

Indiabulls Securities Limited

Annual Report 2012-13

Empowering your growth

Indiabulls
SECURITIES



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Company Information

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Board of Directors:

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

Company Secretary:

Mr. R. K. Agarwal

Internal Auditors

N D Kapur & Co.
 Chartered Accountants
 O-24B, LGF Jangpura Extension
 New Delhi – 110014

Statutory Auditors:

Deloitte Haskins & Sells
 Chartered Accountants
 Indiabulls Finance Centre, Tower 3,
 32nd Floor, Elphinstone Mill Compound,
 Senapati Bapat Marg, Elphinstone (W),
 Mumbai - 400 013

Registrars & Transfer Agents:

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

Registered Office:

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

Corporate Offices:

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

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

Bankers:

Allahabad Bank
 Andhra Bank
 Axis Bank
 Bank of Baroda
 Bank of India
 Bank of Maharashtra
 Canara Bank
 Citi Bank
 Dena Bank
 HDFC Bank
 HSBC Bank
 ICICI Bank
 IDBI Bank
 Indian Bank
 IndusInd Bank
 ING Vysya Bank
 Karnataka Bank
 Karur Vysya Bank
 Oriental Bank of Commerce
 Punjab and Sind Bank
 Punjab National Bank
 The Royal Bank of Scotland
 Standard Chartered Bank
 State Bank of India
 State Bank of Patiala
 Syndicate Bank
 UCO Bank
 Union Bank of India
 United Bank of India
 Vijaya Bank
 Yes Bank

Letter from the CEO

It was another year that was characterized by an environment not conducive to the capital market. Challenges of global economic turmoil, inflation, high interest rates all contributed to the volatility and softness in the market. It was also instrumental in keeping the retail investor at bay. A further shift towards the derivatives segment put additional pressures on the Company's margins.

The current outlook looks a mixed bag. Inflationary pressures seem to have eased a bit, which would have shown some reduction in the interest rates. However, the current announcement of the Federal Reserve to scale down its stimulus program has created a turmoil in the financial markets. The rupee has weakened significantly against the US dollar and markets also reacted on cue. Gold prices moved south which created an appetite for investment, but at the cost of capital market investment.

One of the significant events in the future is the General Elections, and historically these have had a significant impact on the Capital Market in India. The markets will wait with baited breath on the outcome of these elections, which will determine the policy initiatives that may spur a revival in the Capital Markets.

Your Company too will wait and watch for these developments to pan out. To combat the pressures on margins your Company has aggressively ventured into the Retail Non Discretionary Wealth Management segment, by leveraging on it's existing network of clients. This coupled with a judicial control on costs has enabled your Company to post handsome profits in the fiscal year 2012-13 as opposed to a loss in the previous year. Continuing it's maxim of rewarding shareholders, your Company has declared 3 interim dividends of ₹ 1/- each on a face value of ₹ 2/- each for the fiscal year 2012-13.

I take this opportunity to thank all the shareholders and employees for reposing their faith in the Company in these times of uncertainty.

Thank you



Mr. Divyesh B. Shah
CEO, Indiabulls Securities Limited

Management Discussion and Analysis

Economic Review

Growth indicators for the Indian economy are showing signs of stabilization but the macro economic environment still remain challenging, particularly with regards to inflation. Government projects under implementation and real estate activity indicators picked up in the third quarter of 2012 and there was sequential improvement in the region's exports but the macro environment still remains stretched. There is a dark mood in the advanced economies, especially in Europe. The slower growth in the US and in the EU will have an adverse impact on the expansion of these markets for India's exports, both of goods and services. Domestic and external environment remain "challenging" however an improving growth in the agriculture sector, a slight pick-up in export growth and more stable private capex could help improve economic growth. The Government's recent reforms include allowing FDI in multi-brand retail, aviation, hiking diesel price, capping the number of subsidized LPG cylinders, opening up pension sector to foreign investment and raising the FDI cap in insurance to 49 per cent are a positive sign and such moves will support investment sentiment. The reforms which have begun in earnest, and are likely to progress on a number of different fronts, should help in boosting trend growth. The government is serious about ending the policy paralysis and the commitment that will speedup infrastructure projects will help the economy.

Capital Markets Overview

Despite volatile moves, the year 2012 has finally proved to be fruitful for the stock market with about 25 per cent appreciation in benchmark indices, but investors are looking forward to more stable times in 2013. The wish-list includes favourable policy initiatives by the government and regulators like RBI and SEBI, in addition to implementation of already proposed reforms, as also a better corporate earnings performance in 2013 to keep up the momentum. RBI's monetary policy looks as the biggest trigger for the Indian stock market in 2013. Going ahead, implementation of the proposed Direct Cash Transfer, if happens on the desired lines, would lift investor sentiment. Also, the much awaited GST could be a game-changer for the markets. The government's reform agenda has lifted investor sentiments and business confidence, which in turn have driven overseas investment inflow. The Indian stock market is likely to perform well in 2013 as it remains the most attractive relative to other countries.

Business Review

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

Strengths

Equity, Debt and Derivative Brokerage

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

Online Trading Channels

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

Management Discussion and Analysis (contd.)

clients can transfer funds from their own bank accounts to Indiabulls Securities Limited ("IBSL") Bank accounts through payment Gateways. The credit for the same is given instantly to the client's linked Trading Account.

Indiabulls Group Professional Network

Indiabulls Group Professional Network is an on-line trading portal which is accessed through IBSL's website. Clients can execute the sale and purchase of securities, with or without the assistance of off-line relationship managers. Once a client sends a trade request, it is routed through the Risk Management System. The Risk Management System verifies that there are sufficient funds in the client account for the trade, and a confirmation reference number for the order will be sent to the client. The order request is then sent via high speed links to the NSE or the BSE where the trade is executed. On trade execution, the client receives confirmation. The IBSL trading website, <https://trade.indiabulls.com> provides many other facilities to clients such as objective financial information on the top 400 Indian stocks to assist their investment decisions, streaming real-time quotes, integrated risk management, and support for trading in equity, debt & derivatives.

Power Indiabulls

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

Mobile Power Indiabulls

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

Off-line Trading Channels

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

Depository Services

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

Centralised Customer Care Helpdesk

IBSL has a centralised Customer Care helpdesk, equipped with state-of-art facilities, to resolve customer queries. Customers can get in touch with Customer Care helpdesk through email, letters and phone. A phone based customer care channel provides customers with the option to resolve their queries by either talking to our customer care executives or by accessing the 24/7 Interactive Voice Response System (IVRS).

Management Discussion and Analysis (contd.)

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CRISIL Broker Grading, Ratings and Opinions

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

Challenges

The Company views the following as the challenges before it:

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

Risk Management Systems

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

Business Outlook

The Indian Capital Market is facing strong headwinds as the Federal Reserve signals plans to scale back its massive stimulus program. Challenges will remain on the macro-economic front with the weakening rupee and widening current account deficit. There is also the added fear of increased government spending on populist welfare programmes ahead of elections due in May 2014. Markets will continue to remain volatile in the first half and will seek direction from global cues on its movement. It is expected that markets are likely to see some recoveries in the second half of the current fiscal year. Your company has over the last couple of years prepared to protect itself from the dwindling fortunes of the capital market. We have diversified our revenue stream by tapping into the third party distribution services in the area of residential real estate, loan products, mutual fund, etc., among its clients.

This has resulted in significant increase in company's revenue and has reduced its dependence on securities broking.

Human Resources

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

Management Discussion and Analysis (contd.)

Internal Control Systems

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

Cautionary Statement

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

Directors' Report

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Your Directors have pleasure in presenting the Eighteenth Annual Report and the audited accounts of the Company for the year ended March 31, 2013.

FINANCIAL RESULTS

The highlights of the financial results for the year ended March 31, 2013 are as under:

	Year ended March 31, 2013 (Amount in ₹)	Year ended March 31, 2012 (Amount in ₹)
Profit before Depreciation & Amortization expenses and Tax	569,058,924	28,060,563
Less: Depreciation & Amortization expenses	76,491,625	118,718,587
Profit/(Loss) before Tax	492,567,299	(90,658,024)
Less: Provision for Taxation & prior period tax adjustments	(65,787,971)	25,362,622
Profit/ (Loss) after Tax and prior period tax adjustment	558,355,270	(116,020,646)
Add: balance of profit brought forward	1,268,936,124	1,384,956,770
Amount available for appropriation	1,827,291,394	1,268,936,124
Appropriations		
Interim Dividend on Equity Shares	693,337,533	-
Corporate Dividend Tax on Interim Dividend on Equity Shares	114,262,025	-
Transfer to General Reserves	55,835,527	-
Balance of profit carried forward to Balance sheet	963,856,309	1,268,936,124

OPERATIONS REVIEW

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

The Total Revenue of the Company during the year was ₹ 131.99 crores with a net profit of ₹ 55.84 crores. The consolidated revenue of the Company was ₹ 199.44 crores and the consolidated net profit was ₹ 63.30 crores.

FUTURE BUSINESS OUTLOOK

The Indian Capital Market is facing strong headwinds as the Federal Reserve signals plans to scale back its massive stimulus program. Challenges will remain on the macro-economic front with the weakening rupee and widening current account deficit. There is also the added fear of increased government spending on populist welfare programmes ahead of elections due in May 2014. Markets will continue to remain volatile in the first half and will seek direction from global cues on it's movement. It is expected that markets are likely to see some recoveries in the second half of the current fiscal year. Your company has over the last couple of years prepared to protect itself from the dwindling fortunes of the capital market. We have diversified our revenue stream by tapping into the third party distribution services in the area of residential real estate, loan products, mutual fund, etc, among its clients.

This has resulted in significant increase in company's revenue and has reduced its dependence on securities broking.

Directors' Report (contd.)

DIVIDEND

In keeping with the Company's policy to reward its shareholders, the Board of Directors of the Company, had, for the year 2012-13, declared three interim dividends aggregating to ₹ 3/- per share on shares of face value ₹ 2/- each (₹ 1/- per equity share on October 19, 2012, ₹ 1/- per equity share on January 22, 2013 and ₹ 1/- per equity share on April 23, 2013). Your Directors recommend that the payment of the aforesaid interim dividends aggregating to ₹ 3/- per equity share on shares of face value ₹ 2/- each for the year ended on March 31, 2013 be confirmed.

In addition, the Board of Directors of the Company has on July 24, 2013 declared an interim dividend of ₹ 1/- per equity share (on the face value of ₹ 2 per share) for the financial year 2013-2014.

EMPLOYEE STOCK OPTIONS

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

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

DIRECTORS

In accordance with the provisions of Section 255 and 256 of the Companies Act, 1956 and Articles of Association of the Company, Mr. Prem Prakash Mirdha (DIN: 01352748) and Mr. Labh Singh Sitara (DIN: 01724648) retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for reappointment.

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

FIXED DEPOSITS

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

SUBSIDIARIES

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

In accordance with the Circular No. 2/2011 No. 5/12/2007-CL-III dated February 8, 2011 issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. However, the financial of the subsidiary companies is disclosed in the Annual Report in compliance with the said circular. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

LISTING WITH STOCK EXCHANGES

The equity shares of the Company continue to remain listed with the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE). The listing fees payable to both the exchanges for the financial year 2013-2014 have been paid. The Global Depository Receipts of the Company continue to be listed on the Luxembourg Stock Exchange.

Directors' Report (contd.)

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

CORPORATE GOVERNANCE REPORT

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a detailed report on Corporate Governance is included in the Annual Report. A Practicing Company Secretary's Certificate certifying the Company's compliance with the requirements of Corporate Governance in relation to Clause 49 of the Listing Agreement is attached with the Corporate Governance Report.

DIRECTORS' RESPONSIBILITY STATEMENT

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

1. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures from the same;
2. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2013 and the profit of the Company for the year ended on that date;
3. the Directors have taken proper and sufficient care for maintaining of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. the Directors have prepared the Annual Accounts of the Company on a 'going concern' basis.

AUDITORS & AUDITORS' REPORT

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

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

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

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

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

Directors' Report (contd.)

ACKNOWLEDGEMENT

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

For and on behalf of the Board of Directors

Date: September 3, 2013
Place: New Delhi

Divyesh B. Shah
Whole-time Director &
Chief Executive Officer

Ashok Sharma
Whole-time Director

Directors' Report (contd.)

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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 operations do not account for substantial energy consumption. However, the Company is taking all possible measures to conserve energy. As an ongoing process, the following measures are undertaken:

- Implementation of viable energy saving proposals.
- Installation of automatic power controllers to save maximum demand charges and energy.
- Installation of TFT monitors that saves power.
- Shutting of all the lights when not in use.
- 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. The management keeps itself abreast of technological advancement in the industry and ensures continues and sustained efforts towards absorption of technology, adaptation as well as development of the same to meet the business needs and objectives.

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

Earnings in Foreign Currency:

Particulars	(Amount in ₹)	
	Year ended March 31, 2013	Year ended March 31, 2012
Advisory Income	36,727	1,342,657
Dividend on Long-Term Investments	13,296,733	35,342,898

Expenditure in foreign currency:

Particulars	(Amount in ₹)	
	Year ended March 31, 2013	Year ended March 31, 2012
Software Charges	-	301,439

Directors' Report (contd.)

ANNEXURE TO THE DIRECTORS' REPORT REGARDING THE ESOP ISSUE UNDER 'INDIABULLS SECURITIES LIMITED EMPLOYEES STOCK OPTION SCHEME – 2008' AS ON MARCH 31, 2013

Particulars	IBSL ESOP 2008
a. Options Granted	20,000,000
b. Exercise price	₹ 17.40
c. Options vested during the year	1,182,538*
d. Options exercised during the year	Nil
e. The total number of Shares arising as a result of exercise of option	Nil
f. Options lapsed	7,863,054
g. Variation in terms of options	Nil
h. Money realized by exercise of options	Nil
i. Total number of options in force	10,965,083
j. Employee wise details of options granted to; <ul style="list-style-type: none"> i. Senior Management personnel 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 iii. identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital of the company. 	Mr. Divyesh B Shah - 2,500,000 Options Nil 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']	₹ 2.42
l. Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed	Refer to Note 32 of financial statements (standalone) forming part of the Annual Report.
m. Weighted – average exercise prices and weighted – average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Weighted average exercise price: ₹ 17.40 per option Weighted average fair value: ₹ 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"> i. risk free interest rate ii. expected life iii. expected volatility iv. expected dividends, and v. the price of the underlying share in market at the time of option grant 	Refer to Note 32 of financial statements (standalone) forming part of the Annual Report.

*Net of options surrendered before vesting.

Directors' Report (contd.)

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ANNEXURE TO THE DIRECTORS' REPORT REGARDING THE ESOP ISSUE UNDER 'INDIABULLS SECURITIES LIMITED EMPLOYEES STOCK OPTION SCHEME – 2009' AS ON MARCH 31, 2013

Particulars	IBSL ESOP 2009			
a. Options Granted	12,050,000*			
b. Exercise price	10,000,000 options @ ₹ 35.25 and 2,050,000 options @ ₹ 31.35			
c. Options vested during the year	50,000			
d. Options exercised during the year	Nil			
e. The total number of Shares arising as a result of exercise of option	Nil			
f. Options lapsed	11,550,000			
g. Variation in terms of options	Nil			
h. Money realized by exercise of options	Nil			
i. Total number of options in force	500,000			
j. Employee wise details of options granted to;				
i. Senior Management personnel	Mr. Divyesh B Shah - 500,000 Options			
ii. any other employee who received a grant in any one year of option amounting to 5% or more of option granted during that year	Nil			
iii. identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital of the company.	Nil			
k. Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with [Accounting Standard (AS) 20 'Earnings Per Share']	₹ 2.42			
l. Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed	Refer to Note 32 of financial statements (standalone) forming part of the Annual Report.			
m. Weighted – average exercise prices and weighted – average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	10,000,000 Options		2,050,000 Options	
	Weighted average exercise price:	Weighted average fair value:	Weighted average exercise price:	Weighted average fair value:
	₹ 35.25 per option	₹ 6.48 per option	₹ 31.35 per option	₹ 9.39 per option
n. A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted – average information:	Refer to Note 32 of financial statements (standalone) forming part of the Annual Report.			
i. risk free interest rate				
ii. expected life				
iii. expected volatility				
iv. expected dividends, and				
v. the price of the underlying share in market at the time of option grant				

*balance 79,50,000 options under the scheme are yet to be granted.

Report on Corporate Governance

1. The Company's philosophy on Corporate Governance

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

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

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

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

2. Board of Directors

(A) Composition and size of the Board

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

The Board consists of six Directors, two of whom including the CEO are Whole-time Executive Directors. The remaining four Directors are Non-Executive Independent directors. The Chairman being an Executive Director, the number of Independent Non-Executive Directors on the Board is 50% of the Board strength at any point of time. The details of Directors, number of directorships held by them in other companies as also the number of their memberships and chairmanships on various board committees, as on March 31, 2013 are depicted in the table given below:

Report on Corporate Governance (Contd.)

S. No.	Name of the Director	Category of Directorship	No. of Directorships in other Companies*	No. of Memberships/ Chairmanship in Board Committees of various companies (including the Company)**	
				Member	Chairman
1.	Mr. Divyesh B. Shah (DIN: 00010933)	Executive Director	12	2	Nil
2.	Mr. Ashok Sharma (DIN: 00010912)	Executive Director	13	4	Nil
3.	Mr. Aishwarya Katoch (DIN: 00557488)	Non-Executive Independent Director	3	7***	3
4.	Mr. Karan Singh Khera (DIN: 00017236)	Non-Executive Independent Director	7	6***	4
5.	Brig. Labh Singh Sitara (DIN: 01724648)	Non-Executive Independent Director	3	2	Nil
6.	Mr. Prem Prakash Mirdha (DIN: 01352748)	Non-Executive Independent Director	4	4	Nil

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

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

*** Figures are inclusive of Chairmanship

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

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

During the financial year 2012-2013, the Board met 5 (Five) times. The dates of the Board meetings were April 30, 2012, July 21, 2012, August 30, 2012, October 19, 2012 and February 22, 2013.

The last Annual General Meeting of the Company was held on September 27, 2012.

A table depicting the attendance of Directors at various board meetings and annual general meeting held during the financial year 2012-2013 is given below:

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

Report on Corporate Governance (Contd.)

(C) Code of Conduct

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

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

3. Committees of the Board

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

(A) Audit Committee

Composition

The Audit Committee comprises of four members namely Mr. Karan Singh Khera as the Chairman, Mr. Ashok Sharma, Mr. Prem Prakash Mirdha and Mr. Aishwarya Katoch as members. Three out of the four members namely Mr. Karan Singh Khera, 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, 2012, July 21, 2012, October 19, 2012 and January 22, 2013.

Name of the Member	No. of meetings attended
Mr. Karan Singh Khera	4
Mr. Prem Prakash Mirdha	2
Mr. Ashok Sharma	4
Mr. Aishwarya Katoch	2

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

Report on Corporate Governance (Contd.)

(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. Karan Singh Khera and Mr. Prem Prakash Mirdha.

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 one committee meeting was held on April 30, 2012.

Name of the Member	Attendance at the meeting
Mr. Aishwarya Katoch	Yes
Mr. Karan Singh Khera	Yes
Mr. Prem Prakash Mirdha	No

Remuneration Policy

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

Remuneration of Directors

(i) Remuneration of Executive Director

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

Director	Relationship With other Directors	Salary (₹)	Total (₹)
Mr. Divyesh B. Shah	None	17,499,977	17,499,977

Notes:

1. Remuneration includes Basic Salary, Allowances, Incentives and Employee Benefits of ₹ 79,973 consisting of Compensated Absences and Gratuity based on actuarial valuation.
2. Mr. Divyesh B. Shah held 769,000 Equity shares ₹ 2/- each, in the Company, as on March 31, 2013.
3. The Company granted 3,000,000 stock options in aggregate to Mr. Divyesh B. Shah, convertible into an equivalent number of Equity Shares during the exercise periods prescribed under the relevant- Stock Option Scheme.
4. Terms and conditions of service of Executive Director are governed by the applicable Rules and Policies of the Company.

(ii) Remuneration of Non Executive Directors

Non- Executive Directors have not been paid any remuneration/sitting fees during the financial year 2012-2013. Non-executive directors do not hold any shares in the Company.

Report on Corporate Governance (Contd.)

