

# Indiabulls Securities Limited

— Annual Report 2011-12 —

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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 Place, 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  
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  
The 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 2011-12 has been a challenging period for the Indian Financial Markets. The Global Economic Environment which was mired in uncertainty throughout the year, took a sharp turn for the worse in September 2011 owing to the turmoil in the Eurozone. This was further compounded by concerns raised by rating agencies on the outlook of the US economy. Monetary Policy was tightened by the RBI during the year to tame inflationary pressures, without much success. The incessant tightening, however, took its toll on the economic growth as well as industrial output.

Weak Global Economic prospects and continuing uncertainties in the international financial markets have had their impact on the emerging market economies. Sovereign risk concerns particularly in the Euro area affected Indian Markets for most part of the year. There has been a significant decline in the capital market indices and market turnover on both the exchanges, owing to the following:

- Subdued FII inflows leading to a sharp depreciation of the rupee.
- Moderation in the growth rate of the economy.
- Monetary tightening.
- Deepening European Debt crisis, and downgrade of US leading to fears of recession.

Your Company too has been affected by the extremely turbulent environment. However, we could withstand this prolonged and severe

downturn and actually emerge stronger primarily due to our strong fundamentals/processes and the scalability of our technological platforms. It would go without saying that "people" have been our biggest assets. Your Company has aggressively pursued alternate revenue generating models to offset the capital market downturn.

It gives me great pleasure 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.

A stable interest rate environment and policy triggers from the government could kick-start investment spends in 2HFY12-13, in turn resulting in healthy GDP growth in FY12-13. Besides, government's perceived urgency in addressing policy issues, expectation of better earnings by corporate houses and an increasing global risk appetite will supplement the prospects of the equity market in the country. We remain positive on the outlook of Indian equities. I can assure you that your company is ideally positioned to capitalize on the opportunity when the capital market conditions together with our macroeconomic outlook improves.

Thank you.



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

# Management Discussion and Analysis

## Economic Review

The economic environment in India over the last year has not been very encouraging with subdued performance. Various reform programmes earlier introduced by the Government have slowed down and governance issues have not been tackled in the manner as expected by general public / foreign investors etc. The slump in the GDP growth rate due to both internal constraints and external factors has also impacted the performance of domestic stock markets. Though India is structurally strong economy with good fundamentals however it cannot isolate itself from the risk posed by the global economic turmoil. It is expected that the economy would get the desired stimulus on the back of reforms such as the Goods and Services Tax, Direct Tax Code and opening up of FDI in key sectors like Retail, Insurance etc. Progress on reforms will create a virtuous cycle of boosting production and consumption, improving India's image, attracting more investments and reviving growth, since investors rely on good governance, a predictable regulatory regime and a hassle free, rules based business environment. The fundamentals of our economy are sound and it will be back to a healthy growth levels by restoring investor confidence, cutting subsidies and fast-tracking infrastructure projects.

## Capital Markets Overview

Indian stocks are being battered for various reasons - inflation, interest rates, international events, huge FII's outflows, fall in INR versus foreign currencies, oil prices etc. However, we expect FII flows to pick up in India once commodity prices come off from elevated levels thereby easing inflationary pressures. Besides government's perceived urgency in addressing policy issues, a stable interest rate environment and policy triggers from the government would kick-start investment spends in 2HFY12-13, in turn resulting in healthy GDP growth. These will supplement the prospects of the equity market in the country and may provide desired impetus to the Indian Stocks.

## Business 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), a corporate member of the capital market and derivative segment of the BSE Limited (BSE), a corporate member of the currency derivative segment of the MCX-SX, registered category 1 merchant banker and registered portfolio manager. The Company is in the business of stock and share broking, commodities trading, depository service, distribution of Mutual Funds/IPOs and other investments and tax planning products.

## Strengths

### Equity, Debt and Derivative Brokerage

The Company's retail equity business primarily covers secondary market equity, derivative, currency and debt 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.

### 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 ("IBSL") 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 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.

## 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-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 which could impact the earning profile and 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

Indian equity market is likely to perform well in 2012-13 underpinned by the expectations of monetary easing by the RBI coupled with steps likely to be taken by the government for fiscal consolidation. Besides, government's perceived urgency in addressing policy issues, expectation of better earnings by corporate houses and an increasing global risk appetite will supplement the prospects of the equity market in the country.

## 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 Seventeenth Annual Report and the audited accounts of the Company for the year ended March 31, 2012.*

## FINANCIAL RESULTS

The highlights of the financial results for the year ended March 31, 2012 are as under:

	Year ended March 31, 2012 (Amount in Rs.)	Year ended March 31, 2011 (Amount in Rs.)
<b>Profit before Tax and Depreciation</b>	28,060,563	730,978,520
Less: Depreciation	118,718,587	179,212,731
(Loss)/Profit before Tax	(90,658,024)	551,765,789
Less: Provision for Taxation & prior period tax adjustments	25,362,622	178,038,209
(Loss)/Profit After Tax and prior period Tax adjustment	(116,020,646)	373,727,580
Add: balance of profit brought forward	1,384,956,770	1,318,093,629
<b>Amount available for appropriation</b>	<b>1,268,936,124</b>	<b>1,691,821,209</b>
<b>Appropriations</b>		
Interim Dividend on Equity Shares paid	-	231,084,236
Corporate Dividend Tax on Interim Dividend on Equity Shares	-	38,380,203
Transfer to General Reserves	-	37,400,000
<b>Balance of profit carried forward to Balance Sheet</b>	<b>1,268,936,124</b>	<b>1,384,956,770</b>

## OPERATIONS REVIEW

The Company is a corporate member of the capital market, wholesale debt market and derivative segment of the National Stock Exchange of India Limited (NSE), a corporate member of the capital market and derivative segment of the BSE Limited (BSE), a corporate member of the currency derivative segment of the MCX-SX, registered category 1 merchant banker and registered portfolio manager. The Company is in the business of stock and share broking, commodities trading, depository service, distribution of Mutual Funds/IPOs and other investments and tax planning products.

The Total Income of the Company during the year was Rs. 165.45 crores with a net loss of Rs.11.60 crores. The consolidated revenue of the Company was Rs. 199.52 crores and the consolidated net loss was Rs. 10.26 crores.

## FUTURE BUSINESS OUTLOOK

Indian equity market is likely to perform well in FY 2012-13 underpinned by the expectations of monetary easing by the RBI coupled with steps likely to be taken by the government for fiscal consolidation. Besides, government's perceived urgency in addressing policy issues, expectation of better earnings by corporate houses and an increasing global risk appetite will supplement the prospects of the equity market in the country.



## DIVIDEND

In view of current year losses, the Board has not recommended any dividend.

## EMPLOYEE STOCK OPTIONS

With a view to reward performance and to retain talented employees of the Company and its subsidiaries, the Company has introduced 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 required to be made under 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.

## DIRECTORS

In accordance with the provisions of Section 255 and 256 of the Companies Act, 1956 and Articles of Association of the Company Mr. Divyesh B. Shah (DIN:00010933) and Mr. Karan Singh Khara (DIN:00017236) 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.

## 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 accordance with the Circular No. 2/2011 No. 5/12/2007-CL-III dated February 8, 2011 issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. However

the financial of the subsidiary companies is disclosed in the Annual Report in compliance with the said circular. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

## LISTING WITH STOCK EXCHANGES

The equity shares of the Company continue to remain listed with the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE). The listing fees payable to both the exchanges for the financial year 2012-2013 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, 2012 and the loss 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 required to be 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

<b>Sd/-</b>	<b>Sd/-</b>
<b>Divyesh B. Shah</b>	<b>Ashok Sharma</b>
Whole Time Director & Chief Executive Officer	Whole Time Director

Date: August 30, 2012

Place: New Delhi

# 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, 2012	Year ended March 31, 2011
Advisory Income	1,342,657	1,981,978
Dividend on Long-Term Investments	35,342,898	12,979,720

### Expenditure in Foreign Currency:

Particulars	(Amount in Rs.)	
	Year ended March 31, 2012	Year ended March 31, 2011
Consultancy & Professional Charges	-	552,900
Software Charges	301,439	419,667

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

Particulars	(Amount in Rs.)	
	Year ended March 31, 2012	Year ended March 31, 2011
Amount of dividend remitted (Rs.)	-	6,420,177
Total number of non-resident shareholders (to whom the dividends were remitted in foreign currency)	-	6
Total number of shares held by them on which dividend was due	-	6,420,177
Year to which the interim dividend relates	-	Year ended March 31, 2011

**ANNEXURE TO THE DIRECTORS' REPORT REGARDING THE ESOP ISSUE UNDER 'INDIABULLS SECURITIES LIMITED EMPLOYEES STOCK OPTION SCHEME – 2008' AS ON MARCH 31, 2012**

Particulars	IBSL ESOP 2008
a. Options Granted	20,000,000
b. Exercise price	Rs. 17.40
c. Options vested during the year	1,362,168*
d. Options exercised	Nil
e. The total number of Shares arising as a result of exercise of option	Nil
f. Options lapsed	6,203,129
g. Variation in terms of options	Nil
h. Money realized by exercise of options	Nil
i. Total number of options in force	12,625,008
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
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']	Re. (0.50)
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 Note 32 of financial statements (standalone) forming part of the Annual Report.
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

\* Net of options surrendered before vesting

Annexure to the Directors' Report (contd.)

Particulars	IBSL ESOP 2008
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 Note 32 of financial statements (standalone) forming part of the Annual Report.
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, 2012**

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 during the year	205,000
d. Options exercised	Nil
e. The total number of Shares arising as a result of exercise of option	Nil
f. Options lapsed	11,550,000
g. Variation in terms of options	Nil
h. Money realized by exercise of options	Nil
i. Total number of options in force	500,000
j. Employee wise details of options granted to;	
i. Senior Management personnel	Mr. Divyesh B. Shah 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
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']	Re. (0.50)
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 Note 32 of financial statements (standalone) forming part of the Annual Report.

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

Particulars	IBSL ESOP 2009			
	10,000,000 Options		2,050,000 Options	
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:	Weighted average fair value:	Weighted average exercise price:	Weighted average fair value:
	Rs. 35.25 per option	Rs. 6.48 per option	Rs. 31.35 per option	Rs. 9.39 per option
n. A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted – average information: <ul style="list-style-type: none"> <li>i. risk free interest rate</li> <li>ii. expected life</li> <li>iii. expected volatility</li> <li>iv. expected dividends, and</li> <li>v. the price of the underlying share in market at the time of option grant</li> </ul>	Refer to Note 32 of financial statements (standalone) forming part of the Annual Report.			

# 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	4	Nil
3.	Mr. Aishwarya Katoch (DIN: 00557488)	Non-Executive Independent Director	3	7***	3
4.	Mr. Karan Singh (DIN: 00017236)	Non-Executive Independent Director	6	6***	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.

\*\*\* Figures are inclusive of Chairmanship

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 2011-2012, the Board met 7 (Seven) times. The dates of the Board meetings were April 25, 2011, July 25, 2011, August 12, 2011, September 5, 2011, October 20, 2011, November 01, 2011 and February 09, 2012.

The last Annual General Meeting of the Company was held on September 30, 2011.

A table depicting the attendance of Directors at various board meetings and annual general meeting held during the financial year 2011-2012 is given below:

Sr. no.	Name of the Director	No. of board meetings attended	Attendance at the last AGM
1.	Mr. Divyesh B. Shah	7	Yes
2.	Mr. Ashok Sharma	7	Yes
3.	Mr. Aishwarya Katoch	7	Yes
4.	Mr. Karan Singh	7	Yes
5.	Brig. Labh Singh Sitara	6	No
6.	Mr. Prem Prakash Mirdha	6	No

**(C) Code of Conduct**

The Company has laid down a Code of Conduct for all Board members and Senior Management Personnel of the Company. The Code of Conduct is available on the website of the Company [www.indiabulls.com/securities](http://www.indiabulls.com/securities). All Board members and Senior Management Personnel have affirmed compliance with the Code of



Conduct. A declaration signed by the Chief Executive Officer to this effect is enclosed at the end of this Report.

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

### 3. Committees of the Board

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

#### (A) Audit Committee

##### Composition

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

##### Terms of reference

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

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

##### Meetings and Attendance during the year

During the year four committee meetings were held respectively on April 22, 2011, August 11, 2011, October 20, 2011 and February 09, 2012.

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	4
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 2011-12.

**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.)	Total (Rs.)
Mr. Divyesh B. Shah	None	2,126,883	2,126,883

**Notes:**

1. Remuneration includes Basic Salary, Allowances, Incentives and Employee Benefits of Rs. 26,883 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, 2012.
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 2011-2012. No non-executive director holds any share in the Company.

**(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 re-mat 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, 2011, July 29, 2011, October 31, 2011 and February 09, 2012.

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 2011-12

During the financial year 2011-2012, 174 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
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.
2010-2011	Centaur Hotel, IGI Airport, Delhi-Gurgaon Road, New Delhi – 110 037	September 30, 2011	11:00 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 2008-09 and 2010-11, special resolutions as per detail hereunder, were passed:

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

- 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.
- 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.
- 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.

**Special Resolution passed in AGM for the year 2010-11:**

Special Resolution seeking members approval to amend the 'Indiabulls Securities Limited Employees Stock Option Scheme 2008' and 'Indiabulls Securities Limited Employees Stock Option Scheme 2009' (the "Stock Option Schemes"), earlier consented to / approved by the shareholders, so as to amend the exercise price under respective Stock Option Schemes, to be the market price of the equity shares of the Company, being the latest available closing price, prior to the date of grant or the price as may be decided by the Board."

**C. Special Resolutions passed during the financial year 2011-12 through postal ballot**

During the financial year 2011-12, no Special Resolution was passed by the members of the Company through Postal Ballot.

**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 2011-2012, 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.
- SEBI settled the adjudication proceedings against the Company on the payment of Rs. 3,000,000/-, vide its consent order dated 22nd September 2011 in the matter of Mega Corporation Ltd.
- Disciplinary Action Committee-NSE levied a penalty of Rs. 1,525,000/- vide its order dated 30th December 2011 in respect of limited purpose inspection conducted during March 2011.

- Disciplinary Action Committee-NSE levied a penalty of Rs. 1,675,000/- and additional Rs.750,000 to be retained by the exchange for the period of 6 months as a suspended sentence vide its order dated 30th December 2011 in respect of regular inspection conducted during December 2010.
- Disciplinary Action Committee-NSE levied a penalty of Rs. 1,00,000/- vide its order dated 27th March 2012 in respect of limited purpose inspection (CM and F&O Segments) conducted during March 2011.

### (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.

## 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)/ and Jansatta/Business Standard (Hindi).

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

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

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

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

### (iv) Investors' Relation:

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

Membership/Chairmanship of Mr. Shah in committees of various companies is as under:

Name of Company	Committee	Chairman/Member
Indiabulls Finance Company Private Limited	Audit Committee	Member
IB Assets Ltd	Audit Committee	Member

He held 7,69,000 equity shares in the Company as on March 31, 2012, representing 0.33% of the total paid up capital of the Company

### Mr. Karan Singh

Mr. Karan Singh holds a postgraduate degree in English and is a retired professor. His excellent HR administrative, academic and managerial skills will be to the benefit of the Company in the years to come, meriting his re-appointment as director on the Board of the Company.

## 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. Divyesh B. Shah

Mr. Divyesh B Shah has over 18 years of experience in the Share Broking Business. He has worked with leading financial services firms and gained extensive experience managing and developing large brokerage sales team and cultivating deep client relationships. He is responsible for managing a large sales force of the Company. Mr. Shah has extensive expertise on the process and operations required for running securities broking business in a very professional manner meriting his re-appointment as director on the Board of the Company. Mr. Shah is designated as Chief Executive Officer of the Company.

Mr. Shah is also on the Board of Indiabulls Finance Company Private Limited, Nilgiri Lands Limited, Indiabulls Infrastructure Projects Limited, Indiabulls Engineering Limited, IB Assets Limited, Nilgiri Land Holdings Limited, Nilgiri Infrastructure Limited, Nilgiri Buildwell Limited, Nilgiri Commercial Estate Limited, Indiabulls Natural Resources Limited, Indiabulls Brokerage Limited and Indiabulls Commodities Limited.

Mr. Singh is also on the Board of Indiabulls Financial Services Limited, Indiabulls Real Estate Limited, Store One Retail India Limited, Poena Power Solutions Limited, Indiabulls Commodities Limited, Hasta Infrastructure Private Limited, Indiabulls Wholesale Services Limited, Indiabulls Technology Solutions Limited, Lucina Land Development Limited and Indiabulls Housing Finance Limited.

Membership/Chairmanship of Mr. Karan Singh in committees of various companies is as under:

Name of Company	Committee	Chairman/Member
Indiabulls Securities Limited	Audit Committee	Chairman
	Shareholders'/Investors' Grievance Committee	Chairman
	Compensation Committee	Chairman
	Remuneration Committee	Member
Indiabulls Wholesale Services Limited	Audit Committee	Chairman
	Shareholders'/Investors' Grievance Committee	Chairman
	Compensation Committee	Member
	Remuneration Committee	Member
Indiabulls Financial Services Limited	Audit Committee	Member
	Shareholders'/Investors' Grievance Committee	Member

Mr. Karan Singh does not hold any share in the Company.

**(C) Financial year**

The financial year of the Company is a period of twelve months beginning on 1st April every calendar year and ending on 31st March the following calendar year.

**(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 2011-12.

**(F) (i) Distribution of shareholding as on 31st March 2012**

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		122,391	95.20	78,528,260	16.99
2	5,001	- 10,000	3,310	2.57	24,469,336	5.29
3	10,001	- 20,000	1,567	1.22	23,391,902	5.06
4	20,001	- 30,000	436	0.34	10,843,706	2.35
5	30,001	- 40,000	226	0.18	8,109,736	1.75
6	40,001	- 50,000	147	0.11	6,775,614	1.47
7	50,001	- 100,000	255	0.20	17,663,804	3.82
8	100,001	and above	236	0.18	292,442,664	63.27
<b>TOTAL</b>			<b>128,568</b>	<b>100</b>	<b>462,225,022</b>	<b>100</b>

**(ii) Shareholding pattern as on 31st March 2012**

<b>Sr. no.</b>	<b>Category</b>	<b>No. of Shares</b>	<b>% holding</b>
1.	Promoters and Promoters Group	78,675,190	34.04
2.	Banks	500	0.00
3.	FII's	22,158,345	9.59
4.	Bodies Corporate	29,405,865	12.72
5.	Indian Public	92,506,487	40.03
6.	NRIs	2,494,155	1.08
7.	GDRs (Shares underlying)	1,596,077	0.69
8.	Other foreign entities	4,017,610	1.74
9.	Clearing Members	258,282	0.11
<b>Total</b>		<b>231,112,511</b>	<b>100</b>

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

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

As on March 31, 2012, 99.87% Equity shares of the Company representing 230,798,594 out of a total of 231,112,511 Equity shares were held in dematerialized form and the balance 313,917 shares representing 0.13% 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, 2012 were 1,596,077. Each GDR represents one equity share of Rs. 2/- in the equity capital of the Company. Further, an aggregate of 13,125,008 Stock options were outstanding as on March 31, 2012. 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

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

**Global Depository Receipts (GDRs)**

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

**(J) Stock Code**

BSE Limited	–	532960
National Stock Exchange of India Ltd	–	IBSEC
ISIN for Dematerialization	–	INE274G01010

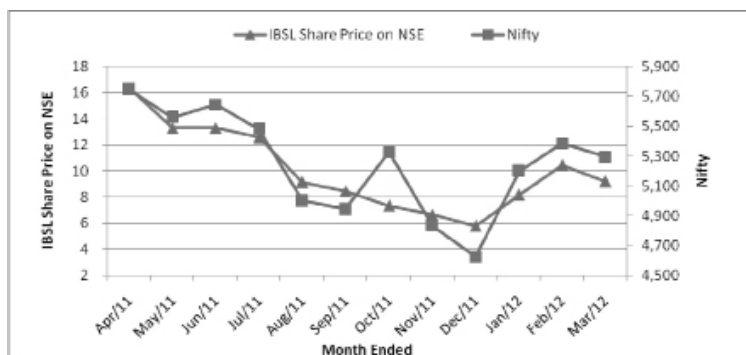
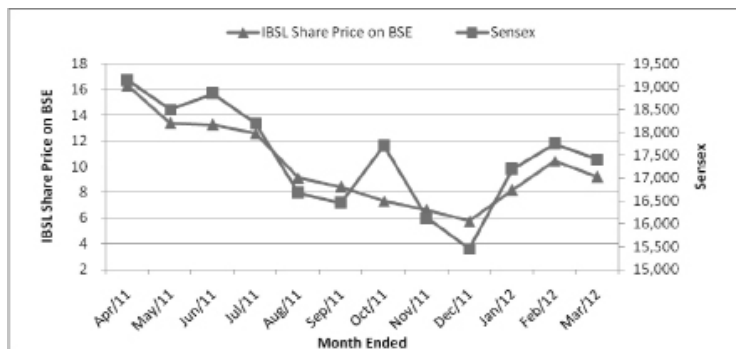


**(K) Market Price data**

The monthly high and low market prices of equity shares at the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) for the year ended March 31, 2012 were as under:

Month	NSE		BSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2011	19.15	15.85	20.90	16.00
May 2011	16.55	13.00	16.80	13.10
June 2011	16.50	12.70	16.52	12.70
July 2011	14.15	12.50	14.09	12.51
August 2011	12.80	8.30	12.75	8.00
September 2011	9.80	8.30	9.82	8.35
October 2011	8.60	7.25	8.70	7.29
November 2011	8.30	6.05	8.34	6.25
December 2011	7.15	5.00	7.11	5.01
January 2012	10.20	5.75	10.34	5.75
February 2012	13.35	8.10	13.37	8.07
March 2012	10.60	8.55	10.55	8.56

**(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. Limited  
Unit : Indiabulls Securities Limited  
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

**(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 timely basis 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 2011-12.

