PROSPECTUS
Dated September 14, 2004
Please read Section 60B of the Companies Act, 1956
100% Book Building Issue

Indiabulls

Indiabulls Financial Services Limited

(Incorporated on January 10, 2000 as M/s Orbis Infotech Private Limited at New Delhi under the Companies Act, 1956 with Registration No. 55 – 103183. The name of our Company was changed to M/s Indiabulls Financial Services Private Limited on March 16, 2001. It became a Public Limited Company on February 27, 2004 and the name of our Company was changed to M/s Indiabulls Financial Services Limited)

Registered office: *F – 60, IInd Floor, Malhotra Building, Connaught Place, New Delhi – 110 001*
Tel: *+91-11-51523700;* ***Fax:*** *+91-11-51529071;* ***E-mail:*** *ipo@indiabulls.com;* ***Website:*** *www.indiabulls.com*

Public Issue of 2,71,87,519 Equity Shares Of Rs. 2/- Each At A Price Of Rs. 19 For Cash Aggregating Rs. 516.56 million (hereinafter referred to as the "Issue"). The Issue would constitute 25% of the Fully Diluted post issue paid-up capital of our Company. The face value of the Equity Shares is Rs. 2 per share and the issue price is 9.5 times of the face value

The Issue is being made through a 100% Book Building Process wherein up to 50% of the Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than 25% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% of the Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price.

ISSUE PRICE RS.19 PER EQUITY SHARE OF RS. 2 EACH

RISK IN RELATION TO FIRST ISSUE

This being the first issue of the Equity Shares of Indiabulls Financial Services Limited (our "Company"), there has been no formal market for the Equity Shares of our Company. The face value of the shares is Rs.2 and the issue price is 9.5 times of the face value. The Issue Price (as determined by our Company in consultation with the Book Running Lead Managers, on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of our Company nor regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of our Company and the Issue including the risks involved. The Equity Shares issued in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI), nor does SEBI guarantee the accuracy or adequacy of this Prospectus. Specific attention of the investors is invited to the statements in Risk Factors beginning on page no.(i)**.**

COMPANY'S ABSOLUTE RESPONSIBILITY

Indiabulls Financial Services Limited having made all reasonable inquiries, accepts responsibility for and confirms that this Prospectus contains all information with regard to Indiabulls Financial Services Limited and the Issue, which is material in the context of the Issue, that the information contained in this Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares issued through this Prospectus are proposed to be listed on The Stock Exchange, Mumbai and The National Stock Exchange of India Limited. We have received in-principle approval from these Stock Exchanges for the listing of our Equity Shares pursuant to letters dated May 14, 2004 and May 31, 2004 respectively. The Stock Exchange, Mumbai is proposed to be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS		REGISTRAR TO THE ISSUE
SBI Capital Markets Limited **SBI CAPITAL MARKETS LIMITED** 202, Maker Tower 'E' Cuffe Parade Mumbai – 400 005 Tel: +91 – 22 – 2218 9166 Fax: +91 – 22 – 2218 8332 E-mail: indiabulls.ipo@sbicaps.com	DSP Merrill Lynch **DSP MERRILL LYNCH LIMITED** Mafatlal Centre, 10th Floor, Nariman Point, Mumbai – 400 021 Tel: +91 – 22 – 5632 8000 Fax: +91 – 22 – 2204 8518 E-mail: indiabulls_ipo@ml.com	KARVY **KARVY COMPUTERSHARE PRIVATE LIMITED** Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034 Tel. : +91- 40-2331 2454 Fax. : +91- 40-2331 1968 E-mail: ifsl.ipo@karvy.com

ISSUE PROGRAMME

BID / ISSUE OPENS ON	**September 6, 2004**	**BID / ISSUE CLOSES ON**	**September 10, 2004**

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Indiabulls

27,187,519 Equity Shares

Indiabulls Financial Services Limited

(incorporated with limited liability under the laws of the Republic of India)

Up to 27,187,519 equity shares, par value Rs. 2 each (the **"Equity Shares"**), are hereby offered by Indiabulls Financial Services Limited (**"we"**, **"us"** or our **"Company"**). This offering consists of an offering of Equity Shares (1) within the United States, to "qualified institutional buyers" as defined in and in reliance on Rule 144A (**"Rule 144A"**) under the U.S. Securities Act of 1933, as amended (the **"Securities Act"**) (the **"U.S. Offer"**), (2) in India, to institutional and retail investors pursuant to a public offering in India in reliance on Regulation S (the **"Indian Public Offer"**), and (3) outside the United States and India, to institutional investors in reliance on Regulation S (the **"Global Offer"** and together with the U.S. Offer and the Indian Public Offer, the **"Offer"**). **For further details about restrictions on offers, sales and transfers of the Equity Shares, see "Distribution and Solicitation Restrictions" and "Transfer Restrictions".**

This international wrap accompanies the prospectus dated September 14, 2004. As used in this international wrap, the term "**this offering memorandum**" means this international wrap and the attached prospectus. This international wrap and the attached prospectus should be read together prior to making an investment decision to buy Equity Shares in this Offer.

Prior to this Offer, there has been no public market for the Equity Shares. Our Company has received in-principle approval for the listing and quotation of the Equity Shares on the National Stock Exchange of India Limited and The Stock Exchange, Mumbai.

Please read the sections titled "Risk Factors" and "Notes to Risk Factors" beginning on pages i and vii respectively of the attached prospectus and "Risk Factors for International Investors" beginning on page W-8 of this international wrap which describe several factors that you should consider before buying the Equity Shares.

Issue Price of Rs. 19 per Equity Share

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold only (1) in the United States to qualified institutional buyers and (2) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur. Prospective purchasers that are qualified institutional buyers as defined in Rule 144A are hereby notified that the sellers of Equity Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Equity Shares are not transferable except in accordance with the restrictions described under "Transfer Restrictions" in this international wrap. This Offer will also be conducted in compliance with the applicable SEBI Guidelines (as defined in the attached prospectus) of the Securities and Exchange Board of India ("SEBI").

Book Running Lead Managers

SBI Capital Markets Limited

DSP Merrill Lynch

SBI Capital Markets Limited **DSP Merrill Lynch Limited**

The date of this offering memorandum is September 14, 2004.

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The Equity Shares are being offered through DSP Merrill Lynch Limited and SBI Capital Markets Limited (the "**Book Running Lead Managers**", the "**BRLMs**" or the "**Underwriters**") and their respective affiliates. As more fully discussed in the section titled "Plan of Distribution" in this international wrap, the Underwriters have agreed, subject to certain conditions, to procure purchasers for, or purchase themselves, Equity Shares in respect of which Bids have been procured by them, and for which the Bidders have been allocated Equity Shares in this Offer. Our Company expects that the Equity Shares will be credited to investors' "demat", or book-entry, accounts with their depository participants in India on or before September 25, 2004. The crediting of the Equity Shares in book-entry form will be made only after payment for them has been received. Our Company, in consultation with the Book Running Lead Managers, reserves the right to withdraw, modify or cancel this Offer at any time without notice, and our Company, in consultation with the Book Running Lead Managers, reserves the right to reject any offer to purchase Equity Shares, in whole or in part, and to allot to any prospective investor less than the full amount of Equity Shares sought by such investor.

In making an investment decision, investors must rely on their own examination of our Company and the terms of this Offer, including the merits and risks involved. The Equity Shares have not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any state securities commission in the United States or the securities commission of any non-U.S. jurisdiction or any other U.S. or non-U.S. regulatory authority. None of these authorities has passed on or endorsed the merits of this Offer or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States and may be a criminal offense in other jurisdictions.

This offering memorandum is based on information provided by our Company and on information obtained from other sources. Each Underwriter, on behalf of our Company, is delivering this offering memorandum on a confidential basis (i) within the United States to persons reasonably believed to be qualified institutional buyers and (ii) in India and elsewhere outside the United States to institutional investors, solely for their use in deciding whether or not to proceed with a further investigation of the terms of the U.S. Offer and the Global Offer, as the case may be. This offering memorandum does not purport to be all-inclusive or to necessarily contain all the information that an investor may desire in investigating our Company or necessary to make an informed investment decision regarding the U.S. Offer or the Global Offer.

This offering memorandum is personal to the offeree to whom it has been delivered and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Equity Shares. Receipt and acceptance of this offering memorandum shall constitute the agreement of the recipient (1) to maintain the confidentiality of the information contained in this offering memorandum and any other information that may be subsequently provided by our Company, any Underwriter or any of their respective representatives, either orally or in writing, (2) that any reproduction or distribution of this offering memorandum or of any other information that our Company, any Underwriter or any of their respective representatives may subsequently provide, in whole or in part, or any disclosure of any of the contents hereof or thereof to any other person other than authorized representatives, agents and advisors of the recipient hereof, or any use of such materials for any purpose other than to evaluate participation in the U.S. Offer or the Global Offer, is strictly prohibited and (3) if such investor determines not to proceed with the investigation of, or participation in, the U.S. Offer or the Global Offer, or if either offer is terminated, to return to the Underwriters this offering memorandum and any other information that our Company or any of its representatives may subsequently provide to the recipient. This international wrap has been prepared for informational purposes relating to the U.S. Offer and the Global Offer only and upon the express understanding that it and the attached prospectus will be used for only the purpose set forth above.

None of the Underwriters or any member, employee, counsel, officer, director, representative, agent or affiliate of the Underwriters makes any express or implied representation or warranty as to the accuracy or completeness of the information contained in this offering memorandum or made available in connection with any further investigation of the terms of the U.S. Offer or the Global

Offer. Each Underwriter expressly disclaims any and all liability that may be based on such information, errors therein or omissions therefrom. No person is authorized to give any information or to make any representation in connection with this Offer or sale of the Equity Shares other than as contained in this offering memorandum and, if given or made, you must not rely on such information as having been authorized by our Company, the Underwriters or any affiliate or representative thereof. Neither the delivery of this offering memorandum nor the offer of the Equity Shares shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of our Company since the date of this offering memorandum or that any information contained herein is correct at any time subsequent to the date hereof.

The distribution of this offering memorandum and the offer and sale of the Equity Shares may be restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum or any of the Equity Shares comes must inform themselves about, and observe, any applicable restrictions. For more information, please see "Distribution and Solicitation Restrictions" and "Transfer Restrictions" in this international wrap.

This offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the Equity Shares to any person in any jurisdiction where it is unlawful to make such an offer or solicitation.

Investors should not construe the contents of this offering memorandum as legal, tax or investment advice. Each investor should consult its own counsel, business advisor and tax advisor as to the legal, business, tax and related matters concerning the U.S. Offer or the Global Offer, as the case may be. In addition, neither our Company, nor any Underwriter is making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal investment or similar laws or regulations.

Under Regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulation, 1995, as amended, foreign institutional investors as defined under SEBI Guidelines, or their sub accounts (together referred to as "**FIIs**"), may issue, deal in or hold, off-shore derivative instruments such as participatory notes, equity linked notes or any other similar instruments against Equity Shares allocated in the Offer (all such off-shore derivative instruments referred to herein as "**P-Notes**") ") only in favour of those entities which are regulated by any relevant regulatory authority in the countries of their incorporation or establishment. P-Notes have not been and are not being offered or sold pursuant to this offering memorandum. Neither the preliminary offering memorandum nor the final offering memorandum contains or will contain any information concerning any P-Notes or the issuer(s) of any P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of our Company and do not constitute any obligations of, claim on, or interests in our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are solely the obligations of, third parties that are unrelated to our Company. Neither our Company nor any of its affiliates makes any recommendation as to any investment in P-Notes, and neither our Company nor any of its respective affiliates accepts any responsibility whatsoever in connection with any P-Notes.

Any P-Notes that may be issued are not securities of the Underwriters and do not constitute any obligations of or claim on the Underwriters. None of the Underwriters has participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are solely the obligation of, third parties that are unrelated to the Underwriters. None of the Underwriters nor any of their respective affiliates makes any recommendation as to any investment in P-Notes, and none of the Underwriters nor any of their respective affiliates accepts any responsibility whatsoever in connection with any P-Notes.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosure as to the issuer(s) of any such P-Notes and the terms and conditions of any such P-Notes from the issuer of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

This offering memorandum contains summaries of certain terms of certain documents, but reference is made to the actual documents, copies of which will be made available upon request during the offering period for physical inspection at the registered office of our Company located at F – 60, IInd Floor, Malhotra Building, Connaught Place, New Delhi – 110 001, India, subject to the confidentiality restrictions set forth above. All such summaries are qualified in their entirety by this reference.

The information on our website or on any website of the Underwriters is not part of this offering memorandum.

Capitalized terms used in this international wrap that are not otherwise defined herein shall have the same meaning ascribed to such terms as in the prospectus attached hereto.

NOTICE TO NEW HAMPSHIRE RESIDENTS

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire Revised Statutes Annotated, as amended, nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire implies that any document filed under Chapter 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or transaction means that the Secretary of State of the State of New Hampshire has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

AVAILABLE INFORMATION

Our Company is not subject to the periodic reporting requirements of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). In order to permit compliance with Rule 144A in connection with resales of the Equity Shares, our Company agrees to furnish upon request of a shareholder or a prospective purchaser the information required to be delivered under Rule 144A(d)(4) of the Securities Act if at the time of such request our Company is not a reporting company under Section 13 or Section 15(d) of the Exchange Act, or is not exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

Our Company agrees to comply with any undertakings given by it from time to time in connection with the Equity Shares to the National Stock Exchange of India Limited and The Stock Exchange, Mumbai (collectively, the "**Stock Exchanges**") and, without prejudice to the generality of foregoing, shall furnish to each such Stock Exchange all such information as the rules of such Stock Exchange may require in connection with the listing of the Equity Shares on such Stock Exchanges.

CURRENCY OF PRESENTATION AND EXCHANGE RATES

We publish our consolidated financial statements in Indian rupee and in accordance with generally accepted accounting principles in India. On September 13, 2004, the middle exchange rate announced by the Reserve Bank of India was Rs 46.22 = US$1.00.

The conversion of Indian rupees into U.S. Dollars is subject to certain restrictions in India. Since 1994, however, the Government of India has relaxed these restrictions significantly in order to comply with its obligations to the International Monetary Fund ("**IMF**"), whereby India is committed to refrain from imposing foreign exchange restrictions on international transactions on its current account as an instrument in managing its balance of payments. While the process of current account convertibility has been significantly relaxed, the Government of India has been cautious with its policy of liberalizing capital account transactions. The measures which have been taken (among others) to further liberalize capital account transactions are:

- deposit schemes for Non-Resident Indians ("**NRIs**") have been made fully convertible effective April 1, 2002;
- NRIs may now repatriate certain foreign currency earnings (including rent, dividends, pension payments and interest) subject to appropriate certifications and payment of Indian taxes;
- automatic approval of overseas investment by Indian companies, formerly applicable to investments up to US$50 million, is now applicable to investments up to US$100 million;
- investments by Indian companies in overseas joint ventures, formerly subject to a maximum of 25% of such companies' net worth, are now subject to a maximum of 100% of net worth;
- investment by Indian mutual funds in rated debt securities and equities in countries with fully convertible currencies is now permitted, within certain limits;
- investment by Indian resident individuals in securities of listed foreign companies which have at least a 10% holding in Indian listed companies is now permitted; and
- overseas remittance by Indian resident individuals is now permitted, except for gambling and certain other transactions, and otherwise up to a maximum of US$25,000 in any one financial year.

The following table shows the exchange rate of Indian rupee for U.S. dollars based on the middle exchange rates at the end of each month during the periods indicated. The Indian rupee middle exchange rate is calculated based on the Reserve Bank of India's buying and selling rates.

	Exchange Rates Rs. per US$			
	Low [1]	**High [1]**	**Average [2]**	**Period End**
2001	46.41	48.18	47.24	48.18
2002	48.03	49.03	48.60	48.03
2003	45.32	47.80	46.54	45.61
2004				
January	45.31	45.63	45.46	45.31
February	45.24	45.31	45.27	45.26
March	43.39	45.31	45.01	43.39
April	43.56	44.41	43.93	44.37
May	44.69	45.96	45.26	45.56

June	44.98	46.20	45.52	45.98
July	45.64	46.45	46.04	46.45

(1) For full years, the high and low amounts are determined based upon the month-end middle exchange rate announced by the Reserve Bank of India during the year indicated. The high and low figures for January to July 2004 are determined based on the daily middle exchange rates during the month indicated.

(2) For full years, the average shown is calculated based on the middle exchange rate announced by the Reserve Bank of India on the last day of each month during the year indicated. For monthly averages from January 2004 to July 2004, the average shown is calculated based on the daily middle exchange rates during the month indicated.

Source: Reserve Bank of India

We have provided these U.S. dollars translations solely for the convenience of the reader and we make no representation that the Indian rupee or U.S. dollar amounts referred to in this offering memorandum could have been, or could be, converted into U.S. dollars or Indian rupee, as the case may be, at any particular rate, the above rates, or at all.

ENFORCEMENT OF CIVIL LIABILITIES

The enforcement by investors of civil liabilities under U.S. federal securities laws, including the ability to effect service of process and to enforce judgments of U.S. courts in the United States, may be affected adversely by the fact that our Company is incorporated under the laws of the Republic of India and nearly all of its executive officers and directors reside outside of the United States. A substantial portion of our Company's assets and the assets of nearly all of its executive officers and directors are also located outside the United States. As a result, it may be difficult to effect service of process within the United States upon these persons and our Company or to enforce in the United States courts judgments obtained in United States courts against our Company and these persons, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States.

Section 44A of the Indian Code of Civil Procedure, 1908, as amended, provides that where a foreign judgment has been rendered by a court in any country or territory outside India which the Government of India has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. The United States has not been declared by the Government of India to be a reciprocating territory for the purposes of Section 44A.

Dua Associates, our Company's Indian counsel, has advised our Company that a judgment of a court in the United States may be enforced in India only by a suit upon the judgment, subject to Section 13 of the Indian Code of Civil Procedure, and not by proceedings in execution. This section, which is the statutory basis for the recognition of foreign judgments, states that a foreign judgment is conclusive as to any matter directly adjudicated upon except:

- where the judgment has not been pronounced by a court of competent jurisdiction;
- where the judgment has not been given on the merits of the case;
- where the judgment appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognize the law of India in cases where such law is applicable;

- where the proceedings in which the judgment was obtained were opposed to natural justice;
- where the judgment has been obtained by fraud; or
- where the judgment sustains a claim founded on a breach of any law in force in India.

The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Generally, there are considerable delays in the disposal of suits by Indian courts. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with Indian law and practice. A party seeking to enforce a foreign judgment in India is required to obtain prior approval from the RBI under the Foreign Exchange Management Act 1999 ("FEMA") to execute such a judgment or repatriate any amount recovered. Any judgment in a foreign currency would be converted into Indian Rupees on the date of judgment and not on the date of payment.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements that reflect our Company's current views with respect to future events. The words "**expects**," "**intends**," "**anticipates**," "**believes**," "**projects**," "**estimates**" and similar expressions identify forward-looking statements. These forward-looking statements are based upon estimates and assumptions and are subject to certain known and unknown risks and uncertainties including, among others, the following: the general political, economic and business conditions globally and in India, the financial condition of our Company, changes in interest rates or exchange rates, governmental, legislative, regulatory or administrative initiatives affecting businesses, foreign investment and financial institutions in India, political developments in India and developments in India's relationship with neighboring states in South Asia, the financial condition and liquidity of securities trading firms and other financial institutions in India and an adverse change in economic conditions in India. All forward-looking statements contained in this offering memorandum are expressly qualified in their entirety by such factors. Forward-looking statements speak only as of the date they are made. Our Company disclaims any obligation or undertaking to update publicly or to revise any forward-looking statement contained herein. Future circumstances could cause actual results to differ materially from historical or projected results.

RISK FACTORS FOR INTERNATIONAL INVESTORS

In addition to the factors set forth under "Risk Factors" in the attached prospectus, prospective investors are urged to consider the following additional risk factors prior to purchasing any of the Equity Shares. If any of the following risks actually occur, our business and operations could be seriously harmed, the market price of the Equity Shares could decline and investors may lose all or part of their investment in the Equity Shares.

Risks associated with investments in an Indian company

Please note that the risk factors described below do not constitute a comprehensive and exhaustive list of all the risk factors that may be associated with investment in an Indian company, but are merely meant to give an indication of the risks that may arise in relation to an investment by a foreign investor in the shares of an Indian company. Prospective investors are urged to review the risks enumerated herein very carefully and also to carefully consider the risk factors detailed on pages i to vii of the attached prospectus prior to taking any investment decision in the Equity Shares of our Company.

Currency exchange rate fluctuations may affect the value of the Equity Shares.

The exchange rate between the Indian Rupee and the U.S. Dollar has changed substantially in recent years and may fluctuate substantially in the future. Fluctuations in the exchange rate between the U.S. Dollar and the Rupee may affect the value of your investment in our Equity Shares. Specifically, if there is a change in relative value of the Rupee to the U.S. Dollar, each of the following values will also be affected:

- The U.S. Dollar equivalent of the Indian Rupee trading price of our Equity Shares in India;
- The U.S. Dollar equivalent of the proceeds that you would receive upon the sale in India of any of our Equity Shares; and
- The U.S. Dollar equivalent of cash dividends, if any, on our Equity Shares, which will be paid only in Indian Rupees.

You may be unable to convert Rupee proceeds into U.S. Dollars or any other currency or the rate at which any such conversion could occur could fluctuate. In addition, our market valuation could be seriously harmed by the devaluation of the Rupee if U.S. investors analyze our value based on the U.S. Dollar equivalent of our financial condition and results of operations.

It may not be possible for you to enforce any judgment obtained in the United States against us or any of our affiliates in India, except by way of a suit in India on such judgment.

We are incorporated under the laws of India and many of our directors and executive officers reside outside the United States. Furthermore, a substantial portion of our assets, and the assets of our directors and officers are located outside the United States. As a result, you may be unable to:

- effect service of process within the United States upon us and these other persons or entities; or
- enforce in the U.S. courts judgments obtained in the U.S. courts against us and these other persons or entities, including judgments predicated upon the civil liability provision of the federal securities laws of the United States.

Dua Associates, Indian counsel to our Company, has advised that the United States and India do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States for civil liability, whether or not predicated solely upon the general securities laws of the United States, would not be enforceable in India. However, the party in whose favor such final judgment is rendered may bring a new suit in a competent court in India based on a final judgment that has been obtained in the United States within three years of obtaining such final judgment. If and to the extent that Indian courts were of the opinion that fairness and good faith so required, they would, under current practice, give binding effect to the final judgment which had been rendered in the United States, unless such a judgment contravened principles of public policy of India. It is unlikely that an Indian court would award damages on the same basis as a foreign court if an action is brought in India. Moreover, it is unlikely that an Indian court would award damages to the extent awarded in a final judgment rendered in the United States if it believed that the amount of damages awarded were excessive or inconsistent with Indian practice. In addition, any person seeking to enforce a foreign judgment in India is required to obtain prior approval of the RBI to execute such a judgment or to repatriate any amount recovered. For more information, see "Enforcement of Civil Liabilities" in this international wrap.

There may be less information available about companies listed on Indian securities markets than companies listed on securities markets in other countries.

After completion of this Offer, our Equity Shares will be publicly listed on the Stock Exchanges in India. The Equity Shares will not be listed on any stock exchange in the United States or any other country outside India. There is a difference between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants in those markets, and that of markets in the United States and other more developed economies. SEBI is responsible for setting standards for disclosure and other regulatory standards for the Indian securities markets. While SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters, there may be less publicly available information about Indian companies than is regularly made available by public companies in many developed economies. As a result, you may have access to less information about our business, results of operations and financial condition, and those of our competitors that are listed on Indian stock exchanges, on an ongoing basis, than you may in the case of companies subject to the reporting requirements of other countries.

Statistical and financial data in this offering memorandum may be incomplete or unreliable.

We have not independently verified data from industry publications and other sources and therefore cannot assure you that they are complete or reliable. Such data may also be produced on different bases from those used in other countries. Therefore, discussions of matters relating to India, its economy or the IT industry in this offering memorandum are subject to the caveat that the statistical and other data upon which such discussions are based may be incomplete or unreliable. In addition, internal company reports have not been verified by independent sources and may be incomplete or unreliable.

A third party could be prevented from acquiring control of our Company because of the anti-takeover provisions under Indian law.

There are provisions in Indian law that may discourage a third party from attempting to take control over our Company, even if a change in control would result in the purchase of your Equity Shares at a premium to the market price or would otherwise be beneficial to you.

Indian takeover regulations contain certain provisions that may delay, deter or prevent a future takeover or change in control of us. Any person acquiring either "control" or an interest (either on his own or together with parties acting in concert with him) in 15% or more of our voting equity shares must make an open offer to acquire at least another 20% of our outstanding voting equity shares. A takeover offer to acquire at least another 20% of our outstanding voting equity shares also must be made if a person (either on his own or together with parties acting in concert with him) holding between 15% and 75% of our voting equity shares acquires more than 5% of our voting equity shares in any fiscal year (ending on March 31). These provisions may discourage or prevent certain types of transactions involving an actual or threatened change in control of us. For more information, see "The Securities Markets in India - Takeover Code" in this international wrap.

Political instability or changes in the Government in India could delay the liberalization of the Indian economy and adversely affect economic conditions in India generally and our business in particular.

Our business, and the market price and liquidity of the Equity Shares, may be affected by foreign exchange rates and controls, interest rates, changes in government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

Since 1991, successive Indian Governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the roles of the Indian central and state governments in the Indian economy as producers, consumers and regulators have remained significant. The present Government of India, formed in October 1999, has announced policies and taken initiatives that support the continued economic liberalization policies that have been pursued by previous governments. The rate of economic liberalization could change, and specific laws and policies affecting the financial services industry, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally and our business in particular if new restrictions on the private sector are introduced or if existing restrictions are increased.

Regional conflicts in South Asia may have an adverse affect on our business and market price of the Equity Shares

South Asia has from time to time experienced instances of civil unrest and hostilities among neighboring countries, including between India and Pakistan. In April 1999, India and Pakistan conducted long-range missile tests and India has continued to test its nuclear missiles since then. Since May 1999, military confrontations between India and Pakistan have occurred in the Himalayan region of Kargil and other border areas. In October 1999, the leadership of Pakistan changed as a result of a coup led by the military. In December 2001, terrorists attacked India's Parliament and in August 2003, terrorists set off two bomb blasts in Mumbai. Events of this nature in the future could adversely affect the market price of the Equity Shares and the financial services industry in India, both directly and by affecting the markets for securities in Indian companies.

Our Company's business may be harmed, and the price of the Equity Shares may be adversely affected, by changes in general economic and business conditions resulting from communal conflict in India.

Since February 2002, more than 800 people have died in communal clashes mainly in the western state of Gujarat. Although such clashes in India have, in the recent past, been sporadic and have been contained within reasonably short periods of time, any such civil disturbance in the future could result in disruptions in transportation or communication networks, as well as have adverse implications for general economic conditions in India. Such events could have a material adverse affect on our Company's business or on your investment in the Equity Shares.

We are subject to foreign investment restrictions under Indian law that limit our ability to attract foreign investors, which may adversely impact the market price of our Equity Shares.

Under current Indian regulations and practice, the approval of the RBI is required for the sale of Equity Shares by a non-resident of India to a resident of India, unless the sale is made through a stock exchange in accordance with defined schemes permitted by law. Under currency exchange controls that are in effect in India, any approval granted by the RBI will specify the price at which the

Equity Shares may be transferred based on a specified formula, and a higher price per share may not be permitted.

Your ability to receive dividends may be affected by foreign exchange remittance laws in India.

The Government of India's dividend policy previously contained a requirement that the payment of dividends be commensurate with export earnings over a period of time. Currently, dividends received by foreign investors on shares of an Indian company are freely repatriable in foreign exchange. Dividend payments by Indian companies are subject to a dividend distribution tax which is payable by our Company. This is currently fixed at 12.8125 per cent. (including surcharge). Repatriation of capital gains on the sale of shares of listed companies through a stock exchange does not need RBI approval.

Restrictions on transfer of shares and convertible debentures in Indian companies may affect your ability to transfer your Equity Shares.

The RBI has granted general permission for, *inter alia*, the transfer of shares and convertible debentures, by way of sale, by a person resident outside India to any person resident outside India. However, under current Indian regulations and practice, the approval of the RBI is required for the sale of Equity Shares by a non-resident of India to a resident of India, unless the sale is made through a stock exchange in accordance with defined schemes permitted by law. Under currency exchange controls that are in effect in India, any approval granted by the RBI will specify the price at which the Equity Shares may be transferred based on a specified formula, and a higher price per share may not be permitted.

Under the Industrial Policy Resolutions, Government of India approval is required for the acquisition of shares in an existing Indian company by a foreign investor. The sale of existing shares or convertible debentures of an Indian company by a resident to a person resident outside India, requires the approval of the Government of India (through FIPB) and subsequent permission from the RBI.

Your ability to participate in future rights offerings may be limited.

Compliance with securities laws or other regulatory provisions in some jurisdictions, including the U.S., may prevent certain investors from participating in any future rights issuances and thereby result in dilution of the existing shareholdings. We will have no obligations to register our Equity Shares in the U.S. or in any other jurisdiction in order to permit U.S. or other foreign investors to participated in any future rights offerings we may undertake.

Risks Related to Our Equity Shares and the Trading Market

You will not be able to sell immediately on an Indian stock exchange any of the Equity Shares you purchase in this Offer.

The Equity Shares will be listed on the National Stock Exchange of India Limited and The Stock Exchange, Mumbai. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat", accounts with depository participants in India are expected to be credited within two working days of the date on which the basis of allotment is approved by The Stock Exchange, Mumbai. Thereafter, upon receipt of final approval of the Stock Exchanges, trading in the Equity Shares is expected to commence within seven working days of the date on which the basis of allotment is approved by the National Stock Exchange of India Limited. There can be no assurance that the Equity Shares allocated earlier to investors will be credited to such investor's demat account, or that trading will commence, within the time periods specified above.

There has been no public market for the Equity Shares prior to this Offer so the Issue Price may not be indicative of the value of the Equity Shares.

Prior to this Offer, there has been no public market for the Equity Shares in India, the United States or elsewhere. After this Offer, there will be no public market for the Equity Shares in the United States or any country other than India. The Issue Price will be determined by our Company in consultation with the BRLMs and could differ significantly from the price at which the Equity Shares will trade subsequent to completion of this Offer. We cannot assure you that even after the Equity Shares have been approved for listing on the Stock Exchanges, any active trading market for the Equity Shares will develop or be sustained after this Offer, or that the offering price will correspond to the price at which the Equity Shares will trade in the Indian public market subsequent to this Offer. Our outstanding Equity Shares may be sold in the United States only pursuant to a registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act. This may also affect the liquidity of our Equity Shares and restrict your ability to sell them.

Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.

The Indian securities markets are smaller than securities markets in more developed economies. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities.

Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, from time to time, disputes have occurred between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. Similar problems could occur in the future and, if they do, they could harm the market price and liquidity of the Equity Shares. For more information on the securities market in India, see “The Securities Market of India” in this international wrap.

Economic developments and volatility in securities markets in other countries may cause the price of our Equity Shares to decline.

The Indian economy and its securities markets are influenced by economic developments and volatility in securities markets in other countries. Investors’ reactions to developments in one country may have adverse effects on the market price of securities of companies located in other countries, including India. For instance, the economic downturn in the United States and several European countries from 2001 to 2003 adversely affected market prices in the world’s securities markets, including the Indian securities markets. Negative economic developments, such as rising fiscal or trade deficits, or a default on national debt, in other emerging market countries may affect investor confidence and cause increased volatility in Indian securities markets and indirectly affect the Indian economy in general. If the recent economic upturn in the United States does not continue or is not sustained and the economic downturn in several European countries continues or intensifies, it could cause further declines in market prices of securities of companies located in developing economies, such as us.

The future sales of Equity Shares by us or our promoters may adversely affect the market price of our Equity Shares

We will have 108,750,074 Equity Shares outstanding after this Offer. After this Offer, Mr. Sameer Gehlaut, Mr. Rajiv Rattan and Mr. Saurabh Mittal (the "**Promoters**") will own approximately 44.7% of our issued Equity Shares. The market price of our Equity Shares could decline as a result of sales of a large number of our Equity Shares, or the perception that such sales may occur might make it more difficult to sell Equity Shares in the future at a time and at a price that we deem appropriate. Pursuant to Indian regulations, except the Equity Shares sold pursuant to the Offer, the entire pre-Offer share capital of our Company will be locked-up for a period of one year from the date of allotment in this Offer except for the 8,984,000 shares held by Infinity Technology Trustee Private Limited. However, Infinity Technology Trustee Private Limited, vide a letter dated July 29,2004, has voluntarily agreed to a lock-up of 120 days from the date of allotment in this Offer. This lock-up may be waived by DSP Merrill Lynch Ltd., if the after IPO market is good and upto the satisfaction of DSP Merrill Lynch Ltd. In addition, Indian regulations require that 20% of our Company's post-issue capital held by the Promoters cannot be sold or transferred for a period of three years after the date of allotment of the Equity Shares in this Offer. For more information, see "Capital Structure of Our Company" in the attached prospectus.

You may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.

Capital gains arising from the sale of shares in an Indian company are generally taxable in India. Capital gains arising from the sale of shares in an Indian company will be exempt from tax in India in cases where such exemption is provided under the tax treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties, including those with the United States, the United Kingdom and Singapore, do not limit India's ability to impose tax on capital gains. For more information, see "Taxation - Certain Indian Tax Considerations" in this international wrap and the "Statement of Tax Benefits" in the attached prospectus.

You may be restricted in your ability to exercise preemptive rights under Indian law and thereby may suffer future dilution of your ownership position.

Under the Indian Companies Act, 1956, as amended, a company incorporated in India must offer holders of its equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages before the issuance of any new equity shares, unless the preemptive rights have been waived by adoption of a special resolution by holders of three-fourths of the shares which are voted on the resolution. If U.S. holders of the Equity Shares represent more than 10% of the outstanding Equity Shares, U.S. holders of the Equity Shares may be unable to exercise their preemptive rights for the Equity Shares unless a registration statement under the Securities Act is effective with respect to the rights or an exemption from the registration requirements of the Securities Act is available. Our Company may elect not to file a registration statement related to preemptive rights otherwise available by law to U.S. investors. If our Company decides not to file a registration statement, the new securities may be issued to a non-U.S. custodian for the U.S. holders of the Equity Shares, which may sell the securities for the benefit of the U.S. holders. The value, if any, such custodian would receive upon the sale of such securities and the related transaction costs cannot be predicted. To the extent that U.S. holders are unable to exercise preemptive rights granted in respect of the Equity Shares, such investors' proportional interests in our Company would be reduced.

Your ability to acquire and sell your Equity Shares is restricted under Indian law.

Indian laws contain restrictions on the acquisition and transfer of Indian securities by persons resident outside of India.Under the portfolio investment scheme of FEMA, registered "foreign institutional investors", or "FIIs", (as defined in the FEMA regulations) may freely sell Equity Shares on the Indian stock exchanges on which the Equity Shares are listed. Under the portfolio investment scheme, a single FII cannot own more than 10% of the total issued capital of our Company. In respect of an FII investing on behalf of its sub-accounts, the investment on behalf of each sub-account cannot exceed 10% of the total issued capital of our Company, unless the sub-account is held by foreign corporates or individuals, in which case the maximum permissible limit is 5% for each sub-account. Under present Indian regulations, the maximum permissible FII investment in our Company is restricted to 24% of its total issued capital. This can be raised to 100% by the adoption of a resolution by our board of directors followed by a special resolution of the shareholders of our Company; however, as of the date hereof, no such resolution has been recommended to the shareholders of our Company for adoption.

No prior regulatory approval is required for the sale of Equity Shares in off-exchange transactions between two persons resident outside India. All off-exchange sales by a person resident outside India to a person resident in India requires the prior approval of the RBI. In such cases, the investor is required to apply to the RBI in Form TS1, which requires information as to the transferor, the transferee, our Company's shareholding structure, the proposed price and other information. The proceeds from any sale of the Equity Shares by a person resident outside India to the person resident in India may be transferred outside India after receipt of RBI approval and the payment of applicable taxes. Any acquisition of Equity Shares by a person resident outside India from a person resident in India requires the prior approval of the Government and the RBI.

This discussion on Indian regulatory approvals does not address any restrictions on transfers applicable to Equity Shares held by individuals who are "non-resident Indians" or "NRIs" (as defined in FEMA regulations). NRIs should contact their advisors to understand the consequences of an investment in the Equity Shares.

In addition, the SEBI (Venture Capital) Regulations, 1996, as amended, and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, as amended, specify certain restrictions on investments by venture capital funds and foreign venture capital investors registered with SEBI.

If any approval is required, our Company cannot guarantee that such approval will be obtained in a timely manner or at all. Because of possible delays in obtaining the requisite approvals, investors in the Equity Shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines.

We believe we will be classified as a PFIC for United States federal income tax purposes.

We believe we will be classified as a passive foreign investment company (a "**PFIC**") for U.S. federal income tax purposes. This characterization will result in material adverse consequences for you if you are a U.S. Holder, including having gains realized on the sale of our ordinary shares treated as ordinary income, rather than a capital gains income, having potentially punitive interest charges apply to those gains, and the denial of the taxation of certain dividends paid by us at the lower rates applicable to long-term capital gains. For a more detailed discussion of the consequences of our being classified as a PFIC, see "Certain U.S. Federal Income Tax Considerations – Passive Foreign Investment Company Considerations" in this international wrap. U.S. Holders are urged to consult with their own U.S. tax advisors with respect to the U.S. tax consequences of investing in our Equity Shares.

TAXATION

Certain Indian Tax Considerations

The following is a summary of the material Indian tax consequences of owning and disposing of Equity Shares purchased in this Offer and held as capital assets by holders who are Non-Residents.

For these purposes, 'Non-Resident' means a person who is not a resident in India. For purposes of the Income-tax Act, an individual is considered to be a resident of India during any financial year if he or she is in India in that year for:

- a period or periods amounting to 182 days or more; or
- 60 days or more if within the four preceding years he/she has been in India for a period or periods amounting to 365 days or more; or
- 182 days or more, in the case of a citizen of India or a person of Indian origin living abroad who visits India and within the four preceding years has been in India for a period or periods amounting to 365 days or more; or
- 182 days or more, in the case of a citizen of India who leaves India for the purposes of employment outside India in any previous year and has within the four preceding years been in India for a period or periods amounting to 365 days or more.

A company is resident in India if it is registered in India or the control and management of its affairs is situated wholly in India. A firm or other association of persons is resident in India except where the control and management of its affairs is situated wholly outside India.

The following is based on the provisions of Indian tax laws as of the date hereof, which are subject to change, possibly on a retrospective basis.

This summary is not intended to constitute a complete analysis of the Indian tax consequences to any particular non-resident holders. Individual tax consequences of an investment in Equity Shares may vary for non-residents in various circumstances, and potential investors should therefore consult their own tax advisers as to the tax consequences of such purchase, ownership and disposition under the tax laws of India, the jurisdiction of their residence and any tax treaty between India and their country of residence. The Indian Income Tax Act, 1961 is revised by the Indian Finance Act for each fiscal year. The Finance Bill, 2004 has been presented in India's Parliament and is awaiting approval of the Parliament. The summary below also highlights the proposed changes that the Finance Bill, 2004 seeks to introduce. **This summary is based on the provisions as of the date of this international wrap and may change after the date hereof.**

Taxation of Dividends

Dividends paid to shareholders of a company are not subject to any Indian withholding or other tax. However, our Company is required to pay tax at the rate of 12.8125% of the dividend declared. Additionally, the Finance Bill, 2004 proposes to levy an education cess at the rate of 2% of such tax and surcharge.

Taxation of Capital Gains

Except in the case of FIIs discussed below, the amount of gain on the disposition of an equity share must be computed by converting the cost of acquisition and full value of the consideration received as a result of such disposition into the same foreign currency as was initially utilized for acquisition, and the capital gains so computed in foreign currency shall be reconverted into Indian Rupees.

Generally, Double Taxation Avoidance Treaties ("**DTATs**") between India and other countries, including the US, the UK and Singapore, do not limit India's ability to impose tax on capital gains. However, capital gains on the sale of Equity Shares purchased in this Offer by residents of certain countries will not be taxable in India by virtue of the provisions contained in the DTATs between India and such countries.

Certain Long-Term Capital Gains

Any gain realized by a Non-Resident from the disposition of equity shares of an Indian company that has been held for more than twelve months ("**long-term capital gains**") shall be taxed at the rate of 10.25% (inclusive of surcharge) in case of listed securities and at the rate of 20.5% (inclusive of surcharge) in case of unlisted securities. However, the Finance Bill, 2004 has proposed exemption from income tax for any long term capital gains realized in respect of any equity share sold on a recognized stock exchange in India from a date to be notified by the Government. Investors should seek the advice of Indian counsel as to whether long-term capital gains on the sale of Equity Shares purchased in this Offer are exempt from Indian tax.

Short-Term Capital Gains

Non-Residents Generally: Gain realized on the sale of an equity share that has been held for 12 months or less ("**short-term capital gains**") will generally be subject to a tax, in the case of a company, of 41% (inclusive of surcharge) and, in the case of individuals, at varying rates up to 30% (the tax will be further subject to a surcharge, currently 10% of the amount of income tax in the case of individuals if the taxable income in India in any year exceeds Rs. 850,000). The Finance Bill, 2004 has proposed that any short-term capital gains earned on securities sold through a recognized stock exchange will be subject to tax at the rate of 10.25% (inclusive of surcharge), from a date to be notified by the Government. Additionally, the Finance Bill, 2004 proposes to levy an education cess at the rate of 2% of such tax and surcharge. Generally, capital gains tax, surcharge and education cess would be withheld at the source.

Foreign Institutional Investors: Any gain realized on the disposition of an equity share by FIIs will be subject to Indian tax at the rate of 10.25% (inclusive of surcharge) for long-term capital gains and at the rate of 30% for short-term capital gains (plus a surcharge of 2.5% of the amount of income tax if the FII is a company or up to 10% of tax depending upon the taxable status and income if the FII is other than a company). Such gain or loss is calculated in Indian rupees. The Finance Bill, 2004 has proposed that any short-term capital gains earned on securities sold through a recognized stock exchange will be subject to tax at the rate of 10% (plus applicable surcharge), from a date to be notified by the Government. Additionally, the Finance Bill, 2004 proposes to levy an education cess at the rate of 2% of such tax and surcharge. For these purposes, "**Foreign Institutional Investor**" or "**FII**" means such investor which is registered with the Securities an Exchange Board of India under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995.

Non-Resident Indians: Any gain realized on the disposition of an Equity Share by a Non-Resident Indian will generally be subject to Indian tax at the rate of 10% for long-term capital gains and at varying rates of up to 30% for short-term capital gains. In each case the tax will be further subject to a surcharge, currently 10% of the amount of income tax if the taxable income in India in any year exceeds Rs. 850,000. The Finance Bill, 2004 has proposed that any short term capital gain an Equity Share through a recognized stock exchange will be subject to tax at the rate of 10% (plus applicable surcharge), from a date to be notified by the Government. Additionally, the Finance Bill, 2004 proposes to levy an education cess at the rate of 2% of such tax and surcharge.

A Non-Resident Indian is not required to file an Indian tax return if his total income consists only of investment income and long-term capital gains and the tax, if any, has been deducted at source.

For these purposes, 'Non-Resident Indian' means an individual, who is a citizen of India or a person of Indian origin who is not a 'resident'. A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India.

Securities Transaction Tax

The Finance Bill, 2004 has proposed that with effect from a date to be notified by the Government, every purchaser of equity shares on a recognized stock exchange in India shall be charged a securities transaction tax at the rate of 0.15% of the price at which the equity shares are purchased. The responsibility for collection of the securities transaction tax rests with the stock exchange where the purchase of securities takes place. It has been further proposed by the Honorable Finance Minister that the said securities transaction tax would be lowered to 0.01% for day traders and arbitrageurs. Further, the securities transaction tax will be borne equally by the buyer and the seller.

Wealth Tax and Gift Tax

No Indian wealth tax or gift tax will be payable with respect to the Equity Shares.

Certain U.S. Federal Income Tax Considerations

The following is a description of the principal United States federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of our Equity Shares. This description addresses only the United States federal income tax considerations of holders that are initial purchasers of our Equity Shares pursuant to the offering and that will hold such Equity Shares as capital assets. This description does not address tax considerations applicable to holders that may be subject to special tax rules, including:

- financial institutions or insurance companies;
- real estate investment trusts, regulated investment companies or grantor trusts;
- dealers or traders in securities or currencies;
- tax-exempt entities;
- persons that received our Equity Shares as compensation for the performance of services;
- persons that will hold our Equity Shares as part of a "hedging" or "conversion" transaction or as a position in a "straddle" for United States federal income tax purposes;
- persons that have a "functional currency" other than the United States dollar; or
- holders that own or are deemed to own 10% or more, by voting power or value, of our shares.

Moreover, this description does not address the United States federal estate and gift or alternative minimum tax consequences of the acquisition, ownership and disposition of our Equity Shares.

This description is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), existing, proposed and temporary United States Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date hereof. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

For purposes of this description, a "**U.S. Holder**" is a beneficial owner of our Equity Shares that, for United States federal income tax purposes, is:

- a citizen or resident of the United States;
- a partnership or corporation created or organized in or under the laws of the United States or any state thereof, including the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if such trust validly elects to be treated as a United States person for United States federal income tax purposes or if (1) a court within the United States is able to exercise primary supervision over its administration and (2) one or more United States persons have the authority to control all of the substantial decisions of such trust.

A "**Non-U.S. Holder**" is a beneficial owner of Equity Shares that is not a U.S. Holder.

If a partnership (or any other entity treated as a partnership for United States federal income tax purposes) holds our Equity Shares, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner should consult its tax advisor as to its tax consequences.

You should consult your own tax advisor with respect to the United States federal, state, local and foreign tax consequences of acquiring, owning or disposing of our Equity Shares.

Distributions

Subject to the discussion below under "Passive Foreign Investment Company Considerations", if you are a U.S. Holder, for United States federal income tax purposes, the gross amount of any distribution made to you of cash or property, other than certain distributions, if any, of our Equity Shares distributed pro rata to all our shareholders, with respect to your Equity Shares, before reduction for any Indian taxes withheld therefrom, will be includible in your income as dividend income to the extent such distributions are paid out of our current or accumulated earnings and profits as determined under United States federal income tax principles. Subject to the discussion below under "Passive Foreign Investment Company Considerations," with respect to dividends received during taxable years beginning on or before December 31, 2008, individuals who are U.S. Holders may be taxed on such distributions at the lower rates applicable to long-term capital gains if certain conditions are met. Such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. Holders. Subject to the discussion below under "Passive Foreign Investment Company Considerations", to the extent, if any, that the amount of any distribution by us exceeds our current and accumulated earnings and profits as determined under United States federal income tax principles, it will be treated first as a tax-free return of your adjusted tax basis in your Equity Shares and thereafter as capital gain. We do not maintain calculations of our earnings and profits under United States federal income tax principles.

If you are a U.S. Holder, and we pay a dividend in Rupees, any such dividend will be included in your gross income in an amount equal to the United States dollar value of the Rupee on the date of receipt. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

If you are a U.S. Holder, dividends paid to you with respect to your Equity Shares will be treated as foreign source income, which may be relevant in calculating your foreign tax credit limitation. Subject to certain conditions and limitations, Indian tax withheld on dividends may be deducted from your taxable income or credited against your United States federal income tax liability.

The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends that we distribute generally will constitute "passive income", or, in the case of certain U.S. Holders, "financial services income".

Subject to the discussion below under "Backup Withholding Tax and Information Reporting Requirements," if you are a Non-U.S. Holder, you generally will not be subject to United States federal income or withholding tax on dividends received by you on your Equity Shares, unless you conduct a trade or business in the United States and such income is effectively connected with that trade or business.

Sale or Exchange of Equity Shares

Subject to the discussion below under "Passive Foreign Investment Company Considerations", if you are a U.S. Holder, you generally will recognize gain or loss on the sale or exchange of your Equity Shares equal to the difference between the amount realized on such sale or exchange and your adjusted tax basis in your Equity Shares. Such gain or loss will be capital gain or loss. If you are a noncorporate U.S. Holder, the maximum marginal United States federal income tax rate applicable to such gain will be lower than the maximum marginal United States federal income tax rate applicable to ordinary income (other than, in the case of taxable years beginning on or before December 31, 2008, certain dividends) if your holding period for such Equity Shares exceeds one year. Gain or loss, if any, recognized by you generally will be treated as United States source income or loss for United States foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

If you are a U.S. Holder, the initial tax basis of your Equity Shares will be the United States dollar value of the Rupee denominated purchase price determined on the date of purchase. If the Equity Shares are treated as traded on an "established securities market," a cash basis U.S. Holder, or, if it elects, an accrual basis U.S. Holder, will determine the dollar value of the cost of such Equity Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. If you convert United States dollars to Rupees and immediately use that currency to purchase Equity Shares, such conversion generally will not result in taxable gain or loss to you.

With respect to the sale or exchange of Equity Shares, the amount realized generally will be the United States dollar value of the payment received determined on (1) the date of receipt of payment in the case of a cash basis U.S. Holder and (2) the date of disposition in the case of an accrual basis U.S. Holder. If the Equity Shares are treated as traded on an "established securities market," a cash basis taxpayer, or, if it elects, an accrual basis taxpayer, will determine the United States dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

As described under "Taxation – Certain Indian Tax Considerations - Taxation of Capital Gains", under current law you will be subject to Indian tax upon the disposition of your Equity Shares. Subject to applicable limitations under the Code, you may elect to treat the gain as foreign source income and to credit the Indian tax against your U.S. federal income tax liability with respect to the gain.

Subject to the discussion below under "Backup Withholding Tax and Information Reporting Requirements," if you are a Non-U.S. Holder, you generally will not be subject to United States federal income or withholding tax on any gain realized on the sale or exchange of such Equity Shares unless:

- such gain is effectively connected with your conduct of a trade or business in the United States; or

- you are an individual and have been present in the United States for 183 days or more in the taxable year of such sale or exchange and certain other conditions are met.

Passive Foreign Investment Company Considerations.

A Non-U.S. corporation will be classified as a "passive foreign investment company", or a PFIC, for United States federal income tax purposes in any taxable year in which, after applying certain look-through rules, either

- at least 75 percent of its gross income is "passive income"; or

- at least 50 percent of the average value of its gross assets is attributable to assets that produce "passive income" or are held for the production of passive income.

Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

Based on certain estimates of its gross income and gross assets and the nature of its business, we believe that we will be classified as a PFIC for our current taxable year. Under the PFIC rules, if you are a U.S. Holder, unless you make the election described in the next paragraph, a special tax regime will apply to both (a) any "excess distribution" by our Company (generally, your ratable portion of distributions in any year which are greater than 125% of the average annual distribution received by you in the shorter of the three preceding years or your holding period) and (b) any gain realized on the sale or other disposition of the Equity Shares. Under this regime, any excess distribution and realized gain will be treated as ordinary income and will be subject to tax as if (a) the excess distribution or gain had been realized ratably over your holding period, (b) the amount deemed realized had been subject to tax in each year of that holding period, and (c) the interest charge generally applicable to underpayments of tax had been imposed on the taxes deemed to have been payable in those years. In addition, individuals who are U.S. Holders will not be entitled to the preferential tax rate applicable to dividends received on our Company's Equity Shares in taxable years beginning on or before December 31, 2008, as discussed above under "Distributions."

You may elect, provided we comply with certain reporting requirements, to have our company treated, with respect to your shareholding, as a "qualified electing fund" ("**QEF**"), in which case, you must include annually in your gross income your pro-rata share of our annual ordinary earnings and annual net realized capital gains, whether or not such amounts are actually distributed to you. These amounts are included by you for your taxable year in or with which our taxable year ends. If the election is made, amounts previously included as income generally could be distributed tax-free, and to the extent not distributed, would increase the tax basis of your Equity Shares. We at present do not intend to comply with all accounting and record-keeping requirements necessary for U.S. Holders to make such elections if requested by any U.S. Holder.

Under certain circumstances, Equity Shares owned by a Non-U.S. Holder may be attributed to a U.S. person owning an interest, directly or indirectly, in the Non-U.S. Holder. In this event, distributions and other transactions in respect of such Equity Shares may be treated as excess distributions with respect to such U.S. person, and a QEF election may be made by such U.S. person with respect to its indirect interest in our company, subject to the discussion in the preceding paragraphs.

We may invest in stock of non-U.S. corporations that are PFICs. In such a case, provided that we are a PFIC, you would be treated as owning your pro rata share of the stock of the PFIC owned by our company. You would be subject to the rules generally applicable to shareholders of PFICs discussed above with respect to distributions that we have received from such a PFIC and dispositions that we have made of the stock of such a PFIC (even though you may not have received the proceeds of such distribution or disposition). Assuming we receive the necessary information from the PFIC in which we own stock, certain U.S. Holders may make the QEF election discussed above with respect to the stock of the PFIC owned by our company, with the consequences discussed above. However, no assurance can be given that we will be able to provide U.S. Holders with such information.

A U.S. Holder may, in some circumstances, elect to mark to market its stock in a PFIC at the close of each taxable year, and to recognize as ordinary income or to deduct as ordinary loss, to the extent of prior income inclusions, the increase or the decrease in value of the stock during the taxable year. Gain or loss on the disposition of the PFIC shares also is treated as ordinary income. The election generally applies to the year in which it is made and all subsequent years and is available only with respect to "marketable stock", being stock which is regularly traded on a national securities exchange registered with the SEC or the national market system established under Section 11A of the Securities Exchange Act of 1934, as amended, or an exchange identified by the Internal Revenue Service ("**IRS**") as having rules sufficient to ensure that the market price represents fair market value, or, to the extent provided in regulations, if it is stock in a foreign corporation comparable to a regulated investment company and that offers stock which it has issued and which is redeemable at its net asset value.

A holder of Equity Shares that is a U.S. Holder must file United States Internal Revenue Service Form 8621 for each tax year in which the U.S. Holder owns the Equity Shares.