(C) Shareholders' / Investors' Grievance Committee

Composition

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

Terms of reference

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

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

Meetings and Attendance during the year

During the year four committee meetings were held respectively on April 28, 2012, July 21, 2012, October 19, 2012 and January 22, 2013.

Name of the Member	No. of meetings attended
Mr. Karan Singh Khera	4
Mr. Prem Prakash Mirdha	2
Mr. Labh Singh Sitara	3

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 2012-2013

During the financial year 2012-2013, 404 investor complaints were received out of which 401 complaints were resolved till March 31, 2013 and remaining 3 complaints were resolved in April 2013, to the satisfaction of the shareholders.

4. General Body Meetings

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

Year	Location	Date	Time
2009-2010	Centaur Hotel, IGI Airport, Delhi-Gurgaon Road, New Delhi – 110 037	June 14, 2010	10:30 A.M.
2010-2011	Centaur Hotel, IGI Airport, Delhi-Gurgaon Road, New Delhi – 110 037	September 30, 2011	11:00 A.M.
2011-2012	Centaur Hotel, IGI Airport, Delhi-Gurgaon Road, New Delhi – 110 037	September 27, 2012	11:30 A.M.

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

In the AGM of the Company for the years 2009-2010 and 2011-2012 no special resolution was passed. However, in the AGM for the year 2010-11, special resolution as per detail hereunder, was passed:

Report on Corporate Governance (Contd.)

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

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

C. Special Resolutions passed during the financial year 2012-13 through postal ballot

During the financial year 2012-13, no Special Resolution was passed by the members of the Company through Postal Ballot.

5. Disclosures

(i) Details on materially significant related party transactions

Details of materially significant related party transactions made during the year 2012-2013, are contained in the notes to the annual accounts which form a part of the Annual Report.

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

- *Disciplinary Action Committee-NSE levied a penalty of ₹750,000/- vide its order dated December 24, 2010 in respect of limited purpose inspection conducted during March 2009.*
- *SEBI settled the adjudication proceedings against the Company on the payment of ₹3,000,000/-, vide its consent order dated 22nd September 2011 in the matter of Mega Corporation Ltd.*
- *Disciplinary Action Committee-NSE levied a penalty of ₹1,525,000/- vide its order dated 30th December 2011 in respect of limited purpose inspection conducted during March 2011.*
- *Disciplinary Action Committee-NSE levied a penalty of ₹1,675,000/- and additional ₹750,000 to be retained by the exchange for the period of 6 months as a suspended sentence vide its order dated 30th December 2011 in respect of regular inspection conducted during December 2010.*
- *Disciplinary Action Committee-NSE levied a penalty of ₹1,00,000/- vide its order dated 27th March 2012 in respect of limited purpose inspection (CM and F&O Segments) conducted during March 2011.*
- *Internal committee of NSE levied a penalty of ₹60,000/- vide its order dated July 31, 2012 in respect of Regular Inspection (CM, FO and CDS Segments) conducted during March 2012*
- *SEBI passed Adjudication order on December 28, 2012 imposing a penalty of ₹400,000 pursuant to inspection conducted during September 2009 and January 2010*
- *SEBI settled the proceedings on the payment of ₹510,000/-, vide its consent order dated 2nd January 2013 in the matter of Indiabulls Securities Ltd.*

(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.

Report on Corporate Governance (Contd.)

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 (English) and Jansatta (Hindi).

(ii) News, Release, etc:

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

(iii) Management's Discussion and Analysis Report:

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

(iv) Investors' Relation:

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

7. General Shareholders' Information

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

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

(B) Profile of Directors seeking reappointment

Mr. Prem Prakash Mirdha

Mr. Prem Prakash Mirdha, aged about 58 years, is an independent director on the Board of the Company since January 15, 2008. Mr. Mirdha was a second mate foreign going in the merchant navy. Mr. Mirdha has had a long stint of 11 years with the merchant navy. Mr. Mirdha has set up his own cement plants and is currently running the same. Mr. Mirdha also operates lime kilns which are suppliers to enterprises engaged in steel and sugar industries. Mr Mirdha brings his experience as a successful small scale entrepreneur to bear upon the deliberations of the Board.

Mr. Mirdha is also on the Board of Indiabulls Real Estate Limited, Store One Retail India Limited, Indiabulls Power Limited., Indiabulls Housing Finance Limited and Happy Tummy Kitchens Private Limited.

Report on Corporate Governance (Contd.)

Membership/Chairmanship of Mr. Prem Prakash Mirdha in committees of various companies is as under:

Company	Committee	Designation
Store One Retail India Limited	Remuneration Committee	Member
Indiabulls Real Estate Limited	Remuneration Committee	Member
Indiabulls Power Limited.	Audit Committee	Member
Indiabulls Power Limited.	Remuneration Committee	Member
Indiabulls Power Limited.	Compensation Committee	Member
Indiabulls Power Limited.	Shareholders'/ Investors' Grievance Committee	Member
Indiabulls Housing Finance Limited	Remuneration Committee	Member
Indiabulls Securities Limited	Audit Committee	Member
Indiabulls Securities Limited	Shareholders'/ Investors' Grievance Committee	Member
Indiabulls Securities Limited	Remuneration Committee	Member

Mr. Prem Prakash Mirdha does not hold any share in the Company.

Brigadier Labh Singh Sitara

Brigadier Labh Singh Sitara, aged about 74 years, is an independent director on the Board of the Company since January 15, 2008. He graduated from Government College, Maler Kotla, Punjab with a degree in economics and joined the National College of Physical Education, Gwalior. He has represented India at an international level and won three medals in the Asian Games. He joined the Indian army in 1962 and had a career spanning three decades during which he led troops both in war and peace. Brig. Sitara is an Honorary Sports Advisor to the Sports Department of the Government of Punjab and is also a member of the Punjab Sports Council and Vice President District Sainik Welfare Department of the Government of Punjab.

Brig. Sitara is also on the Board of Indiabulls Real Estate Limited, Indiabulls Power Limited. and Lucina Land Development Limited.

Membership/Chairmanship of Brig. Labh Singh Sitara in committees of various companies is as under:

Company	Committee	Designation
Indiabulls Power Limited.	Remuneration Committee	Member
Indiabulls Power Limited.	Compensation Committee	Member
Indiabulls Power Limited.	Shareholders'/ Investors' Grievance Committee	Member
Indiabulls Securities Limited	Shareholders'/ Investors' Grievance Committee	Member

Brig. Labh Singh Sitara does not hold any share in the Company.

(C) Financial year

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

(D) Date of Book Closure

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

Report on Corporate Governance (Contd.)

(E) (i) Distribution of shareholding as on 31st March 2013

SL. No.	Shareholding of nominal value (in ₹)	No. of holders	% to total holders	Value in ₹	% to nominal value
	From To				
1	Upto 5,000	114,780	94.36	76,560,824	16.56
2	5,001 - 10,000	3,583	2.95	26,666,394	5.77
3	10,001 - 20,000	1,746	1.44	26,171,816	5.66
4	20,001 - 30,000	490	0.40	12,314,588	2.67
5	30,001 - 40,000	273	0.22	9,849,336	2.13
6	40,001 - 50,000	176	0.14	8,132,670	1.76
7	50,001 - 100,000	305	0.25	21,586,396	4.67
8	100,001 and above	293	0.24	280,942,998	60.78
	TOTAL	121,646	100.00	462,225,022	100.00

(ii) Shareholding pattern as on 31st March 2013

Sr. No.	Category	No. of Shares	% holding
1.	Promoters and Promoters Group	9,012,0425	38.99
2.	Banks & Mutual Funds	369,947	0.16
3.	FIIIs	2,413,232	1.04
4.	Bodies Corporate	29,810,754	12.90
5.	Indian Public	104,971,208	45.42
6.	NRIs	2,905,107	1.26
7.	GDRs (Shares underlying)	66,077	0.03
8.	Clearing Members	455,761	0.20
	Total	231,112,511	100.00

(F) 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, 2013, 99.86 % Equity shares of the Company representing 230,800,049 out of a total of 231,112,511 Equity shares were held in dematerialized form and the balance 312,462 shares representing 0.14% of the total equity capital of the Company were held in physical form.

(G) Outstanding GDRs and Stock Options

The number of outstanding GDRs as on March 31, 2013 were 66,077. Each GDR represents one equity share of ₹ 2/- in the equity capital of the Company. Further, an aggregate of 11,465,083 Stock options were outstanding as on March 31, 2013. As and when the stock options are exercised, the equity share capital of the Company will stand increased accordingly.

Report on Corporate Governance (Contd.)

(H) 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-Neuve, L-2227, Luxembourg
BSE Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001	

(I) Stock Code

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

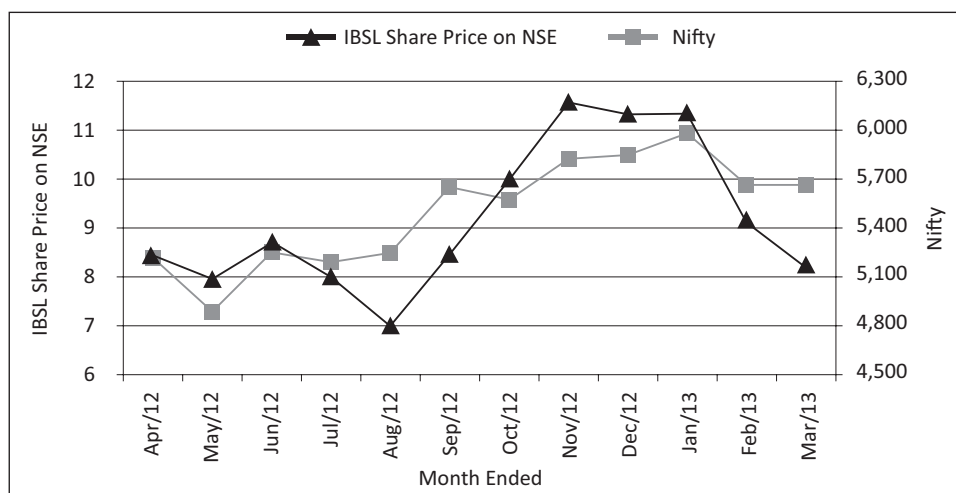
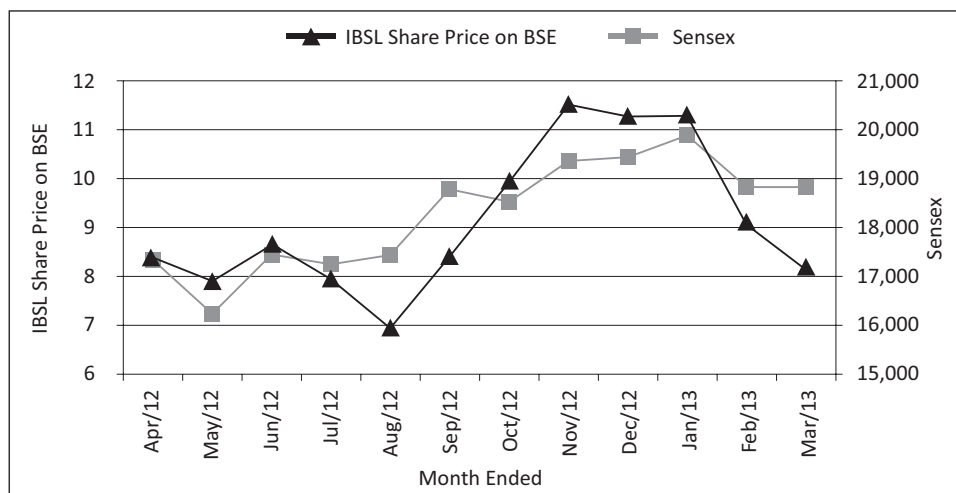
(J) Market Price data

The monthly high and low market prices of equity shares at the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) for the year ended March 31, 2013 were as under:

Month	NSE		BSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2012	9.55	7.55	9.50	7.80
May 2012	9.25	7.10	9.22	7.21
June 2012	8.60	7.50	8.67	7.55
July 2012	9.90	7.80	10.02	7.81
August 2012	8.20	6.60	8.06	6.65
September 2012	9.15	6.95	9.25	6.95
October 2012	11.60	8.25	11.50	8.09
November 2012	11.90	9.30	11.90	9.35
December 2012	12.90	10.60	13.00	10.80
January 2013	12.80	11.15	12.85	11.20
February 2013	12.00	7.70	11.57	9.02
March 2013	10.00	7.75	9.70	7.75

Report on Corporate Governance (Contd.)

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



(L) Registrar and Transfer Agents

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

The contact details are as under:

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

Report on Corporate Governance (Contd.)

(M) Share Transfer System

The Share transfer system in the Company comprises of two components viz the Shareholders'/Investors' Grievance Committee (the Committee) and the Registrar and Transfer Agent of the Company (RTA) which work hand in hand to process and approve the requests received for transfer or transmission of the shares in the physical segment. Share transfer/transmission requests are being processed within the stipulated time, with the RTA sending the requests which have already been scrutinized by it and found to be in order, to the Committee for its approval and the Committee approves the same and communicates its approval to the RTA. The Committee receives from the RTA, the details and documents pertaining to the requests which have not been found to be in order, for its information and examination. The certificates pertaining to the transferred shares are mailed to the concerned investors by the RTA immediately upon approval of transfers, so as to reach such investors well within the time stipulated under the Listing agreements.

(N) Address for Correspondence

(i) Registered Office:

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

(ii) Corporate Office:

1. 'Indiabulls House'
448-451,
Udyog Vihar, Phase V,
Gurgaon – 122 016
2. 8&9/F, Indiabulls Finance Centre,
Tower 1, Elphinstone Mills,
Senapati Bapat Marg,
Mumbai- 400 013.

8. Compliance Certificate from the Practicing Company Secretary

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

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

9. CEO & CFO Certification

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

10. Non-Mandatory Requirements

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

(A) Non-Executive Chairman

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

Report on Corporate Governance (Contd.)

(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 update 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. Further, information pertaining to important developments in the Company is being brought to the knowledge of the public at large and to the shareholders of the Company in particular, through communications sent to the stock exchanges where the shares of the Company are listed, and through regular uploads made on the Company website.

(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.

Report on Corporate Governance (Contd.)

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 2012-13.

Date: August 2, 2013

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, 2013, 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 during the financial year 2012-2013, 404 investor complaints were received out of which 401 complaints were resolved till March 31, 2013 and remaining 3 complaints were resolved in April 2013, to the satisfaction of the shareholders.

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

Sanjay Khandelwal

Proprietor

Membership No: FCS-5945

CP No.: 6128

Date: August 2, 2013

Place: New Delhi

Independent Auditors' Report

To the Board of Directors of INDIABULLS SECURITIES LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **INDIABULLS SECURITIES LIMITED** (the "Company"), its subsidiaries (the Company and its subsidiaries constitute "the Group"), which comprise the Consolidated Balance Sheet as at 31st March, 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting

estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries and associates referred to below in the Other Matter paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2013;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Other Matter

We did not audit the financial statements of six subsidiaries, whose financial statements reflect total assets of ₹2,212,657,018 (net) as at 31st March, 2013, total revenues of ₹863,688,093 and net cash outflows amounting to ₹62,877,394 for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of profit of ₹659,502 for the year ended 31st March, 2013, as considered in the consolidated financial statements, in respect of three associates, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associates, is based solely on the reports of the other auditors.

Our opinion is not qualified in respect of this matter.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm Registration No. 117366W)

A. Siddharth
Partner

MUMBAI, 23rd April, 2013 (Membership No. 031467)

Consolidated Balance Sheet

as at March 31, 2013

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Particulars	Note No.	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	3	462,225,022	462,225,022
(b) Reserves and Surplus	4	1,713,443,493	1,883,893,772
		<u>2,175,668,515</u>	<u>2,346,118,794</u>
(2) Non - Current Liabilities			
(a) Long-Term Borrowings	5	8,385,242	4,777,709
(b) Deferred Tax Liabilities (Net)	6	369,311	316,135
(c) Other Long-Term Liabilities	7	99,786,644	99,786,644
(d) Long-Term Provisions	8	50,688,518	50,924,883
		<u>159,229,715</u>	<u>155,805,371</u>
(3) Current Liabilities			
(a) Short-Term Borrowings	9	1,358,953,141	360,148,862
(b) Trade Payables	10	14,464,094	13,532,317
(c) Other Current Liabilities	11	1,447,472,067	2,072,733,622
(d) Short-Term Provisions	12	303,092,046	191,764,811
		<u>3,123,981,348</u>	<u>2,638,179,612</u>
TOTAL		<u>5,458,879,578</u>	<u>5,140,103,777</u>
II. ASSETS			
(1) Non - Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	13	318,933,285	378,392,852
(ii) Intangible Assets	13	3,824,134	14,318,880
(iii) Intangible Assets Under Development		10,000,000	—
		<u>332,757,419</u>	<u>392,711,732</u>
(b) Non-Current Investments	14	426,313,908	425,652,066
(c) Deferred Tax Assets (Net)	15	58,508,375	67,122,258
(d) Long-Term Loans and Advances	16	325,470,536	375,599,135
(e) Other Non-Current Assets	17	117,391,862	162,243,681
		<u>1,260,442,100</u>	<u>1,423,328,872</u>
(2) Current Assets			
(a) Current Investments	18	—	400,019,711
(b) Trade Receivables	19	603,064,073	331,537,015
(c) Cash and Bank Balances	20	2,198,594,544	2,092,809,275
(d) Short-Term Loans and Advances	21	1,375,594,081	808,236,670
(e) Other Current Assets	22	21,184,780	84,172,234
		<u>4,198,437,478</u>	<u>3,716,774,905</u>
TOTAL		<u>5,458,879,578</u>	<u>5,140,103,777</u>

Notes forming part of the financial statements

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In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

For and on behalf of the Board of Directors

A. Siddharth
Partner

Divyesh B. Shah
Whole Time Director &
Chief Executive Officer

Ashok Sharma
Whole Time Director

R. K. Agarwal
Company Secretary

Mumbai, April 23, 2013

Mumbai, April 23, 2013

Consolidated Statement of Profit and Loss

for the year ended March 31, 2013

Particulars	Note No.	For the year ended March 31, 2013 Amount (₹)	For the year ended March 31, 2012 Amount (₹)
I. Revenue from Operations	23	1,852,522,256	1,842,164,314
II. Other Income	24	141,860,675	153,076,031
III. Total Revenue (I + II)		1,994,382,931	1,995,240,345
IV. Expenses :			
Operating Expenses	25	134,761,955	159,032,021
Employee Benefits Expense	26	658,083,385	723,113,752
Interest and Finance Costs	27	78,178,599	276,775,940
Depreciation and Amortisation Expense	13	77,964,665	120,392,627
Other Expenses	28	438,339,810	785,354,661
Total Expenses		1,387,328,414	2,064,669,001
V. Profit/(Loss) before tax (III-IV)		607,054,517	(69,428,656)
VI. Tax expense/(Benefit) :			
(1) Current Tax		175,930,000	57,310,000
(2) (Excess provision for tax)/tax expense relating to prior years		(210,535,333)	590,651
(3) Deferred Tax (Net) (Refer note 6 & 15)		8,667,059	(24,779,272)
		(25,938,274)	33,121,379
VII. Profit/(Loss) for the year (V-VI)		632,992,791	(102,550,035)
VIII. Earnings per Equity Share:	35		
(1) Basic		2.74	(0.44)
(2) Diluted		2.74	(0.44)
Face value per Equity Share		2.00	2.00
Notes forming part of the financial statements In terms of our report attached	1 - 41		

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants**A. Siddharth**
Partner

Mumbai, April 23, 2013

For and on behalf of the Board of Directors

Divyesh B. Shah
Whole Time Director &
Chief Executive Officer

Mumbai, April 23, 2013

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

Consolidated Cash Flow Statement

for the year ended March 31, 2013

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Particulars	For the year ended March 31, 2013		For the year ended March 31, 2012	
	Amount (₹)	Amount (₹)	Amount (₹)	Amount (₹)
A Cash flows from Operating Activities :				
Profit/(Loss) before Tax		607,054,517		(69,428,656)
Adjustments for :				
Depreciation and				
Amortisation Expense	77,964,665		120,392,627	
Provision for Gratuity and				
Compensated Absences	(169,211)		(19,764,864)	
Provision for Doubtful Debts,				
Advances and Security Deposits	50,746,871		64,836,689	
Bad Debts / Advances written off	3,238,075		453,174	
Loss on Sale / Scrapping of Fixed Assets	9,054,669		31,784,477	
Sundry Credit Balances written back	(3,401,436)		(4,042,719)	
Excess Provision for Incentive, Bonus and				
Other Expenses no longer required written back	(75,532,026)		(43,943,253)	
(Profit) / Loss on Sale of Long-Term Investments	(1,297,121)		33,143,045	
Profit on Sale of Current Investments	(1,062,163)		—	
Share of Profit in Associates (Net)	(659,502)		(280,697)	
Dividend Income on Investments	(18,332,151)		(43,577,876)	
Unrealised Foreign Exchange Gain	(977,638)		(153,093)	
Interest Income from Inter-Corporate Deposits	(10,590,905)		(60,822)	
Interest Income from Loan	(26,877,040)		(16,438)	
Interest Expense	62,357,504		245,675,211	
		64,462,591		384,445,461
Operating Profit before Working Capital changes		671,517,108		315,016,805
Adjustments for:				
Trade Receivable and Other Assets	(893,270,376)		2,393,195,298	
Trade Payables and Other Liabilities	(553,934,216)		(500,801,131)	
		(1,447,204,592)		1,892,394,167
Cash (Used in) /Generated from Operations		(775,687,484)		2,207,410,972
Income Taxes (Paid)/Refund received (Net)	(173,538,231)		483,638,212	
		(173,538,231)		483,638,212
Net Cash (Used in) / Generated from Operating Activities		(949,225,715)		2,691,049,184
B Cash flow from Investing Activities :				
Purchase of Fixed Assets (including Capital Advances given)		(33,522,208)		(154,728,866)
Proceeds from Sale of Fixed Assets		3,996,369		8,213,225
Proceeds from Sale of Long-Term Investments		1,297,121		240,267,087
Dividend Income on Investments		18,332,151		43,577,876
Investment in Associates		—		(300,000,000)
Redemption / (Purchase) of units of Mutual Fund		401,081,874		(400,019,711)
Inter-Corporate Deposits Realised / (Given) (Net)		185,000,000		(185,000,000)
Interest Income from Inter-Corporate Deposits		10,590,905		60,822
Other Loan Received Realised / (Given)		50,000,000		(50,000,000)
Interest Income from Loan		26,877,040		16,438
Net Cash Generated from / (Used in) Investing Activities		663,653,252		(797,613,129)

Consolidated Cash Flow Statement

for the year ended March 31, 2013 (contd.)