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

Date: August 9, 2012  
Place: New Delhi

## 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, 2012, 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, 2012 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: August 9, 2012

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, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include an investment in associates accounted on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006, as amended. 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 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. We did not audit the financial statements of six subsidiaries, whose financial statements reflect total assets of Rs.1,138,129,820 as at March 31, 2012, total revenues of Rs.371,855,903 and net cash outflows amounting to Rs.23,950,040 for the year ended on that date as considered in the Consolidated Financial Statements and of three associates which reflects the Group's share in reserve of associates of Rs.280,697 for the year then ended. These financial statements have been audited by other auditors, whose reports have been furnished to us, and our opinion in so far as it relates to the amounts included in respect of these subsidiaries and associates 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 21 (Consolidated Financial Statements) and Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006, as amended.
5. Based on our audit and on consideration of the separate audit reports on the individual financial statements of the Company, and the aforesaid subsidiaries and associates, 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, 2012.
  - b. in the case of the Consolidated Statement of Profit and Loss, of the loss 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)

**A. Siddharth**  
Partner  
(Membership No.031467)

Mumbai, April 30, 2012

# Consolidated Balance Sheet

of Indiabulls Securities Limited Group as at March 31, 2012



Particulars	Note No.	(Amount in Rs.)	
		As at March 31, 2012	As at March 31, 2011
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	3	462,225,022	462,225,022
(b) Reserves and Surplus	4	1,883,893,772	1,983,305,488
		2,346,118,794	2,445,530,510
<b>(2) Non - Current Liabilities</b>			
(a) Long-Term Borrowings	5	4,777,709	6,481,264
(b) Deferred Tax Liabilities (Net)	6	316,135	-
(c) Other Long-Term Liabilities	7	99,786,644	99,786,644
(d) Long-Term Provisions	8	50,924,883	71,571,717
		155,805,371	177,839,625
<b>(3) Current Liabilities</b>			
(a) Short-Term Borrowings	9	360,148,862	1,970,567,925
(b) Trade Payables	10	9,521,915	16,574,967
(c) Other Current Liabilities	11	2,076,744,024	2,620,351,624
(d) Short-Term Provisions	12	191,764,811	73,822,130
		2,638,179,612	4,681,316,646
<b>TOTAL</b>		<b>5,140,103,777</b>	<b>7,304,686,781</b>
<b>II. ASSETS</b>			
<b>(1) Non - Current Assets</b>			
(a) Fixed Assets	13		
(i) Tangible Assets		378,392,852	451,549,837
(ii) Intangible Assets		14,318,880	44,357,938
		392,711,732	495,907,775
(b) Non-Current Investments	14	425,652,066	476,731,379
(c) Deferred Tax Assets (Net)	15	67,122,258	42,026,851
(d) Long-Term Loans and Advances	16	375,599,135	261,112,135
(e) Other Non-Current Assets	17	157,243,681	169,238,193
		1,418,328,872	1,445,016,333
<b>(2) Current Assets</b>			
(a) Current Investments	18	400,019,711	-
(b) Trade Receivables	19	331,537,015	457,998,383
(c) Cash and Bank Balances	20	2,097,809,275	4,769,002,367
(d) Short-Term Loans and Advances	21	808,236,670	572,805,933
(e) Other Current Assets	22	84,172,234	59,863,765
		3,721,774,905	5,859,670,448
<b>TOTAL</b>		<b>5,140,103,777</b>	<b>7,304,686,781</b>
Notes forming part of the financial statements	1 - 41		

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

**A. Siddharth**  
Partner

Mumbai, April 30, 2012

For and on behalf of the Board of Directors

**Divyesh B. Shah**  
Whole Time Director &  
Chief Executive Officer

Mumbai, April 30, 2012

**Ashok Sharma**  
Whole Time Director

**R. K. Agarwal**  
Company Secretary

# Consolidated Statement of Profit and Loss

of Indiabulls Securities Limited Group for the year ended March 31, 2012

(Amount in Rs.)

Particulars	Note No.	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>I. Revenue from Operations</b>	23	1,842,164,314	3,469,851,844
<b>II. Other Income</b>	24	153,076,031	214,503,231
<b>III. Total Revenue (I + II)</b>		<b>1,995,240,345</b>	<b>3,684,355,075</b>
<b>IV. Expenses :</b>			
Operating Expenses	25	160,019,015	311,027,058
Employee Benefits Expense	26	723,113,752	1,458,857,618
Interest and Finance Costs	27	276,776,216	398,337,328
Depreciation and Amortisation Expense	13	120,392,627	181,581,840
Other Expenses	28	784,367,391	767,846,165
<b>Total Expenses</b>		<b>2,064,669,001</b>	<b>3,117,650,009</b>
<b>V. (Loss)/Profit before tax (III-IV)</b>		(69,428,656)	566,705,066
<b>VI. Tax Expense:</b>			
(1) Current Tax		57,310,000	252,143,552
(2) Tax expense relating to prior years		590,651	3,942,213
(3) Deferred tax credit (Net) (Refer note 6 & 15)		(24,779,272)	(68,210,560)
		33,121,379	187,875,205
<b>VII. (Loss)/Profit for the year (V-VI)</b>		<b>(102,550,035)</b>	<b>378,829,861</b>
<b>VIII. Earnings per Equity Share:</b>	35		
(1) Basic		(0.44)	1.64
(2) Diluted		(0.44)	1.62
Face value per Equity Share		2.00	2.00
Notes forming part of the financial statements	1 - 41		

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

**A. Siddharth**  
Partner

Mumbai, April 30, 2012

For and on behalf of the Board of Directors

**Divyesh B. Shah**  
Whole Time Director &  
Chief Executive Officer

Mumbai, April 30, 2012

**Ashok Sharma**  
Whole Time Director

**R. K. Agarwal**  
Company Secretary

# Consolidated Cash Flow Statement

of Indiabulls Securities Limited Group for the year ended March 31, 2012



(Amount in Rs.)

	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>A Cash flows from Operating Activities :</b>		
<b>(Loss)/Profit before Tax</b>	<b>(69,428,656)</b>	<b>566,705,066</b>
Adjustments for :		
Depreciation / Amortisation	120,392,627	181,581,840
Provision for Gratuity and Compensated Absences	(19,764,864)	(6,357,509)
Provision for Doubtful Debts, Advances and Security Deposits	64,836,689	58,365,060
Bad Debts / Advances written off	453,174	6,796,389
Securities Transaction Tax	-	76,852,175
Loss on Sale / Scrapping of Fixed Assets	31,784,477	79,797,534
Sundry Credit Balances written back	(4,042,719)	(14,448,783)
Excess Provisions no longer required written back	(43,943,253)	(31,508,130)
Loss/(Profit) on Sale of Investments / Dealing in Securities	33,143,045	(125,906,622)
Share of Reserves in Associates (Net)	(280,697)	-
Dividend Income on Investments	(43,577,876)	(42,363,939)
Unrealised Foreign Exchange Gain	(153,093)	-
Interest Income on Deposits	(349,879,023)	(354,135,380)
Interest Income from Inter Corporate Deposits	(60,822)	-
Interest Income from Loan	(16,438)	-
Interest Expense	245,675,211	326,465,277
	34,566,438	155,137,912
<b>Operating (Loss)/ Profit before Working Capital changes</b>	<b>(34,862,218)</b>	<b>721,842,978</b>
Adjustments for:		
Trade and Other Receivables	(346,833,433)	1,588,167,939
Trade Payables and Other Liabilities	(500,801,131)	(1,059,785,821)
	(847,634,564)	528,382,118
<b>Cash (Used in) /Generated from Operations</b>	<b>(882,496,782)</b>	<b>1,250,225,096</b>
Direct Taxes Refund received / (Paid) (Net)	483,638,212	(225,910,209)
	483,638,212	(225,910,209)
<b>Net Cash (Used in) / Generated from Operating Activities</b>	<b>(398,858,570)</b>	<b>1,024,314,887</b>



Consolidated Cash Flow Statement  
of Indiabulls Securities Limited Group for the year ended  
March 31, 2012 (contd.)

	(Amount in Rs.)	
	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>B Cash flow from Investing Activities :</b>		
Purchase of Fixed Assets (including Capital Advances given)	(154,728,866)	(36,547,770)
Proceeds from Sale of Fixed Assets	8,213,225	9,255,295
Proceeds from Sale of Other Long-Term Investments/Dealing in Securities (Net)	240,267,087	99,004,345
Dividend Income on Investments	43,577,876	42,363,939
Investment in Associates	(300,000,000)	-
Purchase of units of Mutual Fund	(400,019,711)	-
Maturity Proceeds from Fixed Deposits having original maturity of more than three months	2,716,930,420	366,063,712
Interest received on Fixed Deposits and Other Deposits	372,977,334	391,094,624
<b>Net Cash Generated from Investing Activities</b>	<b>2,527,217,365</b>	<b>871,234,145</b>
<b>C Cash flows from Financing Activities :</b>		
Interest Paid	(247,490,622)	(326,284,235)
Interest Income from Inter Corporate Deposits	60,822	-
Interest Income from Loan	16,438	-
Payment of Final Dividend on Equity Shares	(67,962)	(457,584,557)
Payment of Interim Dividend on Equity Shares	(117,399)	(229,052,820)
Corporate Dividend Tax on Final Dividend on Equity Shares	-	(76,380,535)
Corporate Dividend Tax on Interim Dividend on Equity Shares	-	(38,380,203)
(Repayment of) / Proceeds from Bank Loans (Net)	(1,612,017,256)	326,101,978
Repayment of Commercial Papers (Net)	-	(1,500,000,000)
Inter Corporate Deposits Repaid (Net)	-	(250,000,000)
Inter Corporate Deposits Given (Net)	(185,000,000)	-
Other Loan Given	(50,000,000)	-
Proceeds from issue of Equity Shares under ESOP (including Securities Premium)	-	20,390,416
<b>Net Cash Used in Financing Activities</b>	<b>(2,094,615,979)</b>	<b>(2,531,189,956)</b>

	(Amount in Rs.)	
	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>D Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)</b>	33,742,816	(635,640,924)
<b>E Cash and Cash equivalents at the beginning of the year</b>	365,751,459	1,001,392,383
<b>F Cash and Cash equivalents at the end of the year (D+E)</b>	399,494,275	365,751,459

**Notes:**

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

	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
Cash and Bank Balances (Refer note - 20)	2,097,809,275	4,769,002,367
Less: in Fixed Deposit Accounts having Maturity of more than three months	1,698,315,000	4,403,250,908
<b>Cash and Cash Equivalents as restated</b>	<b>399,494,275</b>	<b>365,751,459</b>

- Unclaimed dividend account balances in designated Bank accounts aggregating to Rs. 10,611,839 (Previous year Rs. 10,797,200) are not available for use by the Company (Refer note - 20(A)).
- Previous year's figures are regrouped wherever considered necessary to conform with current year's groupings/classifications.

In terms of our report attached

**For Deloitte Haskins & Sells  
Chartered Accountants**

**A. Siddharth**  
Partner

Mumbai, April 30, 2012

**For and on behalf of the Board of Directors**

**Divyesh B. Shah**  
Whole Time Director &  
Chief Executive Officer

Mumbai, April 30, 2012

**Ashok Sharma**  
Whole Time Director

**R. K. Agarwal**  
Company Secretary

# Consolidated Notes forming part

of the financial statements of Indiabulls Securities Limited Group  
for the year ended March 31, 2012

## Note - 1

### Corporate Information:

Indiabulls Securities Limited ("IBSL" or "the Company") carries on the business as stock and share brokers on the National Stock Exchange of India Limited ("NSE") and the BSE Limited ("BSE"); 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 the Company. On April 2, 2008 the Equity shares of the Company were listed on the NSE and the BSE after the demerger of the Company from Indiabulls Financial Services Limited (erstwhile holding company) vide Scheme of Arrangement.

## Note - 2

### Significant Accounting Policies:

#### a) Basis of Consolidation:

The Consolidated Financial Statements are prepared in accordance with Accounting Standard – 21 'Consolidated Financial Statements' and Accounting Standard -23 'Accounting for Investments in Associates in Consolidated Financial Statements' as notified under the Companies (Accounting Standards) Rules, 2006, as amended. 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) Investments in Associates:

Investment in entities in which the Holding Company has significant influence but not a controlling interest are reported according to the Equity method i.e. the investment is initially recorded at cost, identifying any goodwill / capital reserve arising at the time of acquisition. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee. The Consolidated Statement of Profit and Loss includes the investor's share of results of the operations of the investee.

Name of Associates	Country of Incorporation	Year / Period	Ownership interest (%)	Original cost of investment (Rs.)	Share of post acquisition Reserves and Surplus (Rs.)	Carrying cost of Investment (Rs.)	Statutory Auditor
Arbutus Constructions Private Limited	India	January 11, 2012 to March 31, 2012	48.72%	100,000,000	(59,320)	99,940,680	S A S & Co.
		<i>N.A.</i>	<i>N.A.</i>	<i>N.A.</i>	<i>N.A.</i>	<i>N.A.</i>	<i>N.A.</i>
Gyan Sagar Software Technologies Private Limited	India	January 11, 2012 to March 31, 2012	48.72%	100,000,000	333,273	100,333,273	S A S & Co.
		<i>N.A.</i>	<i>N.A.</i>	<i>N.A.</i>	<i>N.A.</i>	<i>N.A.</i>	<i>N.A.</i>
Viscaria Builders Private Limited	India	January 11, 2012 to March 31, 2012	48.72%	100,000,000	6,744	100,006,744	S A S & Co.
		<i>N.A.</i>	<i>N.A.</i>	<i>N.A.</i>	<i>N.A.</i>	<i>N.A.</i>	<i>N.A.</i>

N.A. means not applicable

*(Previous year details are given in italics)*

**e) Companies included in Consolidation:**

Name of Subsidiaries	Country of Incorporation	Year / Period ended included in Consolidation	Proportion of Ownership	Statutory Auditor
Indiabulls Commodities Limited	India	April 01, 2011 to March 31, 2012	100%	A Sardana & Co.
		<i>April 01, 2010 to March 31, 2011</i>	<i>100%</i>	<i>Ajay Sardana Associates</i>
India Ethanol And Sugar Limited (Subsidiary of Indiabulls Commodities Limited)	India	April 01, 2011 to March 31, 2012	100%	A Sardana & Co.
		<i>April 01, 2010 to March 31, 2011</i>	<i>100%</i>	<i>Ajay Sardana Associates</i>
Devata Tradelink Limited	India	April 01, 2011 to March 31, 2012	100%	Sumit Mohit & Company
		<i>April 01, 2010 to March 31, 2011</i>	<i>100%</i>	<i>Sumit Mohit &amp; Company</i>
Indiabulls Brokerage Limited	India	April 01, 2011 to March 31, 2012	100%	A Sardana & Co.
		<i>April 01, 2010 to March 31, 2011</i>	<i>100%</i>	<i>Ajay Sardana Associates</i>
Indiabulls Distribution Services Limited	India	April 01, 2011 to March 31, 2012	100%	A Sardana & Co.
		<i>April 01, 2010 to March 31, 2011</i>	<i>100%</i>	<i>A Sardana &amp; Co.</i>
Auxesia Soft Solutions Limited	India	September 30, 2011 to March 31, 2012	100%	Sumit Mohit & Company
		NA	NA	NA

N.A. means not applicable

*(Previous year details are given in italics)*

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.

**f) 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 Particulars	(Amount in Rs.)	
	2011-12	2010-11
Share Capital	6,000,000	6,000,000
Reserves and Surplus (Surplus/(Deficit))	145,957,958	128,002,393
Total Assets (Excluding Investments considered below)	365,722,764	315,942,335
Total Liabilities	263,813,398	183,866,638
Details of Investments (excluding investment in the subsidiary companies)	50,048,592	26,696
Turnover (including Other Income)	197,119,577	219,397,354
Profit / (Loss) before Taxation	25,405,775	27,057,533
Provision for Taxation	7,450,210	9,512,360
Profit / (Loss) after Taxation	17,955,565	17,545,173
Proposed Dividend (including Corporate Dividend Tax)	-	-

Consolidated Notes forming part of the financial statements  
of Indiabulls Securities Limited Group for the year  
ended March 31, 2012 (contd.)

<b>India Ethanol And Sugar Limited</b>		
	(Amount in Rs.)	
<b>Particulars</b>	<b>2011-12</b>	<b>2010-11</b>
Share Capital	1,900,000	1,900,000
Reserves and Surplus (Surplus/(Deficit))	(1,906,318)	(1,859,312)
Total Assets (Excluding Investments considered below)	49,862	187,700
Total Liabilities	56,180	147,012
Details of Investments	-	-
Turnover (including Other Income)	13,251	29,400
Profit / (Loss) before Taxation	(51,642)	(901,760)
Provision for Taxation	(4,636)	(11,200)
Profit / (Loss) after Taxation	(47,006)	(890,560)
Proposed Dividend (including Corporate Dividend Tax)	-	-
<b>Devata Tradelink Limited</b>		
	(Amount in Rs.)	
<b>Particulars</b>	<b>2011-12</b>	<b>2010-11</b>
Share Capital	500,000	500,000
Reserves and Surplus (Surplus/(Deficit))	(1,806,329,455)	(1,806,273,071)
Total Assets (Excluding Investments considered below)	13,162,735	13,148,039
Total Liabilities	2,118,992,190	1,818,921,110
Details of Investments	300,000,000	-
Turnover (including Other Income)	2,700	2,145
Profit / (Loss) before Taxation	(56,384)	(153,449)
Provision for Taxation	-	-
Profit / (Loss) after Taxation	(56,384)	(153,449)
Proposed Dividend (including Corporate Dividend Tax)	-	-
<b>Indiabulls Brokerage Limited</b>		
	(Amount in Rs.)	
<b>Particulars</b>	<b>2011-12</b>	<b>2010-11</b>
Share Capital	55,000,000	55,000,000
Reserves and Surplus (Surplus/(Deficit))	(15,995,983)	(15,506,796)
Total Assets (Excluding Investments considered below)	40,625,031	41,695,987
Total Liabilities	1,621,014	2,202,783
Details of Investments	-	-
Turnover (including Other Income)	4,107,255	156,767,371
Profit / (Loss) before Taxation	(171,181)	(9,436,459)
Provision for Taxation	318,006	335,836
Profit / (Loss) after Taxation	(489,187)	(9,772,295)
Proposed Dividend (including Corporate Dividend Tax)	-	-

<b>Indiabulls Distribution Services Limited</b>		(Amount in Rs.)	
<b>Particulars</b>	<b>2011-12</b>	<b>2010-11</b>	
Share Capital	500,000	500,000	
Reserves and Surplus (Surplus/(Deficit))	(6,089,805)	(1,979,267)	
Total Assets (Excluding Investments considered below)	696,861,218	780,554	
Total Liabilities	702,451,023	2,259,821	
Details of Investments	-	-	
Turnover (including Other Income)	164,881,505	1,037,947	
Profit / (Loss) before Taxation	(4,110,538)	(1,626,590)	
Provision for Taxation	-	-	
Profit / (Loss) after Taxation	(4,110,538)	(1,626,590)	
Proposed Dividend (including Corporate Dividend Tax)	-	-	

<b>Auxesia Soft Solutions Limited</b>		(Amount in Rs.)	
<b>Particulars</b>	<b>2011-12</b>	<b>2010-11</b>	
Share Capital	500,000	N.A.	
Reserves and Surplus (Surplus/(Deficit))	(62,536)	N.A.	
Total Assets (Excluding Investments considered below)	493,644	N.A.	
Total Liabilities	56,180	N.A.	
Details of Investments	-	N.A.	
Turnover (including Other Income)	10,633	N.A.	
Profit / (Loss) before Taxation	(67,359)	N.A.	
Provision for Taxation	(4,823)	N.A.	
Profit / (Loss) after Taxation	(62,536)	N.A.	
Proposed Dividend (including Corporate Dividend Tax)	-	N.A.	

N.A. means not applicable

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

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

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

**h) Use of Estimates:**

The preparation of financial statements in conformity with Indian GAAP 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.

**i) Revenue Recognition:**

- Revenue from Securities Brokerage activities is accounted for on the trade date of the transaction.
- Income from Brokerage and commission on account of cross-selling of real estate products is recognised on an accrual basis.
- Income from fee based advisory services is recognised on an 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 an accrual basis as and when the right to receive the income is established.
- Revenue from interest on fixed deposits is recognised on an accrual basis.

