

**Indiabulls**

Indiabulls Securities Limited

# BROKERAGE HOUSE OF CHOICE



ANNUAL REPORT  
**2008-09**

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## ANNUAL REPORT 2008-09



# The Brokerage House of Choice



Determination coupled with capability and vision has empowered us to forge a meaningful presence in a competitive marketplace. A reliable and indigenous technological platform, supported by excellent customer care services, has furthered our position as the brokerage house of choice.

**INDIABULLS SECURITIES LIMITED**

## CORPORATE AND FINANCIAL HIGHLIGHTS

TECHNOLOGY, the Enabler	Secure ID	CRISIL BQ 1 Rating
<p>FORESIGHT COUPLED WITH ABILITY HAS EMPOWERED THE COMPANY TO DEVELOP A SOUND, SCALABLE TECHNOLOGY PLATFORM THAT HAS PUSHED IT AHEAD OF COMPETITION IN THE MARKETPLACE. BOLSTERED BY ITS TECHNOLOGICAL STRENGTH, THE COMPANY OFFERS OPTIMUM SPEED, EFFICIENCY AND SECURITY TO ITS CUSTOMERS. THE COMPANY'S TECHNOLOGICAL PROWESS HAS EMERGED AS ONE OF THE BIGGEST CONTRIBUTORS TO ITS SUCCESS TODAY.</p>	<p>WITH ITS TECHNOLOGICAL COMPETENCY, ISL HAS SUCCEEDED IN LAUNCHING INGENUOUS CUSTOMER-CENTRIC PLATFORMS SUCH AS, SECURE ID, AN ADVANCED HARDWARE AUTHENTICATION DEVICE THAT ENSURES THE HIGHEST SECURITY LEVELS FOR ITS CLIENTS. THE LAUNCH OF SECURE ID HAS DEEPENED THE COMPANY'S STANDING AS AN INNOVATIVE BROKERAGE HOUSE IN THE MARKETPLACE.</p>	<p>CRISIL HAS ASSIGNED A CRISIL BQ 1 TO THE COMPANY. THIS IS AN OPINION ON THE QUALITY OF OPERATIONS AND SERVICE OFFERED BY INDIABULLS SECURITIES LIMITED. THE GRADING IS EXPRESSED ON A FIVE POINT SCALE BQ-1 TO BQ-5, WITH BQ-1 BEING THE HIGHEST.</p>

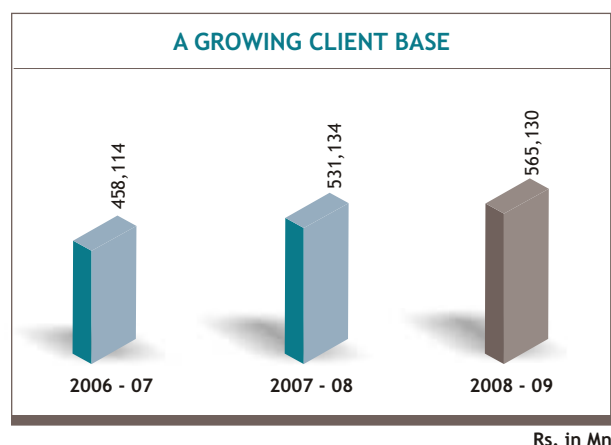
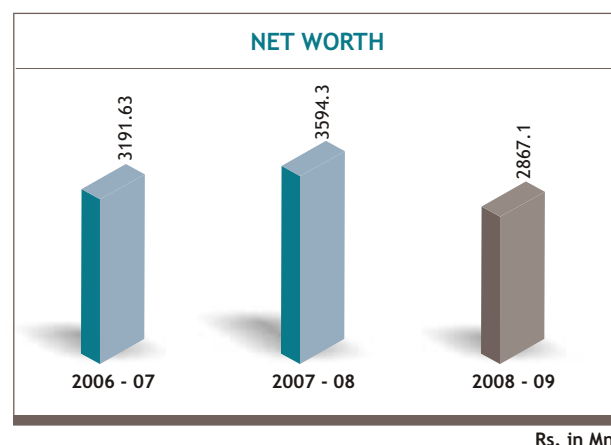


**FINANCIAL HIGHLIGHTS (STANDALONE)**

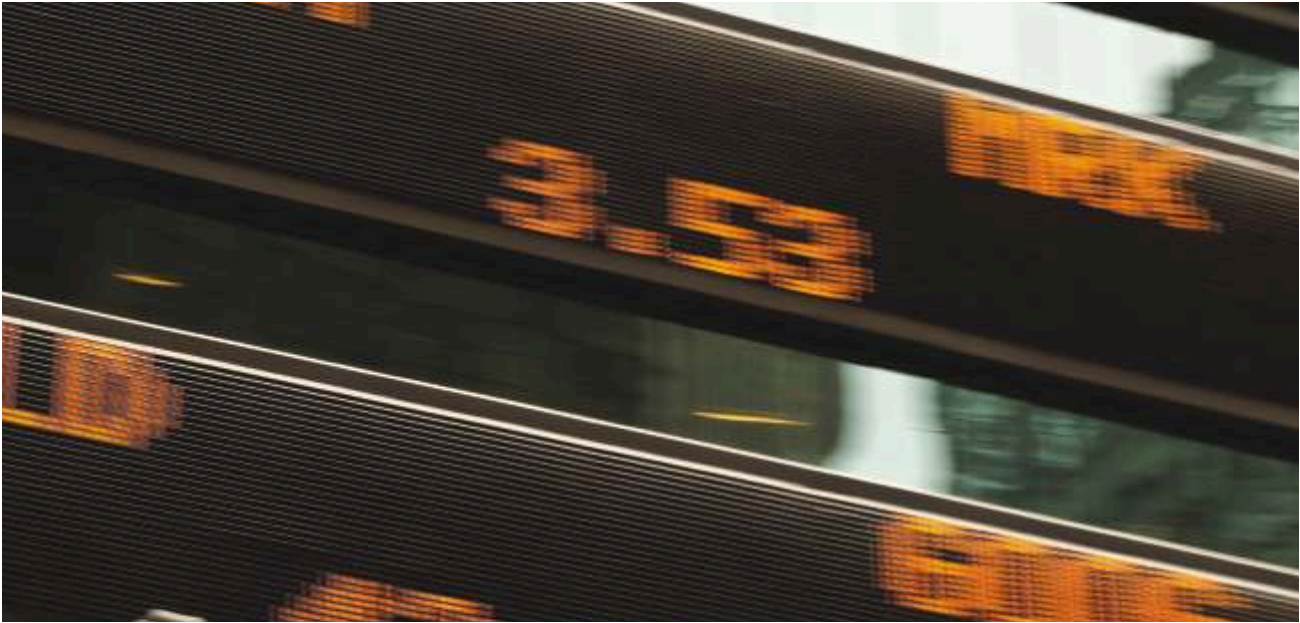
(Rs. In Million)

	08-09	07-08	06-07
<b>Total Income</b>	4032.80	6286.69	4466.14
Operating Expenses	308.97	432.30	616.06
Employee Cost	1116.06	1054.13	1059.78
Administrative and Other Expenses	2365.83	713.52	506.28
<b>Earning before Interest, Depreciation &amp; Tax</b>	241.94	4086.74	2284.02
Interest	194.53	156.91	141.45
Depreciation/Amortisation	242.22	212.11	144.39
<b>Profit/(Loss) Before Tax</b>	(194.81)	3717.72	1998.18
Tax	(83.68)	1231.14	624.24
<b>Profit/(Loss) After Tax</b>	(111.13)	2486.58	1373.94
Preferences Share Dividend including Corporate Dividend Tax	5.38	3.12	—
<b>Net Profit/(Loss) attributable to Equity Share Holders</b>	(116.51)	2483.46	1373.94
Equity Share Capital	506.85	506.85	178.34
Reserves & Surplus	2360.25	3087.45	3013.29
<b>Net Worth</b>	2867.10	3594.30	3191.63
<b>Key Indicators</b>			
Earnings Per Share - Rs. **	(0.53)	9.80	77.04
Net Profit Margin %	-2.76%	39.55%	30.76%
Return on Net Worth %	-4.06%	69.09%	43.05%

\*\* EPS for 07-08 and 08-09 has been computed on the basis of 253,426,989 fully paid Equity Shares of Rs.2/- each whereas EPS for 06-07 has been computed on the basis of 17,834,099 fully paid Equity Shares of Rs.10/- each.



## ISL AT A GLANCE

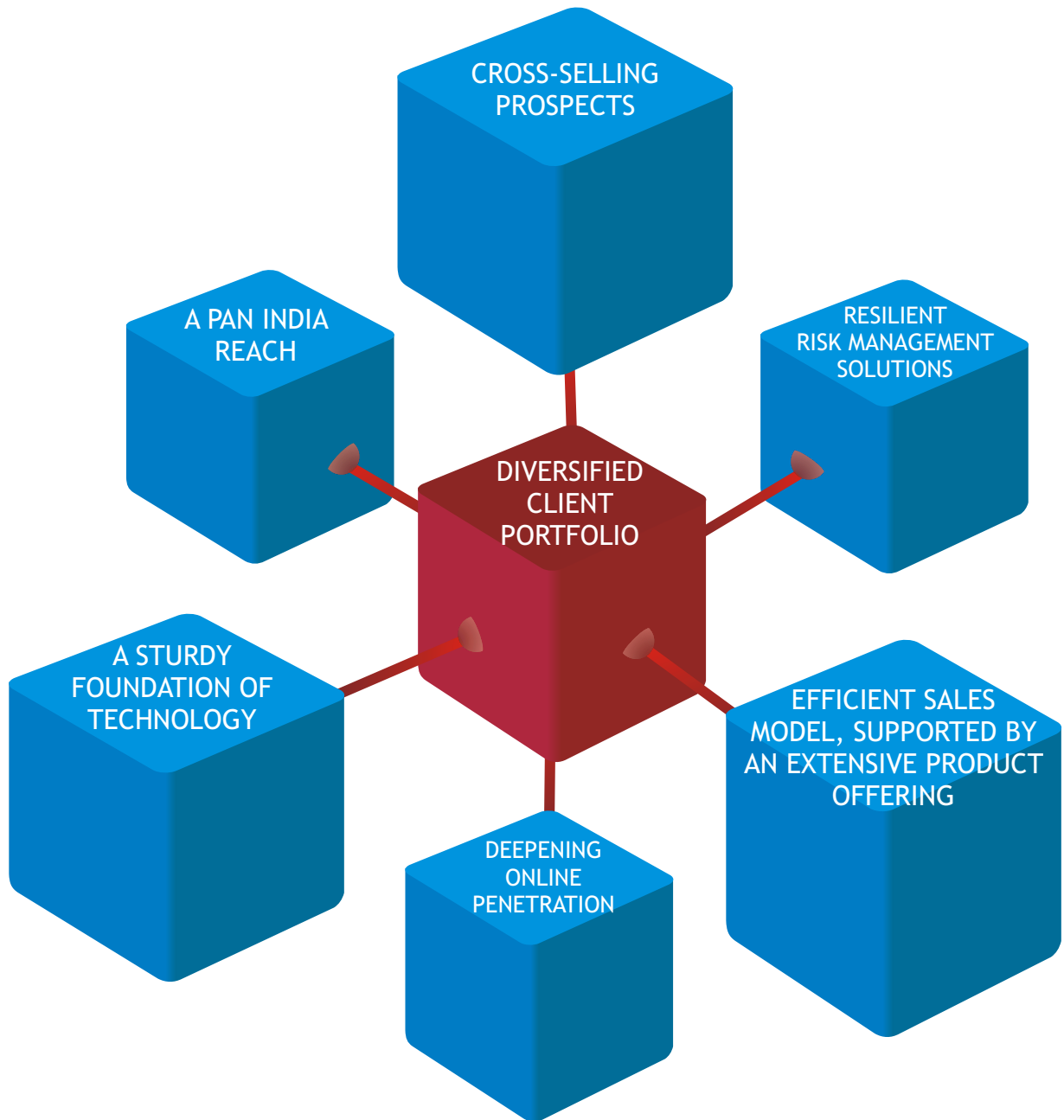


Reaching out to as many as over 5 lakh customers through a ubiquitous presence across India, we have emerged as one of the frontrunners within the Indian Retail Broking industry.

### OUR GROWTH DRIVERS

- RETAIL BROKING
- INSTITUTIONAL BROKING
- CURRENCY FUTURES
- INVESTMENT BANKING
- PORTFOLIO AND WEALTH MANAGEMENT

## A PROVEN BUSINESS MODEL



# COMPANY INFORMATION

## OFFICES

### REGISTERED OFFICE:

F-60, Malhotra Building,  
2<sup>nd</sup> Floor, Connaught Place,  
New Delhi - 110 001, INDIA  
Website: [www.indiabulls.com/securities](http://www.indiabulls.com/securities)

### CORPORATE OFFICE

1. S. P. Centre, "C" Wing,  
41/44 Minoo Desai Road,  
Near Radio Club, Colaba,  
Mumbai - 400 005.
2. "Indiabulls House"  
448-451, Udyog Vihar,  
Phase V, Gurgaon - 122 001.



### BOARD OF DIRECTORS

Mr. Divyesh B. Shah  
Mr. Ashok Sharma  
Mr. Rajiv Rattan  
Mr. Saurabh K. Mittal  
Mr. Aishwarya Katoch  
Mr. Karan Singh  
Mr. Prem Prakash Mirdha  
Brig. Labh Singh Sitara

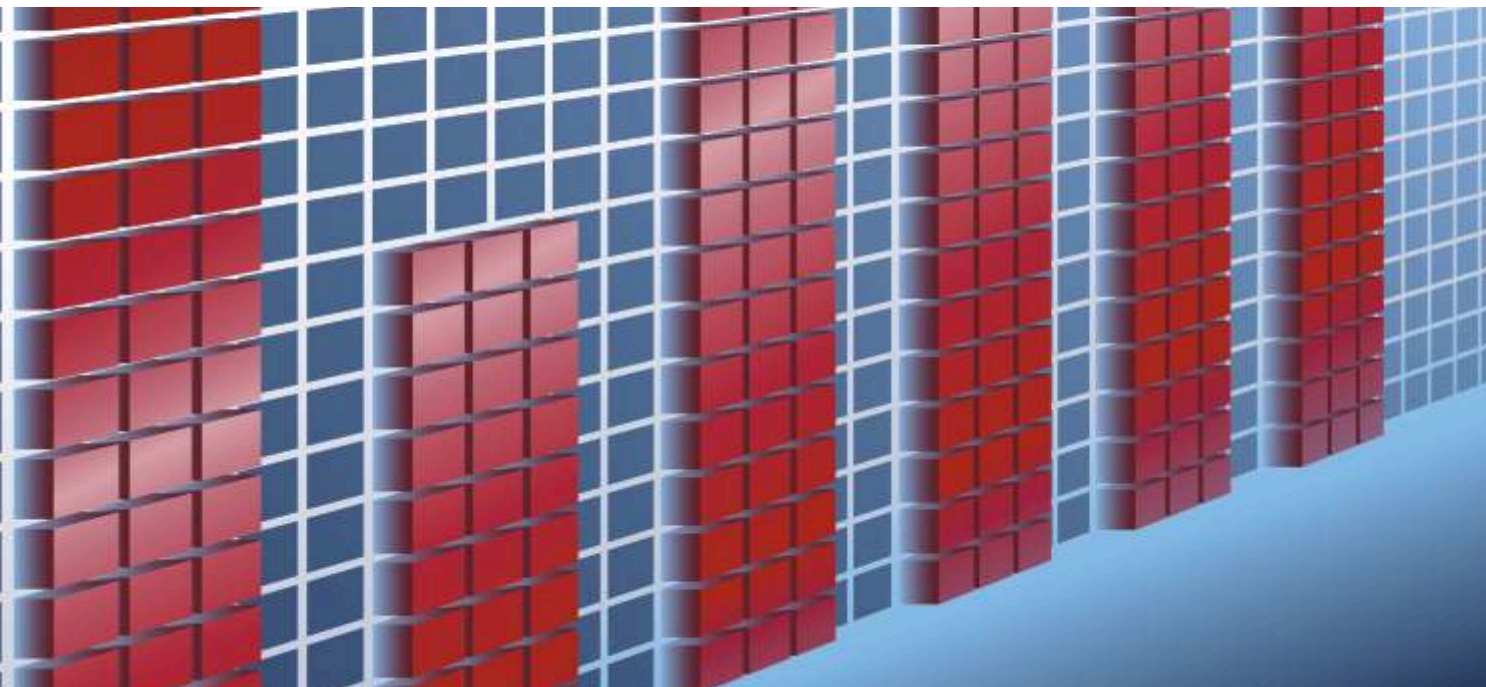
### COMPANY SECRETARY

Mr. R. K. Agarwal

### STATUTORY AUDITORS

Deloitte Haskins & Sells  
Chartered Accountants  
Opp. Shiv Sagar Estate  
12, Dr. Annie Besant Road  
Worli, Mumbai -400018.





#### **INTERNAL AUDITORS**

N.D Kapur & Co.  
Chartered Accountants  
2-A, Shanker Market,  
Connaught Place, New Delhi-110001

#### **REGISTRARS & TRANSFER AGENTS**

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

#### **BANKERS**

ABN Amro	Karnataka Bank
Allahabad Bank	Karur Vyasya Bank
Andhra Bank	Oriental Bank of Commerce
Axis Bank	Punjab National Bank
Bank of India	Punjab & Sind Bank
Bank of Maharashtra	Standard Chartered Bank
Bank of Rajasthan	State Bank of Patiala
Canara Bank	Syndicate Bank
Citibank	UCO Bank
Dena Bank	Union Bank of India
HDFC Bank	United Bank of India
HSBC	Vijaya Bank
ICICI Bank	Yes Bank
IDBI Bank	
Indian Bank	
Indusind Bank	
ING Vyasya Bank	

## LETTER FROM THE CEO

Mr. Divyesh Shah



"Our credo is to learn from the global transformational and innovative processes and customise them to derive maximum value for our clients. While retaining our undisputed niche in the retail segment, the next frontier is to establish our institutional footprint."

Divyesh Shah  
CEO, Indiabulls Securities Limited.

### Dear Shareholders,

Times such as these are rare. The world is yet recovering from the shock of an unexpected economic downturn. The developments within the Western financial landscape during FY 2008 set the Indian capital markets in frenzy, adversely impacting investor confidence. The year proved beyond doubt that the Indian economy is not decoupled from the rest of the world. With investors treading a cautious path, fresh investments eluded domestic capital markets. As overall volumes in transactions declined significantly during the year, this era of volatility has spared no brokerage house. However, we have come through this difficult period with a renewed sense of purpose and determination by assisting our clients with sound advice and strategies through these tough times and building strong bonds with them.

### Signs of Normalcy on the Horizon

I believe, with some hopeful signs emerging in the capital markets of late, the worst in terms of the prevalent slowdown is behind us, at least in the Indian context. The recent economic downturn reiterated that strong fundamentals are difficult to shake. In times such as these, India has proved beyond doubts that its economic growth rests on resilient foundations. The domestic economy is recuperating from the effects of the downturn at a relatively faster pace. The good news is that we are already witnessing the early stages of a long-term turnaround and India's GDP is gradually approaching high single digit numbers. As confidence is building up, investors are reposing their faith in the equity market. We now look forward to earlier levels of trade volumes as the markets return back to their earlier vigour. The mood is set for 'business as usual'. AT ISL, we have our eyes fixed on an exciting future.

We are here to create value and every move we make proves it. Having already established ourselves as a reliable and trusted brokerage house, we are constantly scouting for new avenues to deepen shareholder wealth.

### Ready for Action

With a fundamentally sound business model, we are confident of deriving optimum value from the opportunities that lie in front of us. Our sturdy balance sheet, despite tough times, gives us confidence to make strategic decisions in the best long term interest of our stakeholders. Our accurately designed and well-diversified portfolio of offerings is instrumental in widening our service offering. In fact, through our in-depth equity research and analysis coupled with real-time statistical data, we have actually moved beyond being a mere brokerage house to become knowledge partners to our clients. This is further complemented by an indigenous and efficient technology set-up that has empowered us to consistently deliver speed, reliability and security while trading.

Superior customer service is an extension of our adherence to quality in every aspect of our business. I'm pleased to inform you that service offering. ISL is the recipient of the CRISIL BQ 1 rating as an acknowledgement of the quality of our operations and services offered. As a result of such meticulous and

well-directed efforts, we are fast emerging as a brokerage house of choice. Today, we are well-positioned to make the most of the prospects our future holds.

### Widening Our Vision

We are here to create value and every move we make proves it. Having already established ourselves as a reliable and trusted brokerage house, we are constantly scouting for new avenues to enhance shareholder wealth. Leveraging our robust technological strength, I now look forward to deepening our foray into the commodities trading arena. Already a leader in retail brokering services, going forward we aspire to further penetrate into the institutional broking segment of this business and the investment banking space.

I take this opportunity to thank our shareholders, customers, regulators, lenders and our employees for their support and faith in our abilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Economic Review

Economies around the world have been seriously affected by the financial crisis and slump in activity. The growth is expected to resume in 2010 but is likely to remain sluggish in near future. Indian economy is expected to show fairly strong recovery in growth in the second half of the fiscal. The growth rate is projected around 7.0%. The factors that will have an impact on growth shall be monetary easing, fiscal stimulus and other administrative measures including reprioritization of public expenditure and accelerated implementation of the infrastructural projects in the pipeline.

To offset the impact of global financial crisis, the regulators in India have undertaken various financial market reforms, followed by the introduction of innovative financial instruments and the entry of sophisticated domestic and international players. Sectors such as banking, asset management and brokerage have been liberalized to allow private sector involvement, which has contributed to the development and modernization of the financial services sector. This is particularly evident in the non-banking financial services sector, such as equities, derivatives and commodities brokerage,

residential mortgage and insurance services, where new products and expanding delivery channels have helped these sectors achieve positive growth rates.

## Industry Overview

Over the last few years, there have been substantial reforms in the Indian capital market. SEBI has announced several far-reaching reforms to promote the capital market and protect investor interests. Reforms in the secondary market have focused on three main areas: structure and functioning of stock exchanges, automation of trading and post trade systems and the introduction of surveillance and monitoring systems. Computerized online trading of securities and setting up of clearing houses or settlement guarantee funds were made compulsory for stock exchanges. The Indian capital market has experienced a process of structural transformation with operations conducted to standards equivalent to those in the developed markets. It was opened up for investment by foreign institutional investors (FIIs) in 1992 and Indian companies were allowed to raise resources abroad through Global Depository Receipts and Foreign Currency Convertible Bonds. The Depositories Act was enacted to facilitate the electronic book entry transfer of securities through depositories. The primary and secondary segment of the capital market expanded rapidly, with greater institutionalization and wider participation of individual investors accompanying this growth.



SEBI has taken several measures to improve the integrity of the secondary market. Legislative and regulatory changes have facilitated the corporatization of stockbrokers. Capital adequacy norms have been prescribed and are being enforced. Mark-to-market and intraday trading limits have also been imposed. Further, the stock exchanges have put in place circuit breakers, which are applied in times of excessive volatility. The disclosure of short sales and long purchases is now required at the end of the day to reduce price volatility and further enhance the integrity of the secondary market. But there are still many issues to be addressed to make it more efficient in mobilizing and allocating capital.

Investor confidence in stock investment is low. This must be regained in order to encourage capital mobilization through primary market issues. Further strengthening of investor protection and improvement in transparency, corporate governance and monitoring will be necessary. The capital market infrastructure, such as accounting standards and legal mechanism, should also be improved to this end. On the supply side, to encourage corporate firms to rely more on stock markets for their source of financing, the issuing costs in terms of length of time required and administrative burden should be streamlined.

## Business Review

The main business of the Company enables it to carry on the business of stock and share broking, commodities trading, distribution of Mutual Funds and other Investment banking and Tax Planning products. It also provides depository services, equity research services and IPO distribution to its clients. The Company is a corporate member of the capital market, wholesale debt market and derivative segment of the NSE and a corporate member of the capital market and derivative segment of the BSE. The Company had over 5.65 lac client relationships as on March 31, 2009.

Due to the worldwide recession and the global slowdown, the Indian markets crashed and as a result during the year 2008-09 the Company revenues too were down as in the case with other broking houses. Despite the slowdown in the Indian markets the Company was able to perform well for the first three quarters and was in profit, however one time write off during the last quarter has resulted in closure of the financial year with losses.

Despite the closure of financial year with losses, in keeping with its policy to reward its shareholders, the Company has recommended a dividend of Rs. 2 per

equity share i.e. 100% on the face value of Rs. 2/- per equity share, out of opening balance in Profit and Loss account, amounting to a total dividend payout of Rs. 59.30 crores (including Corporate Dividend Tax)

## Strengths

### Equity, Debt and Derivative Brokerage

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

### Online Trading Channels

At the core of the Company's on-line trading system is an in-house developed application that interfaces with the NSE on a satellite-based network, which allows investors to carry out stock transactions on-line. The Company was one of the first 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 offline costs incurred in responding to and processing routine client transactions.

The Company has also introduced an integrated accounts system for clients; trading accounts can be linked to the client's bank account via automated gateways between client bank accounts in certain banks and their ISL trading accounts. This allows funds to be directly transferred from a client's bank account to that client's trading account with the Company.

### 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 trade will be sent to the client within one second of the request if funds are available. The trade request is then sent via satellite connection to the NSE or the BSE where the trade is executed. On trade execution, the client receives confirmation.

## MANAGEMENT DISCUSSION AND ANALYSIS

The IBSL website, <http://www.indiabulls.com/> securities/provides many other facilities to clients such as objective financial information on the top 400 Indian stocks to clients to assist their investment decisions, streaming real-time quotes, integrated risk management and support for equity, debt and derivatives markets. Some of these products are provided at an additional cost to the client user.

