



Indiabulls

ANNUAL REPORT 2005-06

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Letter to Shareholders

Dear Shareholders,

FY 2006 was a transformational year for Indiabulls as the company executed on its vision to be a leader in diversified financial services and branch out beyond our heritage in the Securities Business. We launched our Housing Finance Company, Indiabulls Housing Finance Limited, strengthened the position of Indiabulls Credit Services Limited, and continued to show our leadership and momentum in Securities business.

Our real estate business has traveled a remarkable journey from March last year when we acquired the first NTC Mill in an auction and we have developed into one of the largest real estate developers in the country with many high value projects in Delhi and Mumbai. We have ambitious growth plans in the business and thus announced shortly after the fiscal year end that we plan to separate the real estate business into a separate public company with an independent and dedicated management team.

Extraordinary Financial Performance

We had an extraordinary year of financial performance as our revenues more than tripled to Rs 613.15 crores, our net profits after tax more than quadrupled to Rs 253.36 crores and our consolidated net worth expanded manifold to over 1,681 crores. Our customer base expanded by over four times to 3,75,000 approximately as we continued our national expansion and have over 400 offices in 127 cities across our various businesses.

Continue to Execute on Long term Vision and Strategy

We believe that the rapid growth and maturation of Indian financial markets provide a unique opportunity to create a leader in diversified financial services, who is able to offer a one-stop shop for all investments and credit needs of retail clients, and build a long term relationship with its customers. We believe that ultimately a handful of big players will emerge as winners as the credit and securities business continue to grow and consolidate, and barriers to entry and scale advantages dominate the business. Technology, analytics and national scale provide unique advantages to our business model when combined with strong sales and marketing and local presence. Only a handful of financial institutions are building a national brand and serving the customer across product needs. With the power of information, technology and strong local presence, we could build a winning national scale credit and securities business.

Securities Business continues to provide Exceptional Results

Our retail brokerage and securities business continued to generate exceptional results. Every business metric exceeded our expectations and we delivered record revenues and profits in each quarter of the year. Our client acquisition strategy has been bearing fruit as we ramped up our monthly customer adds from a few thousands to over 25,000 per month by the end of the fiscal year, providing us with one of the fastest growing and most valuable consumer franchise in the country. The securities industry is undergoing consolidation as the top five leaders continue to increase their market share, and we have retained our leadership position in both volumes and profits in the business. Our customers have multiple product relationships with us including brokerage transactions across various asset classes, depository and research services, financing products and many other innovations. Given our success in customer acquisition, we are very confident of our continued strong growth and business performance.

Our Credit businesses have gained a strong footing

Indiabulls consumer credit and housing loan products have been well established in the market place and are now offered out of over 165 locations. We have a strong credit sales team in place across the country and our sales volume and credit performance has been ahead of business expectations. We believe that 2007 fiscal year will demonstrate the earning power of the business as product ramp-up starts to show through the bottom line. We are growing our business at high triple digit rates organically and continue to add products and segments to the portfolio.

We're Creating A Leading Financial Services Brand

Indiabulls has built one of the largest customer franchises in India with almost 3,00,000 customers as of March 2006. We believe that building a great brand that customers trust is essential to creating a diversified financial services company. The most important aspect our brand building is that it has not been achieved by spending lots of money on advertising, but by living up to our promise of unparalleled customer service and satisfaction and through our dedicated and skilled sales and delivery channels. We are completely focused on delivering great value and convenience to our customers and to retain and build on their trust.

Our Real Estate Development business has become a national leader

Indiabulls entered into the real estate development through its associate companies in March 2005 to exploit the huge opportunity in an unconsolidated industry with fat margins and huge market opportunity, where we can bring our strong execution skills and create a national leader. We partnered with strong international investors to acquire projects in Delhi and Mumbai and have seen significant appreciation in the value of our holdings.

Our associate companies have acquired 19 acres in Central Business District of Mumbai at a total cost of Rs 718 crores. The sale had hit a roadblock with an adverse judgment from the Bombay High Court in October 2005. In a petition by Indiabulls and other affected parties, the Supreme Court passed an order earlier this year dismissing the High Court judgment and providing clearance for the redevelopment of the mill lands in Mumbai clearing all the legal and regulatory hurdles to develop our landmark projects.