Reportable Transaction Reporting

Under certain U.S. Treasury regulations, U.S. Holders that participate in "reportable transactions" (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. U.S. Holders should consult their own tax advisers as to the possible obligation to file Form 8886 with respect to the ownership or disposition of the Equity Shares, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale or other disposition of the Equity Shares.

Backup Withholding Tax and Information Reporting Requirements

United States backup withholding tax and information reporting requirements generally apply to certain payments to certain noncorporate holders of stock. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, Equity Shares made within the United States to a holder of Equity Shares, other than an exempt recipient, including a corporation, a payee that is not a United States person that provides an appropriate certification and certain other persons. A payor will be required to withhold backup withholding tax from any payments of dividends on, or the proceeds from the sale or redemption of, Equity Shares within the United States to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. The backup withholding tax rate is 28% through 2010.

In the case of such payments made within the United States to a foreign simple trust, a foreign grantor trust or a foreign partnership, other than payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that qualifies as a "withholding foreign trust" or a "withholding foreign partnership" within the meaning of the applicable United States Treasury Regulations and payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that are effectively connected with the conduct of a trade or business in the United States, the beneficiaries of the foreign simple trust, the persons treated as the owners of the foreign grantor trust or the partners of the foreign partnership, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from backup withholding tax and information reporting requirements. Moreover, a payor may rely on a certification provided by a payee that is not a United States person only if such payor does not have actual knowledge or a reason to know that any information or certification stated in such certificate is incorrect.

The above description is not intended to constitute a complete analysis of all tax consequences relating to acquisition, ownership and disposition of our Equity Shares. You should consult your own tax advisor concerning the tax consequences of your particular situation.

PLAN OF DISTRIBUTION

Underwriting Agreement

Our Company and the Underwriters have entered into an underwriting agreement (the "**Underwriting Agreement**"), pursuant to which the Underwriters have agreed, severally, to underwrite that portion of this Offer in respect of which Bids have been procured by each of them and for which the Bidders have been allocated Equity Shares in this Offer, subject to certain termination events and closing conditions as specified in the Underwriting Agreement. Accordingly, for that portion of this Offer in respect of which Bids have been procured by each of them, the Underwriters have agreed to procure purchasers for, or purchase themselves, the Equity Shares.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold only (1) in the United States to qualified institutional buyers as defined under Rule 144A, and (2) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur. Prospective purchasers that are qualified institutional buyers as defined in Rule 144A are hereby notified that the seller of Equity Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Equity Shares are not transferable except in accordance with the restrictions described under "Transfer Restrictions". This Offer will also be in compliance with the applicable SEBI Guidelines.

In addition, until the expiration of 40 days after the commencement of the Offer, an offer or sale of the Equity Shares within the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Subject to certain conditions, our Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under U.S. securities laws, or to contribute to payments that the Underwriters may be required to make with respect to any of those liabilities.

Any offers or sales of the Equity Shares in the United States will be made by broker-dealers who are registered as such under the Exchange Act.

Indicative Timetable for Listing

The Underwriters will accept bids for the Equity Shares during the Bidding Period. It is presently contemplated that the Bidding Period will commence on September 6, 2004 and expire on September 10, 2004. Following the expiration of the Bidding Period, our Company will, in consultation with the Book Running Lead Managers, determine the offer price and the offer size, and, in consultation with the Book Running Lead Managers, the basis of allocation and entitlement to allotment based on the bids received and subject to the confirmation by the National Stock Exchange of India Limited. Successful bidders will then be provided with a confirmation of their allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus (as such term is defined in the prospectus) will then be filed with SEBI and the Registrar of Companies and made available to investors.

SEBI Guidelines require our Company to complete the allotment to successful bidders within 15 days of the expiration of the Bidding Period. The Equity Shares will then be credited and allotted to the investors' demat accounts maintained with the relevant depository participants. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence. This typically takes three trading days from the date of crediting the investors' demat accounts, subject to final approval by the Stock Exchanges.

An indicative timetable is set out below in respect of this Offer:

Event	Indicative Date
Commencement of the Bidding Period..........	September 6, 2004
Expiration of the Bidding Period.	September 10, 2004
Pricing..	September 11, 2004
Last date of pay-in period for payment of consideration for Equity Shares*	September 20, 2004 (10 A.M. Indian Standard Time)
Equity Shares credited to the investor's demat account..	On or prior to September 25, 2004
Admission to the National Stock Exchange of India Limited and The Stock Exchange, Mumbai	On or prior to October 1, 2004
Trading commences..	On or prior to October 1, 2004

* Represents the last date of the pay-in period for those investors whose payment had been waived by the Underwriters at the expiration of the Bidding Period. The date will be set forth in the confirmation of allocation notice sent to such investors. Amounts paid by investors will be credited into the Escrow Account as defined in the attached prospectus and would be transferred to the Public Offer Account as defined in the attached prospectus immediately prior to allotment and transfer of the Equity Shares

The above timetable is indicative only as it assumes that the expiration of the Bidding Period is on September 10, 2004 and the date of our Company's admission to the National Stock Exchange of India Limited and The Stock Exchange, Mumbai is on or around October 1, 2004. In particular, if the Price Band is revised, the Bidding Period may be extended as specified in the attached prospectus. The commencement of trading of the Equity Shares will be entirely at the discretion of such exchanges. The expiration of the Bidding Period can be extended to such time or date as the Underwriters and our Company may decide.

Our Company has obtained approval in-principle for the listing and quotation of the Equity Shares on the National Stock Exchange of India Limited and The Stock Exchange, Mumbai.

Sale Restrictions

Pursuant to Indian regulations, none of the Equity Shares issued prior to this Offer can be sold or otherwise transferred until one year after the date of allotment of the Equity Shares in this Offer. Immediately prior to this Offer, our Company had 81,562,555 Equity Shares outstanding.

Indian regulations require that 20% of an issuer's post-issue share capital held by its promoters cannot be sold or transferred for a period of three years after the date of allotment of the shares sold in the issue. Our Company has three promoters, Mr. Sameer Gehlaut, Mr. Rajiv Rattan and Mr. Saurabh Mittal. Accordingly, of the total 48,616,685 Equity Shares that will be owned by the Promoters after this Offer, 21,750,015 Equity Shares, representing 20% of the issued Equity Shares following the completion of this Offer, will be locked-in until three years after the date of allotment of

Equity Shares in this Offer, and the remaining 26,866,670 Equity Shares will be locked-in for a period of one year from the date of allotment of Equity Shares in this Offer. Notwithstanding the foregoing, the Promoters are entitled to pledge its Equity Shares with banks and financial institutions as collateral security for loans granted by such banks or financial institutions. For more information, see "Capital Structure of the Company" in the attached prospectus.

Other Relationships

Certain of the Underwriters and their respective affiliates have performed investment banking, commercial banking or advisory services for our Company from time to time for which they have received customary fees and expenses. In addition, each Underwriter may, from time to time, engage in transactions with and perform services for our Company in the ordinary course of business. Certain of the Underwriters and their respective affiliates are also customers of the services provided by our Company.

DISTRIBUTION AND SOLICITATION RESTRICTIONS

The distribution of this offering memorandum (being this international wrap and the attached prospectus) and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who come into possession of this offering memorandum are advised to take legal advice with regard to any restrictions which may be applicable to them. This offering memorandum may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized or permitted.

Australia

This offering memorandum is not a disclosure document under Chapter 6D of the Corporations Act, 2001 (the "**Australian Corporations Act**"), has not been lodged with the Australian Securities and Investments Commission and does not purport to include the information required of a disclosure document under the Australian Corporations Act. (i) The offer of Equity Shares under this offering memorandum is only made to persons to whom it is lawful to offer Equity Shares without disclosure to investors under Chapter 6D of the Australian Corporations Act under one or more exemptions set out in Section 708 of the Australian Corporations Act, (ii) this offering memorandum is made available in Australia to persons as set forth in clause (i) above, and (iii) by accepting this offer, the offeree represents that the offeree is such a person as set forth in clause (ii) above and agrees not to sell or offer for sale within Australia any Equity Share sold to the offeree within 12 months after their transfer to the offeree under this offering memorandum.

Canada

The Equity Shares may not be offered or sold, directly or indirectly, in any province or territory of Canada or to, or for the benefit of, any resident of any province or territory of Canada in contravention of the securities laws thereof, and any offer or sale of Equity Shares in Canada may be made only (a) pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer or sale is made, and (b) by a dealer duly registered under the applicable securities laws of that province or territory or in circumstances where any exemption from the applicable registered dealer requirements is available; and a dealer who purchases any of the Equity Shares should receive a notice stating in substance that, by purchasing such Equity Shares, such dealer represents and agrees that it has not offered or sold, and will not offer or sell, directly or indirectly, any of such Equity Shares in any province or territory of Canada or to, or for the benefit of, any Canadian person in contravention of the securities laws thereof and that any offer or sale of Equity Shares in Canada will be made only (a) pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer or sale is made and (b) by a dealer duly registered under the applicable securities laws of that province or territory or in circumstances where any exemption from the applicable registered dealer requirements is available, and that such dealer will deliver to any other dealer to whom it sells any of such Equity Shares a notice containing substantially the same statement as it contained in this sustenance. Each Canadian person to whom a sale or offer of the Equity Shares is made will be either furnished with a copy of the then current offering memorandum, any subsequent amendment to this offering memorandum, any subsequent offering memorandum and any medium outlining changes in this offering memorandum, or informed that such offering memorandum or material will be made available upon request.

Denmark

This offering memorandum has not been filed with or approved by the Danish Securities Council or any other regulatory authority in the Kingdom of Denmark. The Equity Shares have not been offered or sold, and may not be offered, sold or delivered, directly or indirectly, in Denmark, except in compliance with Chapter 12 of the Danish Act on Trading in Securities and the Danish

Executive Order No. 166 of 13 March 2003 on the First Public Offer of Certain Securities issued under Chapter 12 of the Danish Act on Trading in Securities.

France

Neither this offering memorandum nor any offering material relating to Equity Shares has been or will be submitted to the "*Commission des Opérations de Bourse*" for approval ("*Visa*") in France. No Equity Shares have been offered or sold, no Equity Shares may be offered or sold, and no copies of this offering memorandum or any offering material relating to the Equity Shares may be distributed or caused to be distributed, directly or indirectly, in France, except (a) with the prior authorization of the French Ministry for Economy and Finance in accordance with Articles 9 and 10 of the *"Décret" of* December 29, 1989 regulating financial relations between France and foreign countries, or (b) to qualified investors *("investisseurs qualifies")* and/or a restricted group of investors (*"cercle restreint d'investisseure"),* in each case acting for their account, all as defined in, and in accordance with, Articles L.411-1 and L.411-2 of the Monetary and Financial Code and "*Décret*" no.98-880 dated October 1, 1998.

Germany

This offering memorandum is not a Securities Selling Prospectus within the meaning of the German Securities Sales Prospectus Act of September 8, 1998 and has not been filed with and approved by the German Federal Supervisory Authority *(Bundesanstalt für Finanzdienstleistungsaufsicht)* or any other competent German governmental authority under the relevant laws. No Equity Shares have been offered or sold, no Equity Shares may be offered or sold, and no copies of this offering memorandum or any document relating to the Equity Shares may be distributed, directly or indirectly, in Germany except to persons falling within the scope of section 2 numbers 1 (persons who as part of their profession, occupation or business, purchase or sell securities for their own account or for the account of third parties), 2 (a restricted circle of persons) and 3 (employees by their employer or related group companies) of the German Securities Sales Prospectus Act of September 8, 1998 and no steps have been, or will be, taken which would constitute a public offering of the Equity Shares in Germany.

Hong Kong

No person may offer or sell the Equity Shares in Hong Kong by means of any document other than to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent) or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong); and no person may issue any advertisement, invitation or document relating to the Equity Shares, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules made thereunder.

Italy

The offering of the Equity Shares has not been registered with the *Commissione Nazionale per le Societa e la Borsa,* or CONSOB, in accordance with Italian securities legislation. Sales of the Equity Shares in the Republic of Italy shall be effected in accordance with all Italian securities, tax and other applicable laws and regulations; and no Equity Shares have been offered, sold or delivered, and no copies of this offering memorandum or any other document relating to the Equity Shares may be distributed, in the Republic of Italy unless such offer, sale or delivery of Equity Shares or distribution of copies of this offering memorandum or other documents relating to the Equity Shares in the Republic of Italy is to qualified investors (*operatori qualificati*), as defined by

Articles 25 and 31(2) of CONSOB Regulation no. 11522 of 1 July 1998 as subsequently modified (Regulation 11522), except for individuals referred to in Article 31(2) of Regulation 11522 who exercise administrative, managerial or supervisory functions at a registered securities dealing firm (a *Società di Intermediazione Mobiliare* or *SIM),* management companies (*società di gestione del risparmio*) authorised to manage, individual portfolios on behalf of third parties and fiduciary companies authorised to manage individual portfolios pursuant to Article 60(4) of Legislative Decree no. 415 of 23 July 1996, and may not be reproduced or redistributed or passed on, directly or indirectly, to any other person or published in whole or in part. Any offer, sale or delivery of the Equity Shares of our Company or distribution of copies of this offering memorandum in Italy must be made solely by entities which are duly authorised to conduct such activities in Italy and must be in full compliance with the provisions contained in Legislative Decree no. 58 of 24 February 1998, Legislative Decree no. 385 of 1 September 1993 and any other applicable laws and regulations and possible requirements or limitations which may be imposed by the Italian competent authorities.

Japan

The Equity Shaves have not been registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948 as amended) (the "**SEL**") and disclosure under the SEL has not been and will not be made with respect to the Equity Shares. No Equity Shares have, directly or indirectly, been offered or sold, and may not, directly or indirectly, be offered or sold in Japan or to, or for the benefit of any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or resold, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan except (1) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (2) in compliance with any other relevant laws and regulations of Japan.

The Netherlands

No Equity Shares have been offered, distributed, sold, transferred or delivered, and may not be offered, distributed, sold, transferred or delivered, directly or indirectly, in the Netherlands, as part of their initial distribution or at any time thereafter, to any person other than individuals who or legal entities which trade or invest in securities in the conduct of their profession or business within the meaning of article 2 of the Exemption Regulation issued under the Securities Transactions Supervision Act 1995 ("*Vrijstellingsregling Wet toezicht effectenverkeer 1995*"), which includes banks, brokers, pension funds, insurance companies, securities institutions, investment institutions and other institutional investors, including, among others, treasuries of large enterprises, who or which regularly trade or invest in securities in a professional capacity.

Norway

This offering memorandum has not been approved by or registered with the Oslo Stock Exchange under Chapter 5 of the Norwegian Securities Trading Act 1997. No Equity Shares have been offered or sold, and may not be offered or sold, to any persons in Norway in any way that would constitute an offer to the public other than to persons who invest in securities as part of their professional activity and who are registered with the Oslo Stock Exchange in this capacity, or otherwise only in circumstances where an exemption from the duty to publish an offering memorandum under the Norwegian Securities Trading Act 1997 shall be applicable.

Portugal

The offer of Equity Shares has not been registered with the Portuguese Securities Market Commission ("CMVM"). No action has been or will be taken that would permit a public offering of any of the Equity Shares in Portugal. No Equity Shares may be offered, sold or delivered except in circumstances that will result in compliance with any applicable laws and regulations. In particular, (i) no offer has been addressed to more than 200 (non-institutional) Portuguese investors, and (ii) no offer has been preceded or followed by prospecting or solicitation of investment intentions, by promotion or solicitation to unidentified investors or followed by publication of any promotional material.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore, and the Equity Shares are offered by our Company pursuant to an exemption invoked under Sections 274 and 275 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, this offering memorandum and any other document or material in connection with any offer or sale, or invitation for subscription or purchase, of the Equity Shares may not be circulated or distributed, nor may Equity Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor or other person specified in Section 274 of the SFA, (ii) to a sophisticated investor, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Spain

This offering memorandum has not been registered with the *Comisión National del Mercado de Valores,* and therefore a public offer for sale of the Equity Shares will not be promoted in the Kingdom of Spain. The Equity Shares may not be offered or sold in the Kingdom of Spain, except in accordance with the requirements of the Spanish securities market law *(ley 24/1998, de 28 de julio, del Mercado de valores),* as amended, and Royal Decree 291/1992 on Issues and Public Offerings for the Sale of Securities *(Real Decreto 291/1992, de 27 de marzo, sobre Emisiones y Oferias Públicas de Venta de Valores),* as amended, and the decrees and regulations issued thereunder.

Sweden

This offering memorandum has not been approved by or registered with the Swedish Financial Supervisory Authority. No Equity Shares have been offered or sold, and no Equity Shares may be offered or sold, to persons in Sweden except to a "closed circle" or not more than 200 pre-selected, non-substitutable investors, under the Swedish Financial Instruments Trading Act *("Lag (1991:980) om handel med finansiella instrument").*

Switzerland

This offering memorandum does not constitute an offering memorandum within the meaning of Article 652a and Article 1156 of the Swiss Code of Obligations *(Schweizerisches Obligationenrecht).* This Offer of the Equity Shares has not been and will not be approved by any Swiss regulatory authority.

United Arab Emirates

This Offer and this offering memorandum do not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law, Federal Law No.8 of 1984 (as amended) or otherwise, and is not intended to be a public offer and is addressed only to persons who are institutional investors.

United Kingdom

Our Company has not authorized any offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations, 1995 or the Financial Services and Markets Act, 2000 (the "**FSMA**") (together the "**UK Regulations**"). The Equity Shares may not lawfully be offered or sold except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the UK Regulations.

A person may only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any of the Equity Shares in circumstances in which Section 21(1) of the FSMA does not apply.

This offering memorandum is directed only at and is for distribution only to persons who (i) are outside the United Kingdom, (ii) have professional experience in matters relating to investments or (iii) are persons falling within Article 49(2) (a) to (d) ("high net worth companies, unincorporated associations etc.") of The Financial Services and Markets Act, 2000 (Financial Promotion) Order 2001 (as amended) (all such persons together being referred to as "relevant persons").

This offering memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

United States

The Equity Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each of the Underwriters has agreed that, except as permitted by the Underwriting Agreement, it will not offer or sell the Equity Shares, (a) as part of their distribution at any time or (b) otherwise, until the expiration of 40 days after the later of the commencement of the Offer and the issue date of the Equity Shares (the "**distribution compliance period**"), within the United States or to, or for the account or benefit of, U. S persons, and that it will have sent to each dealer to which it sells Equity Shares during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Equity Shares within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Underwriter is expected to make offers and sales of the Equity Shares to qualified institutional buyers in reliance on Rule 144A through their respective registered broker-dealer affiliates or selling agents in the United States.

Resales of the Equity Shares are restricted as described under "Transfer Restrictions" herein.

TRANSFER RESTRICTIONS

Because the following restrictions will apply, purchasers are advised to consult their own legal counsel prior to making any offer, resale, pledge or transfer of the Equity Shares.

Rule 144A Equity Shares

Each purchaser of the Equity Shares within the United States pursuant to Rule 144A, by accepting delivery of this offering memorandum, will be deemed to have represented, agreed and acknowledged that:

(1) It is (a) a qualified institutional buyer within the meaning of Rule 144A, (b) acquiring such Equity Shares for its own account or for the account of a qualified institutional buyer, and (c) aware, and each beneficial owner has been advised, that the sale of such Equity Shares to it is being made in reliance on Rule 144A.

(2) It understands that the Equity Shares have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a qualified institutional buyer purchasing for its own account or for the account of a qualified institutional buyer, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available) or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States.

(3) It understands that the Equity Shares purchased pursuant to Rule 144A (to the extent they are in certificated form), unless we determine otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

"THESE EQUITY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THESE EQUITY SHARES."

(4) We, the Underwriters, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Equity Shares for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Equity Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Equity Shares

Each purchaser of the Equity Shares outside the United States pursuant to Regulation S, and each subsequent purchaser of those Equity Shares in resales prior to the expiration of the distribution compliance period, by accepting delivery of this offering memorandum and those Equity Shares, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time the Equity Shares are purchased pursuant to Regulation S will be, the beneficial owner of such Equity Shares and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of us or a person acting on behalf of such an affiliate.

(2) It understands that the Equity Shares have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Equity Shares except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a qualified institutional buyer purchasing for its own account or the account of a qualified institutional buyer or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any state of the United States.

(3) We, the Underwriters, their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

LEGAL MATTERS

Certain Indian legal matters with respect to the Equity Shares will be passed upon for our Company by Dua Associates and for the Underwriters by Nishith Desai Associates. Certain U.S. law matters with respect to the Equity Shares will be passed upon for the Underwriters by White & Case LLP. White & Case LLP may rely upon Nishith Desai Associates with respect to certain matters of Indian law.

INDEPENDENT AUDITORS

The consolidated and unconsolidated statement of assets and liabilities and profits and losses, as restated of our Company as of and for the fiscal years ended March 31, 2004, 2003, 2002 and 2001 and for the quarter ended June 30, 2004, included in the attached prospectus, (i) have been audited in accordance with auditing standards generally accepted in India by Deloitte Haskins & Sells, independent accountants, as stated in their report appearing in the attached prospectus, and (ii) have been prepared in accordance with generally accepted accounting principles in India, and in accordance with the requirements of Part II of Schedule II of the Companies Act, 1956 and the the Securities and Exchange Board of India - Disclosure and Investor Protection Guidelines, 2000 (as amended vide Circular No. 11 on August 14, 2003) issued by the Securities and Exchange Board of India.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from SEBI, The Stock Exchange, Mumbai and the National Stock Exchange of India Limited, and has not been independently verified by our Company, the Underwriters or any of their affiliates or advisors.

The Indian Securities Market

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulation

India's stock exchanges are regulated primarily by the SEBI, as well as by the Government acting through the Ministry of Finance, Stock Exchange Division, under the Securities Contracts (Regulation) Act, 1956 and the Securities Contracts (Regulation) Rules, 1957 (collectively, the "**SCRA**"). The Securities Contracts (Regulation) Rules regulate the recognition of stock exchanges, the qualifications for membership and the manner in which contracts are entered into and enforced between members.

The main objective of SEBI, which was established by the Government in February 1992, is to promote the development of and regulate the Indian securities markets and protect the interests of investors. SEBI may make or amend an exchange's by-laws and rules, overrule an exchange's governing body and withdraw recognition of an exchange. The Securities and Exchange Board of India Act, 1992 granted SEBI powers to regulate the business of Indian securities markets, including stock exchanges and other financial intermediaries, promote and monitor self-regulatory organizations, prohibit fraudulent and unfair trade practices and insider trading, and regulate substantial acquisitions of shares and takeovers of companies. SEBI has also issued guidelines concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeovers of companies, buybacks of securities, employee stock option schemes, stockbrokers, merchant bankers, mutual funds, credit rating agencies and other capital market participants.

The Securities Contracts (Regulation) Act has been amended to include derivatives of securities and instruments of collective investment in the definition of "securities". This has been done with a view to develop and regulate the markets for derivatives. Trading in index-linked futures, index-linked options, options on individual securities and futures on individual securities takes place on the National Stock Exchange and The Stock Exchange, Mumbai. SEBI has also set up a committee for the review of Indian securities laws, which has proposed a draft Securities Bill. The draft Securities Bill, if accepted, will result in a substantial revision in the laws relating to securities of India.

The Companies (Amendment) Act of 2000, amended the Companies Act and incorporated significant provisions relating to securities, options in securities and equity shares with differential rights. Further, the Companies Act as amended has empowered SEBI to administer provisions in so far as they relate to the issue and transfer of securities, non-payment of dividends in the case of listed public companies and public companies proposing to get their securities listed and to conduct inspection of a company's records in respect of matters relating to the issue and transfer of securities. The power to prosecute the defaulting companies in compliance with the said matter has also been vested with SEBI. The Companies Act has been amended to introduce significant changes such as allowing book building for public offerings of securities, buyback of securities, compulsory dematerialization of shares in an initial public offering of securities for a sum of Rs.100 million, issuance of sweat equity shares, provisions relating to corporate governance, making accounting standards issued by the Institute of Chartered Accountants of India mandatory and relaxing restrictions on inter-corporate investment and loans.

Public Issuance of Securities

Under the Companies Act, a public offering of securities in India must be made by means of a prospectus, which must contain information specified in the Companies Act and the SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended, and be filed with the Registrar of Companies having jurisdiction over the place where a company's registered office is situated. A company's directors and promoters are subject to civil and criminal liability for misstatements in a prospectus. The Companies Act also sets forth procedures for the acceptance of subscriptions and the allotment of securities among subscribers and establishes maximum commission rates for the sale of securities.

SEBI has issued detailed guidelines through the SEBI Guidelines on Disclosure and Investor Protection, 2000, as amended (the "**SEBI Guidelines**") concerning disclosures by public companies and investor protection. Prior to the repeal of certain rules in mid-1992, the Controller of Capital Issues of the Government of India regulated the prices at which companies could issue securities. The SEBI Guidelines now permit companies to price freely their issues of securities.

Public limited companies are required under the Companies Act to prepare, file with the Registrar of Companies and circulate to their shareholders audited annual accounts, which comply with the Companies Act's disclosure requirements and regulations governing their manner of presentation. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreement with the relevant stock exchange, including the requirement to publish unaudited financial statements on a quarterly basis and to inform stock exchanges immediately of any stock-price sensitive information.

The shareholders of a listed company and the company itself are also subject to certain disclosure requirements pursuant to the terms of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended. Pursuant to such requirements, any person holding more than 5% shares or voting rights in any listed company must disclose to the company the number of shares or voting rights held by such person within four working days of (a) the receipt of intimation of allotment of shares or (b) the acquisition of shares or voting rights. Additionally, any change in such shareholding or voting rights in excess of 2% (even if such change results in the shareholding or voting rights falling below 5%) is required to be disclosed to the company within four working days of (a) the receipt of intimation of allotment of shares or (b) the acquisition or sale of shares or voting rights, as the case may be. The company is also required to disclose such information received from its shareholders within five days of the receipt of such information, to the stock exchanges on which the company's shares are listed.

Listing

The listing of securities on a recognized Indian stock exchange is regulated by the Securities Contract (Regulations) Rules, 1957 and the listing agreement of the respective stock exchange (the "**Listing Agreement**"). Under the standard terms of stock exchange listing agreements, the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach of the company's obligations under such agreement, subject to the company receiving prior notice of the intent of the stock exchange. In the event that a suspension of a company's securities continues for a period in excess of three months, the company may appeal to SEBI to set aside the suspension. SEBI has the power to veto stock exchange decisions in this regard.

A listed company can be delisted under the provisions of the SEBI (Delisting of Securities) Guidelines, 2003, which governs voluntary and compulsory delisting of shares of Indian companies from the stock exchange. A company may be delisted through a voluntary delisting sought by the promoter of such company or a compulsory delisting due to any acquisition of shares of such company or scheme of arrangement or consolidation of holdings by the person in control by which public shareholding falls below 10% or the prescribed limit specified under the Listing Agreement entered into by the company with the stock exchange. The exit price for voluntary delisting of securities is determined by the concerned promoter by a specified method referred to as “reverse book building” and involves the making of a public offer inviting holders of the securities to offer their holding. The exit price is determined as the price at which maximum numbers of shares are offered. SEBI has the power to amend listing agreements and bye-laws of the stock exchanges in India.

Central Listing Authority

SEBI promulgated the Securities and Exchange Board of India (Central Listing Authority) Regulations, 2003, on February 13, 2003 under which it established an independent self regulatory authority called the Central Listing Authority. The Central Listing Authority will, on application, grant letters of recommendations to companies, mutual funds or collective investment schemes for listing on any stock exchange. No stock exchange can consider a listing application unless it is accompanied by a letter of recommendation from the Central Listing Authority. The Central Listing Authority is also empowered to make recommendations to SEBI for amendments to listing requirements under the SCRA and the listing agreement.

Indian Stock Exchanges

The major stock exchanges in India are The Stock Exchange, Mumbai and the National Stock Exchange account for a majority of trading volumes of securities in India. The Stock Exchange, Mumbai and National Stock Exchange together dominate the stock exchanges in India in terms of number of listed companies, market capitalization and trading.

Beginning April 1, 2003, the stock exchanges in India operate on a trading day plus two, or T+2, rolling settlement system. At the end of the T+2 period, obligations are settled with buyers of securities paying for and receiving securities, while sellers transfer and receive payment for securities. For example, trades executed on a Monday would typically be settled on a Wednesday. The SEBI proposes to subsequently move to a T+1 settlement system. In order to contain the risk arising out of the transactions entered into by the members of various stock exchanges either on their own account or on behalf of their clients, the Stock Exchanges have designed risk management procedures, which include compulsory prescribed margins on the individual broker members, based on their outstanding exposure in the market, as well as stock-specific margins from the members.

To restrict abnormal price volatility, SEBI has instructed stock exchanges to apply the following price bands calculated at the previous day’s closing price (there are no restrictions on price movements of index stocks):

Market Wide Circuit Breakers. Market wide circuit breakers are applied to the market for movement by 10%, 15% and 20% for the two prescribed market indices: the BSE Sensex for the BSE and the Nifty for the NSE (the “**NSE Nifty**”). If any of these circuit breaker thresholds are reached, trading in all equity and equity derivatives markets nationwide is halted.

Price Bands. Price bands are circuit filters of 20% movements either up or down, and are applied to most securities traded in the markets, excluding securities included in the BSE Sensex and the NSE Nifty and derivatives products.

The National Stock Exchange of India Limited

The market capitalization of stocks traded on the NSE as at December 31, 2003 was approximately Rs. 11,670 billion. The clearing and settlement operations of the NSE are managed by its wholly-owned subsidiary, the National Securities Clearing Corporation. Funds settlement takes place through designated clearing banks. The National Securities Clearing Corporation Limited interfaces with the depositary on the one hand and the clearing banks on the other to provide delivery versus payment settlement for depositary-enabled trades.

The Stock Exchange, Mumbai

The aggregate market capitalization of stocks trading on the BSE as at December 31, 2003 was approximately Rs. 12,733.61 billion. The BSE began allowing online trading in May 1995. As at December 31, 2003 the BSE had 712 members, comprising 208 individual members, 484 Indian companies and 20 foreign institutional investors. Only a member of the exchange has the right to trade in the stocks listed on the exchange. The clearing and settlement operations of the BSE are managed by BOI Shareholding Ltd. ("**BOISL**"), a company jointly promoted by Bank of India (who owns 51% of BOISL) and The Stock Exchange, Mumbai (who owns 49% of BOISL).

Trading on both the NSE and the BSE occurs Monday through Friday, between 9:55 a.m. and 3:30 p.m.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA and the Securities and Exchange Board of India Act, 1992. The SCRA was amended in February 2000 and derivative contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivative exchange or derivative segment of a stock exchange functions as a self regulatory organization under the supervision of the SEBI. Derivatives products have been introduced in a phased manner in India, starting with futures contracts in June 2000 and index options, stock options and stock futures in June 2000, July 2001 and November 2001, respectively.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act, 1996 which provides a legal framework for the establishment of depositories to record ownership details and effectuate transfers in book-entry form. SEBI formed the Securities and Exchange Board of India (Depositories and Participants) Rules and Regulations, 1996 which provides for the formation of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and the beneficial owners. The depository system has significantly improved the operations of the Indian securities markets.

Trading of securities in book-entry form commenced in December 1996. In January 1998, SEBI had notified scrips of various companies for compulsory dematerialized trading by certain categories of investors such as foreign institutional investors and other institutional investors and had also notified compulsory dematerialized trading in specified scrips for all retail investors. SEBI has subsequently significantly increased the number of scrips in which dematerialized trading is compulsory for all investors. Under guidelines issued by SEBI a company must give the option to subscribers/shareholders to receive the security certificates and hold securities in dematerialized form with a depository.

However, even in case of scrips notified for compulsory dematerialized trading, investors, other than institutional investors, are permitted to trade in physical shares on transactions outside the stock exchange where there are no requirements of reporting such transactions to the stock exchange and on transactions on the stock exchange involving lots less than 500 securities.

Transfers of shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with depository participants registered with the depositories established under the Depositories Act, 1996. Charges for opening an account with a depository participant, transaction charges for each trade and custodian charges for securities held in each account vary depending upon the practice of each depository participant. These charges must be borne by the account holder. Upon delivery, the shares will be registered in the name of the relevant depository on its books and this depository will enter the name of the investor in its records as the beneficial owner. The transfer of beneficial ownership will be effected through the records of the depository. The beneficial owner will be entitled to all rights and benefits and subject to all liabilities in respect of his securities held by a depository.

The Companies Act compulsorily provides that Indian companies making any initial public offerings of securities for or in excess of Rs. 100 million should issue the securities in dematerialized form.

Takeover Code

Disclosure and mandatory bid obligations under Indian law are governed by SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended (the "**Takeover Code**") which prescribes certain thresholds or trigger points that give rise to these obligations.

Certain important provisions of the Takeover Code are as follows:

- Any acquirer (meaning a person who, directly or indirectly, acquires or agrees to acquire shares or voting rights in a company, either by himself or with any person acting in concert) who acquires shares or voting rights that would entitle him to more than 5%, 10% or 14% of the shares or voting rights in a company (together with the company's shares or voting rights, if any, already held by him) is required to disclose the aggregate of his shareholding or voting rights in that company to the company (which in turn is required to disclose the same to each of the stock exchanges on which the company's shares are listed) and to each of the stock exchanges on which the company's shares are listed within two days of (a) the receipt of allotment information; or (b) the acquisition of shares or voting rights, as the case may be.
- A person who holds more than 15% of the shares or voting rights in any company is required to disclose any purchase or sale representing 2% of the shares or voting rights of that company to that company and the stock exchanges on which the company's equity shares are listed within two days of the purchase or sale and is also required to make annual disclosure of his holdings to that company (which in turn is required to disclose the same to each of the stock exchanges on which the company's shares are listed).
- Promoters or persons in control of a company are also required to make annual disclosure of their holding in the same manner. The company is also required to make annual disclosure of holdings of its promoters or persons in control to each of the stock exchanges on which its shares are listed.
- An acquirer cannot acquire shares or voting rights which (taken together with existing shares or voting rights, if any, held by him or by persons acting in concert with him) would entitle such acquirer to exercise 15% or more of the voting rights in a company, unless such acquirer makes a public announcement offering to acquire a further 20% of the shares of the company at a minimum price prescribed under the Takeover Code. A copy of the public announcement is required to be delivered, on the date on which such announcement is published, to SEBI, the company and the stock exchanges on which the company's equity shares are listed.
- An acquirer who, together with persons acting in concert with him, holds between 15% and 75% of the shares or voting rights in a company cannot acquire additional shares or voting rights that would entitle him, or the persons acting in concert with him, to exercise more than 5% of the voting rights in any financial year ending March 31, unless such acquirer makes a public announcement offering to acquire a further 20% of the shares of the company at a minimum price prescribed under the Takeover Code.
- An acquirer who, together with persons acting in concert with him, holds 75% of the shares or voting rights in a company cannot, either by himself or through persons acing in concert with him, acquire additional shares or voting rights unless such acquirer makes a public announcement to acquire minimum of 20% of the shares of the company at a minimum price prescribed by the Takeover Code. Such an acquirer must also make a

disclosure of such further acquisition of shares to the company and each of the stock exchanges on which the company's shares are listed.

- In addition, regardless of whether there has been any acquisition of shares or voting rights in a company, an acquirer cannot directly or indirectly acquire control over a company (for example, by way of acquiring the right to appoint a majority of the directors or to control the management or the policy decisions of the company) unless such acquirer makes a public announcement offering to acquire a minimum of 20% of the shares of the company. In addition, the Takeover Code introduces the "chain principle" by which the acquisition of a holding company will obligate the acquirer to make a public offer to the shareholders of each subsidiary company which is listed.

The Takeover Code sets out the contents of the required public announcements as well as the minimum offer price.

The Takeover Code permits conditional offers as well as the acquisition and subsequent delisting of all shares of a company and provides specific guidelines for the gradual acquisition of shares or voting rights. Specific obligations of the acquirer and the board of directors of the target company in the offer process have also been set out. Acquirers making a public offer are also required to deposit in an escrow account a percentage of the total consideration which amount will be forfeited in the event that the acquirer does not fulfill his obligations. In addition, the Takeover Code introduces the "chain principle" by which the acquisition of a holding company will obligate the acquirer to make a public offer to the shareholders of each subsidiary company which is listed.

The general requirements to make such a public announcement do not, however, apply entirely to bailout takeovers when a promoter (i.e., a person or persons in control of the company, persons named in any offer document as promoters and certain specified corporate bodies and individuals) is taking over a financially weak company but not a "sick industrial company" pursuant to a rehabilitation scheme approved by a public financial institution or a scheduled bank. A "financially weak company" is a company which has at the end of the previous financial year accumulated losses which have resulted in the erosion of more than 50% but less than 100% of the total sum of its paid up capital and free reserves at the end of the previous financial year. A "sick industrial company" is a company registered for more than five years which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

The Takeover Code, subject to certain conditions specified in the Takeover Code, exempts certain specified acquisitions from the requirement of making a public offer, including, among others, the acquisition of shares (1) by allotment in a public issue or a rights issue, (2) pursuant to an underwriting agreement, (3) by registered stockbrokers in the ordinary course of business on behalf of clients, (4) in unlisted companies, (5) pursuant to a scheme of reconstruction or amalgamation, (6) pursuant to a scheme under Section 18 of the Sick Industrial Companies (Special Provisions) Act, 1985, (7) resulting from transfers between companies belonging to the same group of companies or between promoters of a publicly listed company and relatives, (8) through inheritance or succession, (9) resulting from transfers by Indian venture capital funds or foreign venture capital investors registered with SEBI, to promoters of a venture capital undertaking or venture capital undertaking pursuant to an agreement between such venture capital funds or foreign venture capital investors with such promoters or venture capital undertaking (10) by the Government of India controlled companies, unless such acquisition is made pursuant to a disinvestment process undertaken by the Government of India or a state government. The Takeover Code does not apply to acquisitions in the ordinary course of business by public financial institutions either on their own account or as a pledgee. In addition, the Takeover Code does not apply to the acquisition of American Depository Equity Shares so long as they are not converted into equity shares.

Insider Trading Regulations

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 ("**Insider Trading Regulations**") have been promulgated by SEBI to prohibit and penalize insider trading in India. The Insider Trading Regulations prohibit an "insider" from dealings in the securities of a company on the basis of "unpublished price sensitive information", communication of such information or the counsel or procurement of any other person to deal in securities on the basis of such information. The Insider Trading Regulations require any person who holds more than 5 per cent of shares or voting rights in any listed company to notify the company, the number of shares or voting rights held by such person, on becoming such holder, within 4 working days of:

(i) the receipt of intimation of allotment of shares; or

(ii) the acquisition of shares or voting rights, as the case may be.

On a continuing basis, any person who holds more than 5 per cent of shares or voting rights in any listed company is required to disclose to the company, the number of shares or voting rights held by him and change in shareholding or voting rights, even if such change results in shareholding falling below 5 per cent, if there has been change in such holdings from the last disclosure made, provided such change exceeds 2 per cent of total shareholding or voting rights in the company. Such disclosure is required to be made within four working days of:

(i) the receipt of intimation of allotment of shares; or

(ii) the acquisition or sale of shares or voting rights, as the case may be.

Buy-back

Under Section 77A of the Indian Companies Act, a company may buy its shares out of its free reserves or securities premium account or the proceeds of any shares or other specified securities (other than the class of securities which are being bough back). If such buy-back constitutes more than 10% of the total paid-up equity capital and free reserves of the company, it shall require the approval of at least 75% of the shareholders present and voting at a general meeting of shareholders of such company. A board resolution will constitute sufficient corporate authorization for a buy-back within the above limit.

A company is not permitted to make any further issue (including a rights issue) of the same kind of shares within a period of six months of such buy-back, except by way of a bonus issue or in discharge of its existing obligations such as conversion of warrants, stock option schemes, sweat equity or conversion of preference shares or debentures into equity.

The buy-back may be (a) from the existing security holders on a proportionate basis through a tender offer; (b) from the open market through (i) a book-building process or (ii) the stock exchange; and (c) from odd-lot holders. Buy-backs through negotiated deals, whether on a stock exchange or through spot transactions or through any other private arrangements, are not permitted.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND U.S. GAAP

The consolidated and non-consolidated financial statements included in this offering memorandum have been prepared in accordance with applicable Indian GAAP (as defined in the prospectus) and the applicable provisions of the Companies Act 1956 and the SEBI Guidelines. Indian GAAP differs in certain respects from generally accepted accounting principles in the U.S. ("**U.S. GAAP**").

The following table summarises certain differences between Indian GAAP and U.S. GAAP and that could be significant to the presentation of our results of operations and financial position as of June 30, 2004. The following summary may not include all the differences that exist between U.S. GAAP and Indian GAAP. U.S. GAAP is generally more prescriptive and comprehensive than Indian GAAP regarding recognition and measurement of transactions, account classification and disclosure requirements. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements and the notes thereto. Various U.S. GAAP and Indian GAAP pronouncements, including guidance provided by the U.S. Securities & Exchange Commission, have been issued for which the mandatory application date is later than June 30, 2004. These together with standards that are in the process of being developed in both jurisdictions could have a significant impact on future comparisons between U.S. GAAP and Indian GAAP.

	Particulars	Indian GAAP	U.S. GAAP
1.	Contents of financial statements	Companies are required to present balance sheets and profit and loss accounts for two years along with the relevant accounting policies and notes. Additionally all listed companies (including companies in the process of getting listed). Companies with turnover exceeding Rs.500 million and insurance companies are required to present cash flow statements. (Applicable for financial years beginning on April 1, 2001 for other than listed companies).	All companies are required to present balance sheets, statements of operations, statements of cash flows and statements of changes in stockholders equity for two years along with the relevant accounting policies and notes to accounts. Companies are required to present statements of operations, statements of cash flows and statements of changes in stockholders equity for three years. They need not present the balance sheet for the third year. Summary condensed financial information which is not part of the audited financial statements, is generally presented for a five year period.
2.	Changes in accounting policies – Accounting treatment	The effect of a change in accounting policy must be recorded in the income statement of the period in which the change is made except as specified in certain standards where the change resulting from adoption of	The effect of a change in accounting policy is generally included (net of taxes) in the current year income statement after extraordinary items. Pro-forma comparatives

		the standard has to be adjusted against opening retained earnings.	reflecting the impact of the change should be disclosed. There is a requirement to make retrospective adjustments for certain items.
3.	Correction of errors	The effect of correction of errors must be included in the current year income statement with appropriate disclosure.	The correction of an error usually results in the restatement of relevant prior periods.
4.	Principles of Consolidation	Applicable to all Listed Companies from April 1, 2001. Investment in associates should be accounted for in accordance with the equity method of accounting. In accordance with AS 27, "Financial reporting of Interests in joint ventures" the venturer recognises in its separate and consolidated financial statements its share of jointly controlled assets, any liabilities it has incurred, its share of jointly controlled assets, any liabilities incurred jointly with other venturers in relation to the joint venture, any income from sale or use of its share of output of the joint venture, together with its share of expenses incurred by joint venture and any expenses which it has incurred in respect of interest in joint venture.	Applicable to all Companies. As under Indian GAAP Investment in Joint Ventures generally accounted for under the equity method of accounting. Goodwill acquired in business combinations initiated after June 30, 2001 shall not be amortized. It is also required to stop amortizing the remaining balance of previously amortized goodwill. All goodwill will be allocated to a reporting unit, as defined, and subject to an annual impairment test.
5.	Intangible assets	Capitalize intangible assets if specific criteria are met and amortize over useful life, generally not exceeding ten years. The recoverable amount of an intangible asset that is not available for use or is being amortized over a period exceeding ten years should be reviewed at least at each financial year-end even if there is no indication that the asset is impaired. Amortization should be based on the consumption pattern of the	During an acquisition, companies need to evaluate if certain intangible assets exist and allocate purchase price to such intangible. Intangibles that have an indefinite useful life are required to be tested, at least annually, for impairment. Intangible assets that have finite useful life are required to be amortized over their estimated useful lives.

		asset or on a straight line basis if a pattern is not determinable.	
6.	Negative Goodwill (i.e. the excess of the fair value of net assets acquired over the aggregate purchase consideration)	Negative goodwill is computed based on the book value of assets (not the fair value) of assets taken over/acquired and is credited to the capital reserve account, which is a component of stockholders' equity.	Negative goodwill is allocated to reduce proportionately the value assigned to non-current assets. Any remaining excess is recorded in the income statement as extraordinary income.
7.	Research & Development Cost	Expenditure incurred on research must be expensed off as incurred. Development costs can be capitalized and amortized only if stringent criteria are met.	Research and development costs must be expensed as incurred. Certain software and website – development related costs need to be capitalized, if criteria met.
8.	Property, plant and equipment	Fixed assets are recorded at the historical costs or revalued amounts. On revaluation, an entire class of assets is revalued, or a selection of assets for revaluation is made on a systematic basis. There is no restriction on the frequency of valuation. However, revaluation should not exceed the recoverable amount of assets. Foreign exchange differences relating to the procurement of property, plant and equipment can be capitalised as a part of the asset.	Upward revaluation of fixed assets is not permitted under U.S. GAAP. All foreign exchange differences relating to the procurement of property, plant and equipment are adjusted in the statement of income.
9.	Depreciation	Assets are depreciated over their estimated useful economic lives. The Indian Companies Act 1956 prescribes the minimum statutory rates for minimum depreciation provision.	Assets are depreciated over their estimated useful economic lives.
10.	Impairment of assets	Application for accounting periods beginning from April 1, 2004 onwards. If impairment is indicated, the assets must be written down to higher of net selling price and the value in use based on discounted cash flows.	The impairment assessment is based on undiscounted cash flows at the lowest level of independent cash flows. If the undiscounted cash flows are less than the carrying amount the impairment loss must be measured using discounted cash flows.

11.	Investments in Marketable Securities	Long-term investments are carried at cost (with provision for other than temporary diminution in value). Current investments are carried at lower of cost or fair value determined on individual basis or by category of investment but not on overall (or global) basis.	The treatment depends on the classification of the investments – if held to maturity then investment is held at amortized costs, otherwise stated at fair value. Unrealized gains/losses must be recognized to other comprehensive income statement.
12.	Proposed Dividend	Proposed dividends are recognized in the financial statements for the period to which they relate. Any proposed dividends declared after the balance sheet date is adjusted in the financial statements for the relevant year even if they are subject to shareholders approval.	A dividend is recorded when it has been declared and approved. Stock dividends should preferably he recorded as of the time of declaration if the approval is perfunctory.
13.	Deferred income taxes	Deferred tax assets and liabilities are recognized for all timing differences subject to consideration of prudence in respect of deferred tax assets. Deferred tax assets from carry forward losses and unabsorbed depreciation are recognized only if there is convincing evidence of virtual certainly that such deferred tax assets can be realised against future taxable profits. Deferred tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the balance sheet date.	Deferred taxes are recorded in accordance with the liability method. Deferred income taxes are recorded for future tax consequences of temporary differences. A valuation allowance is made against deferred tax assets if it is more likely than not that the asset will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates.
14.	Retirement Benefits	The liability for defined benefit plans like gratuity and pension is determined as per actuarial valuation. There is no defined method of expense determination, the discount rate determination criteria, guidance for valuation of plan assets and the choice is left to the individual discretion of actuary. The actuarial gains or losses are recognized immediately in the statement of income.	The liability for defined benefit schemes is determined using the projected unit credit actuarial method. The discount rate for obligation is based on market yields of high quality corporate bonds. The plan assets are measured using fair value or using discounted cash flows if market prices are unavailable. If at the beginning of the year, the actuarial gains or losses exceeds 10% of the greater of

			the projected benefit obligation or the market-related value of plan assets, then such amount is not recognized immediately, but amortised over the average remaining service period of active employees expected to receive benefits under the plan.
15.	Employee Stock Compensation	There is no specific guidance on accounting for employee stock compensation under Indian GAAP. SEBI has issued the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines. 1999, which are effective for listed companies for all stock-option schemes established after 19 June 1999. In accordance with these guidelines, the excess of the market price/fair valuation of underlying equity shares as of the date of grant of the options over the exercise price of the options, including up-front payments, if any, is to be recognized and amortized on a straight-line basis over the vesting period. In the event of an employee stock option plan ("**ESOP**") administered through a trust, the guidelines mandate consolidation of trust set up for administration of employee stock option plans.	Requires recognition of the cost of shares/options awarded to employees, whether conditional upon performance criteria or not, over the period to which the employee's service relates. Entities have a choice of accounting methods for determining the costs of benefits arising from employees stock compensation cost is the difference between the market price of the stock at the measurement date and the price to be contributed by the employee (exercise price). The measurement date is typically the date of the grant, on which date, both the number of shares and the exercise price would be known. This method is widely used in practice. The fair value method is based on the fair value of the option at the grant date. This is estimated using an option-pricing model. If an entity chooses to follow the intrinsic value method, it must make pro-forma disclosures of net income and earnings per share as if the fair value method had been applied. All options given to non-employees have to follow the fair value method. An ESOP trust's assets and liabilities are included in the balance sheet of the sponsoring entity where the arrangements are such that the sponsoring entity has de facto control and bears the benefits and risks of the shares held by the ESOP

			trust.
16.	Derivatives and other financial instruments – Measurement of derivative instruments and hedging activities	The accounting for derivative instruments has not clearly emerged in the Indian context. Currently what is applicable is the Guidance Note on Accounting for Equity Index and Equity Stock Futures and Options are the pronouncements, which address the accounting for derivatives. However, the accounting treatment recommended in the guidance note is applicable to all contracts entered into for Equity Derivative Instruments irrespective of the motive. The impact of derivative instruments are correlated with the movement of the underlying assets and liabilities and accounted pursuant to the principles of hedge accounting. The related amount receivable from and payable to the swap counter parties is included in the other assets or liabilities in the balance sheet. When there is no correlation of movements between derivative and the underlying asset or liability specifically related to the derivative instrument is matured, sold or terminate, the derivative instrument is closed out or marked to market as an element of non interest income on an outgoing basis.	Derivative and hedge instruments must be measured at fair value. The changes in fair value must be recognized in the income statement, except for effective cash flow hedges where the changes in face value must be deferred in equity until effect of the underlying transaction is recognized in the income statement. (No basis adjustment on cash flow hedges of future). Gains/losses on hedge instruments used to hedge forecast transactions are included in the cost of the asset/liability. All derivatives, either assets or liabilities, are measured at fair value. Fair values for derivatives are based on quoted market prices, which take into account current market and contractual prices of the underlying instrument as well as time value underlying the positions. Derivatives that are not designated, as part of hedging relationship must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either offset against the change in fair value of the hedged asset, liability or firm commitment through income or held in equity until the hedged item is recognized as income. The ineffective portion (i.e. not hedged) of a derivative's change in fair value is immediately recognized in income.
17.	Off-Balance Sheet Items	There is no specific guidance for the accounting for off-balance	The U.S. Securities and Exchange Commission requires

	Items	sheet items under Indian GAAP. Schedule VI of the Companies Act 1956 mandates the disclosure of amounts committed to be paid for the acquisition of fixed assets not provided for in the books of accounts. Accounting standards require specific disclosures for commitments and contingent liabilities.	the disclosure of material facts and circumstances that provide investors with a clear understanding of a registrant's material off-balance sheet arrangements and their material effects in the financial statements. Further standards have been issued recently providing additional guidelines for the accounting and disclosures for Guarantees, including indirect guarantees of indebtedness of others ad for consolidation of "variable interest entities". Additionally existing accounting standards require disclosures of commitments made by an enterprise. Contingent gains / losses must be recognized or disclosed in the accounts provided certain conditions are met.

DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

Term	Description
"Our Company" or "Indiabulls Financial Services Limited" or "us" or "IFSL" or "we"	Unless the context otherwise requires, refers to, Indiabulls Financial Services Limited, a public limited company incorporated under the provisions of the Companies Act and with its registered office at F-60, IInd Floor, Malhotra Building, Connaught Place, New Delhi 110 001
"Our subsidiaries"	Unless the context otherwise requires, refers to ISL, IIAPL and ICPL

ISSUE RELATED TERMS

Term	Description
Allotment	Unless the context otherwise require, issue of Equity Shares pursuant to this Issue
Articles/Articles of Association	Articles of Association of our Company
Auditors	The statutory auditors of our Company: Deloitte Haskins & Sells, Chartered Accountants
Banker(s) to the Issue	ABN Amro Bank, Canara Bank, CitiBank N.A., HDFC Bank, ICICI Bank, Kotak Bank, State Bank of India, Standard Chartered Bank, Union Bank of India
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe for Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid Closing Date / Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper and Hindi national newspaper
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase the Equity Shares of our Company and which will be considered as the application for allotment of the Equity Shares in terms of the Prospectus
Bid Opening Date / Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper and a Hindi national newspaper
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Prospectus
Bidding Period / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Board of Directors	The Board of Directors of our Company or a committee thereof
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is being made
BRLMs	Book Running Lead Managers to the Issue, in this case being SBICAP and DSPML
BSE	The Stock Exchange, Mumbai
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process
Companies Act	The Companies Act, 1956, as amended from time to time
Cut-off	Cut-off refers to any price within the Price Band. A Bid submitted at Cut-off is a valid Bid at all price levels within the Price Band
DSPML	Refers to, DSP Merrill Lynch Limited, a public limited company incorporated under the provisions of the Companies Act and with its registered office at 10th Floor, Mafatlal Centre, Nariman Point, Mumbai - 400 021
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act

Designated Date	The date on which funds are transferred from the Escrow Account of our Company to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall transfer Equity Shares to successful bidders
Designated Stock Exchange	Designated Stock Exchange shall mean BSE
Director(s)	Director(s) of our Company unless otherwise specified
EGM	Extraordinary General Meeting of our Company
Equity Shares	Equity shares of our Company of face value of Rs. 2/- each unless otherwise specified in the context thereof
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into amongst our Company, the Registrar, the Escrow Collection Bank(s) and the BRLMs for collection of the Bid Amounts and refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank(s)	The Banks at which the Escrow Account of our Company will be opened
ESOP Scheme	The Indiabulls Financial Services Limited 2004 Employee Stock Options Plan as adopted by the resolution of the Board of Directors of our Company on February 28, 2004 and formulated by our Company
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations framed thereunder
Financial Year/Fiscal/FY	Period of twelve months ended March 31 of that particular year
FIPB	Foreign Investment Promotion Board, Ministry of Finance, Government of India
FII	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
FVCI	Foreign Venture Capital Investor registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
ICPL	Indiabulls Commodities Private Limited, a wholly owned subsidiary of our Company incorporated under the provisions of the Companies Act and with its registered office at F-60, Iind Floor, Malhotra Building, Connaught Place, New Delhi 110001
IIAPL	Indiabulls Insurance Advisors Private Limited, a wholly owned subsidiary of our Company incorporated under the provisions of the Companies Act and with its registered office at F-60, Iind Floor, Malhotra Building, Connaught Place, New Delhi 110001
Indian GAAP	Generally accepted accounting principles in India
Insurance Act	Insurance Act, 1938, as amended from time to time
Investors	Farallon Capital Partners LP and RR Capital Partners LP
IPO	Initial Public Offering, also refered to as the Issue
IRDA	Insurance Regulatory and Development Authority constituted under the IRDA Act
IRDA Act	Insurance Regulatory and Development Authority Act, 1991, as amended from time to time
ISL	Indiabulls Securities Limited, a wholly owned subsidiary of our Company incorporated under the provisions of the Companies Act and with its registered office at F-60, IInd Floor, Malhotra Building, Connaught Place, New Delhi 110 001
Issue/Offer	The fresh issue of 2,71,87,519 new Equity Shares of Rs. 2/- each at the Issue Price by our Company under this Prospectus
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Prospectus.