Particulars	For the year ended March 31, 2013		For the year ended March 31, 2012	
	Amount (₹)	Amount (₹)	Amount (₹)	Amount (₹)
C Cash flows from Financing Activities				
Payment of Final Dividend on Equity Shares pertaining to prior years		(27,635)		(67,962)
Payment of Interim Dividend on Equity Shares		(456,100,654)		(117,399)
Corporate Dividend Tax on Interim Dividend on Equity Shares		(74,984,454)		-
Proceeds from / (Repayment of) Bank Loans (Net)		504,852,979		(1,612,017,256)
Proceeds from Commercial Papers (Net)		500,000,000		-
Interest Paid		(62,357,504)		(247,490,622)
Net Cash Generated from / (Used in) Financing Activities		411,382,732		(1,859,693,239)
D Net Increase in Cash and Cash equivalents (A+B+C)		125,810,269		33,742,816
E Cash and Cash equivalents at the beginning of the year		399,494,275		365,751,459
F Cash and Cash equivalents at the end of the year (D+E)		525,304,544		399,494,275

Notes:

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

Particulars	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Cash and Bank Balances (Refer note - 20)	2,198,594,544	2,092,809,275
Less: in Fixed Deposit Accounts having Maturity of more than three months	1,673,290,000	1,693,315,000
Cash and Cash Equivalents as restated	525,304,544	399,494,275

- Unclaimed dividend account balances in designated Bank accounts aggregating to ₹ 16,708,572 (Previous year ₹ 10,611,839) are not available for use by the Company (Refer note - 20(A)).
- Previous year's figures are regrouped wherever considered necessary to conform with current year's groupings/classifications.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

For and on behalf of the Board of Directors

A. Siddharth
Partner

Divyesh B. Shah
Whole Time Director &
Chief Executive Officer

Ashok Sharma
Whole Time Director

R. K. Agarwal
Company Secretary

Mumbai, April 23, 2013

Mumbai, April 23, 2013

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013

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Note - 1

Corporate Information:

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

Note - 2

Significant Accounting Policies:

a) Basis of Consolidation:

The Consolidated Financial Statements are prepared in accordance with Accounting Standard – 21 'Consolidated Financial Statements' and Accounting Standard -23 'Accounting for Investments in Associates in Consolidated Financial Statements' as notified under the Companies (Accounting Standards) Rules, 2006, as amended. Reference in these notes to Company, Holding Company, Companies or Group shall mean to include Indiabulls Securities Limited or any of its subsidiaries, unless otherwise stated.

b) Principles of Consolidation:

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

c) Goodwill / Capital Reserve on Consolidation:

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

d) Investments in Associates:

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

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

Name of Associates	Country of Incorporation	Year / Period	Ownership interest (%)	Original cost of investment (₹)	Share of post acquisition Reserves and Surplus (₹)	Carrying cost of Investment (₹)	Statutory Auditor
Arbutus Constructions Private Limited	India	April 01, 2012 to March 31, 2013	48.72%	100,000,000	124,092	100,124,092	S A S & Co.
		<i>January 11, 2012 to March 31, 2012</i>	48.72%	<i>100,000,000</i>	<i>(59,320)</i>	<i>99,940,680</i>	<i>S A S & Co.</i>
Gyan Sagar Software Technologies Private Limited	India	April 01, 2012 to March 31, 2013	48.72%	100,000,000	544,944	100,544,944	S A S & Co.
		<i>January 11, 2012 to March 31, 2012</i>	48.72%	<i>100,000,000</i>	<i>333,273</i>	<i>100,333,273</i>	<i>S A S & Co.</i>
Viscaria Builders Private Limited	India	April 01, 2012 to March 31, 2013	48.72%	100,000,000	271,163	100,271,163	S A S & Co.
		<i>January 11, 2012 to March 31, 2012</i>	48.72%	<i>100,000,000</i>	<i>6,744</i>	<i>100,006,744</i>	<i>S A S & Co.</i>

(Previous year details are given in italics)

e) Companies included in Consolidation:

Name of Subsidiaries	Country of Incorporation	Year / Period ended included in Consolidation	Proportion of Ownership	Statutory Auditor
Indiabulls Commodities Limited	India	April 01, 2012 to March 31, 2013	100%	A Sardana & Co.
		<i>April 01, 2011 to March 31, 2012</i>	<i>100%</i>	<i>A Sardana & Co.</i>
India Ethanol And Sugar Limited (Subsidiary of Indiabulls Commodities Limited)	India	April 01, 2012 to March 31, 2013	100%	A Sardana & Co.
		<i>April 01, 2011 to March 31, 2012</i>	<i>100%</i>	<i>A Sardana & Co.</i>
Devata Tradelink Limited	India	April 01, 2012 to March 31, 2013	100%	Sumit Mohit & Company
		<i>April 01, 2011 to March 31, 2012</i>	<i>100%</i>	<i>Sumit Mohit & Company</i>
Indiabulls Brokerage Limited	India	April 01, 2012 to March 31, 2013	100%	A Sardana & Co.
		<i>April 01, 2011 to March 31, 2012</i>	<i>100%</i>	<i>A Sardana & Co.</i>
Indiabulls Distribution Services Limited	India	April 01, 2012 to March 31, 2013	100%	A Sardana & Co.
		<i>April 01, 2011 to March 31, 2012</i>	<i>100%</i>	<i>A Sardana & Co.</i>
Auxesia Soft Solutions Limited	India	April 01, 2012 to March 31, 2013	100%	Sumit Mohit & Company
		<i>September 30, 2011 to March 31, 2012</i>	<i>100%</i>	<i>Sumit Mohit & Company</i>

(Previous year details are given in italics)

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

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

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f) Information relating to Subsidiaries including subsidiaries of subsidiaries:

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

(Amount in ₹)		
Particulars	2012-13	2011-12
Indiabulls Commodities Limited		
Share Capital	6,000,000	6,000,000
Reserves and Surplus (Surplus/(Deficit))	136,860,226	145,957,958
Total Assets (Excluding Investments considered below)	258,545,172	365,722,764
Total Liabilities	117,616,167	263,813,398
Details of Investments	31,221	50,048,592
Turnover (including Other Income)	142,770,268	197,119,577
(Loss)/Profit before Taxation	(8,448,496)	25,405,775
Provision for Taxation	649,236	7,450,210
(Loss)/ Profit after Taxation	(9,097,732)	17,955,565
Proposed Dividend (including Corporate Dividend Tax)	-	-
India Ethanol And Sugar Limited		
Share Capital	1,900,000	1,900,000
Reserves and Surplus (Surplus/(Deficit))	(1,780,404)	(1,906,318)
Total Assets (Excluding Investments considered below)	154,596	49,862
Total Liabilities	35,000	56,180
Details of Investments	-	-
Turnover (including Other Income)	200,000	13,251
Profit / (Loss) before Taxation	155,914	(51,642)
Provision for Taxation	30,000	(4,636)
Profit / (Loss) after Taxation	125,914	(47,006)
Proposed Dividend (including Corporate Dividend Tax)	-	-
Devata Tradelink Limited		
Share Capital	500,000	500,000
Reserves and Surplus (Surplus/(Deficit))	(1,806,204,423)	(1,806,329,455)
Total Assets (Excluding Investments considered below)	13,186,587	13,162,735
Total Liabilities	2,118,891,010	2,118,992,190
Details of Investments	300,000,000	300,000,000
Turnover (including Other Income)	200,000	2,700
Profit / (Loss) before Taxation	125,032	(56,384)
Provision for Taxation	-	-
Profit / (Loss) after Taxation	125,032	(56,384)
Proposed Dividend (including Corporate Dividend Tax)	-	-

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

	(Amount in ₹)	
Particulars	2012-13	2011-12
Indiabulls Brokerage Limited		
Share Capital	55,000,000	55,000,000
Reserves and Surplus (Surplus/(Deficit))	(18,398,306)	(15,995,983)
Total Assets (Excluding Investments considered below)	38,077,150	40,625,031
Total Liabilities	1,475,456	1,621,014
Details of Investments	-	-
Turnover (including Other Income)	1,699,276	4,107,255
(Loss) before Taxation	(2,349,147)	(171,181)
Provision for Taxation	53,176	318,006
(Loss) after Taxation	(2,402,323)	(489,187)
Proposed Dividend (including Corporate Dividend Tax)	-	-
Indiabulls Distribution Services Limited		
Share Capital	500,000	500,000
Reserves and Surplus (Surplus/(Deficit))	81,295,120	(6,089,805)
Total Assets (Excluding Investments considered below)	1,699,491,687	696,861,218
Total Liabilities	1,617,696,567	702,451,023
Details of Investments	-	-
Turnover (including Other Income)	727,340,555	164,881,505
Profit / (Loss) before Taxation	126,497,386	(4,110,538)
Provision for Taxation	39,112,461	-
Profit / (Loss) after Taxation	87,384,925	(4,110,538)
Proposed Dividend (including Corporate Dividend Tax)	-	-
Auxesia Soft Solutions Limited		
Share Capital	500,000	500,000
Reserves and Surplus (Surplus/(Deficit))	(94,395)	(62,536)
Total Assets (Excluding Investments considered below)	455,605	493,644
Total Liabilities	50,000	56,180
Details of Investments	-	-
Turnover (including Other Income)	34,816	10,633
(Loss) before Taxation	(27,036)	(67,359)
Provision for Taxation	4,823	(4,823)
(Loss) after Taxation	(31,859)	(62,536)
Proposed Dividend (including Corporate Dividend Tax)	-	-

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

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

The financial statements are prepared under the historical cost convention, on an accrual basis in accordance with the Generally Accepted Accounting Principles in India ("Indian GAAP") and Accounting Standards as notified under the Companies (Accounting Standards) Rules, 2006, as amended and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

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h) Use of Estimates:

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

i) Revenue Recognition:

- Revenue from Securities Brokerage activities is accounted for on the trade date of the transaction.
- Income from Brokerage and commission on account of cross-selling of real estate products is recognised on an accrual basis when the services are determined to be completed, generally set out under the terms of contract/ agreements with respective customers.
- Income from fee based advisory services and consultancy is recognised on an accrual basis.
- Revenue from interest charged to customers on margin funding is recognised on a daily/ monthly basis up to the last day of accounting period.
- Depository income is accounted on an accrual basis as and when the right to receive the income is established. Annual Maintenance charges are recognised pro-rata over the period it is charged.
- Revenue from interest on fixed deposits is recognised on an accrual basis.
- Commission on mutual funds is recognised on an accrual basis.
- Dividend income on Equity shares is recognised when the right to receive the dividend is unconditional as at the Balance Sheet date.
- Dividend income on units of mutual funds is recognised when the right to receive the dividend is unconditional as at the Balance Sheet date. Any gains/losses on sale / redemption of units are recognised on the date of sale / redemption.
- Interest income on Inter-Corporate Deposits is recognised on an accrual basis.
- Interest income on other deposits is recognised on an accrual basis.

j) Stock-in-trade:

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

k) Commercial Papers:

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

l) 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.

m) Depreciation / Amortisation:

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

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

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

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

n) Impairment of Assets:

The carrying values of assets / cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

o) Investments:

Investments are classified as long-term and current. Long-term investments, are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

p) Foreign Currency Transactions:

Recognition & translation

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

Exchange Differences

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

q) Employee Benefits:

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

r) Deferred Employee Stock Compensation Cost:

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

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

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s) **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 the provisions of the Income Tax Act, 1961.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

t) **Leases:**

Assets leased by the Company in its capacity as a lessee, where substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis.

u) **Share Issue Expenses:**

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

v) **Borrowing Costs:**

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

w) **Segment Reporting:**

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

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segment on the basis of their relationship to the operating activities of the segments.

Revenue, expenses, assets and liabilities which relate to the Company as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities".

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

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognised in the financial statements.

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

Note - 3

Share Capital

Authorised

Equity Shares of face value of ₹ 2 each

Preference Shares of face value of ₹ 4.61 each

Issued, subscribed and fully paid up ^{(i) to (iv)}

Equity Shares of face value of ₹ 2 each fully paid up

The Company has only one class of Equity Shares having a face value of ₹ 2 per share. Each holder of Equity Share is entitled to one vote per share. The final dividend proposed by the Board of Directors if any is subject to the approval of the shareholders in the ensuing Annual General Meeting.

As at March 31, 2013		As at March 31, 2012	
No. of shares	Amount (₹)	No. of shares	Amount (₹)
500,000,000	1,000,000,000	500,000,000	1,000,000,000
25,000,000	115,250,000	25,000,000	115,250,000
	1,115,250,000		1,115,250,000
231,112,511	462,225,022	231,112,511	462,225,022
	462,225,022		462,225,022

- (i) In the event of liquidation of the Company, the holders of Equity Shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of Equity Shares held by the shareholders.
- (ii) Holders of Global Depository Receipts ('GDRs') will be entitled to receive dividends, subject to the terms of the Deposit Agreement, to the same extent as the holders of Equity Shares, less the fees and expenses payable under such Deposit Agreement and any Indian tax applicable to such dividends. Holders of GDRs don't have voting rights with respect to the Deposited Shares. The GDRs may not be transferred to any person located in India including Indian residents or ineligible investors except as permitted by Indian laws and regulations.
- (iii) 23,486,341 Equity Shares of face value of ₹ 2 each were bought back by the Company during the year ended March 31, 2010.

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

Name of Shareholder

Equity shares of ₹ 2 each fully paid up

Promoters and Promoter Group

Sameer Gehlaut

Rajiv Rattan

Saurabh Mittal

Orthia Properties Private Limited

Non Promoters

HSBC Global Investment Funds A/c HSBC

Global Investment Funds

As at March 31, 2013		As at March 31, 2012	
No. of shares	% of holding	No. of shares	% of holding
34,171,089	14.78%	34,171,089	14.78%
17,330,253	7.50%	17,330,253	7.50%
17,212,083	7.45%	17,212,083	7.45%
21,407,000	9.26%	-*	-*
-*	-*	15,803,106	6.84%
90,120,425	38.99%	84,516,531	36.57%

* % of Holding is not more than 5%.

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

(v) Shares reserved for issue under options:

11,465,083 Equity Shares (Previous year 13,125,008 Equity Shares) of face value of ₹ 2 are reserved under various option schemes of the Company (Refer note - 30).

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

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	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 4		
Reserves and Surplus		
Capital Reserve arising on Consolidation		
Balance as per last Balance Sheet	24,445,430	24,445,430
Capital Redemption Reserve		
Balance as per last Balance Sheet	360,036,184	360,036,184
Securities Premium Account		
Balance as per last Balance Sheet	18,046,690	18,046,690
Foreign Currency Monetary Item Translation Difference Account ⁽ⁱ⁾		
Opening Balance	3,138,319	-
Add : Additions during the year	5,134,126	3,291,412
Less: Amortised during the year	977,638	153,093
Closing balance	7,294,807	3,138,319
General Reserve		
Opening Balance	98,700,000	98,700,000
Add: Transfer from the Statement of Profit and Loss	55,835,527	-
Closing Balance	154,535,527	98,700,000
Surplus in the Statement of Profit and Loss		
Opening Balance	1,379,527,149	1,482,077,184
Add: Profit / (Loss) for the year	632,992,791	(102,550,035)
Amount available for appropriation (a)	2,012,519,940	1,379,527,149
Less: Appropriations :		
Interim Dividend on Equity Shares ⁽ⁱⁱ⁾	693,337,533	-
Corporate Dividend Tax on Interim Dividend on Equity Shares	114,262,025	-
Transfer to General Reserve	55,835,527	-
Total Appropriations (b)	863,435,085	-
Balance of Profit Carried Forward (a)-(b)	1,149,084,855	1,379,527,149
	1,713,443,493	1,883,893,772

- (i) Pursuant to the notification dated December 29, 2011 issued by the Ministry of Corporate Affairs amending Accounting Standard 11 - 'Accounting for the Effects of Changes in Foreign Exchange Rates' as notified under the Companies (Accounting Standards) Rules, 2006, as amended, the Company has exercised the option as per Paragraph 46A inserted in the said Accounting Standard for amortisation of foreign exchange gain/loss on long-term monetary items over the remaining life of the concerned monetary items. Consequently, an amount of ₹ 7,294,807 (Previous year ₹ 3,138,319) is carried forward in the Foreign Exchange Monetary Item Translation Difference Account as on March 31, 2013, net of forex gain amounting to ₹ 977,638 (Previous year ₹ 153,093) amortised in the Statement of Profit and Loss.
- (ii) During the year the Company has declared and paid Interim Dividend per Share of ₹ 2 (Previous Year ₹ Nil) vide Board Resolution dated October 19, 2012 and January 22, 2013. Further, the Company has declared interim dividend of Re. 1 (Previous Year ₹ Nil) vide Board Resolution dated April 23, 2013.

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 5		
Long-Term Borrowings		
Term Loans		
Secured		
From Banks ⁽ⁱ⁾	8,385,242	4,777,709
	8,385,242	4,777,709

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

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 6		
Deferred Tax Liabilities (Net)		
Deferred Tax Liability:		
Difference between book balance & tax balance of fixed assets	369,311	383,056
(a)	369,311	383,056
Deferred Tax Asset:		
Disallowances u/s. 43B of the Income-Tax Act, 1961	-	14,020
Disallowances u/s. 40A(7) of the Income-Tax Act, 1961	-	45,528
Others	-	7,373
(b)	-	66,921
Deferred Tax Liabilities (Net)	(a) - (b)	316,135

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 7		
Other Long-Term Liabilities		
Other Liabilities - Amount received from Depository for GDR	99,786,644	99,786,644
	99,786,644	99,786,644

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 8		
Long-Term Provisions		
Provision for Employee Benefits		
Provision for Gratuity (Refer note - 31)	39,464,903	38,506,155
Provision for Compensated Absences (Refer note - 31)	11,223,615	12,418,728
	50,688,518	50,924,883

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 9		
Short-Term Borrowings		
Secured loans		
From Banks ⁽ⁱ⁾		
Bank Overdraft	858,953,141	360,148,862
Unsecured loans		
Commercial Papers	500,000,000	-
(Maximum balance outstanding during the year ₹ 500,000,000 (Previous year ₹ Nil))		
	1,358,953,141	360,148,862

- (i) Bank overdraft amounting to ₹ 792,821,373 (Previous year ₹ 360,148,862) are secured against fixed deposit placed and ₹ 66,131,768 (Previous year ₹ Nil) are secured against book debt placed with respective banks.

