

Indiabulls

Indiabulls Wholesale Services Limited

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— Annual Report 2012-13 —

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Company Information

Board of Directors

Mr. Surinder Singh Kadyan
Mr. Mehul Johnson
Mr. Karan Singh Khara
Mr. Shamsher Singh Ahlawat

Company Secretary

Ms. Priya Jain

Statutory Auditors

Sharma Goel & Co.,
Chartered Accountants,
A - 47, Lower Ground Floor, 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

M – 62 & 63, First 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
Haryana

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

Bankers

HDFC Bank Limited
State Bank of India
IDBI Bank Limited
Yes Bank Limited
Axis Bank Limited

Management Discussion and Analysis

Economic and Industry Overview

India's economic growth has slowed down in last year which is attributable to both external as well as domestic causes. While continuing global uncertainty did impact growth in India, a number of other challenges were domestic. These included low manufacturing growth, slower than required pace of reforms, high current account and fiscal deficits and persistently high inflation. The weak monsoon further exacerbated the situation by adversely impacting the agricultural growth. However, prospects for FY 2013-14 are looking brighter. There is moderation in inflation rates, which should allow further cuts in interest rates, thereby spurring investments. The Government's recent reforms include allowing FDI in multi-brand retail, aviation, hiking diesel price, capping the number of subsidized LPG cylinders, opening up pension sector to foreign investment and raising the FDI cap in insurance to 49 per cent are a positive sign and such moves will support investment sentiment. The said measures announced are aimed at restoring the fiscal health of the government and shrinking the current account deficit as also improving the growth rate.

Opportunities

The Industry segment in which the Company is carrying on its business operations has huge growth potential with opportunities existing in multiple sectors and segments. The principal growth drivers are rising economy, demographic changes, consumerism, growth of nuclear families and satellite townships, changes in consumer behavior and impact of working women, availability of real estate, FDI regulations, technological advances, electronic media and the rise in the use of plastic money. The large size of addressable global market, with relatively low current level of penetration suggests significant headroom for future growth. The Company and its subsidiaries have positioned itself well for the growth in business with an aligned strategy, structure and capabilities.

Threats / Risks & Concerns

Any slowdown in the Indian economy and the consequent impact on disposable income could adversely affect the operations and consequently affect its growth potentials. Global economic situation, protectionism, business model redundancy, loss of critical talent, currency volatility and increased competition in the industry segment in which the Company is carrying on its business operations may adversely affect its operation. Logistics and supply chain, product sourcing and inventory management along with shortage of quality real estate and infrastructure requirements in the country, continuous and adequate power supply are some of the significant challenges which the industry is facing.

Business Review

Apart from its ongoing business activities, the Company, through its subsidiary, Indiabulls Technology Solutions Limited (ITSL), had ventured into the IT business with a focus on designing, developing and delivering technology enabled solutions for medium and large sized companies. ITSL's offerings span business and technology consulting, application services, systems integration, testing and validation, infrastructure management services, product engineering and business process outsourcing. It is a CMMI Level 3 company and has been certified in ISO 27001:2005 (information security standards), ISO 9001:2008 (quality management systems) and HIPAA (confidentiality and privacy of protected health information). This year ITSL took firm steps to become a known IT brand at global level. The services span a spectrum of verticals with primary focus on Life Sciences, Financial, High-tech and Telecom sector. In addition some of the key technology areas that ITSL focus on are: Application Development & Value Management (Custom and COTS Products), Quality Assurance and Testing Services, Big Data, DW/BI, Web technologies and Mobile technologies. ITSL has delivery centres in 7 locations across North America, Middle East, South Africa and Europe. Many of these locations serve as off shore delivery centres for marquee clients.

An interim dividend of ₹ 1/- per equity share (on the face value of ₹ 2/- per equity share) amounting to ₹ 502.85 lacs (excluding corporate dividend tax) was declared by the Board of Directors of the Company in its meeting held on April 24, 2013 and paid for the financial year 2012-13.