I.T. Act	The Income-Tax Act, 1961, as amended from time to time
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount
Memorandum / Memorandum of Association	The Memorandum of Association of our Company
NCT of Delhi	National Capital Territory of Delhi
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Bidders
Non Institutional Portion	The portion of the Issue being a minimum of 6,796,880 Equity Shares of Rs. 2/- each available for allocation to Non Institutional Bidders
Non Resident	A person who is not a NRI, FII or a person resident in India
NRI / Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000
Pay-in Date	The last date specified in the CAN sent to Bidders.
Pay-in-Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in Date
Price Band	Being the price band of a minimum price (Floor Price) of Rs. 16 and the maximum price (Cap Price) of Rs. 19 and includes revisions thereof
Promoters	Mr. Sameer Gehlaut, Mr. Rajiv Rattan and Mr. Saurabh Mittal
Pricing Date	The date on which our Company in consultation with the BRLMs finalises the Issue Price
Prospectus	The Prospectus, filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Prudential Norms	Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 issued by the RBI
Public Issue Account	Account opened with the Banker(s) to the Issue to receive moneys from the Escrow Account for the Issue on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI and state industrial development corporations
QIB Portion	The portion of the Issue, being 1,35,93,759 Equity Shares of Rs.2/- each, available for allocation to QIBs
RBI	Reserve Bank of India constituted under the RBI Act
RBI Act	The Reserve Bank of India Act, 1934 as amended from time to time
Registered Office of our Company	F – 60, IInd Floor, Malhotra Building, Connaught Place, New Delhi – 110 001
Registrar /Registrar to the Issue	Karvy Computershare Private Limited
Red Herring Prospectus	The Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and is filed with the RoC at least three days before the opening of the Issue. It becomes a Prospectus after filing with the RoC after the pricing and allotment
Retail Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount more than or equal to Rs. 50,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being minimum of 67,96,880 Equity Shares of Rs.2/- each available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)

RoC	Registrar of Companies, National Capital Territory of Delhi and Haryana located at New Delhi
Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, including instructions and clarifications issued by SEBI from time to time
SBI Caps	Refers to SBI Capital Markets Ltd. a public limited company incorporated under the provisions of the Companies Act and with its registered office at 20th Floor, Maker Tower 'E', Cuffe Parade, Mumbai-400 005
SCRA	Securities Contract (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
Share Subscription Agreement	The subscription agreement between our Company, ISL, the Promoters and the Investors dated February 13, 2004
Shareholders Agreement	The shareholders cum share subscription agreement between our Company, the Promoters and the VC Investors dated November 2, 2000
Stock Exchanges	BSE and NSE
Syndicate	The BRLMs i.e. SBI Capital Markets Limited and DSP Merrill Lynch Limited
Syndicate Agreement	The agreement to be entered into between our Company and the BRLMs, in relation to the collection of Bids in this Issue
TRS or Transaction Registration Slip	The slip or document issued by the members the BRLMs to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs
Underwriting Agreement	The Agreement among the Underwriters and our Company to be entered into on or after the Pricing Date
VC Investors	LNM India Internet Ventures Limited, Transatlantic Corporation Limited and Infinity Technologies Trustee Limited
VCF	Venture capital fund registered with SEBI under the SEBI (Venture Capital) Regulations, 1996
Share Warrant Agreement	The share warrant agreement between our Company, the Promoters and the Investors dated February 13, 2004

ABBREVIATIONS

Abbreviation	Full Form
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CTCL	Computer to Computer Link
D/E	Debt Equity Ratio
DP	Depository Participant
DSPML	DSP Merrill Lynch Limited
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EPS	Earnings Per Equity Share
FCNR Account	Foreign Currency Non Resident Account
FIs	Financial Institutions
FY	Financial Year
F&O	Futures & Options
GIR Number	General Index Registry Number
GoI	Government of India
HUF	Hindu Undivided Family
INR	Indian National Rupee
IPO	Initial Public Offering
IT	Information Technology
LAN	Local Area Network
NAV	Net Asset Value
NBFC	Non-Banking Finance Companies
NCDEX	National Commodities Derivative Exchange
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Ltd.
NSE	National Stock Exchange of India Ltd.
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PPP	Purchasing Power Parity
RONW	Return on Net Worth
SBICAP	SBI Capital Markets Limited
USD/$/US$	United States Dollar
VPN	Virtual Private Network

CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial data in this Prospectus is derived from our consolidated financial statements prepared in accordance with Indian GAAP and included elsewhere in this Prospectus. Our financial year commences on April 1 and ends on March 31. In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

All references to "India" contained in this Prospectus are to the Republic of India, all references to the "US" or the "U.S." or the "USA", or the "United States" are to the United States of America, and all references to "UK" are to the United Kingdom.

All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. For additional definitions, please see "Definitions and Abbreviations" on page no. a

Unless stated otherwise, industry data used throughout this Prospectus has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry data used in this Prospectus is reliable, it has not been independently verified.

Market data used throughout this Prospectus was obtained from internal Company reports and industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable, but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe market data used in this Prospectus is reliable, it has not been independently verified. Similarly, internal reports of our Company, while believed by us to be reliable, have not been verified by any independent sources.

FORWARD-LOOKING STATEMENTS

We have included statements in this Prospectus which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the industry.

For further discussion of factors that could cause our actual results to differ, see the section entitled “Risk Factors” beginning on page no. (ix) of this Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the BRLMs, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Company's Equity Shares. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

INTERNAL RISK FACTORS

Downturns or disruptions in the securities markets could reduce transaction volumes, and could cause a decline in the business & impact our profitability.

A significant portion of our revenues in recent years has been derived from capital markets, and although our Company and our subsidiaries continue to diversify our revenue sources, we expect this business to continue to account for a significant portion of our revenues in the foreseeable future. Like other financial services firms, our Company and our subsidiaries are also affected directly by national and global economic and political conditions, broad trends in business and finance, disruptions to the securities markets and changes in volume and price levels of securities and futures transactions. The revenues derived from capital markets for the FY 2004, FY 2003 and FY 2002 have been 63.7%, 59.9% and 60.4% respectively of our total revenues.

Our revenue grew at a CAGR of 132.97% over FY 2002 to FY 2004 during a severe downturn in overall industry volumes. We believe that industry downturns provide opportunity for market leaders, like us, to increase our market share and further consolidate our business. Our Company and our subsidiaries intend to invest across business cycles and grow our business notwithstanding market conditions.

Downturns or disruptions in the fixed income and commodities markets could reduce transaction volumes, and could cause a decline in the business and impact our profitability.

The Company's subsidiaries undertake trading in the commodities and trading in wholesale debt markets on behalf of their clients. A decline in overall volumes in commodities markets and wholesale debt markets may affect the future growth of revenues from commodities business and wholesale debt market business of the Company's subsidiaries.

The revenues from trading in commodities and trading in wholesale debt markets on behalf of its clients are less than 5% of the combined revenues of the Company and its subsidiaries for each of the past three financial years.

Our business is dependent on systems and operations availability; any breakdowns in the transaction systems could lead to decline in our sales and profits.

Our Company and our subsidiaries are dependent on our technology systems to perform the critical function of gathering, processing and communicating information efficiently, securely and without interruptions. Our Company and our subsidiaries could face business risk due to failures in the control processes or technology systems that could constrain our ability to manage our business. Our operations are highly dependent on the integrity of our technology systems and our success depends, in part, on our ability to make timely enhancements and additions to our technology in anticipation of client demands. To the extent, we experience system interruptions, errors or downtime (which could result from a variety of causes, including changes in client use patterns, technological failure, changes to systems, linkages with third-party systems, and power failures), the business and operations of our Company and our subsidiaries could be significantly impacted. Additionally, rapid increases in client demand may strain our ability to enhance our technology and expand our operating capacity.

Our Company and our subsidiaries have installed back-up facilities including hardware systems, communication/ networking, and linkages with third party and software platform at our own offices. The critical systems including the transaction processing systems are housed in secure third party locations such as VSNL with restricted access and continuous ambient conditions for operations of such systems. Highly trained in-house IT personnel and external consultants monitor our systems 24 hours a day, 7 days a week to prevent any downtime.

Our Business is dependent on relationships formed by our relationship managers with our clients; any events that harm these relationships including the loss of our relationship managers will lead to decline in our sales and profits.

Our business is dependent on the team of relationship managers who directly manage client relationships. Our Company and our subsidiaries encourage dedicated relationship managers to service specific clients since our Company and our subsidiaries believe that this leads to long-term client relationships, a trust based business environment and over time, better cross-selling opportunities. Our Company and our subsidiaries had 476 relationship managers and 32,359 clients as of April 30, 2004; while no relationship manager or operating group of relationship managers contributes a meaningful percentage of the business, the business would suffer materially if a substantial number of relationship managers either become ineffective or leave the organisation. Such an event would be detrimental to our business and profits.

Our Company currently generates very low revenue and is dependant on ISL, which contributes 96.20% of the total group revenues.

Our Company currently generates only 1.33% of the total group revenues and is dependant on ISL as its primary revenue source, which contributes 96.20% of the total revenues of our group. IIAPL and ICPL contribute 1.69% and 0.78% respectively to the total revenue of the group. If in any way ISL's activities are disrupted, then the income of the group will be adversely affected and our Company and our subsidiaries might not be able to carry on our business.

We depend on our management team and the loss of team members may adversely affect our business.

Our Company and our subsidiaries believe that they have a strong team of professionals to oversee the operations and growth of our businesses. If one or more members of our management team are unable or unwilling to continue in their present positions, such persons would be difficult to replace and our business would be adversely affected. We may lose our key management team to our clients or competitors. For details on our Key Managerial Personnel, please refer to paragraph "Key Managerial Personnel" on page no. 38.

We often extend credit to our clients for dealing in securities and any default by a client coupled with a downturn in the market, could result in substantial losses.

Our Company and our subsidiaries require clients to deposit a minimum initial margin, and if the client is not able to pay the balance amount to us before the pay-in date of the exchange for the said transaction, we, at times extend significant credit to clients at market related interest rates for the purchase of shares.

In case of highly volatile market or adverse movements in share price, it is possible that the clients may not honour their commitment, which may result in losses. Such an event would be detrimental to our business and profitability.

Our Company and our subsidiaries follow internal risk management guidelines while extending credit, which include limits on leverage, quality of collateral, diversification, pre-determined margin call thresholds and pre-determined thresholds to liquidate collateral. Our Company and our subsidiaries intend to continue investing in and improving our risk management systems.

Risks attributable to derivatives trading by clients and possible inadequacy of risk management policies.

The Company's subsidiaries offer their clients a facility to trade in derivative instruments in the commodities and securities markets, as currently permitted in India. Since these derivative instruments involve leveraged positions on the underlying assets, these are riskier to deal with as compared to the other financial instruments. The investors or market intermediaries are exposed to greater risk in dealing with such instruments. The Company's subsidiaries are exposed to greater risk in dealing with derivative instruments since they deal with such instruments on behalf of their clients. The Company's subsidiaries may face financial losses if they fail to manage risk of their clients' dealing in derivative instruments.

The Company and its subsidiaries have developed advanced technology systems to manage the risks involved in dealing with derivative instruments on behalf of their clients. These systems involve minimum human intervention and are dependent on technology systems generated risk alerts and other data points for efficient risk management. Also, the Company's subsidiaries take adequate margins from their clients as specified by the exchange before dealing in derivative instruments.

Our business is rapidly growing; any inability to manage this rapid growth could result in disruptions in our business and may result in reduced sales and profits.

Our revenue grew at a CAGR of 132.97% over FY 2002 to FY 2004 during a severe downturn in overall industry volumes. However, there can be no assurance that our Company and our subsidiaries will be able to execute our strategy of increasing our client base in the future as well as effectively service our clients' requirements. Any failure on our part to scale our infrastructure and management to meet the challenges of rapid growth could cause disruptions to our business and could be detrimental to our long-term business outlook.

There have been fluctuations in our revenues in the last three financial years, which may not be sustainable in the future. Further, there has been a fall in our fixed assets, sharp rise in the receivables, provision for taxation and loan funds.

The key driver for the growth in revenues has been growth in number of client relationships from 11,725 clients in FY 2002 to 30,498 clients in FY 2004, an increase of 160.12% in number of client relationships. Our Company and our subsidiaries have been able to grow the client relationships by 18,773 clients in the last two years due to the expansion of our branch office network to 63 offices in 49 cities in FY 2004 from 19 offices in 13 cities in FY 2002. While our revenues have grown at a CAGR of 132.97% from FY 2002 to FY 2004, the revenues per customer have grown to Rs. 23,591 in FY 2004 from Rs. 11,305 in FY 2002.

The fall in value of fixed assets in our Company was due to transfer of some fixed assets to one of the subsidiary companies, ISL. Our receivables have increased from Rs. 487.76 million at the end of FY 2002 to Rs. 1347.15 million at the end of FY 2004 due to increased number of clients. However, receivables per client in FY 2002 and FY 2004 have remained in the same range. Receivables per client were Rs. 41,600 in FY 2002 and Rs. 44,172 in FY 2004. Secured and unsecured loans have increased from Rs. 152.64 million at the end of FY 2002 to Rs. 1217.04 million at the end of FY 2004 due to increased working capital requirements arising out of increased business coming from an increased number of clients. The provision for taxation has increased due to increase in profits. Loans and advances have increased due to increased business activity in FY 2004 as compared to FY 2002 and increase in the size of balance sheet in FY 2004 as compared to FY 2002.

Use of the issue proceeds and our investments in unlisted subsidiaries.

Some of the issue proceeds may be utilized for the expansion of businesses of the subsidiary companies. The majority of our Company's investments are in ISL, IIAPL and ICPL, which are unlisted companies and whose activities and records are not subject to public scrutiny.

We and our subsidiaries are rapidly growing and may require further infusion of funds to satisfy our capital needs, which we may not be able to procure. Any future equity offerings by us may lead to dilution of equity and may affect the market price of our equity shares.

Our growth is dependent on having a strong balance sheet to support our activities. We may need to raise additional capital from time to time, dependent on business conditions and we may not be able to procure such additional funds due to factors beyond our control. The factors that would require us to raise additional capital could be business growth beyond what the current balance sheet can sustain; additional capital requirements imposed due to changes in regulatory regime or new guidelines; or significant depletion in our existing capital base due to unusual operating losses. Any fresh issue of shares/convertible securities would dilute existing holding, and such issuance may not be done at terms and conditions, which are favourable to the then existing investors or us.

Farallon Capital Partners, LP & RR Capital Partners, LP have rights under Articles of Association of ISL and under a Share Subscription Agreement with ISL. These rights may be detrimental to our Company's interests as majority owners of ISL. For further details, please refer para "Share Subscription Agreement" on page no. 21 of this Prospectus.

The Investors own preference shares in ISL and are eligible to receive regular preferred dividend payout ahead of other shareholders. Our Company and our nominees hold 99.99% equity shares in ISL. The Investors have entered into a Share Subscription Agreement with ISL and our Company that provides for various limitations on the business flexibility of ISL, and the ability of our Company to set up additional subsidiaries to enter into the same businesses as ISL. These conditions include limit on the subsidiaries leverage, requirement of minimum net worth in ISL and restrictions on change of control of ISL. In case of default in redemption of preference shares by ISL, our Company may be required to contribute additional capital into ISL to facilitate the redemption of the preference shares held by the Investors and failing which, the Investors will have the right to convert their preference shares into equity shares of ISL representing 75% of its paid-up equity capital. These rights may be detrimental to the interests of our Company as the equity shareholder of ISL. While our Company is in strict compliance with all restrictions and does not foresee any events that would trigger any special rights, our Company cannot assure that this may not happen in the future.

Any future acquisitions of businesses and/or introduction of products may expose us and our subsidiaries to new risks leading to a failure in realising the benefits of such acquisitions thereby adversely impacting our profitability.

Although we have not made any acquisitions in the past, apart from the acquisition of ISL in the year 2001, we might do so in the future if our board of directors determines that doing so would be in the long-term interest of our shareholders and would enhance shareholders' value. However, there is a possibility that their expectations and strategy with such acquisitions may not be achieved. Additionally, such acquisitions will pose integration issues as well as expose our business to additional risks and potential liabilities thereby adversely impacting our profitability.

Our Company has not entered into any agreements for the use of proceeds of this Issue for the intended purpose.

Our Company may be unable to use the proceeds of the Issue for the intended purpose, due to unplanned acquisitions, unplanned capital expenditure requirements, unforeseen losses or potential legal liabilities. The failure to use the proceeds for the intended purposes will be harmful to us and would hamper our growth potential in the existing businesses. Our Company does not have a proven track record in handling businesses that it may enter through the acquisition route or otherwise and hence the success of new businesses in the overall growth strategy of our Company cannot be predicted.

Our strategy to enter into the sale of diversified financial services and products exposes us to additional risks.

Our Company and our subsidiaries are rapidly expanding our business offerings and these additional products might expose us to new business risks for which we may not have the capability or the systems to manage.

We are and have, in the past, been involved in certain legal proceedings, claims, enquiries, and investigations.

Our Company and our subsidiaries are involved in certain legal proceedings (including arbitration proceedings) and claims against us in relation to certain contractual, employment, and other civil matters. 4 cases have been filed against ISL in relation to civil matters including arbitration proceedings. These claims amount to approximately Rs. 9.7 million.

ISL has filed 1 case in relation to a criminal case for dishonour of cheques and a summary suit against one of its employees, under which the claim is quantified at approximately Rs. 538,000 and has obtained a decree from the High Court of Delhi for an amount of Rs. 515,000 plus interest. Further, ISL has filed an arbitration case for Rs. 474,812 and has been granted an award for Rs. 285,106.74. Currently, the respondent has filed objections with the High Court challenging the award.

Based on legal advice regarding the merits of our cases, our Company and our subsidiaries have not established reserves in our financial statements to cover the entire amounts of potential liability. Should any new developments arise, such as a change in Indian law or a ruling against our Company and our subsidiaries by appellate courts or tribunals, our Company and our subsidiaries may need to establish reserves in our financial statements, which could increase our expenses and our current liabilities. Furthermore, if a claim is determined against us and our Company and our subsidiaries are required to pay all or a portion of the disputed amount, it could have a material adverse effect on our results of operations. However, it should be noted that some of the above claims are currently not quantifiable in terms of monetary compensation.

All of the legal proceedings/claims are pending at different levels of adjudication before various courts, arbitrators, stock exchanges, enquiry officers, and appellate tribunals. For more information regarding litigation, please refer to the section entitled "Outstanding Litigation, Material Developments and Other Disclosures" beginning on page no. 67 of this Prospectus.

In addition to the above, there have been certain investigations, inspections and enquiries that have been initiated by NSE and SEBI in the past and our Company and our subsidiaries may be subject to such investigations and/or enquiries from the Stock Exchanges, SEBI, RBI or any other regulatory authorities in the future. Our Company and our subsidiaries have also been fined for certain irregularities in the past. Any fines or penalties imposed upon us could increase our expenses and current liabilities. The outcome of such investigation, inspection and consequences in the past has not adversely affected our business. For more information regarding such investigations, enquiries and inspections, please refer to the section titled "Outstanding Litigation, Material Developments and Disclosures" beginning on page no. 67 of this Prospectus.

Contingent Liabilities could create an additional financial burden on our Company.

As of March 31, 2004 our Company had provided counter guarantees to banks amounting Rs. 310 million in respect of the loans taken by its subsidiary company and Rs. 11.8 million on account of the Share Subscription Agreement between our Company, ISL and its then shareholders for the acquisition of ISL subject to the then shareholders procuring additional equity funding of Rs. 200 million for ISL.

Our limited operating history makes it difficult to evaluate our business.

We and our subsidiaries have a limited operating history, which is relevant to an evaluation of our business. You must consider the risks and difficulties frequently encountered by companies in the early stages of development.

Future sales by current shareholders could cause the price of the equity shares to decline.

Upon completion of the offering, we expect approximately 25% of our outstanding share capital will be held by the public and the remaining 75% will be held by the existing shareholders of the Company. Out of the 75% shareholding post issue with the existing shareholders of the Company, 66.74% of such shareholding is locked in for one year from the date of allotment in the Issue as per the SEBI Guidelines. If the existing shareholders sell a substantial number of our equity shares in the public market, the market price of the equity shares could fall. Indian securities laws permit venture capital funds and foreign venture capital investors registered with SEBI as well as employees other than promoters, holding equity shares pursuant to employee stock option scheme, to dispose of their equity shares immediately following the Issue. The remaining pre-issue equity shares are subject to a lock-in of 12 months following the date of allotment in the Issue. Equity Shares held by the promoters upto 20% of the post issue capital are subject to a lock-in of 36 months following the date of allotment in the Issue. Sales or distribution of substantial amounts of the equity shares by existing holders, or the perception that such sale or distribution could occur, could adversely affect prevailing market prices for the Equity Shares.

We and our subsidiaries are yet to receive or renew certain approvals or licenses required in the ordinary course of business, and the failure to obtain these in a timely manner or at all may adversely affect our operations.

We and our subsidiaries require certain approvals, licenses, registrations and permissions for operating our business, some of which have expired and for which we have either made or are in the process of making an application for obtaining the approval or its renewal. For more information, see “Regulations & Policies and Government Approvals” on page no. 64 of this Prospectus. If we or our subsidiaries fail to obtain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected.

Any future issuance of Equity Shares by us may dilute your shareholding.

As a purchaser of Equity Shares in this issue, you may experience dilution in your shareholding to the extent that we make any future equity offerings.

EXTERNAL RISK FACTORS

Competition.

Our Company and our subsidiaries face significant competition from companies seeking to attract clients' financial assets, including traditional and online brokerage firms, mutual fund companies and institutional players, having wide presence and a strong brand name. As our Company and our subsidiaries enter newer markets, we are likely to face additional competition from those who may be better capitalized, have longer operating history, have greater retail and brand presence, and better management than us. If we are unable to manage our business it might impede our competitive position and profitability.

Our Company and our subsidiaries have competed successfully in the past with companies that were larger in sales and infrastructure than us, and have acquired considerable market share. We intend to continue competing vigorously to capture more market share and adding more management personnel to manage our growth in an optimal way.

Legal and Compliance Risk.

Legal and compliance risk refers to the possibility that we will be found, by a court, arbitration panel or regulatory authority, not to have complied with an applicable legal or regulatory requirement. We may be subject to lawsuits or arbitration claims by clients, employees or other third parties in the different jurisdictions in which we conduct our business. In addition, our Company and our subsidiaries are subject to extensive regulation by the SEBI, the NSE, BSE, NCDEX, RBI, IRDA and other state and market regulators in India. New laws/rules and changes in any law and application of current laws/rules could affect our manner of operations and profitability. We may incur substantial costs related to litigation if we are subject to significant legal action.

Terrorist attacks and other acts of violence or war involving India and other countries could adversely affect the financial markets, resulting in a loss of business confidence and adversely affecting the business, results of operations and financial condition.

Terrorist attacks and other acts of violence or war, including those involving India or other countries and other such acts, could adversely affect Indian and worldwide financial markets. Such acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. Travel restriction as a result of such attacks or otherwise may have adverse impact on the ability to operate effectively. Increased volatility in the financial markets can have an adverse impact on the economics of India and other countries including economic recession.

Regional conflicts in South Asia could adversely affect the Indian economy, disrupt the operation and cause our business to suffer.

South Asia has from time to time experienced instances of civil unrest and hostilities among neighbouring countries. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel and transportation more difficult. Such regional tensions could create a greater perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a material adverse effect on the market for Indian companies, including our equity shares and on the market for our services.

Our performance is linked to the stability of policies and the political situation in India.

The role of the central and state governments in the Indian economy affecting producers, consumers and regulators has remained significant over the years. The Government of India has pursued policies of economic liberalization, including relaxing restriction on the private sector. The current Government of India has announced policies and taken initiatives that supports the continued economic liberalization policies that had been pursued by the previous government. There is no assurance that these liberalization policies will continue in the future. Protests against privatisation could slow down the pace of liberalization and deregulation. The rate of economic liberalization could change, and specific laws and policies affecting technology companies, foreign investment, currency exchange rates and other matters affecting investment in the securities could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt our business and economic conditions in India.

Any political instability, could delay the Indian economic reforms and could have an adverse effect on the market for the Equity Shares and on the market for our services.

After this Issue, the prices of our Company's equity shares may be volatile, or an active trading market for our Company's equity shares may not develop.

The price of our Company's equity shares on Indian stock exchanges may fluctuate after this Issue as a result of several factors, including:

- Volatility in the Indian and global securities market;
- The results of operations and performance;
- Market for investment in the banking sector;
- Performance of the Indian Economy;

- Perceptions about our Company's future performance or the performance of Indian financial services companies;
- Performance of our Company's competitors in the Indian financial services and market perception of investments in the Indian financial services sector;
- Significant development in the regulation of financial services market/banking sector;
- Adverse media reports on our Company or on the Indian financial services industry;
- Change in the estimates of our Company's performance or recommendations by financial analysts;
- Significant development in India's economic liberalization and deregulation policies; and
- Significant development in India's fiscal and environmental regulations.

There has been no public market for our Company's equity shares till now and the prices of our Company's equity shares may fluctuate after this Issue. There can be no assurance that an active trading market for the equity shares will develop or be sustained after this Issue, or that prices at which our Company's equity shares are initially offered will correspond to the prices at which our Company's equity shares will trade in the market subsequent to this Issue. Our Company's share price could be volatile and may also decline.

NOTES TO RISK FACTORS

1. On February 3, 2004, our Company's members approved sub division of equity shares of Rs. 10/- each into 5 equity shares of Rs. 2/- each. The equity shares of our Company with face value of Rs. 10 each were split into 5 equity shares of Rs. 2 each, to widen the ownership of our Company's shares by making the shares more affordable to the small investor and to provide for employee stock options to the junior staff of our Company. Accordingly, Earnings Per Share and weighted average number of shares outstanding are presented on a pre-split and post-split basis. The NAV and EPS have declined post the subdivision of the equity shares.
2. Net Offer to the Public of 2,71,87,519 Equity Shares of Rs. 2/- each at a price of Rs. 19 for cash aggregating Rs. 516.56 million (hereinafter referred to as "the Issue or Offer").
3. The Directors and Promoters of our Company have not entered into any purchase or sale transactions of our Company's shares in the last six months except the purchase made by the Promoters for 39,39,875 equity shares of face value of Rs. 2/- each at par on May 7, 2004.
4. The average cost of acquisition of Equity Shares by our Promoters, was Rs. 0.2 per Equity Share and the book value per Equity Share as of March 31, 2004 was Rs. 12.54 per share based on consolidated financial statements. The Net worth of our Company (as restated), as on March 31, 2004 was Rs. 283.72 million. The consolidated Net worth of our Company and our subsidiaries as on March 31, 2004 is Rs. 1023.19 million based on consolidated financials.
5. For Related Party Transactions, please refer to the section entitled " Related Party Transactions" on page no. 57 of this Prospectus.
6. The table below indicates the changes in the name of our Company in the last 3 years.

Previous Name	**New Name**	**Date of Change**	**Reason for Change**
Orbis Infotech Private Limited	Indiabulls Financial Services Private Limited	March 16, 2001	Due to change in the main objects of our Company from Infotech business to Investment & Financial Services.
Indiabulls Financial Services Private Limited	Indiabulls Financial Services Limited	February 27, 2004	Conversion from Private Limited to Public Limited Company.

7. Investors may contact the BRLMs for any information / clarification pertaining to the Issue who will be obliged to provide the same to the investors.
8. In addition to the BRLMs, we are also obliged to update this Prospectus and keep the public informed of any material changes till listing and commencement of trading.
9. Investors may contact the BRLMs for any complaints pertaining to the Issue.
10. Investors are advised to refer to the para titled "Basis of Issue Price" on page no. 71 of this Prospectus.
11. Investors should note that in case of over subscription in the Issue, allocation shall be on proportionate basis to Retail Bidders and Non institutional Bidders. Please refer to paragraph titled "Basis of Allotment/Allocation" on page no. 145 of this Prospectus.

SUMMARY

You should read the following summary with the Risk Factors included from page no. numbers (i) to (vii) and more detailed information about us and our financial statements included on page no. 73 in this Prospectus.

Indian Financial Services Industry

India is a large and growing economy with a rapidly expanding financial services sector. The sector has witnessed a transformation over the last decade as a result of the economic liberalization which started in 1991. Reforms are continuing as part of the overall structural reforms aimed at improving the productivity and efficiency of the economy. The role of an integrated financial infrastructure is to stimulate and sustain economic growth. The US$ 28 billion Indian financial services sector has grown at around 15 per cent and has displayed stability for the last several years, even when other markets in the Asian region were facing a crisis. This stability was ensured through the resilience that has been built into the system over time. The financial services sector has kept pace with the growing needs of corporate and other borrowers. Banks, capital market participants, insurers and mutual fund companies have developed a wide range of products and services to suit varied customer requirements. The Reserve Bank of India (RBI) has successfully introduced a regime where interest rates are more in line with market forces. Financial institutions have combated the reduction in interest rates and pressure on their margins by constantly innovating and targeting attractive consumer segments. Banks and trade financiers have also played an important role in promoting foreign trade of the country.

Capital Markets

The Indian capital markets have undergone a substantial change over the last decade. The market has also witnessed substantial progress in terms of regulatory reforms, application of technology to trading and settlement and sophistication of listed securities including single stock futures and options. These have been accompanied by an accelerated growth in trading volumes, with BSE and NSE combined average daily turnover expanding from approximately Rs.4800 million in 1995-96 to approximately Rs.232,094 million in April 2004. India is now placed among the mature markets of the world. With over 20 million shareholders, India has the third largest investor base in the world after USA and Japan.

Regulatory changes, increased capital requirement, greater customer sophistication and application of technology have forced the brokerage industry to consolidate. Over the last 7 years, the market share of the top 5 brokers has increased from 6% (1996-97) to 13% (December, 2003), with most of the consolidation coming in the last 2 years. The consolidation in the online business is even greater, with the top 5 players owning more than 90% of the market. This consolidation is expected to continue, and provide an opportunity for the top broker to own 15% market share or more over the next 3-4 years.

Insurance Sector

With the opening of the market, foreign and private Indian players are keen to convert untapped market potential into opportunities by providing tailor-made products. The presence of a host of new players in the sector has resulted in a shift in approach and the launch of innovative products, services and value-added benefits. Foreign majors have entered the country and announced joint ventures in both life and non-life areas. Major foreign players include New York Life, Aviva, Tokio Marine, Allianz, Standard Life, Lombard General, AIG, AMP and Sun Life among others. With competition, the erstwhile state sector companies have become aggressive in terms of product offerings, marketing and distribution. The Insurance Regulatory and Development Authority (IRDA) has played a proactive role as a regulator and a facilitator in the sector's development. The size of the market presents immense opportunities to new players with only 20 per cent of the country's insurable population currently insured. There are four public sector and nine private sector insurance companies operating in general/ non-life insurance business with a premium income of over US$ 2.58 billion. The market's potential has been estimated to have a premium income of US$ 80 billion with a potential size of over 300 million people. The General Insurance Corporation (GIC) (which covers the non-life sector) had a total premium income of US$ 2 billion in 2001-02. This has the potential to reach US$ 9 billion in the next five years.

Mutual Funds Sector

Over the past ten years, the Indian mutual fund industry has been one of the fastest growing sectors in the Indian capital and financial markets. The industry has grown in size by about 200 percent from March 1993 to December 2003, at Rs.1.40 trillion in terms of assets under management. The rapid growth has led to considerable changes in regulation, the structure of funds available and the composition of net assets across various industry segments, as well as in the portfolio of investment funds.

Other financial services sectors are growing rapidly too, partly fuelled by recent structural changes, such as the opening up of the Insurance sector for private insurance companies as stated above, and increased investor appetite for market linked instruments (such as equities, mutual funds etc.) due to the rapid decline in local interest rates and commensurate reduction in attractiveness of fixed income instruments.

The retail financial services sector is expected to grow at very high rates and the market share leaders will be able to enjoy exceptional growth if they can provide diversified services at low cost to a large number of clients with world class service standards.

Business Overview

We are a diversified financial services provider with presence in equities, derivatives and debt brokerage mutual fund marketing, depository services for listed shares, equity research services, insurance distribution and other non-banking financial services. Our Company and our subsidiaries have 70 offices spread in 55 cities, 606 employees including 476 relationship managers and 32,359 clients as of April 30, 2004.

Indiabulls Financial Services Limited was established in the year 2000 by three promoters all of whom are engineers from Indian Institute of Technology, New Delhi, and has attracted over Rs. 700 million of investments from venture capital firms, private equity funds and institutional investors. The investors include the proprietary fund of Mr. L.N. Mittal - LNM India Internet Ventures Limited, Transatlantic Corporation Ltd., Farallon Capital Partners L. P. and Infinity Technology Trustee Private Limited.

Our headquarters are co-located in Mumbai and Delhi, allowing our Company and our subsidiaries to access the two most important regions of Indian financial markets, the Western region including Mumbai, rest of Maharashtra and Gujarat and the Northern region, including the National Capital Territory of Delhi, nearby cities, parts of Haryana, Uttar Pradesh and Punjab, and access the highly skilled and educated workforce in these cities. Our marketing and sales efforts are headquartered out of Mumbai, with a regional headquarter in Delhi, and back office, risk management and internal finances are headquartered out of one central location in New Delhi, allowing our Company and our subsidiaries to scale these processes efficiently for the nationwide network. All the back office work, transaction processing work and issuance of cheques takes place from the New Delhi office enabling our Company and our subsidiaries to have better control and efficiency in the support functions.

We offer services across a broad array of products, including:

- Stocks, Options and Futures
- Depository Services
- Commodities
- Insurance Products
- Mutual Funds
- Bonds and Debt Products.

Our Competitive Strengths

We have a distinct set of competitive advantages that make it uniquely capable of winning in the marketplace which are as follows:

- Diverse Branch Network
- Bouquet of financial products and services
- Advanced technology team that delivers market leading product innovation
- Strong sales and marketing teams with continuous reinvestment and training
- Strong cross selling opportunities

- Strong and experienced promoters
- Leading product innovation and marketing strategies
- Well capitalised player, with strong banking relationships and credit ratings
- Ability to combine people and technology in unique ways
- Strong market presence and increased market share leading to a virtuous cycle of growth and profitability.

Our Financial Performance

For us, financial success means consistently achieving superior growth rates and consistent margins. Our expense management is guided by an investment philosophy that continually balances long-term investment with short-term profitability. Our liquidity and capital management reflect a growing balance sheet and financials in terms of revenues and profits.

Annual Results: Our consolidated revenues and net profits for FY 2004 were Rs. 719.49 million and Rs. 194.07 million respectively; consolidated revenues and net profits for FY 2003 were Rs. 266.69 million and Rs. 51.26 million respectively.

SELECTED FINANCIAL DATA

HISTORICAL CONSOLIDATED FINANCIALS OF INDIABULLS

(Rs. in Million)

Profit & Loss	**March 31, 2002**	**March 31, 2003**	**March 31, 2004**	**Quarter ended June 30, 2004**	**Quarter ended June 30, 2003**
Income					
Revenue from Operations	129.56	257.76	697.54	221.10	90.07
Other income	2.99	8.93	21.95	10.24	0.51
Total Income	**132.55**	**266.69**	**719.49**	**231.34**	**90.58**
Expenditure					
Operating Expenses	17.34	49.33	119.63	26.88	12.82
Employees Remuneration and Benefits	12.36	28.91	109.44	52.53	10.53
Administrative and Other Expenses	42.62	69.95	124.70	47.69	16.28
Miscellaneous expenditure written off	0.33	0.33	0.33	—	—
Total Expenditure	**72.65**	**148.52**	**354.10**	**127.10**	**39.63**
Profit / (Loss) - (EBITDA)	**59.90**	**118.17**	**365.39**	**104.24**	**50.95**
Interest and Finance Charges	9.16	29.56	45.30	11.86	7.13
Profit / (Loss) before Depreciation & Tax	**50.74**	**88.61**	**320.09**	**92.38**	**43.82**
Depreciation / Amortisation	7.19	9.24	11.12	3.68	2.50
Net Profit / (Loss) before Tax	**43.55**	**79.37**	**308.97**	**88.70**	**41.32**
Provision for taxation					
Current Tax	2.65	20.05	110.77	32.77	15.50
Deferred Tax (credit)/expense	—	8.28	4.67	0.51	2.97
Impact of prior year adjustments	0.29	—	—	—	—
Net Profit (A)	**40.61**	**51.04**	**193.53**	**55.42**	**22.85**
Adjustments on account of changes in accounting policies:	6.59	0.21	0.54	0.00	0.00
Impact of prior period items	0.28	—	—	—	—
Total Impact of adjustments	6.87	0.21	0.54	—	—
Adjusted profit / (Loss) before Minority Interest as restated	**47.48**	**51.25**	**194.07**	**55.42**	**22.85**
Minority Interest	—	—	0.01	—	—
Preference Dividend (including interim)	—	—	6.23	13.58	—
Distribution Tax on Preference Dividend	—	—	0.80	1.74	—
Net Profit after Minority interest	**47.48**	**51.25**	**187.03**	**40.10**	**22.85**

Balance Sheet as at	March 31, 2002	March 31, 2003	March 31, 2004	June 30, 2004	June 30, 2003
APPLICATION OF FUNDS					
Assets					
Fixed Assets- Gross block	50.08	68.11	106.87	121.81	69.50
Less: Depreciation / Amortisation	18.91	28.15	39.27	42.94	30.65
Net Block	31.17	39.96	67.60	78.87	38.85
Capital Work in Progress	4.18	—	—	—	—
Net Block	35.35	39.96	67.60	78.87	38.85
Goodwill on Consolidation	76.61	76.61	76.42	76.42	76.61
Current assets, loans and advances					
Interest Accrued	0.57	0.29	2.25	3.67	0.05
Stock in trade	—	—	11.53	—	—
Receivables	487.76	492.70	1,347.15	1,614.86	851.65
Cash and bank balances	41.62	75.73	872.60	977.76	85.73
Other current assets	0.76	0.38	—	—	0.34
Loans and advances	46.40	55.85	394.53	274.93	73.50
Total Current Assets, Loans and advances (A)	**577.11**	**624.95**	**2,628.06**	**2,871.22**	**1,011.27**
Current Liabilities & Provisions					
Loan funds					
Sundry liabilities	289.00	236.30	389.44	598.78	262.36
Provisions	3.19	23.85	136.79	169.82	39.49
Total Current liabilities and provisions (B)	**292.19**	**260.15**	**526.23**	**768.60**	**301.85**
Net Current Assets (A) - (B)	**284.92**	**364.80**	**2,101.83**	**2,102.62**	**709.42**
Deferred tax Assets (Net)	7.34	—	—	—	—
Total	**404.22**	**481.37**	**2,245.85**	**2,257.91**	**824.88**
SOURCES OF FUNDS					
Share Capital and Reserves Equity Share Capital	155.43	157.13	163.13	163.13	157.13
Share application money pending allotment	3.00	—	—	—	—
Securities Premium Account	45.90	47.20	115.53	115.24	47.20
Reserve u/s 45 IC of the RBI Act, 1934	0.02	0.03	1.02	1.02	0.03
Surplus as per profit and loss statement, as restated	47.23	98.48	284.53	324.63	121.87
Stock Compensation adjustment	—	—	—	2.25	—
Minority Interest	—	—	458.99	457.29	—
Less: Miscellaneous expenditure not written off	—	—	—	—	—
Total	**251.58**	**302.84**	**1,023.20**	**1,063.56**	**326.23**
Deferred tax Liability (Net)	—	0.94	5.61	6.12	3.91
Loan funds	—	—	—	—	—
Secured loans	152.64	167.33	830.29	1,068.23	483.98
Unsecured loans	—	10.26	386.75	120.00	10.76
Total Loan funds	152.64	177.59	1,217.04	1,188.23	494.74
Total	**404.22**	**481.37**	**2,245.85**	**2,257.91**	**824.88**

Note:

There has been an extraordinary growth in our revenues in the past financial years, which may not be sustainable in the future. The key driver for the growth in revenues has been growth in number of client relationships from 11,725 clients in FY 2002 to 30,498 clients in FY 2004, an increase of 160.12% in number of client relationships over last two years. While our revenues have grown at a CAGR of 132.97% from FY 2002 to FY 2004, the revenues per customer have grown to Rs. 23,591 in FY 2004 from Rs 11,305 in FY 2002. Our receivables have increased from Rs. 487.76 million at the end of FY 2002 to Rs. 1347.15 million at the end of FY 2004 due to increased number of clients. However, receivables per client in FY 2002 and FY 2004 have remained in the same range. Receivables per client were Rs. 41,600 in FY 2002 and Rs 44,172 in FY 2004. Secured and unsecured loans have increased from Rs. 152.64 million at the end of FY 2002 to Rs. 1217.04 million at the end of FY 2004 due to increased working capital requirements arising out of increased business coming from an increased number of clients. The other components of the balance sheet like loans and advances and provisions have increased due to the increased business activity in FY 2004 from FY 2002 and increase in the size of the balance sheet in FY 2004 as compared to FY 2002. The total number of clients serviced by us has increased from 11,725 at the end of FY 2002 to 30,498 at the end of FY 2004, an increase of 160.12 % in number of client relationships from FY 2002 to FY 2004.

THE ISSUE

Fresh Issue:	2,71,87,519 Equity Shares constituting 25% of the fully diluted post issue paid–up capital of our Company
Of which	
• Qualified Institutional Buyers portion	Upto 1,35,93,759 Equity Shares constituting 50% of the Issue *(Allocation on a discretionary basis)*
• Non Institutional portion	Atleast 67,96,880 Equity Shares constituting 25% of the Issue *(Allocation on a proportionate basis)*
• Retail portion	Atleast 67,96,880 Equity Shares constituting 25% of the Issue *(Allocation on a proportionate basis)*
Equity Shares outstanding prior to the Issue	8,15,62,555 Equity Shares
Equity Shares outstanding after the Issue	10,87,50,074 Equity Shares
Objects of the Issue:	The proceeds of the Issue to build a long-term capital base to be able to meet our capital requirements. Please see the section entitled "Objects of the Issue" on page no. 15 of this Prospectus for additional information.

Corporate Information:

Indiabulls Financial Services Limited was incorporated on January 10, 2000 as M/s Orbis Infotech Private Limited under the Companies Act with registration number 55-103183. The name of our Company was changed to M/s Indiabulls Financial Services Private Limited on March 16, 2001. It became a Public Limited Company on February 27, 2004 and the name of our Company was changed to M/s Indiabulls Financial Services Limited. Our Registered Office is located at F-60, IInd Floor, Malhotra Building, Connaught Place, New Delhi – 110 001. Our telephone number is +91-11-5152 3700.

Indiabulls Financial Services Limited

(Incorporated on January 10, 2000 as M/s Orbis Infotech Private Limited at New Delhi under the Companies Act, 1956 with Registration No. 55 – 103183. The name of our Company was changed to M/s Indiabulls Financial Services Private Limited on March 16, 2001. It became a Public Limited Company on February 27, 2004 and the name of our Company was changed to M/s Indiabulls Financial Services Limited)

Registered office: *F – 60, IInd Floor, Malhotra Building, Connaught Place, New Delhi – 110 001*

Tel: *+91-11-51523700;* ***Fax:*** *+91-11-51529071;* ***E-mail:*** *ipo@indiabulls.com;* ***Website:*** *www.indiabulls.com*

GENERAL INFORMATION

AUTHORITY FOR THE ISSUE

The current Issue has been authorised by shareholders vide a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at Extraordinary General Meeting held on April 12, 2004.

PROHIBITION BY SEBI

We, our subsidiaries, our Directors, our Promoters, any of the associates of our group companies, other companies /entities promoted by our Promoters, and companies/entities with which our Directors are associated with as directors or promoters, have not been prohibited from accessing the capital markets under any order or direction passed by SEBI. None of our Directors or the persons in control of our Promoter companies have been prohibited from accessing the capital markets or restrained from buying/selling/dealing in securities under any order or direction passed by SEBI.

ELIGIBILITY FOR THE ISSUE

Our Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI Guidelines as explained under with eligibility criteria calculated in accordance with financial statements under Indian GAAP:

- Our Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years of which not more than 50% is held in monetary assets and is compliant with Clause 2.2.1(a) of the SEBI Guidelines;
- Our Company has a track record of distributable profits in accordance with Section 205 of Companies Act, for at least three of the immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI Guidelines;
- Our Company has a net worth of at least Rs. 10 million in each of the three preceding full years; and is compliant with Clause 2.2.1(c) of the SEBI Guidelines;
- Although our Company changed its name within the last one year (from Indiabulls Financial Services Private Limited to Indiabulls Financial Services Limited on February 27, 2004) more than 50% of the revenue for the preceding full year is earned from the activity suggested by our new name and is compliant with Clause 2.2.1(d) of the SEBI Guidelines;
- The proposed Issue size is not expected to exceed five times the pre-Issue net worth of our Company and is compliant with Clause 2.2.1(e) of the SEBI Guidelines;

Our net profit, dividend, net worth, net tangible assets and monetary assets derived from the Auditor's Report included in this Prospectus under the section "Financial Statements GAAP", as at, and for the last five years ended FY 2004 are set forth below:

(Rs. in million)

	Year ended March 31, 2000	**Year ended March 31, 2001**	**Year ended March 31, 2002**	**Year ended March 31, 2003**	**Year ended March 31, 2004**
Net tangible assets(1)	36.23	201.41	204.44	204.48	283.73
Monetary assets(2)	24.00	18.77	4.12	20.26	0.78
Net profits, as restated	-	0.08	0.02	0.04	4.93
Net worth, as restated	36.23	201.41	204.44	204.48	283.73

(1) Net tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), trade investments, current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities)

(2) Monetary assets include cash on hand and bank and quoted investments. Detailed figures are given on page no. 73 in the Prospectus.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, SBI CAPITAL MARKETS LIMITED AND DSP MERRILL LYNCH LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, SBI CAPITAL MARKETS LIMITED AND DSP MERRILL LYNCH LIMITED HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED MAY 6, 2004 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

" WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE PROSPECTUS PERTAINING TO THE SAID ISSUE.

ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

(A) THE PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(C) THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A <u>WELL-INFORMED DECISION</u> AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE ACT. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT."

<u>THE FILING OF THE PROSPECTUS</u> DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE PROSPECTUS.

DISCLAIMER CLAUSE OF RBI IN RESPECT OF NBFC

Our Company is registered with the RBI, as a NBFC not accepting public deposits, in this connection RBI requires the following disclaimer to be put:

"The company is having a valid certificate of Registration dated March 30, 2001 issued by the Reserve Bank of India under Section 45 (I) A of the Reserve Bank of India Act, 1934. However, the RBI dose not accept any responsibility or guarantee about the present position as to the financial soundness of the company or for the correctness of any of the statements or representations made or opinions expressed by the company and for repayment of deposits / discharge of liabilities by the company."

CAUTION

Our Company and the BRLMs accept no responsibility for statements made otherwise than in the Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Underwriting Agreement to be entered into between the Underwriters and us and the Memorandum of Understanding among the BRLMs and our Company.

All information shall be made available by the BRLMs and us to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres etc.

DISCLAIMER IN RESPECT OF JURISDICTION

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorised under their constitution to hold and invest in shares) and to NRIs, FIIs and Foreign Venture Capital Funds Registered with SEBI. This Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Prospectus comes is required to inform him or herself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in New Delhi only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Prospectus has been filed with SEBI for observations and SEBI has given its observations on July 16, 2004 and the Prospectus has been filed with RoC as per the provisions of the Companies Act. Accordingly, the Equity Shares, represented thereby may not be issued, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGE, MUMBAI

The Stock Exchange, Mumbai (‘BSE’) has given, vide its letter dated May 14, 2004, permission to the Company to use the Exchange’s name in this Prospectus as one of the stock exchanges on which this Company’s securities are proposed to be listed. The Exchange has scrutinised this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. The Exchange does not in any manner –

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; or
2. warrant that this Company’s securities will be listed or will continue to be listed on the Exchange; or
3. take any responsibility for the financial or other soundness of this Company, promoters, management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this Prospectus has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange, whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED

“As required, a copy of this Prospectus has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given, vide its letter dated May 31, 2004, permission to the Issuer to use the Exchange’s name in this Prospectus as one of the stock exchanges on which this Issuer’s securities are proposed to be listed. The Exchange has scrutinised this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus, nor does it warrant that this Issuer’s securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claims against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever."

FILING

A copy of the Red Herring Prospectus, along with the documents required to be filed under 60B of the Companies Act, has been registered the RoC at Delhi on August 23, 2004 and a copy of the Prospectus required to be filed under Section 60 of the Companies Act has been delivered for registration with RoC at Delhi on September 14, 2004. A copy of the Red Herring Prospectus has been filed with SEBI at Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai - 400 021.

LISTING

Applications have been made to The Stock Exchange, Mumbai and the National Stock Exchange of India Limited for permission to deal in and for an official quotation of the Equity Shares of our Company.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges mentioned above, we shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within eight days after the date on which we become liable to repay it (i.e. from the date of refusal or within 70 days from the date of Issue Closing Date, whichever is earlier), then we shall, on and from expiry of eight days, be jointly and severally liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation and adoption of the basis of allocation for the Issue.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

MINIMUM SUBSCRIPTION

If the Company does not receive the minimum subscription of 90% of the net offer to public including devolvement of Underwriters within 60 days from the date of closure of the issue, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest prescribed under Section 73 of the Companies Act.

WITHDRAWAL OF THE ISSUE

We in consultation with the BRLMs, reserve the right not to proceed with the Issue anytime after the Bid / Issue Closing Date, without assigning any reason thereof.

LETTERS OF ALLOTMENT OR REFUND ORDERS

We shall give credit to the Beneficiary Account with Depository Participants within two working days from allotment of Equity Shares. We shall ensure dispatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500 if any, by registered post or speed post at the sole or first bidder's sole risk.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we further undertake that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 days from the Issue Closing Date;
- Despatch of refund orders shall be done within 15 days from the Issue Closing Date; and
- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), refund orders are not despatched and/or demat credits are not made to investors within the 15 day time prescribed above.

We will provide adequate funds required for despatch of refund orders or allocation advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by us, as Refund Banker, and payable at par at places where bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the bidders.

ISSUE PROGRAMME

Bidding Period / Issue Period

BID / ISSUE OPENS ON	**September 6, 2004**
BID / ISSUE CLOSES ON	**September 10, 2004**

Bids and any revision in bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded till such time as permitted by the BSE and NSE on the Issue Closing Date. In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 13 days.

ISSUE MANAGEMENT TEAM

Book Running Lead Managers

SBI CAPITAL MARKETS LIMITED
202, Maker Tower 'E'
Cuffe Parade
Mumbai – 400 005
Tel: +91 – 22 – 2218 9166
Fax: +91 – 22 – 2218 8332
Email: indiabullsipo@sbicaps.com

DSP MERRILL LYNCH LIMITED
Mafatlal Centre, 10th Floor
Nariman Point
Mumbai - 400 021
Tel: +91 – 22 – 5632 8000
Fax: +91 – 22 – 2282 5103
Email: indiabulls_ipo@ml.com

STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITIES AMONGST BRLMs

The responsibilities and co-ordination for various activities in this Issue have been distributed amongst the BRLMs as under:

Activities	Responsibility	Co-ordinator
Capital structuring with the relative components and formalities such as type of instruments, etc.	SBICAP, DSPML	SBICAP
Due diligence of the Company's operations / management / business plans/legal etc.	SBICAP, DSPML	SBICAP
Drafting & Design of Offer Document and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI	SBICAP, DSPML	SBICAP
Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure, etc.	SBICAP, DSPML	SBICAP
Appointment of Registrar, Bankers, Printer and Advertising agency	SBICAP, DSPML	SBICAP
Domestic institutions/Banks/Mutual Funds marketing strategy, Road Show Marketing Presentation ▪ Finalise the list and division of investors for one to one meetings, institutional allocation in consultation with the Company	SBICAP, DSPML	DSPML
International Institutional Marketing Strategy		
▪ Finalise the list and division of investors for one to one meetings, institutional allocation in consultation with the Company	SBICAP, DSPML	DSPML

Activities	Responsibility	Co-ordinator
Retail/HNI Marketing Strategy ▪ Finalise centres for holding conference for brokers etc. ▪ Finalise media, marketing & PR strategy ▪ Follow up on distribution of publicity and issue materials including form, prospectus and deciding on the quantum of the Offer material ▪ Finalise Collection orders	SBICAP, DSPML	DSPML
The post bidding activities including management of escrow accounts, co-ordinate non institutional allocation, intimation of allocation and despatch of refunds to bidders etc.	SBICAP, DSPML	DSPML
Managing the Book, Co-ordination with Stock Exchanges, Pricing, QIB allocation	SBICAP, DSPML	DSPML
The post Offer activities of the Issue will involve essential follow up steps, which must include finalisation of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refund business. The designated BRLM shall be responsible for ensuring that these agencies fulfil their functions and enable him to discharge this responsibility through suitable agreements with the issuer Company.	SBICAP, DSPML	DSPML

Registered Office

Indiabulls Financial Services Limited
F – 60, IInd Floor,
Malhotra Building,
Connaught Place, New Delhi – 110 001
Tel: +91-11-51523700;
Fax: +91-11-51529071;
E-mail: ipo@indiabulls.com; **website:** www.indiabulls.com

Compliance Officer

Mr. Amit Jain
Company Secretary
Indiabulls Financial Services Ltd.
F-60, Malhotra Building, 2nd Floor,
Connaught Place, New Delhi – 110 001
Tel: +91-11-5152 3700;
Fax: +91-11- 5152 9071
Email: ajain@indiabulls.com

Investors can contact the Compliance Officer or the Registrar in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allocation, credit of allotted shares in the respective beneficiary account or refund orders, etc.