- Commission on mutual funds is recognised on an accrual basis.
- Dividend income on Equity shares is recognised when the right to receive the dividend is unconditional as at the Balance Sheet date.
- Dividend income on units of mutual funds is recognised when the right to receive the dividend is unconditional as at the Balance Sheet date. Any gains/losses on sale / redemption of units are recognised on the date of sale / redemption.
- Interest income on Inter Corporate Deposits is recognised on an accrual basis.
- Interest income on other deposits is recognised on an accrual basis.

**j)** 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) to iv) below :

**Equity Index / Stock Futures:**

In accordance with the 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 is disclosed under Loans and Advances or 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 Statement of Profit and Loss.

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

**k) Stock-in-trade:**

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

**l) Commercial Papers:**

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

**m) 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.

**n) Depreciation / Amortisation:**

Depreciation on tangible fixed assets is provided on a straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on additions to fixed assets is provided on a 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/scraping, as the case may be. Assets taken on operating 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 capitalisation.

Intangible assets consisting of Membership Rights of the Bombay Stock Exchange Limited are amortised on a 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.

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.

**o) 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. The recoverable amount is the 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 Statement of Profit and Loss. 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.

**p) Investments:**

Investments are classified as long-term and current. Long-term investments are carried at cost less provision, if any, for diminution other than temporary in the value of such investment. Current investments are valued at lower of cost and fair value.

**q) Foreign Currency Transactions:**

Recognition & translation

- 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 exchange 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 recognised in the Statement of Profit and Loss.

Exchange Differences

- i. Exchange differences arising on a monetary item that in substance, forms part of the Company's net investment in a non-integral foreign operation is accumulated in the Foreign Currency Translation Reserve until the disposal of the net investment. On the disposal of such net investment, the cumulative amount of the exchange differences which have been deferred and which relate to that investment is recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.
- ii. Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalised and depreciated over the remaining useful life of the asset. For this purpose, the Company treats a foreign monetary item as "long-term foreign currency monetary item", if it has a term of 12 months or more at the date of its origination.
- iii. Exchange differences arising on other long-term foreign currency monetary items are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortised over the remaining life of the concerned monetary item.
- iv. All other exchange differences are recognised as income or as expenses in the period in which they arise.

**r) Employee Benefits:**

The Company has a defined contribution plan namely Provident Fund. Annual contribution to the Employees Provident Fund Organisation is charged to the Statement of Profit and Loss. 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 / losses comprise experience adjustments and the effects of change in actuarial assumptions and are recognised in the Statement of Profit and Loss as income or expenses as applicable.

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

The Company follows the intrinsic value method as per the 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 of the stock options at the 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 fair valuation certified by an independent firm of Chartered Accountants in respect of the stock options granted.

**t) 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 profits and tax profits is accounted for at the current rate of tax / substantively enacted tax rates as at the Balance Sheet Date, as applicable, to the extent that the timing differences are expected to crystallise/capable of reversal in one or more subsequent periods.

Deferred Tax Assets are recognised where realisation is reasonably certain whereas in the 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 that there will be sufficient future taxable income available to realise such assets. Deferred Tax Assets are reviewed for their appropriateness of their respective carrying values at each Balance Sheet date.

**u) Leases:**

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

**v) Share Issue Expenses:**

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

**w) 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 the Statement of Profit and Loss.

**x) Segment Reporting:**

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

**y) 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 neither recognised in the financial statements nor disclosed, since this may result in the recognition of income that may never be realised.

**Note - 3**

**Share Capital**

	As at March 31, 2012		As at March 31, 2011	
	No. of Shares	Amount (Rs.)	No. of Shares	Amount (Rs.)
<b>Authorised</b>				
Equity Shares of face value of Rs. 2 each	500,000,000	1,000,000,000	500,000,000	1,000,000,000
Preference Shares of face value of Rs. 4.61 each	25,000,000	115,250,000	25,000,000	115,250,000
<b>Issued, subscribed and fully paid up</b> <sup>(i) to (vii)</sup>				
Equity Shares of face value of Rs. 2 each fully paid up	231,112,511	462,225,022	231,112,511	462,225,022
The Company has only one class of Equity Shares having a face value of Rs. 2 per share. Each holder of Equity Shares is entitled to one vote per share.				
		<b>462,225,022</b>		<b>462,225,022</b>

- (i) In the event of liquidation of the Company, the holders of Equity Shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of Equity Shares held by the shareholders.
- (ii) Holders of Global Depository Receipts ('GDRs') will be entitled to receive dividends, subject to the terms of the Deposit Agreement, to the same extent as the holders of Equity Shares, less the fees and expenses payable under such Deposit Agreement and any Indian tax applicable to such dividends. Holders of GDRs don't have voting rights with respect to the Deposited Shares. The GDRs may not be transferred to any person located in India including Indian residents or ineligible investors except as permitted by Indian laws and regulations.
- (iii) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the financial year :**

	Equity Shares As at March 31, 2012		Equity Shares As at March 31, 2011	
	No. of Shares	Amount (Rs.)	No. of Shares	Amount (Rs.)
Opening balance	231,112,511	462,225,022	229,940,648	459,881,296
Shares issued during the year by exercise of Employee Stock Option Plan	-	-	1,171,863	2,343,726
<b>Closing Balance</b>	<b>231,112,511</b>	<b>462,225,022</b>	<b>231,112,511</b>	<b>462,225,022</b>

- (iv) During the financial year 2007-08, the Company had restructured/ reorganised its business operations through a scheme of arrangement Under Sections 391 – 394 of the Companies Act, 1956 (duly sanctioned by the Hon'ble High Court of Judicature at Delhi on November 23, 2007). The Scheme of arrangement provided for the demerger of the Company (securities broking and advisory business (a part of fee income) as a going concern from Indiabulls Financial Services Limited ("IBFSL"). Upon coming into effect of the Scheme on April 24, 2007 and with effect from the Appointed Date on April 01, 2007, in terms of the Scheme, the Company had issued and allotted 253,426,989 Equity Shares of face value of Rs. 2 each aggregating to Rs. 506,853,978 and 9,966,667 cumulative, non-convertible redeemable Preference Shares of face value of Rs. 4.61 each aggregating to Rs. 45,946,335 to the respective shareholders of IBFSL.
- (v) 23,486,341 Equity Shares of face value of Rs. 2 each were bought back by the Company during the year ended March 31, 2010.

Consolidated Notes forming part of the financial statements  
of Indiabulls Securities Limited Group for the year  
ended March 31, 2012 (contd.)

**(vi) Shares held by Shareholders each holding more than 5% shares:**

No. of Shareholders	As at March 31, 2012		As at March 31, 2011	
	No. of Shares held	% of holding	No. of Shares held	% of holding
Four shareholders (Previous year - four shareholders) each are holding more than 5% of the Equity Share Capital	84,516,531	36.57%	85,785,865	37.12%

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest. The above shareholding represents both legal and beneficial ownerships of shares.

**(vii) Shares reserved for issue under options:**

13,125,008 Equity Shares (Previous year 27,231,233 Equity Shares) of face value of Rs. 2 are reserved under various option schemes of the Company (Refer note - 30).

**Note - 4**

**Reserves and Surplus**

	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
<b>Capital Reserve arising on Consolidation</b>		
Balance as per last Balance Sheet	24,445,430	24,445,430
<b>Capital Redemption Reserve</b>		
Balance as per last Balance Sheet	360,036,184	360,036,184
<b>Securities Premium Account</b>		
Opening Balance	18,046,690	-
Add : Additions during the year on account of shares issued under ESOP scheme	-	18,046,690
Closing Balance	18,046,690	18,046,690
<b>Foreign Currency Monetary Item Translation Difference Account <sup>(i)</sup></b>		
Opening Balance	-	-
Add : Addition during the year	3,291,412	-
Less: Amortised during the year	153,093	-
Closing balance	3,138,319	-
<b>General Reserve</b>		
Opening Balance	98,700,000	61,300,000
Add: Transfer from the Statement of Profit and Loss	-	37,400,000
Closing Balance	98,700,000	98,700,000
<b>Surplus in the Statement of Profit and Loss</b>		
Opening Balance	1,482,077,184	1,410,111,762
Add: (Loss)/Profit for the year	(102,550,035)	378,829,861

		(Amount in Rs.)	
		As at March 31, 2012	As at March 31, 2011
<b>Amount available for appropriation</b>	<b>(a)</b>	<b>1,379,527,149</b>	<b>1,788,941,623</b>
<b>Less: Appropriations :</b>			
Interim Dividend on Equity Shares <sup>(ii)</sup>		-	231,084,236
Corporate Dividend Tax on Interim Dividend on Equity Shares		-	38,380,203
Transfer to General Reserve		-	37,400,000
<b>Total Appropriations</b>	<b>(b)</b>	<b>-</b>	<b>306,864,439</b>
<b>Balance of Profit Carried Forward</b>	<b>(a)-(b)</b>	<b>1,379,527,149</b>	<b>1,482,077,184</b>
		<b>1,883,893,772</b>	<b>1,983,305,488</b>

- (i) Pursuant to the notification dated December 29, 2011 issued by the Ministry of Corporate Affairs amending Accounting Standard 11 - 'Accounting for the Effects of Changes in Foreign Exchange Rates' as notified under the Companies (Accounting Standards) Rules, 2006, as amended, the Company has exercised the option as per Paragraph 46A inserted in the said Accounting Standard for amortisation of foreign exchange gain/loss on long-term monetary items over the remaining life of the concerned monetary items. Consequently, an amount of Rs. 3,138,319 (Previous year Rs. Nil) is carried forward in the Foreign Exchange Monetary Item Translation Difference Account as on March 31, 2012, net of forex gain amounting to Rs. 153,093 (Previous year Rs. Nil) amortised in the Statement of Profit and Loss.
- (ii) Interim Dividend per Share Rs. Nil (Previous year Re. 1).

## Note - 5

### Long-Term Borrowings

	As at March 31, 2012		As at March 31, 2011	
<b>Term Loans</b>				
<b>Secured</b>				
From Banks <sup>(i)</sup>	6,545,393		8,143,586	
Less: Current maturities of term loans (Refer note - 11)	1,767,684	4,777,709	1,662,322	6,481,264
		<b>4,777,709</b>		<b>6,481,264</b>

- (i) Term loans are secured against hypothecation of the vehicles purchased. The rate of interest of such term loans ranges between 9% p.a. to 12% p.a. The term loans are repayable in equated monthly installments ranging for a period of 3 to 5 years.

Consolidated Notes forming part of the financial statements  
of Indiabulls Securities Limited Group for the year  
ended March 31, 2012 (contd.)

**Note - 6**

**Deferred Tax Liabilities (Net)**

	(Amount in Rs.)	
	<b>As at March 31, 2012</b>	<b>As at March 31, 2011</b>
<b>Deferred Tax Liability:</b>		
Difference between book balance & tax balance of fixed assets	383,056	-
<b>(a)</b>	<b>383,056</b>	<b>-</b>
<b>Deferred Tax Asset:</b>		
Disallowances u/s. 43B of the Income-Tax Act, 1961	14,020	-
Disallowances u/s. 40A(7) of the Income-Tax Act, 1961	45,528	-
Others	7,373	-
<b>(b)</b>	<b>66,921</b>	<b>-</b>
<b>Deferred Tax Liabilities (Net)</b>	<b>(a) - (b)</b>	<b>-</b>
	<b>316,135</b>	<b>-</b>

**Note - 7**

**Other Long-Term Liabilities**

	(Amount in Rs.)	
	<b>As at March 31, 2012</b>	<b>As at March 31, 2011</b>
Other Liabilities - Amount received from GDR Depository	99,786,644	99,786,644
	<b>99,786,644</b>	<b>99,786,644</b>

**Note - 8**

**Long-Term Provisions**

	(Amount in Rs.)	
	<b>As at March 31, 2012</b>	<b>As at March 31, 2011</b>
Provision for Gratuity (Refer note - 31)	38,506,155	52,143,037
Provision for Compensated Absences (Refer note - 31)	12,418,728	19,428,680
	<b>50,924,883</b>	<b>71,571,717</b>

**Note - 9**

**Short-Term Borrowings**

	(Amount in Rs.) As at March 31, 2012	As at March 31, 2011
<b>Secured loans</b>		
From Banks <sup>(i)</sup>		
Bank Overdraft	360,148,862	1,720,567,925
Working Capital Loan	-	250,000,000
	360,148,862	1,970,567,925
<b>Unsecured loans</b>		
Commercial Papers (Maximum balance outstanding during the year Rs. Nil (Previous year Rs. 3,250,000,000))	-	-
	<b>360,148,862</b>	<b>1,970,567,925</b>

(i) Bank overdraft and working capital loan are secured against fixed deposits placed with the respective banks.

**Note - 10**

**Trade Payables**

	(Amount in Rs.) As at March 31, 2012	As at March 31, 2011
(a) Dues to Micro and Small Enterprises <sup>(i)</sup>	-	-
(b) Dues to Others	9,521,915	16,574,967
	<b>9,521,915</b>	<b>16,574,967</b>

(i) 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.
- (b) 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.
- (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 regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of the information available with the Company. This has been relied upon by the Auditors.

**Note - 11**

**Other Current Liabilities**

	(Amount in Rs.)	
	<b>As at March 31, 2012</b>	<b>As at March 31, 2011</b>
Current maturity of Term Loans (Refer note - 5)	1,767,684	1,662,322
Interest accrued but not due on Working Capital Loan	-	1,815,411
Brokerage income received in advance	6,175,335	15,245,131
Unclaimed Dividends <sup>(i)</sup>	10,611,839	10,797,200
Margin from Customers (Refer note - 20(ii))	1,154,743,161	1,969,204,054
Upfront Deposits from Underwriters	2,200,000	-
Temporary Overdrawn bank balances as per books	522,267,848	238,798,692
Others - Current Liabilities for Expense Provisions and Statutory Dues	378,978,157	382,828,814
	<b>2,076,744,024</b>	<b>2,620,351,624</b>

(i) In respect of amounts mentioned under Section 205C of the Companies Act, 1956, Rs. Nil (Previous year Rs. Nil) were required to be credited to the Investor Education and Protection Fund as at March 31, 2012.

**Note - 12**

**Short-Term Provisions**

	(Amount in Rs.)	
	<b>As at March 31, 2012</b>	<b>As at March 31, 2011</b>
Provision for Gratuity (Refer note - 31)	2,436,421	2,727,295
Provision for Compensated Absences (Refer note - 31)	2,136,093	963,249
Provision for Taxation (net of advance tax Rs. 1,633,392,531, Previous year Rs. 1,737,423,587)	187,192,297	70,109,725
Provision for Fringe Benefit Tax (net of advance tax Rs. Nil, Previous year Rs. 51,610,477)	-	21,861
	<b>191,764,811</b>	<b>73,822,130</b>

**Note - 13**  
**Fixed Assets**

(Amount in Rs.)

Particulars	GROSS BLOCK AT COST			DEPRECIATION / AMORTISATION			NET BLOCK		
	As at April, 1, 2012	Additions during the year	Adjustments/sales during the year	As at March 31, 2012	As at April 1, 2011	Provided during the year	Adjustments during the year	As at March 31, 2012	As at March 31, 2011
<b>A. Tangible Assets</b>									
Furniture and Fixtures	26,556,372	2,834,025	3,647,089	25,743,308	19,620,687	3,192,653	2,987,691	19,825,649	5,917,659
Vehicles*	92,776,913	557,287	6,289,783	87,044,417	35,988,489	8,515,717	2,828,060	41,676,146	45,368,271
Office equipment	247,157,895	6,403,750	21,360,222	232,201,423	61,225,104	11,181,492	5,792,374	66,614,222	165,587,201
Computers	451,916,147	5,010,798	17,201,782	439,725,163	323,494,771	55,485,324	15,119,740	363,860,355	75,864,808
Leasehold improvements	111,841,191	40,288,426	27,157,553	124,972,064	38,369,630	9,878,383	8,930,862	39,317,151	85,654,913
<b>Total (a)</b>	<b>930,248,518</b>	<b>55,094,286</b>	<b>75,656,429</b>	<b>909,686,375</b>	<b>478,698,681</b>	<b>88,253,569</b>	<b>35,658,727</b>	<b>531,293,523</b>	<b>378,392,852</b>
<b>Previous year (i)</b>	<b>1,039,037,068</b>	<b>42,065,735</b>	<b>150,854,285</b>	<b>930,248,518</b>	<b>436,160,522</b>	<b>104,339,618</b>	<b>61,801,459</b>	<b>478,698,681</b>	<b>451,549,837</b>
<b>B. Intangible Assets</b>									
Membership rights of BSE Limited	7,005,000	-	-	7,005,000	7,005,000	-	-	7,005,000	-
Software	592,949,231	2,100,000	-	595,049,231	548,591,293	32,139,058	-	580,730,351	14,318,880
Indiabulls.com website	5,262,584	-	-	5,262,584	5,262,584	-	-	5,262,584	-
<b>Total (b)</b>	<b>605,216,815</b>	<b>2,100,000</b>	<b>-</b>	<b>607,316,815</b>	<b>560,858,877</b>	<b>32,139,058</b>	<b>-</b>	<b>592,997,935</b>	<b>14,318,880</b>
<b>Previous year (ii)</b>	<b>600,118,112</b>	<b>5,098,703</b>	<b>-</b>	<b>605,216,815</b>	<b>483,616,655</b>	<b>77,242,222</b>	<b>-</b>	<b>560,858,877</b>	<b>44,357,938</b>
<b>Current year total ((a)+(b))</b>	<b>1,535,465,333</b>	<b>57,194,286</b>	<b>75,656,429</b>	<b>1,517,003,190</b>	<b>1,039,557,558</b>	<b>120,392,627</b>	<b>35,658,727</b>	<b>1,124,291,458</b>	<b>392,711,732</b>
<b>Previous year total ((i) + (ii))</b>	<b>1,639,155,180</b>	<b>47,164,438</b>	<b>150,854,285</b>	<b>1,535,465,333</b>	<b>919,777,177</b>	<b>181,581,840</b>	<b>61,801,459</b>	<b>1,039,557,558</b>	<b>495,907,775</b>

\* Includes vehicles having original cost of Rs. 10,248,314 (Previous year Rs. 10,689,738) which are hypothecated to banks against the loans.



Consolidated Notes forming part of the financial statements  
of Indiabulls Securities Limited Group for the year  
ended March 31, 2012 (contd.)

**Note - 14**

**Non-Current Investments**

	(Amount in Rs.)	
	<b>As at March 31, 2012</b>	<b>As at March 31, 2011</b>
<b>Long-term - Trade - Unquoted (at cost unless otherwise stated)</b>		
Investments in Equity Instruments :		
130,000 (Previous year 130,000) fully paid up Equity Shares of face value of Re. 1 each in BSE Limited	10,000	10,000
Investments in Government or trust securities :		
Investment in 6 Years National Saving Certificate VIII Issue	28,881	26,696
<b>Total (A)</b>	<b>38,881</b>	<b>36,696</b>
<b>Long-term - Others - Unquoted (at cost unless otherwise stated)</b>		
Investments in Equity Instruments :		
(i) In Associate Companies :		
9,500 (Previous year Nil) fully paid up Equity Shares of Arbutus Constructions Private Limited (Face Value Rs. 10) (Net of Capital Reserve of Rs. 38,809,598 arising on acquisition)	9,500,000	-
Less : Proportionate Share of post acquisition Reserves and Surplus	59,320	-
	<b>9,440,680</b>	-
9,500 (Previous year Nil) fully paid up Equity Shares of Viscaria Builders Private Limited (Face Value Rs. 10) (Net of Capital Reserve of Rs. 38,809,683 arising on acquisition)	9,500,000	-
Add : Proportionate Share of post acquisition Reserves and Surplus	6,744	-
	<b>9,506,744</b>	-
9,500 (Previous year Nil) fully paid up Equity Shares of Gyan Sagar Software Technologies Private Limited (Face Value Rs. 10) (Net of Capital Reserve of Rs. 38,436,273 arising on acquisition)	9,500,000	-
Add : Proportionate Share of post acquisition Reserves and Surplus	333,273	-
	<b>9,833,273</b>	-
(ii) Other Long-Term Investments :		
288,722 (Previous year 1,098,137) fully paid-up Ordinary Shares of face value of £ 0.001 in Copal Partners Limited <sup>(a)</sup>	125,332,488	476,694,683
<b>Total (B)</b>	<b>154,113,185</b>	<b>476,694,683</b>
Investments in Preference Shares :		
In Associate Companies :		
90,500 (Previous year Nil) fully paid up Preference Shares of Arbutus Constructions Private Limited (Face Value Rs. 10)	90,500,000	-
90,500 (Previous year Nil) fully paid up Preference Shares of Viscaria Builders Private Limited (Face Value Rs. 10)	90,500,000	-

	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
90,500 (Previous year Nil) fully paid up Preference Shares of Gyan Sagar Software Technologies Private Limited (Face Value Rs. 10)	90,500,000	-
<b>Total (C)</b>	<b>271,500,000</b>	-
<b>Total (A)+(B)+(C)</b>	<b>425,652,066</b>	<b>476,731,379</b>
<b>Aggregate market value of quoted investments</b>	-	-
<b>Aggregate book value of quoted investments</b>	-	-
<b>Aggregate book value of unquoted investments</b>	<b>425,652,066</b>	<b>476,731,379</b>
<b>Aggregate provision for diminution in value of investments</b>	-	-

- (a) During the year Copal Partners Limited has bought back 223,222 shares held by the Company vide the Purchase and Cancellation Agreement for the consideration of Rs. 86,226,344. Further, the Company had sold 586,193 shares held by it in Copal Partners Limited to Moody's Group UK LTD for the consideration of Rs. 231,992,806 vide the Share Purchase Deed. As a result thereof, the stake of the Company in Copal Partners Limited has been reduced from 4.74% to 1.63%. The proportionate cost of the shares bought back and sold aggregates to Rs. 351,362,195. Out of the total consideration of Rs. 231,992,806 receivable from Moody's Group UK LTD an amount of Rs. 77,952,063 (excluding foreign exchange gain of Rs. 3,291,412) is receivable as at the year end in the form of Loan Notes and Escrow account of the Moody's Group UK LTD.