Management Discussion and Analysis (contd.)

Business Outlook & Strategy

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 business activities. The Company's strategy for long term profitable growth is based on continuously scaling its IT services business, while investing in new customers, services, markets and industries.

ITSL has built valuable experience of working with large and mid-sized marquee clients. Its strategy of working with clients is to forge and cultivate deep, long-term relationships. It believes in working closely with its clients to generate value for them, over the long term. As ITSL increases its footprint with existing clients and forges relationships with new clients it is also focused on building an organization that employees will be proud to work in. It continues to invest in its people and is recruiting the best talent. ITSL uses a combination of agility and senior executive involvement to deliver solutions that improve efficiency, accuracy, service quality and compliance. Additionally, it believes in adopting innovations in its delivery approach for all its projects and strives to deliver continuous improvements to all its clients.

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, 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 the overall growth and transformation of the Company.

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 its assets are safeguarded and protected against loss from unauthorized use or disposition, and that transactions are authorized, recorded and reported correctly and adequately.

The Company's internal controls are supplemented by internal audits, review by management and documented policies, guidelines and procedures. 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's 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 Sixth Annual Report and the audited accounts of the Company for the financial year ended March 31, 2013.

FINANCIAL RESULTS

The highlights of the standalone financial results for the year ended March 31, 2013 are as under:

Particulars	Amount in ₹	
	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Profit/ (loss) before Tax and Depreciation	(48,485,868)	85,774,992
Less: Depreciation and amortization expense	9,812,652	13,370,636
Profit/ (loss) before Tax	(58,298,520)	72,404,356
Less: Provision for Tax	(16,966,615)	24,451,337
Profit/ (loss) after Tax	(41,331,905)	47,953,019
Balance of Profit brought forward	132,783,914	85,924,598
Profit available for appropriation	91,452,009	133,877,617
Less: Appropriations:		
Proposed dividend on preference shares	2,265,930	941,042
Corporate dividend tax thereon	385,095	152,661
Interim dividend on equity shares	50,285,093	—
Corporate dividend tax thereon	8,545,952	—
Transfer to general reserve	9,145,201	—
Balance of Profit carried forward to Balance Sheet	20,824,738	132,783,914

OPERATIONS AND BUSINESS REVIEW

The total income of the Company during the year was ₹ 751.80 lacs with a net loss of ₹ 413.32 lacs. The consolidated revenue of the Company was ₹ 17,736.60 lacs with a profit after tax of ₹ 4117.57 lacs. The contribution of Company's subsidiary viz. Indiabulls Technology Solutions Limited (ITSL) in the total consolidated revenue of the Company was ₹ 4,504.14 lacs and that in its total consolidated profit after tax was ₹ 264.20 lacs.

The Company, through its subsidiary, Indiabulls Technology Solutions Limited (ITSL), had ventured into the IT business with a focus on designing, developing and delivering technology enabled solutions for medium and large sized companies. ITSL's offerings span business and technology consulting, application services, systems integration, testing and validation, infrastructure management services, product engineering and business process outsourcing. It is a CMMI Level 3 company and has been certified in ISO 27001:2005 (information security standards), ISO 9001:2008 (quality management systems) and HIPAA (confidentiality and privacy of protected health information). This year ITSL took firm steps to become a known IT brand at global level. Its services span a spectrum of verticals with primary focus on Life Sciences, Financial, High-tech and Telecom sector. In addition some of the key technology areas that it focus on: Application Development & Value Management (Custom and COTS Products), Quality Assurance and Testing Services, Big Data, DW/BI, Web technologies and Mobile technologies. It has delivery centres in 7 locations across North America, Middle East, South Africa and Europe. Many of these locations serve as off shore delivery centres for marquee clients.

Directors' Report (contd.)

DIVIDEND

The Board of Directors of the Company, had, for the FY 2012-13, declared an Interim Dividend on April 24, 2013, at the rate of Re. 1/- per equity share on face value of ₹ 2/- each. Your Directors recommend that the payment of the aforesaid interim dividend for the year ended on March 31, 2013 be confirmed.