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 10		
Trade Payables		
(a) Dues to Micro and Small Enterprises ⁽ⁱ⁾	-	-
(b) Dues to Others	14,464,094	13,532,317
	14,464,094	13,532,317

- (i) Disclosures under The Micro, Small and Medium Enterprises Development Act, 2006:
- An amount of ₹ Nil (Previous year ₹ Nil) and ₹ 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 in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006; no amount was paid to the supplier beyond the appointed date.
 - No interest is payable at the end of the year other than interest under Micro, Small and Medium Enterprises Development Act, 2006.
 - No amount of interest was accrued and unpaid at the end of the accounting year.
- The above information regarding Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of the information available with the Company. This has been relied upon by the Auditors.

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 11		
Other Current Liabilities		
Current maturity of Term Loans (Refer note - 5(i))	4,208,851	1,767,684
Brokerage income received in advance	4,747,996	6,175,335
Unclaimed Dividends ⁽ⁱ⁾	16,708,572	10,611,839
Margin from Customers (Refer note - 20(ii))	740,394,607	1,154,743,161
Upfront Deposits from Underwriters	550,000	2,200,000
Temporary Overdrawn bank balances as per books	311,956,767	522,267,848
Others - Current Liabilities for Expense Provisions and Statutory Dues	368,905,274	374,967,755
	1,447,472,067	2,072,733,622

- (i) In respect of amounts mentioned under Section 205C of the Companies Act, 1956, ₹ Nil (Previous year ₹ Nil) were required to be credited to the Investor Education and Protection Fund as at March 31, 2013.

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 12		
Short-Term Provisions		
Provision for Gratuity (Refer note - 31)	3,132,603	2,436,421
Provision for Compensated Absences (Refer note - 31)	1,507,065	2,136,093
Provision for Taxation (net of advance tax ₹ 373,328,609 , Previous year ₹ 1,633,392,531)	28,062,296	187,192,297
Provision for Interim Dividend on Equity Shares	231,112,511	-
Provision for Corporate Dividend Tax on Interim Dividend on Equity Shares	39,277,571	-
	303,092,046	191,764,811

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

Amount (₹)

Note: 13 Fixed Assets

Particulars	GROSS BLOCK AT COST				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at April 01, 2012	Addition during the year	Adjustments/Sales during the year	As at March 31, 2013	As at April 01, 2012	Provided during the year	Adjustments during the year	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
A. Tangible Assets										
Furniture and Fixtures	25,743,308	961,485	1,045,589	25,659,204	18,879,730	858,764	918,287	18,820,207	6,838,997	6,863,578
Vehicles*	87,044,417	12,768,327	11,084,690	88,728,054	41,676,146	7,805,142	6,361,576	43,119,712	45,608,342	45,368,271
Office Equipment	232,201,423	2,033,366	4,819,551	229,415,238	66,614,222	10,823,310	1,523,553	75,913,979	153,501,259	165,587,201
Computers	439,725,163	3,121,128	3,618,561	439,227,730	363,860,355	37,824,088	3,523,350	398,161,093	41,066,637	75,864,808
Leasehold Improvements	124,972,064	100,873	7,771,524	117,301,413	40,263,070	8,082,404	2,962,111	45,383,363	71,918,050	84,708,994
Total (a)	909,686,375	18,985,179	28,339,915	900,331,639	531,293,523	65,393,708	15,288,877	581,398,354	318,933,285	378,392,852
Previous year (i)	930,248,518	55,094,286	75,656,429	909,686,375	478,698,681	88,253,569	35,658,727	531,293,523	378,392,852	
B. Intangible Assets										
Membership rights of BSE Limited	7,005,000	—	—	7,005,000	7,005,000	—	—	7,005,000	—	—
Software	595,049,231	2,076,211	—	597,125,442	580,730,351	12,570,957	—	593,301,308	3,824,134	14,318,880
Indiabulls.com website	5,262,584	—	—	5,262,584	5,262,584	—	—	5,262,584	—	—
Total (b)	607,316,815	2,076,211	—	609,393,026	592,997,935	12,570,957	—	605,568,892	3,824,134	14,318,880
Previous year (ii)	605,216,815	2,100,000	—	607,316,815	560,858,877	32,139,058	—	592,997,935	14,318,880	
Current year total ((a)+(b))	1,517,003,190	21,061,390	28,339,915	1,509,724,665	1,124,291,458	77,964,665	15,288,877	1,186,967,246	322,757,419	392,711,732
Previous year ((i)+(ii))	1,535,465,333	57,194,286	75,656,429	1,517,003,190	1,039,557,558	120,392,627	35,658,727	1,124,291,458	392,711,732	

* Includes vehicles having original cost of ₹ 18,768,089 (Previous year ₹ 10,248,314) which are hypothecated to banks against the loans.

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 14		
Non-Current Investments		
Long-term - Trade - Unquoted (at cost unless otherwise stated)		
Investments in Equity Instruments :		
130,000 (Previous year 130,000) fully paid up Equity Shares of face value of Re. 1 each in BSE Limited	10,000	10,000
Investments in Government or trust securities :		
Investment in 6 Years National Saving Certificate VIII Issue	31,221	28,881
Total (A)	41,221	38,881
Long-term - Others - Unquoted (at cost unless otherwise stated)		
Investments in Equity Instruments :		
(i) In Associate Companies :		
9,500 (Previous year 9,500) fully paid up Equity Shares of Arbutus Constructions Private Limited (Face Value ₹ 10) (Net of Capital Reserve of ₹ 38,809,598 arising on acquisition)	9,500,000	9,500,000
Add/ (Less) : Proportionate Share of post acquisition Reserves and Surplus	124,092	(59,320)
	9,624,092	9,440,680
9,500 (Previous year 9,500) fully paid up Equity Shares of Viscaria Builders Private Limited (Face Value ₹ 10) (Net of Capital Reserve of ₹ 38,809,683 arising on acquisition)	9,500,000	9,500,000
Add : Proportionate Share of post acquisition Reserves and Surplus	271,163	6,744
	9,771,163	9,506,744
9,500 (Previous year 9,500) fully paid up Equity Shares of Gyan Sagar Software Technologies Private Limited (Face Value ₹ 10) (Net of Capital Reserve of ₹ 38,436,273 arising on acquisition)	9,500,000	9,500,000
Add : Proportionate Share of post acquisition Reserves and Surplus	544,944	333,273
	10,044,944	9,833,273
(ii) Other Long-Term Investments :		
288,722 (Previous year 288,722) fully paid-up Ordinary Shares of face value of ₹ 0.001 in Copal Partners Limited ^(a)	125,332,488	125,332,488
Total (B)	154,772,687	154,113,185
Investments in Preference Shares :		
In Associate Companies :		
90,500 (Previous year 90,500) fully paid up Preference Shares of Arbutus Constructions Private Limited (Face Value ₹ 10)	90,500,000	90,500,000
90,500 (Previous year 90,500) fully paid up Preference Shares of Viscaria Builders Private Limited (Face Value ₹ 10)	90,500,000	90,500,000
90,500 (Previous year 90,500) fully paid up Preference Shares of Gyan Sagar Software Technologies Private Limited (Face Value ₹ 10)	90,500,000	90,500,000
Total (C)	271,500,000	271,500,000
Total (A)+(B)+(C)	426,313,908	425,652,066

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 14		
Non-Current Investments (Contd.)		
Aggregate market value of quoted investments	-	-
Aggregate book value of quoted investments	-	-
Aggregate book value of unquoted investments	426,313,908	425,652,066
Aggregate provision for diminution in value of investments	-	-

- (a) During the year ended March 31, 2012, Copal Partners Limited had bought back 223,222 shares held by the Company vide the Purchase and Cancellation Agreement for the consideration of ₹ 86,226,344. Further, the Company had sold 586,193 shares held by it in Copal Partners Limited to Moody's Group UK LTD for the consideration of ₹ 231,992,806 vide the Share Purchase Deed. Further, the Company has also received ₹ 1,297,121 as an additional consideration during the year. As a result thereof, the stake of the Company in Copal Partners Limited had been reduced from 4.74% to 1.63%. The proportionate cost of the shares bought back and sold aggregates to ₹ 351,362,195. Out of the total consideration of ₹ 231,992,806 receivable from Moody's Group UK LTD an amount of ₹ 77,952,063 [excluding foreign exchange gain of ₹ 8,425,538 (Previous Year ₹ 3,291,412)] is receivable as at the year ended March 31, 2013 in the form of Loan Notes and Escrow account of the Moody's Group UK LTD.

Note - 15

Deferred Tax Assets (Net)

In compliance with Accounting Standard - 22 'Accounting for Taxes on Income' as notified under the Companies (Accounting Standards) Rules, 2006, as amended, deferred tax (net) of ₹ 8,667,059 (Previous year credit (net) - ₹ 24,779,272) has been debited to the Statement of Profit and Loss for the year ended March 31, 2013. The breakup of deferred tax into major components is as under:

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Deferred Tax Assets:		
Provision for Doubtful Debts and Advances	39,411,388	52,666,406
Disallowances u/s. 43B of the Income-Tax Act, 1961	4,252,425	12,199,395
Disallowances u/s. 40A(7) of the Income-Tax Act, 1961	14,227,942	13,140,002
Others	4,629,973	3,140,009
(a)	62,521,728	81,145,812
Deferred Tax Liability:		
Difference between book balance and tax balance of fixed assets	4,013,353	14,023,554
(b)	4,013,353	14,023,554
Deferred Tax Asset (Net)	(a) - (b)	58,508,375
		67,122,258

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 16		
Long-Term Loans and Advances		
Unsecured		
(a) Capital Advances		
Considered Good	102,522,825	100,062,007
Considered Doubtful	-	2,721,805
	<u>102,522,825</u>	<u>102,783,812</u>
Less: Provision for Doubtful Advances	-	2,721,805
	<u>102,522,825</u>	<u>100,062,007</u>
(b) Security Deposits		
(i) Deposits (including margin money) with Exchanges (considered good)	55,718,576	119,616,237
(ii) Deposits with Others		
Considered Good	75,592,205	72,727,479
Considered Doubtful	16,903,403	23,485,667
	<u>92,495,608</u>	<u>96,213,146</u>
Less: Provision for Doubtful Deposits	16,903,403	23,485,667
	<u>75,592,205</u>	<u>72,727,479</u>
(c) Loan Notes, Escrow Receivable account and others (Refer note - 14(a))		
Considered Good	91,636,930	83,193,412
Considered Doubtful	2,677,302	3,620,330
	<u>94,314,232</u>	<u>86,813,742</u>
Less: Provision for Doubtful Advances	2,677,302	3,620,330
	<u>91,636,930</u>	<u>83,193,412</u>
	<u>325,470,536</u>	<u>375,599,135</u>

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 17		
Other Non-Current Assets		
Unsecured, Considered Good		
Balance with Banks - in fixed deposit accounts (Refer note - 20(B)(i))	117,391,862	162,243,681
	<u>117,391,862</u>	<u>162,243,681</u>

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

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	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 18		
Current Investments		
Investments in Mutual Funds - Unquoted		
Indiabulls Liquid Fund - Growth	-	400,019,711
No. of units: Nil (Previous year : ₹ 384,034.606)		
NAV: NA (Previous year : ₹ 1,041.9834)		
	-	400,019,711
Aggregate market value of quoted investments	-	-
Aggregate book value of quoted investments	-	-
Aggregate book value of unquoted investments	-	400,019,711
Aggregate provision for diminution in value of investments	-	-

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 19		
Trade Receivables		
Unsecured		
Outstanding for a period exceeding six months		
Considered Good	107,141,640	92,484,151
Considered Doubtful	96,706,169	132,497,384
	203,847,809	224,981,535
Less: Provision for Doubtful Debts	96,706,169	132,497,384
	107,141,640	92,484,151
Others		
Considered Good	495,922,433	239,052,864
Considered Doubtful	-	-
	495,922,433	239,052,864
	603,064,073	331,537,015

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 20		
Cash and Bank Balances		
(A) Cash and Cash Equivalents		
Balance with Banks		
– in Current Accounts	508,525,293	388,789,329
– in Unclaimed Dividend Accounts	16,708,572	10,611,839
	525,233,865	399,401,168
Cash on Hand	70,679	93,107
	525,304,544	399,494,275

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 20		
Cash and Bank Balances (Contd.)		
(B) Other bank balances ^{(i) & (ii)}		
– in Fixed Deposit Accounts having original maturity of more than twelve months	1,298,200,000	1,693,029,926
– in Fixed Deposit Accounts having original maturity upto twelve months	375,090,000	285,074
	<u>1,673,290,000</u>	<u>1,693,315,000</u>
	<u>2,198,594,544</u>	<u>2,092,809,275</u>

(i) Fixed deposits includes:

- a. ₹ 800,300,000 (Previous year ₹ 824,300,000) pledged with the banks against bank guarantees issued by banks for base capital and additional base capital to National Stock Exchange of India, BSE Limited, National Securities Clearing Corporation Limited, Multi Commodity Exchange of India Limited and National Commodity and Derivative Exchange Limited.
- b. ₹ 106,850,000 (Previous year ₹ 149,400,000) pledged with National Stock Exchange of India, BSE Limited, National Securities Clearing Corporation Limited, Multi Commodity Exchange of India Limited and National Commodity & Derivatives Exchange Limited for the purpose of base capital and additional base capital.
- c. ₹ 878,500,000 (Previous year ₹ 874,500,000) pledged with banks for overdraft facilities.
- d. ₹ 4,554,582 (Previous year ₹ 6,881,400) pledged for arbitration matters.
- e. ₹ 190,000 (Previous year ₹ 190,000) pledged with VAT authorities.
- f. ₹ 25,000 (Previous year ₹ 25,000) pledged with State Commission, New Delhi for appeal filed by the Company in a consumer dispute matter.

(ii) During the year ended March 31, 2012, pursuant to the Order of the Hon'ble Sole Arbitrator, the Company had sold shares held by one of its customers in its beneficiary depository account held with the Company. Further, the said Arbitrator had ordered the Company to deposit the money in an interest bearing account in its name specifying that the sum has been deposited subject to further orders in the Arbitration. The Company had thus invested such sums of money aggregating to ₹ 662,315,671 (Previous year ₹ 613,023,555) (Net) in various fixed deposits with a scheduled bank. As at the year end, the said fixed deposits are being netted off against the dues payable to the customer.

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 21		
Short-Term Loans and Advances		
(a) Margin Funding Loan Receivables (Secured, Considered Good)	47,822,195	114,179,439
Less: Margin received	<u>24,036,657</u>	<u>13,157,572</u>
	<u>23,785,538</u>	<u>101,021,867</u>
(b) Security Deposits (Unsecured Considered Good)	1,232,597,812	394,710,379
(c) Prepaid Expenses, Cenvat Credit Receivable and Others (unsecured, considered good)	44,039,794	51,347,050
(d) Advance Income Tax/Tax Deducted At Source (Net of provision for tax ₹ 39,383,956; Previous year ₹ Nil)	75,170,937	26,157,374
(e) Inter-Corporate Deposits	-	185,000,000
(f) Other Loan Given	-	50,000,000
	<u>1,375,594,081</u>	<u>808,236,670</u>

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

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	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 22		
Other Current Assets		
Others		
Interest Accrued on Fixed Deposits	21,184,780	24,692,615
Interest Receivable on Other Deposits	-	12,600,000
Commission Accrued but not Due	-	46,879,619
	21,184,780	84,172,234

	For the Year ended March 31, 2013 Amount (₹)	For the Year ended March 31, 2012 Amount (₹)
Note - 23		
Revenue from Operations		
(a) Sale of Services ⁽ⁱ⁾	1,632,301,335	1,401,721,139
(b) Other Operating Revenues ⁽ⁱⁱ⁾	220,220,921	440,443,175
	1,852,522,256	1,842,164,314
(i) Sale of Services includes :		
Brokerage Income	1,399,980,992	1,164,952,222
Interest on Margin Funding	62,825,734	127,554,095
Income from Depository Services	93,753,836	21,130,741
Other Charges including Transaction Charges	75,740,773	88,084,081
	1,632,301,335	1,401,721,139
(ii) Other Operating Revenues includes :		
Interest on Deposits	181,389,418	349,879,023
Advisory Income	36,727	72,100,567
Consultancy Fees	27,227,375	-
Income from IPO commission, Mutual Funds commission, Account Opening and other Miscellaneous Income	11,567,401	18,463,585
	220,220,921	440,443,175

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

	For the Year ended March 31, 2013 Amount (₹)	For the Year ended March 31, 2012 Amount (₹)
Note - 24		
Other Income		
Interest Income		
Interest Income from Inter-Corporate Deposits	10,590,905	60,822
Interest from Loan	26,877,040	16,438
Interest Income from Income Tax Refund	2,852,166	59,659,818
	<u>40,320,111</u>	<u>59,737,078</u>
Dividend Income		
Dividend Income on Other Long-Term Investments	14,076,733	35,862,898
Dividend Income on Current Investments	4,255,418	7,714,978
	<u>18,332,151</u>	<u>43,577,876</u>
Other Non-Operating Income		
Excess Provision for Incentive, Bonus and Other Expenses no longer required written back	75,532,026	43,943,253
Sundry Credit Balances written back	3,401,436	4,042,719
Gain on Foreign Exchange Fluctuations (Refer note - 4(ii))	977,638	712,960
Bad Debt Recovered	59,740	30,101
Profit on Sale of Current Investments	1,062,163	-
Profit on Sale of Long Term Investments (Refer note - 14(a))	1,297,121	-
Miscellaneous Income	218,787	751,347
Share of Profit in Associates (Net)	659,502	280,697
	<u>83,208,413</u>	<u>49,761,077</u>
	<u>141,860,675</u>	<u>153,076,031</u>
	For the Year ended March 31, 2013 Amount (₹)	For the Year ended March 31, 2012 Amount (₹)
Note - 25		
Operating Expenses		
Stamp Duty	38,219,528	30,868,546
Demat Charges	1,500	5,144
SEBI Charges	1,514,119	1,748,640
Commission	3,543,443	11,540,671
Depository Charges	6,411,804	8,202,189
Transaction Charges	42,794,078	57,211,811
Membership Fees	2,797,782	1,139,937
Web Hosting Expenses	12,784,501	13,688,357
VSAT Charges	3,609,143	3,549,999
Leased Line Expenses	15,492,991	17,860,424
Content Expenses	4,529,783	8,340,244
Software Expenses	3,063,283	4,876,059
	<u>134,761,955</u>	<u>159,032,021</u>

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

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	For the Year ended March 31, 2013 Amount (₹)	For the Year ended March 31, 2012 Amount (₹)
Note - 26		
Employee Benefits Expense		
Salaries	625,175,304	696,941,590
Contribution to Provident Fund and Other Funds	4,474,153	6,004,536
Staff Welfare Expenses	13,822,174	12,550,153
Provision for Gratuity and Compensated Absences (Refer note - 31)	14,611,754	7,617,473
	658,083,385	723,113,752

	For the Year ended March 31, 2013 Amount (₹)	For the Year ended March 31, 2012 Amount (₹)
Note - 27		
Interest and Finance Costs		
Bank Charges	15,235,072	30,847,554
Interest on Inter-Corporate Deposits	4,765,973	-
Interest on Bank Overdraft	37,989,768	66,800,602
Interest on Working Capital Loan	6,312,329	9,422,568
Interest on Vehicle Loans	631,857	697,751
Interest on Commercial Papers	12,644,340	-
Interest on Taxes	586,023	253,175
Interest - Others (Refer note - 37)	13,237	168,754,290
	78,178,599	276,775,940

	For the Year ended March 31, 2013 Amount (₹)	For the Year ended March 31, 2012 Amount (₹)
Note - 28		
Other Expenses		
Lease Rent (Refer note - 34)	143,480,198	173,372,354
Rates and Taxes (Refer note - 37)	31,525,704	265,180,017
Electricity Expenses	20,517,051	17,548,456
Insurance	611,171	757,712
Communication Expenses	34,705,518	39,251,113
Professional Charges	57,307,093	64,616,693
Travelling & Conveyance	12,253,196	11,219,254
Printing and Stationery	11,720,132	11,256,173

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

	For the Year ended March 31, 2013 Amount (₹)	For the Year ended March 31, 2012 Amount (₹)
Office Maintenance	24,292,961	24,654,797
Repairs and Maintenance - Others	24,768,056	29,665,711
Business Promotion	5,246,459	8,724,341
Payment to Statutory Auditors' (Net of Service Tax of ₹ 954,192 Previous year ₹ 904,752)		
– For Statutory Audit	5,720,000	5,720,000
– For Tax Audit	100,000	-
– For Certification	1,000,000	1,000,000
– Reimbursement of Expenses	900,000	900,000
Loss on Erroneous Transactions (net) (Refer note 36)	302,749	601,409
Loss on sale of Other Long-Term Investments	-	33,143,045
Loss on Sale/ Scrapping of fixed assets	9,054,669	31,784,477
Provision for Doubtful Debts, Advances and Security Deposits	50,746,871	64,836,689
Bad Debts / advances written off	99,095,565	55,711,714
Less : Adjusted against provision of earlier years	95,857,490	55,258,540
	3,238,075	453,174
Miscellaneous Expenses	849,907	669,246
	438,339,810	785,354,661

Note - 29

A. Contingent liabilities not provided for in respect of:

(Amount in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
– Claims against the Company not acknowledged as debts in respect of:		
Penalty for synchronised trading under SEBI regulations ⁽ⁱ⁾	1,500,000	1,500,000
Arbitration matters ⁽ⁱⁱ⁾	201,637	147,658
Court Cases	4,446,505	4,398,471

- (i) During the year ended March 31, 2011, the Securities Appellate Tribunal ("SAT") had passed an order dated October 26, 2010 in favour of the Company setting aside the penalty imposed by SEBI. However, during the year ended March 31, 2012, SEBI had preferred an appeal at the Honourable Supreme Court of India against the judgment of the SAT.
- (ii) The Company is involved in various legal proceedings as respondents / defendants for various claims including those related to conduct of its business. In respect of these claims, the Company believes, these claims do not constitute material litigation matters and with its meritorious defenses the ultimate disposition of these matters will not have material adverse effect on its financial statements / position.