Registrar to the Issue

KARVY COMPUTERSHARE PRIVATE LIMITED
Karvy House, 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad – 500 034
Tel. : +91- 40-2331 2454
Fax. : +91- 40-2331 1968
E-mail: ifsl.ipo@karvy.com

Legal Advisors to the Company

DUA ASSOCIATES

704-705, Global Business Park – Tower ‘B’
Gurgaon – 122 002 (Haryana)
Tel: +91-124-2803366;
Fax +91-124-2803370

Legal Advisors to the Underwriters

NISHITH DESAI ASSOCIATES

93-B, Mittal Court,
Nariman Point,
Mumbai – 400 021
Tel: + 91 22 22820609
Fax: +91 22 22875792

International Legal Advisors

WHITE & CASE
9th Floor, Gloucester Tower,
The Landmark,
11, Pedder Street,
Hong Kong, SAR
Tel: +852 2822 8700
Fax: +852 2845 9070

Auditors

DELOITTE HASKINS & SELLS
Chartered Accountants
12, Dr. Annie Besant Road,
Opp. Shiv Sagar Estate, Worli,
Mumbai – 400 018.
Tel: +91 22 5667 9000;
Fax: +91 22 5667 9100

Banker to the Issue and Escrow Collection Bankers

ABN Amro Bank
Sakhar Bhawan, 4th Floor,
Nariman Point
Mumbai – 400 021

Canara Bank
Capital Market Services Branch
Verma Chambers, No. 11
Homji Street, Fort,
Mumbai – 400 001

Citibank N.A.
Bombay Mutual Building,
293, D. N. Road, Fort,
Mumbai – 400 001

HDFC Bank
HDFC Bank House,
Senapati Bapat Marg,
Lower Parel,
Mumbai – 400 013

ICICI Bank Limited
30, Mumbai Samachar Marg, Fort,
Mumbai – 400 001

Kotak Mahindra Bank Limited
5-C/II, Mittal Court
224, Nariman Point,
Mumbai – 400 021

State Bank of India
New Issues & Securities Services Division
Mumbai Main Branch
Mumbai Samachar Marg
P.O. Box No. 13, Fort,
Mumbai – 400 023

Standard Chartered Bank
270, D. N. Road, Fort,
Mumbai – 400 001

Union Bank of India
Merchant Banking Division
239, Vidhan Bhawan Marg
Union Bank Bhawan
Nariman Point,
Mumbai – 400 021

Bankers to the Company

Bank Name	Branch Address
HDFC Bank	Jwala Mansion, 4/2 B, Asaf Ali Road, New Delhi - 100 002
ABN Amro Bank	74, Sakhar Bhawan, 7th Floor, Nariman Point, Mumbai - 400 021.
Standard Chartered Bank	10, Parliament Street, New Delhi - 110 001.
CITI Bank	Jeevan Bharti Building, 124, Connaught Circus, New Delhi - 110 001.
IL&FS	10, Community Centre, IInd Floor, East of Kailash, New Delhi - 110 065.
Lord Krishna Bank	Gr. Floor, Bharat House, 104, MSM, Fort, Mumbai.
Union Bank of India	Mumbai Samachar Marg, 66/80, Fort, Mumbai - 400 023.
ICICI Bank	30, Mumbai Samachar Marg, Fort, Mumbai - 400 001.
Bank of Maharashtra	IInd Floor, 23, Makers Chambers - III, Nariman Point, Mumbai - 400 021.
Punjab National Bank	7, Bhikaji Kama Place, New Delhi - 110 056.
Canara Bank	NSE Branch, First Floor, Varma Chambers, 11 Homji Street, Fort, Mumbai.

CREDIT RATING

This being an issue of Equity Shares, a credit rating is not required.

TRUSTEES

As the Issue is of Equity Shares, the appointment of Trustees is not required.

BOOK BUILDING PROCESS

Book Building refers to the process of collection of bids from investors, on the basis of the Red Herring Prospectus including the Price Band. The Issue Price is fixed after the Bid Closing Date. The principal parties involved in the Book Building Process are:

(1) The Company

(2) Book Running Lead Managers, in this case being SBI Capital Markets Limited, and DSP Merrill Lynch Limited

(3) Registrar to the Issue

SEBI through its guidelines has permitted an offer of securities to the public through 100% Book Building Process, wherein: (i) upto 50% of the net offer to the public shall be allocated on a discretionary basis to QIBs (ii) not less than 25% of the net offer to the public shall be available for allocation on a proportionate basis to the Retail Individual Bidders i.e. Individual Bidders (including HUFs and NRIs) whose maximum Bid amount is not more than Rs. 50,000/- and (iii) not less than 25% of the net offer to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders, subject to valid Bids being received at or above the Issue Price. The Issue Price will be ascertained after the Bid Closing Date.

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed SBI Capital Markets Limited & DSP Merrill Lynch Limited as the Book Running Lead Managers to the Issue to procure subscription to the Issue.

Illustration of Book Building and Price Discovery Process *(Investors should note that the following is solely for the purpose of illustration and is not specific to the Offer)*

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs.40 to Rs.48 per share, issue size of 6,000 equity shares and receipt of nine bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of our Company at various prices and is collated on the basis of bids from various investors.

Number of equity shares Bid for	Bid Price (Rs.)	Cumulative equity shares Bid	Subscription
500	48	500	8.33%
700	47	1200	20.00%
1000	46	2200	36.67%
400	45	2600	43.33%
500	44	3100	51.67%
200	43	3300	55.00%
2800	42	6100	101.67%
800	41	6900	115.00%
1200	40	8100	135.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e. Rs. 42 in the above example. The issuer, in consultation with the BRLMs will finalise the issue price at or below such cut off price i.e. at or below Rs. 42. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

The process of Book Building under DIP Guidelines is relatively new and investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Offer. Pursuant to the recent amendments to DIP Guidelines, QIBs are not allowed to withdraw their Bids after Bid/ Offer Closing Date.

Steps to be taken for bidding:

1. Check eligibility for bidding (please refer to the section "Issue Procedure" on page no. 134 of the Red Herring Prospectus);
2. Ensure that the bidder has a demat account; and
3. Ensure that the Bid-cum-Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid-cum-Application Form.

We, in consultation with the BRLMs, would have discretion to allocate to QIBs based on a number of criteria, which will typically include, but would not be limited to, the following: prior commitment, investor quality, price, earliness of bid, existing and continued shareholding of QIBs during the period prior to the Bid Opening Date and until the date of pricing.

UNDERWRITING AGREEMENT

Our Company has entered into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. million)
SBI Capital Markets Limited 202, Maker Tower 'E' Cuffe Parade Mumbai – 400 005	1,35,93,760	258.28
DSP Merrill Lynch Limited Mafatlal Centre, 10th Floor. Nariman Point, Mumbai - 400 021	1,35,93,759	258.28

The above underwriting agreement is dated September 11, 2004.

In the opinion of the Board of Directors of our Company (based on a certificate given to them by the BRLMs), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act. The above Underwriting Agreement has been accepted by the Board of Directors of our Company at their meeting held on September 11, 2004 and our Company has issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure / subscribe to the extent of the defaulted amount. Allocation to QIBs is discretionary as per the terms of the Red Herring Prospectus and may not be proportionate in any way and the patterns of allocation to the QIBs could be different for the various Underwriters.

CAPITAL STRUCTURE OF OUR COMPANY

CAPITAL STRUCTURE

Share Capital as of September 14, 2004	**(In Rs.)**	
	Face Value	**Total Value**
A. Authorised Capital		
12,50,00,000 Equity Shares of Rs.2 each	25,00,00,000	25,00,00,000
B. Issued Subscribed And Paid-Up Capital before the Issue		
8,15,62,555 Equity Shares of Rs. 2 each fully paid-up	16,31,25,110	16,31,25,110
C. Present Issue to the public in terms of this Prospectus (Including Premium)		
2,71,87,519 Equity Shares of Rs. 2 each	5,43,75,038	51,65,62,861
D. Equity Capital after the Issue (Including Premium)		
10,87,50,074 Equity Shares of Rs. 2 each	21,75,00,148	79,49,30,708
E. Share Premium Account		
Before the Issue		11,52,42,737
After the Issue		57,74,30,560

NOTES:

1. Share Capital History of our Company

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration (cash, bonus, consideration other than cash)	Date on which fully paid-up	Cumulative Share Premium (Rs.)
10- Jan-00	10	10.00	10.00	Cash	10-Jan-00	0
10- Jan-00	10	10.00	10.00	Cash	10-Jan-00	0
28-Feb-00	49980	10.00	10.00	Cash	28-Feb-00	0
28-Feb-00	25000	10.00	10.00	Cash	28-Feb-00	0
28-Feb-00	25000	10.00	10.00	Cash	28-Feb-00	0
20-Jun-00	12028	10.00	3574.99	Cash	20-Jun-00	4,28,79,720
20-Jun-00	25429	10.00	3381.97	Cash	20-Jun-00	12,86,25,430
27-Nov-00	17968	10.00	4285.40	Cash	27-Nov-00	20,54,45,817
26-Feb-01	4950000	10.00	0.00	Bonus	26-Feb-01	15,59,45,817
26-Feb-01	2475000	10.00	0.00	Bonus	26-Feb-01	13,11,95,817
26-Feb-01	2475000	10.00	0.00	Bonus	26-Feb-01	10,64,45,817
26-Feb-01	1190772	10.00	0.00	Bonus	26-Feb-01	9,45,38,097
26-Feb-01	2517471	10.00	0.00	Bonus	26-Feb-01	6,93,63,387
26-Feb-01	1778832	10.00	0.00	Bonus	26-Feb-01	5,15,75,067
6-Jul-02	11669	10.00	42.85	Cash	6-Jul-02	4,62,81,757*
6-Jul-02	5834	10.00	42.85	Cash	6-Jul-02	4,64,73,417
6-Jul-02	5834	10.00	42.85	Cash	6-Jul-02	4,66,65,077
6-Jul-02	23337	10.00	42.85	Cash	6-Jul-02	4,74,31,707
6-Jul-02	23337	10.00	42.85	Cash	6-Jul-02	4,81,98,337
13-Sep-02	100000	10.00	10.00	Services	13-Sep-02	4,71,98,337*
03-Feb-04	78562555	2.00	––	––	Split	––
26-Feb-04	30,00,000	2.00	25.00	Cash	26-Feb-04	11,55,30,237

* The reduction in share premium is on account of Share Issue expenses, which have been adjusted against the share premium account.

2. **Promoters Contribution And Lock-In**

Promoters Contribution locked-in for a period of 3 years

Name of the Promoter	Date of Allotment/ Acquisition	Date when made fully Paid-up	Conside-ration (Cash, bonus, kind, etc.)	No. of shares (of face value of Rs. 10 each)	Face Value (Rs.)	Issue Price (Rs.)	No. of shares (of face value of Rs. 2 each)	Percen-tage of pre -Issue paid-up capital	Percen-tage of Post -Issue paid-up capital	Lock-in Period
Sameer Gehlaut	26-Feb-01	26-Feb-01	Bonus	2428162	10	0	12140810	14.89%	11.16%	3 yrs.
Sameer Gehlaut	6-Jul-02	6-Jul-02	Cash	11669	10	42.85	58345	0.07%	0.05%	3 yrs.
Rajiv Rattan	26-Feb-01	26-Feb-01	Bonus	1214082	10	0	6070410	7.44%	5.58%	3 yrs.
Rajiv Rattan	6-Jul-02	6-Jul-02	Cash	5834	10	42.85	29170	0.04%	0.03%	3 yrs.
Saurabh K Mittal	26-Feb-01	26-Feb-01	Bonus	684422	10	0	3422110	4.20%	3.15%	3 yrs.
Saurabh K Mittal	6-Jul-02	6-Jul-02	Cash	5834	10	42.85	29170	0.04%	0.03%	3 yrs.
Total				**4350003**			**21750015**	**26.68%**	**20.00%**	

Promoters Contribution locked-in for a period of 1year

Name of the Promoter	Date of Allotment/ Acquisition	Date when made fully Paid-up	Conside-ration (Cash, bonus, kind, etc.)	No. of shares (of face value of Rs. 10 each)	Face Value (Rs.)	Issue Price (Rs.)	No. of shares (of face value of Rs. 2 each)	Percen tage of pre -Issue paid-up capital	Percen-tage of Post -Issue paid-up capital	Lock-in Period
Sameer Gehlaut	28-Feb-00	28-Feb-00	Cash	49980	10	10	249900	0.31%	0.23%	1 yr.
Sameer Gehlaut	20-May-00	20-May-00	Cash	20	10	10	100	0.00%	0.00%	1 yr.
Sameer Gehlaut	26-Feb-01	26-Feb-01	Bonus	2521838	10	0	12609190	15.46%	11.59%	1 yr.
Rajiv Rattan	28-Feb-00	28-Feb-00	Cash	25000	10	10	125000	0.15%	0.11%	1 yr.
Rajiv Rattan	26-Feb-01	26-Feb-01	Bonus	1260918	10	0	6304590	7.73%	5.80%	1 yr.
Saurabh K Mittal	28-Feb-00	28-Feb-00	Cash	25000	10	10	125000	0.15%	0.11%	1 yr.
Saurabh K Mittal	26-Feb-01	26-Feb-01	Bonus	702603	10	0	3513015	4.31%	3.23%	1 yr.
Saurabh K Mittal	7-May-04	26-Feb-01	Transfer	787975	10	N.A	3939875	4.83%	3.62%	1 yr.
Total				**5373334**			**26866670**	**32.94%**	**24.69%**	

Note: In addition to the above lock-in shares, Infinity Technology Trustee Private Ltd. has voluntarily agreed to lock-in their shares for a period of 120 days from the date of allotment, which may be waived off by DSP Merrill Lynch Ltd., if the after IPO market is good and upto the satisfaction of DSP Merrill Lynch Ltd.

(i) Shares held by the person other than the promoters, prior to Initial Public Offering, which are subject to lock in as per clause 4.14.1 of SEBI Guidelines, may be transferred to any other person holding shares which are locked in, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.

(ii) Shares held by promoter(s) which are locked in as per the relevant provisions of Chapter IV of the SEBI Guidelines, may be transferred to and amongst promoter/promoter group or to a new promoter or persons in control of our Company, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, as applicable.

3. **Shareholding pattern of our Company before and after the Issue**

Category	Pre-Issue		Post-Issue	
	Number of Equity Shares	%	Number of Equity Shares	%
Promoters				
Sameer Gehlaut	2,50,58,345	30.72	2,50,58,345	23.04
Rajiv Rattan	1,25,29,170	15.36	1,25,29,170	11.52
Saurabh K Mittal	1,10,29,170	13.52	1,10,29,170	10.14
Other Investors				
LNM India Internet Ventures Ltd.	61,30,685	7.52	61,30,685	5.64
Transatlantic Corporation Ltd.	1,28,31,185	15.73	1,28,31,185	11.80
Infinity Technology Trustee P. Ltd.	89,84,000	11.01	89,84,000	8.26
Atul Gupta	15,00,000	1.84	15,00,000	1.38
Avendus Advisors Private Limited	5,00,000	0.61	5,00,000	0.46
Farallon Capital Partners L. P.	28,50,000	3.49	28,50,000	2.62
RR Capital Partners L. P.	1,50,000	0.18	1,50,000	0.14
Public	––	––	2,71,87,519	25.00
Total	**8,15,62,555**	**100.00**	**10,87,50,074**	**100.00**

4.

a) **Particulars of top ten shareholders on the date of filing the Prospectus with the ROC**

Sr. No.	Name of the Shareholders	No. of Equity Shares (Rs. 2 paid up)
1	Sameer Gehlaut	2,50,58,345
2	Rajiv Rattan	1,25,29,170
3	Saurabh K. Mittal	1,10,29,170
4	LNM India Internet Ventures Ltd.	61,30,685
5	Transatlantic Corporation Ltd.	1,28,31,185
6	Infinity Technology Trustee P. Ltd.	89,84,000
7	Atul Gupta	15,00,000
8	Avendus Advisors Private Limited	5,00,000
9	Farallon Capital Partners L. P.	28,50,000
10	RR Capital Partners L. P.	1,50,000

b) **Particulars of top ten shareholders 10 days prior to the date of filing of the Prospectus with the ROC**

Sr. No.	Name of the Shareholders	No. of Equity Shares (Rs. 2 paid up)
1	Sameer Gehlaut	2,50,58,345
2	Rajiv Rattan	1,25,29,170
3	Saurabh K. Mittal	1,10,29,170
4	LNM India Internet Ventures Ltd.	61,30,685
5	Transatlantic Corporation Ltd.	1,28,31,185
6	Infinity Technology Trustee P. Ltd.	89,84,000
7	Atul Gupta	15,00,000
8	Avendus Advisors Private Limited	5,00,000
9	Farallon Capital Partners L. P.	28,50,000
10	RR Capital Partners L. P.	1,50,000

c) **Particulars of top ten shareholders 2 years prior to the date of filing of the Prospectus with the ROC)**

Sr. No.	Name of the Shareholders	No. of Equity Shares (Rs. 10/- paid up)
1	Sameer Gehlaut	50,11,669
2	Rajiv Rattan	25,05,834
3	Saurabh K. Mittal	14,17,859
4	LNM India Internet Ventures Ltd.	12,26,137
5	Transatlantic Corporation Ltd.	25,66,237
6	Infinity Technology Trustee P. Ltd.	17,96,800
7	Atul Gupta	10,87,975

5. The total number of members of our Company as of March 31, 2004 is 10.

6. Our Company has not availed any bridge loan against the proceeds of this Issue.

7. The Promoters, Directors and BRLMs to the Issue have not entered into any buy-back, standby or similar arrangements for any of the securities being issued through this Prospectus.

8. The Directors and Promoters of our Company have not entered into any purchase or sale transactions of our Company's shares in the last six months except the purchase made by the Promoters for 39,39,875 equity shares of face value of Rs. 2/- each at par on May 7, 2004.

9. In this Issue, in case of over-subscription in all categories, up to 50% of the Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than 25% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% of the Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in the Non Institutional and Retail categories would be allowed to be met with spill over from any other category at the sole discretion of our Company in consultation with the BRLMs.

10. The Equity Shareholders of our Company do not hold any warrant, option or convertible loan or any debenture, which would entitle them to acquire further shares in our Company.

11. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Red Herring Prospectus with SEBI until the Equity Shares offered through this Prospectus have been listed.

12. We presently do not have any intention or proposal to alter our capital structure for a period of six months from the date of opening of the Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly, for our Equity Shares) whether preferential or otherwise.

13. Our Company has not revalued its assets since inception.

14. Save and except as given below, no shares have been allotted on firm basis or through private placement in the last two years nor has the Company bought back its equity shares in the last six months.

Name	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Amount (Rs.)
Sameer Gehlaut	11669	10.00	42.85	500000
Rajiv Rattan	5834	10.00	42.85	250000
Saurabh K. Mittal	5834	10.00	42.85	250000
LNM India Internet Ventures Ltd.	23337	10.00	42.85	1000000
Transatlantic Corporation Ltd.	23337	10.00	42.85	1000000
Avendus Advisors P. Ltd.	100000	10.00	10.00	1000000
Farallon Capital Partners L. P.	28,50,000	2.00	24.97	71171055
RR Capital Partners L. P.	1,50,000	2.00	24.97	3745845

15. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, i.e., 2,71,87,519 Equity Shares, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor. However, Allotment to a single Bidder would not exceed 10% (i.e. 10,875,007 equity shares) of the post Issue paid-up capital of our Company.

16. No Public Issue has been made by our Company within the immediate preceding 2 years.

17. Our Company undertakes that at any given time, there shall be only one denomination for the shares of our Company and the Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

18. An oversubscription to the extent of 10% of the Issue can be retained for the purpose of rounding off, while finalising the Basis of Allotment.

19. Our Company has adopted an employee stock option plan as a means to reward and motivate employees of our Company and our subsidiaries and has allotted 60,00,000 options of our Company convertible to 60,00,000 Rs.2/- paid up shares of our Company. The vesting of the aforesaid options will happen uniformly for every employee under the scheme to the extent of 20% of the total options granted to any employee after each period of one year starting from April 1, 2004. Therefore entire lot of 60,00,000 options will get vested after a period of 5 years, which starts on April 1, 2004. We believe that our equity option plan enhances our ability to attract and retain talented employees. The ESOP Plan was approved by shareholders of our Company on February 28, 2004 vide special resolution.

Particulars		
a.	Options Granted (net of options cancelled)	60,00,000
b.	Exercise price	Rs. 2
c.	Options vested	Nil
d.	Options exercised	Nil
e.	The total number of Equity Shares to be transferred by the ESOP Trust as a result of exercise of options	Not Applicable
f.	Options lapsed	Nil
g.	Variation of terms of options	Not applicable
h.	Money realized by exercise of options	Nil
i.	Total number of options in force	60,00,000
j.	Person-wise details of options granted to;	
i.	Directors	Nil
ii.	any other employee who received a grant in any one year of options amounting to 5% or more of option granted during that year	Tejinderpal Singh Miglani 20,00,000 Gagan Banga 9,00,000 Divyesh B. Shah 7,50,000 Kavi Kumar 5,00,000
iii.	identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	Tejinderpal Singh Miglani 20,00,000 Gagan Banga 9,00,000
k.	Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of options	No options exercised yet
l.	Vesting schedule	20% vesting every year with first vesting occurring on March 31, 2005.
m.	Lock-in	Nil

The ESOP scheme of our Company is in compliance with the SEBI guidelines.

OBJECTS OF THE ISSUE

The objects of the Issue are to achieve benefits of listing and to raise capital. We believe that listing will enhance our brand value and provide capital to promote new business activities, upgrade existing fixed infrastructure, open new offices and make investments & strategic acquisitions.

The net proceeds of this Issue before deducting underwriting and management fees, brokerage, fees to various advisors and all other Issue related expenses payable by us is estimated at Rs. 516.56 million.

The main objects clause and objects incidental or ancillary to the main objects clause of the Memorandum of Association of our Company enables us to undertake our existing activities and the new activities for which the funds are being raised by us, through the present Issue. Further, we confirm that our registration under the NBFC regulations allows us to carry out the activities currently being carried out and under the NBFC regulations, we are entitled to carry on Asset Management Activities, whether by ourselves or through our subsidiaries.

Funds requirement

	(Rs. million)
Promote New Business Activities	400
Upgrade Fixed Infrastructure and Open New Branches	350
Investments and Acquisitions	570
Total	1320

Promote new Business Activities

We propose to enter into retail finance business through IFSL with a total outlay of Rs 200 million. We also plan to enter into Asset Management business by deploying a total sum of Rs 200 million, either through setting up our own Asset Management Company or by acquiring strategic stake in an existing Asset Management Company.

Upgrade Fixed infrastructure and Open new branches

We intend to invest Rs 150 million in upgrading our technology systems and installing a Virtual Private Network (VPN) to connect our offices. We believe that investments in technology would enable us to lower our operating costs, improve client response time and allow us to handle more business. We plan to deploy Rs 200 million towards increasing our geographical footprint through physical presence in new locations. We believe that opening offices in new locations will increase our reach to new customers. We intend to open 75 more branch offices by the end of calendar year 2006.

Investments and Acquisitions

We propose to make investments of Rs 250 million in one of our subsidiary companies, ISL. By way of this capital infusion of Rs 250 million in our subsidiary, ISL we will be able to strengthen its balance sheet, increase its working capital and enhance its capability to undertake more business in equities, derivatives and wholesale debt markets. We plan to deploy up to Rs 320 million for the purposes of acquisitions of strategic stake in other companies. We plan to focus on growing the business through the inorganic route to enter new markets and gain significant capabilities and immediate scale. The investment through inorganic route will be in the form of acquisitions of full or partial stakes in other companies. The Board of Directors looks at various opportunities periodically from the perspective of maximizing shareholder value and long-term growth potential of our Company.

Issue Expenses

The expenses for this Issue include underwriting and management fees, selling commissions, printing and distribution expenses, legal fees, fees to various advisors, statutory advertisement expenses and listing fees payable to the stock exchanges, among others. The total expenses for this Issue are estimated to be approximately 10% of the total proceeds.

Activity	**Expense**
Lead management, underwriting and selling commissions	3.5%
Advertising Budget	3.5%
Printing & Stationery	1%
Others (registrars fees, legal fee, listing fee etc.)	2%
Total Estimated Offer expenses	10%

As on date we have not deployed any amount towards the proposed objects of the Issue and have not entered into any definitive agreements for the use of proceeds of the Issue

The total funds requirement is of Rs 1320 million. We propose to meet Rs 464.90 million through the Issue Proceeds. Of the balance, an amount of Rs. 300.10 million is proposed to be met through internal accruals and Rs. 555 million is proposed to be met through bank facilities. We have sanctioned facilities of Rs. 1000 million from various banks etc. of which Rs. 742.10 million is not drawn up as of July 24, 2004.

Interim Use of Proceeds

Pending any use as described above, we intend to invest the proceeds of this Issue in high quality, interest/dividend bearing short term/long term liquid instruments including deposits with banks, for the necessary duration. These investments would be authorised by our Board of Directors or a duly authorised committee thereof.

INDUSTRY OVERVIEW

Overview of the Indian Economy

India is a large and growing economy with rapidly expanding financial services sector. With a GDP of $550 billion and $2.66 trillion at Purchasing Power Parity ("PPP"), India is the world's 12th largest economy in dollar terms and the 4th largest in PPP terms. The projected growth rate of real GDP is greater than 7% per annum with higher growth in many sectors such as financial services. India has a large and rapidly growing middle class of 300 million people with increasing levels of discretionary income available for consumption and investment purposes.

Foreign portfolio and direct investment inflows have risen significantly since economic liberalisation reforms began in FY 1991 and have contributed to healthy foreign currency reserves ($103 billion in December 2003) and a moderate current account deficit of about 1% in FY 2003.

Indian Financial Sector

History and Development

Post the economic liberalisation in 1991 the Indian financial services industry has experienced significant growth. During the last decade, there has been a considerable broadening and deepening of the Indian financial markets. The Indian markets have witnessed introduction of newer financial instruments and products over the years. Existing sectors have been opened to new private players. This has given a strong impetus to the development and modernization of the financial services sector. The entry of new players has resulted in a more sophisticated range of financial services being offered to corporate and retail customers which has compelled the existing players to upgrade their product offerings and distribution channels. This is particularly evident in the non banking financial services sector, such as brokerage industry, where innovative products combined with new delivery methods have helped the sector achieve high growth rates.

The combined average daily turnover at BSE and NSE for different market segments has increased from approximately Rs. 4800 million in 1995-96 to approximately Rs. 232,094 million in April 2004. Over this period, there has also been a substantial growth in the market for other financial products like insurance, mutual funds etc.

The financial services marketplace is experiencing a profound change as thirty million people in the middle class are entering their prime saving and investing years. These people are willing to use advanced communication tools, such as computers and telephones, and want to take charge of their personal investment decisions.

Indian Capital Market

The Indian capital markets have witnessed a transformation over the last decade. India now finds its place amongst some of the most sophisticated and largest markets of the world. With over 20 million shareholders, India has the third largest investor base in the world after the USA and Japan. Over 9,000 companies are listed on Indian stock exchanges. The Indian capital market is significant in terms of the degree of development, volume of trading and its tremendous growth potential.

Over the past few years, the capital markets have also witnessed substantial reforms in regulation and supervision. Reforms, particularly the establishment and empowerment of SEBI, market-determined prices and allocation of resources, screen-based nation-wide trading, dematerialisation and electronic transfer of securities, rolling settlement and derivatives trading have greatly improved both the regulatory framework and efficiency of trading and settlement. There are 23 recognised stock exchanges in India, including the OTCEI for small and new companies and the NSE, which was set up as a model exchange to provide nation-wide services to investors. During 2002-03 the NSE and the BSE were ranked third and sixth respectively amongst all exchanges in the world with respect to the number of transactions. The year 2003, also witnessed setting up of the NCDEX, an online multi-commodity exchange for trading of various commodities.

Key initiatives in recent years include:

- Depository and share de-materialisation process have enhanced the efficiency of the transaction cycle.
- Replacing the flexible, but often exploited, long settlement cycles with rolling settlement, to bring about transparency.
- IT driven stock exchanges (NSE and BSE) with a national presence (for the benefit of investors across locations) and other initiatives to enhance the quality of financial disclosures by the listed companies.
- Empowering SEBI with powers to impose higher penalties and establish itself as an independent regulator with adequate statutory powers.
- NSE, which in the recent past has accounted for the largest trading volumes, has a fully automated screen based system that operates in the wholesale debt market segment as well as the capital market segment.
- Many new instruments have been introduced in the markets, including index futures, index options, derivatives and options and futures in select stocks.

Insurance Sector

With the opening up of the market for private players, various foreign and Indian private players have targeted the untapped market potential by providing tailor-made products. Some key features of the Indian insurance sector are stated below:

- The presence of a host of new players in the sector has resulted in a shift in approach and the launch of innovative products, services and value-added benefits. Foreign majors have entered the country and announced joint ventures in both life and non-life areas. Major foreign players include New York Life, Aviva, Tokio Marine, Allianz, Standard Life, Lombard General, AIG, AMP and Sun Life among others. As a result of competition, the erstwhile state sector companies have become aggressive in terms of product offerings, marketing and distribution.
- The Insurance Regulatory and Development Authority (IRDA) has played a proactive role as a regulator and a facilitator in the sector's development.
- The state sector Life Insurance Corporation (LIC), the largest life insurer in 2000, sold close to 20 million new policies with a turnover of approximately US$ 5 billion.
- There are four public sector and nine private sector insurance companies operating in general/ non-life insurance business with a premium income of over US$ 2.58 billion.
- The market's potential has been estimated to have a premium income of US$ 80 billion with a potential size of over 300 million people. The General Insurance Corporation (GIC) (which covers the non-life sector) had a total premium income of US$ 2 billion in 2001-02. This has the potential to reach US$ 9 billion in the next five years.

Industry Outlook

Indian financial sector presents a huge retail finance opportunity. Existing low penetration levels, increasing affordability of credit and rising income levels have led to a growing demand for retail financial products. India has a large pool of retail investor base spread throughout the country with a huge pool of untapped surplus funds. The confidence of small investors has increased with the growing levels of education and financial awareness, and the tightening of regulatory systems.

Exposure to global practices has made the Indian customer more discerning and demanding. As a result of falling interest rates, bank deposits, other traditional investment opportunities are losing their attraction. Thus, Indian investors are getting attracted towards alternate investments such as the equity markets and are looking for newer financial products.

Huge opportunities offered in the retail financial services sector are coupled with several challenges. The sector requires extremely effective distribution systems that are capable of offering flexibility and convenience to the customer, while maintaining cost-efficiency. There has been a clear shift towards those entities that are able to offer products and services in the most innovative and cost efficient manner. The financial sector will need to adopt a customer-centric business focus. It will also have to create value for its shareholders as well as its customers, competing for the capital necessary to fund growth as well as for customer market share. The financial services industry is undergoing a consolidation with the large number of small players turning into few large players. In future, it is expected that the market share will be captured by the players who can offer a complete bouquet of financial products and services.

Consolidation in the Indian Equity Trading Markets

As the Indian capital markets are evolving, they are undergoing rapid consolidation spurred primarily due to continuous increase in capital requirements, increased regulatory oversight, customer sophistication, availability of technology to provide high quality service to a large customer base and increased back-office requirements. The margin requirements for exposure and mark to market have increased as the regulator and major exchanges enhance the risk management processes and systems in order to be in line with global practices. Moreover the shorter settlement cycle has required stronger back office capabilities thus necessitating heavy capital investments. From T+5 settlement regime till 2000, markets are now in T+2 regime for the last year, and it will soon be changed to T+1 regime. These changes in regulatory framework have enhanced the capabilities required to stay in the business in terms of capital and infrastructure and have resulted in the smaller players getting driven out of the system. These companies' strengths lie in their strong balance sheets, countrywide presence, strong brand awareness and highly trained sales force delivering world-class service levels to the retail investor.

The retail presence in the stock markets has been growing steadily with the advent of dematerialization and the recent acceleration in opening of demat accounts. The current retail business has a 65% share of total exchange volumes, with FI/FII business having 15% share, and proprietary trading by brokers & related parties accounting for the remaining 20% share. The retail participation is stated to grow more than 25% per annum for the next 10 years.

The market share of the top 5 brokers on NSE has increased from less than 5.9 % in 1996-97 to about 13% in the previous quarter ended December 31, 2003. The market share of the top 10 players on NSE has grown from 10% in 1996-97 to 16.4% in 2002-03, and the share of the top 25 players on NSE has grown from 19.7% in 1996-97 to 29.1% in 2002-03. These figures indicate a long-term consolidation process in the highly fragmented securities brokerage industry, with hundreds of smaller players exiting the business and the larger brokers gaining larger market shares. (Please refer to table below).

This consolidation has markedly accelerated in the last 2 years, where the market share for the top 5 brokers has gone up from 7% to about 13%, due to the impact of regulatory changes, introduction of new technologies and increased customer sophistication. This development parallels, on an accelerated timeline, the development of the US markets from 1970s to 1990s, where the top 5 brokers, like Charles Schwab, Etrade, Merrill Lynch, Dean Witter, and Smith Barney rapidly expanded their market share and gained control of close to 50% of retail trading volumes.

	% Volumes done by top brokers					Trading Volumes (Rs. Crores)				
Top Brokers	**5**	**10**	**25**	**50**	**100**	**NSE**	**Total top 5 Brokers**	**Avg. top 5 Brokers**	**India bulls**	**India bulls Mkt. Share**
Annual										
99-00	7.9	13.0	22.8	34.4	50.0	839,052	66,285	13,257	493	**0.06%**
00-01	7.8	12.8	23.0	33.9	48.8	1,339,510	104,481	20,896	3434	**0.26%**
01-02	7.1	12.3	23.6	36.3	53.4	513,167	36,435	7,286	9276	**1.81%**
02-03	10.3	16.4	29.1	42.5	59.2	617,989	63,653	12,731	17,330	**2.8%**
1H 03	11.0	16.8	29.5	43.3	60.5	432,817	47,610	9,522	13,756	**3.2%**
3Q 03	12.3	17.7	31.0	44.7	62.3	318,854	39,325	7,865	10,562	**3.3%**
Monthly										
Apr-03	10.0	16.0	30.0	44.0	61.0	48,971	4,897	979	1,234	**2.5%**
May-03	11.0	17.0	29.0	44.0	61.0	54,690	6,016	1,203	1,892	**3.5%**
Jun-03	11.0	17.0	29.0	43.0	60.0	61,586	6,774	1,355	2,024	**3.3%**
Jul-03	11.0	17.0	30.0	43.0	60.0	78,878	8,677	1,735	2,590	**3.3%**
Aug-03	11.0	17.0	29.0	43.0	60.0	85,347	9,388	1,878	2,865	**3.4%**
Sep-03	12.0	17.0	30.0	43.0	61.0	103,345	12,401	2,480	3,152	**3.0%**
Oct-03	12.0	18.0	31.0	44.0	62.0	115,595	13,871	2,774	3,406	**2.9%**
Nov-03	12.0	17.0	30.0	44.0	62.0	92,886	11,146	2,229	3,000	**3.2%**
Dec-03	13.0	18.0	32.0	46.0	63.0	110,373	14,348	2,870	3,931	**3.6%**
Jan-04	12.0	18.0	32.0	46.0	64.0	134,269	16,112	3,222	4,691	**3.5%**
Feb-04	12.0	19.0	32.0	47.0	65.0	108,718	13,046	2,609	3,161	**2.9%**
Mar-04	12.0	18.0	32.0	47.0	65.0	104,877	12,585	2,517	2,955	**2.8%**
April - 04	13.0	20.0	33.0	47.0	64.0	100,951	13,124	2,625	3,157	**3.1%**
May-04	13.0	20.0	34.0	48.0	65.0	98,920	12,860	2,572	3,003	**3.0%**
June-04	13.0	19.0	33.0	48.0	64.0	84,898	11,037	2,207	3,336	**3.9%**
July-04	13.0	20.0	34.0	48.0	64.0	93,836	12,199	2,440	3,842	**4.1%**

(*data on % volumes done by top brokers from National Stock Exchange website)

The market consolidation is even more pronounced in the Internet trading space where the top 5 players control almost the entire market. Indiabulls is a clear leader in this market segment and has garnered in excess of 20% of market share. Online trading is about 5% of total volumes currently (source: Economic Times, Feb 10, 2004), and has more than doubled from its 2% market share in the previous year. The rapid growth in Internet trading volumes can be attributed to growing sophistication of retail investors, availability of reliable Internet connectivity and sophistication of Internet trading products.

(Rs. in million)

	Average Online Trading Volumes		
Period	**Indiabulls Online Turnover**	**NSE Online Turnover**	**Indiabulls turnover as % of NSE turnover**
Jan- Mar ‘02	6516.8	30384.9	21
Apr – Jun ‘02	6622.0	32606.7	20
Jun – Aug ‘02	8005.4	39193.6	20
Oct – Dec ‘02	11954.7	50314.4	24
Jan – Mar ‘03	11009.3	47851.0	23
Apr – Jun ‘03	10315.9	55496.0	19
Jul – Sept ‘03	19905.0	98483.5	20
Oct – Dec ‘03	26263.7	142445.6	18
Jan – Mar ‘04	28350.9	155152.8	18

Source: NSE Turnover is from NSE website.

HISTORY AND OTHER CORPORATE MATTERS

OVERVIEW

Indiabulls Financial Services Limited was incorporated on January 10, 2000 as M/s Orbis Infotech Private Limited at New Delhi under the Companies Act, 1956 with Registration No. 55 – 103183. The name of our Company was changed to M/s. Indiabulls Financial Services Private Limited on March 16, 2001 due to change in the main objects of our Company from Infotech business to Investment & Financial Services business. It became a Public Limited Company on February 27, 2004 and the name of our Company was changed to M/s. Indiabulls Financial Services Limited. Our Company was promoted by three engineers from IIT Delhi, and has attracted more than Rs.700 million as investments from venture capital, private equity and institutional investors such as LNM India Internet Ventures Ltd., Transatlantic Corporation Ltd., Farallon Capital Partners, L.P., R R Capital Partners L.P., and Infinity Technology Trustee Pvt. Ltd. and has developed significant relationships with large commercial banks such as Citibank, HDFC Bank, Union Bank, ICICI Bank, ABN Amro Bank, Standard Chartered Bank, Lord Krishna Bank and IL&FS. Our Company and our subsidiaries have facilities from the above mentioned banks and financial institutions aggregating to Rs. 1760 million, for further details please refer to page no. 26 of this Prospectus**.** Our Company headquarters are co-located in Mumbai and Delhi, allowing it to access the two most important regions for Indian financial markets, the Western region including Mumbai, rest of Maharashtra and Gujarat; and the Northern region, including the National Capital Territory of Delhi, nearby cities, parts of Haryana, Uttar Pradesh and Punjab; and access the highly skilled and educated workforce in these cities. The Marketing and Sales efforts are headquartered out of Mumbai, with a regional headquarter in Delhi, and the back office, risk management, internal finances etc. are headquartered out of Delhi, allowing our Company to scale these processes efficiently for the nationwide network.

The table below shows the changes in the Registered Office of our Company since incorporation:

Previous Address	New Address	Date of Change	Reason for Change
296, Forest Lane, Sainik Farms, New Delhi – 110 068	B-4/221, Safdurjung Enclave, New Delhi – 110 001	April 14, 2000	Shifting of Office premises for larger space.
B-4/221, Safdurjung Enclave, New Delhi – 110 001	Kashi House, 7A, Connaught Place, New Delhi – 110 001	May 11, 2000	Shifting of Office premises for larger space.
Kashi House, 7A, Connaught Place, New Delhi – 110 001	F-60, IInd Flr., Malhotra Bldg., Connaught Place, New Delhi – 110 001	July 9, 2002	Shifting of Office premises for larger space.

The instances when the name of our Company was changed are cited below:

Previous Name	New Name	Date of Change	Reason for Change
Orbis Infotech Private Limited	Indiabulls Financial Services Private Limited	March 16, 2001	Due to change in the main objects of our Company from Infotech business to Investment & Financial Services.
Indiabulls Financial Services Private Limited	Indiabulls Financial Services Limited	February 27, 2004	Conversion from Private Limited to Public Limited Company.

Apart from the amendments stated above, the following amendments in the Memorandum of Association of our Company were made:

Date of Amendment	Details of Amendment	Reasons for Amendment
May 23, 2000	Increase in Authorised Share Capital u/s 94(1)(a)	Increase in capital from Rs.10 lacs to Rs.50 lacs
October 20, 2000	Alteration of Object Clause u/s 17	Change in object clause to start business of Investment & financial services.
December 27, 2000	Increase in Authorised Share Capital u/s 94(1)(a)	Increase in capital from Rs.5 million to Rs.160 million
January 29, 2001	Alteration of Object Clause u/s 17	Change in object clause to act as NBFC.
March 30, 2001	Alteration of Article of Association, Article 3	Amendment in Section 3(1)(d)
February 03, 2004	Increase in Authorised Capital u/s 94(1)(a) stock split (from Rs.10 each to Rs. 2 each paid up), Alteration of Articles of Association u/s 31	Increase in capital from Rs. 160 million to Rs. 250 million.Conversion from private to public company.

MAIN OBJECTS OF THE COMPANY

The main objects to be pursued by the Company on its incorporation are:

1. To hold investments in various step-down subsidiaries for investing, acquiring, holding, purchasing or procuring equity shares, debentures, bonds, mortgages, obligations, securities of any kind issued or guaranteed by our Company.
2. To provide financial consultancy services; to provide investment advisory services on the internet or otherwise; provide financial consultancy in the area of personal and corporate finance; publish books and CD ROMs and any other information related to the above.
3. To conduct the business of sale, purchase, distribution and transfer of shares, debts, instruments and hybrid financial instruments and to perform all related, incidental, ancillary and allied services.
4. To conduct depository participant services; to conduct de-materialisation and re-materialisation of shares; set up depository participant centers at various regions in India and to perform all related, incidental, ancillary and allied services.
5. To receive funds, deposits and investments from the public, Government agencies, financial institutions and corporate bodies; grant advances and loans; conduct advisory services related to banking activities, project financing, funding of mergers and acquisition activities; fund management and activities related to money market operations.
6. To carry on the business of portfolio management services, investment advisory services; custodial services; asset management services; leasing and hire purchase; mutual fund services and to act as brokers of real estate and financial instruments.
7. To carry on the business of financing; provide lease and hire purchase services; to provide consultancy in the area of lease and hire purchase financing.
8. To operate mutual funds; receive funds from investors; equity or debt instrument research activity instrument in debt and/or equity instruments.

CREDIT RATING

Indiabulls Securities Limited has been granted 'PR1+' rating for its unsecured short term borrowing program of Rs. 200 million. Vide letter dated May 5, 2004 the rating agency has increased the unsecured short term borrowing limit to Rs. 320 million maintaining the 'PR1+' rating. ISL also enjoys 'A+' rating for medium to long term unsecured borrowing program of Rs. 200 million. The Rating to the company has been assigned by Credit Analysis Research Limited. As for the present issue of equity shares of our Company, credit rating is not required.

SHAREHOLDERS AGREEMENT

Shareholders Agreement was entered into by and among our Company (formerly Orbis Infotech Private Limited), Infinity Technology Trustee Private Limited as the trustee of Infinity Venture India Fund, LNM India Internet Ventures Limited, Transatlantic Corporation Limited (together the "VC Investors") and the Promoters dated November 2, 2000. The VC Investors invested an aggregate amount of Rs. 206,000,000 in our Company for which they were issued 55,425 equity shares at an average price of Rs. 3,716.73 per equity share.

Pursuant to a letter agreement (the "Letter Agreement") dated May 27, 2004 between the parties to the Shareholders Agreement, each of the VC Investors have agreed not to enforce rights that have accrued to them before the said Letter Agreements and have agreed that the Shareholders Agreement, together with all the rights and obligation on the parties will stand terminated immediately upon the listing of the shares of our Company and consequent to the listing, the rights of the Shareholders Agreement, including the rights that have arisen prior to such termination shall be terminated. A copy of the Shareholders Agreement, and a copy of the Letter Agreement terminating the Shareholders Agreement are available for inspection as material documents at the corporate offices of our Company.

SHARE SUBSCRIPTION AGREEMENT

The Share Subscription Agreement ("SSA"), dated February 13, 2004, has been entered into among the Farallon Capital Partners, L.P. RR Capital Partners, L.P. ("Investors"), ISL, our Company, and the Promoters.

Under the terms of the SSA, the Investors have subscribed to 1000 equity shares of ISL at Rs. 50 per share (comprising of a face value of Rs. 10 and a premium of Rs. 40) and 4,52,70,000 preference shares of ISL at Rs. 10 each being the face value of the preference shares. The aggregate investment by Investors in ISL amounted to approximately US$ 10 million.

The terms of the Preference Shares and equity shares issued by ISL under the SSA are as follows:

- **Rank of Preference Shares:** The Preference Shares shall, subject to applicable Law, rank senior to all classes of the Company's capital stock with respect to dividend distributions and repayment of capital and premium upon a bankruptcy or change in control with respect to ISL, unless the terms and conditions of such class expressly provide that such class will rank senior to or on parity with the Preference Shares.
- **Dividends:** The rate of dividend payable on the Preference Shares shall be at the rate of 12.00% per annum, payable quarterly, on the face value of Rs. 10 from the date of issuance of such Preference Shares through the date of redemption of such shares. Such dividends shall be fully cumulative and accumulate at the rate indicated above, whether or not they have been declared and whether or not there are profits, surplus or other funds of the Company legally available for the payment of dividends. All such dividends shall be paid quarterly in arrears in cash on each June 1, September 1, December 1 and March 1.
- **Redemption**: The maturity date of the Preference Shares shall be February 13, 2007. ISL shall, on the maturity date, redeem all of the outstanding Preference Shares and shall pay each Investor a redemption price which would include the face value of the Preference Shares together with any accrued and unpaid dividends on such Preference Shares held by such Investor. Upon happening of certain events like bankruptcy, change in control, breach or any change in law causing a material adverse effect on ISL or the Company or failure of payment of dividends within four weeks of declaration, the Investors would have a right to require ISL to redeem the Preference Shares prior to the maturity date. Additionally, ISL shall have an option to redeem either 50% or 100% of the outstanding Preference Shares at any time prior to the Maturity Date at the Redemption Price. In case of redemption within 12 months from the date of issue, ISL shall be required to pay dividends for atleast 12 months.
- **Liquidation Preference:** Liquidation Event has been defined in the agreement as: a consolidation or merger of ISL, a sale, lease or conveyance by ISL of all or substantially all of its assets, or any other transaction which results in the sale, transfer, assignment, conveyance or other disposition of 50% or more of the voting power of ISL, unless the majority holders of the then-outstanding shares of Preference Shares shall otherwise agree. The Agreement provides that upon the liquidation, winding up or dissolution of ISL, or the occurrence of a Liquidation Event, there is a liquidation preference in favour of the Investors. The Investors shall have a right to appoint a board observer on the board of ISL.
- IFSL shall maintain its shareholding in ISL at the same level as at the time of investment by Investors till such time as the Shares issued to the Investors in ISL are redeemed.
- In the event ISL does not have sufficient funds to redeem the Investor's Shares, IFSL and Promoters shall make available sufficient cash to ISL to facilitate the redemption of the Investor's Shares.
- In case of any issue of shares by IFSL, whether by way of private placement or public offering, 40% of such an offering or issuance shall have to be given to ISL, until ISL has sufficient funds available for redemption of Investor's Shares. The Investors vide a waiver letter dated August 25, 2004 have agreed to waive this obligation of IFSL in respect of the proposed Issue/Offer and such waiver shall be valid till completion of the IPO or November 1, 2004, whichever is earlier.

  If the assets or surplus funds to be distributed to the Investors are insufficient to permit the payment to each Investor, the assets and surplus funds legally available for distribution shall be distributed ratably among the Investors in proportion to the full Redemption Price that each Investor would otherwise be entitled to receive.

  Negative Covenants

- ISL shall not on any date permit the debt-equity ratio to exceed 7:1. Further, ISL shall not on any date permit the debt (not including secured Indebtedness specifically secured by client deposits or margin leverage)-equity ratio, to exceed 3:1.
- No Secured Indebtedness: None of IFSL or any of its subsidiaries (other than ISL) shall, directly or indirectly, create, incur, assume or guaranty, or otherwise become or remain directly or indirectly liable with respect to any Indebtedness which is secured by a lien on any of the assets or properties of ISL.
- No Restricted Payments: ISL shall be restricted from making certain payments including any distribution of dividend on equity shares until such time as ISL has adequate cash available for the redemption of Preference Shares.

In addition to the above rights, the equity shares subscribed by the Investors in ISL also entitles them to the following rights with respect to ISL:

The consent of the Investors holding atleast 50% of the equity shares shall be required for certain items which *interalia* includes:

(a) amendment to the Memorandum and Articles of Association, which could adversely affect the rights of the Investors;

(b) authorise or issue any securities having preference over, or parity with, the Preference Shares,

(c) authorise or make any repurchase, redemption or other acquisition of any equity shares, except those held by the Investors;

(d) authorise, set aside for payment or pay any dividend or other distribution with respect to any equity shares except as specifically permitted in the SSA;

(e) entering into any transaction with any affiliate;

(f) entering into any reorganization, merger, recapitalisation, business combination or sale of a material portion of the business or assets in which the holders of the Preference Shares do not receive an amount in cash equal to the full Redemption Price for each such Preference Share then held by such holder;

In the event the ISL, our Company and the Promoters fail to redeem the Preference Shares in accordance with the terms of SSA, then the Investors shall have the right to cause ISL to issue such additional equity shares which when issued will represent 75% of the equity share capital outstanding after such issuance. The Investors shall have the right to assign all or any portion of their rights under this Section to any person or entity without the consent of any other party. The equity shares held by Investors shall be redeemable at the face value simultaneously and prorata with the redemption of the Preference Shares.

Termination Post Closing: The Covenants section of SSA shall terminate upon the date on which no Investor Shares are issued and outstanding.

ISL and our Company are jointly and severally responsible for indemnifying the Investors in case of any losses that may be suffered because of any breach or inaccuracy of any representation or warranty. The governing law of the SSA is State of North Carolina, USA with jurisdiction to the courts of North Carolina.

In the event of an action arising under the SSA, the Arbitration shall be held in the State of North Carolina, USA in accordance with the rules of the American Arbitration Association, USA. The Parties have agreed that there will be no award for punitive damages under the arbitration proceedings under the SSA. A copy of the SSA is available for inspection as material documents at the corporate offices of our Company.

SHARE WARRANT AGREEMENT

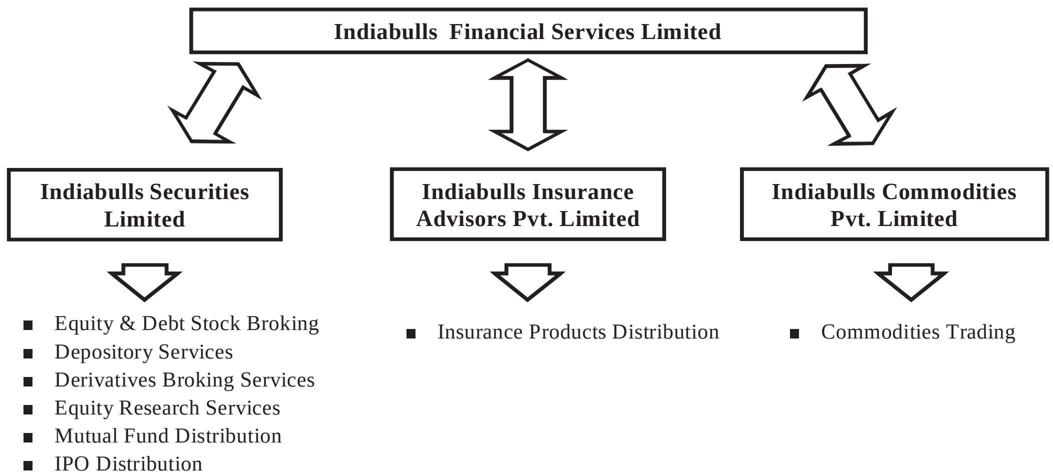
The Warrant Agreement, dated February 13, 2004, has been entered into among the Farallon Capital Partners, L.P., RR Capital Partners, L.P. ("Investors"), Company, and the Promoters.

Under the Warrant Agreement, our Company had granted to the Investors, 3,000,000 warrants (the "Warrants") to purchase 3,000,000 equity shares at an exercise price which was equal to the higher of (i) Rs. 25/- per share and (ii) lowest price per share permissible by the foreign exchange regulations. The Warrants were exercised by the Investors on February 28, 2004 at an exercise price of Rs. 25/-. With respect to the securities issued pursuant to the exercise of the Warrants, IFSL shall keep such shares listed, subject to applicable regulations.

The governing law of this agreement for any disputes is that of the State of North Carolina, USA and the disputes shall be settled by Arbitration in State of North Carolina, USA in accordance with the rules of the American Arbitration Association, USA. A copy of the SSA is available for inspection as material documents at the corporate offices of our Company.