With the legal battle behind us, we are executing our plan to separate the real estate business into a separate company to provide our shareholders to directly participate in this huge opportunity.

Our People Drive Our Success

This year was the most transformational year in the company's history, and our people delivered tremendous results. Our employees stepped up to deliver on some of the most audacious goals in financial services. Our Board of Directors continued to provide strong leadership and guidance, and our executive management was augmented by the addition of many experienced and talented executives from leading companies. Our people philosophy sounds simple – we search the country to find great people and then give them an opportunity to be great.

Attracting great talent is one of the most talked about and least delivered on things in business. At Indiabulls, we've always made finding and empowering the best people the number one job of every manager in our company. The power of attracting great people outweighs everything else we do. Our success over the years is directly attributable to the tremendous skills and determination of our associates. We feel lucky and proud to work alongside them as we continue our company's journey.

Above everything else we feel that Indiabulls has progressed due to the grace of God and with His divine blessings bestowed upon us all along, we have been able to come so far. We have both hope and confidence to go further from here.

Sincerely,

Sameer Gehlaut
Chairman and CEO

Rajiv Rattan
Co-Founder, President & CFO

SCALING NEW PEAKS

- **Rated as the “Fastest Growing Large Cap Company” in India in a report by Business Today magazine in April, 2006**
- **Ranked No. 82 in BT 500, the Business Today rankings for India’s corporates**
- **More than 15,000 employees in over 400 Group offices spread over 127 cities reach out to customers across the country; Company’s personal/housing loan business expands to 168 branches in 26 cities, while customer base in the securities business exceeds 300,000 even as the Company makes aggressive inroads into commercial vehicle loans, home loans, and loan against property market**
- **The Company kicks off strategic diversification by foraying into the booming real estate sector by:**
 - **winning bids for the Jupiter and Elphinstone Mills in Mumbai as part of the NTC Mills auction**
 - **forming joint venture with DLF Universal to acquire 35.8 acres of prime land in south Delhi by putting in the highest bid of Rs 450 crore in the auction carried out by Delhi Development Authority**
 - **acquiring over 150 acres of land in Sonapat in the National Capital Region (NCR) to develop prime residential housing project**
- **Global steel magnate Mr. L N Mittal, through the LNM India Internet Ventures Ltd. (LNMIIV), reiterates his commitment to the Group by acquiring 8.2% stake in Indiabulls Credit Services Limited.**
- **The Company completes share subscription agreement with Oberon Limited, a special purpose vehicle wholly owned by funds managed and controlled by Farallon Capital Management L.L.C. Under the terms of the agreement, Oberon to be allotted convertible preference and non-convertible preference shares for a total consideration of Rs. 644 crores.**

Company Information

Board of Directors

Mr. Sameer Gehlaut
Mr. Rajiv Rattan
Mr. Saurabh K. Mittal
Mr. Aishwarya Katoch
Mr. Shamsheer Singh
Mr. Karan Singh
Mr. Kartar Singh Gulia
Mr. Gagan Banga

Company Secretary:

Mr. Amit Jain

Internal Auditors:

Gupta Kapoor & Co.
Chartered Accountants
419, GH-13, Paschim Vihar,
New Delhi-110 087

Statutory Auditors:

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

Registrars & Transfer Agents:

Karvy Computershare Private Limited,
46, Avenue 4, Street No.1,
Banjara Hills, Hyderabad – 500 034

Registered Office

F – 60, Malhotra Building,
2nd Floor, Connaught Place,
New Delhi – 110 001, INDIA
website: www.indiabulls.com