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

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

C. **Commitments :**

(Amount in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
– Capital Commitments for purchase of fixed assets	417,759,492	402,247,476

Note - 30

Employee Stock Option Schemes:

a) Employees Stock Option Scheme - 2008

Pursuant to a resolution passed by the Shareholders on January 19, 2009, the Company had cancelled and withdrawn the existing "Employee Stock Option Scheme - 2007", covering 15,000,000 stock options and established a new Employee Stock Option Scheme titled "Employee Stock Option Scheme - 2008" in accordance with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI Guidelines").

Under the Scheme, the Company was authorised to grant 20,000,000 Equity settled options to eligible employees including its directors (other than promoter directors) and employees of its subsidiary companies including their directors. All options under the Scheme are exercisable for Equity Shares of the Company. Employees covered by the plan were granted an option to purchase shares of the Company subject to the requirements of vesting.

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

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

The expected volatility was determined based on historical volatility data.

b) Employees Stock Option Scheme - 2009

The Shareholders of the Company at their Annual General Meeting held on September 30, 2009 have authorised the Board of Directors to grant 20,000,000 options, representing equivalent number of Equity Shares of face value ₹ 2 each

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

in one or more tranches, pursuant to a Employee Stock Option Scheme titled as 'Indiabulls Securities Limited Employees Stock Option Scheme - 2009' ("IBSL ESOP - 2009"). The options covered under the Scheme would be granted at a price and on such terms and conditions as may be decided by the Compensation Committee, to the eligible employees of the Company and its subsidiaries.

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

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

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

The expected volatility was determined based on historical volatility data.

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

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

(Amount in ₹)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Profit/(Loss) attributable to Equity Shareholders (Refer note - 35)	632,992,791	(102,550,035)
Less: Stock-based compensation expense determined under the fair value based [Gross ₹ 23,579,797 (Previous Year ₹ 24,468,052)] (pro forma)	1,583,508	2,358,615
Net Profit/(Loss) considered for computing Earnings per Equity Share (pro forma)	631,409,283	(104,908,650)
Basic/Diluted Earnings Per Equity Share:		
Weighted average number of Equity Shares used for computing Basic Earnings per Equity Share	231,112,511	231,112,511
Add: Potential number of Equity Shares that could arise on exercise of Employee Stock Options	-	-
Weighted average number of Equity Shares used for computing Diluted Earnings per Equity Share	231,112,511	231,112,511
Basic earnings per Equity Share (as reported)	2.74	(0.44)
Basic earnings per Equity Share (pro forma)	2.73	(0.45)
Diluted earnings per Equity Share (as reported)	2.74	(0.44)
Diluted earnings per Equity Share (pro forma)	2.73	(0.45)

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

	IBSL ESOP - 2008	IBSL ESP - 2009	
Total Options under the Scheme (Nos.)	20,000,000	20,000,000	
Options granted (Nos.)	20,000,000	10,000,000	2,050,000
Vesting Period and Percentage	Ten years, 1st year-15% 2nd year to 9th year - 10% each year 10th year - 5%	Uniformly over a period of Ten years	Uniformly over a period of Ten years
Vesting Date	January 25 th each year, commencing January 25, 2010	December 2 nd each year, commencing December 2, 2010	April 13 th each year, commencing April 13, 2011
Exercise Price (₹)	17.40	35.25	31.35
Outstanding at the beginning of the year (Nos.)	12,625,008	-	500,000
Options vested during the year (Nos.)*	1,182,538	-	50,000
Exercised during the year (Nos.)	-	-	-
Expired during the year (Nos.)	-	-	-
Surrendered and eligible for re-grant during the year (Nos.)	1,659,925	-	-
Outstanding at the end of the year (Nos.)	10,965,083	-	500,000
Exercisable at the end of the year (Nos.)	4,519,702	-	100,000
Remaining contractual Life (Weighted Months)	73	Nil	102

* Net of options surrendered before vesting.

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

Note - 31

Employee Benefits:

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

Contributions are made to Government Provident Fund and Family Pension Fund and other statutory funds which cover all regular employees eligible under the respective acts. Both the employees and the Company make predetermined contributions to the Provident Fund. The contributions are normally based on a certain proportion of the employee's salary. The Company has recognised an amount of ₹ 1,416,703 (Previous year ₹ 1,470,806) towards Employer's Contribution for the above mentioned funds.

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

Disclosures in respect of Gratuity and Compensated Absences:

(Amount in ₹)

Particulars	Gratuity (unfunded) 2012-13	Gratuity (unfunded) 2011-12	Compensated Absences (unfunded) 2012-13	Compensated Absence (unfunded) 2011-12
Reconciliation of Liability recognised in the Balance Sheet :				
Present Value of Commitments (as per Actuarial valuation)	42,597,506	40,942,576	12,730,680	14,554,821
Fair Value of Plans	-	-	-	-
Net Liability in the Balance Sheet (as per Actuarial valuation)	42,597,506	40,942,576	12,730,680	14,554,821
Movement in net Liability recognised in the Balance Sheet :				
Net Liability as at beginning of the year	40,942,576	54,870,332	14,554,821	20,391,929
Amount Paid during the year	12,567,168	21,996,893	725,766	1,084,718
Net expense / (gain) recognised in the Statement of Profit and Loss	14,222,098	8,069,137	(1,098,375)	(4,752,390)
Contribution during the year	-	-	-	-
Net Liability as at end of the year	42,597,506	40,942,576	12,730,680	14,554,821
Expense recognised in the Statement of Profit and Loss :				
Current Service Cost	6,918,284	7,279,211	2,466,628	2,627,092
Past Service Cost	-	-	-	-
Interest Cost	3,494,908	3,991,291	1,195,711	1,424,946
Expected return on plan assets	-	-	-	-
Actuarial losses / (gains)	3,808,906	(3,201,365)	(4,760,714)	(8,804,428)
Expense charged / (reversal) to the Statement of Profit and Loss	14,222,098	8,069,137	(1,098,375)	(4,752,390)
Return on plan assets :				
Expected return on plan assets	-	-	-	-
Actuarial losses / (gains)	-	-	-	-
Actual return on plan assets	-	-	-	-
Reconciliation of defined-benefit Commitments :				
Commitments as at beginning of the year	40,942,576	54,870,332	14,554,821	20,391,929
Current Service Cost	6,918,284	7,279,211	2,466,628	2,627,092
Past Service Cost	-	-	-	-
Interest Cost	3,494,908	3,991,291	1,195,711	1,424,946

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

Particulars	Gratuity (unfunded) 2012-13	Gratuity (unfunded) 2011-12	Compensated Absences (unfunded) 2012-13	Compensated Absence (unfunded) 2011-12
Paid benefits	(12,567,168)	(21,996,893)	(725,766)	(1,084,718)
Actuarial losses / (gains)	3,808,906	(3,201,365)	(4,760,714)	(8,804,428)
Commitments as at end of the year	42,597,506	40,942,576	12,730,680	14,554,821
Reconciliation of plan assets :				
Plan assets as at beginning of the year	-	-	-	-
Expected return on plan assets	-	-	-	-
Contributions during the year	-	-	-	-
Paid benefits	-	-	-	-
Actuarial losses / (gains)	-	-	-	-
Plan assets as at end of the year	-	-	-	-

(Amount in ₹)

Experience adjustment:	Gratuity (Unfunded)				
	2012-13	2011-12	2010-11	2009-10	2008-09
On plan liabilities ((losses) /gains))	(3,698,836)	2,270,722	6,601,818	3,993,908	1,509,234
On plan assets (gains/ (losses))	-	-	-	-	-
Present value of benefit obligation	42,597,506	40,942,576	54,870,332	57,315,798	42,905,358
Fair value of plan assets	-	-	-	-	-
Excess of (obligation over plan assets) / plan assets over obligation	42,597,506	40,942,576	54,870,332	57,315,798	42,905,358

(Amount in ₹)

Experience adjustment:	Compensated Absences (Unfunded)				
	2012-13	2011-12	2010-11	2009-10	2008-09
On plan liabilities (gains / (losses))	4,796,965	9,703,942	9,934,485	6,788,766	2,586,005
On plan assets (gains/ (losses))	-	-	-	-	-
Present value of benefit obligation	12,730,680	14,554,821	20,391,929	24,303,972	23,828,200
Fair value of plan assets	-	-	-	-	-
Excess of (obligation over plan assets) / plan assets over obligation	12,730,680	14,554,821	20,391,929	24,303,972	23,828,200

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

Particulars	As at March 31, 2013	As at March 31, 2012
Discount rate		
Gratuity and Compensated Absences	8.00%	8.50%
Expected return on plan assets	NA	NA
Expected rate of salary increase	5.00%	5.50%
Mortality	IALM (1994 - 96)	LIC (1994-96)

The employer's best estimate of contributions expected to be paid during the annual period beginning after the Balance Sheet Date, towards Gratuity and Compensated Absences is ₹ 13,286,440 (Previous Year ₹ 12,429,031) and ₹ 3,625,984 (Previous Year ₹ 1,812,860), respectively.

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

Note - 32

Segment Reporting:

Segment information for the year ended March 31, 2013 as per Accounting Standard 17 - 'Segment Reporting' as notified under the Companies (Accounting Standards) Rules, 2006, as amended:

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

(Amount in ₹)

	Broking and related activities	Advisory Services	Total
(i) Segment Revenue	1,852,485,529 <i>1,770,063,747</i>	36,727 <i>72,100,567</i>	1,852,522,256 <i>1,842,164,314</i>
(ii) Segment Results	629,588,519 <i>95,765,990</i>	36,727 <i>62,021,437</i>	629,625,246 <i>157,787,427</i>
Add: Unallocated Income net of other			40,372,797
Unallocated Expenditure			<i>18,712,303</i>
Less: Interest expenditure			62,943,527
			<i>245,928,386</i>
Less: Income taxes			(25,938,275)
			<i>33,121,379</i>
Total Profit / (Loss) after tax			632,992,791 <i>(102,550,035)</i>
(iii) Segment Assets	4,636,285,030 <i>3,731,997,489</i>	- <i>618,221</i>	4,636,285,030 <i>3,732,615,710</i>
Unallocated Corporate Assets			822,594,548
			<i>1,407,488,067</i>
Total Assets			5,458,879,578 <i>5,140,103,777</i>
(iv) Segment Liabilities	2,354,562,825 <i>2,481,214,262</i>	- <i>-</i>	2,354,562,825 <i>2,481,214,262</i>
Unallocated Corporate Liabilities			928,648,238
			<i>312,770,721</i>
Total Liabilities			3,283,211,063 <i>2,793,984,983</i>
(v) Capital Expenditure including Capital Advances	33,522,208 <i>54,171,579</i>	- <i>-</i>	33,522,208 <i>54,171,579</i>
(vi) Depreciation and Amortisation	69,786,669 <i>111,876,910</i>	- <i>145,166</i>	69,786,669 <i>112,022,076</i>
(vii) Non cash expenditure other than Depreciation	75,787,313 <i>17,195,622</i>	- <i>-</i>	75,787,313 <i>17,195,622</i>

(Previous year's figures are stated in Italics)

- (b) The Company operates solely in one Geographic segment namely "Within India" and hence no separate information for Geographic segment wise disclosure is required.
- (c) The Company's primary business segment is reflected based on principal business activities carried on by the Company. The Company's primary business is 'Broking and Related activities' and 'Advisory services'. Broking and related activities include business as a stock and share broker on the National Stock Exchange of India Limited and the BSE Limited, business as a commodity broker on the Multi Commodity Exchange of India Limited and the National Commodity and Derivative Exchange Limited, brokerage/commission on sale of flats, and other related ancillary services relating to broking activities. Advisory services mainly comprise of financial services related fees.
- (d) Segment revenue, results, assets and liabilities include amounts identifiable to each segment and amounts allocated on a reasonable basis.
- (e) The accounting policies adopted for segment reporting are in line with the accounting policies adopted for preparation of financial information as disclosed in Note - 2 .

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

Note - 33

Related Party Disclosures :

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

Nature of Relationship

Name of the Party

(a) Related Party where Significant Influence exists :

Associate Companies

Arbutus Constructions Private Limited (w.e.f January 11, 2012)

Viscaria Builders Private Limited (w.e.f January 11, 2012)

Gyan Sagar Software Technologies Private Limited (w.e.f January 11, 2012)

(b) Other related Parties :

Key Management Personnel

Mr. Divyesh B. Shah, Whole Time Director & Chief Executive Officer

Mr. Ashok Sharma, Whole Time Director

Mr. Sameer Gehlaut, Dominant Promoter

Mr. Rajiv Rattan, Dominant Promoter

Mr. Saurabh K. Mittal, Dominant Promoter

(c) Significant transactions with Related Parties during the year ended March 31, 2013:

(Amount in ₹)

Nature of Transaction	Associates	Key Management Personnel	Total
Income			
Brokerage Income	-	-	-
	-	18,351	18,351
Expenses			
Remuneration	-	17,420,004	17,420,004
	-	2,100,000	2,100,000
Investment			
Equity Shares	-	-	-
	28,500,000	-	28,500,000
Preference Shares	-	-	-
	271,500,000	-	271,500,000

(Previous year's figures are stated in Italics)

(d) Statement of Material Transactions :

(Amount in ₹)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Brokerage Income		
- Mr. Ashok Sharma	-	10,697
- Mr. Divyesh B. Shah	-	7,654
Investment in Equity Shares		
- Arbutus Constructions Private Limited	-	9,500,000
- Viscaria Builders Private Limited	-	9,500,000
- Gyan Sagar Software Technologies Private Limited	-	9,500,000
Investment in Preference Shares		
- Arbutus Constructions Private Limited	-	90,500,000
- Viscaria Builders Private Limited	-	90,500,000
- Gyan Sagar Software Technologies Private Limited	-	90,500,000
Remuneration		
- Mr. Divyesh B. Shah	17,420,004	2,100,000

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

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

Note - 34

Leases

The Company has taken office premises on operating lease at various locations in India and lease rent in respect of the same amounting to ₹ 143,480,198 (Previous year ₹173,372,354) has been charged to the Statement of Profit and Loss. The minimum lease rental outstanding are as under:

(Amount in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Future minimum lease payments		
not later than one year	135,847,756	128,909,055
later than one year and not later than five years	156,118,220	227,811,766
later than five years	1,573,000	729,480

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

Note - 35

Earnings per Equity Share (EPS) :

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

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

Dilutive potential Equity Shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The number of Equity Shares and potential dilutive Equity Shares are adjusted for the potential dilutive effect of Employee Stock Option Plan as appropriate.

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Net Profit/(Loss) available for Equity Shareholders (₹)	632,992,791	(102,550,035)
Weighted average number of Equity Shares used for computing Basic Earnings per Equity Share	231,112,511	231,112,511
Add: Potential number of Equity Shares that could arise on exercise of Employee Stock Options	-	-
Weighted average number of Equity Shares used in computing Diluted Earnings per Equity Share	231,112,511	231,112,511
Face Value of Equity Share (₹)	2.00	2.00
Earnings Per Equity Share - Basic (₹)	2.74	(0.44)
Earnings Per Equity Share - Diluted (₹)	2.74	(0.44)

Note - 36

Loss on Erroneous Transactions :

The loss on squaring off of erroneous transactions on account of trading in securities amounting to ₹ 302,749 (Net) (Previous Year loss ₹ 601,409 (Net)) has been debited to the Statement Profit and Loss Statement.

Consolidated Notes forming part of the Financial Statements

for the year ended March 31, 2013 (contd.)

Note - 37

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

Note - 38

Derivative Instruments:

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

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Amount receivable on loan notes and escrow receivable account (in USD)	1,588,136	1,588,136
Amount receivable on loan notes and escrow receivable account (in INR)	86,377,601	81,243,475

Note - 39

No borrowing cost has been capitalised during the year.

Note - 40

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

Note - 41

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosures.

For and on behalf of the Board of Directors

Divyesh B. Shah
Whole Time Director & Chief Executive Officer

Ashok Sharma
Whole Time Director

R. K. Agarwal
Company Secretary

Mumbai, April 23, 2013

Independent Auditors' Report

To the Members of
INDIABULLS SECURITIES LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **INDIABULLS SECURITIES LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act") and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act 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 31st March, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) 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.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
 - (e) On the basis of the written representations received from the directors as on 31st March, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm Registration No. 117366W)

A. Siddharth
Partner

MUMBAI, 23rd April, 2013 (Membership No. 031467)

Annexure to the Independent Auditors' Report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/results during the year, clauses (ii), (viii), (xii), (xiii), (xiv), (xv), (xviii), (xix) and (xx) are of paragraph 4 of the Order not applicable to the Company.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management during the year. According to the information and explanations given to us no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and the sale of services. During the year, there were no transactions in respect of purchase of inventory and the sale of goods. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
 - (b) Where each of such transaction is in excess of ₹ 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.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year within the meaning of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956.
- (vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) According to the information and explanations given to us, in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Income-tax, and Wealth Tax, Service Tax, Cess and other material statutory dues applicable to it with the appropriate authorities. During the year, there were no dues payable in respect of Investor Education and Protection Fund. Dues relating to Employees' State Insurance, Sales Tax, Customs Duty, Excise Duty are not applicable to the Company.
 - (b) There were no undisputed amounts payable in respect of Provident Fund, Income-tax, Wealth Tax, Service Tax, Cess and other material statutory dues in arrears as at 31st March, 2013 for a period of more than six months from the date they became payable.
 - (c) There are no disputed dues payable in respect of Income-tax, Wealth Tax, Service Tax, and Cess which have not been deposited as on 31st March, 2013.
- (ix) The Company does not have any accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial

Annexure to the Independent Auditors' Report (contd.)

year covered by our audit and in the immediately preceding financial year.

- (x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks. During the year, the Company has not obtained any borrowings from financial institutions or by way of debentures.
- (xi) In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the year for the purposes for which they were obtained, other than temporary deployment pending application.
- (xii) In our opinion and according to the information and explanations given to us, and on an overall

examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, *prima facie*, not been used during the year for long-term investment.