### Power Indiabulls

Power Indiabulls is an on-line trading system designed for the high volume trader, 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 a dial-up network. It provides integrated market watches for securities and derivatives, advanced technical analysis of various securities, risk management reports, single key stroke order entry and two second order confirmation turnaround time, even in peak hours of trading.

### SecurID

Indiabulls Securities Limited 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 customer. 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 advance and safest mechanism for trading.

We are thankful to our customers for their overwhelming response to this pioneering concept. Introduction of SecurID further cements our position as an innovative and leading brokerage house of the country.

### Indiabulls Signature Client

Indiabulls Signature Client is designed for self-directed experienced individual investors who want to manage their own portfolios. This service offers a stock trading account, Indiabulls Signature Account, which assists clients by allowing them to combine investments and cash in one account and trade securities on-line. Clients have full access to Indiabulls Equity Analysis, an

objective analysis of stocks, usually available only on subscription. Other features of the Indiabulls Group Signature Account include priority handling of their service calls at the centralised customer service centre, on-line access to their portfolio statements and dedicated relationship manager support.

### Off-line Trading Channels

The Company facilitates off-line trading of equity, debt and derivatives for clients via operator assisted call centres, relationship managers or marketing associates.

Relationship managers act as a single point of contact for the client whether it is in person or via its call centre facility. Such individuals will act on and execute clients' requests for the sale or purchase of securities. Relationship managers have access to various resources such as objective analysis of market stocks and other specialists that can provide other products tailored to the client's needs. Relationship managers can provide certain recommendations to clients; however they can only act on behalf of a client on the express instructions of such client.

Marketing associates are another form of independent authorised intermediary assistance for potential clients of the Company. These marketing associates have access to the Company's trading, clearing and servicing facilities and can execute the sale or purchase of securities at the request of an investor.

### Depository Services

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

### Indiabulls Equity Analysis

Indiabulls Equity Analysis is an analysis of stocks which can be accessed online, it provides clients with customized research reports. It provides clients with 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.

### Centralized Customer Care Helpdesk

Indiabulls has a centralized Customer Care helpdesk, equipped with state-of-art facilities, to resolve customer queries. Customer 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**

Your Company's quality of operations and services were reaffirmed by CRISIL which once again assigned the highest broker grading CRISIL BQ 1 to Indiabulls Securities Limited. As you are aware Indiabulls Securities Limited was the first broking house to be assigned the highest broker grading.

#### **Mutual Funds**

The Company provides various mutual fund products (equity, debt and balanced mutual funds) through its retail distribution network. Clients are offered a wide variety of mutual funds from leading Asset Management Companies.

### **Business Strategy**

The Company is focused on capturing significant growth opportunities in the financial services market and its strategy is driven by the following key principles:

#### **A. Aggressively grow the client base**

The Company's primary focus is on increasing its client base by:

- (i) expanding its geographic presence in new cities as well as increasing its presence in existing cities by opening new offices;
- (ii) increasing sales force to provide personal attention and improve customer service; including trained relationship managers operating across the country, and
- (iii) by cross selling our various services and wealth management solutions.

The Company has a large and well distributed network of branches across India, which provides securities broking service. The Company believes that this network will enable it to offer its services with increased convenience to the customers and to expand its market share and client base. This extensive distribution network provides us further opportunities to cross-sell products & services as we diversify into new business streams

#### **B. Portfolio & Wealth Management Services**

The Company plans to expand its operations by providing Portfolio & Wealth Management advisory services to its high net worth clients that offer superior margins and are complementary to existing operations.

# MANAGEMENT DISCUSSION AND ANALYSIS



## C. Enforce risk management systems

The Company has fully automated risk management software, which performs direct monitoring of operational controlling parameters to minimize delinquency risks. Indiabulls 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

In spite of the set backs suffered during the year 2008-09 the long term scenario of the Indian capital market looks bright. The Company will benefit from the rapidly growing middle class investors in India. The Country's demography is attractive, where the young middle class population is growing. This in turn would give multifold increase in the business of the Company thereby further consolidating its position in the market.

## Human Resources

Your Company's multi-business context posse's unique challenges to the Human Resource function. The Company's businesses are managed by a team of competent and passionate leaders, capable of enhancing your Company's standing in the competitive market. The Company's employees have a defining role in significantly accelerating its growth and transformation, thereby enhancing its position as one of the largest corporate houses. The Company has a structured recruitment process, the focus is on recruiting people who have the right mindset for working at Indiabulls, supported by structured training programmes and internal growth opportunities.

During the year, even while the economic meltdown impacted the financial health of the organizations across the global, the Company's focus has been on unlocking the people potential and further developing their functional, operational and behavioral competencies. The Company has also launched Employee Stock Option Scheme for its employees with the basic objective of ensuring the employee participation in the growth and progress of the Company. The belief "great people create great organization" has been at the core of the Company's approach to its people.



### Internal Control Systems

The Company has adequate system of internal controls for business processes, with regard 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.

### Factors that may affect Company's Business:

The Company's business could potentially be affected by the following factors:

- (i) Any adverse change in the legislation or regulations applicable to the Company;
- (ii) Downturns and disruptions in the securities market which could reduce transaction volumes;

- (iii) Interruptions in the continuous availability of technology systems, IT support and Networking connectivity;
- (iv) Defaults on the part of the Clients to whom credit has been extended for engaging in the trading activity.

### 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.



Our commitment  
towards growth  
directs our business moves.



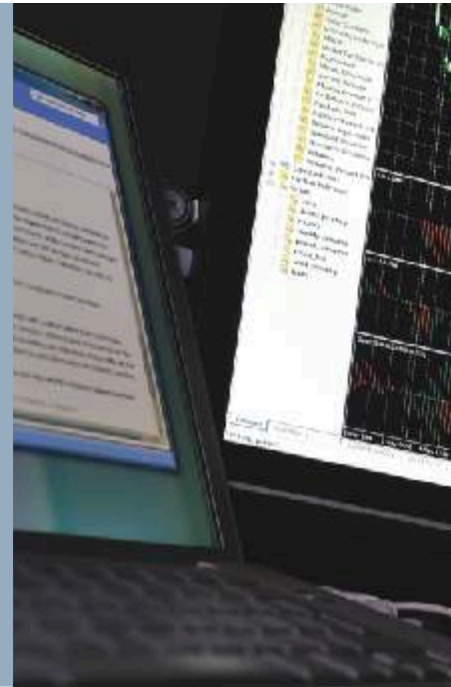
Our commitment towards growth directs our business moves. Diversification adds depth to our business that in turn, expedites our progress. Today, our balanced portfolio of offerings comprises equity, debt and derivative broking, targeted towards retail and HNI investors. To further our competitiveness in the marketplace, we have forayed into commodity trading and currency futures. Our investors, be it institutional or individual, have full access to personalised portfolio tracking, charting as well as quote applications, real-time market commentary, quotes and news. We are well guarded to offer secure and hassle-free risk management services, proving to be one of the most well-known 'diversified' brokerage house.



## A Balanced Basket of Offerings

Diversification adds depth to our business that in turn, expedites our progress.

We have successfully mastered the art of technology as a transaction enabler.



We have successfully mastered the art of technology as a transaction enabler. Our technological proficiency has placed us ahead of our competitors and closer to our customers. It empowers us to provide efficient and cost effective services at all times. Among the first in the industry, we provide an in-house developed application that interfaces with NSE on a satellite-based network for an on-line trading system. An advanced trading platform, Power Indiabulls, designed for high volume traders, works as an online dealer terminal. This system is high-performance based, to an extent that even during peak hours, it provides best services. We have also designed Indiabulls Signature Client for investors who wish to handle their own portfolios. With ingenious technological devices such as, Secure ID, we are furthering our adherence to customer convenience and security. Leveraging our technological expertise, we have entered into commodities trading and currency futures.



## A Robust Technology Base

Our technological proficiency has placed us ahead of our competitors and closer to our customers.

A ubiquitous reach is the key to our success today.



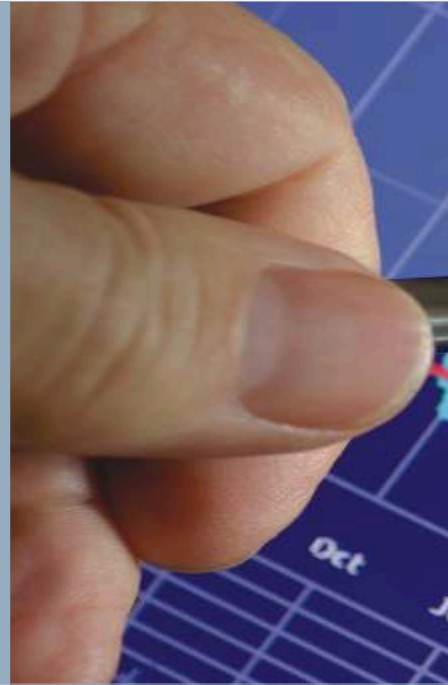
Our large and well distributed network of branches across India speaks volumes about our zeal to tap every window of opportunity. A ubiquitous reach is the key to our success today. With our market depth, we are well-placed to cater to the needs of the Indian retail investors who are now returning to capital markets, post the financial storm. Our wide spread branches are replete with facilities such as off-line trading of equity, debt and derivatives for clients via operator assisted call centers and relationship managers or marketing associates. Having already strengthened our footing as a reliable brokerage house, we are gearing ourselves to venture into segments such as insurance broking, portfolio management services (PMS), institutional broking and investment banking. Our widespread branch network is already serving as a sturdy platform that is expected to provide a proper head start to our new undertakings.



## Tapping Prospects, Everywhere

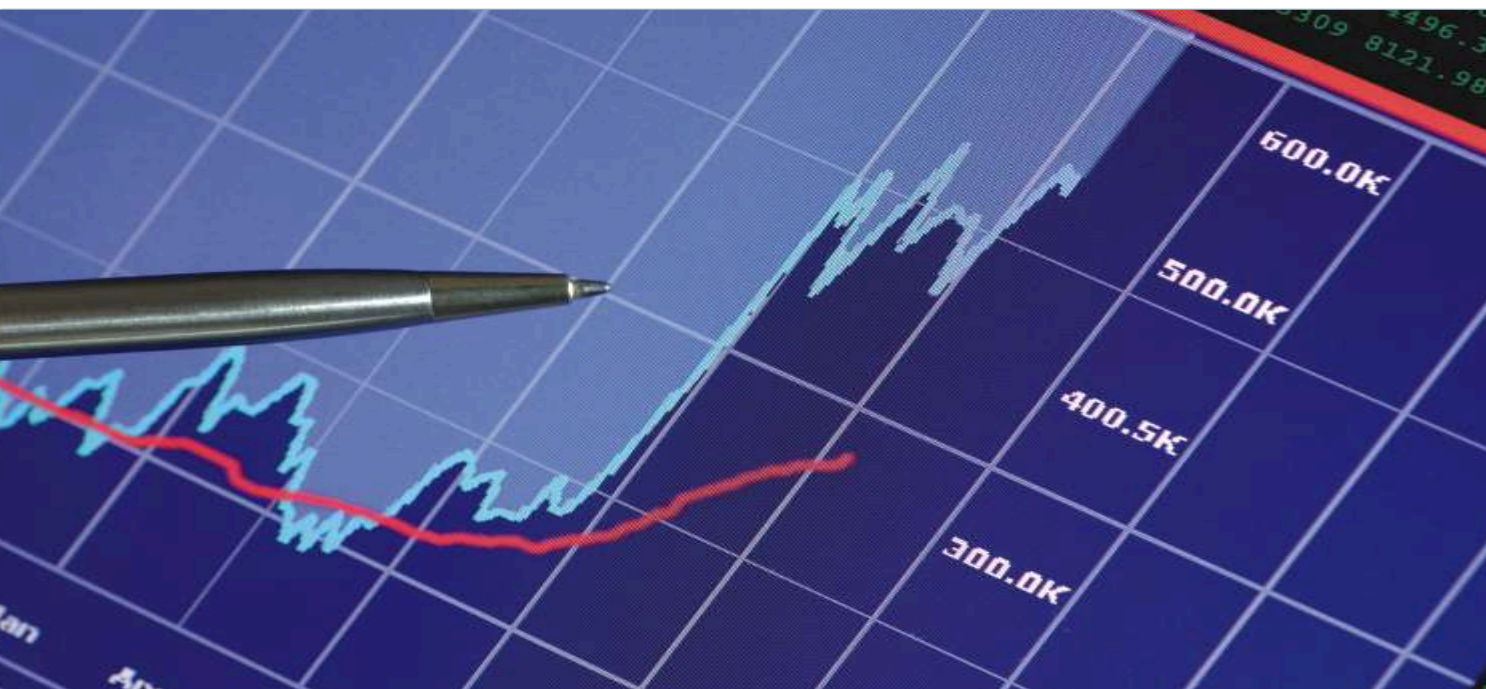
With our market depth, we are well-placed to cater to the needs of retail investors.

Our in-depth analysis is our strength that helps us guard our clients against weak investment decisions.



Standing tall, ahead of others, is an advantage we possess on account of our strong, efficient and sharp research capabilities. Our service, Indiabulls Equity Analysis is a research on stocks that can be accessed online and provides clients with customised research reports on the top Indian companies. We assess the attractiveness of stocks, its potential strength and its performance in the near future. Our in-depth analysis is our strength that helps us guard our clients against weak investment decisions.





## Delivering Value

Standing tall, ahead of others, is an advantage we possess on account of our strong, efficient and sharp research capabilities.

We harbor a customer-centric existence and every aspect of our business proves it.



We harbor a customer-centric existence and every aspect of our business proves it. We are equipped with state-of-the-art facilities and a centralised Customer Care helpdesk. Our dedicated 24/7 Interactive Voice Response System (IVRS) helps resolve all customer queries. Our relationship managers are the single point of contact for our clients. Through our committed services we furnish complete security and risk management to our customers.

Our efficient operations and services have won us several accreditations. We bear the “CRISIL BQ 1” grading, the highest assigned to a broking house. Also, we are the first broking house to be assigned with this grading. It is our dedication and determination to deliver beyond customer expectations that brings them back to us.



## Customers, Centre of Our Being

Our efficient operations and services have won us several accreditations.

## REPORT ON CORPORATE GOVERNANCE

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

Your Company is of firm view that Corporate Governance must maintain global standards 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 their 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 (ISL) 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 ISL 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 like finance, banking, securities, engineering and technology.

The Board consists of eight Directors, two of whom including the CEO are Executive Directors. The remaining six Directors are Non-Executive Directors, with four of such directors being 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:

Sr. no	Name of the Director	Category of Directorship	No. of Directorships in other Companies*	No. of Memberships/ Chairmanships in Board Committees of various companies (including the Company)**	
				Member	Chairman
1.	Mr. Divyesh B. Shah	Executive Director	12	1	Nil
2.	Mr. Ashok Sharma	Executive Director	12	4	Nil
3.	Mr. Rajiv Rattan***	Non-Executive Promoter Director	12	6	Nil
4.	Mr. Saurabh K. Mittal***	Non-Executive Promoter Director	3	2	Nil
5.	Mr. Aishwarya Katoch	Non-Executive Independent Director	5	9	5
6.	Brig. Labh Singh Sitara	Non-Executive Independent Director	1	Nil	Nil
7.	Mr. Karan Singh	Non-Executive Independent Director	6	3	2
8.	Mr. Prem Prakash Mirdha	Non-Executive Independent Director	3	2	Nil

## REPORT ON CORPORATE GOVERNANCE Continued

- \* 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'/Investors' Grievance Committees in various public limited companies, considered.
- \*\*\* Mr. Rajiv Rattan relinquished his position as Whole-time Director w.e.f. July 31, 2009. Further w.e.f. August 05, 2009 Mr. Rajiv Rattan and Mr. Saurabh K Mittal have resigned from the office of the directorship of the Company. However the said resignations shall be effective upon receipt of approval from the membership department of NSE and BSE, as Company is a member of these Exchanges.
- 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 2008-2009 the Board met 19 (nineteen) times. The dates of the Board meetings were April 2, 2008, April 16, 2008, April 28, 2008, May 20, 2008, July 1, 2008, July 25, 2008, August 2, 2008, September 8, 2008, September 23, 2008, October 13, 2008, October 21, 2008, November 14, 2008, November 19, 2008, December 8, 2008, December 17, 2008, January 9, 2009, January 24, 2009, February 2, 2009 and March 2, 2009.

The last Annual General Meeting of the Company was held on September 5, 2008.

A table depicting the attendance of Directors at various board meetings and annual general meeting held during the financial year 2008-2009 is given below:

Sr. no.	Name of the Director	No. of board meetings attended	Attendance at the last AGM
1.	Mr. Divyesh B. Shah	19	No
2.	Mr. Ashok Sharma	19	Yes
3.	Mr. Rajiv Rattan	14	Yes
4.	Mr. Saurabh K. Mittal	14	No
5.	Mr. Aishwarya Katoch	19	Yes
6.	Brig. Labh Singh Sitara	16	No
7.	Mr. Karan Singh	19	Yes
8.	Mr. Prem Prakash Mirdha	16	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'/Investor' 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:

REPORT ON CORPORATE GOVERNANCE *Continued***(A) Audit Committee****Composition**

To broad base, the Audit Committee was reconstituted on January 9, 2009 and Mr. Aishwarya Katoch, Non-Executive Independent Director was co-opted as a member of the Committee. The Committee comprises of four members namely Mr. Karan Singh as the Chairman, Mr. Prem Prakash Mirdha, Mr. Aishwarya Katoch and Mr. Ashok Sharma 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 28, 2008, July 25, 2008, October 21, 2008 and January 20, 2009.

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

The Chief Financial Officer, Statutory 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**

During the year three committee meetings were held respectively on April 3, 2008, July 18, 2008 and December 8, 2008.

Name of the Member	No. of meetings held	No. of meetings attended during the tenure
Mr. Aishwarya Katoch	3	3
Mr. Karan Singh	3	3
Mr. Prem Prakash Mirdha	3	0

## REPORT ON CORPORATE GOVERNANCE Continued

### 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 Directors

The Table given below specifies the details of remuneration of Executive Directors and their relationships with each other:

Director	Relationship With other Director	Salary per annum (Rs.)	Monetary Value of perquisites (Rs.)	Total (Rs.)
Mr. Divyesh B. Shah	None	2,100,000	862,462	2,962,462
Mr. Ashok Sharma	None	1,600,000	--	1,600,000

Notes:

- Salary includes the Basic salary and House rent allowance.
- Perquisites represent Leave Encashment and Gratuity, based on actuarial valuation.
- Mr. Divyesh B. Shah and Mr. Ashok Sharma held 423,000 and 136,000 Equity shares Rs. 2 each, respectively, in the Company, as on 31st March 2009.
- Terms and conditions of service of Executive Directors are governed by the applicable Rules and Policy of the Company.
- The Company granted 1,500,000 stock options to Mr. Divyesh B. Shah, convertible into an equivalent number of Equity Shares spread over a period of 10 years at the exercise price of Rs. 17.40 per share.

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

Non- Executive Directors have not been paid any remuneration/sitting fees during the financial year 2008-2009.

### (C) Shareholders/ Investors Grievance Committee

#### Composition

The Shareholders/Investors Grievance Committee constituted by the Board comprises of three Directors as its members namely Mr. Karan Singh, as the Chairman, Mr. Prem Prakash Mirdha and Mr. Rajiv Rattan. 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 are as prescribed under Clause 49 of the Listing Agreement. The primary functions carried out by the Committee are to approve requests for share transfers and transmissions and to approve the requests pertaining to remat of shares/sub-division/consolidation/issue of renewed and duplicate share certificates etc. and for this purpose the required authority has been delegated to Mr. Karan Singh w.e.f. October 21, 2008.

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

#### 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 2008-09

During the financial year 2008-2009, 557 investor complaints with regard to non-receipt of dividend and change/correction of bank mandate on dividend warrants were received and all were resolved to the satisfaction of the shareholders.

## REPORT ON CORPORATE GOVERNANCE Continued

## 4. General Body Meetings

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

Year	Location	Date	Time
2005-2006	F-60, Malhotra Building, 2nd Floor, Connaught	July 11, 2006	10.00 A.M.
2006-2007	Place, New Delhi 110 001	July 9, 2007	10:00 A.M.
2007-2008	Centaur Hotel, IGI Airport, Delhi-Gurgaon Road, New Delhi 110 037	September 5, 2008	11:30 A.M.

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

In the AGM of the Company for the years 2005-2006 and 2006-2007 no special resolutions were passed. However, in the AGM for the year 2007-08, special resolutions had been passed as per detail hereunder:

- Special Resolution seeking members approval under Section 372A of the Companies Act, 1956, to invest the Company's funds to acquire by way of subscription, purchase or otherwise, the securities of the following companies from time to time in one or more tranches up to an aggregate sum of Rs. 1,000 Crore (Rupee one thousand crore only) - Devta Tradelink Limited and India Ethanol and Sugar Limited.
- Special Resolution seeking members approval for enhancing the exercise period of the options granted to the employees of the Company under "Employees Stock Option Scheme 2007" from 90 (ninety) days to 5 (five) years and amendment of relevant clause of the said scheme.
- Special Resolution seeking members approval for enhancing the exercise period of the options granted to the employees of subsidiary companies under "Employees Stock Option Scheme- 2007" from 90 (ninety) days to 5 (five) years and amendment of relevant clause of the said scheme.

## C. Special Resolutions passed during the financial year 2008-09 through postal ballot

During the financial year 2008-09, Special Resolutions contained in Postal Ballot Notices dated 17th December 2008 and 2nd February 2009, were passed by the members of the Company through Postal Ballot under Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, the results of which were declared on 19th January 2009 and 6th March 2009 respectively.

The Board appointed Mr. Sanjay Chugh, Practising Company Secretary and Mr. Sanjay Khandelwal, Practising Company Secretary as Scrutinizer for conducting the said Postal Ballots respectively.

The summary of the results is as follows:

## Details of voting pattern of Postal Ballots:

Date of declaration of Postal Ballot results	Description of Special Resolution	No. of valid Postal Ballot Forms received	Voting Pattern	
			For	Against
19.01.2009	1. Approval to the cancellation and withdrawal of the employee stock option scheme of the Company titled "Employee Stock Option Scheme 2007" covering 1,50,00,000 stock options.	320	75,359,590 (99.51%)	370,722 (0.49%)
	2. Approval to create, issue, offer and allot 2,00,00,000 (Two Crores) equity options to employees of the Company, under the employee stock option scheme titled "Indiabulls Securities Limited Employees Stock Option Scheme 2008"	320	72,235,455 (95.38%)	3,502,741 (4.62%)



# REPORT ON CORPORATE GOVERNANCE Continued

Date of declaration of Postal Ballot results	Description of Special Resolution	No. of valid Postal Ballot Forms received	Voting Pattern	
			For	Against
	3. Approval for granting of stock options to the employees of the subsidiaries of the Company, under the employee stock option scheme titled "Indiabulls Securities Limited Employees Stock Option Scheme 2008"	320	72,226,628 (95.37%)	3,502,735 (4.63%)
06.03.2009	1. Approval under Section 77A of the Companies Act, 1956 for buy-back of fully paid up Equity Shares of the Company from the open market through the Stock Exchanges.	558	87,091,058 (99.990%)	8,295 (0.001%)

#### 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 2008-2009, are contained in the notes to the annual accounts which form a part of the Annual Report.

##### (ii) Details of noncompliance, penalties etc imposed by Stock Exchange, SEBI etc. on any matter related to capital markets, since the date of listing upto 31.3.2009

- 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 has filed an appeal before SAT against the said order and SAT has admitted the appeal.

##### (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/Asian Age (English) and Jansatta/Hari Bhoomi (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 has been included in the Annual Report and forms a part of the Annual Report.
- (iv) Investors' Relation: The Company's web site contains a separate dedicated section "Investor Relation" where shareholders' information is available.

**7. General Shareholders' Information****(A) Date, Time and Venue of Annual General Meeting (AGM)**

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

**(B) Profile of Directors seeking Re-appointment****Mr. Divyesh Bharat Kumar Shah**

Mr. Shah has over 15 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 setting up new branches and 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 reappointment as Whole-time Director of the Company. Mr. Shah is designated as Chief Executive Officer of the Company.

Mr. Shah is also on the Board of Indiabulls Properties Pvt. Ltd; Indiabulls Resources Ltd; Indiabulls Natural Resources Ltd; Nilgiri Commercial Estate Ltd; Indiabulls Infrastructure Projects Ltd; Indiabulls Engineering Ltd; Nilgiri Lands Ltd; Nilgiri Land Holdings Ltd; Nilgiri Infrastructure Ltd; Nilgiri Buildwell Ltd; Indiabulls Finance Company Pvt. Ltd; Indiabulls Commodities Ltd and Indiabulls Brokerage Ltd. Mr. Shah is also a member of the Audit Committee of Indiabulls Finance Company Pvt. Ltd. He held 4,23,000 equity shares in the Company as on March 31, 2009, representing 0.17% of the total paid up capital of the Company.

**Mr. Ashok Kumar Sharma**

Mr. Sharma is a Chartered Accountant with over 15 years experience in the financial services industry and share broking. Mr. Sharma heads the finance operations, risk management and back office operations. He has designed and implemented MIS, internal procedures and controls for the back office and finance department. His expertise in the areas of finance, system implementation and internal controls coupled with strong analytical skills will be to the benefit of the Company in the years to come, meriting his reappointment as Whole-time Director of the Company.