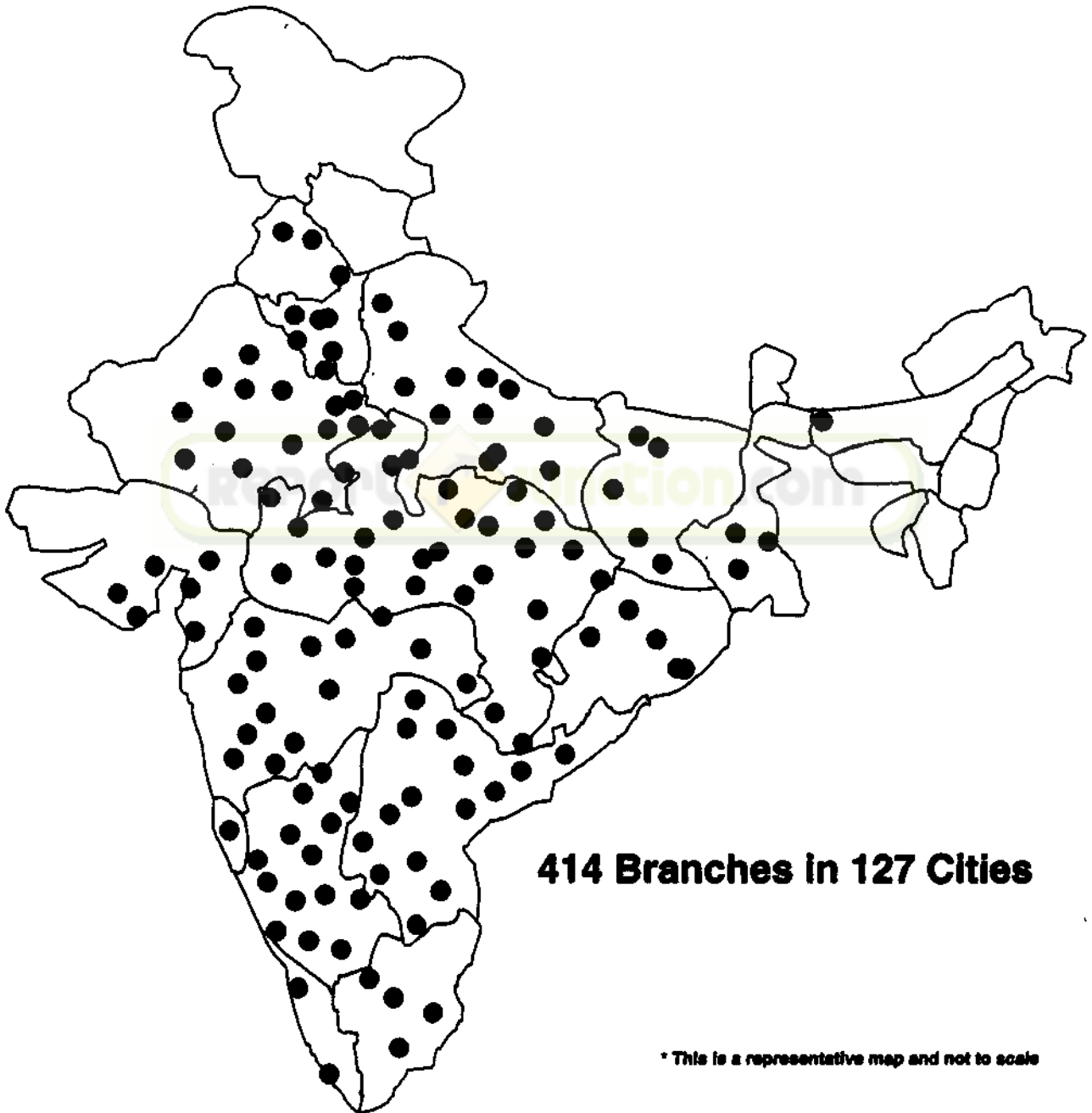
Corporate Office

1. S. P. Centre, 41/44 – Minoo Desai Road,
Near Radio, Club, Colaba,
MUMBAI – 400 005
2. "Indiabulls House", 448 – 451,
Udyog Vihar, Phase – V,
GURGAON – 122 001