BUSINESS

OVERVIEW



We have emerged as a diversified financial services company that offers a wide range of financial products and services under the brand "Indiabulls". On March 30, 2001 our Company was registered as an NBFC under section 45-IA of RBI Act to carry on the business of NBFC, not accepting public deposits, as our company is a holding company. Subsequently, our Company has started investing and providing loans to our subsidiary companies engaged in different activities as mentioned in the above diagram. With effect from April 1, 2004, our Company has also commenced the activity of providing credit facilities to retail customers. We operate through our three subsidiaries– Indiabulls Securities Limited, Indiabulls Insurance Advisors Pvt. Ltd. and Indiabulls Commodities Pvt. Ltd. with a presence in equity, debt and derivatives brokerage, depositary services, access to third party insurance products from Birla Sunlife Insurance Company and mutual fund products of various asset management companies, and related financial services. Our Company and our subsidiaries provide brokerage, services and third party financial products and other services through a variety of channels to retail and institutional clients and operate nationally in India. We are headquartered in New Delhi with a network of 70 offices spread across 55 cities. Our Company and our subsidiaries target the retail and the institutional segment of the market through direct and indirect channels. The direct channel for business is through our sales employees who operate out of our 70 offices in 55 cities. The indirect channel for business is through our network of marketing associates, people who are not on the rolls of the company.

ISL has invested heavily in building a strong sales team and as on April 30, 2004 it had over 476 relationship managers in its 70 offices spread all over the country. With the sales and marketing team, our Company and our subsidiaries are able to cross sell many financial products such as insurance and mutual funds.

We have experienced substantial growth at a CAGR of 132.97% over FY 2002 to FY 2004 in revenues and achieved a substantial market share in the Equity, F&O and Debt market leading to a combined average daily turnover of Rs. 4451.5 million for the FY 2004.

Our consolidated revenues and net profits have grown at a CAGR of 132.97% and 118.31% respectively over last two years. Our revenues have grown from Rs. 132.55 million in FY 2002 to Rs. 266.69 million in FY 2003 and to Rs.719.48 million in FY 2004. Our net profits have increased from Rs. 40.61 million in FY 2002 to Rs. 51.05 million in FY 2003 and to Rs. 193.54 million in FY 2004. Our total number of employees grew from 110 as in FY 2002 to 178 as in FY 2003 and to 606 as on April 30, 2004.

BUSINESS MODEL

Our Company and our subsidiaries have a vast client base of 32,359 clients as on April 30, 2004 spread all over India and we have been augmenting our client base across the country, which makes our business model a low risk model as compared to a business model which may be dependent on very few clients. Our revenues are largely based on fee/ commission income generated through providing securities brokerage & related financial services to individual investors and independent advisors. Our Company and our subsidiaries focus on a core client base of individual investors and the marketing associates who serve them. We offer the following products and services in the financial markets:

- Stocks
- Options and Futures

- Depository Services
- Commodities
- Insurance Products
- Mutual Funds
- Bonds and Debt Products

We aim to develop other financial offerings such as accepting deposits in the FY 2004.

We offer equity, F & O and wholesale debt broking services through ISL. Following table depicts the break up between online (revenues derived through Internet based trading) and offline revenues (revenues derived from non-internet based trading):

Revenue (Rs. in million)	**FY02**	**FY03**	**FY04**
Online			
Brokerage			
- Equities	20.71	48.86	128.09
- F&O	0.00	2.60	39.96
- Related Income (including charges)	11.14	25.21	74.21
Total Online Sales	31.85	76.67	242.26
% of total sales	**24.05%**	**28.82%**	**34.85%**
Offline			
Brokerage			
-Equities	56.01	85.83	205.69
-F&O	3.31	22.52	84.48
-Wholesale Debt Markets	0.72	5.13	13.82
-Related Income (including charges)	35.98	62.43	143.26
Total Offline Sales	96.02	175.91	447.25
% of total sales	**72.52%**	**66.12%**	**64.34%**
Other Sales	4.54	13.48	5.66
Consolidated Sales:	132.41	266.06	695.19

Over the past 3 FY, the contribution of online sales to the total income of ISL has increased from 24.05% in FY 2002 to 34.85% in FY 2004 and has increased from Rs.31.85 million in FY 2002 to Rs. 242.26 million in FY 2004.

KEY COMPETITIVE STRENGTHS

Diverse Branch Network:

Since our inception in FY 2000, our Company and our subsidiaries have grown from a single location to a nationwide network spread over 70 offices in 55 cities as on April 30, 2004. We have a pan India distribution network for the purpose of distribution of our financial products and services. Such a diverse and integrated network provides a centralized platform to our clients.

Bouquet of financial products and services:

Our Company and our subsidiaries offer various financial services and products ranging from equity, F & O and wholesale debt, mutual fund, insurance and IPO distribution, equity research analysis, depository services to cater to the specific needs of the retail and institutional investors thus providing all these services in a single platform.

Advanced Technology team that delivers market leading product innovation:

Our ongoing investment in technology is a key element in expanding our product and service offerings, enhancing our delivery systems, providing fast and consistent client service, reducing processing costs, and facilitating our ability to handle significant increases in client activity without a corresponding rise in risk and staff. Our Company and our subsidiaries have an in-house technology team of 27 people comprising of several engineers. The in-house technology team has been responsible for developing the technology products for operating at a large scale with efficient back office systems. The application of technology allows our Company and our subsidiaries to build scaleable product and service offerings. The in-house technology team developed one of the first Internet trading platforms in India, one of the first in-house real-time CTCL link with NSE. Our Company and our subsidiaries introduced integrated accounts with automated gateways with client bank accounts so that they can transfer funds to and from their bank account to their brokerage account with us. This has enhanced customer ability to access their funds for market related activities. The in-house technology team has good expertise to create mission critical applications and in the maintenance and upkeep of high transaction processing of our website.

Strong Sales and Marketing Teams with continuous reinvestment and training:

Our relationship manager channel (through a team of 476 Relationship Managers as on April 30, 2004) offers a single point contact to our retail customers whereby our high networth clients have separate relationship managers catering to them. These managers offer personalized services to our customers helping build strong and continuing relationships with them. Also, our marketing associate channel helps our Company and our subsidiaries in client acquisitions at minimal costs with client loyalty. The marketing associates channel also helps our Company and our subsidiaries in increasing our penetration in smaller town and cities.

Strong Cross Selling Opportunities:

With our 70 branches spread over 55 cities all over India and variety of financial products and offerings coupled with online, relationship manager & marketing associate channels, our Company and our subsidiaries have strong cross product selling opportunities thus providing a multi-channel delivery systems to our diverse client base of 32,359 clients as on April 30, 2004.

Strong Team of Experienced Promoters:

We have a strong team of promoters who are engineers from Indian Institute of Technology and have several years experience in financial services industry. We believe that their strong technical experience will help us in achieving our key business strategies.

Leading Product innovation and marketing strategies:

Our management is innovative and nimble and has historically introduced many new and innovative products to the market place that have played a significant role in our growth. Our relationship manager model has introduced private banking experience to the clients. The relationship managers are trained and incentivised to work with their client base and enhance our ability to cross sell and leverage the large client base. We have launched marketing associate model, which replaces the traditional sub-broker model with an authorized person that client can appoint independently and provide them with the benefit of our trading, clearing and servicing strengths. Our equity analysis product provides clients with unbiased research. We plan to continuously innovate and introduce market leading products and services to add to its competitive advantage.

Well capitalized player, with strong banking relationships and credit ratings:

Our consolidated networth is Rs. 1023.19 million, making us a well capitalised company. Our Company and ISL have received sanctioned facilities of Rs. 1760 million from 9 leading commercial banks and financial institutions. The details of the banking relationships as of July 24, 2004 are as follows:

(Amount in Rs.)

Bank Name	Working Capital / OD Facilities	Bank Guarantees	Sanctioned Facilities
HDFC Bank	450,000,000	210,000,000	660,000,000
ABN Amro Bank	200,000,000	—	200,000,000
Standard Chartered	250,000,000	—	250,000,000
Citi Group	200,000,000	—	200,000,000
IL&FS	50,000,000	—	50,000,000
Lord Krishna Bank	—	100,000,000	100,000,000
Union Bank of India	—	100,000,000	100,000,000
ICICI Bank	—	100,000,000	100,000,000
Canara Bank	—	100,000,000	100,000,000
Total	**1,150,000,000**	**610,000,000**	**1,760,000,000**

The Rs. 320 million unsecured commercial paper of Indiabulls Securities Limited is rated as 'PR1+' by Credit Analysis and Research Limited. The high rating allows us to raise unsecured debt at very attractive rates. Leading commercial banks have invested in our unsecured commercial paper.

Unsecured Commercial Paper investments by Banks in ISL as of 30th April, 2004 are as follows:

Bank Name	Amount subscribed (Rs.)
ABN Amro Bank	120,000,000
Bank of Maharashtra	50,000,000
Punjab National Bank	30,000,000
Total	**200,000,000**

Ability to combine People & Technology in unique ways:

We provide multiple distribution channels by combining people and technology. Clients can visit one of the 70 offices in 55 cities or access via telephone, call centre or online channel. We provide web enabled tools such as technical analysis, information, news, interactive web based programs and tools and back office solutions for clients and marketing associates; Power Indiabulls, an order entry, routing and management technology through technology platform, for actively- trading investors.

Strong market presence and increased market share leads to virtuous cycle of growth and profitability:

Our growing client base and market share have increased our market presence, brand recognition, enhanced our profitability and increased the available credit facilities from the banks further strengthening its strong balance sheet. Our brand and profitability allows us to recruit good and efficient employees, compensate them attractively and provides the flexibility to us for investments in the business and technology systems. These attributes in turn have a positive effect on the growth of our client base thereby increasing its market share, leading to higher profits and credit facilities and thus forming a virtuous circle.

KEY BUSINESS STRATEGIES

Our focus on the client has allowed our Company and our subsidiaries to offer a range of services that have changed the investing landscape and created a new model of financial services that melds people and technology to provide an integrated human assisted technology interface service for investors who range from self-directed full-time active investor to those who prefer to deal with through a marketing associate in smaller towns and cities. Our key strategies include:

- Defend and maintain our differentiation as the firm that delivers ethical and useful services
- Build and expand our "investing insight" through our product offerings such as Equity Analysis which is objective, uncomplicated and not driven by commission
- Give clients new levels of choice tailored to their desire for help, tools for investing their assets, their willingness to pay for additional services and the level of business they can do with us
- Provide clients with tools, relationship managers and choices that support their desired investment outcomes

We have developed a client specific approach as a core element of our business strategy and are constantly focusing on acquiring new clients and expanding our customer base. We believe that the strong secular growth of the Indian financial markets, due to increased household penetration of financial assets; increasing liquidity and market capitalization of Indian markets, led by the listing of many public sector entities; and the increasing affluence of Indian households and savers provides an impetus to our growth perspective.

We believe that this diversification and growth strategy will continue to produce results and allow our Company and our subsidiaries to grow our business at a rapid pace irrespective of market conditions. In addition, management believes that the growth of the Indian financial markets, due to increased household penetration of financial assets, increasing liquidity and market capitalization of Indian markets, led by the listing of many public sector entities, and the increasing affluence of Indian households and savers, favours our long term growth outlook.

The table below encapsulates the financial metrics on an annual basis, and compares that with the Market trading volume (NSE Yearly Trading Volume is taken as representative of Market activity).

Year	NSE Yearly Trading Volume CM*	Financial Metrics (Rs. Lacs)	
		Revenues	EBITDA
2000-2001	1,339,510	15.47	0.83
2001-2002	513,167	1325.52	599.02
2002-2003	617,989	2666.94	1181.72
2003-2004	1,099,535	7194.86	3653.90
CAGR	(6.31)%	132.97%**	146.98%**

* NSE Volume data – Source: National Stock Exchange

** CAGR since FY 2001-2002

The key business driver for us is acquisition and retention of new customers, and driving additional products to increase client's share of wallet. Our revenues and EBITDA have increased at 132.97% and 146.98% annualized CAGR respectively since FY 2002. This growth was achieved in period when the Indian overall financial markets declined at (–6.3%) annualized CAGR due to weak sentiment and trading conditions.

The core pillars of our business strategy are discussed below:

Increase the number of Client Relationships:

We are focused on increasing the number of client relationships through a wide network of offices throughout India and having more number of relationship managers to service these relationships. We plan to grow our business by growing the number of client relationships. During a downturn of the markets we believe that increased number of client relationships will add stability to our earnings.

Offer Diversified Financial Products & Services – Capture Greater Share of Wallet:

Our Company and our subsidiaries offer to our clients a wide range of financial services and products allowing the clients to leverage their relationship with us and get products suiting their varied needs. This strategy allows us to gain "share of wallet" of the clients' consumption of financial services. We offer to the client a comprehensive product offering and are able to increase our revenues per client by selling different products to the same client. We offer equity, debt & derivatives brokerage, IPO distribution, mutual funds and insurance products. Our strategy is to increase the number of client relationships and then leverage those client relationships into offering in a whole suite of financial products.

Multiple Channels – Enhance Customer Experience and Opportunities to Interact with us:

Our clients can access our products and services through 70 offices spread across 55 cities, through operator assisted call centres, or through our website www.indiabulls.com; or through their respective relationship managers or through marketing associates. These multiple channels provide flexibility to the clients and allow them to utilize their existing business relationship with us through any channel from any part of India. Our strategy is to provide the most convenient, efficient and value added channel to the client at the lowest possible cost, and allow the clients with choice and varied access points. We believe that our multiple channel strategy has been particularly effective in the affluent segment where many sophisticated clients like to have a close-by office they can access and yet have the flexibility of Internet account management, transactions and electronic funds transfer and settlement.

Relationship Manager driven sales model, provide high quality service and exploit cross-sell opportunities:

Our clients benefit from the personal attention and advice of the trained and motivated relationship managers. All our relationship managers are qualified and educated professionals, who have been extensively trained in-house to provide the products and services to the clients. These relationship managers are encouraged to develop long-term relationships with the clients and can access a variety of resources within our Company, such as insurance specialists, research services and others to add value to our clients. Most of our clients have dedicated relationship managers irrespective of the channel they use.

Low cost and highly scalable business:

We have utilized the technologies available and have constantly invested in products and innovations to provide an enhanced experience to our customers. The benefits of such infrastructure include integrated customer trading account with depositary services, electronic gateway for instant funds transfer to and from the bank to the brokerage account and comprehensive client systems that track all activity in various segments. We believe that technology and systems are one of our key competitive edges in terms of lowering our operating costs; managing the business; reducing risk and providing an enhanced experience to the clients with superior service standards.

PRODUCTS & SERVICES OFFERINGS

We offer a broad range of products and service offerings through ISL, ICPL and IIAPL to address our clients' varying investment and financial needs.

BROKERAGE OFFERING

Our retail equity business primarily covers secondary market equity broking. It caters to the needs of individual Indian and Non-resident Indian (NRI) investors. We offer broker assisted trade execution and automated online investing and trading facilities to our customers. Automated online investing and trading includes automated order placement and execution of market and limit equity orders, and advanced trading platforms for active traders. All investors have full access to real - time quotes, personalized portfolio tracking, charting and quote applications, real-time market commentary, real-time quotes and news.

ONLINE AUTOMATED CHANNEL

Automated Online Business contributes more than 34.6% of our overall revenues. We control more than 20% market share in the online business.

Clients are able to obtain financial information and execute trades on an automated basis through our online channel using product offerings like Power Indiabulls and Indiabulls Market Trader. This channel is designed to provide added convenience for clients and minimize our costs of responding to and processing routine client transactions.

Online channels include the Indiabulls Group Professional Network that provides access via our web-site www.indiabulls.com to information and trading service on the Internet. Additionally, Power Indiabulls online trading system is designed for the high volume trader and provides enhanced trade information and order execution integrated software-based trading platforms.

While most client transactions are completed through the online channel, we continue to stress the importance of blending the power of the Internet with personal service to create a full-service client interface.

We offer an online portal where the clients can execute securities purchase and sales transactions through the Internet. This covers the Equity, Debt & Derivatives segment in the Indian securities market. With an objective of assisting our customers in taking investment decisions, the portal also provides financial information on various companies listed. For executing a transaction, clients can directly log on to our website without requiring any assistance from offline intermediaries.

ACCOUNTS AND FEATURES

Through various types of brokerage accounts, we offer purchase and sale of securities, which includes Equity, Derivatives and Commodities listed on NSE, BSE and NCDEX. Additionally, we provide our clients access to a variety of insurance products like life, term and annuity products through third-party insurance companies like Birla Sunlife Insurance Company.

Indiabulls Group Signature Client is designed to serve self-directed individual investors who want to manage their own portfolios. For these clients, we offer this account, which is a stock trading account that allows clients to combine investments and cash in one account and trade securities. Clients are also eligible to subscribe to Indiabulls Equity Analysis, a fee based research offering. Other features of Indiabulls Group Signature Account include priority handling of their service calls at the Centralized Customer Service Centre and through dedicated relationship managers. Indiabulls Group Signature account features include online integrated net transfers via integrated payment gateways with banks such as HDFC Bank.

Power Indiabulls - For active traders, we offer Power Indiabulls accounts that include access to special features and services such as advanced trading tool dedicated team of relationship managers.

INDIABULLS EQUITY ANALYSIS

We seek to provide our clients with customized research reports called Indiabulls Equity Analysis. It provides clients with an objective stock rating system on more than 200 stocks, assigning each equity a single grade: A, B, C, D, or E. On average, A-rated stocks are expected to strongly outperform the overall market over the next 12 months, while E-rated stocks are expected to strongly underperform the market. Indiabulls Equity Analysis leverages our strong technology strengths to a systematic ratings methodology.

DEPOSITORY SERVICES

ISL is a depository participant with the NSDL and CDSL for trading and settlement of dematerialised shares. It performs clearing services for all securities transactions through its accounts. Clients of the brokerage business are able to use the depositary services to execute their trade through ISL and settle these transactions through our depositary services. Our depositary service is part of the value added offerings to create multiple interfaces with the client.

THIRD PARTY FINANCIAL PRODUCTS OFFERING

We distribute third party products and services through our comprehensive retail distribution network. The products offered include third party insurance, mutual funds and initial and secondary public offerings. We have a pan India retail distribution network, comprising 476 relationship managers and 70 branches spread over 55 cities.

Insurance Products:

IIAPL is a Corporate Agent of Birla Sunlife Insurance Co., which is India's second largest private insurance company. It offers life insurance and annuity products. The insurance experts assist relationship managers in evaluating the near term and long term financial needs of clients and design programs that they believe would best suit their needs and help them manage their risks. Insurance experts also co-ordinate with underwriting partners to complete the insurance transaction. IIAPL has a network of 77 insurance experts spread across its branch network. IIAPL has been awarded the “Flying Start” award by Birla Sunlife Insurance Co. for outstanding contribution towards growth and success of the partnership.

Mutual Funds:

We provide various mutual funds (equity, debt and balanced mutual funds) through our retail distribution network. We offer clients a wide variety of mutual funds from Asset Management Companies like Prudential ICICI Mutual Fund, HDFC Mutual Fund etc.

GEOGRAPHICAL DISTRIBUTION OF BRANCHES

ISL has a national presence through its 70 branches in 55 cities, covering 17 states. The locations of our offices have been selected based on the demand of financial products in any particular city.

Sr. No.	State	No. of Branches
1.	New Delhi	6
2.	Gujarat	4
3.	Uttar Pradesh	11
4.	Uttaranchal	1
5.	Maharashtra	7
6.	Karnataka	4
7.	Tamilnadu	2
8.	West Bengal	6
9.	Andhra Pradesh	7
10.	Goa	1
11.	Haryana	7
12.	Rajasthan	4
13.	Chandigarh	1
14.	Punjab	3
15.	Madhya Pradesh	4
16.	Kerala	1
17.	Orissa	1
	Total	**70**

HUMAN RESOURCES

Our management team is strongly focused on sales excellence and professional delivery of all services. ISL's relationship managers are highly driven and entrepreneurial individuals who work diligently and creatively to expand the network of clients served and provide them with quality services and products.

Extensive In-house training programs, with induction and refresher programmes, includes training sessions at our Mumbai office, direct training under senior relationship managers and periodic reviews, professional training and job rotations. Our methodology is to hire new graduates from business schools or laterals in sales positions and train them internally.

Reward, Recognition and Salary review

In addition to a salary, employees are given performance based incentives disbursed on monthly basis. Salary rationalization recommended by superior and Head of Department is moderated or approved by the Compensation Committee.

Employees

As of April 30, 2004, our Company and our subsidiaries had 606 full-time employees.

TECHNOLOGY

Our ongoing investment in technology is a key element in expanding our product and service offerings, enhancing our delivery systems, providing fast and consistent client service, reducing processing costs, and facilitating our ability to handle significant increases in client activity without a corresponding rise in risk and staffing levels. Deployment of cutting edge technology and innovation in product development has had a key role to play in the success of the organization.

The highlights of our technology include:

- In-house technology team consisting largely of engineering graduates with detailed understanding of the trading and internal systems
- Low response time and high flexibility to introduce new features/ products at minimal costs
- Risk Management System is built around real time technology requiring minimal human intervention
- National Stock Exchange approved CTCL product developed by our technology team enabling us to provide the product to large user base.

Our Company and our subsidiaries have a computer network connecting all of the offices and centralized service centre to support its multi-channel delivery systems, as well as other applications such as risk management.

Our Company and our subsidiaries maintain backup and recovery functions to enhance the reliability of the system and integrity of data. These include logging of all critical files intraday, duplication and storage of all critical data every twenty-four hours, and maintenance of facilities for backup and communications. They also include the maintenance and periodic testing of a disaster recovery plan.

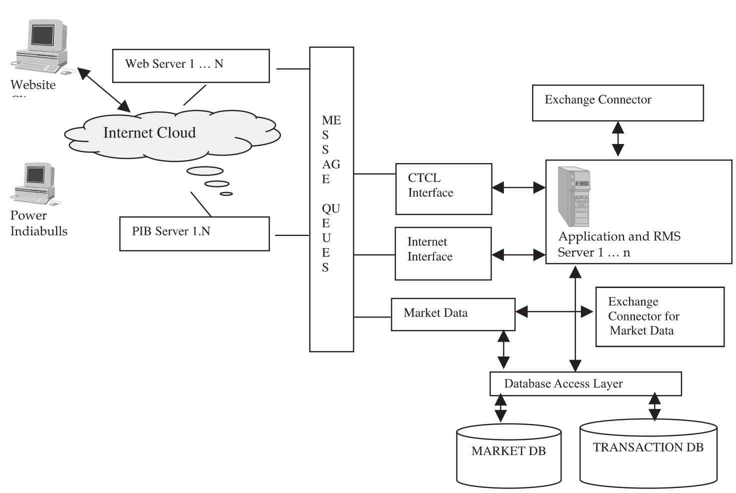
Internet Based Share Trading System

ISL's Internet Based Share trading system handles over 22,871 clients spread all across the country. At the core of the Internet based share trading system is an in-house developed application that interfaces with the NSE and allows users to carry out stock transactions online. This application has following features:

- Supports for both Cash Market and Derivatives
- Common Integrated Risk Management for both segments
- A feature rich browser based terminal
- Desktop based installable terminal for the highly active trader
- Electronic Payment Interface to participating Retail Bank
- Indiabulls Equity Research & Analysis
- Support for Non-Resident Indian Customers
- Multiple Tick by Tick Charts and Technical Analysis
- Streaming Quotes
- Multiple and fully customisable market watches and multiple order books.

The application is an N-tier application with robust design and architecture made for scalability, reliability and high performance. The main components of the Internet Based Share Trading cum CTCL application are explained below:

1. **Exchange Connector** – The Exchange connector is a software component that interfaces with the exchange for the purpose of sending Order requests and receiving back order and trade confirmations. The exchange connector component of the application is written in C with X.25 connectivity support for connecting to the National Stock Exchange through a VSAT as well as leased line. The connector has been built for and runs on the Tru-64 Unix platform as well as for the Solaris platform with easy portability for Linux as well.
2. **Internet Trading Front-end** - The Internet Trading front end has been developed on the Java platform with the presentation layer in Java Server Pages and the logic residing in Java classes. Currently it is being run on the Iplanet Web Server from Netscape. The Internet trading front end uses a proprietary methodology of database connection pooling to achieve better performance.
3. **Risk Management Module** – The core of the application is the application server and risk management module, which validates all orders placed by customers against the limits available to them as per our risk management logic. This module accepts and forwards to the exchange all orders that pass the risk management criteria while rejecting any that do not meet them. This component of the application is written in C and runs on the Tru-64 Unix platform with interfaces to the Database.
4. **Internet Interface** – The Internet interface is an interface to web server using advanced Inter Process Communication using DBMS Pipes and Message Queues. This interface is also runs on Tru-64 Unix.
5. **CTCL Interface** – The CTCL interface is the component interface to the Power Indiabulls Group Server, which is also our CTCL software (approved by NSE).



6. **Power Indiabulls Group Server** – This is a server side component of the Power Indiabulls Group Dealer Terminals. This multi-threaded component is responsible for all communication with the Power Indiabulls Group terminals given out to active trading clients. It is completely written in JAVA and is portable to any Java supporting operating system. This component has the following advanced features:

    1. Connection management with reconnect functionality
    2. Compression of market data for optimised bandwidth utilization
    3. Streaming of data to the terminals
    4. Advanced Database Connection Pooling through proprietary logic for performance
    5. In built security features against D-Dos attacks
    6. Bandwidth throttling for better performance on slow Internet connections at client end.

7. **Power Indiabulls Terminal** – The Power Indiabulls Terminal is a terminal ideally suited for the active trader. This software gets installed on the client machine and is similar to a Dealer Terminal over the Internet. The terminal has a lot of features that makes it extremely usable from the point of view of a trader who is active in the market. Some of the product features are –

    - Integrated market watches for cash and derivatives
    - Multiple tick by tick charting
    - Advanced Technical Analysis
    - Single key stroke order entry
    - Multiple customisable market watches
    - Easy to use risk management reports
    - Secured Socket Layer connectivity with server
    - Two second order confirmation turnaround time even during peak hours.

Back Office and Operations

The broking back office for the entire organization is centralized at the head office in New Delhi. We use Oracle based back office software called 'FOCUS' that has been specifically customized for our requirements. The software has advanced risk management features and reporting capabilities built into it apart from the standard accounting, clients and trade reconciliation and other features required for stock broking. This application has been designed and developed to cater to the high transaction volumes.

Depository Operations

Our Company and our subsidiaries have built a depositary participant set-up that caters to around 15,087 account holders as on April 30, 2004. The set-up involves state of the art server hardware and client set-up with 10 nodes. Our Company and our subsidiaries also have a Depository back-office application that is utilized for account monitoring, billing and reporting for the depository operations of the organization.

Risk Management

Managing market risk on client positions is critical to our business. The Internet trading application has a risk management logic built into it that continuously marks to market the client's position and doesn't allow the client to take a fresh position beyond the stipulated limits. This risk management logic takes into account all the assets of the client (cash and shares), updated real time, lying with us to get to an allowable exposure value. Margin call alerts are automatically generated and relayed to the client and the administrators from the system.

For the non-internet part of the business, the back-office system provides the centralized controls and risk management team with all information for generating margin calls and managing the risk of the clients. CTCL software has been installed at branches to manage risk at the time of order entry.

Insurance

IIAPL is a corporate agent for Birla Sunlife Insurance Co. To assist the Insurance Sales team in their endeavour, we have developed workflow management software for tracking insurance leads and policies. This software allows insurance executives to log their leads and calls and manage their time while ensuring complete reporting to the top management. This software application tracks an insurance policy through its entire life cycle from the time a call is entered by an executive to the time the policy gets issued. It has the capability to track premium generated through out the life of the policy. Reminder functionality has been built into the application to send out premium payment reminders to customers as well sales executives. This entire application has been built using ASP.Net with SQL Server Database at the back end.

Corporate Intranet

Our Corporate Intranet delivers to its users a variety of systems for managing workflow and operations and also provides near real time information to the top management. The main components of the Intranet are –

- Sales MIS – This system provides to the Relationship Managers a near real time view of the revenues being given by their relations with us. They can also view on a daily basis, the incentive generated by them for themselves.
- Operations Work Flow System – The operations workflow system is designed to help the operations team during its various functions like account opening, client query handling.
- Risk Management System – This system interfaces with our trading engine and provides to the risk managers, in real time, the status of each client with regards to their risk and positions. This also allows risk managers to send margin calls in real time to clients.
- Indiabulls Insurance Tracking system – The system is made to be used by the Insurance team for managing workflow and carry out proper reporting. Through this system, executives are able to fill in their daily activities and managers are able to monitor the working of their teams in real time.

TECHNOLOGY INFRASTRUCTURE

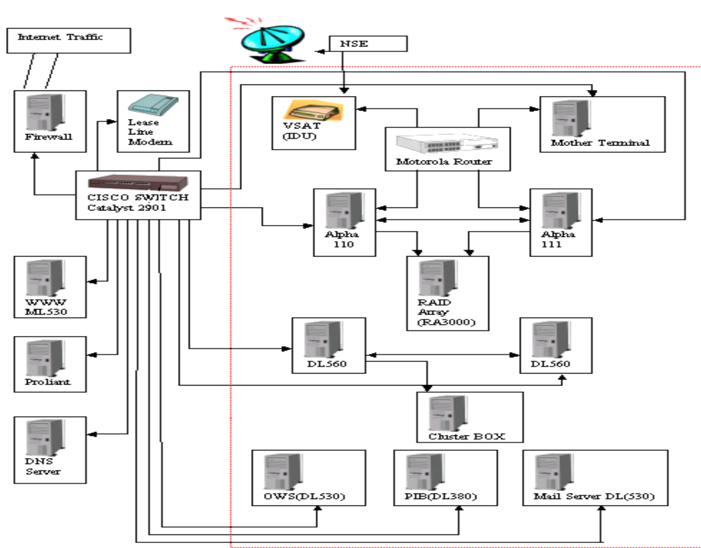
Our Company and our subsidiaries have a high-end technical infrastructure to meet the demands of its growing business.

Internet Trading Server setup

As explained above, the Internet trading application developed by us is a system comprising a large number of components and interfaces to various entities like the NSE, HDFC Bank, Depository etc. This application has been co-located out of the Data centre of Videsh Sanchar Nigam Limited in Mumbai. The decision to co-locate out of a World Class Level 3 data centre stems from the fact that this set-up has to have the highest levels of reliability and uptime. The Level 3 data centre of VSNL provides the following infrastructure in the form of –

- Raised floors
- HVAC temperature control systems
- Air-Sense State of the art Aspirating smoke detection
- FM 200 based Fire suppression systems
- Video camera surveillance systems, Biometric access & sensors
- Security breach alarms
- Gigabit Local Area Network
- On site Power Systems with multiple backup generators feeding a redundant UPS grid to offer the highest levels of reliability

The entire Internet Trading system is itself designed and refurbished with server, networking and security equipment. Given below is a diagram of the data centre set-up.



Network setup

Our Company and our subsidiaries have more than 400 desktops all over the country being used by our employees at our branches. All branches have 10/100 Mbps Local Area Networks with structured cabling and switches / hubs from well known network equipment manufacturers. Each office has dedicated Internet connectivity through which employees are able to communicate with head office and customers for all servicing and operational matters. Leased lines have been taken from well known ISPs. These leased lines are backed up by ISDN lines and dialup accounts. Most of the larger offices have multiple connectivity to Internet to prevent any downtime in operations.

Inter Branch Connectivity

Our Company and our subsidiaries have plans to implement a Virtual Private Network to connect all our branches in the country. The wide area network planned shall be a mixed network of leased line, optical fibre and radio links depending upon the needs and infrastructure of each location.

The wide area network thus created shall provide the following immediate benefits:

- Better inter branch communication leading to better efficiency and reduced costs.
- Centralized order entry leading to central risk management and greater control.
- Extension of Back office terminals to branches leading to improved customer service.

OUR MANAGEMENT

PROMOTERS AND THEIR BACKGROUND

Our Company was established by three engineers from IIT Delhi, and has attracted significant amount of investments from venture, private equity and institutional investors. The details are as follows:

Sameer Gehlaut, Chairman, CEO & Whole Time Director:

Sameer, aged 30 years, graduated with a Mechanical Engineering Degree from the Indian Institute of Technology, Delhi. He was one of the three engineers selected by Halliburton to work for its international services business in the year 1995 and worked in many countries during his tenure there. He gained experience, learned international best practices and imbibed professional work culture at Halliburton, which he brought to Indiabulls Group as one of the founders of our Company. He has gained extensive experience in the Financial Services Sector and developed in-depth knowledge and strong understanding of all aspects of the Securities Industry and Financial Services Business. Under his leadership, Indiabulls Group has grown from one office, 310 clients, and 8 employees in FY 2000 to 32,359 clients, 70 offices and 606 employees as on April 30, 2004. Sameer currently does not possess a voter ID or driving license. His ration card no. is 1A1/03/533/1430/663.

Rajiv Rattan, President, CFO & Whole Time Director:

Rajiv, aged 31 years, an NTSE Scholar, graduated with an Electrical Engineering Degree from the Indian Institute of Technology, Delhi. He was the only engineer selected by Schlumberger to work for its international services business in the year 1994 and worked in many countries during his tenure there. He gained extensive experience in international best practices, process management, and risk management, which he brought to Indiabulls Group as one of the founders of our Company. He has gained extensive experience in the Financial Services Sector, and has developed understanding of risk management, efficient processes and operational excellence. Rajiv currently does not possess a voter ID and his driving license no. is P92123759.

Saurabh Mittal, Director:

Saurabh, aged 30 years, graduated with an Electrical Engineering Degree from the Indian Institute of Technology, Delhi and was declared the best graduating student in 1995. He was one of the engineers selected by Schlumberger to work for its international services business in the year 1995 and worked in many countries during his tenure there. He graduated with a Masters of Business Administration from the Harvard Business School where he graduated as a Baker Scholar. He worked at Citigroup Asset Management as an investment analyst, and is currently a senior portfolio manager at Farallon Capital Partners L. P. He has developed an understanding of international financial markets, and extensive experience in the Securities industry. Saurabh is responsible for strategic decision-making and is the director of our Company. Saurabh's voter ID no. is DL/06/061/072727 and currently he does not possess a driving license.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the promoters have been submitted to NSE and BSE at the time of filing the Prospectus with them.

BOARD OF DIRECTORS

Name & Address	Age	Qualifications	Occupation	Other Directorships
Mr. Sameer Gehlaut S/o Shri Balwan Singh R/o 296, Forest Lane, Sainik Farms, New Delhi – 110 068	30 Years	B.Tech. (IIT)	Business	Nil
Mr. Rajiv Rattan S/o Shri Ram Rattan R/o 1526, Sector-6, Bahadurgarh (Haryana) – 124 507	31 Years	B.Tech. (IIT)	Business	1. Indiabulls Securities Limited 2. Indiabulls Insurance Advisors Pvt. Ltd. 3. Indiabulls Commodities Pvt. Ltd.
Mr. Saurabh K. Mittal S/o Dr. S.K. Mittal R/o 3, Lucknow Road, New Delhi – 110 007	30 Years	B. Tech. (IIT) / M.B.A. from Harvard Business School	Business	Nil
Mr. Prem Rajani S/o Gul Narain Das Rajani R/o 4th Floor, Palekar Chambers, Dhobi Talao, Mumbai - 400 002 Nominee of Transatlantic Corporation Limited)	36 Years	B.Com., LLB	Professional	1. Prima Vetcare Pvt. Ltd. 2. Holm KK Extrusions Pvt. Ltd. 3. Focus Point Pvt. Ltd. 4. Santa Securities Pvt. Ltd. 5. Americorp Holdings Pvt. Ltd. 6. Rajani Associates – Partner
Mr. Rishi Khosla S/o Shri Ravinder Khosla R/o 7th Floor, Berkeley Square, London. WIX5BL (Nominee of LNM India Internet Venture Ltd.)	29 Years	B.Sc. (Eco.), M.Sc. (Accounting & Finance)	Business	1. Copal Research India Private Ltd.
Mr. Gaurav Dalmia S/o Shri Mridu Hari Dalmia R/o B-47, Connaught Place, New Delhi - 110 001 (Nominee of Infinity Technology Trustee (P) Ltd.)	34 Years	M.B.A. from Columbia Business School	Business	1. Debikay Systems Ltd. 2. Dalmia Agencies Pvt. Ltd. 3. Softek Pvt. Ltd. 4. First Capital India Ltd. 5. Parag Parikh Financial Advisory Services Ltd. 6. Zipahead Com. Ltd. 7. Webneuron Services Ltd. 8. National Synthetics Ltd. 9. Infinity Technology Investments P. Ltd. 10. Infinity Technology Trustee Pvt. Ltd. 11. ETI Travel & Technologies Pvt. Ltd. 12. Krizm Hotels
Mr. Inder Vikram Singh Achreja S/o Late Capt. Bhupinder Singh Achreja R/o 1005, Maker Chambers V Nariman Point Mumbai – 400 021. (Nominee of Transatlantic Corporation Limited)	38 Years	Chartered Accountant	Business	1. Nimbus Communications Ltd. 2. Supreme Telecommunications Ltd. 3. Mecklai Financial & Commercial Services Pvt. Ltd. 4. Avendus Advisors Pvt. Ltd. 5. Americorp Capital Pvt. Ltd. 6. Americorp Holdings Pvt. Ltd. 7. Americorp Securities Pvt. Ltd. 8. Americorp Realities Pvt. Ltd. 9. Aster Business Research Pvt. Ltd. 10. Aster Business Research, Partner

Date of expiration of the current term of office

Our Company has two permanent directors. These are Mr. Sameer Gehlaut and Mr. Rajiv Rattan.

Details of service contracts and remuneration details of directors are given below:

Mr. Rajiv Rattan, President & CFO is the Wholetime Director of ISL. His service contracts and remuneration details with us are as detailed in the section entitled "Remuneration of Managing Director / Whole Time Directors" on Page no. 149 of this Prospectus.

Nature and Interest of Promoters and Directors

All the Directors are interested to the extent of fees, if any, payable to them for attending meetings of the Board or any Committee thereof as well as to the extent of the other remuneration, if any. The Directors are also interested to the extent of shares, if any, already held by them in our Company or the Equity Shares that may be subscribed for by and allotted to them out of the present Issue. The Directors may also be regarded as interested in the shares that may be held by or the Equity Shares that may be subscribed by and allotted to them by the companies in which they are interested as Directors and/or members. All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by our Company with any company in which they hold Directorships.

CORPORATE GOVERNANCE

The provisions of the listing agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to our Company immediately upon the listing of our Company's Equity Shares on the Stock Exchanges. Our Company intends to comply with such provisions, including with respect to the appointment of independent directors to its Board and the constitution of the following Board Committees: the Audit Committee, the Remuneration Committee; and the Investors Grievances Committee. Our Company undertakes to adopt the Corporate Governance Code as per Clause 49 of the listing agreement to be entered into with the Stock Exchanges prior to the listing.

We believe in adopting the best corporate governance practices, based on the following principles in order to maintain transparency, accountability and ethics:

- Recognition of the respective roles and responsibilities of Board and the management;
- Independent verification and assured integrity of financial reporting;
- Protection of shareholder's right and priority for investor relations; and
- Timely and accurate disclosure on all material matters concerning operations and performance of our Company.

1. Audit Committee

The terms of reference of Audit Committee comply with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The Audit Committee consists of all non-executive directors with the majority being independent directors. The Audit Committee currently comprises Mr. Inder Vikram Singh Achreja as the Chairman, Mr. Saurabh Mittal and Mr. Gaurav Dalmia.

The general objective of the Audit Committee is to establish a transparent and effective system of internal monitoring and control, to review the annual plan of our Company and any special examination by internal audit and implementation of internal audit recommendations, to review quarterly, half yearly and annual financial statements before submission to the Board, and to conduct limited review report, together with coverage of the scope of activities prescribed under Section 292A of the Companies Act, 1956. The Audit Committee also considers and reviews ethical adherence and corporate governance principles.

2. Remuneration Committee

The Remuneration Committee consists of Mr. Saurabh Mittal, Mr. Rishi Khosla and Mr. Gaurav Dalmia. Mr. Rishi Khosla is the Chairman of the Committee. The Committee performs the functions of Remuneration Committee as recommended in the listing agreement to be entered into with the Stock Exchanges. It will determine our Company's policy on specific packages for executive directors.

3. Shareholders'/Investors' Grievance Committee

The Shareholders'/Investors' Grievance Committee consists of Mr. Sameer Gehlaut, Mr. Rajiv Rattan, and Mr. Saurabh Mittal. Mr. Sameer Gehlaut is the Chairman of the Committee. The Shareholders'/Investors' Grievance Committee's scope and functions are to consider and review shareholders'/investors' grievances and complaints, and to ensure that all shareholders'/investors' grievances and correspondence are expeditiously reviewed and responded to within two weeks of receipt, unless constrained by incomplete documentation and/or legal impediments.

In addition to the above, it also has a Board Committee called the Compensation Committee.

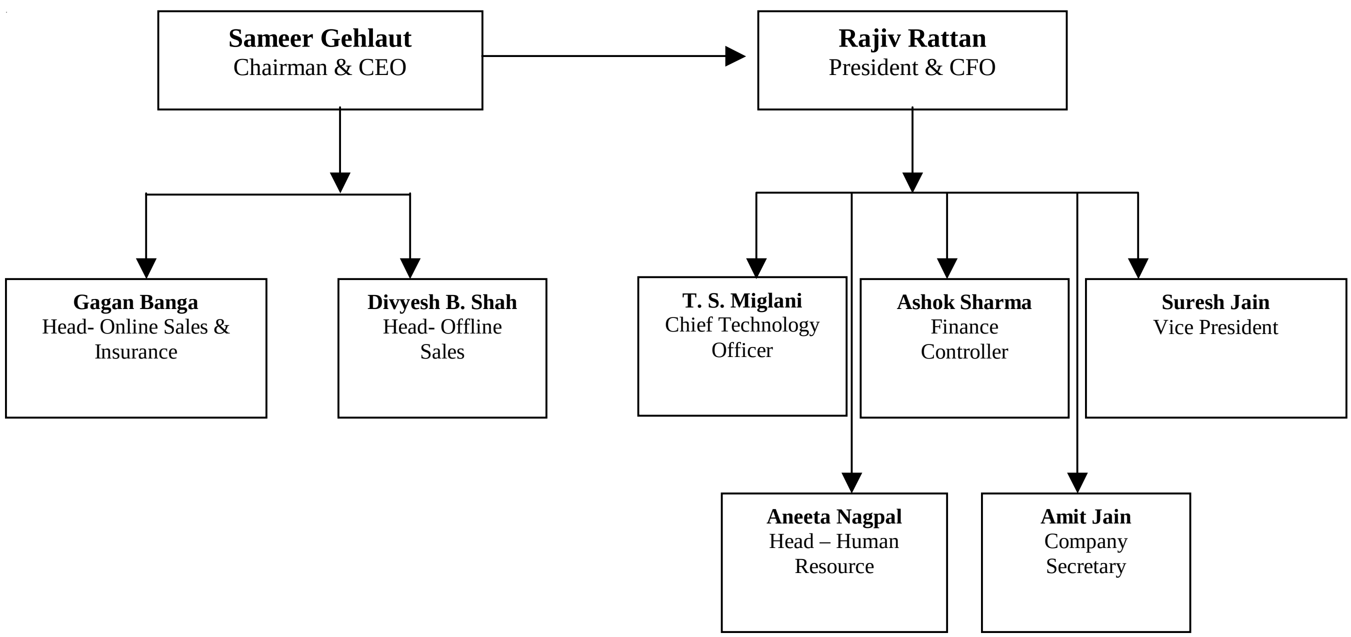
4. Compensation Committee

The Compensation Committee consists of the CEO, President and other Directors. The Committee currently comprises of Mr. Sameer Gehlaut, Mr. Rajiv Rattan and Mr. Saurabh Mittal. Mr. Rajiv Rattan is the Chairman of the Committee. The Committee determines and reviews the overall compensation structure including managerial remuneration (other than to executive directors) and related policies aimed at attracting, motivating and retaining personnel.

Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

Provisions of Regulation 12 (1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 will be applicable to our Company immediately upon the listing of its Equity Shares on the Stock Exchanges. It has framed a code of internal procedures and conduct for the prevention of insider trading.

OUR MANAGEMENT



KEY MANAGERIAL PERSONNEL

Tejinderpal Singh Miglani, Chief Technology Officer

Tejinder, 29 years is an NTSE Scholar, graduated with a Computer Sciences Degree from Indian Institute of Technology, Delhi with high academic honours. He graduated with a management degree from the Indian Institute of Management, Calcutta. He worked at Dresdner Kleinwort Bensonas as senior engineer and project manager and was responsible for creating financial transaction systems for its international trading operations, with cutting edge technology and processes. He also worked at ICICI Ltd., and managed the development of financial systems. Tejinder joined us on January 14, 2000 and is responsible for the development of our class trading platform, web transaction system and internal systems.

ISL pays a fixed gross monthly salary Rs.200,000 pm and a variable incentive based on our profitability to Tejinder as compensation for his services. Tejinder has 20,00,000 Employee Stock Options in our Company. Tejinder along with our CEO and President is amongst the key managerial personnel as defined in the shareholder's agreement with Venture Capital investors.

Gagan Banga, Head, Online Sales & Insurance -

Gagan, 28 years graduated as a Master of Business Administration. He worked at NIIT as Regional Sales Head and gained extensive experience in high value-add sales, managing and developing large sales team in a competitive industry and strong management skills. He joined us on June 26, 2000 has brought his extensive sales and marketing skills to ISL and is a key member of the management team as the Head of Online Sales. Gagan is responsible for our Online trading Sales team with 298 Relationship managers, and is also responsible for launching third party financial products such as mutual funds and insurance products in our network. Under Gagan's leadership, we have acquired significant market share in Internet trading, and have successfully launched third party financial products.

ISL pays a fixed gross monthly salary Rs.200,000 pm to Gagan and an incentive bonus based on the performance of his group as compensation for his services. Gagan has 9,00,000 Employee Stock Options in our Company.

Divyesh B. Shah, Head, Offline Sales

Divyesh, 35 years has over 12 years of experience in the Indian Financial markets. He has worked at leading securities firms and gained extensive experience managing and developing large brokerage sales team and cultivating deep client relationships. He joined us on August 5, 2000 and has brought his extensive sales and management skills to Indiabulls Securities Limited and is a key member of the management team. He is directly responsible for a team of over 86 relationship managers, and heads the West and South India regions.

ISL pays a fixed gross monthly salary Rs. 200,000 pm and an incentive bonus based on the performance of his group as compensation for his services. Divyesh has 7,50,000 Employee Stock Options in our Company.

Kavi Kumar, Head Compliance

Kavi, 35 years has over fourteen years of experience in secondary markets. He joined us on October 1, 1999. Over the years Kavi has gained vast experience and knowledge of the regulatory compliance required in retail financial services in general and more specifically in capital market operations. Kavi is responsible for all reporting and compliance required by the SEBI, NSE and BSE and interacts with them regularly.

ISL pays a gross monthly salary of Rs. 125,000/- per month to Kavi as compensation for his services. Kavi is also entitled to a variable incentive based on the profitability of our Company. He has 5,00,000 Employee Stock Options in our Company.

Suresh Jain, Vice President

Suresh, 39 years is a qualified Chartered Accountant with over 15 years of experience at senior levels in professional organizations like Abbott Laboratories (India) Ltd. He has extensive experience in the field of finance, risk management and taxes. Suresh has joined us on March 18, 2004 as Vice President Finance. Suresh has implemented the industry best practices and has developed multi level processes and reporting structure to enhance the efficiency and profitability of the business.

ISL pays a gross monthly salary of Rs. 100,000/- per month to Suresh as compensation for his services. Suresh is also entitled to a variable incentive based on the profitability of the Company.

Amit Jain, Company Secretary

Amit Jain, is a qualified Company Secretary and a law graduate. He has more than five years of experience in the financial services and manufacturing industries. He has gained extensive knowledge of the statutory regulations governing private and public corporations. He is the Company Secretary and heads the secretarial and legal division for IFSL and its subsidiaries.

IFSL pays a fixed gross monthly salary Rs.15,000 pm and an incentive bonus based on the profitability of Indiabulls as compensation for his services. Amit has 1,200 Employee Stock Options of our Company.

Ashok Sharma, Finance Controller

Ashok, 35 years is a qualified Chartered Accountant with over twelve years experience in the financial services industry. He has gained extensive experience in back-office procedures and financial accounting and management of Securities firms. He joined us on January 31, 2000 and is a key member of our senior management team and heads the finance, risk management and back office operations He has designed and implemented procedures in the back office and finance department, and manages a large team of professionals. Ashok is responsible for our operational efficiency account management of 32,359 clients.

ISL pays a fixed gross monthly salary Rs.150,000 pm. Ashok has 2,00,000 Employee Stock Options in our Company.

Aneeta Nagpal, Head of Human Resources

Dr. Aneeta Nagpal, 42 years Ph.D. in Organizational Behaviour. She started her career as UGC Research Fellow and taught at postgraduate level in the areas of industrial and experimental Psychology. She guided and counselled UGC fellowship and civil services aspirants and also undertook various consulting assignments for industrial clients in the area of Organisational Behaviour. An experienced Human Resources consultant and researcher for the past eighteen years, she is credited with design, development and delivery of various HR related training programmes and organizational development oriented interventions for highly reputed corporate clients. Before joining us, she was working as managing director of Mega Mind, an HR Consultancy organisation. Aneeta who joined us on January 1, 2004 heads our human resource department and is responsible for developing HR policies and processes along with ensuring recruitments. ISL pays a fixed gross monthly salary of Rs. 83,333 pm.

Note: Apart from Amit Jain who is on permanent rolls of our company, all other Key Managerial Personnel listed are employees of subsidiary companies.

Note on incentive bonus: The employees of our Company and our subsidiaries involved in the sales function get paid incentive bonus based on the profitability of their group and their individual performance. The employees involved in back-office, technology and finance departments are paid incentive bonus based on the productivity, efficiency and team work. The incentive bonus payments are not obligatory on our Company and our subsidiaries and are not a part of the fixed cost structure of our Company or our subsidiaries.

Changes in the Key Managerial Personnel of our Company in the last 3 years

Name	Designation/ Functional Responsibility	Date of Joining	Date of Leaving	Reason
Ms Rubina Dutt	Company Secretary	February 26, 2001	July 1, 2001	Resigned
Mr. Suvendhu Padhi	Company Secretary	July 01, 2001	December 31, 2003	Resigned
Mr. Manoj Agrawal	Company Secretary	January 01, 2004	April 17, 2004	Resigned
Mr. Amit Jain	Company Secretary	April 17, 2004	NA	NA

Changes in the Key Managerial Personnel of subsidiary companies in the last 3 years

Indiabulls Securities Limited

Name	Designation	Date of Joining	Date of Leaving	Reason
Pritpal Singh	Company Secretary	August 14, 2000	November 1, 2002	Resigned
Amit Jain	Company Secretary	November 1, 2002	April 17, 2004	Resigned
Uma Kanta Das	Company Secretary	April 17, 2004	NA	NA
Vishal Trehan	Head Depository Services & Risk Management	July 7, 2000	July 9, 2004	Resigned
Aneeta Nagpal	Head- Human Resources	January 1, 2004	NA	NA
Suresh Jain	Vice President- Finance	March 18, 2004	NA	NA
Gajendra Nagpal	Co-Head, Offline Sales	May 1, 2000	July 31, 2004	Resigned

Indiabulls Insurance Advisors Private Limited

There have been no changes in the Key Managerial Personnel in the last three years

Indiabulls Commodities Private Limited

There are no changes in the Key Managerial Personnel in the last three years.

OUR SUBSIDIARIES

Our Company has following three subsidiaries:

1. Indiabulls Securities Ltd.
2. Indiabulls Insurance Advisors Pvt. Ltd.
3. Indiabulls Commodities Pvt. Ltd.

ISL, IIAPL and ICPL provide financial products and services to its customers. ISL provides equity & debt broking, depository services, derivatives broking services and research services to its clients. IIAPL has a tie up with Birla Sun Life and sells its insurance products to its customers in the capacity of a corporate agent of Birla Sun Life. ICPL has been incorporated to provide services in the commodities market. ICPL is a member of NCDEX.

INDIABULLS SECURITIES LTD.

Indiabulls Securities Limited was incorporated as GPF Securities Private Limited on June 9, 1995. The name of the company was changed to Orbis Securities Private Limited on December 15, 1995 to change the profile of the company and subsequently due to the conversion of the company into a public limited company; the name was further changed to Orbis Securities Limited on January 5, 2004. The name of the company was again changed to Indiabulls Securities Limited on February 16, 2004 so as to capitalise on the brand image of the term “Indiabulls” in the company name. ISL is a corporate member of capital market & derivative segment of The National Stock Exchange of India Ltd. At present, ISL accounts for approximately 3% of the total daily turnover of the Exchange with 32,359 client relationships and 70 branches spread across the country as of April 30, 2004.

Shareholding pattern

As of July 23, 2004, the shareholding pattern of Indiabulls Securities Limited was as follows:

Name of the Shareholder	Number of Shares held	%
Indiabulls Financial Services Ltd.	1,78,33,093	99.9994
Mr. Rajiv Rattan	1*	––
Mr. Sameer Gehlaut	1*	––
Mr. Divyesh B. Shah	1*	––
Mr. Gagan Banga	1*	––
Mr. Ashok Sharma	1*	––
Mr. Tejinderpal Singh Miglani	1*	––
Farallon Capital Partners, LP	950	0.0053
RR Capital Partners, LP	50	0.0003
Total	**1,78,34,099**	**100**

* As nominee of Indiabulls Financial Services Ltd.