- (xiii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm Registration No. 117366W)

A. Siddharth
Partner

MUMBAI, 23rd April, 2013 (Membership No. 031467)

Balance Sheet

as at March 31, 2013

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Particulars	Note No.	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital	3	462,225,022	462,225,022
(b) Reserves and surplus	4	1,503,769,517	1,748,857,317
		1,965,994,539	2,211,082,339
(2) Non-current liabilities			
(a) Long-term borrowings	5	2,242,229	4,777,709
(b) Other long-term liabilities	6	99,786,644	99,786,644
(c) Long-term provisions	7	41,553,342	42,867,153
		143,582,215	147,431,506
(3) Current liabilities			
(a) Short-term borrowings	8	1,358,953,141	360,148,862
(b) Trade payables	9	9,294,398	7,917,026
(c) Other current liabilities	10	1,003,965,140	1,820,641,781
(d) Short-term provisions	11	300,992,928	185,417,720
		2,673,205,607	2,374,125,389
TOTAL		4,782,782,361	4,732,639,234
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets	12		
(i) Tangible assets		297,412,597	368,534,231
(ii) Intangible assets		3,785,688	14,054,606
		301,198,285	382,588,837
(b) Non-current investments	13	187,342,488	187,342,488
(c) Deferred tax assets (net)	14	55,520,450	63,667,812
(d) Long-term loans and advances	15	611,627,047	617,036,558
(e) Other non-current assets	16	4,841,862	12,143,681
		1,160,530,132	1,262,779,376
(2) Current assets			
(a) Current investments	17	—	350,000,000
(b) Trade receivables	18	213,562,283	327,043,446
(c) Cash and bank balances	19	2,144,529,649	1,975,866,985
(d) Short-term loans and advances	20	1,244,397,724	794,083,998
(e) Other current assets	21	19,762,573	22,865,429
		3,622,252,229	3,469,859,858
TOTAL		4,782,782,361	4,732,639,234
Notes forming part of the financial statements	1 - 41		

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

For and on behalf of the Board of Directors

A. Siddharth
Partner

Divyesh B. Shah
Whole Time Director &
Chief Executive Officer

Ashok Sharma
Whole Time Director

R. K. Agarwal
Company Secretary

Mumbai, April 23, 2013

Mumbai, April 23, 2013

Statement of Profit and Loss

for the year ended March 31, 2013

Particulars	Note No.	For the year ended March 31, 2013 Amount (₹)	For the year ended March 31, 2012 Amount (₹)
I. Revenue from operations	22	1,080,905,496	1,487,570,397
II. Other income	23	238,965,531	166,967,865
III. Total Revenue (I + II)		1,319,871,027	1,654,538,262
IV. Expenses :			
Operating expenses	24	111,808,738	136,687,947
Employee benefits expense	25	283,818,813	477,538,335
Interest and finance costs	26	71,843,542	276,546,777
Depreciation and amortisation expense	12	76,491,625	118,718,587
Other expenses	27	283,341,010	735,704,640
Total Expenses		827,303,728	1,745,196,286
V. Profit / (Loss) before tax (III-IV)		492,567,299	(90,658,024)
VI. Tax expense / (benefit) :			
(1) Current tax		136,600,000	50,610,000
(2) Excess provision for tax relating to prior years		(210,535,333)	—
(3) Deferred tax (Net) (Refer note - 14)		8,147,362	(25,247,378)
		(65,787,971)	25,362,622
VII. Profit / (Loss) for the year (V-VI)		558,355,270	(116,020,646)
VIII. Earnings per Equity Share:	28		
(1) Basic		2.42	(0.50)
(2) Diluted		2.42	(0.50)
Face value per Equity Share		2.00	2.00
Notes forming part of the financial statements	1 - 41		

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

A. Siddharth
Partner

Mumbai, April 23, 2013

For and on behalf of the Board of Directors

Divyesh B. Shah
Whole Time Director &
Chief Executive Officer

Mumbai, April 23, 2013

Ashok Sharma
Whole Time Director

R. K. Agarwal
Company Secretary

Cash Flow Statement

for the year ended March 31, 2013

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Particulars	For the year ended March 31, 2013		For the year ended March 31, 2012	
	Amount (₹)	Amount (₹)	Amount (₹)	Amount (₹)
A Cash flows from operating activities :				
Profit/(Loss) before tax		492,567,299		(90,658,024)
Adjustments for :				
Depreciation and amortisation expense	76,491,625		118,718,587	
Provision for Gratuity and Compensated Absences	(1,614,494)		(17,516,674)	
Provision for doubtful debts, advances and security deposits	50,744,708		59,436,689	
Bad debts/advances written off	2,793,302		191,339	
Loss on sale/scrapping of fixed assets	9,054,669		31,784,477	
Sundry credit balances written back	(3,401,436)		(4,042,719)	
Excess provision for incentive, bonus and other expenses no longer required written back	(75,502,783)		(43,747,868)	
(Profit)/Loss on sale of long-term investments	(1,297,121)		33,143,045	
Profit on sale of current investments	(469,703)		—	
Unrealised foreign exchange gain	(977,638)		(153,093)	
Dividend income on investments	(14,693,286)		(38,781,846)	
Interest income from inter-corporate deposits	(137,709,753)		(19,992,553)	
Interest expense	57,495,303		246,478,315	
		(39,086,607)		365,517,699
Operating Profit before working capital changes		453,480,692		274,859,675
Adjustments for:				
Trade receivables and other assets	185,063,557		2,872,643,805	
Trade payables and other liabilities	(742,013,956)		(586,452,465)	
		(556,950,399)		2,286,191,340
Cash (used in)/generated from operations		(103,469,707)		2,561,051,015
Income tax (paid)/refund received (net)	(80,578,858)		498,612,339	
		(80,578,858)		498,612,339
Net cash (used in)/generated from operating activities		(184,048,565)		3,059,663,354
B Cash flows from investing activities :				
Purchase of fixed assets (including capital advances given)		(10,612,929)		(154,728,866)
Proceeds from sale of fixed assets		3,996,369		8,213,225
Proceeds from sale of long-term investment		1,297,121		240,267,087
Dividend income on investments		14,693,286		38,781,846
Investment in subsidiary		—		(500,000)
Redemption/(Purchase) of units of mutual fund		350,469,703		(350,000,000)
Inter-Corporate Deposits given to subsidiary (net)		(532,000,000)		(943,500,000)
Interest income from inter-corporate deposits to subsidiary		137,709,753		19,992,553
Net cash used in investing activities		(34,446,697)		(1,141,474,155)

Cash Flow Statement

for the year ended March 31, 2013 (contd.)

Particulars	For the year ended March 31, 2013		For the year ended March 31, 2012	
	Amount (₹)	Amount (₹)	Amount (₹)	Amount (₹)
C Cash flows from financing activities				
Interest paid		(57,495,303)		(248,293,726)
Payment of Final Dividend on Equity Shares pertaining to prior years		(27,635)		(67,962)
Payment of interim dividend on Equity Shares		(456,100,654)		(117,399)
Corporate dividend tax on interim dividend on Equity Shares		(74,984,454)		—
Proceeds from / (Repayment of) bank loans (net)		495,790,972		(1,612,017,256)
Proceeds from commercial papers (net)		500,000,000		—
Inter-Corporate deposits taken from Subsidiary Company		—		120,000,000
Inter-Corporate deposits repaid to Subsidiary Company		—		(120,000,000)
Net cash generated from / (used in) financing activities		407,182,926		(1,860,496,343)
D Net Increase in cash and cash equivalents (A+B+C)		188,687,664		57,692,856
E Cash and cash equivalents at the beginning of the year		282,641,985		224,949,129
F Cash and cash equivalents at the end of the year (D+E)		471,329,649		282,641,985

Notes:

1 The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on 'Cash Flow Statements' as notified by the Companies (Accounting Standards) Rules, 2006, as amended.

2 Cash and cash equivalents as at the end of the year include:

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Cash and Bank Balances (Refer note - 19)	2,144,529,649	1,975,866,985
Less: in Fixed Deposit Accounts having Maturity of more than three months	1,673,200,000	1,693,225,000
Cash and Cash Equivalents as restated	471,329,649	282,641,985

3 Unclaimed dividend account balances in designated Bank accounts aggregating to ₹ 16,708,572 (Previous year ₹ 10,611,839) are not available for use by the Company (Refer note - 19(A)).

4 Previous year's figures are regrouped wherever considered necessary to conform with current year's groupings/classifications.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

For and on behalf of the Board of Directors

A. Siddharth
Partner

Divyesh B. Shah
Whole Time Director &
Chief Executive Officer

Ashok Sharma
Whole Time Director

R. K. Agarwal
Company Secretary

Mumbai, April 23, 2013

Mumbai, April 23, 2013

Notes forming part of the financial statements

for the year ended March 31, 2013

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Note - 1

Corporate Information:

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

Note - 2

Significant Accounting Policies:

a) Basis of Accounting and Preparation of Financial Statements:

The financial statements are prepared under the historical cost convention, on an accrual basis in accordance with the Generally Accepted Accounting Principles in India ("Indian GAAP") and Accounting Standards as notified under the Companies (Accounting Standards) Rules, 2006, as amended and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

b) Use of Estimates:

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

c) Revenue Recognition:

- Revenue from brokerage activities is accounted for on the trade date of the transaction.
- Income from fee based advisory services and consultancy is recognised on an accrual basis.
- Revenue from interest charged to customers on margin funding is recognised on a daily/monthly basis up to the last day of accounting period.
- Depository income is accounted on an accrual basis as and when the right to receive the income is established. Annual Maintenance charges are recognised pro-rata over the period it is charged.
- Revenue from interest on fixed deposits is recognised on an accrual basis.
- Commission on mutual funds is recognised on an accrual basis.
- Dividend income on Equity shares is recognised when the right to receive the dividend is unconditional as at the Balance Sheet date.
- Dividend income on units of mutual funds is recognised when the right to receive the dividend is unconditional as at the Balance Sheet date. Any gains/losses on sale / redemption of units are recognised on the date of sale / redemption.
- Interest income on Inter-Corporate Deposits is recognised on an accrual basis.

d) Stock-in-trade:

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

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

e) Commercial Papers:

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

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

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

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

h) Impairment of Assets:

The carrying values of assets / cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

i) Investments:

Investments are classified as long-term and current. Long-term investments, are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

j) Foreign Currency Transactions:

Recognition & translation

- i. Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of transaction.
- ii. Monetary items denominated in foreign currencies at the year end are translated at year end exchange rates.
- iii. Non monetary foreign currency items are carried at cost.

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

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

Exchange Differences

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

k) Employee Benefits:

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

l) Deferred Employee Stock Compensation Cost:

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

m) 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 the provisions of the Income Tax Act, 1961.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

n) Leases:

Assets leased by the Company in its capacity as a lessee, where substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis.

o) Share Issue Expenses:

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

p) Borrowing Costs:

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

q) Segment Reporting:

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

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segment on the basis of their relationship to the operating activities of the segments.

Revenue, expenses, assets and liabilities which relate to the Company as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities."

r) Provisions, Contingent Liabilities and Contingent Assets:

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognised in the financial statements.

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

Note - 3
Share capital

	As at March 31, 2013		As at March 31, 2012	
	No. of shares	Amount (₹)	No. of shares	Amount (₹)
Authorised				
Equity Shares of face value of ₹ 2 each	500,000,000	1,000,000,000	500,000,000	1,000,000,000
Preference Shares of face value of ₹ 4.61 each	25,000,000	115,250,000	25,000,000	115,250,000
		1,115,250,000		1,115,250,000
Issued, subscribed and fully paid up ^{(i) to (v)}				
Equity Shares of face value of ₹ 2 each fully paid up	231,112,511	462,225,022	231,112,511	462,225,022
The Company has only one class of Equity Shares having a face value of ₹ 2 per share. Each holder of Equity Share is entitled to one vote per share. The final dividend proposed by the Board of Directors if any is subject to the approval of the shareholders in the ensuing Annual General Meeting.				
		462,225,022		462,225,022

- (i) In the event of liquidation of the Company, the holders of Equity Shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of Equity Shares held by the shareholders.
- (ii) Holders of Global Depository Receipts ('GDRs') will be entitled to receive dividends, subject to the terms of the Deposit Agreement, to the same extent as the holders of Equity Shares, less the fees and expenses payable under such Deposit Agreement and any Indian tax applicable to such dividends. Holders of GDRs don't have voting rights with respect to the Deposited Shares. The GDRs may not be transferred to any person located in India including Indian residents or ineligible investors except as permitted by Indian laws and regulations.
- (iii) 23,486,341 Equity Shares of face value of ₹ 2 each were bought back by the Company during the year ended March 31, 2010.
- (iv) **Shares held by Shareholders each holding more than 5% shares:**

Name of Shareholder	As at March 31, 2013		As at March 31, 2012	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity shares of ₹ 2 each fully paid up				
Promoters and Promoter Group				
Sameer Gehlaut	34,171,089	14.78%	34,171,089	14.78%
Rajiv Rattan	17,330,253	7.50%	17,330,253	7.50%
Saurabh Mittal	17,212,083	7.45%	17,212,083	7.45%
Orthia Properties Private Limited	21,407,000	9.26%	-*	-*
Non Promoters				
HSBC Global Investment Funds A/c	-*	-*	15,803,106	6.84%
HSBC Global Investment Funds	-*	-*	-	-
	90,120,425	38.99%	84,516,531	36.57%

* % of Holding is not more than 5%.

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

(v) Shares reserved for issue under options:

11,465,083 Equity Shares (Previous year 13,125,008 Equity Shares) of face value of ₹ 2 are reserved under various option schemes of the Company (Refer note - 32).

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

Note - 4		As at	As at
Reserves and surplus		March 31, 2013	March 31, 2012
		Amount (₹)	Amount (₹)
Capital Redemption Reserve			
Balance as per last Balance Sheet		360,036,184	360,036,184
Securities Premium Account			
Balance as per last Balance Sheet		18,046,690	18,046,690
Foreign Currency Monetary Item Translation Difference Account ⁽ⁱ⁾			
Opening balance		3,138,319	—
Add : Additions during the year		5,134,126	3,291,412
Less: Amortised during the year		977,638	153,093
Closing balance		7,294,807	3,138,319
General Reserve			
Balance as per last Balance Sheet		98,700,000	98,700,000
Add: Transfer from the Statement of Profit and Loss		55,835,527	—
Closing balance		154,535,527	98,700,000
Surplus in the Statement of Profit and Loss			
Opening balance		1,268,936,124	1,384,956,770
Add: Profit/(Loss) for the year		558,355,270	(116,020,646)
Amount available for appropriation (a)		1,827,291,394	1,268,936,124
Less: Appropriations :			
Interim Dividend on Equity Shares ⁽ⁱⁱ⁾		693,337,533	—
Corporate Dividend Tax on Interim Dividend on Equity Shares		114,262,025	—
Transfer to General Reserve		55,835,527	—
Total Appropriations (b)		863,435,085	—
Balance of Profit Carried Forward (a)-(b)		963,856,309	1,268,936,124
		1,503,769,517	1,748,857,317

- (i) Pursuant to the notification dated December 29, 2011 issued by the Ministry of Corporate Affairs amending Accounting Standard 11 - 'Accounting for the Effects of Changes in Foreign Exchange Rates' as notified under the Companies (Accounting Standards) Rules, 2006, as amended, the Company has exercised the option as per Paragraph 46A inserted in the said Accounting Standard for amortisation of foreign exchange gain/loss on long-term monetary items over the remaining life of the concerned monetary items. Consequently, an amount of ₹ 7,294,807 (Previous year ₹ 3,138,319) is carried forward in the Foreign Exchange Monetary Item Translation Difference Account as on March 31, 2013, net of forex gain amounting to ₹ 977,638 (Previous year ₹ 153,093) amortised in the Statement of Profit and Loss.
- (ii) During the year the Company has declared and paid Interim Dividend per Share of ₹ 2 (Previous Year ₹ Nil) vide Board Resolution dated October 19, 2012 and January 22, 2013. Further, the Company has declared interim dividend of Re. 1 (Previous Year ₹ Nil) vide Board Resolution dated April 23, 2013.

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

Note - 5	As at	As at
Long-term borrowings	March 31, 2013	March 31, 2012
	Amount (₹)	Amount (₹)
Term Loans		
Secured		
From Banks ⁽ⁱ⁾	2,242,229	4,777,709
	2,242,229	4,777,709

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

Note - 6	As at	As at
Other long-term liabilities	March 31, 2013	March 31, 2012
	Amount (₹)	Amount (₹)
Other Liabilities - Amount received from Depository for GDR	99,786,644	99,786,644
	99,786,644	99,786,644

Note - 7	As at	As at
Long-term provisions	March 31, 2013	March 31, 2012
	Amount (₹)	Amount (₹)
Provision for Employee Benefits		
Provision for Gratuity (Refer note - 35)	32,410,834	32,247,557
Provision for Compensated Absences (Refer note - 35)	9,142,508	10,619,596
	41,553,342	42,867,153

Note - 8	As at	As at
Short-term borrowings	March 31, 2013	March 31, 2012
	Amount (₹)	Amount (₹)
Secured loans		
From Banks ⁽ⁱ⁾		
Bank Overdraft	858,953,141	360,148,862
Unsecured loans		
Commercial papers	500,000,000	—
(Maximum balance outstanding during the year ₹ 500,000,000 (Previous year ₹ Nil))		
	1,358,953,141	360,148,862

(i) Bank overdraft amounting to ₹ 792,821,373 (Previous year ₹ 360,148,862) are secured against fixed deposit placed and ₹ 66,131,768 (Previous year ₹ Nil) are secured against book debt placed with respective banks.

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 9		
Trade payables		
(a) Dues to Micro and Small Enterprises ⁽ⁱ⁾	—	—
(b) Dues to others	9,294,398	7,917,026
	9,294,398	7,917,026

- (i) Disclosures under the Micro, Small and Medium Enterprises Development Act, 2006:
- An amount of ₹ Nil (Previous year ₹ Nil) and ₹ 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 in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006; no amount was paid to the supplier beyond the appointed date.
 - No interest is payable at the end of the year other than interest under Micro, Small and Medium Enterprises Development Act, 2006.
 - No amount of interest was accrued and unpaid at the end of the accounting year.
- The above information regarding Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of the information available with the Company. This has been relied upon by the Auditors.

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 10		
Other current liabilities		
Current maturity of long-term loans (Refer note - 5(i))	1,289,857	1,767,684
Brokerage/Depository income received in advance	4,747,996	6,175,335
Unclaimed dividends ⁽ⁱ⁾	16,708,572	10,611,839
Margin from customers (Refer note - 19(ii))	653,155,511	928,477,990
Temporary overdrawn bank balances as per books	18,796,100	520,437,430
Others - Current liabilities for expense provisions and Statutory dues	309,267,104	353,171,503
	1,003,965,140	1,820,641,781

- (i) In respect of amounts mentioned under Section 205C of the Companies Act, 1956, ₹ Nil (Previous year ₹ Nil) were required to be credited to the Investor Education and Protection Fund as at March 31, 2013.

