



Indiabulls Ventures Limited

2015-2016

ANNUAL REPORT

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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. Prem Prakash Mirdha
Brig. Labh Singh Sitara (Retd.)
Ms. Pia Johnson

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.

Internal Auditors:

N.D. Kapur & Co.
Chartered Accountants
1st Floor, The Great Eastern Center,
70, Nehru Place, New Delhi – 110 019.

Company Secretary:

Mr. Lalit Sharma

Secretarial Auditors:

A.K. Kuchhal & Co.
Company Secretaries,
C-154, Sector-51,
Noida - 201301

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:

Allahabad Bank

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

Kotak Mahindra Bank

Karnataka Bank Ltd.

Karur Vysya Bank

Oriental Bank of Commerce

Punjab and Sind Bank

Punjab National Bank

RBL Bank Ltd.

State Bank of India

Syndicate Bank

UCO Bank

Union Bank of India

Vijaya Bank

Yes Bank Ltd.

Letter from the CEO

It's been over a year since we were rechristened as Indiabulls Ventures Ltd. The new identity has positively changed the perception and the way the Company is now viewed within and outside.

The economy clocked in a robust 7.6% GDP growth which proved that the roadmap set by the Modi Government in it's first budget last year was a step in the right direction. The MAKE IN INDIA campaign and the slew of reforms aimed at enhancing ease of doing business in India augurs well for the industries and economy. Amid global slowdown, India is being hailed as the beacon of hope.

Capital Markets continued to be volatile and were rudely shaken by the crash in China and devaluation of the Yuan. There is fear that situation may be worse than anticipated. FIIs have been withdrawing funds, and the banking sector NPA woes remain unresolved.

The positives are the executive driven reforms, higher government spending on infrastructure and signs of improving urban consumption demand. Markets may continue to be range bound and will look towards a favorable monsoon and the US Fed rate hike announcements to chart a new course.

Your Company too was not insulated from these happenings and has faced margin pressures. It has been a challenging year for the Capital Market and the Distribution businesses. The Company has however made rapid strides in the commercial leasing business. As at end March 2016 the total leased area has gone up to 1.62 mn sq.ft. from 0.8 mn sq.ft at end March 2015. The full effect of this will bear fruit in the coming years. As the affordable housing vision starts taking shape and the Real Estate Regulation Bill comes into force, your Company is well poised to reap the benefits.

Amidst the pressures the shareholders were rewarded by way of a pay-out of ₹ 3/- per share as Interim Dividends, in aggregate, on a face value of ₹ 2/- per share, for the fiscal year 2015-16.

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 Indian Economy has consolidated the gains achieved in restoring macroeconomic stability from the beginning of last fiscal year. The reforms initiated in last fiscal year were all taken forward and as a consequence The Indian Economy emerged as the fastest growing one amongst the large economies of the world. GDP as estimated grew at 7.6% in fiscal 2016 which is higher than any other country of comparable size. The broader macroeconomic conditions have also improved substantially with the continuance of fiscal prudence, lower inflation, lower current account deficit and robust foreign exchange reserves. Measures undertaken on macroeconomic and fiscal fronts, aided by the fall in international crude prices have shown positive results. This is reflected by the higher trends of economic growth and stability along with an improved performance on all fiscal parameters. The rupee also turned out to be the best performing currency against the US Dollar.

In a rate cutting cycle that began in January 2015, The RBI brought down the repo rate by 150 bps till April 2016. However base lending rates by banks came down by 60 bps only limiting the boost to consumption from lower interest rates. However the cut in small savings rate will allow banks to reduce deposit rates, which is a key component when pricing loans. Also the shift to marginal cost of funds based lending (MCLR) for pricing loans will reduce lending rates. With liquidity conditions remaining tight, the transmission is going to be a slow affair.

Global conditions continue to be volatile. China's stock market crash and devaluation of the Yuan led to higher instability in global markets and weakened commodity prices globally. Indian commodity exports have been hit by this and so has been the Indian Capital Market due to capital outflows.