Bankers

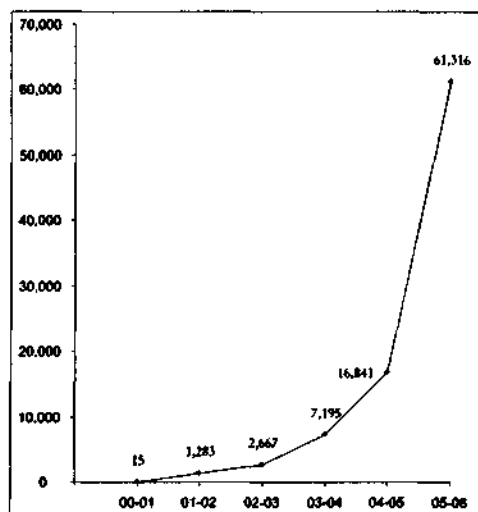
ABN Amro Bank
Andhra Bank
Bank of Maharashtra
Bank of Rajasthan
Canara Bank
Centurion Bank of Punjab Ltd.
Citi Bank
Dena Bank
HDFC Bank Ltd.
Hongkong & Shanghai Banking
Corporation Limited
ICICI Bank Limited
IDBI Bank Limited
Indusind Bank
ING Vysya Bank
Karnataka Bank
Karur Vysya Bank
Lord Krishna Bank
Punjab National Bank
Standard Chartered Bank
State Bank of India
Syndicate Bank
UCO Bank
Union Bank of India
UTI Bank Ltd.
YES Bank

PAN India Footprint

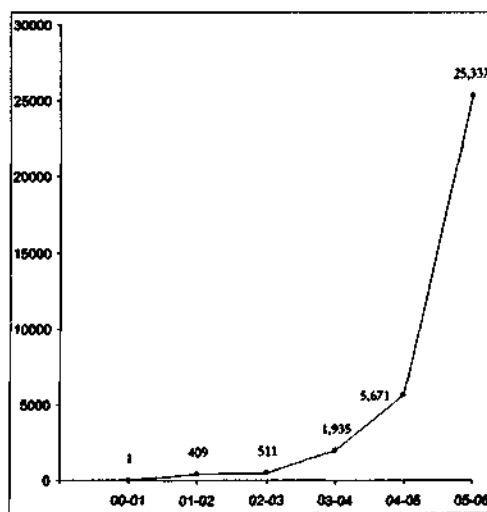


CONSISTENT GROWTH SINCE INCEPTION

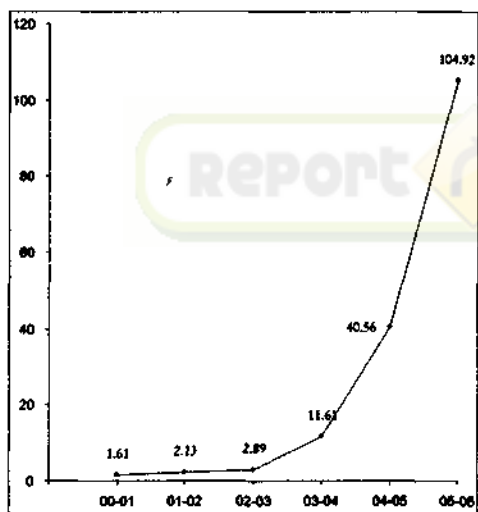
Revenues (Rs. In Lacs)



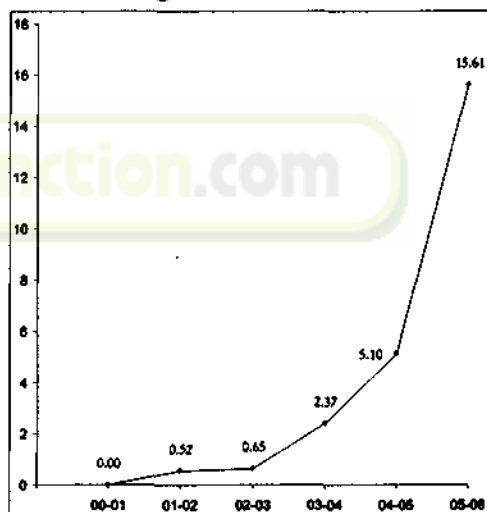
Net Profit (Rs. In Lacs)



