

CREATING OPPORTUNITIES FOR SMART INVESTMENTS.



Indiabulls

V E N T U R E S

ANNUAL REPORT
2014 - 2015

Company Information	1
Letter from the CEO	2
Management Discussion and Analysis	3
Directors' Report	7
Report on Corporate Governance	38
Consolidated Financials	54
Standalone Financials	99
Statement Pursuant to Section 129 of the Companies Act, 2013	135

Company Information

1

Board of Directors:

Mr. Divyesh B. Shah
Mr. Ashok Kumar Sharma
Mr. Aishwarya Katoch
Mr. Prem Prakash Mirdha
Retd. Brig. Labh Singh Sitara
Ms. Pia Johnson

Company Secretary:

Ms. Richa Jaiswal

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
32nd Floor, Elphinstone Mill Compound,
Senapati Bapat Marg, Elphinstone (W),
Mumbai – 400 013.

Registrars & Transfer Agents:

Karvy Computershare Pvt. Ltd.,
Karvy Selenium Tower B, Plot 31-32, Gachibowli,
Financial District, Nanakramguda,
Hyderabad - 500 032.

Registered Office:

M- 62 & 63, First Floor,
Connaught Place,
New Delhi – 110 001.
Website: <http://www.securities.indiabulls.com/>
E-mail: 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, Haryana.

Bankers:

Andhra Bank
Axis Bank Ltd.
Bank of Baroda
Bank of India
Canara Bank
Citi Bank
HDFC 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.
State Bank of India
Syndicate Bank
UCO Bank
Union Bank of India
Vijaya Bank
Yes Bank Ltd.

Letter from the CEO

As I pen this your Company now has a new name, a new identity – Indiabulls Ventures Ltd. (IBVL) The diversification into other businesses necessitated this change and I am confident that IBVL will scale greater heights under a new identity.

The newly elected government under the dynamic leadership of Mr. Narendra Modi presented its first Union Budget, which set a positive tone by emphasizing on the need to deal with pressing macroeconomic challenges. The need for time bound implementation of policies and projects, following the government's mantra of "minimum government and maximum governance" may see the economy clocking 7-8% growth in the coming 3-4 years.

The favorable external shock was the decline in crude prices by almost 50% since July 2014. This would work towards improving growth prospects and easing inflation pressures further.

Reposing faith in a stable and result oriented government, FIIs pumped in a staggering USD 33 bn during the period Apr-Dec, 2014 which helped the capital markets scale newer highs. The markets however continue to be volatile and will closely look at the speed of execution of the announced policy measures. Global cues will impact the markets which could lead to further volatility.

A revival in economic sentiment, rising income levels of borrowers and cooling property prices have resulted in improved outlook for the housing sector. Softening of interest rates combined with tepid property price inflation compared to increase in disposable incomes has made the house buying more affordable. In fact, the centre's push towards affordable housing is expected to substantially boost home sales over the next few years. IBVL through its subsidiary companies is ideally poised to partake of this opportunity through its realty distribution team.

The expansion of your Company's business into distribution of non discretionary wealth management products augured well for the Company as it continued to perform consistently amidst margin pressures. Another significant step was the acquisition of India Land and Properties Ltd. The acquisition was a foray into the commercial leasing space and opened up an approx 2 million sq ft opportunity in Ambattur, Chennai.

It gives me great pleasure to inform you that the Company reported a PAT of ₹ 151 cr, growing by a healthy 49%, and is now poised to grow aggressively in the coming years. The shareholders were yet again rewarded by way of a pay-out of ₹ 3/- per equity share as Interim Dividends, in aggregate, on a face value of ₹ 2/- per share, for the fiscal year 2014-15.

Thanking you

Divyesh B. Shah

Whole-time Director & CEO



Mr. Divyesh B. Shah
CEO, Indiabulls Ventures Limited

Management Discussion and Analysis

For the purpose of the Management Discussion and Analysis, Indiabulls Ventures Limited (IBVL) is defined as the consolidated entity consisting of the Holding Company and its subsidiaries. The terms 'the Company' and 'Indiabulls' also refer to the consolidated entity.

Economic Review

The year under review has been one of change. The economy has grown despite a very challenging environment with the GDP growth rate increasing by around 7.3% in 2014-15. The new government has swung into action and the economy is set to grow faster with a number of business friendly reforms already set in motion.

A recent study by the IMF on India's investment slowdown has revealed that the growth in investment which averaged around 12% over the last decade fell to less than one percent in the last two years. This situation needs to be addressed on priority and investment needs to be made into the crucial infrastructure sector to kick-start long term growth in the economy. The new government has already indicated its desire to revive the investment cycle and to empower the bureaucracy to ensure successful execution of the government's plans. It has also indicated an alignment of policy and decision making with the RBI. The rupee hit an all-time low versus the dollar in the last financial year. But effective steps taken by the RBI and the finance ministry have already begun strengthening the rupee. The current account deficit (CAD) has been contained through import restrictions on gold. Many more measures are expected from the new government to effectively contain the CAD in the long-term.