#### Note - 15

##### Deferred Tax Assets (Net)

In compliance with Accounting Standard - 22 'Accounting for Taxes on Income' as notified under the Companies (Accounting Standards) Rules, 2006, as amended, deferred tax credit (net) of Rs. 24,779,272 (Previous year credit (net) - Rs. 68,210,560) has been credited to the Statement of Profit and Loss for the year ended March 31, 2012. The breakup of deferred tax into major components is as under:

	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
<b>Deferred Tax Assets:</b>		
Provision for Doubtful Debts and Advances	52,666,406	49,558,775
Disallowances u/s. 43B of the Income-Tax Act, 1961	12,199,395	13,943,504
Disallowances u/s. 40A(7) of the Income-Tax Act, 1961	13,140,002	17,711,635
Others	3,140,009	2,307,378
<b>(a)</b>	<b>81,145,812</b>	<b>83,521,292</b>
<b>Deferred Tax Liability:</b>		
Difference between book balance and tax balance of fixed assets	14,023,554	41,494,441
<b>(b)</b>	<b>14,023,554</b>	<b>41,494,441</b>
<b>Deferred Tax Asset (Net)</b>	<b>(a) - (b)</b>	<b>42,026,851</b>

Consolidated Notes forming part of the financial statements  
of Indiabulls Securities Limited Group for the year  
ended March 31, 2012 (contd.)

**Note - 16**

**Long-Term Loans and Advances**

**Unsecured**

	(Amount in Rs.)	
	<b>As at March 31, 2012</b>	<b>As at March 31, 2011</b>
(a) Capital Advances		
Considered Good	100,062,007	5,027,721
Considered Doubtful	2,721,805	1,537,759
	102,783,812	6,565,480
Less: Provision for Doubtful Advances	2,721,805	1,537,759
	100,062,007	5,027,721
(b) Security Deposits		
(i) Deposits (including margin money) with Exchanges (considered good)	119,616,237	77,493,056
(ii) Deposits with Others		
Considered Good	72,727,479	174,946,649
Considered Doubtful	23,485,667	19,933,972
	96,213,146	194,880,621
Less: Provision for Doubtful Deposits	23,485,667	19,933,972
	72,727,479	174,946,649
(c) Interest Accrued on Fixed Deposits	-	527,161
(d) Loan Notes, Escrow Receivable account and others (Refer note - 14(a))		
Considered Good	83,193,412	3,117,548
Considered Doubtful	3,620,330	4,455,036
	86,813,742	7,572,584
Less: Provision for Doubtful Advances	3,620,330	4,455,036
	83,193,412	3,117,548
	<b>375,599,135</b>	<b>261,112,135</b>

**Note - 17**

**Other Non-Current Assets**

**Unsecured, Considered Good**

	(Amount in Rs.)	
	<b>As at March 31, 2012</b>	<b>As at March 31, 2011</b>
Non Current Other Bank Balances (Refer note - 20(B))	157,243,681	169,238,193
	<b>157,243,681</b>	<b>169,238,193</b>

**Note - 18**

**Current Investments**

	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
Investments in Mutual Funds - Unquoted		
Indiabulls Liquid Fund - Growth	400,019,711	-
No. of units: 384,034.606 (Previous year : Nil)		
NAV: Rs. 1,041.9834 (Previous year : N.A)		
	<b>400,019,711</b>	-
<b>Aggregate market value of quoted investments</b>	-	-
<b>Aggregate book value of quoted investments</b>	-	-
<b>Aggregate book value of unquoted investments</b>	<b>400,019,711</b>	-
<b>Aggregate provision for diminution in value of investments</b>	-	-

**Note - 19**

**Trade Receivables**

**Unsecured**

	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
Outstanding for a period exceeding six months		
Considered Good	92,484,151	262,723,401
Considered Doubtful	132,497,384	126,820,270
	224,981,535	389,543,671
Less: Provision for Doubtful Debts	132,497,384	126,820,270
	92,484,151	262,723,401
Others		
Considered Good	239,052,864	195,274,982
Considered Doubtful	-	-
	239,052,864	195,274,982
	<b>331,537,015</b>	<b>457,998,383</b>

Consolidated Notes forming part of the financial statements  
of Indiabulls Securities Limited Group for the year  
ended March 31, 2012 (contd.)

**Note - 20**

**Cash and Bank Balances**

	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
<b>(A) Cash and Cash Equivalents</b>		
Balance with Banks		
- in Current Accounts	388,789,329	354,744,618
- in Unclaimed Dividend Accounts	10,611,839	10,797,200
	399,401,168	365,541,818
Cash on Hand	93,107	209,641
	<b>399,494,275</b>	<b>365,751,459</b>
<b>(B) Other bank balances <sup>(i) &amp; (ii)</sup></b>		
- in Fixed Deposit Accounts having original maturity of more than twelve months	1,850,273,607	4,417,146,274
- in Fixed Deposit Accounts having original maturity upto twelve months	5,285,074	155,342,827
	1,855,558,681	4,572,489,101
Less : Non-Current Other Bank Balances (Refer note - 17)	157,243,681	169,238,193
	<b>1,698,315,000</b>	<b>4,403,250,908</b>
	<b>2,097,809,275</b>	<b>4,769,002,367</b>

(i) Fixed deposits includes:

- a. Rs. 824,300,000 (Previous year Rs. 1,934,173,628 ) 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.
- b. Rs. 149,400,000 (Previous year Rs. 274,400,000 ) 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.
- c. Rs. 874,500,000 (Previous year Rs. 1,914,500,000 ) pledged with banks for overdraft facilities.
- d. Rs. Nil (Previous year Rs. 250,000,000 ) pledged against working capital loans taken from Bank.
- e. Rs. 6,881,400 (Previous year Rs. 22,138,193 ) pledged for arbitration matters.
- f. Rs. 190,000 (Previous year Rs. 190,000) pledged with VAT authorities.
- g. 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.

(ii) During the year, pursuant to the Order of the Hon'ble Sole Arbitrator, the Company has sold shares held by one of its customers in its beneficiary depository account held with the Company. Further, the said Arbitrator has ordered the Company to deposit the money in an interest bearing account in its name specifying that the sum has been deposited subject to further orders in the Arbitration. The Company has thus invested such sums of money aggregating to Rs. 613,023,555 (Net) in various fixed deposits with a scheduled bank. As at the year end, the said fixed deposits are being netted off against the dues payable to the customer.

**Note - 21**

**Short-Term Loans and Advances**

	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
(a) Margin Funding Loan Receivables (Secured, Considered Good)	114,179,439	74,268,496
Less: Margin received	13,157,572	23,930,675
	101,021,867	50,337,821
(b) Security Deposits (Unsecured Considered Good)	394,710,379	9,833,283
(c) Prepaid Expenses, Cenvat Credit Receivable and Others (unsecured, considered good)	51,347,050	62,021,164
(d) Advance Income Tax/Tax Deducted At Source (Net of provision for tax Rs. Nil; Previous year Rs. Nil)	26,157,374	450,613,665
(e) Inter Corporate Deposits	185,000,000	-
(f) Other Loan Given	50,000,000	-
	<b>808,236,670</b>	<b>572,805,933</b>

**Note - 22**

**Other Current Assets**

	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
<b>Others</b>		
Interest Accrued on Fixed Deposits	24,692,615	59,863,765
Interest receivable on Other Deposits	12,600,000	-
Commission Accrued but not Due	46,879,619	-
	<b>84,172,234</b>	<b>59,863,765</b>

**Note - 23**

**Revenue from Operations**

	(Amount in Rs.)	
	For the year ended March 31, 2012	For the year ended March 31, 2011
(a) Sale of Services <sup>(i)</sup>	1,401,721,139	3,055,123,027
(b) Other Operating Revenues <sup>(ii)</sup>	440,443,175	414,728,817
	<b>1,842,164,314</b>	<b>3,469,851,844</b>

Consolidated Notes forming part of the financial statements  
of Indiabulls Securities Limited Group for the year  
ended March 31, 2012 (contd.)

	(Amount in Rs.)	
	<b>For the year ended March 31, 2012</b>	<b>For the year ended March 31, 2011</b>
(i) Sale of Services includes :		
Brokerage Income	1,164,952,222	2,476,412,231
Interest on Margin Funding	127,554,095	359,814,169
Income from Depository Services	21,130,741	29,944,262
Other Charges including Transaction Charges	88,084,081	188,952,365
	<b>1,401,721,139</b>	<b>3,055,123,027</b>
(ii) Other Operating Revenues includes :		
Interest on Deposits	349,879,023	354,135,380
Advisory Income	72,100,567	17,200,600
Income from IPO commission, Mutual Funds commission, Account Opening and other Miscellaneous Income	18,463,585	43,392,837
	<b>440,443,175</b>	<b>414,728,817</b>

**Note - 24**

**Other Income**

	(Amount in Rs.)	
	<b>For the year ended March 31, 2012</b>	<b>For the year ended March 31, 2011</b>
Interest Income		
Interest Income from Inter-Corporate Deposits	60,822	-
Interest from Loan	16,438	-
Interest Income from Income Tax Refund	59,659,818	-
	59,737,078	-
Dividend Income		
Dividend Income on Other Long-Term Investments	35,862,898	13,499,720
Dividend Income on Current Investments	7,714,978	28,864,219
	43,577,876	42,363,939
Other Non-Operating Income		
Excess Expenses Provision no longer required written back	43,943,253	30,921,962
Sundry Credit Balances written back	4,042,719	14,393,633
Gain on Foreign Exchange Fluctuations (Refer note - 4(i))	712,960	-
Bad Debt Recovered	30,101	-
Profit on Sale of Current Investments/Dealing in Securities	-	125,906,622
Miscellaneous Income	751,347	917,075
Share of Reserves in Associates (Net)	280,697	-
	49,761,077	172,139,292
	<b>153,076,031</b>	<b>214,503,231</b>

**Note - 25**

**Operating Expenses**

	(Amount in Rs.)	
	<b>For the year ended March 31, 2012</b>	<b>For the year ended March 31, 2011</b>
Stamp Duty	30,868,546	73,238,893
Demat Charges	5,144	903,676
SEBI Charges	1,748,640	3,985,962
Commission	11,540,671	11,600,461
Depository Charges	8,203,844	14,089,664
Transaction Charges	57,034,811	110,108,727
Membership Fees	1,316,937	1,328,613
Web Hosting Expenses	13,688,357	15,452,610
VSAT Charges	3,649,999	6,429,438
Leased Line Expenses	18,745,763	32,115,316
Content Expenses	8,340,244	10,252,373
Software Expenses	4,876,059	31,521,325
	<b>160,019,015</b>	<b>311,027,058</b>

**Note - 26**

**Employee Benefits Expense**

	(Amount in Rs.)	
	<b>For the year ended March 31, 2012</b>	<b>For the year ended March 31, 2011</b>
Salaries	696,941,590	1,425,670,927
Contribution to Provident Fund and Other Funds	6,004,536	6,156,225
Staff Welfare Expenses	12,550,153	18,793,419
Provision for Gratuity and Compensated Absences (Refer note - 31)	7,617,473	8,237,047
	<b>723,113,752</b>	<b>1,458,857,618</b>

**Note - 27**

**Interest and Finance Costs**

	(Amount in Rs.)	
	<b>For the year ended March 31, 2012</b>	<b>For the year ended March 31, 2011</b>
Bank Charges	30,847,830	71,872,051
Interest on Inter-Corporate Deposits	-	13,397,208
Interest on Bank Overdraft	66,800,602	73,460,776
Interest on Working Capital Loan	9,422,568	66,936,514
Interest on Vehicle Loans	697,751	523,229



Consolidated Notes forming part of the financial statements  
of Indiabulls Securities Limited Group for the year  
ended March 31, 2012 (contd.)

	(Amount in Rs.)	
	<b>For the year ended March 31, 2012</b>	<b>For the year ended March 31, 2011</b>
Interest on Debentures	-	46,239,061
Interest on Commercial Papers	-	124,994,913
Interest on Taxes	253,175	913,576
Interest - Others (Refer note - 37)	168,754,290	-
	<b>276,776,216</b>	<b>398,337,328</b>

**Note - 28**

**Other Expenses**

	(Amount in Rs.)	
	<b>For the year ended March 31, 2012</b>	<b>For the year ended March 31, 2011</b>
Lease Rent (Refer note - 34)	173,372,354	217,474,710
Recruitment Expenses	-	150,000
Rates and Taxes (Refer note - 37)	264,821,788	3,272,036
Electricity Expenses	17,548,456	30,615,151
Insurance	757,712	1,235,159
Communication Expenses	38,266,009	84,376,703
Professional Charges	64,616,693	58,505,928
Travelling & Conveyance	11,219,254	16,457,311
Printing and Stationery	11,257,444	27,259,001
Office Maintenance	24,654,797	34,167,712
Repairs and Maintenance - Others	29,665,711	53,123,627
Business Promotion	8,724,341	9,981,900
Payment to Auditors' comprises (Net of Service Tax of Rs. 904,752; Previous year Rs. 707,610)		
- As Auditors - Statutory Audit	5,720,000	5,370,000
- For Certification	1,000,000	800,000
- Reimbursement of Expenses	900,000	700,000
Loss on Erroneous Transactions (net) (Refer note 36)	601,409	852,918
Loss on sale of Other Long-Term Investments	33,143,045	-
Loss on Sale/ Scrapping of fixed assets	31,784,477	79,797,534
Provision for Doubtful Debts, Advances and Security Deposits	64,836,689	62,475,245
Bad Debts / advances written off	55,711,714	40,129,788
Less : Adjusted against provision of earlier years	55,258,540	37,443,584
	453,174	2,686,204
Securities Transaction Tax	-	76,852,175
Wealth Tax	358,229	456,448
Loss on Foreign Exchange Fluctuations	-	14,846
Miscellaneous Expenses	665,809	1,221,557
	<b>784,367,391</b>	<b>767,846,165</b>

**Note - 29**

**A. Contingent liabilities not provided for in respect of:**

Particulars	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
- Claims against the Company not acknowledged as debts in respect of:		
Penalty for synchronised trading under SEBI regulations <sup>(i)</sup>	1,500,000	1,500,000
Arbitration matters <sup>(ii)</sup>	147,658	2,415,706
Court Cases	3,858,471	-

(i) During the previous 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, during the year, SEBI has preferred an appeal at the Honourable Supreme Court of India against the judgment of the SAT.

(ii) 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.

**B.** The Company has filed an objection petition before the Madras High Court against the arbitral award passed against the Company in an arbitral dispute between Indiabulls Financial Services Limited & others and A.Indira Anand & K Bharathi wherein the Company was impleaded in its capacity as a depository of the pledgers and share broker of the creditor. By the impugned award dated February 18, 2012 the sole arbitrator has imposed a penalty of Rs. 130,000,000 on the Company. The petition is pending adjudication.

**C. Commitments :**

Particulars	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
- Capital Commitments for purchase of fixed assets	402,247,476	3,062,554

**Note - 30**

**Employee Stock Option Schemes:**

**Indiabulls Employees' Welfare Trust**

During the financial year 2010-11, 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 of the Settlor entities. The Company being one of the Settlers has contributed its share of Rs. 10,000 as 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 to be 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 Settlor 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 are required to be administered by the Trust.

**a) Employees Stock Option Scheme - 2008**

Pursuant to a 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 on Accounting for Employees Share-Based Payments ("the Guidelines") issued by the Institute of Chartered Accountants of India. 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%
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.

**b) 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 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., on November 30, 2009. The Stock Options so granted, shall vest uniformly over 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., on April 9, 2010. The Stock Options so granted, shall vest uniformly over 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%
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 the IBSL ESOP - 2008 and IBSL ESOP - 2009 been determined based on the fair value approach, the Company's net (loss) / profit and Basic/Diluted earnings per Equity Share would have been as per the pro forma amounts indicated below:

Particulars	(Amount in Rs.)	
	Year ended March 31, 2012	Year ended March 31, 2011
(Loss)/Profit attributable to Equity Shareholders (Refer note - 35)	(102,550,035)	378,829,861
Less: Stock-based compensation expense determined under the fair value based method: [Gross Rs. 24,468,052(Previous Year Rs. 98,266,798)] (pro forma)	2,358,615	24,697,273
Net (Loss)/Profit considered for computing EPS (pro forma)	(104,908,650)	354,132,588
<b>Basic / Diluted Earnings Per Equity Share:</b>		
Weighted average number of Equity Shares used for computing Basic Earnings per Equity Share	231,112,511	230,658,648
Add: Potential number of Equity Shares that could arise on exercise of Employee Stock Options	-	3,150,480
Weighted average number of Equity Shares used for computing Diluted Earnings per Equity Share	231,112,511	233,809,128
Basic earnings per Equity Share (as reported)	(0.44)	1.64
Basic earnings per Equity Share (pro forma)	(0.45)	1.54
Diluted earnings per Equity Share (as reported)	(0.44)	1.62
Diluted earnings per Equity Share (pro forma)	(0.45)	1.52

Consolidated Notes forming part of the financial statements  
of Indiabulls Securities Limited Group for the year  
ended March 31, 2012 (contd.)

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

	<b>IBSL ESOP - 2008</b>	<b>IBSL ESOP - 2009</b>	
<b>Total Options under the Scheme (Nos.)</b>	<b>20,000,000</b>	<b>20,000,000</b>	
<b>Options granted (Nos.)</b>	<b>20,000,000</b>	<b>10,000,000</b>	<b>2,050,000</b>
Vesting Period and Percentage	Ten years, 1 <sup>st</sup> Year - 15% 2 <sup>nd</sup> year to 9 <sup>th</sup> year - 10% each year 10 <sup>th</sup> year - 5%	Uniformly over a period of Ten years	Uniformly over a period of Ten years
Vesting Date	January 25 <sup>th</sup> each year, commencing January 25, 2010	December 2 <sup>nd</sup> each year, commencing December 2, 2010	April 13 <sup>th</sup> each year, commencing April 13, 2011
Exercise Price (Rs.)	17.40	35.25	31.35
Outstanding at the beginning of the year (Nos.)	15,181,233	10,000,000	2,050,000
Options vested during the year (Nos.)*	1,362,168	-	205,000
Exercised during the year (Nos.)	-	-	-
Expired during the year (Nos.)	-	-	-
Surrendered and eligible for re-grant (Nos.)	2,556,225	10,000,000	1,550,000
Outstanding at the end of the year (Nos.)	12,625,008	-	500,000
Exercisable at the end of the year (Nos.)	3,822,269	-	50,000
Remaining contractual Life (Weighted Months)	85	Nil	114

\* Net of options surrendered before vesting.

### Note - 31

#### Employee Benefits:

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

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. 1,470,806 (Previous year Rs. 5,979,912) towards Employer's Contribution for the above mentioned funds.

Provision for unfunded Gratuity and Compensated Absences for eligible employees is based on an 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 / losses on changes in actuarial assumptions are accounted for in the Statement of Profit and Loss.

