Equity Shares | 130,000 | 10,000 | 130,000 | 10,000 |
| Total (D) | 130,000 | 10,000 | 130,000 | 10,000 |

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 |
| TOTAL | | 10,000 | | 10,000 |

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.) |
| Investment at the beginning of the year | | | | |
| 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.) |
| Total (A) | 5,298,137 | 518,194,683 | 5,248,137 | 517,694,683 |
| Investments made during the year | | | | |
| Equity Shares | 2,000,000 | 20,000,000 | 50,000 | 500,000 |
| Total (B) | 2,000,000 | 20,000,000 | 50,000 | 500,000 |
| Investments sold / provided during the year | | | | |
| Equity Shares | — | — | — | — |
| Total (C) | — | — | — | — |
| Investments as at the year end | | | | |
| Equity Shares | 7,298,137 | 538,194,683 | 5,298,137 | 518,194,683 |
| Total (D) | 7,298,137 | 538,194,683 | 5,298,137 | 518,194,683 |

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> |
| Total | 7,298,137 | 538,194,683 |
| | <i>5,298,137</i> | <i>518,194,683</i> |

(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

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.)

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 ¹ | 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

Ashok Sharma
Director

R. K. Agarwal
Company Secretary

Place : Mumbai
Date: April 25, 2011

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="6997018"/> | Total Assets | <input type="text" value="6997018"/> |
|-------------------|--------------------------------------|--------------|--------------------------------------|

Sources of Funds

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

Application of Funds

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

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

| | | | |
|----------------------------------|--------------------------------------|------------------------------------|--------------------------------------|
| Turnover | <input type="text" value="3375847"/> | Total Expenditure | <input type="text" value="2823625"/> |
| Profit / Loss before tax | <input type="text" value="+552222"/> | Profit/ Loss after tax | <input type="text" value="+373728"/> |
| Earning per Share in Rs. (Basic) | <input type="text" value="1.62"/> | Earning per Share in Rs. (Diluted) | <input type="text" value="1.60"/> |
| Dividend | <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="671"/> |
| Product | <input type="text" value="SECURITIES BROKING &"/> |
| 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



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Senapati Bapat Marg,
Mumbai - 400013.