12% Redeemable Preference Shares (issued at a face value of Rs. 10 each)

Farallon Capital Partners, LP	4,30,06,500
RR Capital Partners, LP	22,63,500

Board of Directors of ISL as of July 23, 2004

Name	Age	Occupation
Mr. Rajiv Rattan S/o Shri Ram Rattan	31 Years	Wholetime Director & CFO
Mr. Aishwarya Katoch S/o Shri Aditya Katoch	34 Years	Business
Sh. Shamsher Singh S/o Late Brig. Ran Singh	55 Years	Business
Mr. Tejinderpal Singh Miglani S/o Mr. M.S.Miglani	29 Years	Service
Mr. Gagan Banga S/o Mr. P.K.Banga	28 Years	Service

Financial Performance

The financial position of Indiabulls Securities Limited for FY 2002, FY 2003 and FY 2004 is as follows:

(Rs. in million)

For the period ended	March 31, 2002	March 31, 2003	March 31, 2004
Revenues	132.41	266.07	695.18
Profit After Tax (re-stated)	24.42	51.22	180.66
Equity Share Capital	178.3	178.3	178.3
Reserves	(22.47)	28.75	202.42
Earnings Per Share (Rs.) for equity share of Rs. 10	1.37	2.87	9.71
Net Asset Value Per Share (Rs.)	9.57	12.13	46.73

INDIABULLS COMMODITIES PVT. LTD.

Indiabulls Commodities Pvt. Ltd. was incorporated on October 30, 2003 and is a member of National Commodities Derivatives Exchange (NCDEX). NCDEX has been promoted by the NSE for derivatives trading on commodities in India. Being a member of NCDEX, ICPL will function as an intermediary for commodity's derivatives. The Company commenced its activities from March 30, 2004.

Shareholding pattern

As of July 23, 2004, the shareholding pattern of Indiabulls Commodities Pvt. Ltd. was as follows:

Name of the Shareholder	Number of Shares held	%
Indiabulls Financial Services Ltd.	5,99,994	100.00
Mr. Rajiv Rattan	1*	––
Mr. Sameer Gehlaut	1*	––
Mr. Ashok Sharma	1*	––
Mr. Divyesh B. Shah	1*	––
Mr. Gagan Banga	1*	––
Mr. Tejinderpal Singh Miglani	1*	––
Total	**6,00,000**	**100.00**

* As nominee of Indiabulls Financial Services Ltd.

Board of Directors

Name	Age	Occupation
Mr. Rajiv Rattan S/o Shri Ram Rattan	31 years	Business
Mr. Tejinderpal Singh Miglani S/o Mr. M.S.Miglani	29 Years	Service
Mr. Gagan Banga S/o Mr. P.K.Banga	28 Years	Service

Financial Performance

The financial position of Indiabulls Commodities Pvt. Ltd. for the year ended March 31, 2004 is as follows:

	(Rs. in million)
For the period ended	**March 31, 2004**
Revenues	5.61
Profit After Tax	3.42
Equity Share Capital	6.00
Reserves	3.42
Earnings Per Share (Rs.)	5.70
Net Asset Value Per Share (Rs.)	15.70

INDIABULLS INSURANCE ADVISORS PVT. LTD.

Indiabulls Insurance Advisors Pvt. Ltd. was incorporated as Orbis Technologies Private Limited on February 18, 2002 and the name of the company was changed to Indiabulls Insurance Advisors Pvt. Ltd. on February 9, 2004 due to the change in the main objects of the company. Indiabulls Insurance Advisors Pvt. Ltd. is a corporate agent for life insurance with Birla Sunlife Insurance Company Ltd. Our Company and our subsidiaries have a wide network of branches, sales force and client relationships.

Shareholding pattern

As of July 23, 2004, the shareholding pattern of Indiabulls Insurance Advisors Pvt. Ltd. was as follows:

Name of the Shareholder	Number of Shares held	%
Indiabulls Financial Services Ltd.	49,994	100.00%
Mr. Rajiv Rattan	1*	––
Mr. Sameer Gehlaut	1*	––
Mr. Ashok Sharma	1*	––
Mr. Divyesh B. Shah	1*	––
Mr. Gagan Banga	1*	––
Mr. Tejinderpal Singh Miglani	1*	––
Total	**50,000**	**100.00**

* As nominee of Indiabulls Financial Services Ltd.

Board of Directors

Name	Age	Occupation
Mr. Tejinderpal Singh Miglani S/o M.S.Miglani	29 Years	Service
Mr. Gagan Banga S/o P.K.Banga	28 Years	Service
Mr. Rajiv Rattan S/o Shri Ram Rattan	31 years	Business

Financial Performance

The financial position of Indiabulls Insurance Advisors Pvt. Ltd. for the financial year ended March 31, 2003 and March 31, 2004 is as follows:

(Rs. in million)

For the period ended	March 31, 2003	March 31, 2004
Revenues	0.12	12.24
Profit After Tax	*	5.25
Equity Share Capital	0.10	0.50
Reserves	*	5.25
Earnings Per Share (Rs.)	0.10	105.09
Net Asset Value Per Share (Rs.)	10.00	115.09

‘*’ signifies less than 0.01 million

STOCK MARKET DATA

The Shares of our Company and its subsidiaries are not listed on any Stock Exchange in India or abroad.

SELECTED FINANCIAL DATA

HISTORICAL CONSOLIDATED FINANCIALS OF INDIABULLS

(Rs. Million)

Profit & Loss	**March 31, 2002**	**March 31, 2003**	**March 31, 2004**	**Quarter ended June 30, 2004**	**Quarter ended June 30, 2003**
Income					
Revenue from Operations	129.56	257.76	697.54	221.10	90.07
Other income	2.99	8.93	21.95	10.24	0.51
Total Income	**132.55**	**266.69**	**719.49**	**231.34**	**90.58**
Expenditure					
Operating Expenses	17.34	49.33	119.63	26.88	12.82
Employees Remuneration and Benefits	12.36	28.91	109.44	52.53	10.53
Administrative and Other Expenses	42.62	69.95	124.70	47.69	16.28
Miscellaneous expenditure written off	0.33	0.33	0.33	–	–
Total Expenditure	**72.65**	**148.52**	**354.10**	**127.10**	**39.63**
Profit / (Loss) - (EBITDA)	**59.90**	**118.17**	**365.39**	**104.24**	**50.95**
Interest and Finance Charges	9.16	29.56	45.30	11.86	7.13
Profit / (Loss) before Depreciation & Tax	**50.74**	**88.61**	**320.09**	**92.38**	**43.82**
Depreciation / Amortisation	7.19	9.24	11.12	3.68	2.50
Net Profit / (Loss) before Tax	**43.55**	**79.37**	**308.97**	**88.70**	**41.32**
Provision for taxation					
● Current Tax	2.65	20.05	110.77	32.77	15.50
● Deferred Tax (credit)/expense	–	8.28	4.67	0.51	2.97
Impact of prior year adjustments	0.29	–	–	–	–
Net Profit (A)	**40.61**	**51.04**	**193.53**	**55.42**	**22.85**
Adjustments on account of changes in accounting policies:	6.59	0.21	0.54	0.00	0.00
Impact of prior period items	0.28	–	–	–	–
Total Impact of adjustments	6.87	0.21	0.54	–	–
Adjusted profit / (Loss) before Minority Interest as restated	**47.48**	**51.25**	**194.07**	**55.42**	**22.85**
Minority Interest	–	–	0.01	–	–
Preference Dividend (including interim)	–	–	6.23	13.58	–
Distribution Tax on Preference Dividend	–	–	0.80	1.74	–
Net Profit after Minority interest	**47.48**	**51.25**	**187.03**	**40.10**	**22.85**

(Rs. Million)

Balance Sheet as at	March 31, 2002	March 31, 2003	March 31, 2004	June 30, 2004	June 30, 2003
APPLICATION OF FUNDS					
Assets					
Fixed Assets- Gross block	50.08	68.11	106.87	121.81	69.50
Less: Depreciation / Amortisation	18.91	28.15	39.27	42.94	30.65
Net Block	31.17	39.96	67.60	78.87	38.85
Capital Work in Progress	4.18	–	–	–	–
Net Block	35.35	39.96	67.60	78.87	38.85
Goodwill on Consolidation	76.61	76.61	76.42	76.42	76.61
Current assets, loans and advances					
Interest Accrued	0.57	0.29	2.25	3.67	0.05
Stock in trade	–	–	11.53	–	–
Receivables	487.76	492.70	1,347.15	1,614.86	851.65
Cash and bank balances	41.62	75.73	872.60	977.76	85.73
Other current assets	0.76	0.38	–	–	0.34
Loans and advances	46.40	55.85	394.53	274.93	73.50
Total Current Assets, Loans and advances (A)	**577.11**	**624.95**	**2,628.06**	**2,871.22**	**1,011.27**
Current Liabilities & Provisions					
Loan funds					
Sundry liabilities	289.00	236.30	389.44	598.78	262.36
Provisions	3.19	23.85	136.79	169.82	39.49
Total Current liabilities and provisions (B)	**292.19**	**260.15**	**526.23**	**768.60**	**301.85**
Net Current Assets (A)- (B)	**284.92**	**364.80**	**2,101.83**	**2,102.62**	**709.42**
Deferred tax Assets (Net)	7.34	–	–	–	–
Total	**404.22**	**481.37**	**2,245.85**	**2,257.91**	**824.88**
SOURCES OF FUNDS					
Share Capital and Reserves					
Equity Share Capital	155.43	157.13	163.13	163.13	157.13
Share application money pending allotment	3.00	–	–	–	–
Securities Premium Account	45.90	47.20	115.53	115.24	47.20
Reserve u/s 45 IC of the RBI Act, 1934	0.02	0.03	1.02	1.02	0.03
Surplus as per profit and loss statement, as restated	47.23	98.48	284.53	324.63	121.87
Stock Compensation adjustment	–	–	–	2.25	–
Minority Interest	–	–	458.99	457.29	–
Less: Miscellaneous expenditure not written off	–	–	–	–	–
Total	**251.58**	**302.84**	**1,023.20**	**1,063.56**	**326.23**
Deferred tax Liability (Net)	–	0.94	5.61	6.12	3.91
Loan funds	–	–	–	–	–
Secured loans	152.64	167.33	830.29	1,068.23	483.98
Unsecured loans	–	10.26	386.75	120.00	10.76
Total Loan funds	152.64	177.59	1,217.04	1,188.23	494.74
Total	**404.22**	**481.37**	**2,245.85**	**2,257.91**	**824.88**

Note:

There has been an extraordinary growth in our revenues in the past financial years, which may not be sustainable in the future. The key driver for the growth in revenues has been growth in number of client relationships from 11,725 clients in FY 2002 to 30,498 clients in FY 2004, an increase of 160.12% in number of client relationships over last two years. While our revenues have grown at a CAGR of 132.97% from FY2002 to FY2004, the revenues per customer have grown to Rs 23,591 in FY 2004 from Rs 11,305 in FY 2002. Our receivables have increased from Rs. 487.76 million at the end of FY 2002 to Rs. 1347.15 million at the end of FY 2004 due to increased number of clients. However, receivables per client in FY 2002 and FY 2004 have remained in the same range. Receivables per client were Rs 41,600 in FY 2002 and Rs 44,172 in FY 2004. Secured and unsecured loans have increased from Rs. 152.64 million at the end of FY 2002 to Rs. 1217.04 million at the end of FY 2004 due to increased working capital requirements arising out of increased business coming from an increased number of clients. The other components of the balance sheet like loans and advances and provisions have increased due to the increased business activity in FY 2004 from FY 2002 and increase in the size of the balance sheet in FY 2004 as compared to FY 2002. The total number of clients serviced by us has increased from 11,725 at the end of FY 2002 to 30,498 at the end of FY 2004, an increase of 160.12 % in number of client relationships from FY 2002 to FY 2004.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of financial condition and results of operations together with audited / examined consolidated financial statements under Indian GAAP including schedules, annexure and notes thereto and the reports thereon, which appear elsewhere in this Prospectus. These financial statements are prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and restated as described in the Auditor's Report of Deloitte Haskins & Sells Dated May 5, 2004 in the section with the title "Financial Statements".

Overview

Our Company and our subsidiaries have emerged as a diversified financial services provider with presence in securities brokerage, including equities, debt and futures & options, depositary services, research services, insurance distribution, IPO distribution, mutual fund sales and other non-banking financial services. Our Company and our subsidiaries have 70 offices spread across 55 cities, 476 relationship managers, 606 employees and 32,359 clients.

Our focus on the client has allowed us to introduce a range of services to self- directed full-time active investor as well as who prefer to deal with us through a marketing associate in smaller towns and cities.

Our total consolidated operating income from FY 2002 to FY 2004 has grown from Rs. 132.55 million to Rs. 719.49 million. In FY 2004, our total consolidated net profit was Rs. 193.53 million, compared to FY2002 of Rs. 40.61 million. From FY 2002 through FY 2004, our revenue from brokerage activities has increased from 60.98% to 67.90% of our total operating income. Our revenues, operating profits and net profits, on a consolidated basis have grown at a CAGR of 132.97%, 166.39% and 118.31% respectively. 98.67% of our total revenues have been contributed by our subsidiaries: ISL has contributed 96.20%, IIAPL has contributed 1.69% and ICPL has contributed 0.78% to our total revenues.

The key driver for the growth in revenues has been growth in number of client relationships from 11,725 clients in FY 2002 to 30,498 clients in FY 2004, an increase of 160.12% in number of client relationships over last two years. While our revenues have grown at a CAGR of 132.97% from FY2002 to FY2004, the revenues per customer have grown to Rs 23,591 in FY 2004 from Rs 11,305 in FY 2002. Our receivables have increased from Rs. 487.76 million at the end of FY 2002 to Rs. 1347.15 million at the end of FY 2004 due to increased number of clients. However, receivables per client in FY 2002 and FY 2004 have remained in the same range. Receivables per client were Rs 41,600 in FY 2002 and Rs 44,172 in FY 2004. Secured and unsecured loans have increased from Rs. 152.64 million at the end of FY 2002 to Rs. 1217.04 million at the end of FY 2004 due to increased working capital requirements arising out of increased business coming from an increased number of clients. The other components of the balance sheet like loans and advances and provisions have increased due to the increased business activity in FY 2004 from FY 2002 and increase in the size of the balance sheet in FY 2004 as compared to FY 2002. The total number of clients serviced by us has increased from 11,725 at the end of FY 2002 to 30,498 at the end of FY 2004, an increase of 160.12 % in number of client relationships from FY 2002 to FY 2004.

Several factors have significantly affected the results of our operations, financial conditions and cash flow over the past three years. These factors include:

- Expansion of our customer base.
- Introduction of new products and services
- Increasing customer demand for our diversified products from the provider of financial products
- Consolidation in the fragmented securities market, leading to more market share for the larger market participants
- Proliferation and wide spread adoption of F&O markets
- Geographical expansion and new branch openings
- Competition from existing and new players; including players in new markets that we have recently entered
- Increasing employee compensation in India
- Reduction in interest rates
- Availability of low cost credit facilities from banks
- Customer needs for a multi- channel service provider
- Extensive use of technology in financial services businesses to reach economies of scale and have efficient back office and transaction processing systems
- Regulatory changes in terms of length of the settlement cycle and stringent exposure norms for market participants leading to huge requirement of capital in the business
- Thrust from regulators for complete transparency in trade execution and related services and requirement of complete disclosures.
- Introduction of investor protection policies and guidelines

These factors and a number of future developments may affect the results of our operations, our financial condition and cash flow in future periods. Customer appetite for capital market exposure as part of their investment portfolio

- Customer credit profile and any significant deterioration in credit risk
- Level of trading on major stock exchanges, and overall sentiment in the market
- Changes to competitive landscape including new competitors or consolidation

For more information on these and other factors / developments which have or may affect us financially, please also refer to the section titled "Risk Factors" in this Prospectus.

The details of the Corporate Guarantees given by Indiabulls Financial Services Limited on behalf of Indiabulls Securities Limited as on 24.07.2004 are set out below:

Name of the Bank	Bank Guarantee (Rs.)
HDFC Bank	210,000,000
Lord Krishna Bank	100,000,000
ICICI Bank	100,000,000
Canara Bank	100,000,000
Total	**510,000,000**

SIGNIFICANT ACCOUNTING POLICIES

Preparation of financial statements in accordance with Indian GAAP, the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956, require the management to make judgements, estimates and assumptions regarding uncertainties that affect the reported amounts of its assets and liabilities, disclosures of contingent liabilities and the reported amounts of revenues and expenses. These judgements, assumptions and estimates are reflected in our accounting policies, which are more fully described in the Auditor's Report appearing on page no. 73 of this Prospectus.

Some of the accounting policies are particularly important to the portrayal of our financial position and results of operations and require the application of significant assumptions and estimates from management. We refer to these accounting policies as significant accounting policies. Our management uses historical experience and analysis, the terms of existing contracts, historical cost convention, industry trends and information available from outside sources as appropriate, when forming our assumptions and estimates. However, this task is not exact because our management is making assumptions and providing estimates on matters that are inherently uncertain.

While we believe that all aspects of our financial statements should be studied and understood in assessing our current and expected financial condition and results, we believe that the following critical accounting policies warrant additional attention:

Fixed Assets and Depreciation:

Fixed assets are stated at cost less accumulated depreciation. We capitalize all costs relating to the acquisition and installation of fixed assets. Fixed assets, other than land, are depreciated pro rata, on the straight-line method as prescribed in Companies Act.

Description of Asset	Depreciation Rate
Computer Equipment	16.21%
Software (Internally developed and external licenses)	25.00%
Furniture and Fixtures	6.33%
Office Equipments	4.75%

Assets costing less than Rs. 5000 are fully depreciated in the year of acquisition.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in-first-out basis and includes all applicable overheads in bringing the inventories to their present location and condition.

Revenue Recognition

With respect to brokerage commissions, related charges and third party financial product sales, sales are recognized on performance of service to customer and are recorded gross of transaction charges levied by NSE and SEBI.

Investments

Long-term investments are stated at costs. Provision, where necessary, is made to recognize a decline, other than temporary, in the value of investments. Current investments are stated at the lower of cost and fair market value.

Retirement Benefits

We have schemes of retirement benefits for provident fund, gratuity and superannuation, in respect of which, its contributions are charged to the statement of profit and loss.

Leave Encashment

Liability for leave encashment is in accordance with our rules and is provided on the basis of an actuarial valuation provided by an independent actuary.

Marketing and Branding Costs

Marketing and branding costs, including technical know how fees, advertising expenses and marketing campaigns are expensed as they are incurred.

Income Tax

Provision for tax is made for both current and deferred taxes. Provision for current income tax is made on the current tax rates on assessable income. We provide for deferred tax based on the tax effect of timing differences resulting from the recognition of items in the financial statements and in estimating its current tax provision.

Borrowing Costs

Borrowing costs are expensed in the period in which these were incurred, including any costs related to access to credit facilities.

Deferred Employee Stock Compensation Costs

Deferred employee stock compensation costs for stock options recognized on the basis of generally accepted accounting principles and are measured as the excess of the fair value of our Company’s stock on the stock options grant date over the amount an employee must pay to acquire our Company’s Equity Shares and are recognized in a graded manner on the basis of the weighted period of services over the vesting period of Equity Shares. The fair value of the options is currently measured on the basis of an independent valuation performed at the time of the stock options granted. Following the Issue, the fair value of the options will be measured on the basis of the market price of the Equity Shares.

Earnings Per Share

Net profit after tax in a particular reporting period is used as the earnings figure for the purpose of calculating Earnings Per Share. The number of shares used in computing the basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares is adjusted for the bonus shares and sub division of shares.

For the purpose of consolidated reporting, weighted average of options issued under the ESOP Plan have been considered outstanding for diluted earning per share purpose after taking into consideration the difference between fair value of option and grant price.

Operating Leases

As Lessee: Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as Operating Leases. Lease payments under operating leases are recognized as an expense on a straight line basis over the lease term.

Presently, our Company is engaged in making investments and providing loans to its subsidiaries. The main source of income comprises of the interest income. Other income has shown a substantial increase in FY 2004 due to gains through dealing in securities. This has resulted in an increase in its sundry debtors/ loans and advances due to non-receipt of sale proceeds/ refund of application money. Due to the above, the net pofits of our Company also have increased substantially in FY 2004. Due to the transfer of some of its Fixed Assets in the FY 2001 to its subsidiary ISL there is a decline in the value of its Fixed Assets. Our Company’s net profits have increased consistently, except in FY 2002, due to investments of its interest earning surplus funds in the acquisition of shares of ISL towards the end of FY 2001.

OUR RESULTS OF OPERATIONS

We operate our business in three major product categories and across three distinct sales channels. The three major product categories are:

- **Brokerage Revenues** from Equities, F&O and Wholesale Debt Markets and related revenues such as transaction and service charges
- **Related Income** such as transaction and service charges and interest income
- **Other Income**, includes third party products sales such as Insurance products, Mutual Funds, Research Services and IPO distribution

The three distinct internal business segments are:

- **Online business** serving clients primarily through an Internet based relationship targeted towards clients who value anytime, anywhere access and can be serviced at low incremental costs. The Online sales force sells all products and services and follows the relationship manager model.
- **Offline business** serving clients primarily through an office based relationship targeted towards clients who value physical interaction and are typically larger accounts. The Offline Sales force sells all products and services and follows the relationship manager model. The Institutional business serving clients such as mutual funds and pension funds is considered part of the offline business due to largely similar client servicing and channel needs as required for high networth clients. Indiabulls Securities Limited has established relationships with some large institutional players in India and is qualified broker for Equities, F&O and Debt markets for 145 such institutional clients.
- **Other Sales** includes insurance, research services and other offerings

Income

Our income unit has the following components:

- Online Business
    - o Brokerage
        - Equities
        - F&O
    - o Related Income which includes transaction and service charges and interest income
- Offline Business
    - o Brokerage
        - Equities
        - F&O
        - Wholesale Debt Markets
    - o Related Income which includes transaction and service charges and interest income
- Other Sales

The following table sets out the contribution of each of these components of ISL: (Rs. in million)

Revenues	FY 2002		FY 2003		FY 2004	
	Rs.	%	Rs.	%	Rs.	%
Online						
Brokerage						
Equities	20.71	15.64	48.86	18.36	128.09	18.43
F&O	0.00	0.00	2.60	0.98	39.96	5.75
Related Income (including charges)	11.14	8.41	25.21	9.48	74.21	10.67
Total Online Sales	31.85	24.05	76.67	28.82	242.26	34.85
Offline						
Brokerage						
Equities	56.01	42.30	85.83	32.26	205.69	29.59
F&O	3.31	2.50	22.52	8.46	84.48	12.15
Wholesale Debt Markets	0.72	0.54	5.13	1.93	13.82	1.99
Related Income (including charges)	35.98	27.18	62.43	23.46	143.26	20.61
Total Offline Sales	96.02	72.52	175.91	66.12	447.25	64.34
Other Sales	4.54	3.43	13.48	5.07	5.66	0.82
Consolidated Sales:						
Brokerage						
Equities	76.72	57.95	134.69	50.62	333.78	48.01
F&O	3.31	2.50	25.12	9.44	124.44	17.90
Wholesale Debt Markets	0.72	0.54	5.13	1.93	13.82	1.99
Total Brokerage	80.75	60.98	164.94	61.99	472.04	67.90
Related Income	47.12	35.59	87.64	32.94	217.47	31.28
Other Sales	4.54	3.43	13.49	5.07	5.67	0.82
Total Sales	132.41	100.00	266.07	100.00	695.18	100.00

Online Business of ISL

Our online business unit is one of the largest online trading units in India with over 20% market share as on September 30, 2003. The contribution of revenue from Online business have grown from Rs. 31.85 million in FY 2002 to Rs. 242.26 million in FY 2004 and from 24.05% of total business in FY 2002 to 34.85% of business in FY 2004.

The rapid growth of the online business is driven by growth in total clients, increasing product flexibility and quality, enhanced online-only features such as portfolio analysis and updates, streaming tickers, enhanced product offering of Power Indiabulls.

The online clients of ISL have grown from 9,512 on March 31, 2002 to 21,680 on March 31, 2004, being served by 221 relationship managers

Offline Business of ISL

Our offline business unit has one of the widest branch networks in India with a pan India presence with large market share. The revenues have grown from Rs. 96.02 million in FY 2002 to Rs. 447.25 million in FY 2004 and has changed from 72.52% of total business in FY 2001 to 64.34% of business in FY 2004.

The rapid growth of the Offline business is driven by growth in total clients, increased geographical presence in 70 offices in 55 cities across India, up from 19 offices in 13 cities in FY 2002. The offline direct sales effort expanded rapidly with 149 relationship managers servicing 8,818 customers on March 31, 2004 compared to 49 relationship managers servicing 2213 customers in FY 2002. Additionally, marketing associates have grown in a span of two years to 253 relationships in FY2004.

Other Sales

Other sales include new business areas such as insurance advisory and brokerage, mutual fund sales, research services. This business segment has grown rapidly as our service offerings provided a more diversified bundle of services to our clients.

Brokerage Income

Brokerage Income comprises revenues earned from Equities, F&O and Wholesale debt markets on all stock exchanges. ISL's primary business is from National Stock Exchange and The Stock Exchange, Mumbai. The income from brokerage services is driven primarily by the number of active clients.

Client growth has been significant driver of revenue growth in the brokerage segment. Since FY 2002, the number of our clients has grown at a CAGR of 62% per year due to growth in client base to 30,498 clients in March 31, 2004 from 11,725 in FY 2002. The rapid growth in total clients is driven primarily by increased geographical presence, enhanced direct selling force of over 370 relationship managers in March 2004 as compared to 46 in March 2002.

Brokerage business constitutes a significant portion of the business at 60.98%, 61.99% and 67.90% for FY2002, 2003 and 2004 respectively.

Equities constitute the largest portion of our brokerage business at 95.02%, 81.66% and 70.71 % for FY 2002, 2003 and 2004 respectively.

F&O brokerage contributed 4.10%, 15.23% and 26.36% for FY 2002, 2003 and 2004 respectively. F&O brokerage is becoming an increasingly important component of its revenues as Futures & Options trading gains more acceptance

Wholesale Debt market is focused on institutional clients and has longer gestation period. Currently, Wholesale Debt Market brokerage is 0.89%, 3.11% and 2.93% of its overall brokerage business for FY 2002, 2003 and 2004 respectively.

Related Income including transaction and service charges, and interest income

Our related income comprises revenues earned from market related activities such as transaction charges, service charges and interest levied on customer transactions. These charges are dependent on trading volume, number of transactions completed and any ledger debit amount in the client account.

Related other income includes transaction, service charges and interest income business at 35.59%, 32.94% and 31.28% for FY 2002, 2003 and 2004 respectively.

Other Sales including Insurance, Mutual Fund Sales and Other Products

Other income comprises revenues earned from sale of third party products such as Insurance, Mutual Funds and new services such as Research Services.

Insurance sales are carried out with the Company's Insurance distribution subsidiary, IIAPL, that sells Birla Sun Life Insurance to its clients. Revenues are based on commissions paid by Birla Sunlife Insurance Co. to us as originator and service provider of these policies. The Revenues are a function of the premium paid by the client and the type of product sold. Typically, we get a share of the initial year's premium and a smaller share of the premium in the subsequent years till the policy remains in force.

Mutual fund sales are carried out by the existing relationship managers to clients. Revenues are based on commissions paid by mutual fund companies to us as originator and service provider of client investments in the fund. Revenues are a function of volume of mutual funds sold, the type of fund sold (active managed equity, passive fixed income etc.) and the commissions paid on the funds sold.

Research services are offered to our clients on a subscription basis such that they can access unbiased, systematic research on top 200 companies. The revenues are based on number of clients subscribing to these services and the subscription rate charged to each client.

Expenses

The following table sets out ISL's expenses for FY 2002, 2003 and 2004 as a percentage of total revenues

(Rs. in million)

	FY 2002		FY 2003		FY 2004	
	Rs.	**%**	**Rs.**	**%**	**Rs.**	**%**
Sales & Marketing expenses	5.30	4.00	13.49	5.07	54.80	7.88
Employees Remuneration & Benefits						
Employees Salaries & Benefits	10.45	7.89	22.12	8.32	73.12	10.51
Employees Incentives & Bonus	1.83	1.38	6.66	2.50	34.04	4.90
Administrative and Back office expenses	51.35	38.78	95.08	35.74	168.73	24.27
Technology expenses	3.61	2.73	10.96	4.12	19.24	2.77
Sub-total	72.54	54.78	148.31	55.74	349.93	50.34
Interest & Finance Charges	9.16	6.92	29.22	10.98	46.11	6.63
Depreciation	7.19	5.43	9.24	3.47	11.10	1.60
Total Expenses	88.89	67.13	186.77	70.20	407.14	58.57

Increase in our revenues has led to higher margins and profitability due to economies of scale in leveraging fixed infrastructure and technology. This has reduced the proportion of many expense items relative to total income. Additionally, as we have grown our revenue streams, the fixed cost base consisting of facilities, salaries of employees and basic administration expenses have become a smaller percentage of sales and most of the incremental costs are variable with respect to revenue production or related activities. This highly flexible cost structure is one of our core strengths and allows us to effectively compete in the capital markets business.

We have launched a branding campaign to increase the awareness of our brand, products and service and to increase our market presence and market share. These activities will lead to higher marketing and sales expenses in the future.

Sales and Marketing expenses

Sales and marketing expenses include our advertising and marketing and sales overheads and influenced by hiring new relationship managers and are due to increase in overhead to support such hiring; and collateral development costs. Most of our sales and marketing expenses are discretionary and depend upon the management's perception of market conditions, client receptivity to new marketing campaigns and general outlook of financial markets.

Employee Expenses

Employee Salaries and Benefits:

Employee salaries and benefits comprise basic pay, gratuity, pension benefits and other direct employee expenses. Benefits are linked to employees base salary and are determined by government regulations and policies in force.

Our employee costs have grown substantially since FY2002 to FY 2004. However, it has declined as percentage of sales due to increased efficiency, utilization and productivity of our employees. Currently, fixed salaries are only 11% of total sales, providing us with highly flexible cost structure.

Employee Incentives and Performance Bonuses

Employee incentives and bonus consist primarily of either a direct link to revenues generated (Relationship Managers and Sales management) or based on group profitability targets. Employee incentives and performance bonuses are variable costs providing a highly flexible cost structure.

Technology Related Expenses

Technology expenses are related to acquisition of new software licenses, hardware systems and payments for web-hosting space, leased line payments and other fixed expenses related to technology development, internet trading and inter-office connectivity. Technology expenses are a function total headcount and product development efforts.

Administrative and Back Office Expenses

Administrative and Back office expenses consist of lease payments for space, administrative expenditures for managing various offices and back-office systems and expenses to process, settle and account for client transactions and activities. These costs are primarily driven by lease space (number of offices, type of location), employee count (overhead costs of administration), client transaction volume and system maintenance to support these transactions; and changes in product offering. Our risk management capabilities are part of the Finance function and are counted as a part of this expense head.

Depreciation

For more information on depreciation policies, please see the section entitled "Significant Accounting Policies" on Page no. 113 of this Prospectus. Generally, depreciation costs increase when new assets are added.

Interest charges

Our borrowing costs, as percentage of borrowings, have declined significantly due to improved credit profile and high credit ratings. We expect that the borrowing cost, as percentage of total borrowings will continue to decrease as our balance sheet is further strengthened.

Taxes

The statutory tax rates applicable in FY 2002, FY 2003 and FY 2004 were 35.70%, 36.75% and 35.88% respectively, our effective tax rates in those periods were 6.09%, 35.66% and 37.47% respectively due to the benefit of tax loss carry forward in the initial years, and accelerated depreciation schedule in the tax books.

COMPARISON OF SIGNIFICANT ITEMS OF INCOME AND EXPENDITURE FOR THE FY 2004 TO FY 2003

Income

Total income of ISL in the FY 2004 at Rs. 695.18 million was 161.28% more than FY 2003 total income of Rs. 266.07 million. Growth in sales was led by an increase in brokerage sales from online and offline channels. The brokerage income contributed Rs. 472.04 million or 67.90% of total revenues for FY 2004, compared with Rs. 164.94 million or 61.99% of total revenues for FY 2003. Related Income contributed Rs. 217.47 million or 31.28% of total revenues for FY 2004, compared with Rs. 87.64 million or 32.94% of total revenues FY 2003. Other sales including third party product sales, research services and other charges contributed Rs. 5.67 million or 0.82% of total revenues for FY 2004, compared with Rs. 13.49 million or 5.07% of total revenues FY 2003.

Expenses

Total expenses in FY 2004 were Rs. 407.14 million or 58.57% of total income, compared to Rs. 186.77 million or 70.2% of total income in FY 2003.

Sales and Marketing expenses

Sales and Marketing expenses in FY 2004 were Rs. 54.80 million or 7.88% of total income, compared to Rs. 13.49 million or 5.07% of total income FY 2003. These expenses increased by 306.23% y-o-y due to advertising and brand awareness activities and overhead to support growing base of clients and relationship managers. As a percentage of sales, the sales and marketing expense grew by a small amount, due to greater revenue growth being offset by increased marketing activities.

Employee Expenses

Employee expenses in the FY 2004 were Rs. 107.16 million or 15.41% of total income, compared to Rs. 28.78 million or 10.82% of total income in FY 2003. These expenses increased by 272.34% y-o-y due to increased number of employees during this period, higher base salaries, significantly higher level of incentives and bonus payments due to higher revenue levels. The above factors also led to the slight increase in employee expenses as % of total income during FY 2004 over FY 2003.

Administrative and Back office expenses

Administrative and Back office expenses in the FY 2004 were Rs. 168.73 million or 24.27% of total income, compared to Rs. 95.08 million or 35.74% of total income in FY 2003. These expenses increased by 77.46% y-o-y due to increased transactions and customer relationships, increasing scale of internal administrative tasks such as finance and human resources, and greater level of products and services offered to clients. Administrative expenses declined as a percentage of revenue significantly from FY 2003 to the FY 2004 due to economies of scale and rapid revenue growth.

Technology related expenses

Technology expenses in FY 2004 were Rs. 19.24 million or 2.77% of total income, compared to Rs. 10.96 million or 4.12% of total income in FY 2003. These expenses increased by 75.55% y-o-y due to increased number of employees during this period leading to higher technology support costs, increased product development activity requiring purchases of newer software licenses and increased bandwidth and hosting costs due to large technology infrastructure needed to support its Internet based business and its inter-office communications. Technology expenses declined as a percentage of total income significantly from FY 2003 to FY 2004 due to economies of scale and rapid revenue growth.

Depreciation

Depreciation in the FY 2004 was Rs. 11.10 million or 1.60% of total income, compared to Rs. 9.24 million or 3.4% of total income in FY 2003. These expenses increased by 20.13% y-o-y due to increased server and other hardware related depreciation, as well as fixed office productivity equipment such as computers, faxes and printers. Depreciation expenses declined as a percentage of revenues significantly from FY 2003 to FY 2004 due to economies of scale and rapid revenue growth.

Interest and Finance charges

Interest and Finance charges in the FY 2004 were Rs. 46.11 million or 6.63% of total income, compared to Rs. 29.22 million or 10.98% of total income in FY 2003. Interest and finance charges increased by 57.80 % y-o-y as we increased its borrowings from the credit lines extended by commercial banks and raised commercial paper debt.

Taxes

Taxes in the FY 2004 were Rs. 107.92 million (on an accrual basis) or 37.47% of profit before taxes, compared to 28.28 million or 35.66% of profit before taxes in FY 2003. The only factor affecting tax rate was the change in the statutory tax rate.

COMPARISON OF SIGNIFICANT ITEMS OF INCOME AND EXPENDITURE FOR FY 2003 AND FY 2002

Income

Total income of ISL in FY 2003 at Rs. 266.07 million was 100.96% more than FY 2002 total income of Rs. 132.41 million. Growth in sales was led by an increase in brokerage sales from online and offline channels, and growth in Interest Income. The brokerage income contributed Rs. 164.94 million or 61.99% of total revenues for FY 2003, compared with Rs. 80.75 million or 60.98% of total revenues for FY 2002. Related Income contributed Rs. 87.64 or 32.94% of total revenues for FY 2003, compared with Rs. 47.12 million or 35.59% of total revenues for FY 2002. Other sales (including third party product sales, research services and other charges) contributed Rs. 13.49 million or 5.07% of total revenues for FY 2003, compared with Rs. 4.54 million or 3.43% of total revenues for FY 2002.

Expenses

Total expenses in FY 2003 were Rs. 186.77 million or 70.20% of total income, compared to Rs. 88.89 million or 67.13% of total income in FY 2002.

Sales and Marketing expenses

Sales and Marketing expenses in FY 2003 were Rs. 13.49 million or 5.07% of total income, compared to Rs. 5.30 million or 4.00% of total income in FY 2002. These expenses increased by 154.53% y-o-y due to advertising and brand awareness activities and overhead to support large client base and Relationship managers. As a percentage of sales, the sales and marketing expense grew by a small amount due to greater revenue growth offset by increased marketing activities.

Employee Expenses

Employee expenses in FY 2003 were Rs. 28.78 million or 10.82% of total income, compared to Rs. 12.28 million or 9.27% of total income in FY 2002. These expenses increased by 134.36% y-o-y due to increased number of employees during this period and significantly higher level of incentives and bonus payments due to higher revenue levels, more sales staff hitting incentive payout minimum targets, and higher profitability linked performance bonuses. The above factors also led to the slight increase in employee expenses as percentage of total income during FY 2003 over the FY 2002.

Administrative and Back office expenses

Administrative and Back office expenses in FY 2003 Rs. 95.08 million or 35.74% of total income, compared to Rs. 51.35 million or 38.78% of total income in FY 2002. These expenses increased by 85.16% y-o-y due to increased transactions and customer relationships, increasing scale of internal administrative tasks such as finance and HR and greater level of products and services offered to clients. Administrative expenses declined as a percentage of revenues significantly from FY 2003 to the FY 2004 due to economies of scale and rapid revenue growth.

Technology related expenses

Technology expenses in FY 2003 were Rs. 10.96 million or 4.12% of total income, compared to Rs. 3.61 million or 2.73% of total income in FY 2002. These expenses increased by 203.60% y-o-y due to increased number of employees during this period, leading to higher technology support costs, increased product development activity requiring purchases of newer software licenses and increased bandwidth and hosting costs due to large technology infrastructure needed to support its Internet based business and its inter-office communications. Technology expenses increased as a percentage of revenues slightly from FY 2002 to FY 2004 due to increased investment in technology to support its expected revenue growth.

Depreciation

Depreciation in FY 2003 was Rs. 9.24 million or 3.47% of total income, compared to Rs. 7.19 million or 5.43% of total income in FY 2002. These expenses increased by 28.51% y-o-y due to increased server and other hardware related depreciation, as well as fixed office productivity equipment such as computers, faxes and printers. Depreciation expenses declined as a percentage of total income significantly from FY 2002 to FY 2003 due to benefits of increasing scale and rapid revenue growth.

Interest and Finance charges

Interest and Finance charges in FY 2003 were Rs. 29.22 million or 10.98% of total income, compared to Rs. 9.16 million or 6.92% of total income in FY 2002. Interest and finance charges increased by 219.00% y-o-y as we increased our borrowings from the credit lines extended by commercial banks.

Taxes

Taxes in FY 2003 were Rs. 28.28 million (on an accrual basis) or 35.66% of profit before taxes, compared to Rs. 2.65 million or 6.09% of profit before taxes in FY 2002. The only factor affecting tax rate was the change in the statutory tax rate.

As of March 31, 2004 consolidated cash and cash equivalents amounted to Rs. 872.60 million. The principal sources of consolidated cash and cash equivalents were cash flows from operations amounting to Rs. 354.77 million, net increase of secured and unsecured indebtness of Rs. 1524.87 million on and issuance of preferential equity to Preferential Investors of Rs. 452.70 million. These funds were used primarily to fund the purchase of fixed assets of Rs. 38.76 million, and increase of receivables of Rs. 1137.45 million.

As of March 31, 2003 consolidated cash and cash equivalents amounted to Rs. 75.73 million. The principal sources of consolidated cash and cash equivalents were cash flows from operations amounting to Rs. 105.85 million and net decrease of secured and unsecured indebtness of Rs. 3.67 million. These funds were used primarily to fund the purchase of fixed assets of Rs. 13.85 million and increase of receivables of Rs. 1.73 million.

Operating Activities

On a consolidated basis under Indian GAAP, our net cash used in operations for the FY 2004 was Rs. 695.39 million compared to net cash flow from operations in FY 2003 of Rs. 47.83 million.

Investing Activities

On a consolidated basis under Indian GAAP, net cash flow used for investing activities for the FY 2004 amounted to Rs. 32.62 million compared to Rs. 10.03 million for FY 2003. The primary uses of investing cash flow were for purchasing additional computer hardware & software, office equipment and investment in office upgrades to support the growth of our sales force, back office staff and online sales channel.

Financing Activities

On a consolidated basis under Indian GAAP, net cash flow from financing activities for the FY 2004 was Rs. 1524.87 million compared to net cash used amounting to Rs. 3.67 million for FY 2003. The primary source of financing cash flows was the increase in the Company's secured and unsecured indebtness and the issuance of preferential equity in Indiabulls Securities Limited.

Capital Expenditures

Our transactions systems, linked directly to NSE and other agencies /exchanges, facilitate client trades and settlement. These systems will continue to require higher investment and constant upgrades to cope with the increasing volumes and additional products offered by us. Since we believe that technology investments enhanceour customer experience and service and lower our costs we would continue to invest aggressively to support the increasing use of technology in both sales and back-office functions.

Secured, Short Term Credit Facilities

As of March 31, 2004 our aggregate short term borrowings were Rs. 830.3 million. The Rupee denominated credit facilities carry a nominal interest rate that is slightly higher than the RBI benchmark-lending rate. Interest is payable on the amounts drawn against the credit line and a small commitment fee is payable on the aggregate credit facility. Our credit facilities are from Citibank, HDFC and Punjab National Bank.

Bank Names	Amount (Rs.)
ABN Amro Bank	179,702,849
Citi Bank	98,398,299
HDFC Bank	203,316,656
Lord Krishna Bank	50,012,061
Standard Chartered Bank	199,421,921
IL&FS	99,439,441
Total Secured Short Term Debts	**830,291,227**

Unsecured loans

We launched our unsecured loans program in the form of commercial paper. Credit Analysis Research Ltd has rated ISL paper as PR1+ for short term unsecured loans (upto 1 year maturity), the highest available rating for short-term loans. Current commercial paper offering is Rs.320.00 million and will be expanded in the future as needed.

As of March 31, 2004

Name of the Lender	Amount in Rs.
Commercial Papers	
ABN Amro	20,000,000
Punjab National Bank	30,000,000
Short term loan	
Intercorporate Deposit	40,000,000
Loan from Director	17,300,000
Short term loans – others	279,450,000
Total	**386,750,000**

Shareholders Funds

We have Rs. 1023.19 million in shareholders funds.

ANALYSIS OF REASONS FOR CHANGES IN SIGNIFICANT ITEMS OF INCOME

1. **Unusual or infrequent events or transactions**
   There have been no "unusual" or "infrequent" events to our knowledge other than those described elsewhere in this Prospectus.

2. **Significant economic changes that materially affected or are likely to affect income from continuing operations**
   Income Tax**:** We do not enjoy any tax holiday. Hence there are no significant economic changes that materially affect or are likely to affect the income from continuing operations.

3. **Known trends or uncertainties that have had or are expected to have a material adverse impact on income from operations**
   Other than as described in the sections titled "Risk Factors, Management Proposals Thereof & Notes to Risk Factors" and "Management Discussion and Analysis of Financial Conditions and Results of Operations" and elsewhere in this Prospectus, there are no known trends and uncertainties to our Company's knowledge that have had or are expected to have a material adverse impact on revenues or income of our Company and its subsidiaries from continuing operations.

4. **Future changes in relationship between costs and revenues**
   Other than as described in the sections titled "Risk Factors" and "Management Discussion and Analysis of Financial Conditions and Results of Operations" and elsewhere in this Prospectus there are no known factors to our Company's knowledge, which will have a material adverse impact on the operation and finances of our Company and its subsidiaries taken as a whole.

5. **Extent to which material increases in revenues are due to increased volume, introduction of new products or prices**
   Other than as described in the section titled "Management Discussion and Analysis of Financial Conditions and Results of Operations" and elsewhere in this Prospectus there are no other material increases in revenues to our Company's knowledge due to increased volume or introduction of new products or prices.

6. **Total revenue by major industry segment**
   As described elsewhere in this Prospectus, segmental information for industry segments are reported in the financial statements prepared in accordance with Indian GAAP.

7. **Seasonality of business**
   The business of our Company is not seasonal. However, there could be significant variation in our Company's quarterly revenues and profits because of various factors, including those described in the section "Risk Factors" in this Prospectus.

8. **Concentration of business**
   As described in the section titled "Management Discussion and Analysis of Financial Conditions and Results of Operations" and elsewhere in this Prospectus, currently a significant portion of our Company's revenues comes from securities business.

9. **Competitive conditions**

Our Company faces significant competition from companies seeking to attract client financial assets, including traditional and online brokerage firms, mutual fund companies and institutional players having wide presence and a strong brand name. For further details, please refer to the discussions of our competition in the sections titled "Risk Factors" of this Prospectus.

10. **Non-dependence on few customers**

As described in the sections titled "Management Discussion and Analysis of Financial Conditions and Results of Operations", our Company's revenues are not substantially dependent on a small number of customers.

11. **Servicing behaviour**

Other than as described in the section titled "Management Discussion and Analysis of Financial Conditions and Results of Operations" and elsewhere in this Prospectus, there have been no changes in significant items of income to our Company's knowledge related to servicing behaviour of our Company and its subsidiaries taken as a whole.

MATERIAL DEVELOPMENTS

In the opinion of the Directors of our Company, there have been no material developments after the date of the last financial statements as disclosed in the Prospectus, which would materially and adversely affect or are likely to affect the trading or profitability of our Company or the value of its assets, or its ability to pay its liabilities within the next twelve months, other than what has been already set out elsewhere in the Prospectus

RELATED PARTY TRANSACTIONS

Year Ended March 31, 2002

Key Managerial Personnel
Mr. Sameer Gehlaut
Mr. Rajiv Rattan

(Amount in Rupees)

Nature of Transaction	Shareholder	Key Management Personnel	Total
Other receipts and payments			
Remuneration	–	1,500,000	1,500,000
Outstanding as on March 31, 2002	–	–	–

Year Ended March 31, 2003

Shareholder

Infinity Technology Trustee Private Limited

Key Managerial Personnel

Mr. Sameer Gehlaut

Mr. Rajiv Rattan

(Amount in Rupees)

Nature of Transaction	Shareholder	Key Management Personnel	Total
Finance			
Short- term loans taken by the Holding Company	10,000,000	–	10,000,000
Interest Expense on short term loan	263,334	–	263,334
Other receipts and payments			
Remuneration	–	2,466,660	2,466,660
Outstanding as on March 31, 2003			
Short term loan (including interest accrued)	10,263,334	–	10,263,334

Year Ended March 31, 2004

Shareholder

Infinity Technology Trustee Private Limited

Key Managerial Personnel

Mr. Sameer Gehlaut

Mr. Rajiv Rattan

(Amount in Rupees)

Nature of Transaction	**Shareholder**	**Key Management Personnel**	**Total**
Finance			
Short- term loans taken by Subsidiary Company	40,000,000	17,300,000	57,300,000
Short- term loans taken by the Holding Company	40,000,000	1,500,000	41,500,000
Re-payment of short term loan (including interest accrued) paid by Holding company	50,263,334	1,500,000	51,763,334
Interest Expense on short term loan	1,846,625	–	1,846,625
Investments			
Purchase of Equity Shares	–	200,000	200,000
Other receipts and payments			
Remuneration	–	17,136,525	17,136,525
Outstanding as on March 31, 2004			
Short term loan (including interest accrued)	40,579,960	17,300,000	57,879,960
Remuneration	–	1,631,651	1,631,651

Quarter Ended June 30, 2004

Shareholder
Infinity Technology Trustee Private Limited

Key Managerial Personnel

1) Mr. Sameer Gehlaut

2) Mr. Rajiv Rattan

3) Mr. Tejinderpal Singh Miglani: Director in Subsidiary companies

4) Mr. Gagan Banga: Director in Subsidiary companies

(Amount in Rupees)

Nature of Transaction	**Shareholder**	**Key Management Personnel**	**Total**
Finance			
Interest Expense on short term loan	2,075,851	–	2,075,851
Other receipts and payments			
Remuneration	–	5,708,588	5,708,588
Outstanding as on June 30, 2004			
Short term loan (including interest accrued)	42,075,851	–	42,075,851
Remuneration	–	1,094,414	1,094,414

Note:

Related parties with whom transactions have taken place during the years are as recognised / identified by the management and relied upon by the Auditors

REGULATIONS & POLICIES AND GOVERNMENT APPROVALS

REGULATIONS AND POLICIES

Our Company offers diversified financial products through our subsidiaries under the brand "Indiabulls". Our Company provides through our subsidiaries, equity, debt and derivatives brokerage, depository services, access to third party insurance and related financial services. The legal framework for providing the above financial services and products by us, has been provided below:

I. Indiabulls Financial Services Limited

Our Company is registered as a NBFC not accepting public deposits with the RBI under the Reserve Bank of India Act, 1934 ("RBI Act").

2. The RBI Act was enacted to constitute the Reserve Bank of India to regulate the issue of bank notes and the keeping of reserves with a view to securing monetary stability in India and to generally operate the currency and credit system of India to its advantage. The RBI Act has been amended from time to time and now provides inter-alia that a NBFC can commence business after obtaining a certificate of registration and should have a minimum net owned fund of Rs.20 million.

Every NBFC should create a reserve fund and transfer thereto a sum not less than 20.0 per cent of its net profit every year as disclosed in the profit and loss account before any dividend is declared. Such fund is to be created by every NBFC irrespective of the fact whether it accepts public deposits or not. Further no appropriation can be made from the fund for any purpose without prior written approval of the RBI.

The Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 ("Prudential Norms") provide for certain compliances to be made by NBFCs such as having a well defined investment policy, applicability of Accounting Standards and Guidance Notes issued by Institute of Chartered Accountants of India (ICAI) in so far as they are not inconsistent with the guidelines of RBI etc. The Prudential Norms would not be applicable to an NBFC, being an investment company, which is

(a holding investments in the securities of its group/holding/subsidiary companies,

(b) the book value of such holding is not less than ninety (90) percent of its total assets,

(c) is not trading in such securities and

(d) is not accepting/holding public deposit.

Since our Company is presently registered as a NBFC not accepting public deposits and satisfies all the above conditions, the Prudential Norms would not be applicable. However, our Company has applied to the RBI for raising public deposits in our Company based on the consolidated financials of our Company and ISL. On receipt of the approval from the RBI, our Company would be subject to and will have to comply with all the Prudential Norms.

FDI Policy regarding NBFCs:

Foreign investment in Indian securities is regulated by the FEMA. As per Section 6(3)(b) of FEMA, the RBI has been given the authority to prohibit, restrict or regulate the transfer or issue of any Indian security by a person outside India. Accordingly, the RBI has prescribed the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 pursuant to which no person resident outside India and no company that is not incorporated in India (other than a banking company) can purchase the shares of any company carrying on any trading, commercial or industrial activity in India without the permission of the RBI.

FEMA provides the statutory framework that governs India's system of controls on foreign exchange dealings. Through it the Government of India exercises its industrial policy with respect to foreign private investment in India and all dealings by residents of India with non-residents and with foreign currency. Without permission (general or special) from the RBI, residents of India cannot undertake any transaction with persons outside India, sell, buy, lend or borrow foreign currency, issue or transfer securities to non-residents or acquire or dispose of any foreign security.

While the industrial policy and the RBI regulations prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner / procedure in which such investment may be made. Under the industrial policy and the RBI regulations, unless specifically restricted, foreign investment is freely permitted in almost all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of the Government of India ("FIPB") and the RBI.

As per the sector specific guidelines of the GoI and the RBI regulations, the following relevant caps for FDI in NBFCs are presently applicable:

Sector	Guidelines
Non-Banking Financial Companies	(a) FDI/NRI investments allowed in the following NBFC activities shall be as per levels indicated below: i) Merchant banking ii) Underwriting iii) Portfolio Management Services iv) Investment Advisory Services v) Financial Consultancy vi) Stock Broking vii) Asset Management viii) Venture Capital ix) Custodial Services x) Factoring xi) Credit Reference Agencies xii) Credit rating Agencies xiii) Leasing & Finance xiv) Housing Finance xv) Forex Broking xvi) Credit card business xvii) Money changing Business xviii) Micro Credit xix) Rural Credit (b) Minimum Capitalisation Norms for fund based NBFCs: i) For FDI up to 51% - US$ 0.5 million to be brought upfront ii) For FDI above 51% and up to 75% - US $ 5 million to be brought upfront iii) For FDI above 75% and up to 100% - US $ 50 million out of which US $ 7.5 million to be brought upfront and the balance in 24 months (c) Minimum capitalisation norms for non-fund based activities: Minimum capitalisation norm of US $ 0.5 million is applicable in respect of all permitted non-fund based NBFCs with foreign investment (d) Foreign investors can set up 100% operating subsidiaries without the condition to disinvest a minimum of 25% of its equity to Indian entities, subject to bringing in US$ 50 million as at (b) (iii) above (without any restriction on number of operating subsidiaries without bringing in additional capital) (e) Joint Venture operating NBFC's that have 75% or less than 75% foreign investment will also be allowed to set up subsidiaries for undertaking other NBFC activities, subject to the subsidiaries also complying with the applicable minimum capital inflow i.e. (b)(i) and (b)(ii) above. (f) FDI in the NBFC sector is put on automatic route subject to compliance with guidelines of the RBI in this regard. RBI would issue appropriate guidelines in this regard.

The industrial policy provides that FIPB approval is required for investment in certain sectors, such as petroleum (other than refining), defence and strategic industries and for investment in certain other circumstances. Also, the following investments would require the prior permission of the FIPB:

- investments in excess of specified sectoral caps
- investments by any person who has or had an existing or previous venture in India, or a technology transfer/trade mark agreement in the same or allied field as that of the Indian company in which the FDI is proposed (except in the IT sector);
- investment being more than 24% in the equity capital of units manufacturing items reserved for small scale industries;
- investment in industries for which industrial licensing is compulsory; and
- all proposals relating to the acquisition of shares of an Indian company which involve a transfer of shares from a resident Indian to a foreign investor (including a non resident Indian)

The Government has indicated that in all cases where Foreign Direct Investment is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment. In cases where FIPB approval is obtained, no approval of the RBI is required except with respect to fixing the issuance price, although a declaration in the prescribed form, detailing the foreign investment, must be filed with the RBI once the foreign investment is made in the Indian company. The foregoing description applies only to an issuance of shares by, and not to a transfer of shares of, Indian companies. Every Indian company issuing shares or convertible debentures in accordance with the RBI regulations is required to submit a report to the RBI within 30 days of receipt of the consideration and another report within 30 days from the date of issue of the shares to the non-resident purchaser.