Disclosures in respect of Gratuity and Compensated Absences:

Particulars	(Amount in Rs.)			
	Gratuity (unfunded) 2011-12	Gratuity (unfunded) 2010-11	Compensated Absences (unfunded) 2011-12	Compensated Absences (unfunded) 2010-11
<b>Reconciliation of Liability recognised in the Balance Sheet :</b>				
Present Value of Commitments (as per Actuarial valuation)	40,942,576	54,870,332	14,554,821	20,391,929
Fair Value of Plans	-	-	-	-
Net Liability in the Balance Sheet (as per Actuarial valuation)	40,942,576	54,870,332	14,554,821	20,391,929
<b>Movement in net Liability recognised in the Balance Sheet :</b>				
Net Liability as at beginning of the year	54,870,332	57,315,798	20,391,929	24,303,972
Amount Paid during the year	21,996,893	8,944,464	1,084,718	1,169,031
Net expense / (gain) recognised in the Statement of Profit and Loss	8,069,137	6,498,998	(4,752,390)	(2,743,012)
Contribution during the year	-	-	-	-
Net Liability as at end of the year	40,942,576	54,870,332	14,554,821	20,391,929
<b>Expense recognised in the Statement of Profit and Loss :</b>				
Current Service Cost	7,279,211	12,796,302	2,627,092	6,981,334
Past Service Cost	-	-	-	-
Interest Cost	3,991,291	4,191,333	1,424,946	1,871,448
Expected return on plan assets	-	-	-	-
Actuarial gains	(3,201,365)	(10,488,637)	(8,804,428)	(11,595,794)
Expense charged / (reversal) to the Statement of Profit and Loss	8,069,137	6,498,998	(4,752,390)	(2,743,012)
<b>Return on plan assets :</b>				
Expected return on plan assets	-	-	-	-
Actuarial (gains) / losses	-	-	-	-
Actual return on plan assets	-	-	-	-
<b>Reconciliation of defined-benefit Commitments :</b>				
Commitments as at beginning of the year	54,870,332	57,315,798	20,391,929	24,303,972
Current Service Cost	7,279,211	12,796,302	2,627,092	6,981,334
Past Service Cost	-	-	-	-
Interest Cost	3,991,291	4,191,333	1,424,946	1,871,448
Paid benefits	(21,996,893)	(8,944,464)	(1,084,718)	(1,169,031)
Actuarial gains	(3,201,365)	(10,488,637)	(8,804,428)	(11,595,794)
Commitments as at end of the year	40,942,576	54,870,332	14,554,821	20,391,929

Consolidated Notes forming part of the financial statements  
of Indiabulls Securities Limited Group for the year  
ended March 31, 2012 (contd.)

Particulars	(Amount in Rs.)			
	Gratuity (unfunded)	Gratuity (unfunded)	Compensated Absences (unfunded)	Compensated Absences (unfunded)
	2011-12	2010-11	2011-12	2010-11
<b>Reconciliation of plan assets :</b>				
Plan assets as at beginning of the year	-	-	-	-
Expected return on plan assets	-	-	-	-
Contributions during the year	-	-	-	-
Paid benefits	-	-	-	-
Actuarial (gains) / losses	-	-	-	-
Plan assets as at end of the year	-	-	-	-

Experience adjustment:	(Amount in Rs.)				
	Gratuity (Unfunded)				
	2011-12	2010-11	2009-10	2008-09	2007-08
On plan liabilities (Gain)	2,270,722	6,601,818	3,993,908	1,509,234	*
On plan assets (Gain/ (Loss))	-	-	-	-	-
Present value of benefit obligation	40,942,576	54,870,332	57,315,798	42,905,358	26,001,637
Fair value of plan assets	-	-	-	-	-
Excess of (obligation over plan assets) / plan assets over obligation	40,942,576	54,870,332	57,315,798	42,905,358	26,001,637

Experience adjustment:	(Amount in Rs.)				
	Compensated Absences (Unfunded)				
	2011-12	2010-11	2009-10	2008-09	2007-08
On plan liabilities (Gain)	9,703,942	9,934,485	6,788,766	2,586,005	*
On plan assets (Gain/ (Loss))	-	-	-	-	-
Present value of benefit obligation	14,554,821	20,391,929	24,303,972	23,828,200	15,111,517
Fair value of plan assets	-	-	-	-	-
Excess of (obligation over plan assets) / plan assets over obligation	14,554,821	20,391,929	24,303,972	23,828,200	15,111,517

\* Not Available.

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:

Particulars	As at March 31, 2012	As at March 31, 2011
Discount rate		
Gratuity and Compensated Absences	8.50%	8.00%
Expected return on plan assets	NA	NA
Expected rate of salary increase	5.50%	5.00%
Mortality	LIC (1994-96)	LIC (1994-96)

**Note - 32**

**Segment Reporting:**

Segment information for the year ended March 31, 2012 as per Accounting Standard 17 - 'Segment Reporting' as notified under the Companies (Accounting Standards) Rules, 2006, as amended:

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

				(Amount in Rs.)
	<b>Broking and related activities</b>	<b>Advisory Services</b>	<b>Others</b>	<b>Total</b>
(i) Segment Revenue	1,770,063,747	72,100,567	-	1,842,164,314
	<i>3,450,655,536</i>	<i>17,200,600</i>	<i>142,397,999</i>	<i>3,610,254,135</i>
(ii) Segment Results	95,765,990	62,021,437	-	157,787,427
	<i>835,245,230</i>	<i>13,994,732</i>	<i>35,075,255</i>	<i>884,315,217</i>
Add: Unallocated Income net of other Unallocated Expenditure				18,712,303
Less: Interest expenditure				8,855,126
				245,928,386
				326,465,277
Less: Income taxes				33,121,379
				187,875,205
<b>Total (Loss)/ Profit after tax</b>				<b>(102,550,035)</b>
				<i>378,829,861</i>
(iii) Segment Assets	3,885,883,080	618,221	-	3,886,501,301
	<i>6,243,534,744</i>	<i>763,387</i>	<i>21,648,732</i>	<i>6,265,946,863</i>
Unallocated Corporate Assets				1,253,602,476
				<i>1,038,739,918</i>
<b>Total Assets</b>				<b>5,140,103,777</b>
				<i>7,304,686,781</i>
(iv) Segment Liabilities	1,547,787,862	-	-	1,547,787,862
	<i>4,662,436,774</i>	<i>-</i>	<i>1,340,729</i>	<i>4,663,777,503</i>
Unallocated Corporate Liabilities				1,246,197,121
				<i>195,378,768</i>
<b>Total Liabilities</b>				<b>2,793,984,983</b>
				<i>4,859,156,271</i>
(v) Capital Expenditure including Capital Advances	54,171,579	-	-	54,171,579
	<i>21,178,508</i>	<i>-</i>	<i>-</i>	<i>21,178,508</i>
(vi) Depreciation	111,876,910	145,166	-	112,022,076
	<i>172,597,302</i>	<i>120,529</i>	<i>-</i>	<i>172,717,831</i>
(vii) Non cash expenditure other than Depreciation	17,195,622	-	-	17,195,622
	<i>66,602,107</i>	<i>-</i>	<i>-</i>	<i>66,602,107</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 is 'Broking and Related activities', 'Advisory services' and 'Others'. Broking and related activities include business as a stock and share broker on the National Stock Exchange of India Limited and the BSE Limited, business as a commodity broker on the Multi Commodity Exchange of India Limited and the National Commodity and Derivative Exchange Limited, brokerage/commission on sale of flats, and other related ancillary services relating to broking activities. Advisory services mainly comprise of financial services related fees. "Others" business segment constitutes Investment and dealing in tradable securities and arbitrage transaction in securities. This not being the regular business activity of the Company, the same is shown as "Others".
- (d) Segment revenue, results, assets and liabilities include amounts identifiable to each segment and amounts allocated on a reasonable basis.
- (e) The accounting policies adopted for segment reporting are in line with the accounting policies adopted for preparation of financial information as disclosed in Note - 2 .

### Note - 33

#### Related Party Disclosures :

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

<u>Nature of Relationship</u>	<u>Name of the Party</u>
<b>(a) Related Party where Significant Influence exists:</b>	
Associate Companies	Arbutus Constructions Private Limited (w.e.f January 11, 2012) Viscaria Builders Private Limited (w.e.f January 11, 2012) Gyan Sagar Software Technologies Private Limited (w.e.f January 11, 2012)
<b>(b) Other Related Parties:</b>	
Key Management Personnel	Mr. Divyesh B. Shah, Whole Time Director & Chief Executive Officer Mr. Ashok Sharma, Whole Time Director Mr. Sameer Gehlaut, Dominant Promoter Mr. Rajiv Rattan, Dominant Promoter Mr. Saurabh K. Mittal, Dominant Promoter

#### (c) Significant transactions with Related Parties during the year ended March 31, 2012:

Nature of Transaction	(Amount in Rs.)		
	Associates	Key Management Personnel	Total
<b>Income</b>			
Brokerage Income	-	18,351	18,351
	-	18,154	18,154
<b>Expenses</b>			
Remuneration	-	2,100,000	2,100,000
	-	17,729,142	17,729,142
<b>Investment</b>			
Equity Shares	28,500,000	-	28,500,000
	-	-	-
Preference Shares	271,500,000	-	271,500,000
	-	-	-

(Previous year's figures are stated in Italics)

**(d) Statement of Material Transactions :**

Particulars	(Amount in Rs.)	
	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>Brokerage Income</b>		
- Mr. Ashok Sharma	10,697	949
- Mr. Divyesh B. Shah	7,654	17,205
<b>Investment in Equity Shares</b>		
- Arbutus Constructions Private Limited	9,500,000	-
- Viscaria Builders Private Limited	9,500,000	-
- Gyan Sagar Software Technologies Private Limited	9,500,000	-
<b>Investment in Preference Shares</b>		
- Arbutus Constructions Private Limited	90,500,000	-
- Viscaria Builders Private Limited	90,500,000	-
- Gyan Sagar Software Technologies Private Limited	90,500,000	-
<b>Remuneration</b>		
- Mr. Divyesh B. Shah	2,100,000	17,729,142

**Note - 34**

**Leases**

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. 173,372,354 (Previous year Rs. 217,474,710) has been charged to the Statement of Profit and Loss. The minimum lease rental outstanding are as under:

Particulars	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
Future minimum lease payments not later than one year	128,909,055	190,810,157
later than one year and not later than five years	227,811,766	460,614,374
later than five years	729,480	362,039

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 period between 30 to 90 days.

Consolidated Notes forming part of the financial statements  
of Indiabulls Securities Limited Group for the year  
ended March 31, 2012 (contd.)

**Note - 35**

**Earnings per Equity Share (EPS) :**

Disclosure in respect of Accounting Standard - 20 'Earnings Per Share' as notified under the Companies (Accounting Standards) Rules, 2006, as amended:

The basic earnings per Equity 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 Equity Share is computed by considering 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 dilutive Equity Shares are adjusted for the potential dilutive effect of Employee Stock Option Plan as appropriate.

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Net (Loss)/Profit as per the Statement of Profit and Loss (Rs.)	(102,550,035)	378,829,861
Weighted average number of Equity Shares used for computing Basic Earnings per Equity Share	231,112,511	230,658,648
Add: Potential number of Equity Shares that could arise on exercise of Employee Stock Options	-	3,150,480
Weighted average number of Equity Shares used in computing Diluted Earnings per Equity Share	231,112,511	233,809,128
Face Value of Equity Share (Rs.)	2.00	2.00
Earnings Per Equity Share - Basic (Rs.)	(0.44)	1.64
Earnings Per Equity Share - Diluted (Rs.)	(0.44)	1.62

**Note - 36**

**Loss on Erroneous Transactions :**

The loss on squaring off of erroneous transactions on account of trading in securities amounting to Rs. 601,409 (Net) (Previous Year loss Rs. 852,918 (Net)) has been debited to the Statement Profit and Loss Statement.

**Note - 37**

Rates and taxes include Rs. 255,543,931 (Previous year Rs. Nil) relating to Rates / Taxes / Stamp Duty paid in respect of certain transactions entered into by clients in earlier years. Interest - others include Rs. 168,172,078 (Previous year Rs. Nil) pertains to penal interest paid thereon.

**Note - 38**

**Derivative Instruments:**

The Company has not entered into any derivative contract for hedging any foreign currency exposure. The year end foreign currency exposures that have not been hedged by derivative instruments or otherwise are given below :

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Amount receivable on loan notes and escrow receivable account (in USD)	1,588,136	-
Amount receivable on loan notes and escrow receivable account (in INR)	81,243,475	-

**Note - 39**

No borrowing cost has been capitalised during the year.

**Note - 40**

As per the best estimate of the Management, no provision is required to be made as per Accounting Standard 29 - 'Provisions, Contingent Liabilities and Contingent Assets' as notified under the Companies (Accounting Standards) Rules, 2006, as amended, 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.

**Note - 41**

The Revised Schedule VI has become effective from April 1, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosures.

For and on behalf of the Board of Directors

**Divyesh B. Shah**

Whole Time Director & Chief Executive Officer

**Ashok Sharma**

Whole Time Director

**R. K. Agarwal**

Company Secretary

Mumbai, April 30, 2012

# 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, 2012, the Statement of Profit and Loss 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 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 Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv. in our opinion, the Balance Sheet, the Statement of Profit and Loss 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, 2012;
    - b. in the case of the Statement of Profit and Loss, of the loss 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.
5. On the basis of the written representations received from the Directors as on March 31, 2012 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

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

**A. Siddharth**  
Partner  
(Membership No.031467)

Mumbai, April 30, 2012

# 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/result, clauses (ii), (viii), (xii), (xiii), (xiv), (xv), (xviii), (xix) and (xx) 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 the 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 maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
- (a) The Company has granted loan to one company during the year. At the year-end, the outstanding balance of such loan granted aggregated to Rs. Nil from one company and the maximum amount involved during the year was Rs.32,500,000 from one company.
- (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 interests of the Company.
- (c) The receipts of principal amount and interest have, during the year, 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:
- (a) The Company has taken loan from one company during the year. At the year-end, the outstanding balance of such loan taken aggregated to Rs. Nil from one company and the maximum amount involved during the year was Rs.120,000,000 from one company.
- (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 interests of the Company.
- (c) The payment of principal amount and interest in respect of such loan is 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 purchase of fixed assets and the sale of services. During the year there were no transactions in respect of purchase of inventory and the sale of goods. 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 in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
- (b) Where each of such transaction 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 purchases 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 deposit

## ANNEXURE TO THE AUDITORS' REPORT

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

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 statutory dues, including Provident Fund, Income-tax, Wealth Tax, Service Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Cess and other material statutory dues in arrears as at March 31, 2012 for a period of more than six months from the date they became payable.
- (c) There are no disputed dues payable in respect of Wealth Tax, Service Tax and Cess which have not been deposited as on March 31, 2012. Details of dues of Income-tax which have not been deposited as on March 31, 2012 on account of dispute is given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs.)
The 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 (Assessment year: 2008-2009)	818,469

(ix) The Company does not have any accumulated losses as at the end of the financial year. The Company has not incurred cash losses in the financial year covered by our audit and in 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. During the year, the Company has not obtained any borrowings from financial institutions or by way of debentures.

(xi) 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.

(xii) 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.

(xiii) 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)

**A. Siddharth**  
Partner  
(Membership No.031467)

Mumbai, April 30, 2012

# Balance Sheet

of Indiabulls Securities Limited as at March 31, 2012

Particulars	Note No.	(Amount in Rs.)	
		As at March 31, 2012	As at March 31, 2011
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' funds</b>			
(a) Share capital	3	462,225,022	462,225,022
(b) Reserves and surplus	4	1,748,857,317	1,861,739,644
		2,211,082,339	2,323,964,666
<b>(2) Non-current liabilities</b>			
(a) Long-term borrowings	5	4,777,709	6,481,264
(b) Other long-term liabilities	6	99,786,644	99,786,644
(c) Long-term provisions	7	42,867,153	61,571,673
		147,431,506	167,839,581
<b>(3) Current liabilities</b>			
(a) Short-term borrowings	8	360,148,862	1,970,567,925
(b) Trade payables	9	7,917,026	15,423,727
(c) Other current liabilities	10	1,820,641,781	2,449,252,094
(d) Short-term provisions	11	185,417,720	69,955,356
		2,374,125,389	4,505,199,102
<b>TOTAL</b>		<b>4,732,639,234</b>	<b>6,997,003,349</b>
<b>II. ASSETS</b>			
<b>(1) Non - Current Assets</b>			
(a) Fixed Assets	12		
(i) Tangible Assets		368,534,231	440,560,754
(ii) Intangible Assets		14,054,606	43,550,086
		382,588,837	484,110,840
(b) Non-current investments	13	187,342,488	538,204,683
(c) Deferred tax assets (net)	14	63,667,812	38,420,434
(d) Long-term loans and advances	15	617,036,558	235,162,134
(e) Other non-current assets	16	12,143,681	22,138,193
		1,262,779,376	1,318,036,284
<b>(2) Current assets</b>			
(a) Current investments	17	350,000,000	-
(b) Trade receivables	18	327,043,446	450,185,586
(c) Cash and bank balances	19	1,975,866,985	4,623,110,037
(d) Short-term loans and advances	20	794,083,998	547,380,811
(e) Other current assets	21	22,865,429	58,290,631
		3,469,859,858	5,678,967,065
<b>TOTAL</b>		<b>4,732,639,234</b>	<b>6,997,003,349</b>
Notes forming part of the financial statements	1 - 42		

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

**A. Siddharth**  
Partner

Mumbai, April 30, 2012

For and on behalf of the Board of Directors

**Divyesh B. Shah**  
Whole Time Director &  
Chief Executive Officer

Mumbai, April 30, 2012

**Ashok Sharma**  
Whole Time Director

**R. K. Agarwal**  
Company Secretary



# Statement of Profit and Loss

of Indiabulls Securities Limited for the year ended March 31, 2012

(Amount in Rs.)

Particulars	Note No.	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>I. Revenue from operations</b>	22	1,487,570,397	3,254,504,635
<b>II. Other income</b>	23	166,967,865	121,342,300
<b>III. Total Revenue (I + II)</b>		<b>1,654,538,262</b>	<b>3,375,846,935</b>
<b>IV. Expenses :</b>			
Operating expenses	24	136,687,947	278,305,721
Employee benefits expense	25	477,538,335	1,304,541,391
Interest and finance costs	26	276,546,777	392,209,880
Depreciation and Amortisation expense	12	118,718,587	179,212,731
Other expenses	27	735,704,640	669,811,423
<b>Total Expenses</b>		<b>1,745,196,286</b>	<b>2,824,081,146</b>
<b>V. (Loss)/Profit before tax (III-IV)</b>		(90,658,024)	551,765,789
<b>VI. Tax expense:</b>			
(1) Current tax		50,610,000	240,943,552
(2) Tax expense relating to prior year		-	3,746,032
(3) Deferred tax credit (Net) (Refer note - 14)		(25,247,378)	(66,651,375)
		25,362,622	178,038,209
<b>VII. (Loss)/Profit for the year (V-VI)</b>		<b>(116,020,646)</b>	<b>373,727,580</b>
<b>VIII. Earnings per Equity share:</b>	28		
(1) Basic		(0.50)	1.62
(2) Diluted		(0.50)	1.60
Face value per Equity Share		2.00	2.00
Notes forming part of the financial statements	1 - 42		

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

**A. Siddharth**  
Partner

Mumbai, April 30, 2012

For and on behalf of the Board of Directors

**Divyesh B. Shah**  
Whole Time Director &  
Chief Executive Officer

Mumbai, April 30, 2012

**Ashok Sharma**  
Whole Time Director

**R. K. Agarwal**  
Company Secretary

# Cash Flow Statement

of Indiabulls Securities Limited for the year ended March 31, 2012

(Amount in Rs.)

	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>A Cash flows from Operating Activities :</b>		
<b>(Loss)/Profit before tax</b>	<b>(90,658,024)</b>	<b>551,765,789</b>
Adjustments for :		
Depreciation / Amortisation	118,718,587	179,212,731
Provision for Gratuity and Compensated Absences	(17,516,674)	(10,323,089)
Provision for doubtful debts, advances and security deposits	59,436,689	58,365,060
Bad debts / advances written off	191,339	2,686,204
Loss on sale / scrapping of fixed assets	31,784,477	79,797,534
Sundry credit balances written back	(4,042,719)	(14,393,633)
Excess provisions no longer required written back	(43,747,868)	(30,396,203)
Loss on sale of other long-term investments	33,143,045	-
Unrealised foreign exchange gain	(153,093)	-
Dividend income on investments	(38,781,846)	(24,276,081)
Interest income on fixed deposits	(269,436,470)	(336,026,996)
Interest income from inter corporate deposits	(19,992,553)	(52,276,383)
Interest expense	246,478,315	327,854,890
	96,081,229	180,224,034
Operating Profit before working capital changes	5,423,205	731,989,823
Adjustments for:		
Trade and other receivables	121,761,022	1,376,502,276
Trade Payables and other liabilities	(586,452,465)	(1,102,397,354)
	(464,691,443)	274,104,922
Cash (used in)/ generated from operations	(459,268,238)	1,006,094,745
Direct taxes refund received / (paid) (net)	498,612,339	(211,757,280)
	498,612,339	(211,757,280)
<b>Net Cash Generated from Operating Activities</b>	<b>39,344,101</b>	<b>794,337,465</b>

Cash Flow Statement  
of Indiabulls Securities Limited for the year ended March 31, 2012 (contd.)