Mr. Sharma is also on the Board of Aravali Properties Ltd; Indiabulls Infrastructure Credit Ltd; Fast Loan Services Ltd; Indian Commodity Exchange Ltd; Karakoram Developers Ltd; Vindhyachal Developers Ltd; Indiabulls Infrastructure Development Ltd; Karakoram Properties Ltd; Shivalik Properties Ltd; Zeus Buildwell Ltd; Athena Infrastructure Ltd and Indiabulls Industrial Infrastructure Ltd. Mr. Sharma is also a member of the Audit Committee and Compensation Committee of the Company. He is also a member of Audit Committee of Indiabulls Infrastructure Credit Ltd; Athena Infrastructure Ltd and Indiabulls Infrastructure Development Ltd. He held 1,36,000 equity shares in the Company as on March 31, 2009, representing 0.05% of the total paid up capital of the Company.

# REPORT ON CORPORATE GOVERNANCE Continued

## 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.

Mr. Singh is also on the Board of Indiabulls Financial Services Limited, Indiabulls Real Estate Limited, Indiabulls Retail Services Limited, Indiabulls Power Limited., Poena Power Solutions Limited, Poena Power Transmission Limited and Indiabulls Commodities Limited. Mr. Singh is a member of Remuneration Committee and Chairman of Audit Committee, Shareholders'/ Investors' Grievance Committee and Compensation Committee of Indiabulls Securities Limited; member of the Audit Committee and Chairman of the Remuneration Committee of Indiabulls Power Limited. and also a member of the Shareholders'/ Investors' Grievance Committee of Indiabulls Financial Services Limited.

## (C) Financial Calendar 2009-2010 (tentative)

Tentative Schedule	Tentative Date
Financial reporting for the quarter ending 30th June 2009	End July 2009
Financial reporting for the half year ending 30th September 2009	End October 2009
Financial reporting for the quarter ending 31st December 2009	End January 2010
Financial reporting for the quarter and year ending 31st March 2010	End April 2010 *
Annual General Meeting for the year ending 31st March 2010	End September 2010

\* Pursuant to Clause 41 of the Listing Agreement, Board may also consider publication of Audited results for the financial year 2009-2010 by June 30, 2010, instead of publishing unaudited results for the fourth quarter.

## (D) Date of Book Closure

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

## (E) Dividend Payment date

Dividend payout date has been provided in the Notice convening the AGM forming part of this Annual Report.

## (F) (i) Distribution of shareholding as on 31st March 2009

Sr.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	118720	98.17	46,582,388.00	9.19
2	5,001 - 10,000	1181	0.98	8,791,070.00	1.73
3	10,001 - 20,000	528	0.44	7,914,832.00	1.56
4	20,001 - 30,000	142	0.12	3,534,598.00	0.70
5	30,001 - 40,000	66	0.05	2,315,800.00	0.46
6	40,001 - 50,000	53	0.04	2,455,118.00	0.48
7	50,001 - 1,00,000	91	0.08	6,921,136.00	1.37
8	1,00,001 and above	150	0.12	428,339,036.00	84.51
	<b>TOTAL</b>	<b>120931</b>	<b>100.00</b>	<b>506,853,978.00</b>	<b>100.00</b>

## (ii) Shareholding pattern as on 31<sup>st</sup> March 2009

Sr. no.	Category	No. of Shares	% holding
1.	Promoters	68,713,425	27.11
2.	Mutual Funds	0	0
3.	Banks	87,250	0.03
4.	FII's	68,553,662	27.05
5.	Bodies Corporate	18,280,191	7.21
6.	Indian Public	41,442,496	16.35
7.	NRIs / OCBs	7,810,279	3.09
8.	GDRs (Shares underlying)	16,645,871	6.57
9.	Other foreign entities	31,375,000	12.38
10.	Others	518,815	0.21
	<b>Total</b>	<b>253,426,989</b>	<b>100.00</b>

## REPORT ON CORPORATE GOVERNANCE Continued

**(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, 2009, 87.42 % Equity shares of the Company representing 221,547,802 out of a total of 253,426,989 Equity shares were held in dematerialized form and the balance 31,879,187 shares representing 12.58% of the total equity capital of the Company were held in physical form.

**(H) Outstanding GDRs**

The number of outstanding GDRs as on March 31, 2009 were 16,645,871. Each GDR represents one equity share of Rs. 2/- in the equity capital of the Company

**(I) Listing on Stock Exchanges**

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

Equity Shares	Global Depository Receipts (GDRs)
National Stock Exchange of India Limited (NSE) "Exchange Plaza", Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051	Luxembourg Stock Exchange Societe de la Bourse de Luxembourg, II, av de la porte-Nenve, L-2227, Luxembourg
Bombay Stock Exchange Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	

**(J) Stock Code**

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

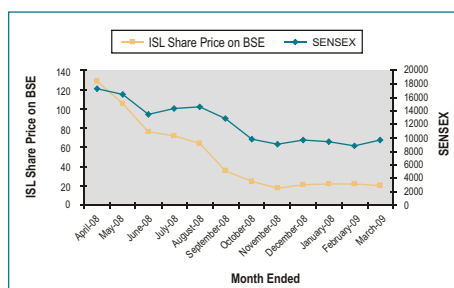
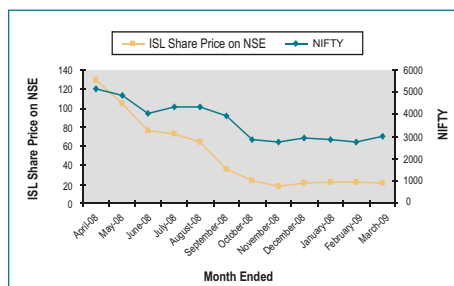
**(K) Market Price data**

The monthly high and low market prices and volumes of equity shares at the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) for the year ended March 31, 2009 are as under:

Month	NSE		BSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2008	250.00	85.10	300.00	85.10
May 2008	136.00	105.00	135.70	105.00
June 2008	108.20	69.00	108.20	69.00
July 2008	78.50	57.10	76.60	57.50
August 2008	80.30	63.70	80.25	64.00
September 2008	65.90	34.15	65.80	34.40
October 2008	38.85	18.05	41.20	18.50
November 2008	28.70	17.35	28.80	17.40
December 2008	22.65	17.20	22.95	17.20
January 2009	27.30	16.85	27.40	16.80
February 2009	25.35	20.50	25.20	20.50
March 2009	23.00	19.80	22.95	19.75

# REPORT ON CORPORATE GOVERNANCE Continued

## (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

Phone : 040-23420815-825

Fax : 040-23420814

E-mail : einward.ris@karvy.com - for investors/shareholders

Contact Person : Mr. K Sreedhara Murthy, Asst.Gen.Manager

E-mail : sreedharamurthy@karvy.com

## (N) Share Transfer System

For smooth and speedy processing of share transfers, the authority to approve share transfers has been delegated to the Shareholders/Investors Grievance Committee of the Board. The share transfer requests, are processed on the first and third Monday of every month ensuring thereby that share transfers are processed without delay and the transferred certificates sent to the concerned investor(s) well within the stipulated time as prescribed under the Listing agreements.

## (O) Address for Correspondence

### (i) Registered Office:

Indiabulls Securities Limited

F-60, Malhotra Building, 2nd Floor,

Connaught Place, New Delhi- 110 001

## REPORT ON CORPORATE GOVERNANCE Continued

**(ii) Corporate Office:**

“Indiabulls House”  
448-451, Udyog Vihar, Phase V,  
Gurgaon 122 001, Haryana

S.P. Center, C-Wing, 41/44, Minoo Desai Marg,  
Near Radio Club, Colaba, Mumbai- 400 005

**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 given 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 requirements recommended as to a non executive chairman under clause 49, are 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 2008-09.

Date: August 27, 2009  
Place: New Delhi

Divyesh B. Shah  
**Chief Executive Officer**

## 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, 2009, 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, 2009 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

Date: August 27, 2009  
Place: New Delhi

Sanjay Khandelwal  
Proprietor  
Membership No: FCS 5945  
C.P. No: 6128



## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fourteenth Annual Report and the audited accounts of the Company for the year ended March 31, 2009.

### FINANCIAL RESULTS

The highlights of the financial results for the year ended March 31, 2009 are as under:

	For the year ended March 31, 2009	For the year ended March 31, 2008
		(Amount in Rs.)
Profit/(Loss) before Tax and Depreciation	47,412,160	3,929,824,318
Less : Depreciation/Amortisation	242,220,256	212,106,607
Profit/(Loss) before Tax	(194,808,096)	3,717,717,711
Less : provision for taxation & prior period Tax adjustments	(65,977,042)	1,231,134,077
Profit/(Loss) after Tax and prior period Tax adjustment	(128,831,054)	2,486,583,634
Add : balance brought forward	2,564,282,211	2,553,201,079
<b>Amount available for appropriation</b>	<b>2,435,451,157</b>	<b>5,039,784,713</b>
<b>Appropriations</b>		
Dividend on Preference Shares (including proposed for Q4)	4,594,632	2,664,511
Proposed dividend on Equity shares	506,853,978	1,900,702,418
Corporate Dividend Tax on		
- Preference dividend	780,858	452,834
- Proposed Dividend on Equity Shares	86,139,834	323,024,376
Transfer to General Reserve	243,007,567	248,658,363
Balance of profit carried forward to Balance sheet	1,594,074,288	2,564,282,211

### OPERATIONS REVIEW

The main businesses of the Company are stock and share broking, commodities trading, distribution of Mutual Fund and other Investment and Tax Planning products. It also provides depository services, equity research services and IPO distribution to its clients. The Company is a corporate member of the capital market, wholesale debt market and derivative segment of the NSE and a corporate member of the capital market and derivative segment of the BSE.

Due to the worldwide recession and the global slowdown, the Indian markets crashed and as a result during the year 2008-09 the Company revenues too were down as in the case with other broking houses. Despite the slowdown in the Indian markets the Company was able to perform well for the first three quarters and was in profit, however one time write off during the last quarter has resulted in closure of the financial year with losses. The Total Income of the Company during the year stood at Rs. 4,032.78 millions with a net loss after tax of Rs.128.83 millions. The consolidated revenues of the Company along with its subsidiaries for the year ended March 31, 2009 stood at Rs. 4,083.47 millions and the consolidated loss stood at Rs. 130.42 millions respectively.

### FUTURE BUSINESS OUTLOOK

In spite of the setback suffered during the year 2008-09 the long term scenario of the Indian capital market looks bright. Moreover the results of 2009 general election in the country have been a defining event for the Indian economy. The investors and market analysts are upbeat and believe that the Government will push the reforms needed to boost the economy in times of recession. Buoyed by booming stock markets and growing retail interest in equity and equity related investments, the Company believes that the broking business will have a good run in the years ahead. The Company will

benefit from the rapidly growing middle class investors in India. The Country's demography is attractive, where the young middle class population is growing. This in turn would give multifold increase in the business of the Company thereby further consolidating its position in the market.

#### **BUY BACK OF EQUITY SHARES**

In terms of the Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998, the Company commenced from May 14, 2009 its Scheme of Buy back of Equity Shares of the face value of Rs. 2/- each fully paid up, from its shareholders from the open market through the electronic trading facilities of the Bombay Stock Exchange Limited and The National Stock Exchange of India Limited.

The cumulative number of Equity Shares bought back under the Scheme (up to the date of this report) is 7,271 shares at an average price of Rs. 28.50 per share. The said shares got extinguished on May 27, 2009, consequent to which the paid-up Equity Share Capital of the Company stand reduced from Rs. 506,853,978/- (comprising of 253,426,989 Equity Shares of Rs. 2/- each) to Rs. 506,839,436/- (comprising of 253,419,718 Equity Shares of Rs. 2/- each).

#### **REDEMPTION OF NON-CONVERTIBLE PREFERENCE SHARES**

The Company has redeemed 9,966,667 outstanding Non-Convertible Preference Shares of face value Rs. 4.61 per share, held by Oberon Limited. Consequently the paid-up preference share capital in the Company stands fully redeemed.

#### **DIVIDEND**

In keeping with Company's policy of rewarding its shareholders, your Directors recommend a dividend of Rs. 2/- per equity share (i.e. 100% on the face value of Rs. 2 per equity share) out of the accumulated profits of the previous years, which, if approved at the ensuing Annual General Meeting, will be paid to (i) all those Members whose names appear in the Register of Members as on September 30, 2009 and (ii) all those Members whose names appear on that date as beneficial owner of shares as furnished by National Securities Depository Limited and Central Depository Services (India) Limited.

In addition to the above, the Company has provided for preference dividend @10% aggregating Rs. 4,594,632/- for the financial year 2008-09, as per the agreed terms.

The dividend (including Corporate Dividend Tax) on equity and preference shares would consume an aggregate amount of Rs. 598,369,302/-.

#### **EMPLOYEE STOCK OPTIONS**

During the financial year 'Employees Stock Option Scheme 2007' covering 15 million options was cancelled and withdrawn. However, with a view to reward performance and to retain talented employees of the Company and its subsidiaries, a new scheme was launched titled 'Indiabulls Securities Limited Employees Stock Option Scheme 2008', covering 20 million stock options, convertible into equal number of Equity Shares of face value Rs. 2/- each. The Compensation Committee on January 24, 2009 has granted the said 20 million options to the eligible employees, at an exercise price of Rs. 17.40 per option. The Stock Options so granted, shall vest in the eligible employees within 10 years beginning from January 25, 2010, the first vesting date.

The disclosures as required under Clause 12.1 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 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 and Mr. Karan Singh retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for reappointment.

The Board of Directors on April 16, 2009 has subject to shareholders approval, approved the appointment of Mr. Divyesh B. Shah and Mr. Ashok Sharma as Whole-time Directors of the Company for a period of five years w.e.f. April 01, 2009.

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.

## DIRECTORS' REPORT Continued

Mr. Rajiv Rattan and Mr. Saurabh Mittal have resigned from the office of directorship of the Company w.e.f. August 05, 2009. However, the said resignations shall be effective upon receipt of approval from the membership department of NSE & BSE as the Company is a member of these Exchanges. Your directors place on record their appreciation for the services rendered by both these directors during their tenure on the Board of the Company.

### FIXED DEPOSITS

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

### SUBSIDIARIES

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

In terms of approval granted by the Ministry of Company Affairs, Government of India vide letter No. 47/426/2009-CL-III dated July 23, 2009, under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of the subsidiaries of the Company as of March 31, 2009, have not been attached with the Balance Sheet of the Company. These documents will be made available upon request by any Member of the Company interested in obtaining the same. However, as directed by the Ministry of Company Affairs, the financial data of the subsidiaries have been furnished under 'Details of Subsidiaries' forming part of the Annual Report. Further, pursuant to Accounting Standard AS-21 issued by The Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company include financial information of its subsidiaries.

### 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 Agreements 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, 2009 and the profit of the Company for the year ended on that date;
3. the Directors have taken proper and sufficient care for maintaining of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. the Directors have prepared the Annual Accounts of the Company on a 'going concern' basis.

### AUDITORS & AUDITORS' REPORT

M/s Deloitte Haskins & Sells, Chartered Accountants, 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, as per 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.

Date: September 1, 2009

Place: New Delhi

For and on behalf of the Board of Directors

Sd/-

Sd/-

**Divyesh B. Shah**      **Ashok Sharma**

Whole-time Director      Whole-time Director

## 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:-

- Implementation of viable energy saving proposals.
- Installation of automatic power controllers to save maximum demand charges and energy.
- Training front end operational personnel on opportunities of energy conservation.
- 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

While there were no earnings in foreign exchange during the year under review, the foreign exchange outgo on account of various heads is depicted in the table given below:

Particulars	Amount (Rs.)
Interim Dividend paid on Preference shares	4,403,233
Fees /Consultancy / Professional services	5,871,094

### ANNEXURE TO THE DIRECTORS' REPORT REGARDING THE ESOP ISSUE UNDER 'INDIABULLS SECURITIES LIMITED EMPLOYEES STOCK OPTION SCHEME 2008'

Particulars	Amount (Rs.)
a. Options Granted	20,000,000
b. Exercise price	Rs. 17.40
c. Options vested	Nil
d. Options exercised	Nil
e. The total number of Shares arising as a result of exercise of option	Nil
f. Options lapsed	Nil
g. Variation in terms of options	Nil
h. Money realized by exercise of options	Nil
i. Total number of options in force	20,000,000
j. Employee wise details of options granted to;	
i. Senior Management personnel	Mr. Divyesh B. Shah -1,500,000
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

## ANNEXURE TO THE DIRECTORS' REPORT Continued

Particulars	Amount (Rs.)
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']	(0.53) per share
l. Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed	Refer to Schedule 'O' Part-B-Notes to Accounts forming part of the 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: Rs 0.84 per option
n. A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information: <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 Schedule 'O' Part-B-Notes to Accounts forming part of the Annual Report

# AUDITORS' REPORT

To The Board of Directors of Indiabulls Securities Limited

1. We have audited the attached Consolidated Balance Sheet of Indiabulls Securities Limited Group ('the Company', 'Group') as at March 31, 2009, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of Indiabulls Securities Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 four subsidiaries, whose financial statements reflect total assets (net) of Rs. 94,902,755 as at March 31, 2009, total revenue of Rs. 79,104,609 and net cash outflows amounting to Rs. 7,874,126 for the year ended March 31, 2009 as considered in the Consolidated Accounts. These financial statements and other financial information has been audited by other auditors whose reports have been furnished to us by the management of the Group, and our opinion is based solely on the report of the other auditor.
4. We report that the consolidated financial statements have been prepared by Indiabulls Securities Limited's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements in Consolidated Financial Statements as notified by Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of the report of the other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached 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 Indiabulls Securities Limited Group as at March 31, 2009.
  - b. in the case of the consolidated profit and loss account, of the loss for the year ended on that date; and
  - c. in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For **Deloitte Haskins & Sells**  
Chartered Accountants

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

Gurgaon, June 25, 2009

## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2009

		Amount (in Rs.)	
	Schedule	As at March 31, 2009	As at March 31, 2008
<b>I. SOURCES OF FUNDS</b>			
Shareholders' Funds			
(a) Share Capital	A	552,800,313	552,800,313
(b) Reserves and Surplus	B	2,414,150,497	3,142,941,788
		<b>2,966,950,810</b>	<b>3,695,742,101</b>
Loan Funds			
(a) Secured Loans	C	424,979,692	450,371,258
(b) Unsecured Loans	D	695,000,000	4,623,500,000
		<b>1,119,979,692</b>	<b>5,073,871,258</b>
Deferred Tax Liability (Net) [Refer note B 17 of Schedule O]		9,661,967	102,519,460
	<b>TOTAL</b>	<b>4,096,592,469</b>	<b>8,872,132,819</b>
<b>II. APPLICATION OF FUNDS</b>			
Fixed Assets	E		
Gross Block		1,627,499,131	1,565,748,615
Less : Depreciation / Amortisation		716,156,037	483,536,910
Net Block		911,343,094	1,082,211,705
Capital Work in Progress (including Capital Advances)		1,824,957	9,812,024
		<b>913,168,051</b>	<b>1,092,023,729</b>
Investments	F	476,727,511	1,674,305,855
Current Assets, Loans and Advances	G		
(a) Sundry Debtors		270,213,465	619,880,164
(b) Cash and Bank Balances		4,758,652,828	10,871,301,568
(c) Other Current Assets		181,876,044	152,817,628
(d) Loans and Advances		1,117,249,214	1,004,654,819
		<b>6,327,991,551</b>	<b>12,648,654,179</b>
Less : Current Liabilities and Provisions	H		
(a) Current Liabilities		2,959,442,343	4,195,241,360
(b) Provisions		661,852,301	2,347,609,584
		<b>3,621,294,644</b>	<b>6,542,850,944</b>
Net Current Assets		<b>2,706,696,907</b>	<b>6,105,803,235</b>
	<b>TOTAL</b>	<b>4,096,592,469</b>	<b>8,872,132,819</b>
Significant accounting policies and notes forming part of accounts	O		

As per our report of even date attached

For **Deloitte Haskins & Sells**  
Chartered Accountants

**K. A. Katki**  
Partner

Gurgaon, June 25, 2009

For and on behalf of the Board

**Divyesh B. Shah**  
Director

Gurgaon, June 25, 2009

**Ashok Sharma**  
Director

**R. K. Agarwal**  
Company Secretary



# CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Schedule	Year ended March 31, 2009	Amount (in Rs.) Year ended March 31, 2008
<b>INCOME</b>			
Revenue from Operations	I	3,953,577,302	6,207,187,133
Other Income	J	129,896,614	260,562,540
		<b>4,083,473,916</b>	<b>6,467,749,673</b>
<b>EXPENDITURE</b>			
Operating Expenses	K	319,466,396	441,725,600
Personnel Cost	L	1,149,365,491	1,084,812,654
Administrative and Other Expenses	M	2,096,199,808	717,258,350
Interest and Finance Charges	N	468,195,848	241,437,492
Depreciation / Amortisation		243,928,044	213,497,889
		<b>4,277,155,587</b>	<b>2,698,731,985</b>
<b>Profit / (Loss) before tax</b>		<b>(193,681,671)</b>	<b>3,769,017,688</b>
Provision for Taxation			
- Current Tax (Refer Note B 26 of Schedule O)		5,607,245	1,237,004,000
- Deferred Tax (Credit) / Charge (net)		(92,857,493)	6,867,338
- Fringe Benefits Tax		6,285,245	7,514,455
<b>Net Profit / (Loss) after tax and before prior period adjustment</b>		<b>(112,716,668)</b>	<b>2,517,631,895</b>
<b>Prior period adjustment</b>			
- Taxation		17,705,321	-
<b>Net Profit / (Loss) after tax and prior period adjustment</b>		<b>(130,421,989)</b>	<b>2,517,631,895</b>
Add: Balance of Profit brought forward		2,595,330,472	2,553,201,079
<b>Amount available for appropriation</b>		<b>2,464,908,483</b>	<b>5,070,832,974</b>
Appropriations			
Interim Dividend on Preference shares paid		3,461,709	1,722,987
Proposed Dividend on Preference Shares		1,132,923	941,524
Proposed Final Dividend on Equity Shares		506,853,978	1,900,702,418
Corporate Dividend Tax on Preference dividend paid		588,318	292,822
Corporate Dividend Tax on Proposed Dividend on Preference Shares		192,540	160,012
Corporate Dividend Tax on Proposed Final Dividend on Equity shares		86,139,834	323,024,376
Transfer to General Reserve (Refer Note B 28 of Schedule O)		243,007,567	248,658,363
<b>Balance of Profit Carried forward</b>		<b>1,623,531,614</b>	<b>2,595,330,472</b>
Earnings per Share (Refer Note B 16 of Schedule O)			
Basic EPS (Rs.)		(0.54)	9.92
Diluted EPS (Rs.)		(0.54)	9.64
Face value per Equity Share (Rs.)		2.00	2.00
Significant accounting policies and notes forming part of accounts	O		

As per our report of even date attached

For **Deloitte Haskins & Sells**  
Chartered Accountants

**K. A. Katki**  
Partner

Gurgaon, June 25, 2009

For and on behalf of the Board

**Divyesh B. Shah**  
Director

Gurgaon, June 25, 2009

**Ashok Sharma**  
Director

**R. K. Agarwal**  
Company Secretary

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

	Amount (in Rs.)	
	Year ended March 31, 2009	Year ended March 31, 2008
<b>A Cash flow from operating activities :</b>		
Net (Loss) / Profit before tax	(193,681,671)	3,769,017,688
Adjustments for :		
Depreciation / Amortisation	243,928,044	213,497,889
Provision for Gratuity and Compensated Absences	27,080,654	12,220,319
Provision for Doubtful Debts / Advances	26,858,975	60,063,007
Bad Debts / advances written off	-	1,188,744
Loss on sale / scrap of fixed assets	27,626,843	2,282,117
Sundry Credit balances Written Back	(30,224,012)	(3,542,734)
Loss / (Profit) on sale of Non Trade		
Investments / Dealing in Securities (Net)	1,534,528,877	(147,899,816)
Dividend Income on Current Investments	(91,314,048)	(105,304,301)
Interest Income	(476,291,713)	(318,989,326)
Interest Expenses	395,251,335	172,132,702
	<b>1,657,444,955</b>	<b>(114,351,399)</b>
Operating Profit before Working Capital Changes	<b>1,463,763,284</b>	<b>3,654,666,289</b>
Adjustments for:		
Trade and Other Receivables	535,575,585	(205,181,464)
Trade Payables and Other Liabilities	(1,207,035,255)	1,021,721,456
	<b>(671,459,670)</b>	<b>816,539,992</b>
Cash generated from operations	<b>792,303,614</b>	<b>4,471,206,281</b>
Direct taxes paid	(461,922,055)	(1,294,574,137)
	<b>(461,922,055)</b>	<b>(1,294,574,137)</b>
Net cash generated from operating activities	<b>330,381,559</b>	<b>3,176,632,144</b>
<b>B Cash flow from investing activities :</b>		
Purchase of fixed assets (including Capital Work in Progress) (Net)	(92,699,209)	(208,828,422)
Dividend Income on Current Investments	91,314,048	105,304,301
Net proceeds from dealing in securities	(796,184,049)	147,899,816
Proceeds from sale of Long Term Investments	459,236,343	-
Purchase of Long Term Investments	(2,828)	(1,674,295,855)
Interest received on Fixed Deposits	447,233,297	251,613,839
Net Cash received under scheme of arrangement	-	57,205,065
Net cash generated from / (used in) investing activities	<b>108,897,602</b>	<b>(1,321,101,256)</b>

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009 Continued

	Year ended March 31, 2009	Amount (in Rs.) Year ended March 31, 2008
<b>C Cash flow from financing activities</b>		
Interest paid	(372,990,736)	(160,780,063)
Payment of Final Dividend on Equity Shares	(1,896,105,277)	-
Corporate dividend tax on Final Dividend on Equity Shares	(323,024,376)	-
Payment of Dividend on Preference Shares	(4,403,233)	(1,722,987)
Corporate Dividend tax on Dividend on Preference Shares	(748,330)	(292,822)
Net Proceeds / (Repayment) of Bank Loans	(26,155,949)	401,557,695
Net Proceeds from Commercial Papers	500,000,000	-
Intercorporate Deposit taken / (repaid) (net)	(4,428,500,000)	4,603,500,000
Net cash (used in) / generated from financing activities	(6,551,927,901)	4,842,261,823
<b>D Net (Decrease) / Increase in cash and cash equivalents (A+B+C)</b>	<b>(6,112,648,740)</b>	<b>6,697,792,711</b>
<b>E Cash and cash equivalents at the beginning of the year</b>	<b>10,871,301,568</b>	<b>4,173,508,857</b>
<b>F Cash and cash equivalents at the end of the year (D + E)</b>	<b>4,758,652,828</b>	<b>10,871,301,568</b>

**Notes:**

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

Cash In Hand	179,944	1,988,634
Balances with Scheduled Banks:		
- in current accounts	332,256,290	6,579,639,634
- In Fixed Deposit Accounts		
Having maturity less than 3 months	47,269	55,262,228
Having maturity more than 3 months	4,421,572,184	4,234,411,072
- In Unclaimed Dividend (Designated Bank Accounts)	4,597,141	-
<b>Cash and Cash Equivalents at the end of the year</b>	<b>4,758,652,828</b>	<b>10,871,301,568</b>
- The above cash flow statement excludes assets/liabilities (other than cash balance) acquired on demerger of Securities Broking and Advisory business of Indiabulls Financial Services Limited (an erstwhile holding company), as it is Non Cash Transaction (Refer Note B 3 of Schedule O).
- Fixed deposits include Rs. 2,118,791,440 (Previous Year Rs. 3,025,000,000) pledged with the banks against bank guarantees issued by banks for base capital and additional base capital to National Stock Exchange of India, Bombay Stock Exchange of India and National Securities Clearing Corporation Limited. Rs. 190,000 (Previous Year Rs. 690,000) pledged with Sales tax authorities. Rs. 25,000,000 (Previous Year Rs. 20,000,000) given as cash collateral to Multi Commodity Exchange of India Limited.
- Fixed Deposits as on March 31, 2009 amounting Rs. 400,000,000 (Previous year Rs. 400,000,000), are pledged against working capital loan taken from bank.
- Fixed Deposits include Rs. 7,500,000 (Previous Year Rs. 7,500,000) are pledged with National Stock Exchange of India, Bombay Stock Exchange of India and National Securities Clearing Corporation Limited for the purpose of Base capital.
- Previous year's figures are regrouped wherever considered necessary.