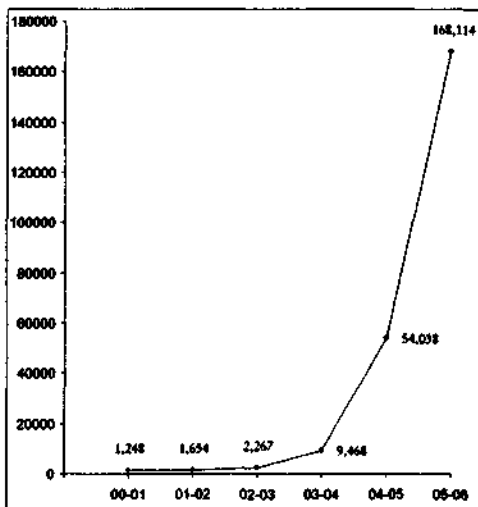
Book Value Per Share (Rs.)



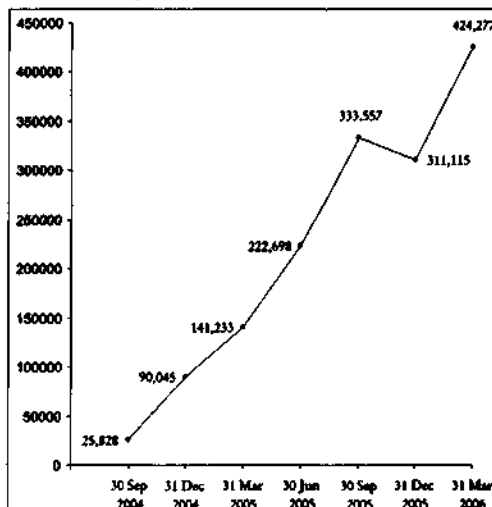
Basic Earning Per Share (Rs.)



Net Worth (Rs. In Lacs)



Market Capitalisation (Rs. In Lacs)



Financial Highlights (Consolidated)

	05-06	04-05	03-04	02-03	01-02	00-01
Rs. In Lacs						
Total Income	61,316	16,841	7,195	2,667	1,283	15
Earning before Interest, Tax & Depreciation	41,212	10,556	3,654	1,182	599	1
Interest	3,149	1,338	453	296	92	-
Depreciation	725	217	111	92	72	0
Profit Before Tax	37,337	9,001	3,090	794	435	1
Tax	12,000	3,330	1,154	283	27	0
Profit After Tax	25,337	5,671	1,935	511	409	1
Equity Dividend %	90.00%	-	-	-	-	-
Dividend Payout	2,906	-	-	-	-	-
Equity Share Capital	3,205	2,665	1,631	1,571	1,554	1,554
Reserves & Surplus	164,909	53,300	8,601	1,462	866	459
Net Worth	168,114	54,038	9,468	2,267	1,654	1,248
Gross Fixed Assets	8,580	2,728	1,069	681	543	
Net Fixed Assets	7,245	2,118	676	400	354	
Total Assets	255,557	122,146	27,721	7,418	6,897	4,057
Market Capitalisation	409,696	163,085				
Debts	-	-	-	-	-	-

Key Indicators

Basic Earnings Per Share - Rs.	15.6106	5.1040	2.3700	0.6524	0.5226	0.0006
Income per share - Rs.	38.27	12.64	8.82	3.39	1.65	0.02
Book Value per share - Rs.	104.92	40.56	11.61	2.89	2.13	1.61
Debt : Equity Ratio	-	-	-	-	-	-
EBIDT/Total Income %	67.21%	62.68%	50.78%	44.32%	46.70%	5.28%
Net Profit margin %	41.32%	33.67%	26.90%	19.15%	31.88%	3.24%
Return on Net Worth %	15.07%	10.49%	20.44%	22.53%	24.73%	0.04%

Management Discussion and Analysis

Introduction

The Company through its subsidiaries provides a variety of financial services, such as equity, debt and derivatives brokerage, commodities trading, depository services, equity research services, consumer loans, housing loans and other secured and unsecured loans, through its branch office network, call centers, and the internet distribution channels. The branch office network is spread over 400 branches across more than 127 cities and is complemented by a regional network of independent authorized intermediaries.