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.

Capital Markets Overview

Reposing faith in a stable and result oriented government, FIIs pumped in a staggering USD 33 bn during the period Apr-Dec, 2014, which helped the capital markets scale newer highs. The markets however continue to be volatile and will closely look at the speed of execution of the announced policy measures. Global cues will impact the markets which could lead to further volatility.

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. The expansion of your Company's business into distribution of non-discretionary wealth management products augured well for the Company as it continued to perform consistently amidst margin pressures. Another significant step was the acquisition of India Land and Properties Ltd. The acquisition was a foray into the commercial leasing space and opened up an approx 2 million sq ft opportunity in Ambattur, Chennai.

Strengths

Equity, Debt, Equity Derivative and Currency 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

Management Discussion and Analysis (contd.)

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/leased lines-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 Trading Portal, a browser-based network accessible via the internet, or via a specialized advanced trading platform which has direct connectivity with the Company, Power Indiabulls. On-line trading is convenient for clients and also minimizes the typical off-line costs incurred in responding to and processing routine client transactions. The Company has also introduced a seamless funds transfer platform for its clients where-in the clients can transfer funds from their own bank accounts to Indiabulls Ventures Limited (IBVL) Bank accounts through payment Gateways. The credit for the same is given instantly to the client's linked Trading Account.

Indiabulls Trading Portal

Indiabulls Trading Portal is an on-line trading portal which is accessed through IBVL'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 IBVL trading website, <https://trade.indiabulls.com> provides many other facilities to clients such as objective financial information on the top 200 Indian stocks to assist their investment decisions, streaming real-time quotes, integrated risk management, and support for trading in equity, debt, equity derivatives and currency 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 Ventures 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 Ventures 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 equity derivatives for clients via operator assisted service branch and relationship managers. Relationship managers act as a single point of contact for the client. Relationship managers have access to various resources such as objective analysis of market stocks and other specialists.

Management Discussion and Analysis (contd.)

5

Depository Services

The Company is a depository participant with the National Securities Depository Limited ("NSDL") and Central Depository Services (India) Limited ("CDSL"). Services provided by it includes dematerialization, Rematerialisation, settlement of trades through market transfers, off market transfers. It performs clearing services for all securities and commodities transactions. Clients of the brokerage business are able to use the depository services in respect of transaction executed on stock exchange and commodity exchange to settle transactions.

Centralized Customer Care Helpdesk

IBVL has a centralized 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 Interactive Voice Response System (IVRS).

CRISIL Broker Grading, Ratings and Opinions

IBVL 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 minimize delinquency risks. IBVL 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

Reposing faith in a stable and result oriented government, FIIs pumped in a staggering USD 33 bn during the period Apr-Dec, 2014 which helped the capital markets scale newer highs. The markets however continue to be volatile and will closely look at the speed of execution of the announced policy measures. Global cues will impact the markets which could lead to further volatility.

A revival in economic sentiment, rising income levels of borrowers and cooling property prices have resulted in improved outlook for the housing sector. Softening of interest rates combined with tepid property price inflation compared to increase in disposable incomes has made the house buying more affordable. In fact, the centre's push towards affordable housing is expected to substantially boost home sales over the next few years. Your company is ideally poised to partake of this opportunity through its realty distribution team.

Management Discussion and Analysis (contd.)

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 IBVL, 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 behavioral competencies so as to build a team of dedicated employees who work with passion, zeal and a sense of belongingness and play a defining role in significantly accelerating the growth and transformation of the Company, thereby, consolidating its position in the market as one of the top corporate brokerage houses in the country. It is in continuation of this process that the Company has in place, Employee Stock Option Schemes which aim at rewarding and nurturing talent so that the Company gets to retain what is best in the industry.

Internal Control Systems

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

Cautionary Statement

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

Directors' Report

7

Dear Shareholders,

Your Directors have pleasure in presenting the Twentieth Annual Report and the audited accounts of the Company for the year ended March 31, 2015.

FINANCIAL RESULTS

The highlights of the standalone financial results for the year ended March 31, 2015 are as under:

	Year ended March 31, 2015 (Amount in ₹)	Year ended March 31, 2014 (Amount in ₹)
Profit before Depreciation & Amortisation expenses and Tax	1,393,284,372	1,068,730,731
Less: Depreciation & Amortisation expenses	48,046,695	46,426,894
Profit before Tax	1,345,237,677	1,022,303,837
Less: Provision for Taxation & prior period tax adjustments	162,612,038	149,735,647
Profit after Tax and prior period tax adjustment	1,182,625,639	872,568,190
Add: balance of profit brought forward	656,642,890	963,856,309
Amount available for appropriation	1,839,268,529	1,836,424,499
Appropriations		
Interim Dividend on Equity Shares (including ₹ 13,125,095 provided of previous financial year)	795,900,248	938,594,948
Corporate Dividend Tax on Interim Dividend on Equity Shares (including ₹ 2,230,160 paid for previous financial year)	100,165,948	57,544,211
Transfer to General Reserves	—	183,642,450
Depreciation on transition to Schedule II of the Companies Act, 2013 on tangible fixed assets with nil remaining useful life (net of deferred tax)	78,531,058	—
Balance of profit carried forward to Balance Sheet	864,671,275	656,642,890

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 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 ₹ 202.99 crores with a net profit of ₹ 118.26 crores. The consolidated revenue of the Company was ₹ 408.28 crores and the consolidated net profit was ₹ 150.64 crores.