As per our report of even date attached

For **Deloitte Haskins & Sells**  
Chartered Accountants

**K. A. Katki**  
Partner

Gurgaon, June 25, 2009

For and on behalf of the Board

**Divyesh B. Shah**  
Director

Gurgaon, June 25, 2009

**Ashok Sharma**  
Director

**R. K. Agarwal**  
Company Secretary

# CONSOLIDATE SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2009

	Amount (in Rs.)	
	As at March 31, 2009	As at March 31, 2008
<b>Schedule A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
(Refer Note B 4 of Schedule O)		
500,000,000 (Previous Year 500,000,000) Equity shares of Rs.2 each	1,000,000,000	1,000,000,000
25,000,000 (Previous Year 25,000,000) Preference Share of Rs 4.61 each	115,250,000	115,250,000
	<b>1,115,250,000</b>	<b>1,115,250,000</b>
<b>Issued, Subscribed and Paid up</b>		
(Refer Note B 3 of Schedule O)		
253,426,989 (Previous Year 253,426,989) Equity Share of Rs.2 each fully paid up	506,853,978	506,853,978
9,966,667 (Previous Year 9,966,667) 10% Cumulative, non-convertible Preference Shares of Rs.4.61 each fully paid up	45,946,335	45,946,335
(The above shares are redeemable at par after the period of five years from the date of issue i.e. August 2, 2006)		
<b>Per Balance Sheet</b>	<b>552,800,313</b>	<b>552,800,313</b>
<b>Schedule B</b>		
<b>RESERVES AND SURPLUS</b>		
1. Capital Reserve arising on Consolidation	24,445,430	24,445,430
2. Capital Redemption Reserve		
Balance as per last balance sheet	267,117,167	452,700,000
Less:- Utilised pursuant to the Scheme of Demerger of Indiabulls Financial Services Limited (Refer Note B 3 of Schedule O)	-	185,582,833
	<b>267,117,167</b>	<b>267,117,167</b>
3. Securities Premium Account		
Balance as per last balance sheet	40,000	40,000
4. General Reserve		
Balance as per last balance sheet	256,008,719	7,350,356
Add:- Addition during the year	243,007,567	248,658,363
	<b>499,016,286</b>	<b>256,008,719</b>
5. Surplus as per Profit and Loss account	1,623,531,614	2,595,330,472
<b>Per Balance Sheet</b>	<b>2,414,150,497</b>	<b>3,142,941,788</b>
<b>Schedule C</b>		
<b>SECURED LOANS</b>		
From Banks (Refer Note B 8 of Schedule O)		
- Vehicle Loans	20,902,980	47,058,929
- Working Capital Loans	400,000,000	400,000,000
- Interest accrued and due on Working Capital Loan	4,076,712	3,312,329
<b>Per Balance Sheet</b>	<b>424,979,692</b>	<b>450,371,258</b>
<b>Schedule D</b>		
<b>UNSECURED LOANS</b>		
From Others		
Short Term Loans		
Commercial Papers	500,000,000	-
(Maximum balance outstanding during the year Rs 1,000,000,000; Previous Year - Rs. NIL)		
Intercompany Deposit	195,000,000	4,623,500,000
<b>Per Balance Sheet</b>	<b>695,000,000</b>	<b>4,623,500,000</b>

# CONSOLIDATE SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2009 Continued

Particulars	GROSS BLOCK AT COST						DEPRECIATION / AMORTISATION						NET BLOCK	
	As at April 1, 2008	Additions on Consol- idation	Additions during the year	Adjustments/ Sales during the year	As at March 31, 2009	As at April 1, 2008	Additions on Consol- idation	Provided during the year	Adjustments during the year	As at March 31, 2009	As at March 31, 2008	As at March 31, 2009	As at March 31, 2008	
	Amount (in Rs.)	Amount (in Rs.)	Amount (in Rs.)	Amount (in Rs.)	Amount (in Rs.)	Amount (in Rs.)	Amount (in Rs.)	Amount (in Rs.)	Amount (in Rs.)	Amount (in Rs.)	Amount (in Rs.)	Amount (in Rs.)	Amount (in Rs.)	
<b>A. Tangible Assets</b>														
Computers*	400,182,232	-	66,983,293	5,707,227	461,458,298	156,017,281	-	66,786,844	4,798,161	218,005,964	243,452,334	244,164,951		
Office Equipment	267,776,523	-	1,757,326	6,409,200	263,124,649	28,712,273	-	15,776,150	712,453	43,775,970	219,348,679	239,064,250		
Furniture and Fixtures	252,459,136	-	3,183,230	28,518,423	227,123,943	34,933,276	-	28,237,705	4,716,841	58,454,140	168,669,803	217,525,860		
Vehicles**	99,751,116	-	426,085	4,804,000	95,373,201	15,140,517	-	9,306,649	1,081,462	23,365,704	72,007,497	84,610,599		
<b>TOTAL (A)</b>	<b>1,020,169,007</b>	-	<b>72,349,934</b>	<b>45,438,850</b>	<b>1,047,080,091</b>	<b>234,803,347</b>	-	<b>120,107,348</b>	<b>11,308,917</b>	<b>343,601,778</b>	<b>703,478,313</b>	<b>785,365,660</b>		
<b>B. Intangible Assets</b>														
Membership Rights of The Stock Exchange, Mumbai	7,005,000	-	-	-	7,005,000	5,280,618	-	1,132,392	-	6,413,010	591,990	1,724,382		
Software	533,312,024	-	34,839,432	-	568,151,456	238,190,361	-	122,688,304	-	360,878,665	207,272,791	295,121,663		
India Bulls.Com Web Site	5,262,584	-	-	-	5,262,584	5,262,584	-	-	-	5,262,584	-	-		
<b>TOTAL (B)</b>	<b>545,579,608</b>	-	<b>34,839,432</b>	-	<b>580,419,040</b>	<b>248,733,563</b>	-	<b>123,820,696</b>	-	<b>372,554,259</b>	<b>207,864,781</b>	<b>296,846,045</b>		
<b>TOTAL (A+B)</b>	<b>1,565,748,615</b>	-	<b>107,189,366</b>	<b>45,438,850</b>	<b>1,627,499,131</b>	<b>483,536,910</b>	-	<b>243,928,044</b>	<b>11,308,917</b>	<b>716,156,037</b>	<b>911,343,094</b>	<b>1,082,211,705</b>		
Previous Year	1,327,055,035	8,603,042	237,407,057	7,316,519	1,565,748,615	270,101,282	751,341	213,497,889	813,602	483,536,910	1,082,211,705	1,824,957		
												913,168,051	1,092,023,729	

Capital Work in Progress (including Capital Advances)

\* Includes addition of Rs. Nil (Previous Year Rs. 1,000,000) and Depreciation thereon amounting to Rs. Nil (Previous Year Rs. 150,109) pursuant to the Scheme of Arrangement.  
\*\* Including assets having original cost of Rs. 67,589,167 (Previous Year Rs. 93,219,618) hypothecated to bank against the loan.

# CONSOLIDATE SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2009 *Continued*

	Amount (in Rs.)	
	As at March 31, 2009	As at March 31, 2008
<b>Schedule F</b>		
<b>INVESTMENTS (At cost unless otherwise stated)</b>		
<b>Long Term - Trade - Unquoted</b>		
10,000 (Previous Year 10,000) Fully paid up Equity Shares of face value of Re. 1 each in Bombay Stock Exchange Limited	10,000	10,000
<b>Long Term - Non Trade - Unquoted</b>		
1,098,317 (Previous Year 1,098,317) Fully paid up Ordinary Shares of face value of £.001 each in Copal Partners Limited	476,694,683	476,694,683
Investment in 6th issue National Saving Certificate (Pledged with Sales Tax Authorities)	22,828	20,000
<b>Long Term - Non Trade - Quoted</b>		
Investment in Securities	-	1,197,581,172
<b>Per Balance Sheet</b>	<b>476,727,511</b>	<b>1,674,305,855</b>
Aggregate book value of Unquoted Investments	476,727,511	476,724,683
Aggregate book value of Quoted Investments	-	1,197,581,172
Aggregate market value of Quoted Investments	-	750,510,000
<b>Schedule G</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>A. CURRENT ASSETS</b>		
1. Sundry Debtors (Unsecured, considered good, unless otherwise stated)		
Debts outstanding for a period exceeding six months		
Considered Good	164,785,206	21,454,263
Considered Doubtful	102,656,843	62,963,073
	<b>267,442,049</b>	<b>84,417,336</b>
Other Debts		
Considered Good	105,428,259	598,425,902
Considered Doubtful	1,380,020	15,702,241
	<b>106,808,279</b>	<b>614,128,143</b>
Less: Provision for Doubtful Debts	104,036,863	78,665,315
	<b>270,213,465</b>	<b>619,880,164</b>
2. Cash and Bank Balances		
Cash on Hand	179,944	1,988,634
Balance with Scheduled Banks		
In Current Accounts	336,853,431	6,579,639,634
In Fixed Deposit Accounts (Refer Note B 10 of Schedule O)	4,421,619,453	4,289,673,300
	<b>4,758,652,828</b>	<b>10,871,301,568</b>
3. Other Current Assets		
Interest Accrued on Fixed Deposits	181,876,044	152,817,628
<b>Total (A)</b>	<b>5,210,742,337</b>	<b>11,643,999,360</b>
<b>B. LOANS AND ADVANCES</b>		
Loans and Advances (Unsecured, considered good, unless otherwise stated)		
1. Advances recoverable in cash or in kind or for value to be received:		
Considered Good	90,337,415	94,821,438
Considered Doubtful	5,197,810	4,682,825
	<b>95,535,225</b>	<b>99,504,263</b>
Less: Provision for Doubtful Advances	5,197,810	4,682,825
	<b>90,337,415</b>	<b>94,821,438</b>

# CONSOLIDATE SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2009 *Continued*

		Amount (in Rs.)	
		As at March 31, 2009	As at March 31, 2008
2	Margin Funding Loan Receivables (Secured)	695,230,986	902,406,566
	Less: Margin received	345,098,724	389,086,644
		350,132,262	513,319,922
3	Security Deposits		
	Considered Good	241,462,432	216,669,874
	Considered Doubtful	972,442	-
		242,434,874	216,669,874
	Less: Provision for Doubtful Deposits	972,442	-
		241,462,432	216,669,874
4.	Deposits (including margin money) with Stock Exchanges	75,518,463	150,004,339
5.	Advance Income Tax / Tax Deducted At Source (Net of Provision for tax Rs 1,795,561,988; Previous Year Rs 1,316,361,988)	359,798,642	29,839,246
	<b>Total (B)</b>	<b>1,117,249,214</b>	<b>1,004,654,819</b>
	<b>Per Balance Sheet Total ( A + B)</b>	<b>6,327,991,551</b>	<b>12,648,654,179</b>

## Schedule H

### CURRENT LIABILITIES AND PROVISIONS

#### A. CURRENT LIABILITIES

1.	Sundry Creditors (Refer Note B 23 of Schedule O)		
	- Due to Micro and Small Enterprises	-	-
	- Others	12,293,845	8,978,950
2.	Advances from Customers	2,478,119,841	3,540,073,707
3.	Temporary Overdrawn bank balances as per books	139,389,721	268,391,676
4.	Other Liabilities	325,041,795	357,121,138
5.	Equity Index Option Premium Account	-	20,675,889
6.	Unclaimed Dividend	4,597,141	-
		<b>2,959,442,343</b>	<b>4,195,241,360</b>

#### B PROVISIONS

1.	Provision for Gratuity (Refer Note B 18 of schedule O)	42,905,358	26,001,637
2.	Provision for Compensated Absences (Refer Note B 18 of schedule O)	23,828,200	15,111,517
3.	Provision for Taxation (Net of Advance Tax of Rs 36,815,176; Previous Year Rs 1,158,729,111 )	777,456	81,197,645
4.	Provision for Fringe Benefits Tax (Net of advance tax of Rs 59,120,961; Previous Year Rs. 7,044,000)	22,012	470,455
5.	Proposed Dividend on Preference Shares	1,132,923	941,524
6.	Corporate Dividend Tax on Proposed Dividend on Preference Shares	192,540	160,012
7.	Proposed Final Dividend on Equity Shares	506,853,978	1,900,702,418
8.	Corporate Dividend Tax on Proposed Final Dividend on Equity shares	86,139,834	323,024,376
	<b>Total</b>	<b>661,852,301</b>	<b>2,347,609,584</b>
	<b>Per Balance Sheet</b>	<b>3,621,294,644</b>	<b>6,542,850,944</b>

# CONSOLIDATED SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Amount (in Rs.)	
	Year ended March 31, 2009	Year ended March 31, 2008
<b>Schedule I</b>		
<b>REVENUE</b>		
Brokerage Income	2,788,215,410	4,569,886,767
Interest on Margin funding	200,371,713	507,421,117
Income from Depository Services	25,106,756	48,999,044
Transaction Charges recovered	318,579,587	572,427,538
Interest on Deposits (Tax deducted at source Rs. 107,788,636; Previous Year Rs 72,168,493)	476,291,713	318,989,326
Advisory Income	67,598,196	108,500,000
Income From Equity Analysis, Mutual Funds, Account Opening & Other Charges	77,413,927	80,963,341
<b>Per Profit and Loss Account</b>	<b>3,953,577,302</b>	<b>6,207,187,133</b>
<b>Schedule J</b>		
<b>OTHER INCOME</b>		
Profit on Sale of Investment / Dealing in Securities	-	147,899,816
Dividend Income on Current Investments	91,314,048	105,304,301
Profit on erroneous transactions (Refer Note B 13 of Schedule O)	-	3,428,597
Interest Income	8,356,543	-
Miscellaneous Income	2,011	387,092
Credit Balances Written Back	30,224,012	3,542,734
<b>Per Profit and Loss Account</b>	<b>129,896,614</b>	<b>260,562,540</b>
<b>Schedule K</b>		
<b>OPERATING EXPENSES</b>		
Stamp Duty	106,619,695	116,642,607
Demat Charges	10,405	522,530
SEBI Charges	5,321,239	8,522,620
Commission	4,832,766	17,194,141
Depository Charges	14,430,819	43,223,856
Transaction Charges	92,692,846	145,949,525
Membership Fees	1,508,266	535,564
Web Hosting Expenses	21,153,287	15,182,422
VSAT Charges	13,707,889	16,042,400
Leased Line Expenses	44,509,205	55,702,960
Content Expenses	4,734,241	4,189,367
Software Expenses	9,945,738	18,017,608
<b>Per Profit and Loss Account</b>	<b>319,466,396</b>	<b>441,725,600</b>
<b>Schedule L</b>		
<b>PERSONNEL COSTS</b>		
Salaries	1,102,635,480	1,052,768,136
Contribution to Provident Fund and Other Funds	1,587,007	1,530,330
Staff Welfare Expenses	18,062,350	18,293,869
Provision for Gratuity and Compensated absences (Refer Note B 18 of Schedule O)	27,080,654	12,220,319
<b>Per Profit and Loss Account</b>	<b>1,149,365,491</b>	<b>1,084,812,654</b>



# CONSOLIDATED SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009 *Continued*

	Amount (in Rs.)	
	Year ended March 31, 2009	Year ended March 31, 2008
<b>Schedule M</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Lease Rent (Refer Note B 12 of Schedule O)	158,513,730	214,508,477
Recruitment Expenses	2,572,556	1,088,386
Rates and Taxes	8,399,734	55,527,170
Electricity Expenses	31,907,573	40,103,978
Insurance	810,360	466,550
Communication Expenses	91,506,450	116,323,536
Professional Charges	65,474,502	66,500,735
Traveling & Conveyance	13,183,123	22,636,489
Printing and Stationery	26,291,708	43,459,187
Office Maintenance	40,969,978	42,064,819
Repairs and Maintenance - Others	41,322,919	32,268,629
Business Promotion	18,783,061	9,325,413
Preliminary Expenses	-	19,500
Advertisement	121,538	1,178,761
Auditors' Remuneration (excluding service tax)		
- Audit Fees (including Rs. Nil; Previous Year Rs. 3,000,000 for interim audit)	4,320,000	7,282,360
- Other Services - Certifications	900,000	300,000
- Out of Pocket Expenses	400,000	400,000
Loss on erroneous transactions (Refer Note B 13 of Schedule O)	1,470,863	-
Loss on Sale of Current Investments / Dealing in Securities	1,534,528,877	-
Loss on Sale / Scrap of fixed assets	27,626,843	2,282,117
Bad Debts written off	-	1,188,744
Provision for Doubtful Debts, Advances and Security Deposits	26,858,975	60,063,007
Miscellaneous Expenses	237,018	270,492
<b>Per Profit and Loss Account</b>	<b>2,096,199,808</b>	<b>717,258,350</b>
<b>Schedule N</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
Bank Charges	72,944,513	69,304,790
Interest on Inter Corporate Deposits	292,414,652	135,246,564
Interest on Taxes	21,496,216	8,040,310
Interest on Working Capital Loan	43,150,685	19,339,726
Interest on Bank Overdraft	1,257,346	1,016,606
Interest on Vehicle loans	3,408,141	4,487,414
Interest on Commercial Papers	33,524,295	4,002,082
<b>Per Profit and Loss Account</b>	<b>468,195,848</b>	<b>241,437,492</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### Schedule 'O'

Significant Accounting Policies and Notes forming part of the Consolidated Balance Sheet as at March 31, 2009 and Profit and Loss Account for the year ended March 31, 2009.

#### A. Significant Accounting Policies:

##### a. Basis of Consolidation

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

##### b. Principles of consolidation:

The Consolidated Financial Statements comprise of the Financial Statements of Indiabulls Securities Limited, its subsidiaries and associates. 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 inter company transactions are eliminated on consolidation.

##### c. Goodwill / Capital Reserve:

Goodwill 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. The Goodwill recorded in these Consolidated Financial Statements has not been amortised, but instead evaluated for impairment whenever events or changes in circumstances indicate that its carrying amount may have been impaired.

##### d. Companies included in consolidation:

Name of Subsidiaries	Country of Incorporation	Year / Period ended included in consolidation	Proportion of Ownership	Auditor
Indiabulls Commodities Limited (formerly Indiabulls Commodities Private Limited)	India	01-April-08 to 31-March -09 <i>01-April-07 to 31-March -08</i>	100%	A Sardana & Co.
India Ethanol And Sugar Limited	India	01-April-08 to 31-March -09 <i>01-April-07 to 31-March -08</i>	100%	A Sardana & Co.
Devata Tradelink Limited	India	01-April-08 to 31-March -09 <i>09-January-08 to 31-March -08</i>	100%	Sumit Mohit & Company A Sardana & Co.
Indiabulls Brokerage Limited	India	22-August-08 to 31-March -09	100%	A Sardana & Co.

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

##### e. Basis of preparation of financial statements:

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

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *Continued*

### f. Use of Estimates:

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

### g. Revenue Recognition:

- Revenue from Brokerage activities is accounted for on the trade date of transaction.
- Revenue from interest charged to customers on margin funding is recognised on a daily / monthly basis up to the last day of accounting period.
- Depository income is accounted on accrual basis as and when the right to receive the income is established.
- Revenue from interest from fixed deposits is recognised on accrual basis.
- Commission on Mutual Fund is recognised on accrual basis.
- Transactions in respect of Purchase and Sale of Investment / Dealing in securities are recorded on trade dates.
- Income from Fee based advisory services is recognised on an accrual basis.
- Dividend income on equity shares is recognised when the right to receive the dividend is unconditional at the balance sheet date.
- Dividend Income on units of Mutual Fund is recognised on accrual basis and any gains/losses are recognised on the date of redemption.

### h. Equity Index / Stock Futures:

- (i) Initial Margin-Equity Index/ Stock Futures, representing the initial margin paid, and Margin Deposits representing additional margin paid over and above the initial margin, for entering into a contract for equity index/ stock futures which are released on final settlement / squaring-up of the underlying contract, are disclosed under Loans and Advances.
- (ii) Equity index/ stock futures are marked-to-market on a daily basis. Debit or credit balance disclosed under Loans and Advances or Current Liabilities, respectively, in the Mark-to-Market Margin-Equity Index/ Stock Futures Account, represents the net amount paid or received on the basis of movement in the prices of index/ stock futures till the balance sheet date.
- (iii) As on the balance sheet date, profit/loss on open positions in equity index/ stock futures is accounted for as follows:
  - Credit balance in the Mark-to-Market Margin-Equity Index/Stock Futures Account, being the anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
  - Debit balance in the Mark-to-Market Margin-Equity Index/Stock Futures Account, being the anticipated loss, is adjusted in the profit and loss account.
- (iv) On final settlement or squaring-up of contracts for equity index/stock futures, the profit or loss is calculated as the difference between the settlement/squaring-up price and the contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract in "Mark-to-Market Margin-Equity Index/Stock Futures Account" after adjustment of the provision for anticipated losses is recognised in the profit and loss account. When more than one contract in respect of the relevant series of equity index/stock futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using the weighted average cost method for calculating the profit/loss on squaring-up.

### i. Commercial Papers:

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

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *Continued*

j. 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.

k. Depreciation / Amortisation:

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

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

l. Impairment of Assets

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

m. Investments:

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

n. Employee Benefits:

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

o. Deferred Employee Stock Compensation Cost:

The company follows intrinsic value method as per guidance note on Accounting for Employee Share-based Payments issued by The Institute of Chartered Accountants of India for accounting Employee Stock Options

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *Continued*

granted. Deferred employee stock compensation cost for stock options are recognised and measured by the difference between the estimated value of the company's shares at the stock options grant date and the exercise price to be paid by the option holders. The compensation expense is amortised over the vesting period of the options. The fair value of options for disclosure purpose is measured on the basis of a valuation performed in respect of stock options granted.

p. **Borrowing Cost:**

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 revenue.

q. **Taxes on Income:**

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

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

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

r. **Fringe Benefits Tax:**

Fringe Benefits Tax has been provided as per the provisions of the Income Tax Act, 1961.

s. **Leases:**

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

t. **Stock of Securities:**

Stock of Securities is valued on weighted average basis, at lower of cost and net realisable value.

u. **Share Issue Expenses:**

Share issue expenses are adjusted against securities premium account to the extent of balance available and thereafter, the balance portion is charged off to the profit and loss account, as incurred.

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

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS Continued

### B. Notes to accounts:

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

The Consolidated Financial Statements comprise of the Financial Statements of Indiabulls Securities Limited and its subsidiaries. These consolidated financial statements are prepared in on the first occasion accordance with Accounting Standard 21-Consolidated Financial statements as notified under the Companies (Accounting Standards) Rules, 2006. The figures of the current period in the consolidated financial statements are not directly comparable with the figures of previous accounting year.

2. Contingent liability not provided for in respect of:
  - a) Bank guarantees outstanding in respect of credit facilities availed from banks Rs. 4,130,000,000 (Previous Year Rs. 6,050,000,000).
  - b) Capital commitments in respect of interior works and acquisition of fixed assets as at the year end (net of advances) Rs. 2,881,074 (Previous Year Rs. 18,655,387).
  - c) Penalty on synchronised trading Rs. 1,500,000 (Previous Year Rs. Nil) under SEBI regulations.