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 11		
Short-term provisions		
Provision for Gratuity (Refer note - 35)	2,611,759	2,231,607
Provision for Compensated Absences (Refer note - 35)	1,354,417	2,035,252
Provision for Taxation (net of advance tax ₹ 325,924,235, Previous year ₹ 1,629,480,662)	26,636,670	181,150,861
Provision for Interim Dividend on Equity Shares	231,112,511	—
Provision for Corporate Dividend Tax on Interim Dividend on Equity Shares	39,277,571	—
	300,992,928	185,417,720

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

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Amount (₹)

Note: 12 Fixed Assets

Particulars	GROSS BLOCK AT COST					DEPRECIATION / AMORTISATION					NET BLOCK	
	As at April 01, 2012	Addition during the year	Adjustments/ Sales during the year	As at March 31, 2013	As at April 01, 2012	Provided during the year	Adjustments during the year	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012		
A. Tangible Assets												
Furniture and Fixtures	22,945,350	961,485	1,045,589	22,861,246	18,581,249	684,329	918,287	18,347,291	4,513,955	4,364,101		
Vehicles*	87,044,417	—	11,084,690	75,959,727	41,676,146	7,704,068	6,361,576	43,018,638	32,941,089	45,368,271		
Office equipment	224,159,199	1,959,866	4,819,551	221,299,514	64,235,202	10,440,820	1,523,553	73,152,469	148,147,045	159,923,997		
Computers	436,040,770	3,095,628	3,618,561	435,517,837	361,871,902	37,276,827	3,523,350	395,625,379	39,892,458	74,168,868		
Leasehold improvements	124,972,064	100,873	7,771,524	117,301,413	40,263,070	8,082,404	2,962,111	45,383,363	71,918,050	84,708,994		
Total (a)	895,161,800	6,117,852	28,339,915	872,939,737	526,627,569	64,188,448	15,288,877	575,527,140	297,412,597	368,534,231		
Previous year (i)	915,723,943	55,094,286	75,656,429	895,161,800	475,163,189	87,123,107	35,658,727	526,627,569	368,534,231			
B. Intangible Assets												
Membership rights of BSE Limited	7,005,000	—	—	7,005,000	7,005,000	—	—	7,005,000	—	—		
Software	589,563,207	2,034,259	—	591,597,466	575,508,601	12,303,177	—	587,811,778	3,785,688	14,054,606		
Indiabulls.com website	5,262,584	—	—	5,262,584	5,262,584	—	—	5,262,584	—	—		
Total (b)	601,830,791	2,034,259	—	603,865,050	587,776,185	12,303,177	—	600,079,362	3,785,688	14,054,606		
Previous year (ii)	599,730,791	2,100,000	—	601,830,791	556,180,705	31,595,480	—	587,776,185	14,054,606			
Current year total ((a)+(b))	1,496,992,591	8,152,111	28,339,915	1,476,804,787	1,114,403,754	76,491,625	15,288,877	1,175,606,502	301,198,285	382,588,837		
Previous year total ((i) + (iii))	1,515,454,734	57,194,286	75,656,429	1,496,992,591	1,031,343,894	118,718,587	35,658,727	1,114,403,754	382,588,837			

* Includes vehicles having original cost of ₹ 5,999,762 (Previous year ₹ 10,248,314) which are hypothecated to banks against the respective loans.

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 13		
Non-current investments		
Long-term - Trade - Unquoted (at cost unless otherwise stated)		
Investments in Equity Instruments		
130,000 (Previous year 130,000)		
fully paid up Equity Shares of face value	10,000	10,000
of Re. 1 each in BSE Limited		
Total (A)	10,000	10,000
Long-term - Others - Unquoted (at cost unless otherwise stated)		
Investments in Equity Instruments		
(i) In wholly owned subsidiary companies (unless otherwise stated)		
600,000 (Previous year 600,000)		
fully paid up Equity Shares of face value	6,000,000	6,000,000
₹10 each in Indiabulls Commodities Limited		
5,500,000 (Previous year 5,500,000)		
fully paid up Equity Shares of face value	55,000,000	55,000,000
₹10 each in Indiabulls Brokerage Limited		
50,000 (Previous year 50,000)		
fully paid up Equity Shares of face value	500,000	500,000
₹10 each in Indiabulls Distribution Services Limited		
50,000 (Previous year 50,000)		
fully paid up Equity Shares of face value	500,000	500,000
₹10 each in Auxesia Soft Solutions Limited ^(a)		
50,000 (Previous year 50,000)		
fully paid up Equity Shares of face value	500,000	500,000
₹10 each in Devata Tradelink Limited		
Less: Provision for diminution in the value of investment ^(b)	500,000	500,000
Total (B)	62,000,000	62,000,000
(ii) Other Long-Term Investments		
288,722 (Previous year 288,722)		
fully paid-up Ordinary Shares of	125,332,488	125,332,488
face value of £ 0.001 in Copal Partners Limited ^(c)		
Total (C)	125,332,488	125,332,488
Total (A)+(B)+(C)	187,342,488	187,342,488
Aggregate market value of quoted investments	—	—
Aggregate book value of quoted investments	—	—
Aggregate book value of unquoted investments	187,842,488	187,842,488
Aggregate provision for diminution in value of investments	500,000	500,000

(a) During the year ended March 31, 2012, the Company has invested an amount of ₹ 500,000 in a newly formed wholly owned subsidiary Auxesia Soft Solutions Limited.

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

- (b) During the year ended March 31, 2009, the Company had given loan of ₹ 1,809,300,000 to one of its wholly owned subsidiaries - viz. Devata Tradelink Limited ("DTL"). During that financial year, DTL had incurred / provided for losses aggregating to ₹ 1,562,932,320 in respect of dealing in securities. Based upon the availability of resources as at that year end to repay those loans and considering the erosion of the networth of the said subsidiary, the Company had written off loans given to DTL aggregating to ₹ 1,809,300,000 as bad loans / advances written off. Investments made by the Company in the Equity Share capital of DTL amounting to ₹ 500,000 though considered as strategic and long-term in nature, considering the losses suffered by this subsidiary, diminution in the value of this investment is considered as other than temporary in nature and accordingly provision for diminution in value amounting to ₹ 500,000 was made in books of account in that financial year. During the year ended March 31, 2012, the Company had given an additional loan amounting to ₹ 300,000,000 to the said subsidiary.
- (c) During the year ended March 31, 2012, Copal Partners Limited had bought back 223,222 shares held by the Company vide the Purchase and Cancellation Agreement for the consideration of ₹ 86,226,344. Further, the Company had sold 586,193 shares held by it in Copal Partners Limited to Moody's Group UK LTD for the consideration of ₹ 231,992,806 vide the Share Purchase Deed. Further, the Company has also received ₹ 1,297,121 as an additional consideration during the year. As a result thereof, the stake of the Company in Copal Partners Limited had been reduced from 4.74% to 1.63%. The proportionate cost of the shares bought back and sold aggregates to ₹ 351,362,195. Out of the total consideration of ₹ 231,992,806 receivable from Moody's Group UK LTD an amount of ₹ 77,952,063 [excluding foreign exchange gain of ₹ 8,425,538 (Previous Year ₹ 3,291,412)] is receivable as at the year ended March 31, 2013 in the form of Loan Notes and Escrow account of the Moody's Group UK LTD.

Note - 14**Deferred tax assets (net)**

In compliance with Accounting Standard 22 - 'Accounting for Taxes on Income' as notified under the Companies (Accounting Standards) Rules, 2006, as amended, deferred tax (net) of ₹ 8,147,362 (Previous year deferred tax credit - ₹ 25,247,378) has been debited to the Statement of Profit and Loss for the year ended March 31, 2013. The breakup of deferred tax into major components is as under:

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Deferred tax assets:		
Provision for doubtful debts, advances and security deposits	38,266,182	50,779,293
Disallowances u/s. 43B of the Income-Tax Act, 1961	3,567,905	11,604,886
Disallowances u/s. 40A(7) of the Income-Tax Act, 1961	11,904,179	11,123,057
Others	4,629,973	3,135,185
(a)	58,368,239	76,642,421
Deferred tax liability:		
Difference between book balance and tax balance of fixed assets	2,847,789	12,974,609
(b)	2,847,789	12,974,609
Deferred tax assets (net)	(a) - (b)	63,667,812

Note - 15**Long-term loans and advances****Unsecured**

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
(a) Capital advances		
Considered good	102,522,825	100,062,007
Considered doubtful	—	2,721,805
	102,522,825	102,783,812
Less: Provision for doubtful capital advances	—	2,721,805
	102,522,825	100,062,007

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
(b) Security deposits		
(i) Deposits (including margin money) with stock exchanges, (considered good)	41,875,087	61,053,659
(ii) Deposits with others		
Considered good	75,592,205	72,727,479
Considered doubtful	16,903,403	23,485,667
	92,495,608	96,213,146
Less: Provision for doubtful deposits	16,903,403	23,485,667
	75,592,205	72,727,479
(c) Loans and advances to related parties - (considered good)		
Devata Tradelink Limited (Refer note - 13(b))	300,000,000	300,000,000
(d) Loan Notes, Escrow Receivable account and others (Refer note - 13(c))		
Considered good	91,636,930	83,193,413
Considered doubtful	2,677,302	3,620,330
	94,314,232	86,813,743
Less: Provision for doubtful advances	2,677,302	3,620,330
	91,636,930	83,193,413
	611,627,047	617,036,558

Note - 16 Other non-current assets	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Balance with Banks - in fixed deposit accounts (Refer note - 19(B)(i))	4,841,862	12,143,681
	4,841,862	12,143,681

Note - 17 Current investments	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Investments in Mutual Funds - unquoted		
Indiabulls Liquid Fund - Growth	—	350,000,000
No. of Units - Nil (Previous year : ₹ 336,030.280)		
NAV: NA (Previous year : ₹ 1,041.9834)		
	—	350,000,000
Aggregate market value of quoted investments	—	—
Aggregate book value of quoted investments	—	—
Aggregate book value of unquoted investments	—	350,000,000
Aggregate provision for diminution in value of investments	—	—

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 18		
Trade receivables		
Unsecured		
Outstanding for a period exceeding six months		
Considered good	96,294,267	90,139,094
Considered doubtful	93,000,000	126,681,038
	189,294,267	216,820,132
Less: Provision for doubtful debts	93,000,000	126,681,038
	96,294,267	90,139,094
Others		
Considered good	117,268,016	236,904,352
Considered doubtful	—	—
	117,268,016	236,904,352
	213,562,283	327,043,446

	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Note - 19		
Cash and bank balances		
(A) Cash and cash equivalents		
Balance with banks		
— in current accounts	454,573,808	271,954,126
— in unclaimed dividend accounts	16,708,572	10,611,839
	471,282,380	282,565,965
Cash on hand	47,269	76,020
	471,329,649	282,641,985
(B) Other bank balances ^{(i) & (ii)}		
— in fixed deposit accounts having original maturity of more than twelve months	1,298,200,000	1,693,029,926
— in fixed deposit accounts having original maturity upto twelve months	375,000,000	195,074
	1,673,200,000	1,693,225,000
	2,144,529,649	1,975,866,985

- (i) Fixed deposits includes:
- ₹ 747,300,000 (Previous year ₹ 776,300,000) pledged with the banks against bank guarantees issued by banks for base capital and additional base capital to the National Stock Exchange of India, BSE Limited and the National Securities Clearing Corporation Limited.
 - ₹ 47,400,000 (Previous year ₹ 47,400,000) pledged with the National Stock Exchange of India, BSE Limited and National Securities Clearing Corporation Limited for the purpose of base capital and additional base capital.
 - ₹ 878,500,000 (Previous year ₹ 874,500,000) pledged with banks for overdraft facilities.
 - ₹ 4,554,582 (Previous year ₹ 6,881,400) pledged for arbitration matters.
 - ₹ 25,000 (Previous year ₹ 25,000) pledged with State Commission, New Delhi for appeal filed by the Company in a consumer dispute matter.

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

- (ii) During the year ended March 31, 2012, pursuant to the Order of the Hon'ble Sole Arbitrator, the Company had sold shares held by one of its customers in its beneficiary depository account held with the Company. Further, the said Arbitrator had ordered the Company to deposit the money in an interest bearing account in its name specifying that the sum has been deposited subject to further orders in the Arbitration. The Company had thus invested such sums of money aggregating to ₹ 662,315,671 (Previous year ₹613,023,555) (Net) in various fixed deposits with a scheduled bank. As at the year end, the said fixed deposits are being netted off against the dues payable to the customer.

Note - 20		As at	As at
Short-term loans and advances		March 31, 2013	March 31, 2012
		Amount (₹)	Amount (₹)
(a)	Loans and advances to related parties (unsecured, considered good)		
	Indiabulls Distribution Services Limited	1,175,500,000	643,500,000
	(Maximum balance outstanding at any time during the year ₹ 2,013,000,000, Previous year ₹ 643,500,000)		
(b)	Margin funding loan receivables (secured, considered good)	47,822,195	114,179,439
	Less: Margin received	24,036,657	13,157,572
		23,785,538	101,021,867
(c)	Security deposits (unsecured, considered good)	6,641,932	17,919,304
(d)	Prepaid Expenses, Cenvat Credit Receivable and Others (unsecured, considered good)	38,470,254	31,642,827
		1,244,397,724	794,083,998
Note - 21		As at	As at
Other current assets		March 31, 2013	March 31, 2012
		Amount (₹)	Amount (₹)
	Interest accrued on fixed deposits	19,762,573	22,865,429
		19,762,573	22,865,429
Note - 22		For the year ended	For the year ended
Revenue from operations		March 31, 2013	March 31, 2012
		Amount (₹)	Amount (₹)
(a)	Sale of services ⁽ⁱ⁾	852,251,097	1,133,395,605
(b)	Other operating revenues ⁽ⁱⁱ⁾	228,654,399	354,174,792
		1,080,905,496	1,487,570,397
(i)	Sale of services includes :		
	Brokerage income	638,171,327	914,931,958
	Interest on margin funding	62,315,745	127,067,947
	Income from depository services	93,753,836	21,130,741
	Other charges including transaction charges	58,010,189	70,264,959
		852,251,097	1,133,395,605
(ii)	Other operating revenues includes :		
	Interest on fixed deposits	168,051,489	269,436,470
	Advisory Income	36,727	68,835,907
	Consultancy Fees	50,000,000	—
	Income from IPO commission, Mutual Funds commission, Account Opening and Other miscellaneous income	10,566,183	15,902,415
		228,654,399	354,174,792

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

Note - 23		
Other income	For the year ended March 31, 2013 Amount (₹)	For the year ended March 31, 2012 Amount (₹)
Interest Income		
Interest income from Inter-Corporate Deposits	137,709,753	19,992,553
Interest income from Income Tax Refund	2,728,133	59,659,818
	<u>140,437,886</u>	<u>79,652,371</u>
Dividend Income		
Dividend income on other long-term investments	14,076,733	35,862,898
Dividend income on current investments	616,553	2,918,948
	<u>14,693,286</u>	<u>38,781,846</u>
Other non-operating income		
Profit on Sale of Current Investments	469,703	—
Profit on Sale of Long Term Investments (Refer Note - 13(c))	1,297,121	—
Excess provision for incentive, bonus and other expenses no longer required written back	75,502,783	43,747,868
Sundry credit balances written back	3,401,436	4,042,719
Gain on Foreign exchange fluctuations (Refer Note - 4(ii))	977,638	712,960
Bad debts recovered	2,185,678	30,101
	<u>83,834,359</u>	<u>48,533,648</u>
	<u>238,965,531</u>	<u>166,967,865</u>

Note - 24		
Operating expenses	For the year ended March 31, 2013 Amount (₹)	For the year ended March 31, 2012 Amount (₹)
Stamp duty	32,849,279	29,305,368
Demat charges	1,500	5,144
SEBI charges	1,514,119	1,748,640
Commission	3,543,443	11,540,671
Depository charges	6,411,804	8,202,189
Transaction charges	28,514,779	39,358,595
Membership fees	2,565,782	965,937
Web hosting expenses	12,784,501	13,688,357
VSAT charges	3,409,784	3,328,138
Leased line expenses	14,366,120	17,559,784
Content expenses	4,325,195	8,112,401
Software expenses	1,522,432	2,872,723
	<u>111,808,738</u>	<u>136,687,947</u>

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

Note - 25 Employee benefits expense	For the year ended March 31, 2013 Amount (₹)	For the year ended March 31, 2012 Amount (₹)
Salaries ⁽ⁱ⁾	258,991,489	457,481,700
Contribution to Provident fund and other funds	535,780	707,645
Staff welfare expenses	13,244,931	12,521,597
Provision for Gratuity (Refer note - 35)	11,046,613	6,827,393
	283,818,813	477,538,335

- (i) During the year, personnel costs amounting to ₹ 222,846,929 (Previous Year ₹ 109,707,465) were apportioned to Indiabulls Distribution Services Limited - a wholly owned subsidiary of the Company.

Note - 26 Interest and finance costs	For the year ended March 31, 2013 Amount (₹)	For the year ended March 31, 2012 Amount (₹)
Bank charges	14,290,674	30,067,136
Interest on Inter-Corporate Deposits	—	1,288,524
Interest on bank overdraft	37,989,768	66,800,602
Interest on working capital loan	6,312,329	9,422,568
Interest on vehicle loans	548,866	697,751
Interest on commercial papers	12,644,340	—
Interest on taxes	57,565	1,326
Interest - others (Refer note - 37)	—	168,268,870
	71,843,542	276,546,777

Note - 27 Other expenses	For the year ended March 31, 2013 Amount (₹)	For the year ended March 31, 2012 Amount (₹)
Lease rent ⁽ⁱ⁾ (Refer note 29)	58,792,839	145,797,340
Rates and taxes (Refer note - 37)	11,490,296	263,132,324
Electricity expenses	19,893,328	17,548,456
Insurance	601,909	723,134
Communication expenses	33,110,148	36,881,140
Professional charges	15,661,920	58,039,430
Travelling and conveyance	10,609,055	11,037,218
Printing and stationery	10,670,300	10,337,684
Office maintenance	22,898,402	23,778,493
Repairs and maintenance - others	24,768,056	29,662,836
Business promotion ⁽ⁱⁱ⁾	3,905,568	5,781,668
Payment to Statutory Auditors'		
(net of service tax of ₹ 889,920; Previous year ₹ 852,840)		
— For Statutory Audit	5,300,000	5,300,000
— For Certification	1,000,000	1,000,000
— Reimbursement of Expenses	900,000	900,000

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

Note - 27 Other expenses (contd.)	For the year ended March 31, 2013 Amount (₹)	For the year ended March 31, 2012 Amount (₹)
Loss on erroneous transactions (net) (Refer note - 30)	302,749	599,078
Loss on sale of other long-term investments	—	33,143,045
Loss on sale/ scrapping of fixed assets	9,054,669	31,784,477
Provision for doubtful debts, advances and security deposits	50,744,708	59,436,689
Bad debts / advances written off	96,538,453	50,270,727
Less : Adjusted against provision of earlier years	93,745,151	50,079,388
	2,793,302	191,339
Miscellaneous expenses	843,761	630,289
	283,341,010	735,704,640

- (i) During the year, Lease rent amounting to ₹ 73,277,459 (Previous Year ₹ 27,094,810) was apportioned to Indiabulls Distribution Services Limited - a wholly owned subsidiary of the Company. (Refer note - 29)
- (ii) During the year, Business Promotion expense amounting to ₹ Nil (Previous Year ₹ 1,206,197) was apportioned to Indiabulls Distribution Services Limited - a wholly owned subsidiary of the Company.

Note - 28**Earnings per Equity Share (EPS) :**

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

The basic earnings per Equity Share is computed by dividing the net profit/(loss) attributable to Equity Shareholders for the year by the weighted average number of Equity Shares outstanding during the reporting year. Diluted earnings per Equity Share is computed by considering the weighted average number of Equity Shares and also the weighted average number of Equity Shares that could have been issued on the conversion of all dilutive potential Equity Shares. The dilutive potential Equity Shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value.

Dilutive potential Equity Shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The number of Equity Shares and potential dilutive Equity Shares are adjusted for the potential dilutive effect of Employee Stock Option Plan as appropriate.

Particulars	For the year ended March 31, 2013 Amount (₹)	For the year ended March 31, 2012 Amount (₹)
Profit / (Loss) available for Equity Shareholders (₹)	558,355,270	(116,020,646)
Weighted average number of Equity Shares used for computing Basic Earnings per Equity Share	231,112,511	231,112,511
Add: Potential number of Equity Shares that could arise on exercise of Employee Stock Options	—	—
Weighted average number of Equity Shares used in computing Diluted Earnings per Equity Share	231,112,511	231,112,511
Face Value of Equity Share (₹)	2.00	2.00
Earnings Per Equity Share - Basic (₹)	2.42	(0.50)
Earnings Per Equity Share - Diluted (₹)	2.42	(0.50)

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

Note - 29

Leases :

The Company has taken office premises on operating lease at various locations in India and lease rent in respect of the same amounting to ₹ 58,792,839 (Previous Year ₹ 145,797,340) net of apportionment has been charged to the Statement of Profit and Loss. (Refer note - 27(i)). The minimum lease rental outstanding are as under:

Particulars	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Future minimum lease payments		
not later than one year	125,395,306	126,766,605
later than one year and not later than five years	116,833,695	223,766,968
later than five years	—	729,480

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

Note - 30

Loss on Erroneous Transactions :

The loss on squaring off of erroneous transactions on account of trading in securities amounting to ₹ 302,749 (Net) (Previous year ₹ 599,078 (Net)) has been debited to the Statement of Profit and Loss.