FUTURE BUSINESS OUTLOOK

The Indian Capital Market turned out to be among the world's best performers in 2014. It is most likely that this stellar run will continue in 2015 on the back of reforms, strong foreign fund inflows, revival of manufacturing and improvement in the macro economic situation.

The government's recent policy measures, such as diesel price deregulation, a greater focus on local manufacturing, as well as the Reserve Bank's efforts to contain inflationary pressures and raise banking system efficiency, could increase savings, investment and productivity in the economy. Although optimism is good it is the pace of change that will really determine how things will unfold. Any delay or deferment of policy implementation could have an adverse effect on the sentiment and markets.

Geopolitical risks such as the situation in Russia and Ukraine, and ISIS-related problems in Iraq and the Middle East are

Directors' Report (contd.)

some of the biggest uncertainties for the markets. The Eurozone is already facing slowdown-related issues. On top of this, talks of Greece exiting the Eurozone are back. Markets are speculating whether EU countries will slip into recession again. If that happens, markets around the world may slump. This could affect Indian markets too. The US economy, which faced a recession after the 2008 financial crisis, is finally picking up. The US Central Bank, Federal Reserve, indicated that it is confident about the recovery and, thus, may raise interest rates this year. Brokerage firms expect the Fed to raise rates in mid-2015. If the US hikes rates sooner than anticipated, it could lead to the exit of foreign investments from India and cause volatility in the markets.

Your Company has over the years scaled up its operations in the distribution of non discretionary wealth management product space. The Centre's push towards affordable housing augurs well and is an opportunity waiting to be tapped. The recent acquisition of India Land and Properties Limited has also opened up a huge potential in the commercial leasing space. All in all your Company is geared up to withstand any margin pressures and volatility in the Capital Markets.

DIVIDEND

In keeping with the Company's policy of rewarding its shareholders, the Board of Directors of the Company, had, for the year 2014-15, declared three interim dividends aggregating to ₹ 3/- per share on shares of face value ₹ 2/- each (₹ 1/- for the quarter ended June 30, 2014, ₹ 1/- for the quarter ended September 30, 2014 and ₹ 1/- for the quarter ended December 31, 2014), with the total outflow of ₹ 88.07 Cr. (inclusive of Corporate Dividend Tax).

The Board of Directors of the Company, had, in its meeting held on April 24, 2015, declared an interim dividend of ₹ 1/- per share on shares of face value ₹ 2/- each, for the Financial Year 2015-16. Further, the Board of Directors of the Company, had, in its meeting held on July 21, 2015, declared second interim dividend of ₹ 1/- per share of face value of ₹ 2/- each, for the Financial Year 2015-16.

DIRECTORS

To achieve the highest standards of Corporate Governance in its management, and to introduce a true sense of professionalism in the Board of the Company, during the financial year 2014-15, the Board of Directors of the Company (Board) was re-constituted with the appointments of Mr. Aishwarya Katoch, Mr. Prem Prakash Mirdha, Brig Labh Singh Sitara (Ex-Army official and Dhyan Chand Award winner sportsman), as Independent Directors of the Company and the appointment of Ms. Pia Johnson, as Non-Executive Woman Director of the Company and cessation of Mr. Karan Singh Kherra, Independent Director. The Board has placed on record its appreciation for the contribution made by Mr. Kherra, during his tenure of office.

All the present Independent Directors of the Company have given declaration that they meet the criteria of independence laid down under Section 149 (6) of the Act and Clause 49 of the Listing Agreement.

In accordance with the provisions of the Companies Act, 2013 and in terms of the Memorandum and Articles of Association of the Company, Mr. Divyesh B Shah (DIN: 00010933), Director of the Company, retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for reappointment. The Board recommends his re-appointment.

The present composition of the Board along with the brief resume of the Directors proposed to be appointed / reappointed, nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships / chairmanships of Board Committees, are provided in the Report on Corporate Governance forming part of the Annual Report.

SHARE CAPITAL

The paid up equity share capital of the Company as on March 31, 2015, was ₹ 522,446,162 comprising of 261,223,081 equity shares of ₹ 2/- each. Subsequently, from April 1, 2015 till date, the Company had allotted 30,940,001 equity shares of face value ₹ 2/- each against conversion of 30,940,001 warrants, as a result of which the paid up equity share capital of the Company stands increased to ₹ 584,326,164 comprising of 292,163,082 equity shares of ₹ 2/- each.

EMPLOYEE STOCK OPTIONS

With a view to reward performance and to retain talented employees of the Company and its subsidiaries, the Company had introduced two employee stock option schemes titled 'Indiabulls Securities Limited Employees Stock Option