The Indian economy has the potential to scale new heights. It will however depend on the enhanced level of public investments in major infrastructure sectors like power, railways, highways, rural roads, waterways, as well as other focus areas of drinking water and sanitation. A more conducive global economic environment and restoration of domestic private sector confidence will give it a further boost.

Capital Markets Overview

Markets remained volatile throughout the year and oscillated between a high of 28k to a low of 23k. The China stock market crash and devaluation of the Yuan had a major factor effect on the Indian Capital Market as well. A slew of government measures, bountiful rainfall coupled with positive global cues could augur well for the Capital Markets. Markets will also watch US Federal rate hike announcement in July/August with baited breath.

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 Metropolitan Stock Exchange of India Limited 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 fructification of the affordable housing push and Real Estate Bill will provide an impetus to sales and the Company is geared to take advantage of the same through its realty distribution business.

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 trade execution to its customers. Investors have full access to personalized portfolio tracking, charting and quote

Management Discussion and Analysis (contd.)

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 leased line/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 clients can transfer funds from their own bank accounts to Indiabulls Ventures Limited ("IBVL")'s 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 collateral 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 Limited 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 Limited 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 hand held 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.

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 include dematerialization, rematerialisation, settlement of trades through market transfers, off market transfers. It performs clearing services for all securities transactions. Clients

Management Discussion and Analysis (contd.)

of the brokerage business are able to use the depository services in respect of transaction executed on stock 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

The Greece crisis, China currency devaluation & falling commodity prices have all kept the markets under pressure. Hope came from the intent of Government actions across sectors of infrastructure, defense, banking etc, as well as of improving the business scenario. Corporate earnings are also likely to pick up with full transmission of interest rates and lower input costs on account of falling commodity prices. The global slowdown as well as pace to push through critical reforms may however outweigh these sentiments. The fructification of the affordable housing push and Real Estate Bill will provide an impetus to sales and the Company is geared to take advantage of the same through it's realty distribution business.

Human Resources

Your Organisation's vision is to create a cohesive work environment that encourages the employees to pursue their professional and self-development goals in addition to building operational excellence and a sense of belongingness. In an endeavour to augment the right talent, the recruitment process was overhauled by building capabilities of the talent acquisition team to identify the right talent. We are also developing functional and behavioural competencies to build a dedicated high performing team that supports the significant growth. Our focus and belief lies in enabling and empowering our talent pool for the challenges of tomorrow by providing new avenues of learning and development

Management Discussion and Analysis (contd.)

through behavioural and leadership interventions. In our constant effort of rewarding talent, ESOPs were allotted to the top performers with consistent track record. With our people working at their highest capabilities we are creating a workforce that's engaged, productive and committed towards the goals and objectives of Indiabulls Ventures Limited.

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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Dear Shareholders,

Your Directors have pleasure in presenting the Twenty First Annual Report and the audited accounts of the Company for the year ended March 31, 2016.

FINANCIAL RESULTS

The highlights of the standalone financial results for the year ended March 31, 2016 are as under:

	Year ended March 31, 2016 (Amount in ₹)	Year ended March 31, 2015 (Amount in ₹)
Profit before Depreciation & Amortisation expenses and Tax	286,998,928	1,393,284,372
Less: Depreciation & Amortisation expenses	25,677,731	48,046,695
Profit before Tax	261,321,197	1,345,237,677
Less: Provision for Taxation & prior period tax adjustments	92,668,834	162,612,038
Profit after Tax and prior period tax adjustment	168,652,363	1,182,625,639
Add: balance of profit brought forward	864,671,275	656,642,890
Amount available for appropriation	1,033,323,638	1,839,268,529
Appropriations		
Interim Dividend on Equity Shares	877,132,756	795,900,248
Corporate Dividend Tax on Interim Dividend on Equity Shares	148,027,120	100,165,948
Depreciation on transition to Schedule II of 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	8,163,762	864,671,275

OPERATIONS REVIEW

The Company is a corporate member of the capital market, 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 Metropolitan Stock Exchange of India Limited 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 ₹ 104.52 crores with a net profit of ₹ 16.87 crores. The consolidated revenue of the Company was ₹ 409.63 crores and the consolidated net profit was ₹ 73.84 crores.