3. The Board of Directors of Indiabulls Financial Services Limited (IBFSL) the erstwhile holding Company, at their meeting held on February 15, 2007, approved the restructuring / re-organization ("the Scheme") of the business of the Company. In pursuance of section 391-394 of the Companies Act, 1956 the said Scheme has been approved by the members of the erstwhile holding Company and sanctioned by the Honorable High Court of New Delhi dated November 23, 2007.

Upon coming into effect of the Scheme with effect from the appointed date i.e. - April 1, 2007, IBFSL's securities broking and advisory service business had been demerged and transferred to the Company on a going concern basis. The Scheme has been given effect to in the financial statements and accordingly, the assets comprising of fixed assets, investments, sundry debtors, loans and advances, security deposits and cash aggregating to Rs. 461,032,891; current liabilities (including general purpose liabilities ) amounting to Rs. 272,156,401; proportionate liability of Rs. 45,946,335 in respect of Preference Share Capital, and an amount of Rs. 93,001,590 related to the advisory income (net of expenses, for the current period), which had been recorded by the IBFSL in trust on behalf of the Company have been so transferred by IBFSL to the Company.

In terms of the Scheme, the Company has 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. The existing Equity Share capital of the Company before giving effect to the Scheme amounting to Rs. 178,340,990 has been cancelled in terms of the Scheme.

In terms of the Scheme, the net adjustment aggregating to Rs. 185,582,833 has been reduced from the Capital Redemption Reserve for the year ended March 31, 2008.

4. Reorganisation of capital
 

In consideration of Demerger, including the transfer and vesting of securities broking and advisory service business of Indiabulls Financial Services Limited (Demerged undertaking) in Indiabulls Securities Limited (Resulting Company), the Company issued and allotted to each member of the IBFSL whose name is recorded in the register of members and records of the depository as members of the IBFSL on January 8, 2008 (Demerger record date) equity shares in IBSL in the ratio of 1(one) equity share in IBSL of face value of Rs. 2/- each credited as fully paid-up for every 1(one) equity share of Rs.2/- each fully paid up held by such member in IBFSL.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *Continued*

As a result the existing equity capital consisting of 17,834,099 Equity shares of face value of Rs. 10 each of IBSL has been cancelled and a fresh equity capital consisting of 253,426,989 Equity shares of face value of Rs. 2 each has been issued. Further, the face value of existing 9,966,667 Cumulative, Redeemable, Non-convertible Preference Shares of face value of Rs 162 each of IBFSL has been allocated proportionately as per the ratio of the net worth of the Demerged Undertaking to the net worth of the IBFSL immediately before the Demerger and accordingly, IBSL has issued and allotted 9,966,667 Cumulative, Redeemable, Non-convertible Preference Shares of face value of Rs. 4.61 to the respective preference shareholder of IBFSL as on the record date. The terms and conditions including dividend and redemption on which IBFSL preference shares were issued and allotted would *mutatis mutandis* apply to preference shares issued by IBSL. Accordingly, these Preference shares will be redeemed at par after five years from the date of issue of the Preference Shares i.e. August 2, 2006. The dividend rate on these preference shares has changed from 5% to 10% w.e.f. February 2, 2008 in terms of its issue by IBFSL.

In terms of the Scheme the Authorised Capital of the Company has been reorganised to Rs. 1,115,250,000 divided into 500,000,000 Equity Shares of Rs. 2/- each and 25,000,000 Preference Shares of Rs. 4.61 each.

Subsequent to the year ended March 31, 2008 the equity shares issued on the demerger of the Company were listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) on April 2, 2008.

5. On March 30, 2007, Indiabulls Securities Limited had implemented the Employees Stock Option Scheme 2007 ("IBSL ESOS-2007" or "Scheme"). Under the plan, Indiabulls Securities Limited was authorised to issue up to 3,000,000 options, each convertible into one equity shares of Rs. 10 each, to eligible employees of the Company and its subsidiary including employees of its erstwhile holding Company at an exercise price of Rs. 200 per share. Employees covered by the plan were granted an option to purchase shares under the IBSL ESOS - 2007, subject to the requirements of vesting. These options vested uniformly over a period of 5 years, whereby 20% of the options vest on each vesting date as per the vesting schedule. A Compensation Committee was constituted by the Board of Directors of the Company to administer the plan.

Pursuant to the shareholders authorisation dated November 24, 2007, these options were to be convertible into an equivalent number of equity shares of the Company over a period of ten years beginning from April 1, 2008. Further, as a consequence of the change in the face value of the equity shares of the Company from Rs. 10/- to Rs. 2/- each pursuant to the Scheme, 3,000,000 stock options granted by the Company prior to the Demerger Effective Date (giving right to an option holder to subscribe for one equity share of Rs. 10/- each at an exercise price of Rs. 200/- per share) was increased to 15,000,000 stock options (giving right to an option holder to subscribe for one Equity Share of Rs. 2/- each at an exercise price of Rs. 40/- per share). The salient features of the ESOS scheme of IBSL are as under:

Indiabulls Securities Limited Employees Stock Option Scheme - 2007

	Year ended March 31, 2009	IBSL ESOS - 2007 Year ended March 31, 2008
Total Options under the Scheme*	15,000,000	15,000,000
Outstanding at the beginning of the year	15,000,000	--
Exercisable at the beginning of the year	--	--
Options Granted during the year	--	15,000,000
Exercise Price (Rs.)*	40.00	40.00
Options vested during the year.	1,500,000	--
Exercised during the year	--	--
Expired during the year	--	--
Cancelled during the year**	15,000,000	--
Options Outstanding at the end of the year	--	15,000,000
Exercisable at the end of the year	--	--
Remaining contractual Life (Months)	--	120

\* The number of options and exercise price have been adjusted taking into account change in the face value of the equity shares of the Company from Rs. 10/- to Rs. 2/- each pursuant to the Scheme.

\*\* During the current financial year all the unvested options were surrendered by the respective option holders and Compensation Committee decided not to regrant the same and decided to cancel unvested options including ungranted 13,500,000 options and withdraw the scheme. On January 19, 2009, pursuant to the shareholders' approval, the Company cancelled and withdrew the Indiabulls Employees Stock Option Scheme 2007 and cancelled the 13,500,000 unvested stock options granted including ungranted options

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS Continued

### Employees Stock Option Scheme - 2008

Pursuant to resolution passed by the shareholders on January 19, 2009 the Company has cancelled and withdrawn the existing "Employee Stock Option Scheme-2007", covering 15,000,000 stock option and establish 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, has granted, under the "Indiabulls Securities Limited Employees Stock Option Scheme - 2008", 20,000,000 Stock Options representing an equal number of equity shares of face value Rs 2/- each in the Company, to the Eligible Employees, at an exercise price of Rs 17.40, being the latest available closing market price on the National Stock Exchange of India Ltd, as on January 23, 2009 following the intrinsic method of accounting as is prescribed in the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employees Share based Payments ("the Guidelines"). As the options have been granted at intrinsic value, there is no employee stock compensation expense on account of the same. The Stock Options so granted, shall vest in the eligible employees uniformly within 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.

The fair value of the options under the plans using the Black-Scholes model based on the following parameters is Re. 0.84 per option.

S. No.	Particulars	ESOP-2008
1	Exercise price	Rs. 17.40
2	Expected volatility	79%
3	Expected forfeiture percentage on each vesting date	Nil
4	Option Life (Weighted Average)	11 Years
5	Expected Dividends yield	22.99%
6	Risk Free Interest rate	6.50%

The expected volatility was determined based on historical volatility data.

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

	Amount Rs.
Net Loss (as reported) (refer note B 16 of Schedule O)	135,797,479
Less : Stock-based compensation expense determined under fair value based method:	
[Gross Rs.16,800,000 (Previous Year Rs. Nil)] (pro forma)	4,920,667
Net Loss considered for computing EPS (pro forma)	140,718,146
<b>Basic / Diluted Earnings Per Share</b>	
Weighted average number of equity shares used for computing Basic Earnings per Share	253,426,989
Add: Potential number of Equity share that could arise on exercise of Employee Stock Options	4,954,880
Weighted average number of equity shares used for computing Diluted Earnings per Share	258,381,869
Basic earnings per share (as reported)	(0.54)
Basic earnings per share (pro forma)	(0.56)
Diluted earnings per share (as reported)	(0.54)
Diluted earnings per share (pro forma)	(0.56)

As the potential equity shares to be issued on conversion of ESOS results in a reduction in loss per share for the year, the same is considered as anti dilutive in nature. Accordingly Diluted Earnings Per Share is same as Basic Earnings Per Share.



## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *Continued*

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

<b>Employees Stock Option Plan-2008</b>	
<b>Total Options under the Scheme</b>	<b>20,000,000</b>
Options issued (Nos.)	20,000,000
Vesting Period and Percentage	Ten years, 10% each year
Vesting Date	January 25 each year, commencing January 25, 2010
Exercise Price (Rs.)	17.40
Options vested during the year (Nos.)	--
Exercised during the year (Nos.)	--
Expired during the year (Nos.)	--
Cancelled during the year	-
Outstanding at the end of the year (Nos.)	20,000,000
Remaining contractual Life (Weighted Months)	136

6. On March 06, 2009 the Shareholders of Indiabulls Securities Limited, by means of a Special Resolution passed through the postal ballot, with requisite majority authorised the buy-back of the Company's fully paid-up Equity Shares of face value Rs. 2/- each from the open market through stock exchanges, at a price not exceeding Rs. 33/- per share up to a maximum amount of Rs. 83,17,96,227, being 25% of the total paid-up equity capital and free reserves as per the audited balance sheet of the Company as at the year ended March 31, 2008, to be financed out of the Company's free reserves and surplus and balance in the Profit and Loss Account. The Company has proposed to buyback upto 39,281,000 of its fully paid up Equity Shares and minimum number of 5,000,000 of its fully paid up Equity Shares at a price not exceeding Rs 33/- per Equity Share. Subsequent to year end the Company has bought back 7,271 shares as of date.
  
7. During the current financial year there was variation in the terms of Appointment of Mr. Ashok Sharma pursuant to Section 302 of the Companies Act, 1956. Mr. Ashok Sharma who was appointed as a Whole-time Director of the Company on May 18, 2005 (effective from May 18, 2005) and has been drawing remuneration from the Company with effect from May 18, 2005, pursuant to the shareholders approval, accorded in the Annual General Meeting of the Company dated August 26, 2005. While the terms of his remuneration as approved by the Shareholders, he was to receive remuneration from the Company till March 31, 2009, in the Board meeting dated December 8, 2008 Mr. Ashok Sharma expressed his desire to continue as the Whole time Director of the Company, without any remuneration, effective December 1, 2008. The last drawn remuneration by Mr. Ashok Sharma was Rs.200,000/- per month. Accordingly, in deference of his desire the Board has decided that with effect from December 1, 2008 Mr. Ashok Sharma would be Whole time Director of the Company without any remuneration.
  
8. Secured Loans
  - a) Vehicles Loans of Rs. 20,902,980 (Previous Year Rs. 47,058,929) are secured against hypothecation of Vehicles.
  - b) Working Capital loan of Rs. 400,000,000 (Previous Year Rs. 400,000,000) are secured against Fixed Deposits placed with Banks.
  
9. During the year the Company has issued 90 days Commercial Paper of Rs. 1,000,000,000 at the discount rate of 14% which was subsequently repaid. Further, 178 days Commercial Paper amounting to Rs. 500,000,000 was issued at the discount rate of 12%, the same remained outstanding on March 31, 2009.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS Continued

10. Fixed deposits include Rs. 2,108,791,440/- (Previous Year Rs. 3,025,000,000/-) 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.

Fixed Deposits include Rs. 190,000 (Previous Year Rs. 690,000) pledged with Sales tax authorities. Rs. 25,000,000 (Previous Year Rs. 20,000,000) given as cash collateral to Multi Commodity Exchange of India Limited.

Fixed Deposits includes Rs. 400,000,000 (Previous Year Rs. 400,000,000) pledged against working capital loan taken from Bank.

Fixed Deposits include Rs. 10,000,000 pledged as base capital to National Stock Exchange of India Limited.

Fixed Deposits include Rs. 7,500,000 (Previous Year Rs. 7,500,000) are pledged with National Stock Exchange of India, Bombay Stock Exchange of India and National Securities Clearing Corporation Limited for the purpose of Base capital.

11. During the year the Company had advanced a sum of Rs. 1,809,300,000 by way of loan to one of its wholly owned subsidiary - viz. Devata Tradelink Limited ("DTL"). DTL has 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 the year end to repay those loans and considering the erosion of the networth of the subsidiary, the Company has written off loans given to DTL aggregating to Rs. 1,809,300,000 as bad loans/ advances written off. Investments made by the company in the equity share capital of DTL amounting to Rs. 500,000 though considered as strategic and long term in nature, considering the losses suffered by this subsidiary, diminution in the value of the investment is considered as other than temporary in nature and accordingly provision for diminution in value amounting to Rs. 500,000 has been made in books of account.

12. The Company has taken office premises on operating lease at various locations and lease rent in respect of the same amounting to Rs. 158,513,730 (Previous Year Rs. 214,508,477) has been charged to Profit and Loss account. The minimum lease rental outstanding as at March 31, 2009 are as under:

	(Amount in Rs.)	
	As at March 31, 2009	As at March 31, 2008
Within one year	77,730,560	195,446,947
One to Five years	84,263,969	122,280,484
More than Five years	-	5,430,943

The agreements are executed for a period ranging from 11 months to 9 years with a renewable clause and in many cases also provide for termination at will by either party giving a prior notice, period of 30 to 90 days.

13. The loss on squaring off of erroneous transactions on account of trading in securities amounting to Rs. 1,470,863 (Net) (Previous Year profit Rs. 3,428,597 (Net)) has been adjusted to Profit and Loss account.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *Continued*

### 14. Segment Reporting:

Segment information for the year ended March 31, 2009

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

	Broking related activities	Others	(Amount in Rs.) Total
(i) Segment Revenue	3,982,633,019	8,356,543	3,990,989,562
	<i>6,214,545,556</i>	<i>152,554,793</i>	<i>6,367,100,349</i>
(ii) Segment Results	1,652,219,625	(1,526,147,372)	126,072,253
	<i>3,605,647,947</i>	<i>152,554,793</i>	<i>3,758,202,740</i>
Less: Unallocated Income net of other unallocated Expense			319,753,924
			<i>(10,814,948)</i>
Less: Income taxes			(63,259,682)
			<i>1,251,385,793</i>
<b>Total Profit / (Loss) after tax</b>			<b>(130,421,989)</b>
			<i>2,517,631,895</i>
(iii) Segment Assets	6,461,204,703	-	6,461,204,703
	<i>8,718,905,651</i>	-	<i>8,718,905,651</i>
Unallocated Corporate Assets			1,256,682,410
			<i>6,696,078,112</i>
<b>Total Assets</b>			<b>7,717,887,113</b>
			<i>15,414,983,763</i>
(iv) Segment Liabilities	2,758,812,925	-	2,758,812,925
	<i>9,234,508,593</i>	<i>20,675,889</i>	<i>9,255,184,482</i>
Unallocated Corporate Liabilities			1,992,123,378
			<i>2,464,057,180</i>
<b>Total Liabilities</b>			<b>4,750,936,303</b>
			<i>11,719,241,662</i>
(v) Capital Expenditure including Capital Advances	53,763,449	-	53,763,449
	<i>218,879,819</i>	-	<i>218,879,819</i>
(vi) Depreciation	234,621,394	-	234,621,394
	<i>213,497,888</i>	-	<i>205,204,463</i>
Unallocated Depreciation	-	-	9,306,650
			<i>8,293,425</i>
(vii) Non cash expenditure other than Depreciation	53,939,629	-	53,939,629
	<i>72,283,326</i>		<i>72,283,326</i>

(Previous year's figures are stated in Italics)

(b) The Company operates solely in one Geographic segment namely "Within India" and hence no separate information for Geographic segment wise disclosure is required.

(c) The Company's primary Business segment is reflected based on principal business activities carried on by the Company. The Company's primary business activity is to carry on business of stock and share broker on National Stock Exchange of India Limited and Bombay Stock Exchange Limited and other related ancillary service.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *Continued*

- (d) Others business segment constitutes Investment and dealing in tradable securities. This not being the normal business activity of the Company, the same is shown as "Others".
- (e) Segment revenue, results, assets and liabilities include amounts identifiable to each segment and amounts allocated on a reasonable basis.
- (f) The accounting policies adopted for segment reporting are in line with the accounting policies adopted for preparation of financial information as disclosed in (A) above.

15. Disclosures in respect of applicability of AS - 18 Related Party Disclosures:

- (a) Other related parties:

Nature of relationship	Name of party
Key Management Personnel	Mr. Divyesh B. Shah, Director
	Mr. Ashok Sharma, Director
	Mr. Rajiv Rattan, Director & Person exercising significant control
	Mr. Saurabh K. Mittal, Director & Person exercising significant control
	Mr. Sameer Gehlaut, Person exercising significant control

- (b) Significant Transactions with Related Parties:

Nature of Transaction	(Amount in Rs.)
	Key Management Personnel
Remuneration	3,700,000
	<i>20,716,478</i>

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

- (c) Outstanding as at March 31, 2009:

The outstanding balance in respect of the above transactions with related party is Rs. Nil (Previous Year Rs. Nil).

- (d) Statement of Material Transactions:

Particulars	(Amount in Rs.)	
	For the year ended March 31, 2009	For the year ended March 31, 2008
- Mr. Ashok Sharma	1,600,000	4,263,743
- Mr. Divyesh B. Shah	2,100,000	12,446,013
- Mr. T. S. Miglani	-	4,006,722

16. Earnings per share:

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

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

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS Continued

	For the year ended March 31, 2009	For the year ended March 31, 2008
Net Profit after tax and prior period adjustments (Rs.)	(130,421,989)	2,517,631,895
Less: Preference Dividend and tax thereon (Rs.)	5,375,490	3,117,345
Net Profit attributable to Equity Shareholders (Rs.)	(135,797,479)	2,514,514,550
<b>Basic / Diluted Earnings per Share</b>		
Weighted average number of equity shares used for computing Basic earnings per share	253,426,989	253,426,989
Add: Potential number of equity shares that could arise on exercise of Employee Stock Options	4,954,880	7,284,943
Weighted average number of equity shares used for computing Diluted earnings per share	258,381,869	260,711,932
Nominal Value of equity Shares (Rs.)	2.00	2.00
Earnings Per Share-Basic (Rs.)	(0.54)	9.92
Earnings Per Share-Diluted (Rs.) (*)	(0.54)	9.64

(\*) As the potential equity shares to be issued on conversion of ESOS results in to decrease in loss per share for the year, hence the same is considered as anti dilutive in nature. Accordingly Diluted Earnings Per Share is same as Basic Earnings Per Share.

### 17. Deferred Tax

The breakup of deferred tax assets / liabilities into major components as at March 31, 2009 is as under:

	As at March 31, 2009	(Amount in Rs.) As at March 31, 2008
<b>Deferred Tax Assets</b>		
Provision for Bad & doubtful debts	37,459,399	27,988,411
Disallowance U/s. 43B of Income Tax Act, 1961	22,682,736	14,117,481
Preliminary Expenses	36,419	5,302
Others	58,736,174	--
	<b>118,914,728</b>	<b>42,111,194</b>
<b>Deferred Tax Liabilities</b>		
Depreciation	(128,576,695)	(144,630,654)
	<b>(128,576,695)</b>	<b>(144,630,654)</b>
<b>Net Deferred Tax Liabilities</b>	<b>(9,661,967)</b>	<b>(102,519,460)</b>

Deferred Tax credit (net) of Rs. 92,857,493 (Previous Year charge - Rs. 6,867,338) has been credited / (debited) to the profit and loss account for the year.

### 18. Employee benefits

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

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS Continued

Contributions are made to Government Provident Fund and Family Pension Fund and other statutory funds which covers 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.1,399,916 (Previous year Rs. 1,509,270) towards employer contribution for the above mentioned funds.

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

	Gratuity (unfunded) 2008-09	Gratuity (unfunded) 2007-08	Compensated Absences (unfunded) 2008-09	Compensated Absences (unfunded) 2007-08
<i>Reconciliation of liability recognised in the Balance sheet</i>				
Present value of commitments (as per actuarial valuation)	(42,905,358)	(26,001,637)	(23,828,200)	(15,111,517)
Fair value of plans	-	-	-	-
Net liability in the Balance sheet (actual)	(42,905,358)	(26,001,637)	(23,828,200)	(15,111,517)
<i>Movement in net liability recognised in the Balance sheet</i>				
Net liability as at April 1, 2008	(26,001,637)	(17,773,981)	(15,111,517)	(11,118,854)
Amount paid during the year	1,460,250	-	-	-
Net expense recognised in the Profit and Loss account	(18,363,971)	(8,227,656)	(8,716,683)	(3,992,663)
Contribution during the year	-	-	-	-
Net liability as at March 31, 2009	(42,905,358)	(26,001,637)	(23,828,200)	(15,111,517)
<i>Expense recognised in the Profit and Loss account</i>				
Current service cost	14,140,312	9,151,127	7,951,231	5,996,179
Interest cost	2,086,466	1,577,910	1,193,732	957,136
Expected return on plan assets	-	-	-	-
Actuarial (gains)/ losses	2,137,193	(2,501,381)	(428,280)	(2,960,652)
Expense charged to the Profit and Loss account	18,363,971	8,227,656	8,716,683	3,992,663
<i>Return on plan assets</i>				
Expected return on plan assets	-	-	-	-
Actuarial (gains)/ losses	-	-	-	-
Actual return on plan assets	-	-	-	-
<i>Reconciliation of defined-benefit commitments</i>				
Commitments as at April 1, 2008	26,001,637	17,773,981	15,111,517	11,118,854
Current service cost	14,140,312	9,151,127	7,951,231	5,996,179
Interest cost	2,086,466	1,577,910	1,193,732	957,136
Paid benefits	(1,460,250)	-	-	-
Actuarial (gains)/ losses	2,137,193	(2,501,381)	(428,280)	(2,960,652)
Commitments as at March 31, 2009	42,905,358	26,001,637	23,828,200	15,111,517

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *Continued*

	Gratuity (unfunded) 2008-09	Gratuity (unfunded) 2007-08	Compensated Absences (unfunded) 2008-09	Compensated Absences (unfunded) 2007-08
<i>Reconciliation of plan assets</i>				
Plan assets as at April 1, 2008	-	-	-	-
Expected return on plan assets	-	-	-	-
Contributions during the year	-	-	-	-
Paid benefits	-	-	-	-
Actuarial (gains)/ losses	-	-	-	-
Plan assets as at March 31, 2009				

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

	For the year ended March 31, 2009	For the year ended March 31, 2008
Discount rate-		
Gratuity and Compensated Absences	7.00%	7.50%
Expected return on plan assets	NA	NA
Expected rate of salary increase	5.00%	5.00%
Mortality	LIC (1994-96) Duly Modified	LIC (1994-96) Ultimate

19. During the year, the Company acquired Nil (Previous Year 1,098,317) Ordinary Shares of face value of ₹ .001 in Copal Partners Limited amounting to Rs. Nil (Previous Year Rs. 476,694,683).
20. During the year the Company invested an amount of Rs. 35,000,000 (Previous Year Rs. 500,000) in wholly owned subsidiary Indiabulls Brokerage Limited (Previous year - Devata Tradelink Limited).
21. Managerial Remuneration under Section 198 of the Companies Act, 1956 (included under Employees Remuneration and Benefits in Schedule L)

Particulars	(Amount in Rs.)	
	For the year ended March 31, 2009	For the year ended March 31, 2008
Salary	3,700,000	20,716,478
Perquisites	--	--
Retirement Benefits	862,462	1,162,442
<b>Total</b>	<b>4,562,462</b>	<b>21,878,920</b>

During the year the company has paid managerial remuneration amounting to Rs. 22,198,046 to two of its Directors. However on account of loss incurred by the company mainly on account of writing off of advance given to its wholly owned subsidiary Devata Tradelink Limited, managerial remuneration for the year is revised based on the limits specified under Schedule XIII of the Companies Act, 1956 as applicable to the company. The amount paid to the directors in excess of the limits calculated above under Schedule XIII of the Companies Act, 1956 has been duly refunded by respective directors of the company as at the year end.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS Continued

Retirement Benefits consists of Compensated Absences and Gratuity as valued by actuary. As no commission is payable to Directors, the computation of net profits in accordance with section 309(5) read with section 349 of the Companies Act, 1956 has not been given.

22. Derivative Instruments:

The Company has not entered into any derivative instrument during the year. The Company does not have any foreign currency exposures towards receivables, payables or any other derivative instrument that have not been hedged.

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

- (a) An amount of Rs. Nil (Previous Year Nil) and Rs. Nil (Previous Year 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.
- (c) No interest is payable at the end of the year other than interest under Micro, Small and Medium Enterprises Development Act, 2006.
- (d) No amount of interest was accrued and unpaid at the end of the accounting year.

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

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

25. As per the best estimate of the management, no provision is required to be made as per Accounting Standard (AS) 29 - Provisions, Contingent Liabilities and Contingent Assets as notified under the Companies (Accounting Standards) Rules, 2006, in respect of any present obligation as a result of a past event that could lead to a probable outflow of resources, which would be required to settle the obligation.

26. Provision for Current Tax includes provision for Wealth Tax of Rs. 496,045 (Previous year Rs. 361,000).

27. In respect of amounts as mentioned under Section 205C of the Companies Act, 1956, there were no dues required to be credited to the Investor Education and Protection Fund as at March 31, 2009.

28. The Board of Directors of the Company at its meeting held on June 25, 2009 has recommended a Dividend of Rs. 2 per share (100% on the face value of Rs. 2 per share) for the financial year 2008-09, out of the opening balance in the Standalone Profit and Loss account. As the company has incurred losses during the year amounting to Rs. 130,421,989, the company has transferred an amount equivalent to 10% of the Surplus of Profit and Loss account balance brought forward after adjusting the loss incurred by the company during the year and also deducting the Interim Preference Dividend (including Corporate Dividend Tax) and proposed Preference Dividend (including Corporate Dividend Tax) for the year amounting to Rs. 4,050,027 and Rs. 1,325,463 respectively.