Our Company has in the past received investments from foreign venture capital investors, pursuant to approvals from the FIPB and also under the automatic route, for which necessary filings have been done with the RBI.

Transfer of shares of an Indian company by a person resident outside India

A person resident outside India, not being a Non--Resident Indian, may transfer by way of sale the shares held by him to any other person resident outside India without the prior approval of the RBI. Further, a person resident outside India may transfer any security held by him to a person resident in India subject to the prior approval of the RBI, unless such a transfer is by way of gift.

Please note that the above is based on the current provisions of the Indian laws, and the regulations there under, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

2. The SEBI (Prohibition of Insider Trading) Regulations, 1992

The provisions of the SEBI (Prohibition of Insider Trading) Regulations, 1992 ("Insider Trading Regulations") will be applicable our Company immediately upon the listing of the Equity Shares on the Stock Exchanges. The Insider Trading Regulations provide that an insider cannot deal in securities of a company listed on any stock exchange when in possession of any unpublished price sensitive information or communicate, counsel or procure directly or indirectly any unpublished price sensitive information to any person who while in possession of such unpublished price sensitive information shall not deal in securities. Further, a company cannot deal in the securities of another company or associate of that other company while in possession of any unpublished price sensitive information.

The term "insider" has been defined under the Insider Trading Regulation to mean inter alia any person who, is or was connected with the company or is deemed to have been connected with the company, and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company or who has received or has had access to such unpublished price sensitive information.

The Insider Trading Regulations further provide that all listed companies and organisations associated with the securities market including inter alia intermediaries as defined under the SEBI Act, asset management companies, trustees of mutual funds etc should frame a code of internal procedures and conduct based on the Model Code of Conduct specified under the Insider Trading Regulations. Our Company has framed a code of internal procedures and conduct for the prevention of insider trading.

II. Indiabulls Securities Limited ("ISL")

ISL is engaged in the business of Internet based trading and is registered with SEBI as a stockbroker, trading and clearing member of NSE, member of BSE and as a depositary participant with National Securities Depository Limited ("NSDL") and Central Depository Services (India) Limited ("CDSL"). ISL is also a member of the National Securities Clearing Corporation Limited.

1. The Securities and Exchange Board of India Act, 1992 ("SEBI Act") provides for the establishment of a Board namely the SEBI to protect the interests of investors in securities and to promote the development of, and to regulate the securities market by such measures as it thinks fit. Such measures may *inter alia* provide for: -

   (a) regulating the business in stock exchanges and any other securities markets;

   (b) registering and regulating the working of stock brokers, sub-brokers, merchant bankers, underwriters, portfolio managers, investment advisers and such other intermediaries who may be associated with securities markets in any manner;

   (c) registering and regulating the working of the depositories, participants and other intermediaries;

   (d) prohibiting fraudulent and unfair trade practices relating to securities markets;

   (e) prohibiting insider trading in securities;

   (f) regulating substantial acquisition of shares and take-over of companies.

Pursuant to the SEBI Act, and the rules, regulations and guidelines issued by SEBI, a stockbroker, sub-broker and depository participant can buy, sell or deal in securities only after obtaining a certificate of registration from SEBI in accordance with the applicable regulations.

2. The Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Rules, 1992 read with the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992 provides the eligibility criteria, procedure for obtaining the certificate of registration to carry on business as a stock broker and/or a sub-broker who is required to be affiliated to a stock broker registered under the aforesaid regulations. On registration, the stockbroker and sub-broker are required to adhere to a code of conduct prescribed under the above regulations.

   Apart from registration of stockbrokers and sub-brokers, the regulations provide for registration of trading and clearing members. A trading member is a member of the derivatives exchange or derivatives segment of a stock exchange and who settles the trade in the clearing corporation or clearing house through a clearing member. A clearing member is a member of a clearing corporation or clearing house of the derivative exchange or derivatives segment of an exchange, who clears and settles transactions in securities. The code of conduct specified for stockbrokers are applicable mutatis mutandis to the trading and clearing members.

3. The Depositories Act, 1996 provides for regulation of depositories in securities and other related matters. Every person subscribing to securities offered by an issuer has the option either to receive the security certificates or hold securities with a depository. A depository after obtaining a certificate of commencement of business from SEBI can enter into an agreement with one or more participants as its agent. Any person, through a participant, may enter into an agreement with any depository for availing its services.

   The depository is deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of a beneficial owner. The depository does not have any voting rights or any other rights in respect of securities held by it. The beneficial owner of the securities is entitled to all the rights and benefits and is subjected to all the liabilities in respect of his securities held by a depository.

4. The Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 provides inter alia the eligibility criteria, procedure for obtaining the certificate of registration to carry on business as a depository participant, rights and obligations of the depository participants. On registration, the depository participant is required to adhere to a code of conduct prescribed under these regulations.

5. The Securities Contract (Regulation) Act, 1956 ("SCRA") seeks to prevent undesirable transactions in securities by regulating the business of dealing in securities and other related matters. The SCRA provides for grant of recognition for stock exchanges by the Central Government. Every recognized stock exchange is required to have in place a set of rules relating to its constitution and byelaws for the regulation and control of contracts.

   The bye-laws normally provide for inter alia (i) the opening and closing of markets and the regulation of the hours of trade; (ii) the fixing, altering or postponing of days for settlements; (iii) the determination and declaration of market rates, including the opening, closing highest and lowest rates for securities; (iv) the terms, conditions and incidents of contracts, including the prescription of margin requirements, if any, and conditions relating thereto, and the forms of contracts in writing; (v) the regulation of the entering into, making, performance, recession and termination of contracts, including contracts between members or between a member and his constituent.

   If the securities of a public company are listed in any recognized stock exchange, the said company must comply with the conditions of the listing agreement entered into with the stock exchange. NSE and BSE of which ISL is a member are such recognized stock exchanges.

6. The Insider Trading Regulations would be applicable to ISL since ISL is a person, which is deemed to be a connected person as defined under the said regulations. As per the Insider Trading Regulations, a person deemed to be a connected person includes an intermediary under the SEBI Act. Such intermediary includes a stockbroker, sub-broker and investment advisor.

7. ISL as a member of the NSE and is required to adhere to the rules and regulations framed by the NSE. The National Stock Exchange of India Limited Bye-laws prescribes regulations relating to inter alia (i) norms, procedures, terms and conditions to be complied with for inclusion of securities in the official list of NSE securities; (ii) norms and procedures for admission of trading members (iii) forms and conditions of contracts to be entered into, and the time, mode and manner for performance of contracts between trading members inter se or between trading members and their constituents; (iv) determination of fees, system usage charges, deposits, margins and other monies payable to the NSE by trading members, participants and by issuers whose securities are admitted/to be admitted to dealings on the NSE and the scale of brokerage chargeable by trading members; (v) settlement of disputes, complaints, claims arising between trading members inter-se as well as between trading members and persons who are not trading members relating to any transaction in securities made on the NSE including settlement by arbitration (vi) norms and procedures for settlement and clearing of deals.

8. ISL as a member of the BSE and is required to adhere to the rules and regulations framed by BSE. The rules, bye-laws and regulations of BSE prescribe norms relating to *inter alia* (i) listing conditions and requirements (ii) procedures for admission of trading members (iii) applications in respect of new issues or offer for sale (iv) terms and conditions of contracts to be entered into, performance of contracts between trading members inter-se or between trading members and their constituents (v) determination of fees, margin deposits and other monies payable to the BSE by trading members (vi) settlement of disputes arising between trading members inter-se as well as between trading members and persons who are not trading members relating to any transaction in securities made on the BSE including settlement by arbitration.

9. Internet Based Trading was approved by SEBI vide its Circular No. SMDRP / POLICY/CIR-06 /2000 dated January 31, 2000. The circular provides that SEBI registered stock brokers interested in providing Internet based trading services must obtain formal permission of the concerned stock exchange. The stock exchange, before giving permission must ensure the fulfillment of certain minimum conditions such as a minimum net worth of Rs.50,00,000/-, the system used by the broker has provision for security, reliability and confidentiality of data through use of encryption technology and has adequate backup systems and data storage capacity. The broker's web site providing the Internet based trading facility should contain information meant for investor protection such as rules and regulations affecting client broker relationship, arbitration rules investor protection rules etc. Certain mandatory security features are also prescribed in the circular for all Internet based trading systems. ISL has been permitted to provide Internet based trading services.

10. SEBI (Merchant Bankers) Regulations 1992 read with SEBI (Merchant Bankers) Rules 1992 would be applicable to ISL if ISL is granted registration as a Merchant Banker by SEBI. SEBI (Merchant Bankers) Regulations 1992 read with SEBI (Merchant Bankers) Rules 1992 provides the eligibility criteria, procedure for obtaining the certificate of registration to carry on business as a Merchant Banker. Based on the capital adequacy requirement, SEBI grants categories ranging from Category I to Category IV. According to the category prescribed, the Merchant Bankers are permitted to carry out certain activities as are prescribed in these regulations. On registration, the Merchant Bankers are required to adhere to a code of conduct prescribed under the above regulations.

III. Indiabulls Insurance Advisors Private Limited ("IIAPL")

IIAPL is engaged in the agency business for life insurance business. IIAPL is licensed under section 42 of the Insurance Act, 1938

1. The Insurance Act, 1938 ("Insurance Act") embodies the law relating to the business of insurance in India. Under section 40 of the Insurance Act no person shall pay or contract to pay any remuneration or reward whether by way of commission or otherwise for soliciting or procuring insurance business in India to any person except an insurance agent. Under the Insurance Act an "insurance agent" means an insurance agent licensed under section 42 of the Act. Under section 42 of the Act, Insurance Regulatory & Development Authority established under The Insurance Regulatory and Development Authority Act, 1991 is authorised in the manner determined by the regulations made by the Authority to issue to any person making an application in the manner determined by the regulations, a licence to act as an insurance agent for the purpose of soliciting or procuring insurance business.

2. The Insurance Regulatory and Development Authority Act, 1991 provides for the establishment of an Authority to protect the interests of holders of insurance policies, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto.

3. The Insurance Regulatory and Development Authority ("IRDA") (Licensing of Corporate Agents) Regulations, 2002 provide, inter-alia, for issue or renewal of licence to corporate agents. As per Regulation 3 a person desiring to obtain or renew a licence to act as a corporate agent or a composite corporate agent shall make an application to a designated person by the IRDA if its insurance executives possess the necessary qualifications and meet the criteria including having undergone necessary training as prescribed under the said Regulation and the Insurance Act, 1938.

IV. Indiabulls Commodities Private Limited (ICPL)

ICPL is a Trading Member of National Commodity and Derivative Exchange Limited.

1. The Forward Contracts (Regulation) Act, 1952 provides, inter alia, for establishment of the Forward Markets Commission

a) to advise the Central Government in respect of the recognition of, or the withdrawal of recognition from, any association or in respect of any other matter arising out of the administration of this Act;

b) to keep forward markets under observation and to take such action in relation to them as it may consider necessary in exercise of the powers assigned to it by or under this Act;

c) to collect and whenever the Commission thinks it necessary publish information regarding the trading conditions in respect of goods to which any of the provisions of this Act is made applicable, including information regarding supply, demand and prices, and to submit to the Central Government periodical reports on the operation of this Act and on the working of forward markets relating to such goods;

d) to make recommendations generally with a view to improving the organization and working of forward markets;

e) to undertake the inspection of the accounts and other documents of [any recognized association, or registered association or any member of such association] whenever it considers it necessary; and

f) to perform such other duties and exercise such other powers as may be assigned to be Commission by or under this Act, or as may be prescribed.

GOVERNMENT APPROVALS

In view of the approvals listed below, our Company can undertake this Offer and our Company's current business activities and no further material approvals are required from any Government authority or the RBI to continue such activities.

Our Company has received the following Government approvals that are material to our business:

APPROVALS RECEIVED

I. Indiabulls Financial Services Limited

1. Approval No. FC.II.382(2000)/421(2000) dated July 27, 2000 issued by the Government of India, Ministry of Commerce and Industry, Department of Industrial Policy and Promotion Secretariat for Industrial Assistance Foreign Collaboration – II Section to our Company (formerly Orbis Infotech Private Limited) (i) to undertake the business of software development and providing a wide range of software solutions (ii) to provide services in the financial sector and undertake stock broking and related activities (both physically and through the medium of Internet) such as portfolio management services, investment advisory services, asset management, financial consultancy, leasing and finance and custodial services. The extent of foreign equity approved was 49% in the paid up capital of our Company including 27.25% foreign equity held by LNM India Internet Ventures Ltd. and Transatlantic Corporation. . Approval was also given to our Company to acquire 100% of the total paid up capital of ISL (formerly Orbis Securities Private Limited).

2. Letter no. II/686/03.04.3150/2001-2002 dated December 7, 2001 from the RBI to our Company permitting the issue of 12,028 equity shares of Rs. 10/- each, at a premium of Rs. 3564.99 per share to LNM India Internet Ventures Limited, Mauritius and 25,429 equity shares of Rs. 10/- each, at a premium of Rs. 3371.96 per share to Transatlantic Corporation Limited, Mauritius, aggregating to Rs. 129,000,000/-. The acknowledgement number allotted to our Company was FC2001NDR1206.

3. Letter no. EC.DEL.FID.II/608/06.04.3150/2002-2003 dated 28/10/2002 from the RBI to our Company permitting the issue of 23,337 equity shares of Rs. 10/- each, at a premium of Rs. 32.85 per share to LNM India Internet Ventures Limited, Mauritius and 23,337 equity shares of Rs. 10/- each, at a premium of Rs. 32.85 per share to Transatlantic Corporation Limited, Mauritius, aggregating to Rs. 1,999,999.57/-

4. Letter no. FE.DEL.FID.II/10303/06.04.3150/2003-2004 dated March 18, 2004 from the RBI to our Company permitting the issue of 30,00,000 equity shares of Rs. 2/- each at a premium of Rs. 22.9723 per share to Farallon Capital Partners, L.P., USA for 28, 50, 000 equity shares and R. R. Capital Partners, L.P., USA for 1,50,000 equity shares aggregating to Rs.7,49,16,900.

5. Certificate of Registration No. N-14.02367 dated March 30, 2001 issued by the RBI in exercise of its powers under the Reserve Bank of India Act, 1934, to our Company to commence the business of non-banking financial institution without accepting public deposits subject to the prescribed rules and regulations.

6. Letter ref. DNBS.ND.No.2671 / Regn. New / Indiabulls / 2003-04 dated December 2003 from RBI advising IFSL that since it is not entering in to the insurance business directly but through a subsidiary company which will be undertaking insurance agency business on non-risk participation basis, no approval from the RBI is required.

II. Indiabulls Securities Limited ("ISL")

1. Certificate of Registration No. 0012329 dated February 1, 1996 (duplicate dated July 21, 2000) under the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 issued by SEBI to register ISL as a stock broker at National Stock Exchange for carrying on the activities of buying, selling or dealing in securities and carrying on such other permitted activities subject to relevant rules and regulations. The registration number allotted to ISL is INB230875632. The certificate is valid till it is suspended or cancelled in accordance with the regulations.

2. Certificate of Registration No. 0000424 dated October 5, 2000 (for registration as Trading Member) and November 29, 2002 (for registration as Clearing Member) under the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 issued by SEBI to register ISL as trading and clearing member at National Stock Exchange for carrying on the activities of dealing in derivatives/ clearing and settlement of derivatives trades and for carrying on such other permitted activities subject to the relevant rules and regulations. The registration number allotted to ISL is INF230875632. The certificate is valid till it is suspended or cancelled in accordance with the regulations.

3. Certificate of Registration No. 000324 dated December 5, 2000 issued by SEBI in exercise of its powers under SEBI Act, 1992 read with the Depositaries Act, 1996 and SEBI (Depositaries and Participants) Regulations, 1996 to register ISL as a participant subject to the conditions mentioned under the aforesaid Acts and regulations. The registration number allotted to ISL is IN-DP-NSDL-184-2000. Unless renewed, the certificate is valid from December 5, 2000 to December 4, 2005.

4. Certificate of Registration No. 000641 dated February 27, 2003 issued by SEBI in exercise of its powers under SEBI Act, 1992 read with the SEBI (Depositaries and Participants) Regulations, 1996 and Depositaries Act, 1996 to register ISL as a participant subject to the conditions mentioned under the aforesaid Acts and regulations. The registration number allotted to ISL as participant is IN-DP-CDSL-204-2003. Unless renewed, the certificate is valid from February 28, 2003 to February 27, 2008.

5. Certificate of Registration No. 0015185 dated July 1, 2002 issued by SEBI in exercise of its powers under SEBI Act, 1992 read with SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 to register ISL as a sub-broker affiliated to S.P. Jain Securities Private Limited a stock broker with SEBI Registration No. INB011059533. The registration number allotted to ISL as a sub-broker is INS011358731/01-10595. The certificate continues to be valid as it has not been suspended or cancelled.

6. Certificate dated September 11, 2003 issued by the NSE to ISL certifying that ISL is a trading member on the capital market, wholesale debt market and Futures & Options segments of the NSE. The SEBI registration number for NSE membership on the Capital Market segment and Wholesale Debt Market segment is INB230875632 and for Futures & Options segment is INF230875632. The certificate is valid up to September 30, 2004 and is getting renewed on year-to-year basis.

7. Approval vide letter ref.no.NSEIL/CMO/INET/151/2000 dated April 13, 2000 issued by NSE to ISL granting provisional permission to commence Internet Trading with effect from April 13, 2000.

8. Approval dated December 9, 2002 issued by NSE to ISL granting provisional permission to provide Internet based trading services in Futures & Options segment with effect from December 9, 2002 using the software developed in house through the website www.trade.indiabulls.com.

9. Certificate of Registration No. 0013549 dated April 13, 2004 under the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 issued by SEBI to register ISL with "The Stock Exchange, Mumbai" as a stock broker for carrying on the activities of buying, selling or dealing in securities and carrying on such other permitted activities subject to relevant rules and regulations granted by SEBI vide letter no Br Reg/7285/2004 dated April 13th, 2004. The registration number allotted to ISL is INB010875632. In terms of the aforesaid letter of SEBI the grant of certificate of registration is subject to the outcome of a pending inquiry slated to have been initiated by SEBI against ISL as a broker of NSE.

10. Letter No. E/DL/17866/Coverage/3024 dated July 30, 1996 issued by the Office of the Regional Provident Fund Commissioner to ISL confirming that the provisions of the Employees Provident Fund & Miscellaneous Provisions Act, 1952 and the schemes provided there under namely EPF Scheme, Family Pension Scheme and Deposit Linked Insurance Scheme, are applicable to ISL including the head office, branch offices and departments wherever situated in India. The code number allotted to ISL is DL/17866.

11. SEBI has vide its letter no DR2/MB/OSPL/8515/2004 dated 28th April 2004, inter alia, conveyed its decision to grant registration as a Merchant Banker to ISL for a period of 3 years subject to ISL's fulfillment of the conditions prescribed therein. In terms of the aforesaid letter of SEBI the grant of registration is subject to the outcome of a pending inquiry slated to have been initiated by SEBI against ISL as a broker of NSE.

12. Letter no. FE.DEL.FID.II/10357/06.04.3691/2003-2004 dated March 22, 2004 from RBI to ISL permitting the issue of 1000 equity shares of Rs. 10/- each, at a premium of Rs. 40/- per share to Farallon Capital partners, L.P., USA for 950 equity shares and R. R. Capital Partners, L.P., USA for 50 equity shares aggregating to Rs. 50,000/-

13. Letter no. FE.DEL.FID.II/10358/06.04.3691/2003-2004 dated March 22, 2004 from RBI to ISL permitting the issue of 4,52,70,000 presence shares of Rs. 10/- each to Farallon Capital partners, L.P., USA for 4,30,06,500 equity shares and R.R. Capital Partners, L.P., USA for 22,63,500 equity shares aggregating to Rs. 45,27,00,000/-

Branch Offices of ISL

1. Certificate of Registration dated February 6, 2003 issued by Government of Andhra Pradesh Labour Department under the Andhra Pradesh Shops and Establishments Act, 1988 to the branch office of ISL at Vishakapatnam, Andhra Pradesh. The registration number allotted to the branch office of ISL is R4867/.

2. Certificate of Registration No.0094579 dated June 17, 2003 issued by Kolkata Municipal Corporation, Government of West Bengal, under West Bengal Shops and Establishments Act, 1963 to the branch office of ISL at Kolkata, West Bengal. The Assessee No. allotted to ISL is 11-063-31-0008-1.

III. Indiabulls Insurance Advisors Private Limited ("IIAPL")

1. License No. 1366444 dated August 29, 2003 issued under the Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002 by the Insurance Regulatory and Development Authority ("IRDA") to IIAPL (formerly Orbis Technologies Private Limited) authorizing IIAPL to act as a corporate agent for three (3) years from August 29, 2003 for procuring insurance business of one (1) life insurer.

2. Certificate dated February 6, 2004 from Birla Sun Life Insurance Company Limited certifying that IIAPL is a licensed corporate agent of Birla Sun Life Insurance Company Limited bearing license no. 1366444.

IV. Indiabulls Commodities Private Limited ("ICPL")

Allotment of membership number 00010 vide letter no.NCDEX.Memb/421 dated December 8, 2003 by the National Commodity and Derivatives Exchange Limited to ICPL.

APPROVALS APPLIED FOR BUT NOT YET RECEIVED

Indiabulls Financial Services Limited

1. Our Company has applied to the RBI for its approval to raise public deposits in our Company based on the consolidated financials of Our Company and ISL vide our application dated July 14, 2003. The approval is still awaited.

2. Letter from the RBI acknowledging the intimation of the letter dated February 3, 2004 regarding the split of shares and issuance of shares as a result of split to LNM India Internet Ventures Ltd. and Transatlantic Corporation Ltd and the filing of Form FC (GPR) dated 5th May, 2004 for this purpose.

Indiabulls Securities Limited

1. We have received approvals for registration under the Shops and Establishment Act at Kolkata and Vishakpatnam. ISL has applied for registration under the Shops and Establishments Act wherever applicable in respect of our remaining branch offices.

OUTSTANDING LITIGATION, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

Except as described below, there are no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against us, our Directors, our promoters or companies/firms promoted by our promoters that would have a material adverse effect on our business and there are no defaults, non-payment or over dues of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits and arrears of preference shares that would have a material adverse effect on our business other than unclaimed liabilities by us or our directors, our promoters or companies promoted by our promoters. Further, we, our directors, our promoter or companies promoted by our promoters have not been declared as willful defaulter by RBI, have not been debarred from dealing in securities and/or accessing the capital markets by SEBI and no disciplinary action has been taken against them by SEBI or any stock exchanges.

Contingent liabilities of our Company as of March 31, 2004:

a) Pursuant to acquisition agreement between our Company, ISL and its then shareholders, our Company would be liable to pay Rs. 11,800,000/- to the then shareholders of ISL towards acquisition of their shares in ISL subject to their procuring additional equity funding of Rs. 200 million for ISL.

b) Our Company has provided counter guarantee to banks amounting Rs.310,000,000/- in respect of the loans taken by its subsidiary company.

Income Tax Liabilities of our Company

Our Company has filed its income tax returns till Assessment Year 2003-04.

The contingent liability of our Company relating to income tax is Rs. Nil as of March 31, 2004 and there are no proceedings pending against our Company by the Income Tax Department.

Outstanding Litigations involving our Subsidiary Companies

Indiabulls Securities Limited (ISL)

Claims against ISL

1. Mr. Madhukant Thakkar had filed a statement of claim before the sole arbitrator appointed under the byelaws, rules and regulations of the National Stock Exchange of India Limited against ISL claiming an amount of Rs.521,475/- plus interest at 18% per annum amounting to Rs.39,110/- and further interest at18% per annum from 25.01.2002 till realization.

   ISL had taken the stand before the arbitrator that Mr. Madhukant Thakkar, Mr. Manish Thakkar (son in law) and Ms. Sonal Thakkar (Daughter) had trading accounts with ISL. Apart from this Sattalite Corporation- a proprietorship firm of Mr. Manish Thakkar has trading account with ISL. All three-account holders have given authority to ISL to swap their accounts mutually. When one party defaulted in payment, ISL swapped the account of Mr. Madhukant Thakkar where part credit was available and on adjusting the family balance there remained an outstanding balance of Rs.127,560/- to ISL for which a counter claim had been filed by ISL before the arbitrator.

   An award has been passed by the arbitral tribunal in favour of Mr. Madhukant Thakkar for Rs.521,475/- plus interest at 15% till date of payment. ISL has deposited an FDR of Rs.595,840/- in favour of NSE with NSE, Mumbai. With respect to the counter claim of ISL, the sole arbitrator has inter alia given liberty to ISL to file separate claims against the other two accounts of Sattalite Corporation and Manish Thakkar.

   ISL has filed objections before the Honourable High Court of Delhi under section 34 of the Arbitration & Conciliation Act, 1996 being OMP No.355 of 2002, challenging the award of the sole arbitrator dated July 22, 2002 and the same is pending. ISL has also filed a stay application in the Delhi High Court for a stay on the arbitral award pending the hearing and final disposal of the Section 34 Petition.

2. Summary Suit No.2730 has been filed in August, 2003 by Mrs. Malti.M.Thakkar (Plaintiff) against ISL before the Honourable High Court of Bombay praying that ISL be ordered and decreed to pay an amount of Rs.340,000/- (comprising principal amount Rs. 250,000/- and interest at 18% per annum or at such other rate as the Hon'ble Court may determine on the principal amount of Rs.250,000/- from the date of filing of the suit till payment and/or realization). It has been averred in the suit that the Plaintiff for the purpose of carrying out for sale and purchase of shares through ISL paid to ISL a sum of Rs.250,000/- towards margin deposit, that the Plaintiff decided not to carry out any transaction on the stock exchange and in view of this the Plaintiff requested ISL to refund the sum along with interest, that ISL failed to refund the sum and the Plaintiff lodged a complaint to the Investor Grievance Cell, NSE, Mumbai, that the NSE vide their reply dated January 18, 2002 put on record that since ISL has not executed any transaction on behalf of the Plaintiff they will not be in a position to pursue the matter with ISL. Summons have been issued by the Honourable High Court to ISL on the Summary Suit.

   ISL had taken a stand before the Investor Grievance Cell, NSE, that Ms. Malti Thakkar had given the cheque of Rs.250,000/- for the purpose of trading of the Group Account maintained by ISL of Sattalite Corporation, Mr.Madhukant Thakkar and Manish Thakkar. Accordingly the said amount was credited in the account of her husband Shri Madhu Kant Thakker. On adjusting the family balance, there remains an outstanding balance of Rs.127,560/-.

3. Mr. Shankar Lal Sharma who had a trading account with ISL in Jaipur has filed Complaint No.362 of 2003 against ISL before the Consumer Disputes Redressal District Forum, Jaipur claiming an amount of Rs.156,432.74/- on account of alleged excess charging by ISL and damages of Rs.500,000/- on account of harassment and mental agony. ISL has filed an application before the forum that the complaint is not maintainable on the grounds that the complainant is not a 'consumer' under the Consumer Protection Act, 1986 and that only the Regional Arbitration Centre at Delhi has the sole jurisdiction to try and adjudicate upon any dispute or difference between the parties, that the remedy available to Mr. Shankar Lal Sharma was to invoke arbitration under the stock exchange by-laws for resolution of the disputes. The Complaint is pending before the Consumer forum.

4. Mr. Madhukar Sheth has filed an application along with a statement of claim dated March 19, 2004 (case no. 63 of 2004) against ISL before BSE under its rules, bye-laws and regulations claiming an amount of Rs. 12,188,211.18/- along with interest at 18% p.a. till the date of payment. ISL has filed a reply to the claim in which it is awarded that the claim filed by Mr Madhukar Sheth is made on false grounds to avoid payment due to ISL in respect of transactions between Mr. Madhukar Sheth and ISL. A counter claim has also been filed by ISL claiming an amount of Rs. 2,403,025.04 plus interest of Rs. 1,110395.07 on account of claims due to debit in ledger accounts for non receipt of sale proceeds, etc.

5. A complaint under section 12 of the Consumer Protection Act, 1996 has been filed by Consumer Guidance Society representing Mr. K. Venkateswara Rao, one of our clients before the District Consumer Forum – II, Vijayawada vide Complaint No. CD/147/2004 dated June 15, 2004 praying that ISL be ordered to pay an amount of Rs. 1 Lac (Comprising Rs. 80,000/- towards loss & Rs. 20,000/- towards mental agony). The said Society has not submitted any proof of its locus standi in the given matter. Mr. K Venkateswara Rao transferred certain shares to our demat account as margin for his future dealings between December 22, 2003 and January 19, 2004. He sold the said shares through us. Thereafter he started placing orders for buying and selling of scrips. During these dealings he incurred losses amounting to Rs. 61391/-. Initially the client lodged a complaint against us in NSE in March 2004 alleging that he never placed any orders for buying and selling of shares. The NSE after examining the documents on record and after giving opportunity of being heard to both the parties advised the complainant to take up the matter in the Arbitration mechanism of the NSE. The complainant instead of approaching the Arbitration Forum of NSE approached the Consumer Court at Vijayawada through an entity named the Consumer Guidance Society, Vijayawada. ISL is contesting the case.

Claims made by ISL

1. Statement of claim no. 6546 of 2003 had been filed by ISL before the sole arbitrator Mr.P.K.Jain claiming an amount of Rs.474,812/- against Mr. Vinay Kaushik being the outstanding amount payable with interest by Mr. Vinay Kaushik to ISL pertaining to the transactions of sale and purchase of shares by Vinay Kaushik for the period 16.09.1999 to 1.03.2000 through ISL. The Learned Arbitrator vide his award dated February 24, 2003 awarded an amount of Rs.285,106.74/- in favour of ISL.

   The said Mr. Vinay Kaushik had filed objections before the Hon'ble District Court under section 34 of the Arbitration & Conciliation Act, 1996, challenging the award of the Arbitral Tribunal dated February 24, 2003. The honorable District Judge vide order dated April 2, 2004 has dismissed the aforesaid petition filed by Mr. Vinay Kaushik against the award passed by the Learned Arbitrator.

2. ISL has filed criminal complaint no. 404 of 2001 u/s 138 of the Negotiable instruments Act, 1881 in the Court of Chief Metropolitan Magistrate, Delhi against Bibhas Chhaya an ex-employee of ISL who had taken a loan of Rs. 515,000/- from ISL. The employee disassociated himself from ISL and issued a post dated cheque of Rs.515,000/- for repayment of the loan. The cheque on presentation was dishonoured and the complaint has been filed against the ex employee. The Learned Magistrate has issued non-bailable warrants against the ex-employee. The Company perceives no further risks on this account.

3. ISL had filed Summary Suit No.649 of 2001 before the High Court of Delhi for recovery of an amount of Rs.538,175/- being the principal loan amount of Rs.515,000/- plus interest against an ex employee of ISL namely Bibhas Chaya.

   The suit has been decreed on January 14, 2004 against the defendant, Bibhas Chaya for an amount of Rs.515,000/- with interest at 4% from the date of loan that is 27.11.2000 till the date of realization.

OTHER DISCLOSURES

SEBI Enquiry

1. While granting registration to ISL in its old name i.e. Orbis Securities Pvt Ltd, to act as a Merchant Banker and as a Stock Broker – Cash Segment, The Stock Exchange, Mumbai, SEBI has, inter alia informed ISL that the grant of registration is subject to the outcome of a pending inquiry stated to have been initiated by SEBI against ISL as a broker of National Stock Exchange.

2. We are in receipt of letter dated June 3, 2004 from NSE, forwarding a letter dated May 31, 2004 from SEBI, being a notice issued to ISL in terms of Regulation 6 of the SEBI (Procedure for holding enquiry by enquiry officer and imposing penalty) Regulations, 1992 ("Enquiry Regulations") in respect of certain possible violations of certain provisions of SEBI (Stock

brokers and Sub-brokers) Rules and Regulations, 1992, SEBI Act, 1992, Securities Contracts (Regulations) Rules, 1957 and various SEBI circulars and directives and articles, Bye-laws, business rules and regulations of the Stock Exchange, indicating certain enquiry orders issued by SEBI dated December 16, 2003 and March 22, 2004, liable for action in terms of Regulation 13 of the Enquiry Regulation. Depending on the outcome of the enquiry and the recommendations of the enquiry officer in the said enquiry, ISL will be liable to appropriate action in terms of Regulation 13 of the Enquiry Regulation. Under the said regulation, the enquiry officer has the powers to recommend a penalty that may result into termination of a stock brokers registration. The financial impact of the same cannot be quantified.

Amara Raja Batteries Investigation

In the year 2002 SEBI has investigated ISL for market manipulation in the case of Amara Raja Batteries Limited and the enquiry officer has found that ISL has failed to exercise due skill and care in its dealings and therefore violated Regulation 7, Schedule II of SEBI (Stock Brokers and Sub Brokers) Regulation 1992. Subsequently, SEBI's Chairman, in his final order has agreed to the observations of enquiry officers and stated that Orbis Securities Limited (currently ISL) should be careful and cautious in the future and any repetition of such acts shall be viewed seriously. However, no fines or penalties have been levied.

NSE Observations/Penalties

As a member of NSE, ISL is subject to review by NSE from time to time. In the past NSE has levied penalties for certain non-compliances and that as per the status report of NSE dated January 31, 2004 stating that NSE has imposed penalties to the extent of Rs. 114,800 in preceding one year. Further there is another status report from the NSE dated November 13, 2003, which stated that NSE has imposed penalties to the extent of Rs. 65,219.34 in preceding one year. Further, disciplinary action has been initiated by NSE for dealing with unregistered intermediary, i.e. Manjula Investment (Unregistered Sub-broker), whose registration application was pending with SEBI for more than two years. The Exchange had not spelled out all the deficiencies at one go and the application was pending for too long. The Exchange levied a penalty of Rs. 37,500 for the same. ISL has requested NSE for a waiver of the same as we have already paid a fine of Rs. 25,000 for dealing with Manjula investments in November 2002.

Contingent Liabilities of ISL as of March 31, 2004:

Contingent liability in respect of claims from third parties not acknowledged as debt amounting Rs.521,475 pertaining to an arbitration award against ISL. This amount stands deposited with the NSE.

Claims against our Directors and Promoters

There are no contingent liabilities, which require provisioning in the accounts, outstanding litigation, disputes, non-payment of statutory dues, overdues to banks/financial institutions or proceedings initiated for any economic/civil/criminal/any other offences against any of our Directors or Promoters, other than the following suit for dishonour of cheque filed under section 138 of the Negotiable Instruments Act, 1881.

A case has been filed by the Industrial Investment Bank of India against Patriot Automation Projects Limited and others including one of our non-executive Director, Mr.Inder Vikram Singh Achreja, in his capacity as an independent non-executive director nominated by an investor institution on the board of Patriot Automation Projects Limited at the time of the issue of cheque by Patriot Automation Projects Limited. The suit has been filed in the court of the Chief Metropolitan Magistrate at Kolkata.

DETAILS OF ISSUES DURING THE LAST THREE YEARS BY THE COMPANY AND OTHER COMPANIES UNDER THE SAME MANAGEMENT

No issues have been made by our Company and other companies under the same management during the last three years.

DIVIDEND POLICY

Dividends are declared at the Annual General Meeting of the shareholders based on a recommendation by the Board and after obtaining necessary consents from lenders, as may be required under the financing documents. Generally, the factors that may be considered by the Board, but not limited to, before making any recommendations for the dividend are future expansion plans and capital requirements, profits earned during the financial year, cost of raising funds from alternate sources, liquidity of our Company, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time, money market conditions etc.

BASIS OF ISSUE PRICE

The Issue Price will be determined by our Company in consultation with BRLMs on the basis of assessment of market demand for the Equity Shares by way of Book Building.

QUALITATIVE FACTORS

1. We are managed by a team of professionally qualified people. All the three promoters are engineers from the Indian Institute of Technology, New Delhi.
2. Consolidated Net worth of our Company, as of March 31, 2004 was Rs. 1023.19 million.
3. Consistent growth in net profits at a CAGR of 118.31% for the last 2 years. Operating profits grew at a CAGR of 166.39% and revenues grew at CAGR of 132.97% over the last 2 years.
4. We grew from 1 location and 310 clients in the year 2000 to 70 offices, 55 cities, 606 employees and 32,359 retail clients spread across the country.
5. Diversified product offering: equity, debt & derivatives brokerage, mutual funds, commodities, IPO distribution, insurance products and research services.
6. We have Rs. 1760 million of sanctioned credit facilities from 9 leading banks and financial institutions
7. Indiabulls Securities Limited has 'PR1+' rating for unsecured short term borrowing program, which was increased from Rs. 200 million to Rs. 320 million on May 5, 2004, and 'A+' rating for medium to long term unsecured borrowing program of Rs. 200 million. The Rating to the Company has been assigned by Credit Analysis Research Limited.
8. For Financial Year 2003-04 EBITDA was Rs. 365.39 million and Profit Before Tax was Rs. 308.97 million
9. Our distinct set of competitive advantages which are as follows:
   - Diverse Branch Network of 70 branches in 55 cities.
   - Bouquet of financial products and services
   - Advanced technology team of 27 people comprising of several engineers that delivers market leading product innovation
   - Strong sales and marketing teams of 476 Relationship Managers with continuous reinvestment and training
   - Strong cross selling opportunities amongst 32,359 clients as on April 30, 2004
   - Strong and experienced promoters
   - Leading product innovation and marketing strategies
   - Well capitalised player, with strong banking relationships and credit ratings
   - Ability to combine people and technology in unique ways
   - Strong market presence and increased market share leads to a virtuous cycle of growth and profitability
   - One of the leading players with professional and entrepreneurial management in the retail financial market.

QUALITATIVE FACTORS

Information presented in this section is derived from our restated financial statements (Equity Shares of Face Value of Rs. 2/- each):

Adjusted Earning per Share (EPS)

Financial Year	Unconsolidated		Consolidated	
	EPS (Rs.)	Weight used	EPS (Rs.)	Weight used
2001-02	0.0003	1	0.61	1
2002-03	0.0005	2	0.66	2
2003-04	0.0590	3	2.24	3
Weighted Average	0.0297		1.44	

Diluted EPS post-issue for Financial Year 2003-04 will be Rs. 0.044 on unconsolidated basis and Rs. 1.68 on consolidated basis

Price Earnings Ratio (P/E Ratio)

Based on year ended March 31, 2004 Unconsolidated EPS of Rs. 0.0590	322.03
Based on Weighted Average Adjusted Unconsolidated EPS of Rs. 0.0297	639.73
Based on year ended March 31, 2004 Consolidated EPS of Rs. 2.24	8.48
Based on Weighted Average Adjusted Consolidated EPS of Rs. 1.44	13.19

Industry P/E

As there are no other listed companies engaged solely in similar business, hence no industry comparison including ratios can be worked out.

Average Return on Networth

Financial Year	Unconsolidated		Consolidated	
	RoNW (%)	**Weight used**	**RoNW (%)**	**Weight used**
2001-02	0.010	1	18.87	1
2002-03	0.019	2	16.93	2
2003-04	1.737	3	18.28	3
Weighted Average	0.876		17.93	

Minimum required return on post issue Net worth to maintain pre issue EPS

Issue Price	Unconsolidated	Consolidated
Adjusted Net worth as on June 30, 2004 (Rs. in million)	320.41	1063.55
Issue proceeds (Rs. in million)	516.56	516.56
Post Issue Networth (Rs. in million)	836.97	1580.11
Pre Issue EPS (Rs.) for year ended March 31, 2004	0.059	2.24
Minimum RoNW required to maintain pre issue EPS (%)	0.77	15.42

Net Asset Value (NAV) per share

Particulars	Unconsolidated	Consolidated
As at June 30, 2004	Rs.3.93	Rs. 13.04
After the issue based on June 30, 2004 profits	Rs.7.70	Rs.14.53
P/NAV on capital base as at June 30, 2004	4.83	1.46
P/NAV on fully diluted capital base (post issue) as at June 30, 2004	2.47	1.31

Comparison of accounting ratios of the Company with industry average and accounting ratios of peer group for FY04:

	EPS (Rs.)	Book Value (Rs.)	RoNW (%)	P/E
Indiabulls (Unconsolidated)	0.0590	3.478	1.737	322.03
Indiabulls (Consolidated)	2.24	12.54	18.28	8.48

As there are no other listed companies engaged solely in similar business except Kotak Bank which is listed but is engaged in a similar business through its subsidiary, Kotak Securities Limited which is a unlisted company and hence no industry comparison including ratios can be worked out.

The BRLM believes that the issue price of Rs.19 is justified in view of the above qualitative and quantitative parameters. The face value of the Equity Shares is Rs.2 per share and the Issue Price is 9.5 *times of the face value. The investors may also want to pursue the risk factors and the financials of our Company including important profitability and return ratios, as set out in the Auditors Report in Part II of the Prospectus to have a more informed view about the investment proposition.*

FINANCIAL STATEMENTS

INDIABULLS FINANCIAL SERVICES LIMITED

UNCONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES, AS RESTATED, (INCLUDING SUBSIDIARIES) FOR THE YEARS ENDED MARCH 31, 2001, 2002, 2003 AND 2004 AND FOR THE QUARTER ENDED JUNE 30, 2004.

AUDITORS REPORT

To,
The Board of Directors,
Indiabulls Financial Services Limited,
F-60 Malhotra Building,
Connaught Place,
New Delhi – 110 001.

Dear Sirs,

We have examined the financial information of Indiabulls Financial Services Limited ('Indiabulls' or 'the Company') annexed to this report and initialed by us for identification. The said financial information has been prepared in accordance with the requirements of paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act'), the Securities and Exchange Board of India ("SEBI") - Disclosure and Investor Protection Guidelines, 2000 (as amended vide Circular No. 11 on August 14, 2003) ('the Guidelines') issued by the Securities and Exchange Board of India on January 19, 2000 in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992; and related clarification; and in accordance with instructions dated February 26, 2004, and July 29, 2004, received from the company requesting us to carry out work in connection with the Prospectus being issued by the Company in connection with its Initial Public Offering of Equity Shares (referred to as "the issue"). The financial information has been prepared by the Company and approved by the Board of Directors of the Company.

FINANCIAL INFORMATION AS PER AUDITED FINANCIAL STATEMENTS:

1. We have examined the attached summary statement of profits and losses as restated of the Company for the years ended March 31, 2001, March 31, 2002, March 31, 2003, March 31, 2004 and for the quarter ended June 30, 2004 (Annexure I) and the attached summary statement of assets and liabilities as restated as at March 31, 2001, March 31, 2002, March 31, 2003, March 31, 2004 and June 30, 2004 (Annexure II), together referred to as 'summary statements'.

   These summary statements have been extracted from the financial statements of the Company for these years / period audited by us and have been adopted by the Board of Directors / Members for those respective years / period.

   Based on our examination of these summary statements, we state that:

   - The restated profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate in the year / period to which they related.
   - The summary statements of the Company have been restated with retrospective effect to reflect the significant accounting policies and significant notes being adopted by the Company as at June 30, 2004, as stated vide Annexure III to this report.
   - There are no qualifications in the auditors' report that require any adjustment to the summary statements.
   - There are no extra- ordinary items that need to be disclosed separately in the summary statements.

2. The financial statements of the Company's subsidiary, Indiabulls Securities Limited ('ISL') for the years ended March 31, 2001, March 31, 2002, March 31, 2003, March 31, 2004 and for the quarter ended June 30, 2004, have not been consolidated into the attached summary statements. We have audited the financial statements of ISL for the years ended March 31, 2001, March 31, 2002, March 31, 2003, March 31, 2004 and for the quarter ended June 30, 2004. The restated summary financial statements of ISL for the years ended March 31, 2001, March 31, 2002, March 31, 2003, March 31, 2004, and for the quarter ended June 30, 2004, together with the significant accounting policies and significant notes adopted by the Company as at June 30, 2004, are enclosed in Annexure V A to D to this report.

3. The financial statements of the Company's wholly owned subsidiary, Indiabulls Commodities Private Limited ('ICPL') for the period from October 30, 2003 (date of incorporation) to March 31, 2004 and for the quarter ended June 30, 2004, have not been consolidated into the attached summary statements. We have audited the financial statements of ICPL for the five months period ended March 31, 2004 and for the quarter ended June 30, 2004. The restated summary financial statements of ICPL for the five months period ended March 31, 2004 and for the quarter ended June 30, 2004, together with the significant accounting policies and significant notes adopted by the Company as at June 30, 2004, are enclosed in Annexure VI A to D to this report.

4. The financial statements of the Company's wholly owned subsidiary, Indiabulls Insurance Advisors Private Limited ('IIAPL'), which was acquired on December 27, 2003, for the period February 18, 2002 (date of incorporation) to March 31, 2003, for the year ended March 31, 2004 and for the quarter ended June 30, 2004, have not been consolidated into the attached summary statements. We have audited the financial statements of IIAPL for the year ended March 31, 2004 and for the quarter ended June 30, 2004.

   The financial statements of IIAPL for the period February 18, 2002 to March 31, 2003 have been audited and reported by another firm of Chartered Accountants and have been relied upon by us.

   The restated summary financial statements of IIAPL for the period ended March 31, 2003, year ended March 31, 2004, and the quarter ended June 30, 2004, read together with the significant accounting policies and significant notes adopted by the Company as at June 30, 2004, are enclosed in Annexure VII A to D to this report.

5. In our opinion, the financial information of the Company and its subsidiaries viz: Indiabulls Securities Limited, Indiabulls Commodities Private Limited and Indiabulls Insurance Advisors Private Limited, attached to this report, read with respective significant accounting policies and significant notes as annexed to this report and after making adjustments and re-grouping as considered appropriate; has been prepared in accordance with Part II of Schedule II of the Act and the Guidelines issued by SEBI.

6. This report is intended solely for your information and for inclusion in the Prospectus in connection with the specific Initial Public Offer of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For Deloitte Haskins & Sells
Chartered Accountants

N. P. Sarda
Partner

Membership No: 9544

Mumbai, August 6, 2004

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Annexure V: Indiabulls Securities Limited

- Part A: Summary statements of profits and losses
- Part B: Summary statements of assets and liabilities
- Part C: Changes in Accounting policies and significant accounting policies for the quarter ended June, 2004
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- Part A: Summary statements of profits and losses
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- Part A: Summary statements of profits and losses, as restated
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Annexure I: Summary statement of profits and losses, as restated:

(All amounts in Rupees)

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Quarter ended June 30, 2004
Income					
Revenue from Operations	1,455,730	82,657	588,352	2,828,603	62,983,125
Other income	90,866	60,729	41,928	6,762,569	513,220
Total Income	**1,546,596**	**143,386**	**630,280**	**9,591,172**	**63,496,345**
Expenditure					
Operating Cost	—	—	—	—	1,165,120
Employees Remuneration and Benefits	686,054	79,200	127,529	269,139	2,365,717
Administrative and Other Expenses	778,919	35,459	78,284	389,887	883,459
Interest and Finance Charges	—	—	333,334	1,266,665	3,352,809
Depreciation	26,573	4,782	4,782	4,782	1,195
Total Expenditure	**1,491,546**	**119,441**	**543,929**	**1,930,473**	**7,768,300**
Profit before tax & prior period adjustments	**55,050**	**23,945**	**86,351**	**7,660,699**	**55,728,045**
Provision for taxation					
Current Tax	5,000	1,641	45,000	2,750,000	21,000,000
Deferred Tax (credit)/expense	—	—	2,729	(16,899)	1,185
Net profit after tax but before prior period adjustments	50,050	22,304	38,622	4,927,598	34,726,860
Prior year adjustments	—	46,154	—	—	—
Net profit for the year / period	**50,050**	**68,458**	**38,622**	**4,927,598**	**34,726,860**
Adjustments on account of changes in accounting policies:					
Deferred Tax credit/(expense) (Refer Note 1 of Annexure III)	(13,972)	(1,459)	—	—	—
Impact of prior period items (Refer Note 2 of Annexure III)	46,154	(46,154)	—	—	—
Total Impact of adjustments	**32,182**	**(47613)**	**—**	**—**	**—**
Net profit, as restated (c/f.)	**82,232**	**20,845**	**38,622**	**4,927,598**	**34,726,860**
Appropriations					
Balance of profit brought forward	82,232	71,232	78,557	109,454	4,051,532
Transfer to Reserve u/s 45 IC of the RBI Act, 1934	11,000	13,520	7,725	985,520	—
Balance of profit carried forward	71,232	78,557	109,454	4,051,532	38,778,392

The above statement should be read with the significant accounting policies appearing in Annexure III and significant notes to the Summary statement of Profits and Losses and Assets and Liabilities, as restated, appearing in Annexure IV.

Annexure II: Summary statement of assets and liabilities, as restated:

(All amounts in Rupees)

	As at March 31, 2001	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	As at June 30, 2004
Assets					
Fixed Assets- Gross block	2,370,615	29,500	29,500	29,500	29,500
Less: Depreciation	256,180	9,118	13,900	18,682	19,877
Net Block	2,114,435	20,382	15,600	10,818	9,623
Capital Work in Progress	—	—	—	—	—
Net Block	2,114,435	20,382	15,600	10,818	9,623
Investments	185,319,757	185,319,757	185,319,757	191,819,757	191,819,757
Current assets, loans and advances					
Stock of Securities	—	—	—	3,798,192	—
Sundry Debtors	—	51,109	19,975	69,953,530	1,590,721,033
Cash and bank balances	18,774,437	4,120,598	20,258,776	782,050	153,883
Loans and advances	13,246,321	15,152,150	9,378,826	80,064,999	1,007,670,662
Total Current Assets, Loans and advances	32,020,758	19,323,857	29,657,577	154,598,771	2,598,545,578
Total Assets	**219,454,950**	**204,663,996**	**214,992,934**	**346,429,346**	**2,790,374,958**
Liabilities and Provisions					
Loan funds					
Secured Loans	—	—	—	—	970,972,116
Unsecured loans	—	—	10,263,334	59,850,000	1,469,000,000
Total Loan funds	**—**	**—**	**10,263,334**	**59,850,000**	**2,439,972,116**
Current liabilities and provisions					
Current liabilities	18,035,299	215,400	199,653	56,800	6,189,751
Provision for taxation	—	6,641	46,641	2,796,641	23,796,641
Total Current liabilities and provisions	18,035,299	222,041	246,294	2,853,441	29,986,392
Deferred tax Liability (Net)	13,972	15,431	18,160	1,261	2,446
Total Liabilities	**18,049,271**	**237,472**	**10,527,788**	**62,704,702**	**2,469,960,954**
Net worth	**201,405,679**	**204,426,524**	**204,465,146**	**283,724,644**	**320,414,004**
Represented by:					
Shareholders funds					
Equity Share Capital	155,425,000	155,425,000	157,125,110	163,125,110	163,125,110
Share application money pending allotment	—	3,000,000	—	—	—
Stock Compensation Adjustment	—	—	—	—	2,250,000
Securities Premium Account	45,898,447	45,898,447	47,198,337	115,530,237	115,242,737
Reserve u/s 45 IC of the RBI Act, 1934	11,000	24,520	32,245	1,017,765	1,017,765
Surplus as per profit and loss statement, as restated	71,232	78,557	109,454	4,051,532	38,778,392
Less: miscellaneous expenditure not written off (Refer Note 2 (i) of Annexure III)	—	—	—	—	—
Total	**201,405,679**	**204,426,524**	**204,465,146**	**283,724,644**	**320,414,004**

The above statement should be read with the significant accounting policies appearing in Annexure III and significant notes to the Summary statement of Profits and Losses and Assets and Liabilities, as restated, appearing in Annexure IV.

Annexure III: Changes in accounting policies and significant accounting policies:

1. **Changes in Accounting Policies:**

   Deferred Taxation:

   Accounting Standard – 22 on Accounting for Taxes on Income (AS 22) issued by the Institute of Chartered Accountants of India (ICAI) is mandatory in respect of accounting periods commencing on or after April 1, 2002. The Company adopted AS 22 for the first time in preparing its financial statements for the accounting year commencing on April 1, 2002. Accordingly, for the purpose of this statement, the deferred tax asset / liability has been reorganized in the respective years of origination with a corresponding effect to the statement of profits as restated.

   In accordance with the transitional provisions of AS 22, the Company recognised a net deferred tax expense aggregating to Rs. 15,431 that accumulated prior to the adoption of this standard as at March 31, 2002 to the Reserves and Surplus in the financial statements for the year ended March 31, 2003. Accordingly, in the Summary Statement of Assets and Liabilities as restated, this amount has been reclassified from the Reserves and Surplus as at April 1, 2002 and adjusted to the relevant years in the statement of Profits and Losses.

2. **Other adjustments:**

   Deferred Revenue Expenditure

   i. Preliminary / Share Issue Expenses:

   Until the year ended March 31, 2003, the Company adjusted preliminary expenses and share issue expenses out of securities premium account to the extent of balance available and amortized the balance portion over a period of three years. Effective April 1, 2003, in line with Accounting Standard AS 26, Intangible Assets, issued by the Institute of Chartered Accountants of India, the company changed its accounting policy to adjust share issue expenses out of securities premium account to the extent of balance available and charge off the balance portion to the profit and loss account, as incurred.

   Accordingly, preliminary expenses amounting to Rs. 1,000,000, Rs. 585,000 and Rs. 287,500 have been adjusted against Securities Premium Account for the years ended March 31, 2003, March 31, 2004, and quarter ended June 30, 2004, in line with the above-mentioned policy.

   ii. Prior period adjustment:

   In the financial statements for the year ended March 31, 2002, the Company had charged off certain incomes amounting to Rs. 46,154 as prior period expenses. For the purpose of this statement, the said expenses have been adjusted in the relevant year.