	(Amount in Rs.)	
	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>B Cash flow from Investing Activities :</b>		
Purchase of fixed assets (including capital advances given)	(154,728,866)	(34,216,124)
Proceeds from sale of fixed assets	8,213,225	9,255,295
Proceeds from sale of other long-term investment	240,267,087	-
Dividend income on investments	38,781,846	24,276,081
Investment in subsidiary	(500,000)	(20,000,000)
Purchase of units of mutual fund	(350,000,000)	-
Maturity proceeds from fixed deposits having maturity of more than three months	2,714,930,420	360,813,712
Interest received on fixed deposits	305,388,833	373,376,749
<b>Net cash generated from investing activities</b>	<b>2,802,352,545</b>	<b>713,505,713</b>
<b>C Cash flows from Financing Activities :</b>		
Interest paid	(248,293,726)	(328,587,424)
Interest Income from inter corporate deposits	19,992,553	52,276,383
Payment of Final Dividend on Equity Shares	(67,962)	(457,584,557)
Payment of interim dividend on Equity Shares	(117,399)	(229,052,820)
Corporate dividend tax on final dividend on Equity Shares	-	(76,380,535)
Corporate dividend tax on interim dividend on Equity Shares	-	(38,380,203)
(Repayment of) / proceeds from bank loans (net)	(1,612,017,256)	326,101,978
Repayment of commercial papers (net)	-	(1,500,000,000)
Intercorporate deposits repaid (net)	-	(40,000,000)
Intercorporate deposits (given) / received back (net)	(943,500,000)	62,500,000
Proceeds from issue of Equity Shares under ESOP (including Securities Premium)	-	20,390,416
<b>Net cash used in financing activities</b>	<b>(2,784,003,790)</b>	<b>(2,208,716,762)</b>

Cash Flow Statement  
of Indiabulls Securities Limited for the year ended  
March 31, 2012 (contd.)

	(Amount in Rs.)	
	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>D Net Increase / (Decrease) in cash and cash equivalents (A+B+C)</b>	57,692,856	(700,873,584)
<b>E Cash and cash equivalents at the beginning of the year</b>	224,949,129	925,822,713
<b>F Cash and cash equivalents at the end of the year (D+E)</b>	282,641,985	224,949,129

**Notes:**

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

	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
Cash and Bank Balances (Refer note - 19)	1,975,866,985	4,623,110,037
Less: in Fixed Deposit Accounts having Maturity of more than three months	1,693,225,000	4,398,160,908
<b>Cash and Cash Equivalents as restated</b>	<b>282,641,985</b>	<b>224,949,129</b>

- Unclaimed dividend account balances in designated Bank accounts aggregating to Rs. 10,611,839 (Previous year Rs. 10,797,200) are not available for use by the Company (Refer note - 19(A)).
- Previous year's figures are regrouped wherever considered necessary to conform with current year's groupings/classifications.

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

**A. Siddharth**  
Partner

Mumbai, April 30, 2012

For and on behalf of the Board of Directors

**Divyesh B. Shah**  
Whole Time Director &  
Chief Executive Officer

Mumbai, April 30, 2012

**Ashok Sharma**  
Whole Time Director

**R. K. Agarwal**  
Company Secretary

# Notes forming part

of the financial statements of Indiabulls Securities Limited  
for the year ended March 31, 2012

## Note - 1

### Corporate Information:

Indiabulls Securities Limited ("IBSL" or "the Company") carries on the business as stock and share brokers on the National Stock Exchange of India Limited ("NSE") and the BSE Limited ("BSE"); 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 the Company. On April 2, 2008 the Equity shares of the Company were listed on the NSE and the BSE after the demerger of the Company from Indiabulls Financial Services Limited (erstwhile holding company) vide Scheme of Arrangement.

## Note - 2

### Significant Accounting Policies:

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

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

#### b) Use of Estimates:

The preparation of financial statements in conformity with Indian GAAP 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 the transaction.
- Income from fee based advisory services is recognised on an 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 an accrual basis as and when the right to receive the income is established.
- Revenue from interest on fixed deposits is recognised on an accrual basis.
- Commission on mutual funds is recognised on an accrual basis.
- Dividend income on Equity shares is recognised when the right to receive the dividend is unconditional as at the Balance Sheet date.
- Dividend income on units of mutual funds is recognised when the right to receive the dividend is unconditional as at the Balance Sheet date. Any gains/losses on sale / redemption of units are recognised on the date of sale / redemption.
- Interest income on Inter Corporate Deposits is recognised on an 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) to iv) below :

#### Equity Index / Stock Futures:

In accordance with the 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 is disclosed under Loans and Advances or 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 Statement of Profit and Loss.
- Debit balance in the "Mark-to-Market Margin - Equity Index/Stock Futures Account", being the anticipated loss, is adjusted in the Statement of Profit and Loss.

(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 Statement of Profit and Loss. 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 net realisable value. Profit or loss on sale of such securities is determined using the weighted average cost method.

**f) Commercial Papers:**

The liability is recognised at face value of the commercial paper at the time of issue of the commercial paper. The discount on issue of the 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 a straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on additions to fixed assets is provided on a 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 operating 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 capitalisation.

Intangible assets consisting of Membership Rights of the Bombay Stock Exchange Limited are amortised on a 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

Statement of Profit and Loss. 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. Long-term investments are carried at cost less provision, if any, for diminution other than temporary in the value of such investment. Current investments are valued at lower of cost and fair value.

**k) Foreign Currency Transactions:**

**Recognition & translation**

- 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 exchange 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 recognised in the Statement of Profit and Loss.

**Exchange Differences**

- i. Exchange differences arising on a monetary item that in substance, forms part of the Company's net investment in a non-integral foreign operation is accumulated in the Foreign Currency Translation Reserve until the disposal of the net investment. On the disposal of such net investment. The cumulative amount of the exchange differences which have been deferred and which relate to that investment is recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.
- ii. Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalised and depreciated over the remaining useful life of the asset. For this purpose, the Company treats a foreign monetary item as "long-term foreign currency monetary item", if it has a term of 12 months or more at the date of its origination.
- iii. Exchange differences arising on other long-

term foreign currency monetary items are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortised over the remaining life of the concerned monetary item.

- iv. All other exchange differences are recognised as income or as expenses in the period in which they arise.

**l) Employee Benefits:**

The Company has a defined contribution plan namely Provident Fund. Annual contribution to the Employees Provident Fund Organisation is charged to the Statement of Profit and Loss. 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 / losses comprise experience adjustments and the effects of change in actuarial assumptions and are recognised in the Statement of Profit and Loss as income or expenses as applicable.

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

The Company follows the intrinsic value method as per the 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 of the stock options at the 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 fair valuation certified by an independent firm of Chartered Accountants in respect of the 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 profits and tax profits is accounted for at the current rate of tax / substantively enacted tax rates as at the Balance Sheet Date, as applicable, to the extent that the timing differences are expected to crystallise/capable of reversal in one or more subsequent periods.

Deferred Tax Assets are recognised where realisation is reasonably certain whereas in the 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 that there will be sufficient future taxable income available to realise such assets. Deferred Tax Assets are reviewed for their 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 Statement of Profit and Loss on straight line basis and assets taken on finance lease have been capitalised in accordance with Accounting Standard 19 - 'Leases' as notified under the Companies (Accounting Standards) Rules, 2006, as amended.

**p) Share Issue Expenses:**

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

**r) Segment Reporting:**

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

**s) 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 neither recognised in the financial statements nor disclosed, since this may result in the recognition of income that may never be realised.



Notes forming part  
of the financial statements of Indiabulls Securities Limited  
for the year ended March 31, 2012 (contd.)

**Note - 3**  
**Share Capital**

	As at March 31, 2012		As at March 31, 2011	
	No. of shares	Amount (Rs.)	No. of shares	Amount (Rs.)
<b>Authorised</b>				
Equity shares of face value of Rs. 2 each	500,000,000	1,000,000,000	500,000,000	1,000,000,000
Preference Shares of face value of Rs. 4.61 each	25,000,000	115,250,000	25,000,000	115,250,000
<b>Issued, subscribed and fully paid up</b> <sup>(i) to (vii)</sup>				
Equity Shares of face value of Rs. 2 each fully paid up	231,112,511	462,225,022	231,112,511	462,225,022
The Company has only one class of Equity Shares having a face value of Rs. 2 per share. Each holder of Equity Shares is entitled to one vote per share.				
		<b>462,225,022</b>		<b>462,225,022</b>

- (i) In the event of liquidation of the Company, the holders of Equity Shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of Equity Shares held by the shareholders.
- (ii) Holders of Global Depository Receipts ('GDRs') will be entitled to receive dividends, subject to the terms of the Deposit Agreement, to the same extent as the holders of Equity Shares, less the fees and expenses payable under such Deposit Agreement and any Indian tax applicable to such dividends. Holders of GDRs don't have voting rights with respect to the Deposited Shares. The GDRs may not be transferred to any person located in India including Indian residents or ineligible investors except as permitted by Indian laws and regulations.
- (iii) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the financial year :**

	Equity Shares			
	As at March 31, 2012		As at March 31, 2011	
	No. of shares	Amount (Rs.)	No. of shares	Amount (Rs.)
Opening balance	231,112,511	462,225,022	229,940,648	459,881,296
Shares issued during the year by exercise of Employee Stock Option Plan	-	-	1,171,863	2,343,726
<b>Closing Balance</b>	<b>231,112,511</b>	<b>462,225,022</b>	<b>231,112,511</b>	<b>462,225,022</b>

- (iv) During the financial year 2007-08, the Company had restructured/ reorganised its business operations through a scheme of arrangement Under Sections 391 – 394 of the Companies Act, 1956 (duly sanctioned by the Hon'ble High Court of Judicature at Delhi on November 23, 2007). The Scheme of arrangement provided for the demerger of the Company (securities broking and advisory business (a part of fee income) as a going concern from Indiabulls Financial Services Limited ("IBFSL"). Upon coming into effect of the Scheme on April 24, 2007 and with effect from the Appointed Date on April 01, 2007, in terms of the Scheme, the Company had issued and allotted 253,426,989 Equity Shares of face value of Rs. 2 each aggregating to Rs. 506,853,978 and 9,966,667 cumulative, non-convertible redeemable Preference Shares of face value of Rs. 4.61 each aggregating to Rs. 45,946,335 to the respective shareholders of IBFSL.
- (v) 23,486,341 Equity Shares of face value of Rs. 2 each were bought back by the Company during the year ended March 31, 2010.

**(vi) Shares held by Shareholders each holding more than 5% shares:**

No. of Share Holders	As at March 31, 2012		As at March 31, 2011	
	No. of shares held	% of holdings	No. of shares held	% of holdings
Four shareholders (Previous year - four shareholders) each are holding more than 5% of the Equity Share Capital	84,516,531	36.57%	85,785,865	37.12%

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest. The above shareholding represents both legal and beneficial ownerships of shares.

**(vii) Shares reserved for issue under options:**

13,125,008 Equity Shares (Previous year 27,231,233 Equity Shares) of face value of Rs. 2 are reserved under various option schemes of the Company (Refer note - 32).

**Note - 4**

**Reserves and surplus**

(Amount in Rs.)

	As at March 31, 2012	As at March 31, 2011
<b>Capital Redemption Reserve</b>		
Balance as per last Balance Sheet	<b>360,036,184</b>	<b>360,036,184</b>
<b>Securities Premium Account</b>		
Opening balance	18,046,690	-
Add : Additions during the year on account of shares issued under ESOP scheme	-	18,046,690
Closing balance	<b>18,046,690</b>	<b>18,046,690</b>
<b>Foreign Currency Monetary Item Translation Difference Account <sup>(i)</sup></b>		
Opening balance	-	-
Add : Addition during the year	3,291,412	-
Less: Amortised during the year	153,093	-
Closing balance	<b>3,138,319</b>	-
<b>General Reserve</b>		
Opening balance	98,700,000	61,300,000
Add: Transfer from the Statement of Profit and Loss	-	37,400,000
Closing balance	<b>98,700,000</b>	<b>98,700,000</b>

Notes forming part  
of the financial statements of Indiabulls Securities Limited  
for the year ended March 31, 2012 (contd.)

		(Amount in Rs.)
	<b>As at March 31, 2012</b>	<b>As at March 31, 2011</b>
<b>Surplus in the Statement of Profit and Loss</b>		
Opening balance	1,384,956,770	1,318,093,629
Add: (Loss)/Profit for the year	(116,020,646)	373,727,580
<b>Amount available for appropriation (a)</b>	<b>1,268,936,124</b>	<b>1,691,821,209</b>
<b>Less: Appropriations :</b>		
Interim Dividend on Equity Shares <sup>(ii)</sup>	-	231,084,236
Corporate Dividend Tax on Interim Dividend on Equity Shares	-	38,380,203
Transfer to General Reserve	-	37,400,000
<b>Total Appropriations (b)</b>	<b>-</b>	<b>306,864,439</b>
<b>Balance of Profit Carried Forward (a) - (b)</b>	<b>1,268,936,124</b>	<b>1,384,956,770</b>
	<b>1,748,857,317</b>	<b>1,861,739,644</b>

- (i) Pursuant to the notification dated December 29, 2011 issued by the Ministry of Corporate Affairs amending Accounting Standard 11 - 'Accounting for the Effects of Changes in Foreign Exchange Rates' as notified under the Companies (Accounting Standards) Rules, 2006, as amended, the Company has exercised the option as per Paragraph 46A inserted in the said Accounting Standard for amortisation of foreign exchange gain/loss on long-term monetary items over the remaining life of the concerned monetary items. Consequently, an amount of Rs. 3,138,319 (Previous year Rs. Nil) is carried forward in the Foreign Exchange Monetary Item Translation Difference Account as on March 31, 2012, net of forex gain amounting to Rs. 153,093 (Previous year Rs. Nil) amortised in the Statement of Profit and Loss.
- (ii) Interim Dividend per Share Rs. Nil (Previous Year Re. 1).

**Note - 5**  
**Long-term borrowings**

	(Amount in Rs.)	
	<b>As at March 31, 2012</b>	<b>As at March 31, 2011</b>
<b>Term Loans</b>		
<b>Secured</b>		
From Banks <sup>(i)</sup>	6,545,393	8,143,586
Less: Current maturities of term loans (Refer note - 10)	1,767,684	1,662,322
	<b>4,777,709</b>	<b>6,481,264</b>

- (i) Term loans are secured against hypothecation of the vehicles purchased. The rate of interest of such term loans ranges between 9% p.a. to 12% p.a. The term loans are repayable in equated monthly installments ranging for a period of 3 to 5 years.

**Note - 6**

**Other long-term liabilities**

	As at March 31, 2012	As at March 31, 2011
Other Liabilities - Amount received from GDR Depository	99,786,644	99,786,644
	<b>99,786,644</b>	<b>99,786,644</b>

(Amount in Rs.)

**Note - 7**

**Long-term provisions**

	As at March 31, 2012	As at March 31, 2011
Provision for Gratuity (Refer note - 35)	32,247,557	44,795,633
Provision for Compensated Absences (Refer note - 35)	10,619,596	16,776,040
	<b>42,867,153</b>	<b>61,571,673</b>

(Amount in Rs.)

**Note - 8**

**Short-term borrowings**

	As at March 31, 2012	As at March 31, 2011
<b>Secured loans</b>		
From Banks <sup>(i)</sup>		
Bank overdraft	360,148,862	1,720,567,925
Working capital loan	-	250,000,000
	<b>360,148,862</b>	<b>1,970,567,925</b>
<b>Unsecured loans</b>		
Commercial papers	-	-
(Maximum balance outstanding during the year Rs. Nil (Previous year Rs. 3,250,000,000))		
	<b>360,148,862</b>	<b>1,970,567,925</b>

(Amount in Rs.)

(i) Bank overdraft and working capital loan are secured against fixed deposits placed with the respective banks.

**Note - 9**

**Trade payables**

	As at March 31, 2012	As at March 31, 2011
(a) Dues to Micro and Small Enterprises <sup>(i)</sup>	-	-
(b) Dues to others	7,917,026	15,423,727
	<b>7,917,026</b>	<b>15,423,727</b>

(Amount in Rs.)

Notes forming part  
of the financial statements of Indiabulls Securities Limited  
for the year ended March 31, 2012 (contd.)

- (i) 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 regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of the information available with the Company. This has been relied upon by the Auditors.

**Note - 10**

**Other current liabilities**

	As at March 31, 2012	As at March 31, 2011
Current maturity of long-term loans (Refer note - 5)	1,767,684	1,662,322
Interest accrued but not due on working capital loan	-	1,815,411
Brokerage income received in advance	6,175,335	15,245,131
Unclaimed dividends <sup>(i)</sup>	10,611,839	10,797,200
Margin from customers (Refer note - 19(ii))	928,477,990	1,815,016,819
Temporary overdrawn bank balances as per books	520,437,430	238,798,692
Others - Current liabilities for expense provisions and Statutory dues	353,171,503	365,916,519
	<b>1,820,641,781</b>	<b>2,449,252,094</b>

- (i) In respect of amounts mentioned under Section 205C of the Companies Act, 1956, Rs. Nil (Previous year Rs. Nil) were required to be credited to the Investor Education and Protection Fund as at March 31, 2012.

**Note - 11**

**Short-term provisions**

	As at March 31, 2012	As at March 31, 2011
Provision for Gratuity (Refer note - 35)	2,231,607	2,270,594
Provision for Compensated Absences (Refer note - 35)	2,035,252	808,419
Provision for Taxation (net of advance tax Rs. 1,629,480,662, Previous year Rs. 1,693,264,847)	181,150,861	66,854,895
Provision for Fringe benefit tax (net of advance tax Rs. Nil, Previous year Rs. 51,590,477)	-	21,448
	<b>185,417,720</b>	<b>69,955,356</b>

**Note - 12**  
**Fixed Assets**

Particulars	GROSS BLOCK AT COST						DEPRECIATION / AMORTISATION				NET BLOCK	
	As at April 1, 2011	Additions during the year	Adjustments/ sales during the year	As at March 31, 2012	As at April 1, 2011	Provided during the year	Adjustments during the year	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011	As at March 31, 2011	
<b>A. Tangible Assets</b>												
Furniture and Fixtures	23,758,414	2,834,025	3,647,089	22,945,350	19,496,641	3,018,218	2,987,691	19,527,168	3,418,182	4,261,773	4,261,773	
Vehicles*	92,776,913	557,287	6,289,783	87,044,417	35,988,489	8,515,717	2,828,060	41,676,146	45,368,271	56,788,424	56,788,424	
Office equipment	239,115,671	6,403,750	21,360,222	224,159,199	59,227,707	10,799,869	5,792,374	64,235,202	159,923,997	179,887,964	179,887,964	
Computers	448,231,754	5,010,798	17,201,782	436,040,770	322,080,722	54,910,920	15,119,740	361,871,902	74,168,868	126,151,032	126,151,032	
Leasehold improvements	111,841,191	40,288,426	27,157,553	124,972,064	38,369,630	9,878,383	8,930,862	39,317,151	85,654,913	73,471,561	73,471,561	
<b>Total (a)</b>	<b>915,723,943</b>	<b>55,094,286</b>	<b>75,656,429</b>	<b>895,161,800</b>	<b>475,163,189</b>	<b>87,123,107</b>	<b>35,658,727</b>	<b>526,627,569</b>	<b>368,534,231</b>	<b>440,560,754</b>	<b>440,560,754</b>	
Previous year (i)	1,027,831,717	38,746,511	150,854,285	915,723,943	433,678,864	103,285,781	61,801,456	475,163,189	440,560,754			
<b>B. Intangible Assets</b>												
Membership rights of BSE Limited	7,005,000	-	-	7,005,000	7,005,000	-	-	7,005,000	-	-	-	
Software	587,463,207	2,100,000	-	589,563,207	543,913,121	31,595,480	-	575,508,601	14,054,606	43,550,086	43,550,086	
Indiabulls.com website	5,262,584	-	-	5,262,584	5,262,584	-	-	5,262,584	-	-	-	
<b>Total (b)</b>	<b>599,730,791</b>	<b>2,100,000</b>	<b>-</b>	<b>601,830,791</b>	<b>556,180,705</b>	<b>31,595,480</b>	<b>-</b>	<b>587,776,185</b>	<b>14,054,606</b>	<b>43,550,086</b>	<b>43,550,086</b>	
Previous year (ii)	594,632,088	5,098,703	-	599,730,791	480,253,755	75,926,950	-	556,180,705	43,550,086			
<b>Current year total (a)+(b)</b>	<b>1,515,454,734</b>	<b>57,194,286</b>	<b>75,656,429</b>	<b>1,496,992,591</b>	<b>1,031,343,894</b>	<b>118,718,587</b>	<b>35,658,727</b>	<b>1,114,403,754</b>	<b>382,588,837</b>	<b>484,110,840</b>	<b>484,110,840</b>	
Previous year total (i) + (iii)	1,622,463,805	43,845,214	150,854,285	1,515,454,734	913,932,619	179,212,731	61,801,456	1,031,343,894	484,110,840			

\* Including vehicles having original cost of Rs. 10,248,314 (Previous Year Rs. 10,689,738) which are hypothecated to banks against the respective loans.

Notes forming part  
of the financial statements of Indiabulls Securities Limited  
for the year ended March 31, 2012 (contd.)