EMPLOYEES STOCK OPTIONS

For rewarding performance and retaining talented employees, the Company has introduced an employee stock option scheme titled as 'Indiabulls Wholesale Services Limited Employee Stock Option Scheme- 2011', with 5,000,000 options, convertible into equal number of Equity Shares. The disclosures required to be made in terms of SEBI (Employee Stock Option Scheme and Stock Purchase Scheme) Guidelines, 1999, in the Directors' Report, in respect of the stock options granted, are set out in the annexures forming a part of this report.

CHANGE IN CAPITAL

Subsequent to the FY 2012-13, and consequent upon issue of 1,90,700 Equity shares (face value of ₹ 2 each) upon exercise of stock options by certain eligible employees vested to them in terms of 'Indiabulls Wholesale Services Limited Employee Stock Option Scheme- 2011', the paid-up Equity share capital of the Company stands increased from ₹ 10,05,70,186/- divided into 5,02,85,093 Equity shares of face value ₹ 2/- each to ₹ 10,09,51,586/- divided into 5,04,75,793 Equity shares of face value ₹ 2/- each.

FIXED DEPOSITS

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

DIRECTORS

In accordance with the provisions of Section 255 and 256 of the Companies Act, 1956 and the Article 121 of the Articles of Association of the Company, Mr. Mehul Johnson (DIN: 00016075), Director, retire by rotation and, being eligible, offer himself for reappointment at the ensuing Annual General Meeting.

Brief resume of Mr. Johnson proposed to be reappointed, nature of his expertise in specific functional areas and names of companies in which he 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 accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. However, the financial of the subsidiary companies is disclosed in the Annual Report in compliance with the said circular. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

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 Agreement 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.

LISTING WITH STOCK EXCHANGES

The Equity shares of the Company continue to remain listed with the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE). The listing fees for the FY 2013-14 have been paid to both the exchanges.

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, 2013 and the loss 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

Date: September 2, 2013
Place : New Delhi

Surinder Singh Kadyan
Whole-time Director

Mehul Johnson
Director

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:

There was no outgo in foreign exchange during the year under review and the previous year. However, detail of earning in foreign exchange is as under:

(Amount in ₹)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Customer Collections	498,750	—

Annexure to the Directors' Report (contd.)

Annexure to the Directors' Report regarding the ESOP issue

Indiabulls Wholesale Services Limited Employee Stock Option Scheme- 2011 – As on March 31, 2013

Particulars	
a. Options Granted	3,217,000
b. Exercise price	<ul style="list-style-type: none"> • 1,257,000 options @ ₹ 8.28 • 650,000 options @ ₹ 7.80 • 150,000 options @ ₹ 10.75 • 850,000 options @ ₹ 9.10 • 160,000 options @ ₹ 15.05 • 150,000 options @ ₹ 12.45
c. Options vested	<ul style="list-style-type: none"> • 125,700 options @ ₹ 8.28 • 65,000 options @ ₹ 7.80
d. Options exercised	Nil
e. The total number of Shares arising as a result of exercise of option	Nil
f. Options lapsed	Nil
g. Variation in terms of options	Nil
h. Money realized by exercise of options	Nil
i. Total number of options in force	3,217,000
j. Employee wise details of options granted to:	
i. Senior Management personnel	Nil
ii. any other employee who received a grant in any one year of option amounting to 5% or more of option granted during that year	Nil
iii. identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital of the Company.	Mr. Ashish Choudhary – 1,257,000
k. Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 ['Earnings Per Share']	No Dilution in EPS
l. Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed	Refer Note 26 forming part of Notes to Financial Statements
m. Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Refer Note 26 forming part of Notes to Financial Statements
n. A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:	Refer Note 26 forming part of Notes to Financial Statements
i. risk free interest rate	
ii. expected life	
iii. expected volatility	
iv. expected dividends yield	
v. the price of the underlying share in market at the time of option grant	