

Indiabulls Wholesale Services Limited

Annual Report 2010-11



Creating Value

Indiabulls

Indiabulls Wholesale Services Limited

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Company Information

Board of Directors

Mr. Surinder Singh Kadyan
Mr. Mehul CC Johnson
Mr. Karan Singh
Mr. Shamsheer Singh Ahlawat

Company Secretary

Ms. Priya Jain

Statutory Auditors

Sharma Goel & Co.,
Chartered Accountants,
Y -59, Hauz Khas,
New Delhi – 110 016

Registrar and Transfer Agent

Karvy Computershare Private Limited
Plot No.17-24, Vittal Rao Nagar,
Madhapur,
Hyderabad – 500 081

Registered Office

1A, Hamilton House,
1st Floor, Connaught Place,
New Delhi – 110 001
Website: www.indiabulls.com/wholesale

Corporate Offices

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

Indiabulls Finance Center,
Tower 1, Elphinstone Mills,
Senapati Bapat Marg,
Elphinstone Road, Mumbai - 400 013
Maharashtra

Bankers

HDFC Bank Limited
State Bank of India

Management Discussion and Analysis

Industry Overview

Wholesale trade firms fill several roles in the economy. They simplify flow of products, payments and information by acting as intermediaries between the manufacturer and the final customer. They provide businesses, institutions and governments a convenient nearby source of goods made by many different manufacturers, which allows them to devote minimal time and resources to transactions. The wholesale industry in India is currently growing at a great pace. Rising disposable incomes, easy availability of consumer credit, highly attractive demographics, and an increasingly liberal regulatory environment are key factors behind the growth.

Opportunities - Growth Drivers of Indian Wholesale Industry

Wholesale Industry in India has a huge growth potential, with opportunities existing in multiple sectors and segments. Organized trading in India in the near future would be driven by:

- Liberalization of the Indian Economy
- Growing consumer class and rising disposable incomes.
- Easy availability of credit.
- Growing rural income.
- Changing consumer patterns / behaviors.

Threat - Challenges facing Indian Wholesale Industry

Product sourcing, warehouse management and inventory management along with shortage of quality real estate and infrastructure requirements in the country are some of the significant challenges which the wholesale industry is facing.

Business Review

The Company is engaged in the business of wholesale trading of various industrial / consumer products and commodities in select Indian cities. The Company is trying to establish its foothold in this segment. The Company is intending to sell various industrial / consumer products and commodities to retailers, small manufacturers and local shops. Additionally, shareholders' authorization has been obtained to enable the Company to foray into the business of information technology and software development to provide customized solutions to various sectors, directly and / or through its subsidiary companies.

Business Outlook

The Company believes that presence of experienced management team, strong systems and process and its strong bargaining power are its strengths that provide competitive advantages in managing its wholesale business activities.

Risks and concerns

Shortage of quality real estate resources at competitive prices, inappropriate terms and conditions, result in the cost overruns or otherwise affect business operations and profitability. Further any economic slowdown would impact the disposable income which in turn could impact Company's results.

Human Resources

The Company's businesses are managed by a team of competent and passionate leaders, capable of enhancing your Company's standing in the competitive market. The Company has a structured recruitment process, the focus is on recruiting people who have the right mindset for working at desired levels, supported by structured training programs and internal growth opportunities.

Management Discussion and Analysis (Contd.)

Internal Controls and their Adequacy

The Company has a proper and adequate system of internal controls commensurate with the size of the Company and the nature of its business to ensure that all the assets are safeguarded and protected against loss from unauthorized use or disposition, and that transactions are authorized, recorded and reported correctly and adequately.

The internal control is designed to ensure that financial and other records are reliable for preparing financial information and for maintaining accountability of assets. All financial and audit control systems are also reviewed by the Audit Committee of the Board of Directors of the Company.

Cautionary Statement

Statements in this Report on Management Discussion and Analysis describing the Company's objectives, estimates and expectations may be forward looking statements based on certain assumptions and expectations of future events. Actual results might differ substantially or materially from those expressed or implied.

The Company cannot guarantee that the assumptions and expectations are accurate or will be realized and hence the actual results, performance or achievements could thus differ materially from those expressed in the statements. The Company assumes no responsibility nor is 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

Dear Shareholders,

Your Directors present to you the Fourth Annual Report and the audited accounts of the Company for the financial year ended March 31, 2011.

Financial Results

The highlights of the financial results for the year ended March 31, 2011 are as under:

Particulars	Amount in Rupees	
	Year ended March 31, 2011	Year ended March 31, 2010
Profit/ (Loss) before Tax and Depreciation	298,940,181	(4,503,918)
Less: Depreciation	13,493,083	13,462,323
Profit/ (Loss) before Tax	285,447,098	(17,966,241)
Less: Provision for Taxation & Prior Period Tax Adjustments	46,224,553	14,476
Profit/ (Loss) after Tax and Prior Period Tax Adjustment	239,222,545	(17,980,717)
Profit/ (Loss) brought forward	(153,297,947)	(135,317,230)
Balance carried forward to Balance Sheet	85,924,598	(153,297,947)

Business Review

The Company is engaged in the business of wholesale trading of various industrial / consumer products and commodities in select Indian cities. The Company is trying to establish its foothold in this segment. The Company intends to sell various industrial / consumer products and commodities to retailers, small manufacturers and local shops. Additionally, shareholders' authorization has been obtained to enable the Company to foray into the business of information technology and software development to provide customized solutions to various sectors directly and/or through its subsidiaries.