FUTURE BUSINESS OUTLOOK

The year witnessed high volatility and the equity markets were kept under pressure by the Greece crisis, China Currency devaluation, falling commodity prices and US Fed Rate hike.

The Indian Economy currently stands at a strong footing with the interest rate rolling downwards, key macro variables like CAD and Fiscal deficit mostly under control, and the Government's continued push for reforms and ease of doing business. The Capital Markets are expected to perform better on improved corporate balance sheet and revival of investment cycle. Full transmission of interest rates and lower commodity prices translating to lower input costs for corporate would help pick up the corporate earnings. Challenges would be in the form of global growth slowdown and any slowdown by the government in pushing through critical reforms.

The fructification of the affordable housing push and Real Estate Bill will provide an impetus to sales and the Company is geared to take advantage of the same through its realty distribution business.

Directors' Report (contd.)

TRAINING AND HUMAN RESOURCE MANAGEMENT

Your Organisation's vision is to create a cohesive work environment that encourages the employees to pursue their professional and self-development goals in addition to building operational excellence and a sense of belongingness. In an endeavour to augment the right talent, the recruitment process was overhauled by building capabilities of the talent acquisition team to identify the right talent. We are also developing functional and behavioural competencies to build a dedicated high performing team that supports the significant growth. Our focus and belief lies in enabling and empowering our talent pool for the challenges of tomorrow by providing new avenues of learning and development through behavioural and leadership interventions. In our constant effort of rewarding talent, ESOPs were allotted to the top performers with consistent track record. With our people working at their highest capabilities we are creating a workforce that's engaged, productive and committed towards the goals and objectives of Indiabulls Ventures Limited.

DIVIDEND

In keeping with the Company's policy of rewarding its shareholders, the Board of Directors of the Company, had, for the year 2015-16, declared four interim dividends aggregating to Rs.3/- per share on shares of face value Rs. 2/- each. (First interim dividend of Re. 1/- was declared by the Board in its meeting held on April 24, 2015, Second interim dividend of Re. 1/- was declared by the Board in its meeting held on July 21, 2015, Third interim dividend of Re. 0.50 was declared by the Board in its meeting held on October 21, 2015 and Fourth interim dividend of Re. 0.50 was declared by the Board in its meeting held on January 20, 2016), with the total outflow of Rs. 102.52 Cr. (inclusive of Corporate Dividend Tax).

During the financial year 2015-16, the unclaimed dividend pertaining to the financial year ended March 31, 2008, got transferred to Investor Education and Protection Fund, after giving due notice to the members.

DIRECTORS

In accordance with the provisions of the Companies Act, 2013 (the Act) and in terms of the Memorandum and Articles of Association of the Company, Mr. Ashok Kumar Sharma (DIN: 00010912), Director of the Company, retires 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 Director proposed to be reappointed, nature of his expertise in specific functional areas and names of companies in which he holds directorships and memberships/ chairmanships of Board Committees, have been provided in the Report on Corporate Governance forming part of this Annual Report.

SHARE CAPITAL

The paid up equity share capital of the Company as on March 31, 2016, was Rs. 58,57,39,084 comprising of 29,28,69,542 equity shares of Rs. 2/- each. Subsequently, in order to augment the long-term resources of the Company for meeting the funding requirements for its business purposes, the Board at its meeting held on June 15, 2016, has approved the proposal to issue and allot, to certain promoter group entities and to CEO & Whole-time director of the Company, upto 5,83,00,000 (Five crore eighty three lakhs) warrants convertible into equivalent number of equity shares of face value of Rs. 2 each at a conversion price of Rs. 19.75 in accordance with the applicable laws and guidelines. The same has also been approved by the shareholders, inter alia, in their extra-ordinary general meeting held on July 15, 2016. Consequent to the conversion of these Warrants into equity shares, within a period of 18 months from the date of allotment, the paid-up share capital of the Company shall stand increased accordingly.

EMPLOYEE STOCK OPTIONS

During the current financial year, on May 12, 2016, the Company has re-granted, under the "Indiabulls Ventures Limited Employees Stock Option Scheme - 2009", 95,00,000 (Ninety five lakhs) Stock Options to certain eligible