29. Previous year's figures have been re-grouped / re-arranged wherever considered necessary to confirm to current year's groupings and classifications.

As per our report of even date attached

For **Deloitte Haskins & Sells**  
Chartered Accountants

**K. A. Katki**  
Partner

Gurgaon, June 25, 2009

For and on behalf of the Board

**Divyesh B. Shah**  
Director

Gurgaon, June 25, 2009

**Ashok Sharma**  
Director

**R. K. Agarwal**  
Company Secretary



## 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, 2009, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose 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 above, we report that:
  - i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the 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 appears from our examination of those books;
  - iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - v) on the basis of written representations received from directors as on March 31, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the significant accounting policies and notes thereon, 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, 2009;
    - b) in the case of the profit and loss account, of the loss for the year ended on that date; and
    - c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **Deloitte Haskins & Sells**  
Chartered Accountants

**K.A.Katki**  
Partner

Membership No. 038568

Gurgaon, June 25, 2009

## ANNEXURE TO THE AUDITORS' REPORT

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

### Indiabulls Securities Limited

- 1) In our opinion and according to the information and explanations given to us, the nature of the Company's business / activities during the year is such that clauses ii, viii, xiii, xviii, xix, xx of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- 2) In respect of its fixed assets:
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b. Some of the fixed assets were physically verified during the year by the management in accordance with a 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. Although some part of the fixed assets have been disposed off during the year, in our opinion and according to the information and explanations given to us, the ability of the Company to continue as a going concern is not affected.
- 3) In respect of loans, secured or unsecured, granted or taken by the Company to or 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 granted loan to one company covered in the register maintained under section 301 of the Companies Act, 1956. As at the year end the outstanding balances of such loans taken aggregated to Rs. Nil from one company and the maximum amount involved during the year was Rs. 1,809,300,000.
  - b. The rate of interest and other terms and conditions of such loans, wherever stipulated, are, in our opinion, prima facie not prejudicial to the interest of the company.
  - c. The company has, as at the year-end written off loan given to a subsidiary aggregating to Rs. 1,809,300,000 as the same was considered irrecoverable on account of loss incurred by the subsidiary company.
  - d. The company has not taken unsecured loans from any company, firm or other party covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly sub clauses (a), (b), (c) and (d) of clause (iii) of the Order are not applicable.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services and we have not observed any continuing failure to correct major weaknesses in such internal controls. There were no transactions in respect of purchase of inventory and sale of goods during the year.
- 5) In respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - a. The particulars of contracts or arrangements referred to Section 301 that needed to be entered into the register, maintained under the said section have been so entered.
  - b. According to the information and explanations given to us, where each of such transactions, (excluding those mentioned in Para 3 above), is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are prima facie, reasonable having regard to the prevailing market prices at the relevant time, except that in respect of purchase and sale of services, no comparison of prices could be made as the Company informed us that there are no prevailing market prices / alternate sources of supply. There were no transactions in respect of purchase and sale of goods and materials.
- 6) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from public within the meaning of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

**ANNEXURE TO THE AUDITORS' REPORT** Continued

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

- 7) In our opinion, the internal audit function 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.
- 8) According to the information and explanations given to us in respect of statutory dues:
  - a. The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Income Tax, Service Tax, Wealth Tax and any other material statutory dues with the appropriate authorities during the year. There were no dues payable in respect of Investor Education and Protection Fund, Employees' State Insurance, Sales Tax, Custom Duty, Excise Duty and Cess. Further, since the Central Government has till date not prescribed the amount of Cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.
  - b. During the year, there are no disputed dues payable in respect of Sales tax, Income tax, Customs Duty, Wealth Tax, Excise Duty, Service Tax and Cess.
- 9) The Company does not have any accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- 10) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the payment of dues to banks. The Company has not obtained any borrowings either from Financial Institutions or by way of debentures.
- 11) In our opinion and according to the information and explanations given to us the Company has not granted loans and advances on the basis of security, pledge of shares, and other securities or by way of debentures.
- 12) Based on our examination of the records and evaluation of the related internal controls, the Company has maintained proper records of transactions and contracts in respect of its dealing in shares, securities, and other investments and timely entries have been made therein. The aforesaid securities have been held by the Company in its own name, except to the extent of the exemption granted under Section 49 of the Companies Act, 1956. There were no transactions with respect to debentures.
- 13) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
- 14) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, prima-facie applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
- 15) According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.
- 16) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during year.

For **Deloitte Haskins & Sells**  
Chartered Accountants

**K.A. Katki**  
Partner

Gurgaon, June 25, 2009

Membership No. 038568

## BALANCE SHEET AS AT MARCH 31, 2009

	Schedule	As at March 31, 2009	Amount (in Rs.) As at March 31, 2008
<b>I. SOURCES OF FUNDS</b>			
Shareholders' Funds			
(a) Share Capital	A	552,800,313	552,800,313
(b) Reserves and Surplus	B	2,360,247,741	3,087,448,097
		<b>2,913,048,054</b>	<b>3,640,248,410</b>
Loan Funds			
(a) Secured Loans	C	424,979,692	450,371,258
(b) Unsecured Loans	D	695,000,000	3,350,000,000
		<b>1,119,979,692</b>	<b>3,800,371,258</b>
Deferred Tax Liability (Net) [Refer note B 17 of Schedule O]		11,020,599	101,467,659
	<b>TOTAL</b>	<b>4,044,048,345</b>	<b>7,542,087,327</b>
<b>II. APPLICATION OF FUNDS</b>			
Fixed Assets			
Gross Block	E	1,613,228,064	1,553,292,049
Less : Depreciation / Amortisation		712,305,625	481,394,286
Net Block		<b>900,922,439</b>	<b>1,071,897,763</b>
Capital Work in Progress (including Capital Advances)		1,824,957	9,212,024
		<b>902,747,396</b>	<b>1,081,109,787</b>
Investments	F	517,704,683	483,204,683
Current Assets, Loans and Advances			
(a) Sundry Debtors	G	262,438,838	612,868,745
(b) Cash and Bank Balances		4,621,955,984	10,726,730,596
(c) Other Current Assets		180,965,516	152,271,223
(d) Loans and Advances		1,084,388,189	991,372,871
		<b>6,149,748,527</b>	<b>12,483,243,435</b>
Less : Current Liabilities and Provisions			
(a) Current Liabilities	H	2,872,638,556	4,166,618,879
(b) Provisions		653,513,705	2,338,851,699
		<b>3,526,152,261</b>	<b>6,505,470,578</b>
Net Current Assets		<b>2,623,596,266</b>	<b>5,977,772,857</b>
	<b>TOTAL</b>	<b>4,044,048,345</b>	<b>7,542,087,327</b>
Significant accounting policies and notes forming part of accounts	O		

As per our report of even date attached

For **Deloitte Haskins & Sells**  
Chartered Accountants**K. A. Katki**  
Partner

Gurgaon, June 25, 2009

For and on behalf of the Board

**Divyesh B. Shah**  
Director

Gurgaon, June 25, 2009

**Ashok Sharma**  
Director**R. K. Agarwal**  
Company Secretary

# PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Schedule	Year ended March 31, 2009	Amount (in Rs.) Year ended March 31, 2008
<b>INCOME</b>			
Revenue from Operations	I	3,918,820,316	6,173,480,076
Other Income	J	113,977,497	113,205,203
		<b>4,032,797,813</b>	<b>6,286,685,279</b>
<b>EXPENDITURE</b>			
Operating Expenses	K	308,972,613	432,298,282
Personnel Cost	L	1,116,061,766	1,054,129,122
Administrative and Other Expenses	M	2,365,827,165	713,520,173
Interest and Finance Charges	N	194,524,109	156,913,384
Depreciation / Amortisation		242,220,256	212,106,607
		<b>4,227,605,909</b>	<b>2,568,967,568</b>
<b>Profit / (Loss) before tax</b>		<b>(194,808,096)</b>	<b>3,717,717,711</b>
Provision for Taxation			
- Current Tax (Refer Note B 29 of Schedule O)		496,045	1,217,461,000
- Deferred Tax (Credit) / Charge (net)		(90,447,060)	6,184,029
- Fringe Benefits Tax		6,268,652	7,489,048
<b>Net Profit / (Loss) after tax and before prior period adjustment</b>		<b>(111,125,733)</b>	<b>2,486,583,634</b>
<b>Prior period adjustment</b>			
-Taxation		17,705,321	-
<b>Net Profit / (Loss) after tax and prior period adjustment</b>		<b>(128,831,054)</b>	<b>2,486,583,634</b>
Add: Balance of Profit brought forward		2,564,282,211	2,553,201,079
<b>Amount available for appropriation</b>		<b>2,435,451,157</b>	<b>5,039,784,713</b>
Appropriations			
Interim Dividend on Preference shares paid (Refer Note B 23 of Schedule O)		3,461,709	1,722,987
Proposed Dividend on Preference Shares		1,132,923	941,524
Proposed Final Dividend on Equity Shares		506,853,978	1,900,702,418
Corporate Dividend Tax on Preference dividend paid		588,318	292,822
Corporate Dividend Tax on Proposed Dividend on Preference Shares		192,540	160,012
Corporate Dividend Tax on Proposed Final Dividend on Equity shares		86,139,834	323,024,376
Transfer to General Reserve (Refer Note B 24 of Schedule O)		243,007,567	248,658,363
<b>Balance of Profit Carried forward</b>		<b>1,594,074,288</b>	<b>2,564,282,211</b>
Earnings per Share (Refer Note B 16 of Schedule O)			
Basic EPS (Rs.)		(0.53)	9.80
Diluted EPS (Rs.)		(0.53)	9.53
Face value per Equity Share (Rs.)		2.00	2.00
Significant accounting policies and notes forming part of accounts	O		

As per our report of even date attached

For **Deloitte Haskins & Sells**  
Chartered Accountants

**K. A. Katki**  
Partner

Gurgaon, June 25, 2009

For and on behalf of the Board

**Divyesh B. Shah**  
Director

Gurgaon, June 25, 2009

**Ashok Sharma**  
Director

**R. K. Agarwal**  
Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

	Amount (in Rs.)	
	Year ended March 31, 2009	Year ended March 31, 2008
<b>A Cash flow from operating activities :</b>		
Net (Loss) / Profit before tax	(194,808,096)	3,717,717,711
Adjustments for :		
Depreciation / Amortisation	242,220,256	212,106,607
Provision for Gratuity and Compensated absences	19,462,931	12,037,146
Provision for Doubtful Debts,		
Advances and Security Deposits	26,738,785	60,063,007
Bad debts / Advances w/off	1,809,300,000	1,188,744
Provision for Diminution in value of Investments	500,000	-
Loss on sale / scrap of fixed assets	27,626,843	2,282,117
Sundry Credit balances written back	(30,069,187)	(3,542,734)
Loss / (Profit) on sale of Non trade		
Current Investments / Dealing in Securities	25,062	(1,234,704)
Dividend Income on Current Investments	(83,908,310)	(104,999,168)
Interest Income	(469,628,094)	(313,550,890)
Interest Expenses	122,931,263	88,763,264
	<b>1,665,199,549</b>	<b>(46,886,611)</b>
Operating Profit before working capital changes	<b>1,470,391,453</b>	3,670,831,100
Adjustments for:		
Trade and other receivables	555,950,883	(247,556,427)
Trade Payables and Other Liabilities	(1,271,070,063)	1,043,968,792
	<b>(715,119,180)</b>	<b>796,412,365</b>
Cash generated from operations	<b>755,272,273</b>	4,467,243,465
Direct taxes paid	(443,188,109)	(1,278,228,553)
	<b>(443,188,109)</b>	<b>(1,278,228,553)</b>
Net cash generated operating activities	<b>312,084,164</b>	3,189,014,912
<b>B Cash flow from investing activities :</b>		
Purchase of fixed assets		
(including Capital Work in Progress) (Net)	(91,484,708)	(208,069,082)
Net (outflow) / proceeds from sale of		
Non Trade Investment/ Dealing in Securities	(25,062)	1,234,704
Dividend Income on Current Investments	83,908,310	104,999,168
Purchase of Long term Investments	(35,000,000)	(477,194,683)
Interest received	440,933,801	246,721,808
Net Cash transferred under scheme of arrangement	-	25,000,000
Net cash generated from / (used in) investing activities	<b>398,332,341</b>	(307,308,085)

# CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009 *Continued*

	Year ended March 31, 2009	Amount (in Rs.) Year ended March 31, 2008
<b>C Cash flow from financing activities</b>		
Interest paid	(102,319,871)	(78,026,974)
Payment of Dividend on Preference Shares	(3,461,709)	(1,722,987)
Corporate Dividend tax on Dividend on Preference Shares	(588,318)	(292,822)
Payment of Final Dividend on Equity Shares	(1,896,105,277)	-
Corporate dividend tax on Final Dividend on Equity Shares	(323,024,376)	-
Net Proceeds / (Repayment) of Bank Loans	(25,391,566)	401,557,695
Net Proceeds from Commercial Papers	500,000,000	-
Intercorporate Deposit taken / repaid (net)	(3,155,000,000)	3,000,000,000
Intercorporate Deposit given / repaid (net)	(1,809,300,000)	-
Net Proceeds from other loans	-	350,000,000
Net cash (used) in / generated financing activities	(6,815,191,117)	3,671,514,912
<b>D Net (Decrease) / Increase in cash and cash equivalents ( A+B+C )</b>	<b>(6,104,774,612)</b>	<b>6,553,221,739</b>
<b>E Cash and cash equivalents at the beginning of the year</b>	<b>10,726,730,596</b>	<b>4,173,508,857</b>
<b>F Cash and cash equivalents at the close of the year ( D + E )</b>	<b>4,621,955,984</b>	<b>10,726,730,596</b>

## Notes:

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

Cash In Hand	147,392	1,969,502
Balances with Schedule Banks:		
- in current accounts	271,581,998	6,555,777,794
- In Fixed Deposit Accounts		
Having maturity less than 3 months	47,269	55,262,228
Having maturity more than 3 months	4,345,582,184	4,113,721,072
- In Unclaimed Dividend (Designated Bank Accounts)	4,597,141	-
<b>Cash and Cash Equivalents at the end of the year</b>	<b>4,621,955,984</b>	<b>10,726,730,596</b>
- Fixed Deposits amounting to Rs. 2,068,791,440 (Previous year Rs. 2,925,000,000), are pledged with the banks against the bank guarantees issued by the banks for base capital and additional base capital for National Stock Exchange of India, Bombay Stock Exchange of India and National Securities Clearing Corporation Limited.
- Fixed Deposits amounting to Rs. 400,000,000 (Previous year Rs. 400,000,000), are pledged with the bank against the working capital loan obtained from bank.
- Fixed Deposits amounting to Rs. 7,500,000 (Previous Year 7,500,000) are pledged with National Stock Exchange of India, Bombay Stock Exchange of India and National Securities Clearing Corporation Limited for the purpose of Base capital.
- Previous year's figures are regrouped wherever considered necessary.

As per our report of even date attached

For **Deloitte Haskins & Sells**  
Chartered Accountants**K. A. Katki**  
Partner

Gurgaon, June 25, 2009

For and on behalf of the Board

**Divyesh B. Shah**  
Director

Gurgaon, June 25, 2009

**Ashok Sharma**  
Director**R. K. Agarwal**  
Company Secretary

## SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2009

	As at March 31, 2009	Amount (in Rs.) As at March 31, 2008
<b>Schedule A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
(Refer Note B 4 of Schedule O)		
500,000,000 (Previous Year 500,000,000) Equity shares of Rs.2 each	1,000,000,000	1,000,000,000
25,000,000 (Previous Year 25,000,000) Preference Shares of Rs 4.61 each	115,250,000	115,250,000
	<b>1,115,250,000</b>	<b>1,115,250,000</b>
<b>Issued, Subscribed and Paid up</b>		
(Refer Note B 3 of Schedule O)		
253,426,989 (Previous Year 253,426,989) Equity Shares of Rs. 2 each fully paid up	506,853,978	506,853,978
9,966,667 (Previous Year 9,966,667) 10% Cumulative, non-convertible Preference Shares of Rs. 4.61 each fully paid up	45,946,335	45,946,335
(The above shares are redeemable at par after the period of five years from the date of issue i.e. August 2, 2006)		
<b>Per Balance Sheet</b>	<b>552,800,313</b>	<b>552,800,313</b>
<b>Schedule B</b>		
<b>RESERVES AND SURPLUS</b>		
1. Capital Redemption Reserve		
Balance as per last balance sheet	267,117,167	452,700,000
Less:- Utilised pursuant to the Scheme of Arrangement	-	185,582,833
(Refer Note B 3 of Schedule O)		
	<b>267,117,167</b>	<b>267,117,167</b>
2. Securities Premium Account		
Balance as per last balance sheet	40,000	40,000
3. General Reserve		
Balance as per last balance sheet	256,008,719	7,350,356
Add:- Addition during the year	243,007,567	248,658,363
	<b>499,016,286</b>	<b>256,008,719</b>
4. Surplus as per Profit and Loss account	1,594,074,288	2,564,282,211
<b>Per Balance Sheet</b>	<b>2,360,247,741</b>	<b>3,087,448,097</b>
<b>Schedule C</b>		
<b>SECURED LOANS</b>		
From Banks (Refer Note B 8 of Schedule O)		
- Vehicle Loans	20,902,980	47,058,929
- Working Capital Loan	400,000,000	400,000,000
- Interest accrued and due on Working Capital Loan	4,076,712	3,312,329
<b>Per Balance Sheet</b>	<b>424,979,692</b>	<b>450,371,258</b>
<b>Schedule D</b>		
<b>UNSECURED LOANS</b>		
From Others		
Short Term Loans		
Commercial Papers (Refer Note B 9 of Schedule O)	500,000,000	-
(Maximum Balance outstanding during the year Rs.1,000,000,000; Previous Year - Rs. Nil)		
Intercompany Deposits	195,000,000	3,350,000,000
<b>Per Balance Sheet</b>	<b>695,000,000</b>	<b>3,350,000,000</b>



# SCHEDULES FORMING PART OF BALANCE SHEET

## AS AT MARCH 31, 2009 Continued

Particulars	GROSS BLOCK AT COST						DEPRECIATION / AMORTISATION				NET BLOCK	
	As at April 1, 2008	Additions during the year	Adjustments/Sales during the year	As at March 31, 2009	As at April 1, 2008	Provided during the year	Adjustments during the year	As at March 31, 2009	As at March 31, 2009	As at March 31, 2008	As at March 31, 2008	
<b>A. Tangible Assets</b>												
Computers*	398,874,202	66,648,192	5,707,227	459,815,167	155,698,338	66,528,362	4,798,161	217,428,539	242,386,628	243,175,864		
Office Equipment	280,658,011	1,733,926	6,409,200	255,982,737	27,779,004	15,434,075	712,453	42,500,626	213,482,111	232,879,007		
Furniture and Fixtures	252,459,136	3,183,230	28,518,423	227,123,943	34,933,276	28,237,705	4,716,841	58,454,140	168,669,803	217,525,860		
Vehicles**	99,751,116	426,085	4,804,000	95,373,201	15,140,517	9,306,649	1,081,462	23,365,704	72,007,497	84,610,599		
<b>TOTAL (A)</b>	<b>1,011,742,465</b>	<b>71,991,433</b>	<b>45,438,850</b>	<b>1,038,295,048</b>	<b>233,551,135</b>	<b>119,506,791</b>	<b>11,308,917</b>	<b>341,749,009</b>	<b>696,546,039</b>	<b>778,191,330</b>		
<b>B. Intangible Assets</b>												
Membership Rights of The Stock Exchange, Mumbai	7,005,000	-	-	7,005,000	5,280,618	1,132,393	-	6,413,011	591,989	1,724,382		
Software	529,282,000	33,383,432	-	562,665,432	237,299,949	121,581,072	-	358,881,021	203,784,411	291,982,051		
India Bulls.Com Web Site	5,262,584	-	-	5,262,584	5,262,584	-	-	5,262,584	-	-		
<b>TOTAL (B)</b>	<b>541,549,584</b>	<b>33,383,432</b>	<b>-</b>	<b>574,933,016</b>	<b>247,843,151</b>	<b>122,713,465</b>	<b>-</b>	<b>370,556,616</b>	<b>204,376,400</b>	<b>293,706,433</b>		
<b>TOTAL (A+B)</b>	<b>1,553,292,049</b>	<b>105,374,865</b>	<b>45,438,850</b>	<b>1,613,228,064</b>	<b>481,394,286</b>	<b>242,220,256</b>	<b>11,308,917</b>	<b>712,305,625</b>	<b>900,922,439</b>	<b>1,071,897,763</b>		
Previous Year	1,327,055,035	233,553,533	7,316,519	1,553,292,049	270,101,282	212,106,607	813,603	481,394,286	1,071,897,763	9,212,024		
Capital Work in Progress (including Capital Advances)									1,824,957	9,212,024		
									<b>902,747,396</b>	<b>1,081,109,787</b>		

\* Includes addition of Rs. Nil (Previous Year Rs. 1,000,000) and Depreciation thereon amounting to Rs. Nil (Previous Year Rs. 150,109) pursuant to the Scheme of Arrangement.  
 \*\* Including assets having original cost of Rs. 67,589,167 (Previous Year Rs. 83,219,618) hypothecated to bank against the loan.

# SCHEDULES FORMING PART OF BALANCE SHEET

## AS AT MARCH 31, 2009 *Continued*

	As at March 31, 2009	Amount (in Rs.) As at March 31, 2008
<b>Schedule F</b>		
<b>INVESTMENTS (At cost unless otherwise stated)</b>		
(Refer note B 28 of Schedule O)		
<b>Long Term - Trade - Unquoted</b>		
(i) In Others		
10,000 (Previous Year 10,000) Fully paid up Equity Shares of face value of Re. 1 each in Bombay Stock Exchange Limited	10,000	10,000
<b>Long Term - Non Trade - Unquoted</b>		
(i) In Subsidiary Companies		
600,000 (Previous Year 600,000) Fully paid up Equity shares of face value Rs 10 each in Indiabulls Commodities Limited (Formerly Indiabulls Commodities Private Limited)	6,000,000	6,000,000
3,500,000 (Previous Year Nil) Fully paid up Equity shares of face value Rs 10 each in Indiabulls Brokerage Limited	35,000,000	-
50,000 (Previous Year 50,000) Fully paid up Equity shares of face value Rs 10 each in Devata Tradelink Limited	500,000	
Less: Provision for Diminution in value of Investment	<u>500,000</u>	500,000
(ii) In Others		
1,098,317 (Previous Year 1,098,317) Fully paid up Ordinary Shares of face value of £.001 each in Copal Partners Limited	476,694,683	476,694,683
<b>Per Balance Sheet</b>	<b>517,704,683</b>	<b>483,204,683</b>
Aggregate Book Value of Unquoted Investments	517,704,683	483,204,683
<b>Schedule G</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>A. CURRENT ASSETS</b>		
1. Sundry Debtors (Unsecured, considered good, unless otherwise stated)		
Debts outstanding for a period exceeding six months		
Considered Good	157,582,696	15,371,086
Considered Doubtful	102,115,587	62,542,008
	<b>259,698,283</b>	77,913,094
Other Debts		
Considered Good	104,856,142	597,497,659
Considered Doubtful	1,380,020	15,702,241
	<b>106,236,162</b>	613,199,900
Less: Provision for Doubtful Debts	<b>103,495,607</b>	78,244,249
	<b>262,438,838</b>	612,868,745
2. Cash and Bank Balances		
Cash on Hand	147,392	1,969,502
Balance with Scheduled Banks		
In Current Accounts	276,179,139	6,555,777,794
In Fixed Deposit Accounts (Refer Note B 10 of Schedule O)	4,345,629,453	4,168,983,300
	<b>4,621,955,984</b>	10,726,730,596
3. Other Current Assets		
Interest Accrued on Fixed Deposits	180,965,516	152,271,223
<b>Total (A)</b>	<b>5,065,360,338</b>	<b>11,491,870,564</b>

