

# CREATING A WORLD OF SMART INVESTORS



**Indiabulls Securities Limited**  
ANNUAL REPORT 2013-2014



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# Company Information

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**Board of Directors:**

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

**Company Secretary:**

Mr. Ram Mehar Garg

**Internal Auditors:**

N.D. Kapur & Co.  
 Chartered Accountants  
 O-24B, LGF Jangpura Extension,  
 New Delhi – 110 014

**Statutory Auditors:**

Deloitte Haskins & Sells LLP  
 Chartered Accountants  
 Indiabulls Finance Centre, Tower 3  
 32<sup>nd</sup> 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:**

M- 62 & 63, First Floor,  
 Connaught Place,  
 New Delhi – 110 001  
 CIN: L74999DL1995PLC069631  
 Website: [www.indiabulls.com/securities](http://www.indiabulls.com/securities)  
 E-mail: [helpdesk@indiabulls.com](mailto:helpdesk@indiabulls.com)  
 Tel: 0124-6681199, Fax: 0124-6681240

**Corporate Offices:**

8/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:**

Andhra Bank  
 Axis Bank Ltd.  
 Bank of Baroda  
 Bank of India  
 Canara Bank  
 Citi Bank  
 HDFC Bank Ltd.  
 HSBC Bank Ltd.  
 ICICI Bank Ltd.  
 IDBI Bank Ltd.  
 IndusInd Bank  
 ING Vyasa Bank  
 Karnataka Bank Ltd.  
 Karur Vysya Bank  
 Oriental Bank of Commerce  
 Punjab and Sind Bank  
 Punjab National Bank  
 The Ratnakar Bank Ltd.  
 Standard Chartered Bank  
 State Bank of India  
 Syndicate Bank  
 UCO Bank  
 Union Bank of India  
 Vijaya Bank  
 Yes Bank Ltd.

## Letter from the CEO

The Capital Markets having seen five years of tumultuous changes were now waiting with bated breath for the outcome of the General Elections to chart its future course. The resounding verdict in favor of the NDA has infused a fresh lease of life into the Capital Markets. As I write markets have scaled new highs and are seeing a momentum just like in the heydays. The rupee also strengthened against the US Dollar riding on the FII inflows.

The Union Budget presented by NDA had a clear objective in mind; achieve higher macro economic growth and lower inflation. Required thrust has been given to sectors like agriculture, education, healthcare & manufacturing. A major boost to investor sentiment would be the flow of investment into Real Estate and Infrastructure as a result of the enabling framework of REIT/InvIT's and a clarity on taxation. Add to that, the Government's thrust on affordable housing, and creation of 100 smart satellite cities would impart further fillip to the sector. Overall the outlook looks promising although a lot would also depend on events happening around the globe.

The Economy looks challenging but signs are that the worst is over. The strong mandate in favor of the BJP bodes well for economic development over the next 5 years. There is an opportunity to deliver development and this could herald a dynamic change in the economy.

Your Company has continued to perform well and has posted a handsome PAT of ₹ 102 cr for the FY 2013-14. The expansion into distribution of non discretionary wealth management products has helped the Company combat the margin pressures of the Capital Market business. The shareholders have yet again been rewarded for reposing their faith in the Company by way of 4 interim dividends of ₹ 1/- each on a face value of ₹ 2/- each for the fiscal year 2013-14.

### Management reorganization

Before I conclude, I wish to share another very recent development – to impart greater focus and accountability at the leadership level and to rationalize operations of the diverse businesses of the Indiabulls group, its three promoters, Mr. Sameer Gehlaut, Mr. Rajiv Rattan and Mr. Saurabh Mittal have mutually decided to reorganize the management control of different group companies amongst themselves. As part of the restructuring, Mr. Sameer Gehlaut retains the management control of your company, while the other two co-promoters would not be involved in its operations. This realignment of control will set your company firmly on the growth path.

I take this opportunity to thank all the shareholders and employees of the Company and look forward to their continued support in the future.

Thank you



Mr. Divyesh B. Shah  
CEO, Indiabulls Securities Limited

# Management Discussion and Analysis

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For the purpose of the Management Discussion and Analysis, the terms 'IBSL', 'the Company', 'your Company' and 'our Company' refers to Indiabulls Securities Limited.

## Economic Review

In the recent past, the Indian economy has had to overcome varied challenges in its resolve to sustain its economic success. In FY 2013-14 the global economy showed signs of recovery with growth in demand from the developed countries in the second half of the year. Emerging markets, including India, has to face multiple challenges of rising current account deficit, depreciation of the local currency and additional pressure due to capital outflow. However the global economy in 2014 appears to be in a better shape than what it was in 2012-13. Over the past decade, the Indian economy has passed through phases of growth and slowdown. Multiple issues have plagued the economy, yet India Inc. has steered through and remains confident of an economic rebound. A number of key business-friendly initiatives will further empower corporate India and improve business sentiment. Clarity of policy making and its implementation, stimulus to infrastructure sector and further strengthening of capital markets will go a long way in promoting growth and inclusive development across the country. The decisive mandate by the people of India will pave the way for a conducive policy environment leading to the resurrection of growth in the economy over the next few years. A brighter future awaits the country and India Inc. will work together with the new government in realizing the same. Enlightened action by a new government is required to put the economy back on track.

## Capital Markets Overview

Political uncertainty and policy paralysis have hurt investor sentiments, but the mood has turned optimistic towards the end of the year with hope of a new pro development government coming in to power. The markets have begun to respond to this favorable change, with the national indices hitting all time high by the end of the year. Foreign and domestic institutional investors have started pumping in money in the equity and debt markets. India voted for development and reforms and the new government will push through policy changes to revive growth, which in turn will trigger a strong bull rally in Indian equities. FIIs and FDI investments should accelerate setting the stage for a robust bull run for the next couple of years.

## 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 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

## Management Discussion and Analysis (contd.)

advanced trading platform which has direct connectivity with the Company, Power Indiabulls. On-line trading is convenient for clients and also minimizes the typical off-line costs incurred in responding to and processing routine client transactions. The Company has also introduced a seamless funds transfer platform for its clients where-in the clients can transfer funds from their own bank accounts to Indiabulls Securities Limited ("IBSL") Bank accounts through payment Gateways. The credit for the same is given instantly to the client's linked Trading Account.

### Indiabulls Group Professional Network

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

### Power Indiabulls

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

### Mobile Power Indiabulls

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

### 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.



## Management Discussion and Analysis (contd.)

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

### CRISIL Broker Grading, Ratings and Opinions

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

### Challenges

The Company views the following as the challenges before it:

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

### Risk Management Systems

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

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### Business Outlook

After going through a tumultuous 5 years the Capital Markets look to be bouncing back riding on the resounding mandate given to the BJP in the recently concluded general elections. The markets have been volatile post the Union Budget, scaling heights, relinquishing them only to regain them again. The expectations now are for the Government to deliver time bound results. Margins will continue to be under pressure till such time that investor confidence returns in its entirety. Global cues will also determine the breath of the markets and any upheavals in the world financial market or political scenarios could have a damaging effect on the markets, thereby putting pressure on the margins.

Your Company through its subsidiaries has aggressively tapped the distribution services business in the areas of Non discretionary wealth management products amongst it's clients. We are hopeful that this business will continue to grow rapidly thereby significantly reducing the revenue dependency on the capital markets.

### 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

## Management Discussion and Analysis (contd.)

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

### Internal Control Systems

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

### Cautionary Statement

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