Significant Developments

The Scheme of Arrangement ("the Scheme") between the Company and Indiabulls Real Estate Limited (IBREL) has been sanctioned by the Hon'ble High Court of Delhi, New Delhi on March 3, 2011 and it has come into effect on March 31, 2011. Accordingly:

- w.e.f. the Appointed Date of the Scheme, i.e., April 1, 2010, the Wholesale Trading business of IBREL has been transferred to and vested in favor of the Company on a going concern basis.
- The pre-arrangement equity capital of 100,000,000 equity shares of face value Rs. 10/- each of the Company has been cancelled and fresh equity capital of 50,285,093 equity shares of face value Rs. 2/- each were issued on April 27, 2011 to the shareholders of IBREL.
- The equity shares of the Company have been listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE), effective August 18, 2011.

Dividend

In order to utilize the profits for operations of the Company, your Directors do not recommend any dividend.

Fixed Deposits

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

Directors' Report (Contd.)

Directors

To ensure compliance with Clause 49 of the Listing Agreement, the Board was reconstituted and accordingly on April 25, 2011, all the Board members i.e. Mr. Mukul Bansal, Mr. Nihar Devendra Gandhi and Ms. Ananya Gandotra resigned from the directorship of the Company. Your Directors place on record their deep sense of appreciation for the valuable services rendered by them during their tenure as Directors on the Board of the Company.

Further on April 25, 2011, Mr. Surinder Singh Kadyan (DIN: 03495880), Mr. Mehul CC Johnson (DIN: 00016075), Mr. Karan Singh (DIN: 00017236) and Mr. Shamsher Singh Ahlawat (DIN: 00017480) were appointed as Additional Directors on the Board of the Company, Mr. Kadyan being also appointed as Whole-time Director.

Being Additional Directors, Mr. Surinder Singh Kadyan, Mr. Mehul CC Johnson, Mr. Karan Singh and Mr. Shamsher Singh Ahlawat hold their office as such up to the date of ensuing Annual General Meeting of the Company. The Company has received notices in terms of the Section 257 of the Companies Act, 1956, from members, signifying their intention to propose the candidature of Mr. Surinder Singh Kadyan, Mr. Mehul CC Johnson, Mr. Karan Singh and Mr. Shamsher Singh Ahlawat for the office of Directors of the Company, liable to retire by rotation.

Brief resume of the Directors proposed to be appointed, nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships/ chairmanships of Board Committees of various Companies, are provided in the Corporate Governance Report, which form an integral part of the Annual Report.

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 terms of the Circular No. 2/2011, No.: 51/12/2007-CL-III dated February 8, 2011 issued by the Ministry of Corporate Affairs for granting general permission for not attaching certain prescribed documents including annual accounts of the subsidiaries to the Balance Sheet of the Holding Company, as required to be attached in terms of Section 212 of the Companies Act, 1956, and accordingly as approved by the Board of Directors of the Company in its meeting held on April

28, 2011, copies of the Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of the subsidiaries of the Company as of March 31, 2011 have not been attached with the Balance Sheet of the Company. These documents will be made available upon request by any Member of the Company interested in obtaining the same. The annual accounts of the subsidiary companies are also kept for inspection by any shareholder at the head office of the holding company and of the subsidiary companies concerned. However, in terms of the said circular, information desired to be disclosed in respect of each of the subsidiary company, has been disclosed, in the notes to accounts of the Consolidated Balance Sheet forming part of the Annual Report. Further, pursuant to Accounting Standard AS-21 issued by The Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes financial information of its subsidiaries.

Management's 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 Agreements 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 stipulated under 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 March 31,

Directors' Report (Contd.)

2011 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 Sharma Goel & Co., Chartered Accountants, (Registration No.: 000643N), 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(1)(e) and (2A) 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, during the year under review, the Company did not employ any person falling within the purview of Section 217(2A) of the Companies Act, 1956.

Acknowledgement

Your Directors wish to express their gratitude for the continuous assistance and support received from the investors, clients, business associates, vendors, bankers, regulatory and government authorities, during the year. Your Directors also wish to place on record their appreciation for the contributions made by employees at various levels.

For and on behalf of the Board of Directors

Sd/-
Surinder Singh Kadyan
Whole-time Director

Sd/-
Mehul CC Johnson
Director

Date: September 5, 2011

Place : New Delhi

Annexure to the Directors' Report

ANNEXURE FORMING PART OF THE DIRECTORS' REPORT

Information 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. Conservation of Energy

The Company uses electric energy for its equipment such as office equipment, computers, lighting and utilities in the work premises. As an ongoing process, the following measures are undertaken to conserve energy:

- a) Implementation of viable energy saving proposals.
- b) Installation of automatic power controllers to save maximum demand charges and energy.
- c) Training front-end operational personnel on opportunities of energy conservation.
- d) Awareness and training sessions for maintenance personnel conducted by experts.

B. Technology Absorption

The Company believes that technological obsolescence is a practical reality. Our research activities will help us to prepare for future growth and opportunities.

At the Company we encourage continuous innovation with the prime purpose of providing maximum benefits to our clients and other users by working proactively (self driven research) and reactively (client driven research).

Our objective is to carry out applied research in the years that are closely related to realization of the business objectives of the Company and seek to encash available business opportunities.

C. Foreign Exchange Earnings and Outgo:

While there were no earnings in foreign exchange during the year under review and the previous year, the foreign exchange outgo in previous year is depicted in the table given below:

Particulars	Amount in Rupees	
	For the Year ended March 31, 2011	For the Year ended March 31, 2010
Professional Fees	--	930,597