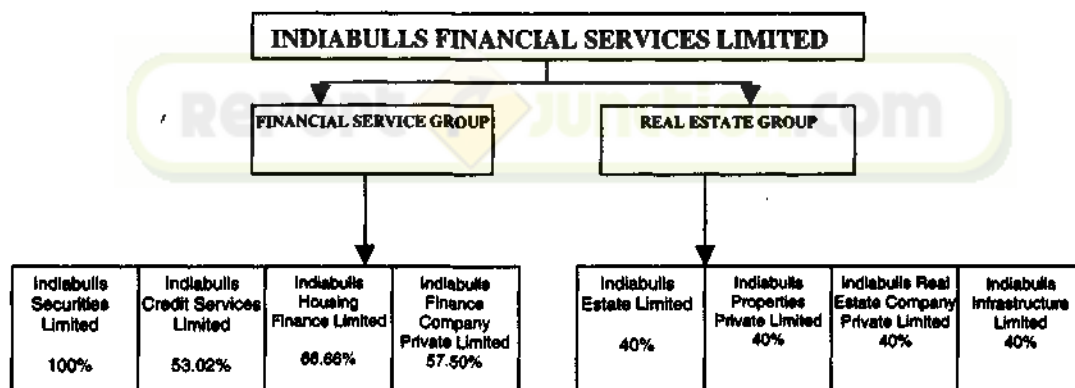
The Company completed its initial public offering ("IPO") in September 2004 and a GDR offering in February 2005 raising a total of Rs 313.48 crores before expenses. The Company recently completed a subsequent GDR offering in August 2005 at USD 5.42 per share and issued 27,600,000 Global Depositary Receipts each representing 1 equity share of par value Rs 2. A total of Rs. 650.55 crores was raised from the second GDR issue. The Company has used the proceeds from its initial public offerings to consolidate its market leadership and enter new businesses.

The Company and its subsidiaries have over 300,000 unique client relationships as of 31 March 2006, spread across its Securities, depositories and credit services businesses, almost four times higher than the approximately 80,000 relationships at the end of March 2005 and almost ten fold higher than the approximately 30,000 relationships at the end of March 2004. The Company plans to continue to invest aggressively in growing its unique client relationships. The Company currently operates through its head office in New Delhi and 400 offices in 127 cities throughout India.

The Company, through its associate companies, is engaged in real estate development and construction in Delhi (National Capital Region) and Mumbai, and is developing high-end residential, integrated township and office complexes.

Corporate Structure

The principal group companies are listed below:



Note:

- Funds owned and managed by Farallon Capital Management LLC, one of the largest and most prestigious private investment partnerships in US, own 32%; LN Mittal (through LNM India Internet Ventures Limited) owns 8.2% in Indiabulls Credit Services Limited.
- FCM SPV I Limited based in Mauritius owns 33.33% in Indiabulls Housing Finance Limited
- Amaranth Capital a US based multi strategy investment fund managed by Farallon Capital Management LLC owns 42.5% in Indiabulls Finance Company Private Limited
- FIM Limited, a company incorporated in Mauritius and managed by Farallon Capital Management LLC owns 60% of each of Indiabulls Estate Limited, Indiabulls Properties Private Limited, and Indiabulls Real Estate Company Private Limited and Indiabulls

Financial Services Business Description

Indiabulls Securities Limited (IBSL)

IBSL is India's largest retail brokerage and securities related company with a client base of over 236,000 customers (up from 79,932 customers at the end of FY 2005), and a market share of 6.73% in calendar 2005 on the cash segment of NSE (up from 3.92% share in calendar 2004). IBSL is a corporate member of the Wholesale Debt Market (WDM) of NSE and capital market segment of BSE. IBSL's revenue for the year ended March 31, 2006 accounted for 51.71% of the Group's total revenue.

IBSL provides various types of brokerage accounts and services related to the purchase and sale of securities such as equity, debt, and derivatives listed on the BSE and NSE. It also provides depository services, equity research services, mutual fund and IPO distribution to its clients. ISL provides these services through on-line distribution channels; the latter primarily through its relationship managers and marketing associates. ISL has invested heavily in building a strong sales team, as on 31 March 2006, it had 5484 relationship managers.