**Note - 13**

**Non-current investments**

	As at March 31, 2012	(Amount in Rs.) As at March 31, 2011
<b>Long-term - Trade - Unquoted (at cost unless otherwise stated)</b>		
Investments in Equity Instruments		
130,000 (Previous year 130,000) fully paid up Equity Shares of face value of Re. 1 each in BSE Limited	10,000	10,000
<b>Total (A)</b>	<b>10,000</b>	<b>10,000</b>
<b>Long-term - Others - Unquoted (at cost unless otherwise stated)</b>		
Investments in Equity Instruments		
(i) In wholly owned subsidiary companies (unless otherwise stated)		
600,000 (Previous year 600,000) fully paid up Equity Shares of face value Rs.10 each in Indiabulls Commodities Limited	6,000,000	6,000,000
5,500,000 (Previous year 5,500,000) fully paid up Equity Shares of face value Rs.10 each in Indiabulls Brokerage Limited <sup>(a)</sup>	55,000,000	55,000,000
50,000 (Previous year 50,000) fully paid up Equity Shares of face value Rs.10 each in Indiabulls Distribution Services Limited <sup>(b)</sup>	500,000	500,000
50,000 (Previous year Nil) fully paid up Equity Shares of face value Rs.10 each in Auxesia Soft Solutions Limited <sup>(c)</sup>	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 <sup>(d)</sup>	500,000	-
<b>Total (B)</b>	<b>62,000,000</b>	<b>61,500,000</b>
(ii) Other Long-Term Investments		
288,722 (Previous year 1,098,137) fully paid-up Ordinary Shares of face value of £ 0.001 in Copal Partners Limited <sup>(e)</sup>	125,332,488	476,694,683
<b>Total (C)</b>	<b>125,332,488</b>	<b>476,694,683</b>
<b>Total (A)+(B)+(C)</b>	<b>187,342,488</b>	<b>538,204,683</b>
<b>Aggregate market value of quoted investments</b>	-	-
<b>Aggregate book value of quoted investments</b>	-	-
<b>Aggregate book value of unquoted investments</b>	<b>187,842,488</b>	<b>538,704,683</b>
<b>Aggregate provision for diminution in value of investments</b>	<b>500,000</b>	<b>500,000</b>

- (a) During the year, the Company had invested an additional amount of Rs. Nil (Previous year Rs. 20,000,000) in its wholly owned subsidiary Indiabulls Brokerage Limited.
- (b) As at March 31, 2012 and 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 March 31, 2012 and 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 losses suffered by IDSL as temporary in nature and accordingly no provision for diminution in value has been made in the books of accounts.
- (c) During the year, the Company has invested an amount of Rs. 500,000 in a newly formed wholly owned subsidiary Auxesia Soft Solutions Limited.
- (d) During the year ended March 31, 2009, the Company had given loan of Rs. 1,809,300,000 to one of its wholly owned subsidiaries - 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 said 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 this 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. During the year, the Company has given an additional loan amounting to Rs. 300,000,000 (Previous year Rs. Nil) to the said subsidiary.
- (e) During the year Copal Partners Limited has bought back 223,222 shares held by the Company vide the Purchase and Cancellation Agreement for the consideration of Rs. 86,226,344. Further, the Company had sold 586,193 shares held by it in Copal Partners Limited to Moody's Group UK LTD for the consideration of Rs. 231,992,806 vide the Share Purchase Deed. As a result thereof, the stake of the Company in Copal Partners Limited has been reduced from 4.74% to 1.63%. The proportionate cost of the shares bought back and sold aggregates to Rs. 351,362,195. Out of the total consideration of Rs. 231,992,806 receivable from Moody's Group UK LTD an amount of Rs. 77,952,063 (excluding foreign exchange gain of Rs. 3,291,412) is receivable as at the year end in the form of Loan Notes and Escrow account of the Moody's Group UK LTD.

#### Note - 14

##### Deferred tax assets (net)

In compliance with Accounting Standard 22 - 'Accounting for Taxes on Income' as notified under the Companies (Accounting Standards) Rules, 2006, as amended, deferred tax credit (net) of Rs. 25,247,378 (Previous year - Rs. 66,651,375) has been credited to the Statement of Profit and Loss for the year ended March 31, 2012. The breakup of deferred tax into major components is as under:

	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
<b>Deferred tax assets:</b>		
Provision for doubtful debts, advances and security deposits	50,779,293	47,743,316
Disallowances u/s. 43B of the Income-Tax Act, 1961	11,604,886	13,063,985
Disallowances u/s. 40A(7) of the Income-Tax Act, 1961	11,123,057	15,270,637
Others	3,135,185	2,292,631
(a)	<b>76,642,421</b>	<b>78,370,569</b>
<b>Deferred tax liability:</b>		
Difference between book balance and tax balance of fixed assets	12,974,609	39,950,135
(b)	<b>12,974,609</b>	<b>39,950,135</b>
<b>Deferred tax assets (net)</b>	(a) - (b)	<b>63,667,812</b>
		<b>38,420,434</b>



Notes forming part  
of the financial statements of Indiabulls Securities Limited  
for the year ended March 31, 2012 (contd.)

**Note - 15**

**Long-term loans and advances**

	(Amount in Rs.)	
	<b>As at March 31, 2012</b>	<b>As at March 31, 2011</b>
<b>Unsecured</b>		
(a) Capital advances		
Considered good	100,062,007	5,027,721
Considered doubtful	2,721,805	1,537,759
	102,783,812	6,565,480
Less: Provision for doubtful capital advances	2,721,805	1,537,759
	100,062,007	5,027,721
(b) Security deposits		
(i) Deposits (including margin money) with stock exchanges, (considered good)	61,053,659	51,543,056
(ii) Deposits with others		
Considered good	72,727,479	174,946,649
Considered doubtful	23,485,667	19,933,972
	96,213,146	194,880,621
Less: Provision for doubtful deposits	23,485,667	19,933,972
	72,727,479	174,946,649
(c) Loans and advances to related parties - (considered good)		
Devata Tradelink Limited (Refer note - 13(d))	300,000,000	-
(d) Interest Accrued on fixed deposits	-	527,161
(e) Loan Notes, Escrow Receivable account and others (Refer note - 13(e))		
Considered good	83,193,413	3,117,547
Considered doubtful	3,620,330	4,455,036
	86,813,743	7,572,583
Less: Provision for doubtful advances	3,620,330	4,455,036
	83,193,413	3,117,547
	<b>617,036,558</b>	<b>235,162,134</b>

**Note - 16**

**Other non-current assets**

	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
Non current other bank balances (Refer note - 19(B))	12,143,681	22,138,193
	<b>12,143,681</b>	<b>22,138,193</b>

**Note - 17**

**Current investments**

	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
Investments in Mutual Funds - unquoted		
Indiabulls Liquid Fund - Growth	350,000,000	-
No. of Units - 336,030.280 (Previous year : Nil)		
NAV: Rs. 1,041.9834 (Previous year : N.A.)		
	<b>350,000,000</b>	-
<b>Aggregate market value of quoted investments</b>	-	-
<b>Aggregate book value of quoted investments</b>	-	-
<b>Aggregate book value of unquoted investments</b>	<b>350,000,000</b>	-
<b>Aggregate provision for diminution in value of investments</b>	-	-

**Note - 18**

**Trade receivables**

**Unsecured**

	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
Outstanding for a period exceeding six months		
Considered good	90,139,094	256,094,338
Considered doubtful	126,681,038	121,224,772
	216,820,132	377,319,110
Less: Provision for doubtful debts	126,681,038	121,224,772
	<b>90,139,094</b>	<b>256,094,338</b>
Others		
Considered good	236,904,352	194,091,248
Considered doubtful	-	-
	<b>236,904,352</b>	<b>194,091,248</b>
	<b>327,043,446</b>	<b>450,185,586</b>

Notes forming part  
of the financial statements of Indiabulls Securities Limited  
for the year ended March 31, 2012 (contd.)

**Note - 19**

**Cash and bank balances**

	(Amount in Rs.)	
	<b>As at March 31, 2012</b>	<b>As at March 31, 2011</b>
<b>(A) Cash and cash equivalents</b>		
Balance with banks		
- in current accounts	271,954,126	213,978,851
- in unclaimed dividend accounts	10,611,839	10,797,200
	282,565,965	224,776,051
Cash on hand	76,020	173,078
	<b>282,641,985</b>	<b>224,949,129</b>
<b>(B) Other bank balances</b> <sup>(i) &amp; (ii)</sup>		
- in fixed deposit accounts having original maturity of more than twelve months	1,705,173,607	4,270,046,274
- in fixed deposit accounts having original maturity upto twelve months	195,074	150,252,827
	1,705,368,681	4,420,299,101
Less : Non-current other bank balances (Refer note - 16)	12,143,681	22,138,193
	<b>1,693,225,000</b>	<b>4,398,160,908</b>
	<b>1,975,866,985</b>	<b>4,623,110,037</b>

(i) Fixed deposits includes:

- a. Rs. 776,300,000 (Previous year Rs. 1,884,173,628 ) pledged with the banks against bank guarantees issued by banks for base capital and additional base capital to the National Stock Exchange of India, BSE Limited and the National Securities Clearing Corporation Limited.
- b. Rs. Nil (Previous year Rs. 250,000,000) pledged against working capital loan taken from bank.
- c. Rs. 47,400,000 (Previous year Rs. 172,400,000) pledged with the National Stock Exchange of India, BSE Limited and National Securities Clearing Corporation Limited for the purpose of base capital and additional base capital.
- d. Rs. 874,500,000 (Previous year Rs. 1,914,500,000) pledged with banks for overdraft facilities.
- e. Rs. 6,881,400 (Previous year Rs. 22,138,193) pledged for arbitration matters.
- f. 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.

- (ii) During the year, pursuant to the Order of the Hon'ble Sole Arbitrator, the Company has sold shares held by one of its customers in its beneficiary depository account held with the Company. Further, the said Arbitrator has ordered the Company to deposit the money in an interest bearing account in its name specifying that the sum has been deposited subject to further orders in the Arbitration. The Company has thus invested such sums of money aggregating to Rs. 613,023,555 (Net) in various fixed deposits with a scheduled bank. As at the year end, the said fixed deposits are being netted off against the dues payable to the customer.

**Note - 20**

**Short-term loans and advances**

	As at March 31, 2012	(Amount in Rs.) As at March 31, 2011
(a) Loans and advances to related parties (unsecured, considered good)		
Indiabulls Distribution Services Limited	643,500,000	-
(Maximum balance outstanding at any time during the year Rs. 643,500,000, Previous year Rs. Nil)		
	643,500,000	-
(b) Margin funding loan receivables (secured, considered good)	114,179,439	74,268,496
Less: Margin received	13,157,572	23,930,675
	101,021,867	50,337,821
(c) Security deposits (unsecured, considered good)	17,919,304	8,843,499
(d) Prepaid Expenses, Cenvat Credit Receivable and Others (unsecured, considered good)	31,642,827	53,273,118
(e) Advance income tax/tax deducted at source (Net of provision for tax Rs. Nil; Previous year Rs. Nil)	-	434,926,373
	<b>794,083,998</b>	<b>547,380,811</b>

**Note - 21**

**Other current assets**

	As at March 31, 2012	(Amount in Rs.) As at March 31, 2011
Interest accrued on fixed deposits	22,865,429	58,290,631
	<b>22,865,429</b>	<b>58,290,631</b>

**Note - 22**

**Revenue from operations**

	For the year ended March 31, 2012	(Amount in Rs.) For the year ended March 31, 2011
(a) Sale of services <sup>(i)</sup>	1,133,395,605	2,870,442,766
(b) Other operating revenues <sup>(ii)</sup>	354,174,792	384,061,869
	<b>1,487,570,397</b>	<b>3,254,504,635</b>

Notes forming part  
of the financial statements of Indiabulls Securities Limited  
for the year ended March 31, 2012 (contd.)

	(Amount in Rs.)	
	<b>For the year ended March 31, 2012</b>	<b>For the year ended March 31, 2011</b>
(i) Sale of services includes :		
Brokerage income	914,931,958	2,326,859,343
Interest on margin funding	127,067,947	358,982,446
Income from depository services	21,130,741	29,978,012
Other charges including transaction charges	70,264,959	154,622,965
	<b>1,133,395,605</b>	<b>2,870,442,766</b>
(ii) Other operating revenues includes :		
Interest on fixed deposits	269,436,470	336,026,996
Advisory income	68,835,907	9,691,081
Income from IPO commission, Mutual Funds commission, Account Opening and Other miscellaneous income	15,902,415	38,343,792
	<b>354,174,792</b>	<b>384,061,869</b>

**Note - 23**

**Other income**

	(Amount in Rs.)	
	<b>For the year ended March 31, 2012</b>	<b>For the year ended March 31, 2011</b>
<b>Interest Income</b>		
Interest income from Inter-Corporate Deposits	19,992,553	52,276,383
Interest income from Income Tax Refund	59,659,818	-
	<b>79,652,371</b>	<b>52,276,383</b>
<b>Dividend Income</b>		
Dividend income on other long-term investments	35,862,898	13,499,720
Dividend income on current investments	2,918,948	10,776,361
	<b>38,781,846</b>	<b>24,276,081</b>
<b>Other non-operating income</b>		
Excess expenses provision no longer required written back	43,747,868	30,396,203
Sundry credit balances written back	4,042,719	14,393,633
Gain on Foreign exchange fluctuations (Refer Note - 4(i))	712,960	-
Bad debts recovered	30,101	-
	<b>48,533,648</b>	<b>44,789,836</b>
	<b>166,967,865</b>	<b>121,342,300</b>

**Note - 24**

**Operating expenses**

	(Amount in Rs.)	
	<b>For the year ended March 31, 2012</b>	<b>For the year ended March 31, 2011</b>
Stamp duty	29,305,368	71,613,133
Demat charges	5,144	903,676
SEBI charges	1,748,640	3,727,848
Commission	11,540,671	11,600,461
Depository charges	8,202,189	13,069,481
Transaction charges	39,358,595	85,188,342
Membership fees	965,937	1,001,115
Web hosting expenses	13,688,357	15,452,610
VSAT charges	3,328,138	5,897,888
Leased line expenses	17,559,784	31,048,458
Content expenses	8,112,401	9,745,045
Software expenses	2,872,723	29,057,664
	<b>136,687,947</b>	<b>278,305,721</b>

**Note - 25**

**Employee benefits expense**

	(Amount in Rs.)	
	<b>For the year ended March 31, 2012</b>	<b>For the year ended March 31, 2011</b>
Salaries <sup>(i) &amp; (ii)</sup>	457,481,700	1,283,942,465
Contribution to Provident fund and other funds	707,645	1,178,419
Staff welfare expenses	12,521,597	18,567,970
Provision for Gratuity (Refer note - 35)	6,827,393	852,537
	<b>477,538,335</b>	<b>1,304,541,391</b>

- (i) During the year, personnel costs amounting to Rs. Nil (Previous Year Rs. 156,026,787) were apportioned to the Company from its subsidiary company - Indiabulls Commodities Limited.
- (ii) During the year, personnel costs amounting to Rs. 109,707,465 (Previous Year Rs. Nil) were apportioned to the subsidiary company Indiabulls Distribution Services Limited.

Notes forming part  
of the financial statements of Indiabulls Securities Limited  
for the year ended March 31, 2012 (contd.)

**Note - 26**

**Interest and finance costs**

	(Amount in Rs.)	
	<b>For the year ended March 31, 2012</b>	<b>For the year ended March 31, 2011</b>
Bank charges	30,067,136	64,354,990
Interest on Inter-Corporate Deposits	1,288,524	15,700,397
Interest on bank overdraft	66,800,602	73,460,776
Interest on working capital loan	9,422,568	66,936,514
Interest on vehicle loans	697,751	523,229
Interest on debentures	-	46,239,061
Interest on commercial papers	-	124,994,913
Interest on taxes	1,326	-
Interest - others (Refer note - 38)	168,268,870	-
	<b>276,546,777</b>	<b>392,209,880</b>

**Note - 27**

**Other expenses**

	(Amount in Rs.)	
	<b>For the year ended March 31, 2012</b>	<b>For the year ended March 31, 2011</b>
Lease rent <sup>(i)</sup> (Refer note - 29)	145,797,340	213,514,710
Recruitment expenses	-	150,000
Rates and taxes (Refer note - 38)	262,774,095	3,165,072
Electricity expenses	17,548,456	30,259,499
Insurance	723,134	1,181,323
Communication expenses	36,881,140	81,586,809
Professional charges	58,039,430	53,314,609
Travelling and conveyance	11,037,218	15,940,469
Printing and stationery	10,337,684	26,495,680
Office maintenance	23,778,493	32,397,100
Repairs and maintenance - others	29,662,836	52,504,595
Business promotion <sup>(ii)</sup>	5,781,668	9,469,900
Payment to Auditors' comprises (net of service tax of Rs. 852,840; Previous year Rs. 669,500)		
- As Auditors - Statutory Audit	5,300,000	5,000,000
- For Certification	1,000,000	800,000
- Reimbursement of Expenses	900,000	700,000
Loss on erroneous transactions (net) (Refer note - 30)	599,078	864,630
Loss on sale of other long-term investments	33,143,045	-

	(Amount in Rs.)	
	<b>For the year ended March 31, 2012</b>	<b>For the year ended March 31, 2011</b>
Loss on sale/ scrapping of fixed assets	31,784,477	79,797,534
Provision for doubtful debts, advances and security deposits	59,436,689	58,365,060
Bad debts / advances written off	50,270,727	37,073,831
Less : Adjusted against provision of earlier years	50,079,388	191,339
Wealth tax	358,229	456,448
Loss on Foreign exchange fluctuation	-	14,846
Miscellaneous expenses	630,289	1,146,935
	<b>735,704,640</b>	<b>669,811,423</b>

- (i) During the year, Lease rent amounting to Rs. 27,094,810 (Previous Year Rs. Nil) was apportioned to Indiabulls Distribution Services Limited - a subsidiary of the Company.
- (ii) During the year, Business Promotion expense amounting to Rs. 1,206,197 (Previous Year Rs. Nil) was apportioned to Indiabulls Distribution Services Limited - a subsidiary of the Company.

#### Note - 28

##### Earnings per Equity Share (EPS) :

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

The basic earnings per Equity 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 Equity Share is computed by considering 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 dilutive Equity Shares are adjusted for the potential dilutive effect of Employee Stock Option Plan as appropriate.

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
(Loss)/Profit available for Equity Shareholders (Rs.)	(116,020,646)	373,727,580
Weighted average number of Equity Shares used for computing Basic Earnings per Equity Share	231,112,511	230,658,648
Add: Potential number of Equity Shares that could arise on exercise of Employee Stock Options	-	3,150,480
Weighted average number of Equity Shares used in computing Diluted Earnings per Equity Share	231,112,511	233,809,128
Face Value of Equity Share (Rs.)	2.00	2.00
Earnings Per Equity Share - Basic (Rs.)	(0.50)	1.62
Earnings Per Equity Share - Diluted (Rs.)	(0.50)	1.60



**Note - 29**

**Leases :**

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. 145,797,340 (Previous Year Rs. 213,514,710) has been charged to the Statement of Profit and Loss. The minimum lease rental outstanding are as under:

Particulars	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
Future minimum lease payments		
not later than one year	126,766,605	190,810,157
later than one year and not later than five years	223,766,968	460,614,374
later than five years	729,480	362,039

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

**Note - 30**

**Loss on Erroneous Transactions :**

The loss on squaring off of erroneous transactions on account of trading in securities amounting to Rs. 599,078 (Net) (Previous year Rs. 864,630 (Net)) has been debited to the Statement of Profit and Loss.

**Note - 31**

**A. Contingent liabilities not provided for in respect of:**

Particulars	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
- Claims against the Company not acknowledged as debts in respect of:		
Penalty for synchronised trading under SEBI regulations <sup>(i)</sup>	1,500,000	1,500,000
Arbitration matters <sup>(ii)</sup>	147,658	2,415,706
Court Cases	3,858,471	-
- Corporate guarantee for bank guarantees availed by subsidiary	70,000,000	100,000,000

(i) During the previous 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, during the year, SEBI has preferred an appeal at the Honourable Supreme Court of India against the judgment of the SAT.

(ii) 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.

- B.** The Company has filed an objection petition before the Madras High Court against the arbitral award passed against the Company in an arbitral dispute between Indiabulls Financial Services Limited & others and A. Indra Anand & K Bharathi wherein the Company was impleaded in its capacity as a depository of the pledgers and share broker of the creditor. By the impugned award dated February 18, 2012 the sole arbitrator has imposed a penalty of Rs. 130,000,000 on the Company. The petition is pending adjudication.

**C. Commitments :**

Particulars	(Amount in Rs.)	
	As at March 31, 2012	As at March 31, 2011
Capital Commitments for purchase of fixed assets	402,247,476	3,062,554

**Note - 32**

**Employee Stock Option Schemes:**

**Indiabulls Employees' Welfare Trust**

During the financial year 2010-11, 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 of the Settlor entities. The Company being one of the Settlers has contributed its share of Rs. 10,000 as 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 to be 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 Settlor 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 are required to be administered by the Trust.

**a) Employees Stock Option Scheme - 2008**

Pursuant to a 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 on Accounting for Employees Share-Based Payments ("the Guidelines") issued by the Institute of Chartered Accountants of India. 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.

Notes forming part  
of the financial statements of Indiabulls Securities Limited  
for the year ended March 31, 2012 (contd.)

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%
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.