Note - 31

A. Contingent liabilities not provided for in respect of:

Particulars	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
— Claims against the Company not acknowledged as debts in respect of:		
Penalty for synchronised trading under SEBI regulations ⁽ⁱ⁾	1,500,000	1,500,000
Arbitration matters ⁽ⁱⁱ⁾	201,637	147,658
Court Cases	3,820,285	3,858,471
— Corporate guarantee for bank guarantees availed by subsidiary	100,000,000	70,000,000

(i) During the year ended March 31, 2011, the Securities Appellate Tribunal ("SAT") had passed an order dated October 26, 2010 in favour of the Company setting aside the penalty imposed by SEBI. However, during the year ended March 31, 2012, SEBI had preferred an appeal at the Honourable Supreme Court of India against the judgment of the SAT.

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

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

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

C. Commitments :

Particulars	As at March 31, 2013 Amount (₹)	As at March 31, 2012 Amount (₹)
Capital Commitments for purchase of fixed assets	400,759,492	402,247,476

Note - 32**Employee Stock Option Schemes:****a) Employees Stock Option Scheme - 2008**

Pursuant to a resolution passed by the Shareholders on January 19, 2009, the Company had cancelled and withdrawn the existing "Employee Stock Option Scheme - 2007", covering 15,000,000 stock options and established a new Employee Stock Option Scheme titled "Employee Stock Option Scheme - 2008" in accordance with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI Guidelines").

Under the Scheme, the Company was authorised to grant 20,000,000 Equity settled options to eligible employees including its directors (other than promoter directors) and employees of its subsidiary companies including their directors. All options under the Scheme are exercisable for Equity Shares of the Company. Employees covered by the plan were granted an option to purchase shares of the Company subject to the requirements of vesting.

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

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

The expected volatility was determined based on historical volatility data.

b) Employees Stock Option Scheme - 2009

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

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

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

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

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

The expected volatility was determined based on historical volatility data.

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

Particulars	For the year ended March 31, 2013 Amount (₹)	For the year ended March 31, 2012 Amount (₹)
Profit/(Loss) attributable to Equity Shareholders (refer note - 28)	558,355,270	(116,020,646)
Less: Stock-based compensation expense determined under the fair value based method: [Gross ₹ 23,579,797 (Previous Year ₹ 24,468,052)] (pro forma)	1,583,508	2,358,615
Net Profit/(Loss) considered for computing Earnings per Equity Share (pro forma)	556,771,762	(118,379,261)
Basic / Diluted Earnings Per Equity Share:		
Weighted average number of Equity Shares used for computing Basic Earnings per Equity Share	231,112,511	231,112,511

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

Particulars	For the year ended March 31, 2013 Amount (₹)	For the year ended March 31, 2012 Amount (₹)
Add: Potential number of Equity Shares that could arise on exercise of Employee Stock Options	—	—
Weighted average number of Equity Shares used for computing Diluted Earnings per Equity Share	231,112,511	231,112,511
Basic earnings per Equity Share (as reported)	2.42	(0.50)
Basic earnings per Equity Share (pro forma)	2.41	(0.51)
Diluted earnings per Equity Share (as reported)	2.42	(0.50)
Diluted earnings per Equity Share (pro forma)	2.41	(0.51)

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

	IBSL ESOP - 2008	IBSL ESP - 2009	
Total Options under the Scheme (Nos.)	20,000,000	20,000,000	
Options granted (Nos.)	20,000,000	10,000,000	2,050,000
Vesting Period and Percentage	Ten years, 1 st Year - 15% 2 nd year to 9 th year - 10% each year 10 th year - 5%	Uniformly over a period of Ten years	Uniformly over a period of Ten years
Vesting Date	January 25 th each year, commencing January 25, 2010	December 2 nd each year, commencing December 2, 2010	April 13 th each year, commencing April 13, 2011
Exercise Price (₹)	17.40	35.25	31.35
Outstanding at the beginning of the year (Nos.)	12,625,008	—	500,000
Options vested during the year (Nos.)*	1,182,538	—	50,000
Exercised during the year (Nos.)	—	—	—
Expired during the year (Nos.)	—	—	—
Surrendered and eligible for re-grant during the year (Nos.)	1,659,925	—	—
Outstanding at the end of the year (Nos.)	10,965,083	—	500,000
Exercisable at the end of the year (Nos.)	4,519,702	—	100,000
Remaining contractual Life (Weighted Months)	73	Nil	102

* Net of options surrendered before vesting.

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

Note - 33

Segment Reporting :

Segment information for the year ended March 31, 2013 as per Accounting Standard 17 - 'Segment Reporting' as notified under the Companies (Accounting Standards) Rules, 2006, as amended:

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

(Amount in ₹)

	Broking and related activities	Advisory Services	Total
(i) Segment Revenue	1,080,868,769 <i>1,418,734,490</i>	36,727 <i>68,835,907</i>	1,080,905,496 <i>1,487,570,397</i>
(ii) Segment Results	408,039,897 <i>28,612,964</i>	36,727 <i>58,756,777</i>	408,076,624 <i>87,369,741</i>
Add: Unallocated Income net of other unallocated Expenditure			142,043,543 <i>68,451,876</i>
Less: Interest expenditure			57,552,868 <i>246,479,641</i>
Less: Income taxes			(65,787,971) <i>25,362,622</i>
Total Profit / (Loss) after tax			558,355,270 <i>(116,020,646)</i>
(iii) Segment Assets	2,879,169,251 <i>3,012,297,124</i>	— <i>618,221</i>	2,879,169,251 <i>3,012,915,345</i>
Unallocated Corporate Assets			1,903,613,110 <i>1,719,723,889</i>
Total Assets			4,782,782,361 <i>4,732,639,234</i>
(iv) Segment Liabilities	1,891,535,717 <i>2,223,462,158</i>	— —	1,891,535,717 <i>2,223,462,158</i>
Unallocated Corporate Liabilities			925,252,105 <i>298,094,737</i>
Total Liabilities			2,816,787,822 <i>2,521,556,895</i>
(v) Capital Expenditure including Capital Advances	10,612,929 <i>54,171,579</i>	— —	10,612,929 <i>54,171,579</i>
(vi) Depreciation and Amortisation	68,787,557 <i>110,057,704</i>	— <i>145,166</i>	68,787,557 <i>110,202,870</i>
(vii) Non cash expenditure other than Depreciation	71,775,236 <i>16,184,694</i>	— —	71,775,236 <i>16,184,694</i>

(Previous year's figures are stated in Italics)

- (b) The Company operates solely in one Geographic segment namely "Within India" and hence no separate information for Geographic segment wise disclosure is required.
- (c) The Company's primary business segment is reflected based on principal business activities carried on by the Company. The Company's primary business is 'Broking and related activities' and 'Advisory services'. Broking and related activities

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

include business as a stock and share broker on the National Stock Exchange of India Limited and the BSE Limited and other related ancillary services. Advisory services mainly comprise of financial services related fees.

- (d) Segment revenue, results, assets and liabilities include amounts identifiable to each segment and amounts allocated on a reasonable basis.
- (e) The accounting policies adopted for segment reporting are in line with the accounting policies adopted for preparation of financial information as disclosed in Note - 2.

Note - 34**Related Party Disclosures :**

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

<u>Nature of Relationship</u>	<u>Name of the Party</u>
(a) Related parties where control exists:	
Subsidiary Companies	Indiabulls Commodities Limited India Ethanol and Sugar Limited (100% subsidiary of Indiabulls Commodities Limited) Devata Tradelink Limited Indiabulls Brokerage Limited Indiabulls Distribution Services Limited Auxesia Soft Solutions Limited (w.e.f. September 30, 2011)
(b) Other Related Parties:	
Key Management Personnel	Mr. Divyesh B. Shah, Whole Time Director & Chief Executive Officer Mr. Ashok Sharma, Whole Time Director Mr. Sameer Gehlaut, Dominant Promoter Mr. Rajiv Rattan, Dominant Promoter Mr. Saurabh K. Mittal, Dominant Promoter

(c) Significant transactions with Related Parties during the year ended March 31, 2013 (Amount in ₹)

Nature of Transaction	Subsidiaries	Key Management Personnel	Total
Income			
Brokerage Income	— —	— 18,351	— 18,351
Consultancy Fees	50,000,000 —	— —	50,000,000 —
Bad Debt Recovered	2,125,942 —	— —	2,125,942 —
Expenses			
Reimbursement of expenses received	296,371,810 138,104,448	— —	296,371,810 138,104,448
Remuneration	— —	17,420,004 2,100,000	17,420,004 2,100,000
Inter-Corporate Deposits Given (Maximum balance outstanding during the year)	2,313,000,000 976,000,000	— —	2,313,000,000 976,000,000
Inter-Corporate Deposits Taken (Maximum balance outstanding during the year)	— 120,000,000	— —	— 120,000,000

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

(c) Significant transactions with Related Parties during the year ended March 31, 2013 (contd.) (Amount in ₹)

Nature of Transaction	Subsidiaries	Key Management Personnel	Total
Interest income on Inter-Corporate Deposits	137,709,753 19,992,553	— —	137,709,753 19,992,553
Interest expense on Inter-Corporate Deposits	— 1,288,524	— —	— 1,288,524
Investment			
Equity Shares	— 500,000	— —	— 500,000
Advances			
Advances Given	— 200,000	— —	— 200,000
Advances Received Back	— 2,060,000	— —	— 2,060,000
Guarantee			
Guarantee Given	30,000,000 —	— —	30,000,000 —
Guarantee Released	— 30,000,000	— —	— 30,000,000

(Previous year's figures are stated in Italics)

(d) Outstanding as at March 31, 2013: (Amount in ₹)

Nature of Transaction	Subsidiaries	Key Management Personnel	Total
Inter-Corporate Deposits Given			
- Indiabulls Distribution Services Limited	1,175,500,000 643,500,000	— —	1,175,500,000 643,500,000
- Devata Tradelink Limited	300,000,000 300,000,000	— —	300,000,000 300,000,000
Guarantee given for Subsidiary Company			
- Indiabulls Commodities Limited	100,000,000 70,000,000	— —	100,000,000 70,000,000

(Previous year's figures are stated in Italics)

(e) Statement of Material Transactions : (Amount in ₹)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Brokerage Income		
- Mr. Ashok Sharma	—	10,697
- Mr. Divyesh B. Shah	—	7,654
Consultancy Fees		
- Indiabulls Distribution Services Limited	50,000,000	—

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

(e) Statement of Material Transactions (contd.) :

(Amount in ₹)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Bad Debt Recovered		
- Devata Tradelink Limited	2,125,942	—
Reimbursement of Expenses received		
- Indiabulls Commodities Limited	212,197	27,591
- Indiabulls Brokerage Limited	12,074	13,750
- Indiabulls Distribution Services Limited	296,147,202	138,041,757
- Auxesia Soft Solutions Limited	337	21,350
Inter-Corporate Deposits Given (maximum balance outstanding during the year)		
- Indiabulls Commodities Limited	—	32,500,000
- Indiabulls Distribution Services Limited	2,013,000,000	643,500,000
- Devata Tradelink Limited	300,000,000	300,000,000
Inter-Corporate Deposits Taken (maximum balance outstanding during the year)		
- Indiabulls Commodities Limited	—	120,000,000
Interest Expense		
- Indiabulls Commodities Limited	—	1,288,524
Interest Income		
- Indiabulls Commodities Limited	—	19,589
- Indiabulls Distribution Services Limited	137,709,753	19,972,964
- Auxesia Soft Solutions Limited	—	500,000
Advance Given		
- Indiabulls Distribution Services Limited	—	200,000
Advances Received Back		
- Indiabulls Distribution Services Limited	—	2,060,000
Guarantee Given		
- Indiabulls Commodities Limited	30,000,000	—
Guarantee Released		
- Indiabulls Commodities Limited	—	30,000,000
Remuneration		
- Mr. Divyesh B. Shah	17,420,004	2,100,000

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

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

Note - 35

Employee Benefits:

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

Contributions are made to Government Provident Fund and Family Pension Fund and other statutory funds which cover all regular employees eligible under the respective acts. Both the employees and the Company make predetermined contributions to the Provident Fund. The contributions are normally based on a certain proportion of the employee's salary. The Company has recognised an amount of ₹ 481,561 (Previous year ₹ 673,063) towards Employer's Contribution for the above mentioned funds.

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

Disclosures in respect of Gratuity and Compensated Absences:

(Amount in ₹)

Particulars	Gratuity (unfunded) 2012-13	Gratuity (unfunded) 2011-12	Compensated Absences (unfunded) 2012-13	Compensated Absence (unfunded) 2011-12
Reconciliation of Liability recognised in the Balance Sheet :				
Present Value of Commitments (as per Actuarial valuation)	35,022,593	34,479,164	10,496,925	12,654,848
Fair Value of Plans	—	—	—	—
Net Liability in the Balance Sheet (as per Actuarial valuation)	35,022,593	34,479,164	10,496,925	12,654,848
Movement in net Liability recognised in the Balance Sheet :				
Net Liability as at beginning of the year	34,479,164	47,066,227	12,654,848	17,584,459
Amount Paid during the year	10,503,184	19,414,456	669,891	815,206
Net expense / (gain) recognised in the Statement of Profit and Loss	11,046,613	6,827,393	(1,488,032)	(4,114,405)
Contribution during the year	—	—	—	—
Net Liability as at end of the year	35,022,593	34,479,164	10,496,925	12,654,848
Expense recognised in the Statement of Profit and Loss :				
Current Service Cost	5,353,584	5,705,852	1,855,121	2,067,346
Past Service Cost	—	—	—	—
Interest Cost	2,918,871	3,411,047	1,024,292	1,228,875
Expected return on plan assets	—	—	—	—
Actuarial losses / (gains)	2,774,158	(2,289,506)	(4,367,445)	(7,410,626)
Expense charged / (reversal) to the Statement of Profit and Loss	11,046,613	6,827,393	(1,488,032)	(4,114,405)
Return on plan assets :				
Expected return on plan assets	—	—	—	—
Actuarial (gains) / losses	—	—	—	—
Actual return on plan assets	—	—	—	—

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

Disclosures in respect of Gratuity and Compensated Absences (contd.) :

(Amount in ₹)

Particulars	Gratuity (unfunded) 2012-13	Gratuity (unfunded) 2011-12	Compensated Absences (unfunded) 2012-13	Compensated Absence (unfunded) 2011-12
Reconciliation of defined-benefit Commitments :				
Commitments as at beginning of the year	34,479,164	47,066,227	12,654,848	17,584,459
Current Service Cost	5,353,584	5,705,852	1,855,121	2,067,346
Past Service Cost	—	—	—	—
Interest Cost	2,918,871	3,411,047	1,024,292	1,228,875
Paid benefits	(10,503,184)	(19,414,456)	(669,891)	(815,206)
Actuarial losses / (gains)	2,774,158	(2,289,506)	(4,367,445)	(7,410,626)
Commitments as at end of the year	35,022,593	34,479,164	10,496,925	12,654,848
Reconciliation of plan assets :				
Plan assets as at beginning of the year	—	—	—	—
Expected return on plan assets	—	—	—	—
Contributions during the year	—	—	—	—
Paid benefits	—	—	—	—
Actuarial (gains) / losses	—	—	—	—
Plan assets as at end of the year	—	—	—	—

(Amount in ₹)

	Gratuity (Unfunded)				
Experience adjustment:	2012-13	2011-12	2010-11	2009-10	2008-09
On plan liabilities ((losses) / gains)	(2,683,314)	1,372,332	9,613,594	1,007,683	3,930,773
On plan assets (gains/ (losses))	—	—	—	—	—
Present value of benefit obligation	35,022,593	34,479,164	47,066,227	52,744,001	37,557,305
Fair value of plan assets	—	—	—	—	—
Excess of (obligation over plan assets) / plan assets over obligation	35,022,593	34,479,164	47,066,227	52,744,001	37,557,305

(Amount in ₹)

	Compensated Absences (Unfunded)				
Experience adjustment:	2012-13	2011-12	2010-11	2009-10	2008-09
On plan liabilities (Gain)	4,397,849	8,313,277	8,961,120	5,100,682	3,689,553
On plan assets (Gain/ (Loss))	—	—	—	—	—
Present value of benefit obligation	10,496,925	12,654,848	17,584,459	22,229,774	21,118,056
Fair value of plan assets	—	—	—	—	—
Excess of (obligation over plan assets) / plan assets over obligation	10,496,925	12,654,848	17,584,459	22,229,774	21,118,056

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

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

Particulars	As at March 31, 2013	As at March 31, 2012
Discount rate -		
Gratuity and Compensated Absences	8.00%	8.50%
Expected return on plan assets	NA	NA
Expected rate of salary increase	5.00%	5.50%
Mortality	IALM (1994 - 96)	LIC (1994-96)

The employer's best estimate of contributions expected to be paid during the annual period beginning after the Balance Sheet Date, towards Gratuity and Compensated Absences is ₹ 9,857,431 (Previous Year ₹ 9,966,641) and ₹ 2,670,809 (Previous Year ₹ 1,177,991), respectively.

Note - 36

(a) Expenditure in foreign currency:

(Amount in ₹)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Software Charges	—	301,439
Total	—	301,439

(b) Earnings in Foreign Currency:

(Amount in ₹)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Advisory Income	36,727	1,342,657
Dividend on Long-Term Investments	13,296,733	35,342,898
Total	13,333,460	36,685,555

Note - 37

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

Note - 38

Derivative Instruments:

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

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Amount receivable on loan notes and escrow receivable account (in USD)	1,588,136	1,588,136
Amount receivable on loan notes and escrow receivable account (in INR)	86,377,601	81,243,475

Notes forming part of the financial statements

for the year ended March 31, 2013 (contd.)

Note - 39

No borrowing cost has been capitalised during the year.

Note - 40

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

Note - 41

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosures.

For and on behalf of the Board of Directors

Divyesh B. Shah

Whole Time Director &
Chief Executive Officer

Ashok Sharma

Whole Time Director

R. K. Agarwal

Company Secretary

Mumbai, April 23, 2013

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

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 2012-13

Sr. No.	Name of the Subsidiary Company	Financial year ending of the Subsidiary Companies	Date from which they became Subsidiary Companies	Holding Company's interest (Equity Shares of ₹ 10 each stated otherwise)	Extent of Holding	The net aggregate amount of profits/(losses) so far as it concerns the members of the Holding Company			
						a. Not dealt with in the Holding Company Accounts	b. Dealt with in the Holding Company Accounts		
						i) For the Financial Year ended March, 31 2013	ii) For the previous financial years of the Subsidiary Companies since they become Holding Company's subsidiaries	i) For the Financial Year ended March, 31 2013	ii) For the previous financial years of the Subsidiary Companies since they become Holding Company's subsidiaries
1	Indiabulls Commodities Limited	31-Mar-13	1-Apr-07	600,000 Equity Shares of ₹ 10/- each fully paid up	100%	(9,097,732)	120,595,065	Nil	Nil
2	India Ethanol And Sugar Limited ¹	31-Mar-13	1-Apr-07	190,000 Equity Shares of ₹ 10/- each fully paid up	100%	125,914	(988,856)	Nil	Nil
3	Devata Tradelink Limited	31-Mar-13	9-Jan-08	50,000 Equity Shares of ₹ 10/- each fully paid up	100%	125,032	(1,806,329,455)	Nil	Nil
4	Indiabulls Brokerage Limited	31-Mar-13	22-Aug-08	5,500,000 Equity Shares of ₹ 10/- each fully paid up	100%	(2,402,323)	(15,995,983)	Nil	Nil
5	Indiabulls Distribution Services Limited	31-Mar-13	11-Jun-09	50,000 Equity Shares of ₹ 10/- each fully paid up	100%	87,384,975	(6,089,805)	Nil	Nil
6	Auxesia Soft Solutions Limited ²	31-Mar-13	30-Sep-11	50,000 Equity Shares of ₹ 10/- each fully paid up	100%	(31,859)	(62,536)	Nil	Nil

Notes:

1. India Ethanol and Sugar Limited being a subsidiary of Indiabulls Commodities Limited, is a subsidiary of the Company in terms of Section 4(1)(c) of the Companies Act, 1956.
2. Auxesia Soft Solutions Limited was incorporated on September 30, 2011 as a subsidiary of the Company.

For and on behalf of the Board

Divyesh B. Shah

Whole Time Director & Chief Executive Officer

Mumbai, April 23, 2013

Ashok Sharma

Whole Time Director

R. K. Agarwal

Company Secretary



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