## SCHEDULES FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2009 *Continued*

	As at March 31, 2009	Amount (in Rs.) As at March 31, 2008
<b>B. LOANS AND ADVANCES</b>		
(Unsecured, considered good, unless otherwise stated)		
1. Advances recoverable in cash or in kind or for value to be received:		
Considered Good	87,455,678	91,670,682
Considered Doubtful	5,197,810	4,682,825
	<b>92,653,488</b>	<b>96,353,507</b>
Less: Provision for Doubtful Advances	5,197,810	4,682,825
	<b>87,455,678</b>	<b>91,670,682</b>
2. Margin Funding Loan Receivables (Secured)	695,230,986	902,406,566
Less: Margin received	345,098,724	389,086,644
	<b>350,132,262</b>	<b>513,319,922</b>
3. Loan to Subsidiary Company		
Devata Trade Link Limited	-	-
(Maximum balance outstanding during the year Rs.1,809,300,000, Previous Year Rs. Nil)		
4. Security Deposits		
Considered Good	241,362,354	216,533,575
Considered Doubtful	972,442	-
	<b>242,334,796</b>	<b>216,533,575</b>
Less: Provision for Doubtful Deposits	972,442	-
	<b>241,362,354</b>	<b>216,533,575</b>
5. Deposits (including margin money) with Stock Exchanges	51,968,463	141,654,339
6. Advance Income Tax/Tax Deducted At Source (Net of Provision for tax Rs 1,772,400,000; Previous Year Rs 1,306,200,000)	353,469,432	28,194,353
<b>Total (B)</b>	<b>1,084,388,189</b>	<b>991,372,871</b>
<b>Per Balance Sheet ( A + B )</b>	<b>6,149,748,527</b>	<b>12,483,243,435</b>
<b>Schedule H</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. CURRENT LIABILITIES</b>		
1. Sundry Creditors (Refer Note B 26 of Schedule O)		
- Due to Micro and Small Enterprises	-	-
- Others	12,286,635	8,866,514
2. Advances from Customers	2,408,234,304	3,546,803,863
3. Temporary Overdrawn bank balances as per books	139,389,721	261,117,851
4. Other Liabilities	308,130,755	349,830,651
5. Unclaimed Dividend	4,597,141	-
<b>Total</b>	<b>2,872,638,556</b>	<b>4,166,618,879</b>
<b>B. PROVISIONS</b>		
1. Provision for Gratuity (Refer Note B 18 of Schedule O)	37,557,305	25,745,714
2. Provision for Compensated Absences (Refer Note B 18 of Schedule O)	21,118,056	14,926,966
3. Provision for Taxation (Net of Advance Tax of Rs. Nil; Previous Year Rs. 1,147,500,115)	497,057	72,883,641
4. Provision for Fringe Benefits Tax (Net of advance tax of Rs. 59,078,961; Previous Year Rs. 7,022,000)	22,012	467,048
5. Proposed Dividend on Preference Shares	1,132,923	941,524
6. Corporate Dividend Tax on Proposed Dividend on Preference Shares	192,540	160,012
7. Proposed Final Dividend on Equity Shares	506,853,978	1,900,702,418
8. Corporate Dividend Tax on Equity Shares	86,139,834	323,024,376
<b>Total</b>	<b>653,513,705</b>	<b>2,338,851,699</b>
<b>Per Balance Sheet</b>	<b>3,526,152,261</b>	<b>6,505,470,578</b>

## SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Amount (in Rs.)	
	Year ended March 31, 2009	Year ended March 31, 2008
<b>Schedule I</b>		
<b>REVENUE</b>		
Brokerage Income	2,763,697,860	4,551,273,516
Interest on Margin funding	199,739,468	505,836,398
Income from Depository Services	25,106,756	48,999,044
Transaction and Other Charges	319,485,330	566,005,234
Interest on Deposits	469,628,094	313,550,890
(Tax deducted at source Rs. 106,417,726; Previous Year Rs. 71,050,632)		
Advisory Income	66,398,196	108,500,000
Income From Equity Analysis, Mutual Funds, Account Opening & Other Charges	74,764,612	79,314,994
<b>Per Profit and Loss Account</b>	<b>3,918,820,316</b>	<b>6,173,480,076</b>
<b>Schedule J</b>		
<b>OTHER INCOME</b>		
Profit on Sale of Current Investments / Dealing in Securities (Refer Note B 28 of Schedule O)	-	1,234,704
Dividend Income on Current Investments	83,908,310	104,999,168
Profit on erroneous transactions (Refer Note B 13 of Schedule O)	-	3,428,597
Sundry Credit Balances Written Back	30,069,187	3,542,734
<b>Per Profit and Loss Account</b>	<b>113,977,497</b>	<b>113,205,203</b>
<b>Schedule K</b>		
<b>OPERATING EXPENSES</b>		
Stamp Duty	106,098,172	116,304,983
Demat Charges	10,405	522,530
SEBI Charges	5,321,239	8,522,620
Commission	4,832,766	17,194,141
Depository Charges	14,430,819	43,223,856
Transaction Charges	87,151,316	139,883,512
Membership Fees	780,561	319,948
Web Hosting Expenses	21,153,287	15,182,422
VSAT Charges	12,402,311	14,592,532
Leased Line Expenses	44,348,163	55,596,780
Content Expenses	3,919,804	3,763,691
Software Expenses	8,523,770	17,191,267
<b>Per Profit and Loss Account</b>	<b>308,972,613</b>	<b>432,298,282</b>
<b>Schedule L</b>		
<b>PERSONNEL COSTS</b>		
Salaries	1,077,476,100	1,022,738,631
Contribution to Provident Fund and Other Funds (Refer Note B 18 of Schedule O)	1,347,607	1,069,628
Staff Welfare Expenses	17,775,128	18,283,717
Provision for Gratuity and Compensated absences	19,462,931	12,037,146
<b>Per Profit and Loss Account</b>	<b>1,116,061,766</b>	<b>1,054,129,122</b>

## SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009 *Continued*

	Amount (in Rs.)	
	Year ended March 31, 2009	Year ended March 31, 2008
<b>Schedule M</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Lease Rent (Refer Note B 12 of Schedule O)	158,047,330	213,930,973
Recruitment Expenses	2,517,578	1,083,386
Rates and Taxes	8,002,993	55,510,518
Electricity Expenses	31,771,286	40,103,978
Insurance	801,472	459,050
Communication Expenses	90,725,606	115,490,238
Professional Charges	63,164,998	66,356,885
Traveling & Conveyance	12,866,924	21,756,184
Printing and Stationery	26,109,571	42,676,687
Office Maintenance	40,581,441	42,064,819
Repairs and Maintenance - Others	41,322,919	32,194,736
Business Promotion	18,783,061	9,240,738
Advertisement	121,538	1,178,761
Auditors' Remuneration (excluding service tax)		
- Audit Fees (including Rs. Nil; Previous Year Rs. 3,000,000 for interim audit)	4,000,000	7,000,000
- Other Services - Certifications	900,000	300,000
- Out of Pocket Expenses	400,000	400,000
Loss on erroneous transactions (Refer Note B 13 of Schedule O)	1,426,911	-
Loss on sale of Current Investments / Dealing in Securities (Refer Note B 28 of Schedule O)	25,062	-
Loss on Sale / Scrap of fixed assets	27,626,843	2,282,117
Bad debts / advances written off	1,809,300,000	1,188,744
Provision for Diminution in value of Investments	500,000	
Provision for Doubtful Debts, Advances and Security Deposits	26,738,785	60,063,007
Miscellaneous Expenses	92,847	239,352
<b>Per Profit and Loss Account</b>	<b>2,365,827,165</b>	<b>713,520,173</b>
<b>Schedule N</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
Bank Charges	71,592,846	68,150,120
Interest on Inter Corporate Deposits	20,979,404	52,493,475
Interest on other Loans	-	4,002,082
Interest on Taxes	20,611,392	7,423,961
Interest on Bank Overdraft	1,257,346	1,016,606
Interest on Working Capital Loan	43,150,685	19,339,726
Interest on Vehicle loans	3,408,141	4,487,414
Interest on Commercial Papers	33,524,295	-
<b>Per Profit and Loss Account</b>	<b>194,524,109</b>	<b>156,913,384</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### Schedule 'O'

Significant Accounting Policies and Notes forming part of the Balance Sheet as at March 31, 2009 and Profit & Loss Account for the year ended March 31, 2009.

#### A. Significant Accounting Policies:

- a) Basis of preparation of financial statements:  
The financial statements are prepared under the historical cost convention, on an accrual basis and in accordance with the Generally Accepted Accounting Principles in India and Accounting Standards as notified under the Companies (Accounting Standards) Rules, 2006.
- b) Use of Estimates:  
The preparation of financial statements in conformity with the Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known / materialised.
- c) Revenue Recognition:
  - Revenue from Brokerage activities is accounted for on the trade date of transaction.
  - Revenue from interest charged to customers on margin funding is recognised on a daily / monthly basis up to the last day of accounting period.
  - Depository income is accounted on accrual basis as and when the right to receive the income is established.
  - Revenue from interest from fixed deposits is recognised on accrual basis.
  - Commission on Mutual Fund is recognised on accrual basis.
  - Transactions in respect of Purchase and Sale of Investment / Dealing in securities are recorded on trade dates.
  - Income from Fee based advisory services is recognised on an accrual basis.
  - Dividend income on equity shares is recognised when the right to receive the dividend is unconditional at the balance sheet date.
  - Dividend Income on units of Mutual Fund is recognised on accrual basis and any gains/losses are recognised on the date of redemption.
- d) Equity Index / Stock Futures:
  - i) Initial Margin-Equity Index/ Stock Futures, representing the initial margin paid, and Margin Deposits representing additional margin paid over and above the initial margin, for entering into a contract for equity index/ stock futures which are released on final settlement / squaring-up of the underlying contract, are disclosed under Loans and Advances.
  - ii) Equity Index / Stock Futures are marked-to-market on a daily basis. Debit or credit balance disclosed under Loans and Advances or Current Liabilities, respectively, in the Mark-to-Market Margin-Equity Index/ Stock Futures Account, represents the net amount paid or received on the basis of movement in the prices of index/ stock futures till the balance sheet date.
  - iii) As on the balance sheet date, profit/loss on open positions in equity index/ stock futures is accounted for as follows:
    - Credit balance in the Mark-to-Market Margin-Equity Index/Stock Futures Account, being the anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
    - Debit balance in the Mark-to-Market Margin-Equity Index/Stock Futures Account, being the anticipated loss, is adjusted in the profit and loss account.
  - iv) On final settlement or squaring-up of contracts for equity index/stock futures, the profit or loss is calculated as the difference between the settlement/squaring-up price and the contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract in "Mark-to-Market Margin-Equity Index/Stock Futures Account" after adjustment of the provision for anticipated losses is recognised in the profit and loss account.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS Continued

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) Commercial Papers:

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

f) 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.

g) Depreciation / Amortisation:

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

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

h) Impairment of Assets

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

i) Investments:

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

j) Employee Benefits:

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

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *Continued*

- k) **Deferred Employee Stock Compensation Cost:**  
The company follows intrinsic value method as per guidance note on Accounting for Employee Share-based Payments issued by The Institute of Chartered Accountants of India for accounting Employee Stock Options granted. Deferred employee stock compensation cost for stock options are recognised and measured by the difference between the estimated value of the company's shares at the stock options grant date and the exercise price to be paid by the option holders. The compensation expense is amortised over the vesting period of the options. The fair value of options for disclosure purpose is measured on the basis of a valuation performed in respect of stock options granted.
- l) **Taxes on Income:**  
Current tax is determined as the tax payable in respect of taxable income for the year and is computed in accordance with relevant tax regulations. Deferred tax resulting from timing differences between book and tax profits is accounted for at the current rate of tax / substantively enacted tax rates at the Balance Sheet Date, as applicable, to the extent that the timing differences are expected to crystallise.  
Deferred Tax Assets are recognised where realization is reasonably certain whereas in case of carried forward losses or unabsorbed depreciation, deferred tax assets are recognised only if there is a virtual certainty of realization backed by convincing evidence. Deferred Tax Assets are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date.
- m) **Fringe Benefits Tax:**  
Fringe Benefits Tax has been provided as per the provisions of the Income Tax Act, 1961.
- n) **Leases:**  
In case of assets taken on operating lease, the lease rentals are charged to the profit and loss account and assets taken on finance lease have been capitalized, in accordance with Accounting Standard (AS) 19 - Leases as notified under the Companies (Accounting Standards) Rules, 2006.
- o) **Stock of Securities:**  
Stock of Securities is valued on weighted average basis, at lower of cost and net realisable value.
- p) **Share Issue Expenses:**  
Share issue expenses are adjusted against Securities Premium account to the extent of balance available and thereafter, the balance portion is charged off to the Profit and Loss account, as incurred.
- q) **Borrowing Cost:**  
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 revenue.
- r) **Provisions, Contingent Liabilities and Contingent Assets:**  
Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (1) Possible obligations which will be confirmed 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 can not be made. Contingent Assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

### B. Notes to accounts:

1. Indiabulls Securities Limited ("IBSL" or "the Company") carries on the business as stock and share brokers on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited; depository participants and



## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS Continued

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

2. Contingent liability not provided for in respect of:
  - a) Bank guarantees outstanding in respect of credit facilities availed from banks Rs. 4,050,000,000 (Previous Year Rs. 5,850,000,000).
  - b) Capital commitments in respect of interior works and acquisition of fixed assets as at the year end (net of advances) Rs. 2,881,074 (Previous Year Rs. 18,655,387).
  - c) Penalty on synchronised trading Rs. 1,500,000 (Previous Year Rs. Nil) under SEBI regulations.
3. The Board of Directors of Indiabulls Financial Services Limited (IBFSL) the erstwhile holding Company, at their meeting held on February 15, 2007, approved the restructuring / re-organization ("the Scheme") of the business of the Company. In pursuance of section 391-394 of the Companies Act, 1956 the said Scheme has been approved by the members of the erstwhile holding Company and sanctioned by the Honorable High Court of New Delhi dated November 23, 2007.

Upon coming into effect of the Scheme with effect from the appointed date i.e. - April 1, 2007, IBFSL's securities broking and advisory service business had been demerged and transferred to the Company on a going concern basis. The Scheme has been given effect to in the financial statements and accordingly, the assets comprising of fixed assets, investments, sundry debtors, loans and advances, security deposits and cash aggregating to Rs. 461,032,891; current liabilities (including general purpose liabilities) amounting to Rs. 272,156,401; proportionate liability of Rs. 45,946,335 in respect of Preference Share Capital, and an amount of Rs. 93,001,590 related to the advisory income (net of expenses, for the current period), which had been recorded by the IBFSL in trust on behalf of the Company have been so transferred by IBFSL to the Company.

In terms of the Scheme, the Company has 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. The existing Equity Share capital of the Company before giving effect to the Scheme amounting to Rs. 178,340,990 has been cancelled in terms of the Scheme.

In terms of the Scheme, the net adjustment aggregating to Rs. 185,582,833 has been reduced from the Capital Redemption Reserve for the year ended March 31, 2008.

4. Reorganisation of capital

In consideration of Demerger, including the transfer and vesting of securities broking and advisory service business of Indiabulls Financial Services Limited (Demerged undertaking) in Indiabulls Securities Limited (Resulting Company), the Company issued and allotted to each member of the IBFSL whose name is recorded in the register of members and records of the depository as members of the IBFSL on January 8, 2008 (Demerger record date) equity shares in IBSL in the ratio of 1(one) equity shares in IBSL of face value of Rs. 2/- each credited as fully paid-up for every 1(one) equity share of Rs.2/- each fully paid up held by such member in IBFSL.

As a result the existing equity capital consisting of 17,834,099 Equity shares of face value of Rs. 10 each of IBSL has been cancelled and a fresh equity capital consisting of 253,426,989 Equity shares of face value of Rs. 2 each has been issued. Further, the face value of existing 9,966,667 Cumulative, Redeemable, Non-convertible Preference shares of face value of Rs 162 each of IBFSL has been allocated proportionately as per the ratio of the net worth of the Demerged Undertaking to the net worth of the IBFSL immediately before the Demerger and accordingly, IBSL has issued and allotted 9,966,667 Cumulative, Redeemable, Non-convertible Preference shares of face value of Rs. 4.61 to the respective preference shareholder of IBFSL as on the record date. The terms and conditions including dividend and redemption on which IBFSL Preference shares were issued and allotted would *mutatis mutandis* apply to preference shares issued by IBSL. Accordingly, these Preference shares will be redeemed at par after five years from the date of issue of the Preference shares i.e. August 2, 2006. The dividend rate on these preference shares has changed from 5 % to 10% w.e.f. February 2, 2008 in terms of its issue by IBFSL.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS Continued

In terms of the Scheme, the Authorised Capital of the Company has been reorganised to Rs. 1,115,250,000 divided into 500,000,000 Equity Shares of Rs. 2/- each and 25,000,000 Preference shares of Rs. 4.61 each.

Subsequent to the year ended March 31, 2008 the equity shares issued on the demerger of the Company were listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) on April 2, 2008.

5. On March 30, 2007, Indiabulls Securities Limited had implemented the Employees Stock Option Scheme 2007 ("IBSL ESOS-2007" or "Scheme"). Under the plan, Indiabulls Securities Limited was authorised to issue up to 3,000,000 options, each convertible into one equity shares of Rs. 10 each, to eligible employees of the Company and its subsidiary including employees of its erstwhile holding Company at an exercise price of Rs. 200 per share. Employees covered by the plan were granted an option to purchase shares under the IBSL ESOS - 2007, subject to the requirements of vesting. These options vested uniformly over a period of 5 years, whereby 20% of the options vest on each vesting date as per the vesting schedule. A Compensation Committee was constituted by the Board of Directors of the Company to administer the plan.

Pursuant to the shareholders authorisation dated November 24, 2007, these options were to be convertible into an equivalent number of equity shares of the Company over a period of ten years beginning from April 1, 2008. Further, as a consequence of the change in the face value of the equity shares of the Company from Rs. 10/- to Rs. 2/- each pursuant to the Scheme, 3,000,000 stock options granted by the Company prior to the Demerger Effective Date (giving right to an option holder to subscribe for one equity share of Rs. 10/- each at an exercise price of Rs. 200/- per share) was increased to 15,000,000 stock options (giving right to an option holder to subscribe for one Equity Share of Rs. 2/- each at an exercise price of Rs. 40/- per share).

The salient features of the ESOS scheme of IBSL are as under:

Indiabulls Securities Limited Employees Stock Option Scheme -2007

	<b>IBSL ESOS - 2007</b>	
	<b>Year ended March 31, 2009</b>	<b>Year ended March 31, 2008</b>
Total Options under the Scheme *	15,000,000	15,000,000
Outstanding at the beginning of the year	15,000,000	-
Exercisable at the beginning of the year	-	-
Options Granted during the year	-	15,000,000
Exercise Price (Rs.)*	40.00	40.00
Options vested during the year.	1,500,000	-
Exercised during the year	-	-
Expired during the year	-	-
Cancelled during the year**	15,000,000	-
Options Outstanding at the end of the year	-	15,000,000
Exercisable at the end of the year	-	-
Remaining contractual Life (Months)	-	120

\* The number of options and exercise price have been adjusted taking into account change in the face value of the equity shares of the Company from Rs. 10/- to Rs. 2/- each pursuant to the Scheme.

\*\* During the current financial year all the unvested and vested options were surrendered by the respective option holders and Compensation Committee decided not to regrant the same and decided to cancel unvested and vested options 15,000,000 options and withdraw the scheme. On January 19, 2009, pursuant to the shareholders' approval, the Company cancelled and withdrew the Indiabulls Employees Stock Option Scheme-2007 and cancelled the 15,000,000 unvested stock options granted including ungranted options.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *Continued*

### Employees Stock Option Scheme - 2008

Pursuant to resolution passed by the shareholders on January 19, 2009 the Company has cancelled and withdrawn the existing "Employee Stock Option Scheme-2007", covering 15,000,000 stock option and establish 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, has granted, under the "Indiabulls Securities Limited Employees Stock Option Scheme - 2008", 20,000,000 Stock Options representing an equal number of equity shares of face value Rs 2/- each in the Company, to the Eligible Employees, at an exercise price of Rs 17.40, being the latest available closing market price on the National Stock Exchange of India Ltd, as on January 23, 2009 following the intrinsic method of accounting as is prescribed in the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employees Share based Payments ("the Guidelines"). As the options have been granted at intrinsic value, there is no employee stock compensation expense on account of the same. The Stock Options so granted, shall vest in the eligible employees uniformly 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.

The fair value of the options under the plans using the Black-Scholes model based on the following parameters is Re.0.84 per option.

S. No.	Particulars	ESOP-2008
1	Exercise price	Rs. 17.40
2	Expected volatility	79%
3	Expected forfeiture percentage on each vesting date	Nil
4	Option Life (Weighted Average)	11 Years
5	Expected Dividends yield	22.99%
6	Risk Free Interest rate	6.50%

The expected volatility was determined based on historical volatility data.

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

Particulars	Amount Rs.
Net Loss (as reported)	134,206,546
Less : Stock-based compensation expense determined under fair value based method: [Gross Rs.16,800,000 (Previous Year Rs. Nil)] (pro forma)	4,920,667
Net Loss considered for computing EPS (pro forma)	139,127,213
<b>Basic / Diluted Earnings Per Share</b>	
Weighted average number of equity shares used for computing Basic Earnings per Share	253,426,989
Add: Potential number of Equity share that could arise on exercise of Employee Stock Options	4,954,880
Weighted average number of equity shares used for computing Diluted Earnings per Share	258,381,869
Basic earnings per share (as reported)	(0.53)
Basic earnings per share (pro forma)	(0.54)
Diluted earnings per share (as reported)	(0.53)
Diluted earnings per share (pro forma)	(0.54)

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *Continued*

As the potential equity shares to be issued on conversion of ESOS results in a reduction in loss per share for the year, the same is considered as anti dilutive in nature. Accordingly Diluted Earnings Per Share is same as Basic Earnings Per Share.

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

<b>Employees Stock Option Plan-2008</b>	
<b>Total Options under the Scheme</b>	<b>20,000,000</b>
Options granted (Nos.)	20,000,000
Vesting Period and Percentage	Ten years, 10% each year
Vesting Date	January 25 each year, commencing January 25, 2010
Exercise Price (Rs.)	17.40
Options vested during the year (Nos.)	-
Exercised during the year (Nos.)	-
Expired during the year (Nos.)	-
Cancelled during the year	-
Outstanding at the end of the year (Nos.)	20,000,000
Remaining contractual Life (Weighted Months)	136

6. On March 06, 2009 the Shareholders of Indiabulls Securities Limited, by means of a Special Resolution passed through the postal ballot, with requisite majority authorised the buy-back of the Company's fully paid-up Equity Shares of face value Rs. 2/- each from the open market through stock exchanges, at a price not exceeding Rs. 33/- per share up to a maximum amount of Rs. 83,17,96,227, being 25% of the total paid-up equity capital and free reserves as per the audited balance sheet of the Company as at the year ended March 31, 2008, to be financed out of the Company's free reserves and surplus and balance in the Profit and Loss Account. The Company has proposed to buyback upto 39,281,000 of its fully paid up Equity Shares and minimum number of 5,000,000 of its fully paid up Equity Shares at a price not exceeding Rs 33/- per Equity Share. Subsequent to year end the Company has bought back 7,271 shares as of date.
7. During the current financial year there was variation in the terms of Appointment of Mr. Ashok Sharma pursuant to Section 302 of the Companies Act, 1956. Mr. Ashok Sharma who was appointed as a Whole-time Director of the Company on May 18, 2005 (effective from May 18, 2005) and has been drawing remuneration from the Company with effect from May 18, 2005, pursuant to the shareholders approval, accorded in the Annual General Meeting of the Company dated August 26, 2005. While the terms of his remuneration as approved by the Shareholders, he was to receive remuneration from the Company till March 31, 2009, in the Board meeting dated December 8, 2008 Mr. Ashok Sharma expressed his desire to continue as the Whole time Director of the Company, without any remuneration, effective December 1, 2008. The last drawn remuneration by Mr. Ashok Sharma was Rs.200,000/- per month. Accordingly, in deference of his desire the Board has decided that with effect from December 1, 2008 Mr. Ashok Sharma would be Whole time Director of the Company without any remuneration.
8. Secured Loans
  - a) Vehicles Loans of Rs. 20,902,980(Previous Year Rs. 47,058,929) are secured against hypothecation of Vehicles.
  - b) Working Capital loan of Rs. 400,000,000 (Previous Year Rs. 400,000,000) are secured against Fixed Deposits placed with Banks.
9. During the year the Company has issued 90 days Commercial Paper of Rs. 1,000,000,000 at the discount rate of 14% which was subsequently repaid. Further, 178 days Commercial Paper amounting to Rs. 500,000,000 was issued at the discount rate of 12%, the same remained outstanding on March 31, 2009.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS Continued

10. Fixed deposits include Rs. 2,068,791,440 (Previous Year Rs. 2,925,000,000) pledged with the banks against bank guarantees issued by banks for base capital and additional base capital to National Stock Exchange of India, Bombay Stock Exchange of India and National Securities Clearing Corporation Limited.
- Fixed Deposits include Rs. 400,000,000 (Previous Year 400,000,000) pledged against working capital loan taken from Bank.
- Fixed Deposits include Rs. 7,500,000 (Previous Year 7,500,000) are pledged with National Stock Exchange of India, Bombay Stock Exchange of India and National Securities Clearing Corporation Limited for the purpose of Base capital.

11. During the year the Company had advanced a sum of Rs. 1,809,300,000 by way of loan to one of its wholly owned subsidiary-viz. Devata Tradelink Limited ("DTL"). DTL has 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 the year end to repay those loans and considering the erosion of the networth of the subsidiary, the Company has written off loans given to DTL aggregating to Rs. 1,809,300,000 as bad loans/ advances written off. Investments made by the company in the equity share capital of DTL amounting to Rs. 500,000 though considered as strategic and long term in nature, considering the losses suffered by this subsidiary, diminution in the value of the investment is considered as other than temporary in nature and accordingly provision for diminution in value amounting to Rs. 500,000 has been made in books of account.

12. The Company has taken office premises on operating lease at various locations and lease rent in respect of the same amounting to Rs. 158,047,330 (Previous Year Rs. 213,930,973) has been charged to Profit and Loss account. The minimum lease rental outstanding as at March 31, 2009 are as under:

	As at March 31, 2009	As at March 31, 2008
Within one year	77,730,560	195,784,283
One to Five years	84,263,969	121,495,690
More than Five years	-	5,430,943

The agreements are executed for a period ranging from 11 months to 9 years with a renewable clause and in many cases also provide for termination at will by either party giving a prior notice, period of 30 to 90 days.