**b) 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 an 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., on November 30, 2009. The Stock Options so granted, shall vest uniformly over 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., on April 9, 2010. The Stock Options so granted, shall vest uniformly over 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%
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 the IBSL ESOP - 2008 and IBSL ESOP - 2009 been determined based on the fair value approach, the Company's net (loss) / profit and Basic/Diluted earnings per Equity Share would have been as per the pro forma amounts indicated below:

Particulars	(Amount in Rs.)	
	For the year ended March 31, 2012	For the year ended March 31, 2011
(Loss)/Profit attributable to Equity Shareholders (refer note - 28)	(116,020,646)	373,727,580
Less: Stock-based compensation expense determined under the fair value based method: [Gross Rs. 24,468,052 (Previous Year Rs. 98,266,798)] (pro forma)	2,358,615	24,697,273
Net (Loss)/Profit considered for computing EPS (pro forma)	(118,379,261)	349,030,307
<b>Basic / Diluted Earnings Per Equity Share:</b>		
Weighted average number of Equity Shares used for computing Basic Earnings per Equity Share	231,112,511	230,658,648
Add: Potential number of Equity Shares that could arise on exercise of Employee Stock Options	-	3,150,480
Weighted average number of Equity Shares used for computing Diluted Earnings per Equity Share	231,112,511	233,809,128
Basic earnings per Equity Share (as reported)	(0.50)	1.62
Basic earnings per Equity Share (pro forma)	(0.51)	1.51
Diluted earnings per Equity Share (as reported)	(0.50)	1.60
Diluted earnings per Equity Share (pro forma)	(0.51)	1.50

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

	IBSL ESOP - 2008		IBSL ESOP - 2009	
<b>Total Options under the Scheme (Nos.)</b>	<b>20,000,000</b>		<b>20,000,000</b>	
<b>Options granted (Nos.)</b>	<b>20,000,000</b>		<b>10,000,000</b>	<b>2,050,000</b>
Vesting Period and Percentage	Ten years, 1 <sup>st</sup> Year - 15% 2 <sup>nd</sup> year to 9 <sup>th</sup> year - 10% each year 10 <sup>th</sup> year - 5%	Uniformly over a period of Ten years	Uniformly over a period of Ten years	
Vesting Date	January 25 <sup>th</sup> each year, commencing January 25, 2010	December 2 <sup>nd</sup> each year, commencing December 2, 2010	April 13 <sup>th</sup> each year, commencing April 13, 2011	
Exercise Price (Rs.)	17.40	35.25	31.35	
Outstanding at the beginning of the year (Nos.)	15,181,233	10,000,000	2,050,000	
Options vested during the year (Nos.)*	1,362,168	-	205,000	
Exercised during the year (Nos.)	-	-	-	
Expired during the year (Nos.)	-	-	-	
Surrendered and eligible for re-grant (Nos.)	2,556,225	10,000,000	1,550,000	
Outstanding at the end of the year (Nos.)	12,625,008	-	500,000	
Exercisable at the end of the year (Nos.)	3,822,269	-	50,000	
Remaining contractual Life (Weighted Months)	85	Nil	114	

\* Net of options surrendered before vesting.

Notes forming part  
of the financial statements of Indiabulls Securities Limited  
for the year ended March 31, 2012 (contd.)

**Note - 33**

**Segment Reporting :**

Segment information for the year ended March 31, 2012 as per Accounting Standard 17 - 'Segment Reporting' as notified under the Companies (Accounting Standards) Rules, 2006, as amended:

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

	<b>Broking and related activities</b>	<b>Advisory Services</b>	(Amount in Rs.) <b>Total</b>
(i) Segment Revenue	1,418,734,490	68,835,907	1,487,570,397
	<i>3,244,813,554</i>	<i>9,691,081</i>	<i>3,254,504,635</i>
(ii) Segment Results	28,612,964	58,756,777	87,369,741
	<i>867,862,242</i>	<i>6,485,213</i>	<i>874,347,455</i>
Add: Unallocated Income net of other unallocated Expenditure			68,451,876
			<i>5,273,224</i>
Less: Interest expenditure			246,479,641
			<i>327,854,890</i>
Less: Income taxes			25,362,622
			<i>178,038,209</i>
<b>Total (Loss)/ Profit after tax</b>			<b>(116,020,646)</b>
			<i>373,727,580</i>
(iii) Segment Assets	3,093,540,603	618,221	3,094,158,824
	<i>5,978,627,155</i>	<i>763,387</i>	<i>5,979,390,542</i>
Unallocated Corporate Assets			1,638,480,410
			<i>1,017,612,807</i>
<b>Total Assets</b>			<b>4,732,639,234</b>
			<i>6,997,003,349</i>
(iv) Segment Liabilities	2,223,462,158	-	2,223,462,158
	<i>4,480,949,217</i>	<i>-</i>	<i>4,480,949,217</i>
Unallocated Corporate Liabilities			298,094,737
			<i>192,089,466</i>
<b>Total Liabilities</b>			<b>2,521,556,895</b>
			<i>4,673,038,683</i>
(v) Capital Expenditure including Capital Advances	54,171,579	-	54,171,579
	<i>23,945,566</i>	<i>-</i>	<i>23,945,566</i>
(vi) Depreciation	110,057,704	145,166	110,202,870
	<i>170,228,193</i>	<i>120,529</i>	<i>170,348,722</i>
(vii) Non cash expenditure other than Depreciation	16,184,694	-	16,184,694
	<i>24,829,970</i>	<i>-</i>	<i>24,829,970</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 is 'Broking and related activities' and 'Advisory services'. Broking and related activities include business as a stock and share broker on the National Stock Exchange of India Limited and the BSE Limited and other related ancillary services. Advisory services mainly comprise of financial services related fees.
- (d) Segment revenue, results, assets and liabilities include amounts identifiable to each segment and amounts allocated on a reasonable basis.
- (e) The accounting policies adopted for segment reporting are in line with the accounting policies adopted for preparation of financial information as disclosed in Note - 2.

**Note - 34**

**Related Party Disclosures :**

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

**Nature of Relationship                      Name of the Party**

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

Subsidiary Companies	Indiabulls Commodities Limited India Ethanol and Sugar Limited (100% subsidiary of Indiabulls Commodities Limited) Devata Tradelink Limited Indiabulls Brokerage Limited Indiabulls Distribution Services Limited Auxesia Soft Solutions Limited (w.e.f. - September 30, 2011)
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**(b) Other Related Parties:**

Key Management Personnel	Mr. Divyesh B. Shah, Whole Time Director & Chief Executive Officer Mr. Ashok Sharma, Whole Time Director Mr. Sameer Gehlaut, Dominant Promoter Mr. Rajiv Rattan, Dominant Promoter Mr. Saurabh K. Mittal, Dominant Promoter
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**(c) Significant transactions with Related Parties during the year ended March 31, 2012:**

Nature of Transaction	Subsidiaries	Key Management Personnel	(Amount in Rs.)	
				Total
<b>Income</b>				
Brokerage Income	-	18,351		18,351
	-	18,154		18,154
Income from Depository Services	-	-		-
	33,750	-		33,750
<b>Expenses</b>				
Reimbursement of expenses paid	-	-		-
	156,026,787	-		156,026,787

Notes forming part  
of the financial statements of Indiabulls Securities Limited  
for the year ended March 31, 2012 (contd.)

Nature of Transaction	Subsidiaries	(Amount in Rs.)	
		Key Management Personnel	Total
Reimbursement of expenses received	138,104,448	-	138,104,448
	<i>37,328</i>	-	<i>37,328</i>
Remuneration	-	2,100,000	2,100,000
	-	<i>17,729,142</i>	<i>17,729,142</i>
Intercompany Deposits Given	976,000,000	-	976,000,000
(Maximum balance outstanding during the year)	<i>3,247,000,000</i>	-	<i>3,247,000,000</i>
Intercompany Deposits Taken	120,000,000	-	120,000,000
(Maximum balance outstanding during the year)	<i>1,082,500,000</i>	-	<i>1,082,500,000</i>
Interest income on Intercompany Deposits	19,992,553	-	19,992,553
	<i>52,276,383</i>	-	<i>52,276,383</i>
Interest expense on Intercompany Deposits	1,288,524	-	1,288,524
	<i>15,700,397</i>	-	<i>15,700,397</i>
<b>Investment</b>			
Equity Shares	500,000	-	500,000
	<i>20,000,000</i>	-	<i>20,000,000</i>
<b>Advances</b>			
Advances Given	200,000	-	200,000
	<i>1,862,280</i>	-	<i>1,862,280</i>
Advances Received Back	2,060,000	-	2,060,000
	<i>2,280</i>	-	<i>2,280</i>
<b>Guarantee</b>			
Guarantee Released	30,000,000	-	30,000,000
	-	-	-

*(Previous year's figures are stated in Italics)*

**(d) Outstanding as at March 31, 2012:**

Nature of Transaction	Subsidiaries	(Amount in Rs.)	
		Key Management Personnel	Total
Intercompany Deposits Given	943,500,000	-	943,500,000
	-	-	-
Advance Given	-	-	-
	<i>1,860,000</i>	-	<i>1,860,000</i>
Guarantee given for Subsidiary Company	70,000,000	-	70,000,000
	<i>100,000,000</i>	-	<i>100,000,000</i>

*(Previous year's figures are stated in Italics)*

(e) **Statement of Material Transactions :**

Particulars	(Amount in Rs.)	
	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>Brokerage Income</b>		
- Mr. Ashok Sharma	10,697	949
- Mr. Divyesh B. Shah	7,654	17,205
<b>Income from Depository Services</b>		
- Indiabulls Brokerage Limited	-	33,750
<b>Reimbursement of Expenses paid</b>		
- Indiabulls Commodities Limited	-	156,026,787
<b>Reimbursement of Expenses received</b>		
- Indiabulls Commodities Limited	27,591	35,048
- Indiabulls Brokerage Limited	13,750	-
- Indiabulls Distribution Services Limited	138,041,757	2,280
- Auxesia Soft Solutions Limited	21,350	-
<b>Intercorporate Deposits Given</b> (maximum balance outstanding during the year)		
- Indiabulls Commodities Limited	32,500,000	40,000,000
- Indiabulls Brokerage Limited	-	3,207,000,000
- Indiabulls Distribution Services Limited	643,500,000	-
- Devata Tradelink Limited	300,000,000	-
<b>Intercorporate Deposits Taken</b> (maximum balance outstanding during the year)		
- Indiabulls Commodities Limited	120,000,000	780,000,000
- Indiabulls Brokerage Limited	-	302,500,000
<b>Interest Expense</b>		
- Indiabulls Commodities Limited	1,288,524	15,272,055
- Indiabulls Brokerage Limited	-	428,342
<b>Interest Income</b>		
- Indiabulls Commodities Limited	19,589	184,110
- Indiabulls Brokerage Limited	-	52,092,273
- Indiabulls Distribution Services Limited	19,972,964	-
<b>Investment in Equity Shares</b>		
- Indiabulls Brokerage Limited	-	20,000,000
- Auxesia Soft Solutions Limited	500,000	-
<b>Advance Given</b>		
- Indiabulls Distribution Services Limited	200,000	1,860,000
<b>Advances Received Back</b>		
- Indiabulls Distribution Services Limited	2,060,000	2,280
<b>Guarantee Released</b>		
- Indiabulls Commodities Limited	30,000,000	-
<b>Remuneration</b>		
- Mr. Divyesh B. Shah	2,100,000	17,729,142

Disclosures mandated by Clause 32 of the Listing Agreement have been included in the aforesaid Related Party Disclosures.



Notes forming part  
of the financial statements of Indiabulls Securities Limited  
for the year ended March 31, 2012 (contd.)

**Note - 35**

**Employee Benefits:**

Provident Fund, Gratuity and Compensated Absences - disclosures as per Accounting Standard 15 (Revised) - 'Employee Benefits' as notified by the Companies (Accounting Standards) Rules, 2006, as amended:

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. 673,063 (Previous year Rs. 1,096,978) towards Employer's Contribution for the above mentioned funds.

Provision for unfunded Gratuity and Compensated Absences for eligible employees is based on an 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 / losses on changes in actuarial assumptions are accounted for in the Statement of Profit and Loss.

Disclosures in respect of Gratuity and Compensated Absences:

Particulars	(Amount in Rs.)			
	Gratuity (unfunded) 2011-12	Gratuity (unfunded) 2010-11	Compensat- ed Absences (unfunded) 2011-12	Compensat- ed Absences (unfunded) 2010-11
<b>Reconciliation of Liability recognised in the Balance Sheet :</b>				
Present Value of Commitments (as per Actuarial valuation)	34,479,164	47,066,227	12,654,848	17,584,459
Fair Value of Plans	-	-	-	-
Net Liability in the Balance Sheet (as per Actuarial valuation)	34,479,164	47,066,227	12,654,848	17,584,459
<b>Movement in net Liability recognised in the Balance Sheet :</b>				
Net Liability as at beginning of the year	47,066,227	52,744,001	17,584,459	22,229,774
Amount Paid during the year	19,414,456	6,530,311	815,206	611,635
Net expense / (gain) recognised in the Statement of Profit and Loss	6,827,393	852,537	(4,114,405)	(4,033,680)
Contribution during the year	-	-	-	-
Net Liability as at end of the year	34,479,164	47,066,227	12,654,848	17,584,459
<b>Expense recognised in the Statement of Profit and Loss :</b>				
Current Service Cost	5,705,852	10,168,432	2,067,346	4,729,199
Past Service Cost	-	-	-	-
Interest Cost	3,411,047	3,817,953	1,228,875	1,615,390
Expected return on plan assets	-	-	-	-
Actuarial gains	(2,289,506)	(13,133,848)	(7,410,626)	(10,378,269)
Expense charged / (reversal) to the Statement of Profit and Loss	6,827,393	852,537	(4,114,405)	(4,033,680)
<b>Return on plan assets :</b>				
Expected return on plan assets	-	-	-	-
Actuarial (gains) / losses	-	-	-	-
Actual return on plan assets	-	-	-	-

(Amount in Rs.)

Particulars	Gratuity	Gratuity	Compensat-	Compensat-
	(unfunded)	(unfunded)	ed Absences	ed Absences
	2011-12	2010-11	(unfunded)	(unfunded)
			2011-12	2010-11
<b>Reconciliation of defined-benefit Commitments :</b>				
Commitments as at beginning of the year	47,066,227	52,744,001	17,584,459	22,229,774
Current Service Cost	5,705,852	10,168,432	2,067,346	4,729,199
Past Service Cost	-	-	-	-
Interest Cost	3,411,047	3,817,953	1,228,875	1,615,390
Paid benefits	(19,414,456)	(6,530,311)	(815,206)	(611,635)
Actuarial gains	(2,289,506)	(13,133,848)	(7,410,626)	(10,378,269)
Commitments as at end of the year	34,479,164	47,066,227	12,654,848	17,584,459
<b>Reconciliation of plan assets :</b>				
Plan assets as at beginning of the year	-	-	-	-
Expected return on plan assets	-	-	-	-
Contributions during the year	-	-	-	-
Paid benefits	-	-	-	-
Actuarial (gains) / losses	-	-	-	-
Plan assets as at end of the year	-	-	-	-

(Amount in Rs.)

	Gratuity (Unfunded)				
	2011-12	2010-11	2009-10	2008-09	2007-08
<b>Experience adjustment:</b>					
On plan liabilities (Gain)	1,372,332	9,613,594	1,007,683	3,930,773	*
On plan assets (Gain/ (Loss))	-	-	-	-	-
Present value of benefit obligation	34,479,164	47,066,227	52,744,001	37,557,305	25,745,714
Fair value of plan assets	-	-	-	-	-
Excess of (obligation over plan assets) / plan assets over obligation	34,479,164	47,066,227	52,744,001	37,557,305	25,745,714

(Amount in Rs.)

	Compensated Absences (Unfunded)				
	2011-12	2010-11	2009-10	2008-09	2007-08
<b>Experience adjustment:</b>					
On plan liabilities (Gain)	8,313,277	8,961,120	5,100,682	3,689,553	*
On plan assets (Gain/ (Loss))	-	-	-	-	-
Present value of benefit obligation	12,654,848	17,584,459	22,229,774	21,118,056	14,926,966
Fair value of plan assets	-	-	-	-	-
Excess of (obligation over plan assets) / plan assets over obligation	12,654,848	17,584,459	22,229,774	21,118,056	14,926,966

\* Not Available.

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:

Notes forming part  
of the financial statements of Indiabulls Securities Limited  
for the year ended March 31, 2012 (contd.)

Particulars	As at March 31, 2012	As at March 31, 2011
<b>Discount rate -</b>		
Gratuity and Compensated Absences	8.50%	8.00%
Expected return on plan assets	NA	NA
Expected rate of salary increase	5.50%	5.00%
Mortality	LIC (1994-96)	LIC (1994-96)

**Note - 36**

**(a) Expenditure in foreign currency:**

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
		(Amount in Rs.)
Consultancy and Professional Charges	-	552,900
Software Charges	301,439	419,667
<b>Total</b>	<b>301,439</b>	<b>972,567</b>

**(b) Earnings in Foreign Currency:**

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
		(Amount in Rs.)
Advisory Income	1,342,657	1,981,978
Dividend on Long-Term Investments	35,342,898	12,979,720
<b>Total</b>	<b>36,685,555</b>	<b>14,961,698</b>

**Note - 37**

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

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Amount of dividend remitted (Rs.)	-	6,420,177
Total number of non-resident shareholders (to whom the dividends were remitted in foreign currency)	-	6
Total number of shares held by them on which dividend was due	-	6,420,177
Year to which the interim dividend relates	-	Year ended March 31, 2011

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.

**Note - 38**

Rates and taxes include Rs. 255,543,931 (Previous year Rs. Nil) relating to Rates / Taxes / Stamp Duty paid in respect of certain transactions entered into by clients in earlier years. Interest - others include Rs. 168,172,078 (Previous year Rs. Nil) pertains to penal interest paid thereon.

**Note - 39**

**Derivative Instruments:**

The Company has not entered into any derivative contract for hedging any foreign currency exposure. The year end foreign currency exposures that have not been hedged by derivative instruments or otherwise are given below :

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Amount receivable on loan notes and escrow receivable account (in USD)	1,588,136	-
Amount receivable on loan notes and escrow receivable account (in INR)	81,243,475	-

**Note - 40**

No borrowing cost has been capitalised during the year.

**Note - 41**

As per the best estimate of the Management, no provision is required to be made as per Accounting Standard 29 - 'Provisions, Contingent Liabilities and Contingent Assets' as notified under the Companies (Accounting Standards) Rules, 2006, as amended, 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.

**Note - 42**

The Revised Schedule VI has become effective from April 1, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosures.

For and on behalf of the Board of Directors

**Divyesh B. Shah**  
Whole Time Director & Chief Executive Officer

**Ashok Sharma**  
Whole Time Director

**R. K. Agarwal**  
Company Secretary

Mumbai, April 30, 2012

**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 2011-2012**

		(Amount in Rs.)							
		The net aggregate amount of profits/(losses) so far as it concerns the members of the Holding Company							
Sr. No.	Name of the Subsidiary Company	Financial year / period ending of the Subsidiary Companies	Date from which they became Subsidiary Companies	Holding Company's interest/Number of shares held (Equity Shares of Rs. 10 each stated otherwise)	a. Not dealt with in the Holding Company Accounts		b. Dealt with in the Holding Company Accounts		
					Extent of Holding	i) For the Financial Year ended 31st March 2012	ii) For the previous financial years of the Subsidiary Companies since they become Holding Company's subsidiaries	i) For the Financial Year ended 31st March 2012	ii) For the previous financial years of the Subsidiary Companies since they become Holding Company's subsidiaries
1	Indiabulls Commodities Limited	31-Mar-12	1-Apr-07	600,000 Equity Shares of Rs 10 each fully paid up	100%	17,955,565	102,639,500	NIL	NIL
2	India Ethanol And Sugar Limited <sup>1</sup>	31-Mar-12	1-Apr-07	190,000 Equity Shares of Rs 10 each fully paid up	100%	(47,006)	(941,850)	NIL	NIL
3	Devata Tradelink Limited	31-Mar-12	9-Jan-08	50,000 Equity Shares of Rs 10/- each fully paid up	100%	(56,384)	(1,806,273,071)	NIL	NIL
4	Indiabulls Brokerage Limited	31-Mar-12	22-Aug-08	5,500,000 Equity Shares of Rs 10/- each fully paid up	100%	(489,187)	(15,506,796)	NIL	NIL
5	Indiabulls Distribution Services Limited	31-Mar-12	11-Jun-09	50,000 Equity Shares of Rs 10/- each fully paid up	100%	(4,110,538)	(1,979,267)	NIL	NIL
6	Auxesia Soft Solutions Limited <sup>2</sup>	31-Mar-12	30-Sep-11	50,000 Equity Shares of Rs 10/- each fully paid up	100%	(62,536)	-	NIL	NIL

Notes :

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.
2. Auxesia Soft Solutions Limited was incorporated on September 30, 2011 as a subsidiary of the Company.

For and on behalf of the Board

**Divya B. Shah**  
Whole Time Director & Chief Executive Officer

**Ashok Sharma**  
Whole Time Director

**R. K. Agarwal**  
Company Secretary

Place : Mumbai  
Date : April 30, 2012







Indiabulls Securities Limited  
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