13. The loss on squaring off of erroneous transactions on account of trading in securities amounting to Rs. 1,426,911 (Net) (Previous Year profit Rs. 3,428,597 (Net)) has been adjusted to Profit and Loss account.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *Continued*

### 14. Segment Reporting:

Segment information for the period from April 1, 2008 to March 31, 2009

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

	Broking related activities	Others	(Amount in Rs.) Total
i) Segment Revenue	3,948,889,503	-	3,948,889,503
	<i>6,180,451,407</i>	5,889,680	6,186,341,087
ii) Segment Results	1,668,635,782	-	1,668,635,782
	<i>3,784,972,539</i>	5,889,680	3,790,862,219
Less: Unallocated Income net of other unallocated Expense			(1,863,443,879)
			<i>(73,144,508)</i>
Less: Income taxes			(65,977,042)
			1,231,134,077
<b>Total Profit / (Loss) after tax</b>			<b>(128,831,055)</b>
			<i>2,486,583,634</i>
iii) Segment Assets	6,391,702,462	-	6,391,702,462
	<i>6,900,310,974</i>	-	6,900,310,974
Unallocated Corporate Assets			1,178,498,143
			7,147,246,931
<b>Total Assets</b>			<b>7,570,200,605</b>
			- 14,047,557,905
iv) Segment Liabilities	2,682,240,411	-	2,682,240,411
	<i>3,938,473,708</i>	-	3,938,473,708
Unallocated Corporate Liabilities			1,974,912,141
			6,468,835,787
<b>Total Liabilities</b>			<b>4,657,152,552</b>
			<i>10,407,309,495</i>
v) Capital Expenditure including Capital Advances	52,548,948	-	52,548,948
	<i>205,823,253</i>	-	205,823,253
vi) Depreciation	232,913,607	-	232,913,607
	<i>203,813,182</i>	-	203,813,182
Unallocated Depreciation			9,306,649
			8,293,425
vii) Non cash expenditure other than Depreciation	46,701,716	-	46,701,716
	<i>72,100,153</i>	-	72,100,153

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

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

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *Continued*

### 15. Disclosures in respect of applicability of AS-18 Related Party Disclosures:

#### a) Related parties where control exists:

<b>Nature of relationship</b>	<b>Name of party</b>
Subsidiary Companies	Indiabulls Commodities Limited (Formerly Indiabulls Commodities Private Limited) India Ethanol and Sugar Limited Devata Tradelink Limited Indiabulls Brokerage Limited

#### b) Other related parties:

<b>Nature of relationship</b>	<b>Name of party</b>
Key Management Personnel	Mr. Divyesh B. Shah, Director Mr. Ashok Sharma, Director Mr. Rajiv Rattan, Director & Person exercising significant control Mr. Saurabh K. Mittal, Director & Person exercising significant control Mr. Sameer Gehlaut, Person exercising significant control

#### c) Significant Transactions with Related Parties:

<b>Nature of Transaction</b>	<b>Subsidiaries</b>	<b>Key Management Personnel</b>	<b>Total</b>
<b>Income</b>			
Brokerage Income	19,070,075 <i>25,097,288</i>	- -	19,070,075 <i>25,097,288</i>
Transaction and Other Charges	9,358,430 <i>1,943,078</i>	- -	9,358,430 <i>1,943,078</i>
Income from Depository Services	75,246 <i>187,321</i>	- -	75,246 <i>187,321</i>
<b>Expenses</b>			
Reimbursement of expenses paid	156,775,693 <i>8,619</i>	- -	156,775,693 <i>8,619</i>
Reimbursement of expenses received	2,663,548 <i>98,934</i>	- -	2,663,548 <i>98,934</i>
Remuneration	- -	3,700,000 <i>20,716,478</i>	3,700,000 <i>20,716,478</i>
<b>Investment</b>			
Equity Shares	35,000,000 <i>500,000</i>	- -	35,000,000 <i>500,000</i>

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

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *Continued*

d) Outstanding as at March 31, 2009:

Nature of Transaction	Subsidiaries	Key Management Personnel	Total
Payable on account of dealing in Securities	-	-	-
	<i>39,238,105</i>	-	<i>39,238,105</i>

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

e) Statement of Material Transactions

Particulars	For the year ended March 31, 2009	For the year ended March 31, 2008
<b>Reimbursement of Expenses paid</b>		
- Indiabulls Commodities Limited (Formerly Indiabulls Commodities Private Limited)	156,775,693	8,619
<b>Reimbursement of Expenses received</b>		
- Indiabulls Commodities Limited (Formerly Indiabulls Commodities Private Limited)	1,646,314	76,970
- Indiabulls Brokerage Limited	1,017,234	-
- Devata Tradelink Limited	-	21,964
<b>Brokerage Income</b>		
- Indiabulls Commodities Limited (Formerly Indiabulls Commodities Private Limited)	-	54,657
- Devata Tradelink Limited	19,070,075	25,021,601
<b>Income from Depository Services</b>		
- Indiabulls Commodities Limited (Formerly Indiabulls Commodities Private Limited)	74,489	187,321
- Devata Tradelink Limited	757	-
<b>Transaction and Other Charges</b>		
- Indiabulls Commodities Limited (Formerly Indiabulls Commodities Private Limited)	-	100,311
- Devata Tradelink Limited	9,358,430	1,842,767
<b>Investment in Equity Shares</b>		
- Indiabulls Brokerage Limited	35,000,000	-
- Devata Tradelink Limited	-	500,000
<b>Remuneration</b>		
- Mr. Ashok Sharma	1,600,000	4,263,743
- Mr. Divyesh B. Shah	2,100,000	12,446,013
- Mr. Tejinderpal S. Miglani	-	4,006,722

16. Earnings per share:

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



## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS Continued

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

	Year ended March 31, 2009	Year ended March 31, 2008
		Amount (in Rs.)
Net Profit as per Profit & Loss Account (Rs.)	(111,125,735)	2,486,583,634
Less: Prior period adjustment - Taxation	17,705,321	-
Less: Preference Dividend and tax thereon (Rs.)	5,375,490	3,117,345
<b>Net Profit attributable to Equity Shareholders (Rs.)</b>	<b>(134,206,546)</b>	<b>2,483,466,289</b>
Basic/ Diluted Earnings Per Share:		
Weighted average number of equity shares used for computing Basic Earnings per Share	253,426,989	253,426,989
Add: Potential number of Equity share that could arise on exercise of Employee Stock Options	4,954,880	7,284,943
Weighted average number of equity shares used for computing Diluted Earnings per Share	258,381,869	260,711,932
Nominal Value of equity Shares (Rs.)	2.00	2.00
<b>Earnings Per Share - Basic (Rs.)</b>	<b>(0.53)</b>	<b>9.80</b>
<b>Earnings Per Share - Diluted (Rs.) (*)</b>	<b>(0.53)</b>	<b>9.53</b>

(\*) As the potential equity shares to be issued on conversion of ESOS results in a reduction in loss per share for the year, the same is considered as anti dilutive in nature. Accordingly Diluted Earnings Per Share is same as Basic Earnings Per Share.

17. The breakup of deferred tax assets / liabilities into major components as at March 31, 2009 is as under:

	As at March 31, 2009	As at March 31, 2008
		Amount (in Rs.)
Deferred Tax Assets		
Provision for Doubtful Debts and Advances	37,275,426	27,988,411
Unabsorbed Losses Carried Forward	58,736,175	--
Disallowance U/s. 43B of Income Tax Act, 1961	19,943,755	13,824,644
	<b>115,955,356</b>	<b>41,813,055</b>
Deferred Tax Liabilities		
Depreciation	(126,975,955)	(143,280,714)
	<b>(126,975,955)</b>	<b>(143,280,714)</b>
Net Deferred Tax Liabilities	<b>(11,020,599)</b>	<b>(101,467,659)</b>

Deferred Tax credit (net) of Rs. 90,447,060 (Previous Year charge - Rs. 6,184,029) has been credited / (debited) to the profit and loss account for the year.

18. Employee benefits

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

Contributions are made to Government Provident Fund and Family Pension Fund and other statutory funds which covers all regular employees eligible under the respective acts. Both the employees and the Company make

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *Continued*

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.1,160,546 (Previous year Rs. 1,048,568) towards employer contribution for the above mentioned funds.

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

	Gratuity (Unfunded) 2008 - 09	Gratuity (Unfunded) 2007-2008	Compensated Absences (Unfunded) 2008 - 09	Compensated Absences (Unfunded) 2007-2008
<u>Reconciliation of liability recognized in the Balance Sheet</u>				
Present Value of commitments (as per Actuarial valuation)	(37,557,305)	(25,745,714)	(21,118,056)	(14,926,966)
Fair value of plans	-	-	-	-
Net liability in the Balance sheet (as per Actuarial valuation)	(37,557,305)	(25,745,714)	(21,118,056)	(14,926,966)
<u>Movement in net liability recognized in the Balance Sheet</u>				
Net liability as at April 01, 2008	(25,745,714)	(17,642,421)	(14,926,966)	(10,993,113)
Amount paid during the year	1,460,250	-	-	-
Net expenses recognized / (reversed) in the Profit and Loss Account	(13,271,841)	(8,103,293)	(6,191,090)	(3,933,853)
Contribution during the year	-	-	-	-
Net liability as at March 31, 2009	(37,557,305)	(25,745,714)	(21,118,056)	(14,926,966)
<u>Expenses recognized in the Profit and Loss Account</u>				
Current service cost	11,835,308	8,991,879	6,733,761	5,996,179
Interest Cost	1,933,749	1,565,593	1,118,577	946,444
Expected return on plan assets	-	-	-	-
Actuarial (gains) / losses	(497,216)	(2,454,179)	(1,661,248)	(2,875,260)
Expenses charged / (reversal) to the Profit and Loss Account	13,271,841	8,103,293	6,191,090	3,933,853
<u>Return on Plan assets</u>				
Expected return on Plan assets	-	-	-	-
Actuarial (gains) / losses	-	-	-	-
Actual return on plan assets	-	-	-	-
<u>Reconciliation of defined-benefit commitments</u>				
Commitments as at April 01, 2008	25,745,714	17,642,421	14,926,966	10,993,113
Current service cost	11,835,308	8,991,879	6,733,761	5,862,669
Interest cost	1,933,749	1,565,593	1,118,577	946,444
Paid benefits	(1,460,250)	-	-	-
Actuarial (gains) / losses	(497,216)	(2,454,179)	(1,661,248)	(2,875,260)
Commitments as at March 31, 2009	37,557,305	25,745,714	21,118,056	14,926,966
<u>Reconciliation of Plan assets</u>				
Plan assets as at April 01, 2008	-	-	-	-
Expected return on plan assets	-	-	-	-
Contributions during the year	-	-	-	-
Paid benefits	-	-	-	-
Actuarial (gains) / losses	-	-	-	-
Plan assets as at March 31, 2009	-	-	-	-

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS Continued

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

	Year ended March 31, 2009	Year ended March 31, 2008
Discount rate -		
Gratuity and Compensated Absences	7.00%	7.50%
Expected return on plan assets	NA	NA
Expected rate of salary increase	5.00%	5.00%
Mortality	LIC (1994-96) Duly Modified	LIC (1994-96) Ultimate

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

19. During the year, the Company acquired Nil (Previous Year 1,098,317) Ordinary Shares of face value of ₹ .001 in Copal Partners Limited amounting to Rs. Nil (Previous Year Rs. 476,694,683).
20. During the year the Company invested an amount of Rs. 35,000,000 (Previous Year Rs. 500,000) in wholly owned subsidiary Indiabulls Brokerage Limited (Previous year - Devata Tradelink Limited).
21. Managerial Remuneration under Section 198 of the Companies Act, 1956 (included under Employees Remuneration and Benefits in Schedule L)

	Year ended March 31, 2009	Year ended March 31, 2008
Salary	3,700,000	20,716,478
Perquisites	-	-
Retirement Benefits *	862,462	1,162,442
<b>Total</b>	<b>4,562,462</b>	<b>21,878,920</b>

During the year the company has paid managerial remuneration amounting to Rs. 22,198,046 to two of its Directors. However on account of loss incurred by the company mainly on account of writing off of advance given to its wholly owned subsidiary Devata Tradelink Limited, managerial remuneration for the year is revised based on the limits specified under Schedule XIII of the Companies Act, 1956 as applicable to the company. The amount paid to the directors in excess of the limits calculated above under Schedule XIII of the Companies Act, 1956 has been duly refunded by respective directors of the company as at the year end.

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

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

22. Expenditure in foreign currency:
- |                                  | Year ended<br>March 31, 2009 | Year ended<br>March 31, 2008 |
|----------------------------------|------------------------------|------------------------------|
| Consultancy/Professional Charges | 68,751                       | 9,04,142                     |

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *Continued*

23. Remittance during the year in foreign currency on account of preference dividend  
Interim Dividend (Year ended March 2009)  
Number of Shareholders: 1 (Previous Year: 1)  
Preference Shares held on which dividend is remitted: 9,966,667 (Previous Year 9,966,667)  
Amount Remitted: Rs 4,403,233 (Previous Year Rs 1,722,987\*)  
\*The above remittance for previous year includes preference dividend for the half year ended September 30, 2007 amounting to Rs. 1,148,658 paid by the erstwhile holding Company to the preference shareholders and is transferred to the Company in accordance with the Scheme.  
The Company does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividend have been made to non - resident shareholders.
24. The Board of Directors of the Company at its meeting held on June 25, 2009 has recommended a Dividend of Rs. 2 per share (100% on the face value of Rs. 2 per share) for the financial year 2008-09, out of the opening balance in Profit and Loss account. As the company has incurred losses during the year amounting to Rs. 130,421,989, the company has transferred an amount equivalent to 10% of the Surplus of Profit and Loss account balance brought forward after adjusting the loss incurred by the company during the year and also deducting the Interim Preference Dividend (including Corporate Dividend Tax) and proposed Preference Dividend (including Corporate Dividend Tax) for the year amounting to Rs. 4,050,027 and Rs. 1,325,463 respectively.
25. Derivative Instruments:  
The Company has not entered into any derivative instrument during the year. The Company does not have any foreign currency exposures towards receivables, payables or any other derivative instrument that have not been hedged.
26. Disclosures under the Micro, Small and Medium Enterprises Development Act, 2006:
- An amount of Rs. Nil (Previous Year Nil) and Rs. Nil (Previous Year 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.
  - No interest is payable at the end of the year other than interest under Micro, Small and Medium Enterprises Development Act, 2006.
  - No amount of interest was accrued and unpaid at the end of the accounting year.
- The above information and that given in Schedule H - "Current Liabilities and Provisions" regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.
27. No borrowing cost has been capitalised during the period.
28. Information under paragraphs 3 and 4 of Part II to Schedule VI of the Companies Act, 1956 is stated to the extent applicable to the Company.
- Quantitative information in respect of Non Trade Quoted Investment / Dealing in securities:

	As at March 31, 2009		As at March 31, 2008	
	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
<b>Investment at the beginning of the year</b>				
Equity Shares	-	-	-	-
<b>Total (A)</b>	-	-	-	-
<b>Investments made during the year</b>				
Equity Shares	-	-	24,426	7,572,060
<b>Total (B)</b>	-	-	<b>24,426</b>	<b>7,572,060</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *Continued*

	As at March 31, 2009		As at March 31, 2008	
	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
<b>Investments sold during the year</b>				
Equity Shares	-	-	24,426	8,806,764
<b>Total (C)</b>	-	-	<b>24,426</b>	<b>8,806,764</b>
<b>Investments as at the year end</b>				
Equity Shares	-	-	-	-
<b>Total (D)</b>	-	-	-	-
<b>Profit (C+D-A-B)</b>				<b>1,234,704</b>

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

In Equity Shares - Non-Trade Quoted	Purchase / Cost of Sale	
	No of units	Amount (Rs.)
Omaxe Limited	-	-
	24,426	7,572,060
<b>Total</b>		-
		7,572,060

*(Previous Year figures are given in italics)*

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

Mutual Fund	Type	Purchase / Cost of Sales	
		Units	Amount (Rs.)
ABNAMRO Cash Fund	Daily Dividend Reinvestment	-	-
		150,062,610	1,500,626,098
ABNAMRO Money Plus	Daily Dividend Reinvestment	-	-
		50,015,821	500,163,211
Birla Cash Plus - Institutional Premium	Daily Dividend Reinvestment	841,567,826	8,432,088,829
		129,797,995	1,300,511,014
Birla Sun Life Liquid Plus	Daily Dividend Reinvestment	100,391,352	1,004,596,177
		50,258,032	502,922,078
ICICI Prudential Institutional Liquid Fund	Daily Dividend Reinvestment	1,051,917,649	10,519,702,445
		1,209,846,561	12,098,585,668
LICMF Income Plus Fund	Daily Dividend Reinvestment	100,236,654	1,002,366,536
		-	-
LICMF Liquid Fund	Daily Dividend Reinvestment	919,816,253	10,099,674,436
		-	-
LICMF Savings Plus Fund	Weekly Dividend Reinvestment	50,474,072	504,881,874
		-	-
LICMF Savings Plus Fund	Daily Dividend Reinvestment	100,630,227	1,006,302,275
		-	-
Reliance Liquid Plus-Institutional	Daily Dividend Reinvestment	3,746,574	3,750,831,911
		-	-
Reliance Medium Term Fund	Daily Dividend Reinvestment	161,397,569	2,759,172,135
		-	-
Reliance Liquid Plus Fund	Daily Dividend Reinvestment	-	-
		4,499,714	4,504,827,448

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *Continued*

Mutual Fund	Type	Purchase / Cost of Sales	
		Units	Amount (Rs.)
Reliance Liquidity Fund	Daily Dividend Reinvestment	11,412,580,472 <i>30,661,164,273</i>	114,161,183,718 <i>306,706,692,343</i>
Standard Chartered Liquidity Manager.	Daily Dividend Reinvestment	- <i>179,067,966</i>	- <i>5,447,943,617</i>
UTI Liquid Cash Plan	Daily Income Option	- <i>11,750,373</i>	- <i>11,978,867,025</i>
UTI Money Market Fund	Daily Dividend Reinvestment	- <i>56,382,735</i>	- <i>1,000,500,352</i>

*(Previous Year figures are given in italics)*

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

	As at March 31, 2009		As at March 31, 2008	
	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
<b>Investment at the beginning of the year</b>				
Equity Shares	10,000	10,000	10,000	10,000
<b>Total (A)</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
<b>Investments made during the year</b>				
Equity Shares	-	-	-	-
<b>Total (B)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Investments sold during the year</b>				
Equity Shares	-	-	-	-
<b>Total (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Investments as at the year end</b>				
Equity Shares	10,000	10,000	10,000	10,000
<b>Total (D)</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>

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

In Equity / Ordinary Shares - Non-Trade Unquoted	As at March 31, 2009	
	No of units	Amount (Rs.)
Bombay Stock Exchange Limited	10,000 <i>10,000</i>	10,000 <i>10,000</i>
<b>Total</b>		<b>10,000</b> <i>10,000</i>

*(Previous Year figures are given in italics)*

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

	As at March 31, 2009		As at March 31, 2008	
	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
<b>Investment at the beginning of the year</b>				
Equity Shares	1,748,317	483,194,683	-	-
<b>Total (A)</b>	<b>1,748,317</b>	<b>483,194,683</b>	<b>-</b>	<b>-</b>

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS Continued

	As at March 31, 2009		As at March 31, 2008	
	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
<b>Investments made during the year</b>				
Equity Shares	3,500,000	35,000,000	1,748,317	483,194,683
<b>Total (B)</b>	<b>3,500,000</b>	<b>35,000,000</b>	<b>1,748,317</b>	<b>483,194,683</b>
<b>Investments sold / provided during the year</b>				
Equity Shares	-	500,000	-	-
<b>Total (C)</b>	<b>-</b>	<b>500,000</b>	<b>-</b>	<b>-</b>
<b>Investments as at the year end</b>				
Equity Shares		517,694,683		483,194,683
<b>Total (D)</b>		<b>517,694,683</b>		<b>483,194,683</b>

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

In Equity / Ordinary Shares - Non-Trade Unquoted	As at March 31, 2009	
	No of units	Amount (Rs.)
Copal Partners Limited	1,098,317	476,694,683
	<i>1,098,317</i>	<i>476,694,683</i>
Indiabulls Commodities Limited (Formerly Indiabulls Commodities Private Limited)	600,000	6,000,000
	<i>600,000</i>	<i>6,000,000</i>
Devata Tradelink Limited	50,000	-
	<i>50,000</i>	<i>500,000</i>
Indiabulls Brokerage Limited	3,500,000	35,000,000
	-	-
<b>Total</b>		<b>517,694,683</b>
		<b>483,194,683</b>

*(Previous Year figures are given in italics)*

29. Provision for Current Tax includes provision for Wealth Tax of Rs. 496,045 (Previous year Rs. 361,000).
30. As per the best estimate of the management, no provision is required to be made as per Accounting Standard (AS) 29 - Provisions, Contingent Liabilities and Contingent Assets as notified under the Companies (Accounting Standards) Rules, 2006, in respect of any present obligation as a result of a past event that could lead to a probable outflow of resources, which would be required to settle the obligation.
31. In respect of amounts as mentioned under Section 205C of the Companies Act, 1956, there were no dues required to be credited to the Investor Education and Protection Fund as at March 31, 2009.
32. Previous year's figures have been re-grouped / re-arranged wherever considered necessary to confirm to current year's groupings and classifications.

As per our report of even date attached

For Deloitte Haskins & Sells  
Chartered Accountants

K. A. Katki  
Partner

Gurgaon, June 25, 2009

For and on behalf of the Board

Divyesh B. Shah  
Director

Gurgaon, June 25, 2009

Ashok Sharma  
Director

R. K. Agarwal  
Company Secretary

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 2008-09

Sr. No.	Name of the Subsidiary Company	Financial year/period ending of the Subsidiary	Date from which they became Subsidiary Companies	Holding Company's interest Number of shares held (Equity Shares of Rs. 10 each stated otherwise)	Extent of Holding	The net aggregate amount of profit/(losses) so far as it concerns the members of Holding Company			
						a. Not dealt with in the Holding Company Accounts		b. Dealt with in the Holding Company Accounts	
						i) For the Financial Year ended 31st March 2008-2009	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 2009	ii) For the previous financial years of the Subsidiary Companies since they become Holding Company's subsidiaries
1	Indiabulls Commodities Limited (Formerly Indiabulls Commodities Private Limited)	31-Mar-09	1-Apr-07	600,000 Equity Shares of Rs 10 each fully paid up	100%	5,721,467	22,420,864	NIL	NIL
2	India Ethanol and Sugar Limited <sup>1</sup>	31-Mar-09	1-Apr-07	190,000 Equity Shares of Rs 10 each fully paid up	100%	(5,437)	(23,879)	NIL	NIL
3	Devata Tradelink Limited	31-Mar-09	9-Jan-08	50,000 Equity Shares of Rs 10/- each fully paid up	100%	(1,826,195,764)	8,651,276	NIL	NIL
4	Indiabulls Brokerage Limited <sup>2</sup>	31-Mar-09	22-Aug-08	3,500,000 Equity Shares of Rs 10/- each fully paid up	100%	(293,102)	NA	NIL	NIL

## Notes:

- 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.
- Indiabulls Brokerage Limited was incorporated on 22nd August 2008 as a subsidiary of the Company.

For and on behalf of the Board

**Divyes B. Shah**  
Director

**Ashok Sharma**  
Director

Gurgaon, June 25, 2009



## DETAILS OF SUBSIDIARY COMPANIES

Particulars	Indiabulls Commodities Limited	India Ethanol and Sugar Limited	Devata Tradelink Limited	Indiabulls Brokerage Limited
Share Capital	6,000,000	1,900,000	500,000	35,000,000
Reserves & Surplus	53,505,224	(946,778)	(1,817,544,487)	(293,102)
Total Assets	143,333,694	1,013,314	10,653,147	34,819,042
Total Liabilities	143,333,694	1,013,314	10,653,147	34,819,042
Investments	1,922,828	-	-	-
Revenue	62,881,189	74,084	15,017,856	1,131,478
Profit Before Taxation	8,458,743	5,763	(1,826,194,438)	(325,545)
Provision For Taxation	2,737,276	11,200	1,326	(32,443)
Profit After Tax	5,721,467	(5,437)	(1,826,195,764)	(293,102)
Proposed Dividend	-	-	-	-

# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. L 7 4 9 9 9 D L 1 9 9 5 P L C 0 6 9 6 3 1 State Code 5 5  
 Balance Sheet Date 3 1 0 3 2 0 0 9

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

Public Issue	N I L	Rights Issue	N I L
Bonus Issue	N I L	Private Placement	N I L
Global Depository Receipt	N I L	Employees Stock Options Plan	N I L

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

Total Liabilities	7 5 7 0 2 0 1	Total Assets	7 5 7 0 2 0 1
Sources of Funds			
Paid-up Capital	5 5 2 8 0 0	Reserves & Surplus	2 3 6 0 2 4 8
Secured Loans	4 2 4 9 8 0	Unsecured Loans	6 9 5 0 0 0
Deferred Tax Liability (Net)	1 1 0 2 0		
Application of Funds			
Net Fixed Assets	9 0 2 7 4 7	Investments	5 1 7 7 0 5
Net Current Assets	2 6 2 3 5 9 6	Misc. Expenditure	N I L
Accumulated Losses	N I L	Deferred Tax Assets (Net)	N I L

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

Turnover	4 0 3 2 7 9 8	Total Expenditure	4 2 2 7 6 0 6
Profit/ Loss before tax	- 1 9 4 8 0 8	Profit/ Loss after tax	- 1 2 8 8 3 1
(Please tick Appropriate Box+ for Profit, - for Loss)			
Earning per Share in Rs. (BASIC)	- 0 . 5 3	DILUTED	- 0 . 5 3
		Dividend	1 0 0 %

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

Item Code No.	8 0 3
(NIC Code)	
Product	S E C U R I T I E S B R O K I N G &
Description	A D V I S O R Y B U S I N E S S
Item Code No.	
(NIC Code)	
Product	
Description	
Item Code No.	
(NIC Code)	
Product	
Description	



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# Indiabulls

Indiabulls Securities Limited

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MUMBAI - 400005

**Website**

[www.indiabulls.com/securities](http://www.indiabulls.com/securities)