3. **Significant accounting policies for the quarter ended June 30, 2004:**

   (i) Basis of Accounting:

   The financial statements are prepared under the historical cost convention on an accrual basis.

   (ii) Use of Estimates:

   The presentation of financial statement in conformity with the generally accepted accounting principles requires estimates and the assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known / materialised.

   (iii) Revenue Recognition:

   Income from brokerage activities is recognised as income on trade dates of transactions. Interest Income is recognised on an accrual basis.

   Transactions in respect of Investment / Dealing in Securities is recognised on trade dates.

   (iv) Fixed Assets:

   Fixed assets are stated at cost, less accumulated depreciation. Cost includes original cost of acquisition, including incidental expenses related to such acquisition and installation.

   (v) Depreciation:

   Depreciation on all fixed assets is provided on the straight-line method at rates specified in Schedule XIV of the Companies Act, 1956.

   Depreciation on additions / deletions to Fixed Assets is provided on pro-rata basis from the date the asset is put to use. Assets costing less than Rs. 5,000/- per item are fully depreciated in the year of purchase.

(vi) Investments:

Long-term investments are stated at cost, less provision, if any, for permanent diminution in value of investments. Cost includes original cost of acquisition including brokerage and stamp duty.

(vii) Stock of Securities:

Stock of securities is valued on weighted average basis, at lower of cost and net realisable value.

(viii) Borrowing Cost:

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of cost of the asset. All other borrowing costs are charged to revenue.

(ix) Deferred Employee Stock Compensation Cost:

Deferred employee stock compensation cost for stock options are recognised on the basis of generally accepted accounting principles and are measured by the difference between the estimated fair value of the company's shares on stock options grant date and the exercise price to be paid by the option holders. The compensation expense is amortised uniformly on the basis of weighted period of services over the vesting period of the options. The fair value of options is measured on the basis of an independent valuation performed in respect of stock options granted.

(x) Taxes on Income:

Current tax is determined as the tax payable in respect of taxable income for the year / period and is computed in accordance with relevant tax regulations.

Deferred tax is recognised for all timing differences between accounting income and taxable income and is quantified using substantially enacted tax rates as at the balance sheet date. Deferred tax assets are recognised where realisation is reasonably certain and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

(xi) Share Issue Expenses:

Until the year ended March 31, 2003, the company adjusted expenses on account of share issue out of securities premium account to the extent of balance available and amortized the balance portion over a period of three years. Effective April 1, 2003, in line with Accounting Standard - AS 26 Intangible Assets, issued by The Institute of Chartered Accountants of India, the company changed its accounting policy to adjust share issue expenses out of securities premium account to the extent of balance available and charge off the balance portion to the profit and loss account, as incurred. There is no impact on the profit for the year / period on account of the said change in accounting policy.

(xii) Equity Index / Stock Futures

(a) Initial Margin – Equity Index/ Stock Futures, representing the initial margin paid, and margin deposits representing additional margin paid over and above the initial margin, for entering into a contract for equity index/ stock futures which are released on final settlement/squaring-up of the underlying contract, are disclosed under Loans and Advances.

(b) Equity index/ stock futures are marked-to-market on a daily basis. Debit or credit balance disclosed under Loans and Advances or Current Liabilities, respectively, in the Mark-to-Market Margin – Equity Index/ Stock Futures Account, represents the net amount paid or received on the basis of movement in the prices of index/ stock futures till the balance sheet date.

(c) As on the balance sheet date, profit/loss on open positions in equity index/ stock futures is accounted for as follows:

- Credit balance in the Mark-to-Market Margin – Equity Index/Stock Futures Account, being the anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
- Debit balance in the Mark-to-Market Margin – Equity Index/Stock Futures Account, being the anticipated loss, is adjusted in the profit and loss account.

(d) On final settlement or squaring-up of contracts for equity index/stock futures, the profit or loss is calculated as the difference between the settlement/squaring-up price and the contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract in Mark-to-Market Margin – Equity Index/Stock Futures Account after adjustment of the provision for anticipated losses is recognised in the profit and loss account. When more than one contract in respect of the relevant series of equity index/stock futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using the weighted average cost method for calculating the profit/loss on squaring-up.

Annexure IV: Significant notes to the summary statement of profits and losses and assets and liabilities, as restated, for the quarter ended June 30, 2004:

1. **Overview:**

   Indiabulls Financial Services Limited ("the Company") was incorporated on January 10, 2000 as a Private Limited Company to invest in various subsidiaries and also to invest, acquire, hold, purchase or procure equity shares, debentures, bonds, mortgages, obligations, securities of any kind issued or guaranteed by any company.

   On March 30, 2001 the Company was registered under section 45-IA of the Reserve Bank of India Act, 1934 to carry on the business of a Non Banking Financial Company but does not have permission from the RBI to accept public deposits. With effect from the current financial year, the company has commenced business of Short – term financing activities.

   The Company's Accounting year is for a period of 12 months from April 1, 2004 to March 31, 2005. These interim financial statements are prepared for an interim period of 3 months from April 1, 2004 to June 30, 2004 in accordance with Accounting Standard – 25 'Interim Financial Reporting' issued by the Institute of Chartered Accountants of India. Accordingly, the figures of the current period in the financial statements are not directly comparable with the figures of previous accounting year.

2. The members of the Company at their Extraordinary General Meeting held on February 3, 2004 have resolved interalia to:

   a) Convert the company into a Public Limited Company pursuant to section 44 of the Companies Act, 1956. The Company has since received the certificate from Registrar of Companies dated February 27, 2004, in respect of the said change.

   b) Split the nominal value of Equity Shares of Rs.10 each in the capital of the company fully paid up, into five equity shares of Rs. 2 each fully paid up.

   c) Increase the authorised capital of the company from Rs. 160,000,000 divided into 16,000,000 equity shares of Rs.10 each to Rs. 250,000,000 divided into 125,000,000 equity shares of Rs. 2 each, ranking pari-pasu with the existing equity shares of the company.

3. Pursuant to the approval of the members of the company at their Extraordinary General Meeting held on February 11, 2004, the Company and its main promoters have entered into an agreement on February 13, 2004, with two overseas investors for the issue and exercise of 3,000,000 warrants at an exercise price being higher of: (a) Rs. 25 per equity share and (b) Lowest price per warrant security permissible under the exchange control regulations. Each of the said warrant has been converted into one equity share of face value of Rs. 2 each. As at the previous year-end, the said warrants have been exercised and the company has received a sum of Rs. 74,916,900 (including Rs. 68,916,900 towards securities premium) and the company on February 26, 2004 has allotted 3,000,000 Equity Shares to the holders of such warrants.

4. On February 28, 2004 Indiabulls established the Indiabulls Employees Stock Options Scheme ("Indiabulls ESOS or Plan"). Under the plan, the company is authorised to issue up to 6,000,000 equity shares of Rs. 2 each to eligible employees including employees of its subsidiary companies. Employees covered by the plan are granted an option to purchase shares of the Company subject to the requirements of vesting. A Compensation Committee constituted by the Board of Directors of the Company administers the plan.

   On February 28, 2004, the Company granted 6,000,000 options at an exercise price of Rs. 2 per share. As at the period / year end, no stock options granted under the Indiabulls ESOS were exercised. These options vest uniformly over a period of 5 years, with effect from April 1, 2004, whereby 20% of the options vest on each vesting date as per the vesting schedule, giving rise to a deferred stock compensation expense of Rs. 42,750,000 (Previous year Rs. 45,000,000) and employee stock options outstanding as at 30th June, 2004 amounting to Rs. 45,000,000 (Previous year Rs. 45,000,000).

   The SEBI (ESOP & ESPS) Guidelines, 1999 ("the guidelines") were not applicable to the company, being an unlisted company, when the Indiabulls ESOS was established. The Company had also been legally advised as regards the non-applicability of the guidelines. The Company has also been further advised that per disclosure requirement clause 15.3 and accounting treatment to be followed per 13.1 of the guidelines, the Company would have to record a compensation expense being the difference between the grant price and the fair value only after vesting of stock option begin. As per the said plan, as the vesting begins after April 1, 2004, and as legally advised, no compensation expense was required to be charged to the profit and loss as at the previous year end. For the quarter ended June 30, 2004, an amount of Rs. 2,250,000 being pro-rate charge in respect of such employee compensation is charged to the profit and loss account.

The Fair value of options is measured on the basis of an independent valuation performed in respect of stock options granted.

	Period ended June 30, 2004		
	Shares arising out of options	**Exercise price Rs.**	**Weighted Average remaining contractual life (months)**
Outstanding at the beginning of the period	6,000,000	2	60
Granted during the period	—	—	—
Forfeited during the period	—	—	—
Exercised during the period	—	—	—
Outstanding at the end of the period	6,000,000	2	60
Exercisable at the end of the period	—	—	—

5. The Company has entered into an indemnification cum license agreement with its subsidiaries for a non-assignable, non- exclusive license to use its trademarks for a period of 15 years, renewable for a further period of 15 years on mutually agreed terms and conditions.

   The said agreement can be terminated by the subsidiaries by giving ninety days notice to the Company. Pursuant to the said agreement, a license fee is receivable from the subsidiaries as per the terms and conditions mentioned therein.

   Further in pursuance of the said agreement, the subsidiaries have agreed to defend, indemnify and hold harmless in full the Company from and against all claims and costs. The Company in pursuance of this obligation has collected indemnification money amounting to Rs. 1,469,000,000 which is stated under unsecured loans.

6. Contingent Liabilities not provided for in respect of:

   a) Payment of Rs. 11,800,000 to the erstwhile shareholders of Indiabulls Securities Limited (formerly Orbis Securities Limited) towards acquisition of their shares in Indiabulls Securities Limited subject to their procuring additional equity funding of Rs. 200 million for the Company.

   b) The Company has provided counter guarantees to banks amounting Rs. 510,000,000 in respect of bank guarantees given by banks to National Securities Clearing Corporation Limited in respect of its subsidiary company.

   c) Liability in respect of IPO issue expenses has not been provided for as the same accrues on completion of issue, the amount where of is not ascertained.

7. Secured loans from banks include loans for Rs. 719,210,129 and secured loans from others include Rs. 251,761,987 are secured against hypothecation of book debts and pledge of securities obtained from clients as collateral against exposure / loan given.

8. Unsecured loan from others Rs. Nil (Previous year Rs. 59,850,000) represents loan taken from a Financial Institution, originally secured against stock of securities, originally secured against stock of securities. However, as such securities were significantly sold towards the end of the pervious year, the said loan is shown as unsecured. Unsecured loans are repayable within a year.

9. Segment information for the period ended June 30, 2004

   (a) Primary segment information (by business segments)

(All amounts in Rupees)

	Investing and financing related activities	**Others**	**Total**
(i) Segment Revenue	63,360,666	—	63,360,666
(ii) Segment Result	56,427,275	(154,994)	56,272,281
Less: Interest Expense	—	—	—
Less: Unallocated expenditure net of other unallocated income	—	—	544,236
Less: Income taxes	—	—	21,001,185
Total Profit after tax	—	—	34,726,860

(All amounts in Rupees)

	Investing and financing related activities	Others	Total
(iii) Segment Assets	2,788,992,737	365,118	2,789,357,855
Unallocated corporate assets	—	—	1,017,103
Total Assets	—	—	2,790,374,958
(iv) Segment Liabilities	976,878,367	—	976,878,367
Unallocated Corporate Liabilities	—	—	1,493,082,587
Total Liabilities	—	—	2,469,960,954
(v) Depreciation	1,195	—	1,195
(vi) Non Cash expenditure other than depreciation	2,250,000	—	2,250,000

(b) The Company operates solely in one Geographic segment namely "Within India" and hence no separate information for Geographic segment wise disclosure is required.

(c) The Company's primary business segment is reflected based on principal business activities carried on by the company. The Company's primary business activity comprises of investing in various subsidiaries.

"Others" business segment constitutes profit on investment / dealing in securities. This not being the normal business activity of the company the same is shown as "Others".

(d) Segment revenue, results, assets and liabilities include amounts identifiable to each segment and amounts allocated on a reasonable basis.

(e) The accounting policies adopted for segment reporting are in line with the accounting policies adopted for preparation of financial information as disclosed in (A) above.

10. Disclosures in respect of applicability of AS – 18 Related Party Disclosures:

Nature of relationship	Related party
a) Related parties where control exists:	
Subsidiaries	Indiabulls Securities Limited. Indiabulls Commodities Private Limited Indiabulls Insurance Advisors Private Limited
b) Related party where significant influence exist:	
Shareholder	Infinity Technology Trustee Private Limited
c) Other related parties:	
Key Management Personnel:	Mr. Sameer Gehlaut, Director Mr. Rajiv Rattan, Director

d) Significant Transactions with Related Parties

(All amounts in Rupees)

Nature of Transaction	Subsidiary Companies	Shareholder	Key Management Personnel	Total
Finance				
Deposit for Indemnity accepted	1,469,000,000	—	—	1,469,000,000
Short- term loans given	3,684,395,000	—	—	3,684,395,000
Advance Share application money	18,800,000	—	—	18,800,000
Income				
Licence Fees	135,679	—	—	135,679
Expenses				
Brokerage	237,114	—	—	237,114
Other receipts and payments				
Counter guarantees provided to third parties on behalf of subsidiaries	510,000,000	—	—	510,000,000

e) Outstanding balances as on June 30, 2004

(All amounts in Rupees)

Short term Loan	987,600,000	—	—	987,600,000
Deposit for Indemnity Accepted	1,469,000,000	—	—	1,469,000,000
Advance Against Equity	18,800,000	—	—	18,800,000
License Fees Receivable	135,679	—	—	135,679

f) Statement of Material Transactions

Company	**Rupees**
Subsidiaries	
Indiabulls Securities Limited	
- Short term loan	3,643,895,000
- Deposit for Indemnity Received	1,450,000,000
- Counter Guarantees to third parties	510,000,000
- Brokerage expense	237,114
- Licence Fees income	135,679
Indiabulls Insurance Advisors Private Limited	
- Advance Share application money given	8,000,000
Indiabulls Commodities Private Limited	
- Advance Share application money	10,800,000

11. Earnings Per Share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the reporting period. Diluted earnings per share are computed using the weighted average number of equity shares and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value.

Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The number of equity shares and potential diluted equity shares are adjusted for stock split, bonus shares and the potential dilutive effect of Employee Stock Option Plan as appropriate.

	For the Period April 1, 2004 to June 30, 2004
Profit available for equity Shareholders (Rs.)	34,726,860
Weighted average number of Shares used in computing Basic earning per share	81,562,555
Add: Potential number of Equity Share that could arise on exercise of Employee Stock Options	4,736,842
Weighted average number of Shares used in computing Diluted earning per share	86,299,397
Nominal Value of equity Shares - (Rs.)	2.00
Basic Earnings Per Share - (Rs.)	0.4258
Diluted earnings Per Share - (Rs.)	0.4024

12. In compliance with Accounting Standard 22 - Accounting for Taxation on Income, the Company has recognised a net deferred tax credit of Rs. 16,899 in the profit and loss account during the current period. The breakup of deferred tax (liability) / asset into major components as at the period end is as under:

	As at June 30, 2004 Amount (Rs.)
Deferred tax liability	
Depreciation	250
Deferred tax Asset	
Preliminary expenses	(1,435)
Net Deferred tax (Liability)/ Asset	(1,185)

13. The Provisions of the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and Employee State Insurance Act, 1948 are not applicable to the Company. As per the rules of the Company, no amount is payable in respect of leave encashment, to any employee of the Company.

CASH FLOW STATEMENT

		Year ended March 31, 2004		Year ended March 31, 2003		Year ended March 31, 2002	
		Amount (Rs.)		Amount (Rs.)		Amount (Rs.)	
A	**Cash flow from operating activities:**						
	Net Profit before tax		7,660,699		86,351		23,945
	Adjustments for:						
	Depreciation	4,782		4,782		4,782	
	Interest income	(2,379,337)		41,928		(1,628)	
	Profit on Sale of Fixed Assets (Net)					(60,729)	
	Interest expense	1,266,665		333,334			
			(1,107,890)		380,044		(57,575)
	Operating Profit before working capital changes		6,552,809		466,395		(33,630)
	Adjustments for:						
	Trade and other receivables	(139,983,562)		5,481,134		(51,109)	
	Stock of Securities	(3,798,192)		–		–	
	Advances recoverable					47,100	
	Advance to subsidiary					(1,969,683)	
	Trade Payables and other liabilities	(142,853)		(15,747)		(17,819,899)	
			(143,924,607)		5,465,387		(19,793,591)
	Cash generated from / (used in) operations		(137,371,798)		5,931,782		(19,827,221)
	Direct taxes (paid) / refund received	(636,166)		318,324		(24,400)	
			(636,166)		318,324		(24,400)
	Net cash (used in) / generated from operating activities		(138,007,964)		6,250,106		(19,851,621)
B	**Cash flow from investing activities:**						
	Sale of Fixed Assets						2,150,000
	Purchase of Investments		(6,500,000)		–		–
	Interest received		2,379,337		(41,928)		47,782
	Net cash (used in) / generated from investing activities		(4,120,663)		(41,928)		2,197,782
							–
C	**Cash flow from financing activities**						
	Interest paid		(1,529,999)		(70,000)		–
	Share application money						3,000,000
	Issue of Share Capital at Share Premium		74,916,900		–		–
	Share issue expenses		(585,000)		–		–
	Net Proceeds from Borrowing		49,850,000		10,000,000		–
	Net cash generated from financing activities		122,651,901		9,930,000		3,000,000
							–
D	**Net Increase / (Decrease) in cash and cash equivalents (A+B+C)**		(19,476,726)		16,138,178		(14,653,839)
E	**Cash and cash equivalents at the beginning of the year**		20,258,776		4,120,598		18,774,437
							–
F	**Cash and cash equivalents at the close of the year (D + E)**		782,050		20,258,776		4,120,598

Detail of Other Income

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Period ended June 30, 2004
Profit on Investment / Dealing in securities	–	–	–	6,761,257	–
Liquidation Charges recovered from clients (net)					377,541
Licence Fee from Subsidiary Companies					135,679
Interest on Income Tax Refund	–	–	41,928	–	–
Sundry credit balances written back	–	–	–	1,312	–
Profit on sale of Fixed Assets (net)	90,866	60,729	–	–	–
	90,866	**60,729**	**41,928**	**6,762,569**	**513,220**

Annexure V: Indiabulls Securities Limited

A: Summary statements of profits and losses, as restated:

(All amounts in Rupees)

Income	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Quarter ended June 30, 2004
Revenue from Operations	57,393,422	129,482,268	257,174,832	692,419,771	156,862,326
Other income	158,870	2,926,062	8,889,823	2,769,615	7,954,718
Total Income	**57,552,292**	**132,408,330**	**266,064,655**	**695,189,386**	**164,817,044**
Expenditure					
Operating Expenses	28,653,072	17,335,347	49,332,726	118,999,431	24,563,154
Employees Remuneration and Benefits	25,326,965	12,284,917	28,784,271	107,155,061	46,274,617
Administrative and Other Expenses	50,666,483	42,581,766	69,867,118	123,437,118	49,634,016
Interest and Finance Charges	5,483,105	9,161,944	29,221,227	46,113,575	8,459,194
Depreciation / Amortisation	11,603,696	7,187,849	9,238,728	11,101,033	3,670,138
Miscellaneous expenditure written off	—	335,070	335,070	335,060	—
Total Expenditure	**121,733,321**	**88,886,893**	**186,779,140**	**407,141,278**	**132,601,119**
(Loss) / Profit before tax & prior period adjustments	**(64,181,029)**	**43,521,437**	**79,285,515**	**288,048,108**	**32,215,925**
Provision for taxation					
Current Tax	—	2,649,138	20,000,000	103,200,000	11,500,000
Deferred Tax (credit)/expense	—	—	8,275,274	4,725,621	498,757
Net (Loss) / Profit after tax but before prior period adjustments	(64,181,029)	40,872,299	51,010,241	180,122,487	20,217,168
Prior year adjustments	—	(327,693)	—	—	—
Net (Loss) / Profit for the year / period	**(64,181,029)**	**40,544,606**	**51,010,241**	**180,122,487**	**20,217,168**
Adjustments on account of changes in accounting policies:					
Deferred Tax credit/(expense) (Refer Note 1 (a) of Annexure V)	23,059,935	(15,709,579)	—	—	—
Pension Expense (Refer Note 2 (a) of Annexure V)		(76,485)	(125,777)	202,262	—
Change in treatment of deferred revenue expenditure (Refer Note I (b) of Annexure V)	—	(670,130)	335,070	335,060	—
Impact of prior period items (Refer Note 2 (b) of Annexure V)	(327,693)	327,693	—	—	—
Total Impact of adjustments	22,732,242	(16,128,501)	209,293	537,322	—
Net (Loss) / Profit, as restated (c/f.)	**(41,448,787)**	**24,416,105**	**51,219,534**	**180,659,809**	**2,0217,168**
Preference Dividend -	—	—	—	6,233,902	13,581,000
Distribution tax thereon	—	—	—	798,719	1,740,066
Balance of (Loss)/Profit brought forward	(5,435,883)	(46,884,670)	(22,468,565)	28,750,969	202,378,157
Balance of (Loss)/Profit carried forward	(46,884,670)	(22,468,565)	28,750,969	202,378,157	207,274,259

The above statement should be read with notes to summary statement of Profits and Losses and Assets and Liabilities, as restated and significant accounting policies and significant notes appearing in this Annexure.

Annexure V: Indiabulls Securities Limited

B: Summary statements of assets and liabilities, as restated:

(All amounts in Rupees)

	As at March 31, 2001	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	As at June 30, 2004
Assets					
Fixed Assets- Gross block	44,690,587	50,055,167	68,083,001	106,329,402	121,266,379
Less: Depreciation / Amortisation	11,715,881	18,902,730	28,141,458	39,242,491	42,903,616
Net Block	32,974,706	31,152,437	39,941,543	67,086,911	78,362,763
Capital Work in Progress	318,900	4,181,923	—	—	—
Net Block	33,293,606	35,334,360	39,941,543	67,086,911	78,362,763
Current assets, loans and advances					
Interest Accrued	239,598	571,761	291,901	2,249,199	3,667,729
Stock of Securities	—	—	—	131,214	—
Sundry Debtors	175,343,261	487,710,544	492,682,619	1,232,909,864	22,767,855
Cash and bank balances	56,651,622	37,486,815	55,476,900	870,138,559	960,521,545
Other current assets	1,082,949	761,858	375,376	—	—
Loans and advances	41,160,645	46,006,348	55,774,032	209,394,391	1,718,797,885
Total Current Assets, Loans and advances	274,478,075	572,537,326	604,600,828	2,314,823,227	2,705,755,014
Deferred tax Assets (Net)	23,059,935	7,350,356	—	—	—
Total Assets	**330,831,616**	**615,222,042**	**644,542,371**	**2,381,910,138**	**2,784,117,777**
Liabilities and Provisions					
Loan funds					
Secured loans	103,717,977	152,639,842	167,330,241	830,291,227	97,253,642
Unsecured loans	3,954,442	—	—	189,900,000	1,107,400,000
Total Loan funds	107,672,419	152,639,842	167,330,241	1,020,191,227	1,204,653,642
Current liabilities and provisions					
Current liabilities	78,084,390	288,782,594	236,098,156	387,386,921	589,698,294
Provision for taxation	—	2,649,138	22,649,138	125,849,138	137,349,138
Provision for retirement benefits	841,722	531,595	1,151,511	2,340,545	2,805,136
Preference Dividend Payable (Including Corporate Dividend tax thereon	—	—	—	7,032,621	5,107,022
Total Current liabilities and provisions	78,926,112	291,963,327	259,898,805	522,609,225	734,959,590
Deferred tax Liability (Net)	—	—	924,918	5,650,539	6,149,296
Total Liabilities	**186,598,531**	**444,603,169**	**428,153,964**	**1,548,450,991**	**1,945,762,528**
Net worth	**144,233,085**	**170,618,873**	**216,388,407**	**833,459,147**	**838,355,249**
Represented by:					
Shareholders funds					
Equity Share Capital	178,330,990	178,330,990	178,330,990	178,340,990	178,340,990
Share application money pending allotment	12,786,765	14,756,448	9,306,448	—	—
Preference Share Capital	—	—	—	452,700,000	452,700,000
Securities Premium Account	—	—	—	40,000	40,000
Surplus as per profit and loss statement, as restated	(46,884,670)	(22,468,565)	28,750,969	202,378,157	207,274,259
Total	**144,233,085**	**170,618,873**	**216,388,407**	**833,459,147**	**838,355,249**

The above statement should be read with notes to summary statement of Profits and Losses and Assets and Liabilities, as restated and significant accounting policies and significant notes appearing in this Annexure.

Annexure V: Indiabulls Securities Limited

C: Changes in accounting policies and significant accounting policies:

1. Changes in Accounting Policies:

(a) Deferred Taxation:

Accounting Standard – 22 on Accounting for Taxes on Income (AS 22) issued by the Institute of Chartered Accountants of India (ICAI) is mandatory in respect of accounting periods commencing on or after April 1, 2002. The Company adopted AS 22 for the first time in preparing its financial statements for the accounting year commencing on April 1, 2002. Accordingly, for the purpose of this statement, the deferred tax asset / liability has been reorganized in the respective years of origination with a corresponding effect to the statement of profits as restated.

In accordance with the transitional provisions of AS 22, the Company recognised a net deferred tax credit aggregating to Rs. 7,350,356 that accumulated prior to the adoption of this standard as at March 31, 2002 to the Reserves and Surplus in the financial statements for the year ended March 31, 2003. Accordingly, in the Summary Statement of Assets and Liabilities as restated, this amount has been reclassified from the Reserves and Surplus as at April 1, 2002 and adjusted to the relevant years in the statement of Profits and Losses.

(b) Deferred Revenue Expenditure:

Computer to Computer Link expenses:

In the year ended March 31, 2002, the Company incurred certain computer-to-computer link expenses, which were accounted for as deferred revenue expenditure and amortised over a period of three years. Effective April 1, 2003, in line with Accounting Standard AS 26, Intangible Assets, issued by the Institute of Chartered Accountants of India, the Company changed its accounting policy to charge off such expenses as incurred.

Accordingly, deferred revenue expenditure amounting to Rs. 1,005,200 has been adjusted in line with the above - mentioned policy for the years ended March 31, 2002 and March 31, 2003 and March 31, 2004.

2. Other adjustments:

a) Pension expense:

During the year ended March 31, 2004, the company approved a scheme of pension and medical benefit in respect of its two directors, whereby these directors are eligible to receive certain pension and medical benefits upon their retirement or termination of employment relationship with the company, on attainment of a particular age and fulfillment of certain conditions. In the financial statements for the year ended March 31, 2004, the company provided the entire actuarially determined liability as at the year-end estimated at Rs. 814,000. For the purpose of this statement, pension expenses relating to earlier years i.e. elapsed service period; have been adjusted in the respective years as estimated by the management.

b) Prior period expenses:

In the financial statements for the year ended March 31, 2002, the company had charged off certain expenses amounting to Rs. 327,693 as prior period expenses. For the purpose of this statement, the said expenses have been adjusted in the relevant year.

3. Significant accounting policies for the quarter ended June 30, 2004.

a) Basis of preparation of financial statements:

The financial statements are prepared under historical cost convention on an accrual basis.

b) Use of Estimates:

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known / materialised.

c) Revenue Recognition:

- Revenue from Brokerage activities is accounted for on the trade date of transaction.
- Depository income is accounted on accrual basis.
- Revenue from interest is recognized on accrual basis
- Commission on mutual fund is recognised on accrual basis.
- Transactions in respect of investment / dealing in securities are recorded on trade dates.

d) Equity Index / Stock Futures:

(i) Initial Margin – Equity Index/ Stock Futures, representing the initial margin paid, and margin deposits representing additional margin paid over and above the initial margin, for entering into a contract for equity index/ stock futures which are released on final settlement / squaring-up of the underlying contract, are disclosed under loans and advances.

(ii) Equity index/ stock futures are marked-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities, respectively, in the Mark-to-Market Margin – Equity Index/ Stock Futures Account, represents the net amount paid or received on the basis of movement in the prices of index/ stock futures till the balance sheet date.

(iii) As on the balance sheet date, profit/loss on open positions in equity index/ stock futures is accounted for as follows:

- Credit balance in the Mark-to-Market Margin – Equity Index/Stock Futures Account, being the anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
- Debit balance in the Mark-to-Market Margin – Equity Index/Stock Futures Account, being the anticipated loss, is adjusted in the profit and loss account.

(iv) On final settlement or squaring-up of contracts for equity index/stock futures, the profit or loss is calculated as the difference between the settlement/squaring-up price and the contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract in "Mark-to-Market Margin – Equity Index/Stock Futures Account" after adjustment of the provision for anticipated losses is recognised in the profit and loss account. When more than one contract in respect of the relevant series of equity index/stock futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using the weighted average cost method for calculating the profit/loss on squaring-up.

e) Fixed Assets:

(i) Tangible Assets:

Tangible fixed assets are stated at cost, less accumulated depreciation. Cost includes original cost of acquisition, including incidental expenses related to such acquisition and installation.

(ii) Intangible Assets:

Intangible assets are stated at cost, less any accumulated amortisation / impairment losses. Cost includes original cost of acquisition, including incidental expenses related to such acquisition.

f) Depreciation:

Depreciation on tangible fixed assets is provided on straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956 except for trading software, which is amortised over a period of four years. Depreciation on additions to fixed assets is provided on pro-rata basis from the date the asset is put to use. Depreciation on sale / deduction from fixed asset is provided for up to the date of sale / deduction, as the case may be. Assets costing less than Rs. 5,000/- are fully depreciated in the year of purchase.

Intangible assets are amortised on straight-line method basis over the useful life of the intangible asset, subject to a maximum amortisation period of ten years from the date when the intangible asset is available for use.

g) Retirement benefits:

Company's contribution to Provident Fund is charged to profit and loss account. Gratuity, leave encashment and other retirement benefits in the form of pension, medical benefits and termination compensation payable to employees is provided for on the basis of actuarial valuation as at the Balance Sheet date.

h) Taxes on Income:

Current tax is determined as the tax payable in respect of taxable income for the period and is computed in accordance with relevant tax regulations.

Deferred tax is recognised for all timing differences between accounting income and taxable income and is quantified using substantially enacted tax rates as at the balance sheet date. Deferred tax assets are recognised where realisation is reasonably certain and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

i) Leases:

In case of assets taken on operating lease, the lease rentals are charged to the profit and loss account in accordance with Accounting Standard 19 on Leases issued by the Institute of Chartered Accountants of India.

j) Stock of Securities:

Stock of Securities is valued on weighted average basis, at lower of cost and net realisable value.

k) Borrowing Cost:

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of cost of the asset. All other borrowing costs are charged to revenue.

l) Miscellaneous expenditure:

(i) Share Issue Expenses

Until the year ended March 31, 2003, the company adjusted expenses on account of share issue out of securities premium account to the extent of balance available and amortized the balance portion over a period of three years. Effective April 1, 2003, in line with Accounting Standard - AS 26 Intangible Assets, issued by The Institute of Chartered Accountants of India, the company changed its accounting policy to adjust share issue expenses out of securities premium account to the extent of balance available and charge off the balance portion to the profit and loss account, as incurred. There is no impact on the profit for the period / year on account of the said change in accounting policy.

(ii) Deferred Revenue Expenditure:

Until the year ended March 31, 2003, deferred revenue expenditure in the form of certain computer-to-computer link expenses, were amortised over a period of three years. Effective April 1, 2003, in line with Accounting Standard - AS 26 Intangible Assets, issued by The Institute of Chartered Accountants of India, the Company changed its accounting policy to charge off such expenses as incurred. There is no impact on the profit for the period / year on account of the said change in accounting policy.

Annexure V: Indiabulls Securities Limited

D. Significant notes to the statement of profits and losses and assets and liabilities, as restated, for the quarter ended June 30, 2004:

1. On February 28, 2004, Indiabulls Financial Services Limited, the Holding Company, established the Indiabulls Employees Stock Options Scheme (“Indiabulls ESOS” or “the plan”). Under the plan, the Holding Company is authorised to issue up to 6,000,000 equity shares of Rs. 2 each to eligible employees including employees of its subsidiary companies. Employees covered by the plan are granted an option to purchase shares of the Holding Company subject to the requirements of vesting. A Compensation Committee constituted by the Board of Directors of the Holding Company administers the plan.

   On February 28, 2004, the Holding Company granted 6,000,000 options at an exercise price of Rs. 2 per share. These options vest uniformly over a period of 5 years, whereby 20% of the options vest on each vesting date as per the vesting schedule. The company has adopted the said plan in respect of its employees. As at the period / year end, no stock options granted under the Indiabulls ESOS were exercised.

2. The company was converted into a Public Limited company vide resolution of the members of the company at their Extraordinary General Meeting held on October 31, 2003, and the approval of the Registrar of Companies dated January 5, 2004.

3. The name of the company has been changed from Orbis Securities Limited to Indiabulls Securities Limited at their Extraordinary General Meeting held on January 22, 2004 and the approval of the Registrar of Companies dated February 16, 2004.

4. The members of the company at their Extraordinary General Meeting held on February 11, 2004 have resolved to Increase the authorised capital of the company from Rs. 180,000,000 divided into 18,000,000 equity shares of Rs. 10 each to Rs. 650,000,000 divided into 19,000,000 equity shares of Rs. 10 each, aggregating to Rs. 190,000,000, and 46,000,000 Redeemable Cumulative Preference Shares of Rs. 10 each aggregating to Rs. 460,000,000.

5. Pursuant an agreement dated February 13, 2004 with holding company, Indiabulls Financial Services Limited, its main promoters and two overseas investors, the company has issued 45,270,000, 12% Redeemable Preference Shares of Rs. 10 each at par; and 1,000 Equity Shares of Rs. 10 each at a premium of Rs. 40 per share to two overseas investors. The said preference shares are redeemable at par on maturity on February 13, 2007. The Company reserves the right to redeem 50% or 100% of the said preference shares at any time before the date of maturity. In the event of failure of the Company to fully redeem its preference capital, the company may be required to issue equity shares to such investors, which when issued, would represent 75% of ordinary shares outstanding after such issuance.

6. The Company has entered into an indemnification cum license agreement with its holding company for a non-assignable, non- exclusive license to use its trademarks for a period of 15 years, renewable for a further period of 15 years on mutually agreed terms and conditions. The said agreement can be terminated by the Company by giving ninety days notice to the holding company. Pursuant to the said agreement, a license fee is payable to the holding company as per the terms and conditions mentioned therein.

   Further in pursuance of the said agreement, the company has agreed to defend, indemnify and hold harmless in full the Holding Company from and against all claims and costs. The company in pursuance of this obligation has paid indemnification money amounting to Rs. 1,450,000,000 which are reflected under loans and advances.

7. Contingent liability in respect of Claims from third parties not acknowledged as debt Rs. 521,475.

8. Secured loans from banks amounting to Rs. 97,253,642 are secured against pledge of securities.

9. Fixed deposit include Rs. 10,000,000 pledged with National Securities Clearing Corporation Limited, Rs. 10,000,000 pledged with The Stock Exchange, Mumbai and Rs. 246,375,000 pledged against bank guarantees issued by various banks for base capital and additional base capital.

10. Maximum amount outstanding on commercial papers during the period is Rs. 200,000,000.

11. The company has issued a demand promissory note of Rs. 40,000,000 against unsecured loan obtained from a shareholder.

12. Intangible asset consisting of Membership Rights of The Stock Exchange, Mumbai, has been amortised over a period of five years on pro-rata basis as at June 30, 2004.

13. The company has taken office premises on operating lease at various locations and lease rent in respect of the same have been charged to Profit and Loss account. The minimum lease rental outstanding as at June 30, 2004 are as under:

	(Amount in Rs.)
Within one year	37,717,366
One to Five years	80,498,387

14. The loss on squaring off of erroneous transactions amounting to Rs. 159,372 (Net) has been adjusted to Profit and Loss account.

15. Segment information for the period ended June 30, 2004.

(a) Primary segment information (by business segments):

		Broking and related activities (Rs.)	Others (Rs.)	Total (Rs.)
(i)	Segment Revenue	161,900,554	2,916,500	164,817,044
(ii)	Segment Result	34,544,365	421,557	34,965,992
	Less: Unallocated expenditure net of other unallocated income			2,749,997
	Less: Income taxes			11,998,757
	Total Profit after tax			20,217,168
(iii)	Segment Assets	304,013,461	—	304,013,461
	Unallocated corporate assets			2,477,187,816
	Total Assets			2,784,117,777
(iv)	Segment Liabilities	686,394,683	—	686,394,683
	Unallocated Corporate Liabilities			1,259,367,845
	Total Liabilities			1,945,762,528
(v)	Capital Expenditure	14,965,127	—	14,965,127
(vi)	Depreciation	3,643,270	—	3,643,270
(vii)	Non cash expenditure other than Depreciation	26,868	—	26,868

(b) The Company operates solely in one Geographic segment namely "Within India" and hence no separate information for Geographic segment wise disclosure is required.

(c) The Company's primary business segment is reflected based on principal business activities carried on by the company. The Company's primary business activity is to carry on business of stock and share broking and other related ancillary services.

"Others" business segment constitutes profit on investment / dealing in securities. This not being the normal business activity of the company, the same is shown as "Others".

(d) Segment revenue, results, assets and liabilities include amounts identifiable to each segment and amounts allocated on a reasonable basis.

(e) The accounting policies adopted for segment reporting are in line with the accounting policies adopted for preparation of financial information as disclosed in (A) above.

16. Disclosures in respect of applicability of AS – 18 Related Party Disclosures:

Nature of relationship	**Name of party**
(a) Related parties where control exists:	
Holding company	Indiabulls Financial Services Limited
Fellow Subsidiaries	Indiabulls Commodities Private Limited Indiabulls Insurance Advisors Private Limited (formerly Orbis Technologies Private Limited)

(b) Other related parties:

Key Management Personnel	Mr. Sameer Gehlaut - Person exercising significant control Mr. Gagan Banga, Director Mr. Tejinderpal Singh Miglani, Director Mr. Rajiv Rattan, Director

(c) Significant Transactions with Related Parties:

(All amounts in Rupees)

Nature of Transaction	**Fellow Subsidiaries**	**Holding Company**	**Key Management Personnel**	**Total**
Income				
Brokerage Income	7,450	273,096	—	280,547
Expenses				
Licence Fees	—	135,679	—	135,679
Reimbursement of expenses	3,783,508	—	—	3,783,508
Remuneration	—	—	5,708,588	5,708,588
Finance				
Loan taken	—	987,400,000	—	987,400,000
Deposit for Indemnity given	—	1,450,000,000	—	1,450,000,000

(d) Outstanding as at June 30, 2004:

(All amounts in Rupees)

Remuneration	—	—	1,094,414	1,094,414
Short term Loan	—	987,400,000	—	987,400,000
Deposit for Indemnity Deposit	—	1,450,000,000	—	1,450,000,000
License Fees Payable	135,679	—	—	135,679

(e) Statement of Material Transactions

Company	Amount (Rs.)
Fellow Subsidiaries Indiabulls Insurance Advisors Private Limited - Reimbursement of Expenses	3,783,508

17. Earning Per Share:

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the reporting period. Diluted earnings per share are computed using the weighted average number of equity shares and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value.

Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The number of equity shares and potential diluted equity shares are adjusted for stock split and bonus shares as appropriate.

	For the period April 1, 2004 to June 30, 2004 (Rs.)
Net Profit as per Profit & Loss Account	20,217,168
Less: Preference Dividend and tax thereon	15,321,066
Net Profit available for Equity Shareholders	4,896,102
Basic & Diluted Basic Earning Per Share:	

Weighted average number of equity shares used for computing Basic and Diluted earnings per share	17,834,099
Nominal Value of equity Shares - (Rs.)	10
Basic & Diluted Earnings Per Share - (Rs.)	0.27

18. In compliance with Accounting Standard 22 - Accounting for Taxation on Income, the company has recognised deferred tax charge (net) in the profit & loss account of Rs. 498,757 during the period. The breakup of deferred tax liability into major components as at the period end is as under:

	As at June 30, 2004 (Rs.)
Deferred Tax assets	
Provision for Bad & doubtful debts	553,698
Disallowance U/s. 43B	1,006,321
Others	159,155
	1,719,174
Deferred Tax Liabilities	
Depreciation	7,868,470
	7,868,470
Net Deferred Tax Asset/(Liabilities)	(6,149,296)

Annexure VI: Indiabulls Commodities Private Limited

A: Summary statements of profits and losses:

(All amounts in Rupees)

	For the Period from October 30, 2003 to March 31, 2004	For Quarter ended June 30, 2004
Income		
Revenue from Operations	1,840	—
Other income	5,604,217	400,000
Total Income	**5,606,057**	**400,000**
Expenditure		
Administrative and Other Expenses	255,315	278,849
Interest	—	36,821
Depreciation	11,543	8,753
Total Expenditure	**266,858**	**324,423**
Profit before tax & prior period adjustments	**5,339,199**	**75,577**
Provision for taxation		
Current Tax	1,946,000	16,000
Deferred Tax (credit)/expense	(26,908)	11,848
Net profit after tax but before prior period adjustments	3,420,107	47,729
Net profit for the period	**3,420,107**	**47,729**
Balance of Profit brought forward	—	3,420,107
Balance of profit carried forward	**3,420,107**	**3,467,836**

The above statement should be read with notes to summary statement of Profits and Losses and Assets and Liabilities, and significant accounting policies and significant notes appearing in this Annexure.

Annexure VI: Indiabulls Commodities Private Limited

B: Summary statements of assets and liabilities:

(All amounts in Rupees)

	As at March 31, 2004	**As at June 30, 2004**
Assets		
Fixed Assets- Gross block	513,255	513,255
Less: Depreciation	11,543	20,296
Net Block	501,712	492,959
Current assets, loans and advances		
Stock of Securities	3,806,169	—
Sundry Debtors	42,522,146	400,000
Cash and bank balances	753,688	7,621,243
Loans and advances	46,417,531	14,102,197
Total Current Assets, Loans and advances	93,499,534	22,123,440
Deferred tax Assets (Net)	26,908	15,060
Total Assets	**94,028,154**	**22,631,459**
Liabilities and Provisions		
Loan funds		
Unsecured loans	82,650,000	200,000
Total Loan funds	82,650,000	200,000
Current liabilities and provisions		
Current liabilities	12,047	201,623
Provision for taxation	1,946,000	1,962,000
Total Current liabilities and provisions	1,958,047	2,163,623
Total Liabilities	**84,608,047**	**2,363,623**
Net worth	**9,420,107**	**20,267,836**
Represented by:		
Shareholders funds		
Equity Share Capital	6,000,000	6,000,000
Share application money pending allotment	—	10,800,000
Surplus as per profit and loss statement, as restated	3,420,107	3,467,836
Total	**9,420,107**	**20,267,836**

The above statement should be read with notes to summary statement of Profits and Losses and Assets and Liabilities, and significant accounting policies and significant notes appearing in this Annexure.

Annexure VI: Indiabulls Commodities Private Limited

C: Significant accounting policies for the quarter ended June 30, 2004:

i) Basis of Accounting:

The financial statements are prepared under historical cost convention on an accrual basis.

ii) Use of Estimates:

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and the assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known / materialised.

iii) Revenue Recognition:

Brokerage from commodities trading is accounted for on transaction trade dates. Interest income is recognised on an accrual basis.

Transactions in respect of Investment / Dealing in securities are recorded on trade dates.

iv) Fixed Assets:

Fixed assets are stated at cost, less accumulated depreciation. Cost includes original cost of acquisition, including incidental expenses related to such acquisition and installation.

v) Depreciation:

Depreciation on fixed assets is provided on straight-line method basis at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on additions / deletions to Fixed Assets is provided on a pro-rata basis. Assets costing less than Rs. 5,000/- per item are fully depreciated in the year of purchase.

vi) Taxes on Income:

Current tax is determined as the tax payable in respect of taxable income for the period and is computed in accordance with relevant tax regulations.

Deferred tax is recognised for all timing differences between accounting income and taxable income and is quantified using substantially enacted tax rates as at the balance sheet date. Deferred tax assets are recognised where realisation is reasonably certain and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

vii) Equity Index / Stock Futures

(a) Initial Margin – Equity Index/ Stock Futures, representing the initial margin paid, and margin deposits representing additional margin paid over and above the initial margin, for entering into a contract for equity index/ stock futures which are released on final settlement/squaring-up of the underlying contract, are disclosed under Loans and Advances.

(b) Equity index/ stock futures are marked-to-market on a daily basis. Debit or credit balance disclosed under Loans and Advances or Current Liabilities, respectively, in the Mark-to-Market Margin – Equity Index/ Stock Futures Account, represents the net amount paid or received on the basis of movement in the prices of index/ stock futures till the balance sheet date.

(c) As on the balance sheet date, profit/loss on open positions in equity index/ stock futures is accounted for as follows:

- Credit balance in the Mark-to-Market Margin – Equity Index/Stock Futures Account, being the anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
- Debit balance in the Mark-to-Market Margin – Equity Index/Stock Futures Account, being the anticipated loss, is adjusted in the profit and loss account.

(d) On final settlement or squaring-up of contracts for equity index/stock futures, the profit or loss is calculated as the difference between the settlement/squaring-up price and the contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract in Mark-to-Market Margin – Equity Index/Stock Futures Account after adjustment of the provision for anticipated losses is recognised in the profit and loss account. When more than one contract in respect of the relevant series of equity index/stock futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using the weighted average cost method for calculating the profit/loss on squaring-up.

viii) Stock of Securities:

Stock of securities is valued on weighted average basis, at lower of cost and net realisable value.

ix) Borrowing Cost:

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of cost of the asset. All other borrowing costs are charged to revenue.

Annexure VI: Indiabulls Commodities Private Limited

D. Significant Notes to the statement of profits and losses and assets and liabilities, for the quarter ended June 30, 2004:

1 Overview:

Indiabulls Commodities Private Limited ("the Company") was incorporated on October 30, 2003 to operate as a commodity broker. The company is a member of National Commodities and Derivative Exchange Limited.

2 The company has entered into an indemnification cum license agreement with its Holding Company for a non-assignable, non-exclusive license to use its trademarks for a period of 15 years, renewable for a further period of 15 years on mutually agreed terms and conditions.

The said agreement can be terminated by the company by giving ninety days notice to the Holding Company. Pursuant to the said agreement, a license fee is payable to the Holding Company as per the terms and conditions mentioned therein.

Further in pursuance of the said agreement, the company has agreed to defend, indemnify and hold harmless in full the Holding Company from and against all claims and costs. The company in pursuance of this obligation, has deposited indemnification money amounting to Rs. 11,000,000 with the Holding Company, which are stated under loans and advances.

3 Unsecured loan from others Rs. Nil (P.Y. 59,850,000) represents loan taken from a Financial Institution, originally secured against stock of securities. However, as such securities were significantly sold towards the end of the pervious year, the said loan is shown as unsecured. Unsecured loans are repayable within a year.

4 Segment Reporting:

(a) Primary Segment information (by business segments)

(All Amounts in Rupees)

		Broking and related activities	Others	Total
(i)	Segment Revenue	400,000	—	400,000
(ii)	Segment Result	365,845	(244,197)	121,648
	Less: Unallocated expenditure net of other unallocated income			46,071
	Less: Income taxes			27,848
	Total Profit after tax			47,729
(iii)	Segment Assets	3,967,960	—	3,967,960
	Unallocated corporate assets			18,663,499
	Total Assets			22,631,459
(iv)	Segment Liabilities	1,100	187,023	188,123
	Unallocated Corporate Liabilities			2,175,500
	Total Liabilities			2,363,623
(v)	Capital Expenditure	—	—	—
(vi)	Depreciation	8,753	—	8,753

(b) The company operates solely in one geographic segment namely "Within India" and hence no separate information for geographic segment wise disclosure is required.

(c) The company's primary business segment is reflected based on principal business activities carried on by the company. The company's primary business activity is to operate as a commodity broker on National Commodities and Derivatives Exchange Limited.

"Others" business segment constitutes profit on investment / dealing in securities. This not being the normal business activity of the company the same is shown as "Others".

(d) Segment revenue, results, assets and liabilities include amounts identifiable to each segment and amounts allocated on a reasonable basis.

(e) The accounting policies adopted for segment reporting are in line with the accounting policies adopted for preparation of financial information as disclosed in (A) above.

5 Deferred Tax:

In compliance with Accounting Standard 22 - Accounting for Taxation on Income, the company has recognised deferred tax expense (net) for the period, amounting to Rs. 11,848

The break-up of deferred net tax asset / (liability) into major components as at June 30, 2004 is as under:

	As at June 30, 2004 Amount (Rs)
Deferred tax liability	
Depreciation	(33,371)
Deferred tax asset	
Preliminary expenses	48,431
Deferred tax liability (Net)	15,060

6 Disclosures in respect of AS – 18 Related Party:

Nature of relationship	**Related party**
(a) Related parties where control exists:	
Holding company	Indiabulls Financial Services Limited
Fellow Subsidiaries	Indiabulls Securities Limited
	Indiabulls Insurance Advisors Private Limited
(b) Other related parties:	
Key Management Personnel:	Mr. Rajiv Rattan, Director Mr. Tejinderpal Singh Miglani, Director Mr. Gagan Banga, Director Mr. Sameer Gehlaut, Person exercising significant control

(c) Significant transactions with related parties during the period:

(All Amounts in Rupees)

Nature of Transaction	Fellow Subsidiaries	Holding Company	Key Management Personnel	Total
Expense				
Brokerage paid	3,926	—	—	3,926
Reimbursement of Expenses	1,000	—	—	1,000
Finance				
Deposit for Indemnity Given	—	11,000,000	—	11,000,000
Short term loan taken	—	32,500,000	—	32,500,000
Capital				
Share Application Money	—	10,800,000	—	10,800,000

(d) Outstanding as on June 30, 2004:

Short term loan taken		200,000	—	200,000
Share Application Money	—	10,800,000	—	10,800,000
Deposit for Indemnity Given	—	11,000,000	—	11,000,000

(e) Statement of Material Transactions

Companies	Amount (Rs.)
Fellow Subsidiaries	
Indiabulls Securities Limited	
- Brokerage paid	3,926
Indiabulls Insurance Advisors Private Limited	
- Reimbursement of Expenses	1000

Annexure VII: Indiabulls Insurance Advisors Private Limited

A. Summary statements of profits and losses, as restated:

(All amounts in Rupees)

	For the period from February 18, 2002 to March 31, 2003	Year ended March 31, 2004	Quarter ended June 30, 2004
Income			
Revenue from operations	121,000	5,297,954	1,530,846
Other income	—	6,942,821	1,271,625
Total Income	**121,000**	**12,240,775**	**2,802,471**
Expenditure			
Employees Remuneration and Benefits	66,000	2,142,936	748,656
Administrative and Other Expenses	53,324	1,839,196	1,379,594
Total Expenditure	**119,324**	**3,982,132**	**2,128,250**
Profit before tax & prior period adjustments	**1,676**	**8,258,643**	**674,221**
Provision for taxation			
Current Tax	631	3,020,000	250,000
Deferred Tax (credit)/expense	—	(14,831)	(6,679)
Net profit after tax but before prior period adjustments	1,045	5,253,474	430,900
Prior year adjustments	—	—	—
Net profit for the year / period	**1,045**	**5,253,474**	**430,900**
Balance of profit brought forward	—	1,045	5,254,519
Balance of profit carried forward	1,045	5,254,519	5,685,419

The above statement should be read with notes to summary statement of Profits and Losses and Assets and Liabilities, as restated and significant accounting policies and significant notes appearing in this Annexure.

Annexure VII: Indiabulls Insurance Advisors Private Limited

B. Summary statements of assets and liabilities, as restated:

(All amounts in Rupees)

	As at March 31, 2003	As at March 31, 2004	As at June 30, 2004
Assets			
Current assets, loans and advances			
Stock of Securities	—	3,798,192	—
Sundry Debtors	—	1,767,468	968,423
Cash and bank balances	106,446	921,621	9,458,281
Loans and advances	—	104,648,716	9,754,243
Total Current Assets, Loans and advances	106,446	111,135,997	20,180,947
Deferred tax Assets (Net)	—	14,831	21,510
Total Assets	**106,446**	**111,150,828**	**20,202,457**
Liabilities and Provisions			
Loan funds			
Unsecured loans	—	100,350,000	—
Total Loan funds	—	100,350,000	—
Current liabilities and provisions			
Current liabilities	4,770	1,984,337	2,686,450
Provision for taxation	631	3,020,631	3,270,631
Provision for retirement benefits	—	41,341	59,957
Total Current liabilities and provisions	5,401	5,046,309	6,017,038
Total Liabilities	**5,401**	**105,396,309**	**6,017,038**
Net worth	**101,045**	**5,754,519**	**14,185,419**
Represented by:			
Shareholders funds			
Equity Share Capital	100,000	500,000	500,000
Share capital pending allotment	—	—	8,000,000
Surplus as per profit and loss statement, as restated	1,045	5,254,519	5,685,419
Total	**101,045**	**5,754,519**	**14,185,419**

The above statement should be read with notes to summary statement of Profits and Losses and Assets and Liabilities, as restated and significant accounting policies and significant notes appearing in this Annexure.

Annexure VII: Indiabulls Insurance Advisors Private Limited

C. Significant accounting policies for the quarter ended June 30, 2004:

i) Basis of Accounting:

The financial statements are prepared under the historical cost convention on an accrual basis.

ii) Use of Estimates:

The presentation of financial statement in conformity with the generally accepted accounting principles requires estimates and the assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known / materialised.

iii) Revenue Recognition:

Commission on insurance policies sold is recognised when the company under its agency code sells the insurance policies and the same is accepted by the principal insurance company.

Transactions in respect of investment / dealing in securities are recorded on trade dates.

Income from Advisory Charges are recorded on trade dates of transaction.

iv) Stock of Securities:

Stock of securities is valued on weighted average basis, at lower of cost and net realisable value.

v) Borrowing Cost:

Borrowing cost that are attributable to the acquisition, construction, production of qualifying assets are capitalised as part of cost of the asset. All other borrowing costs are charged to revenue.

vi) Retirement benefits:

Company’s contribution to Provident Fund is charged to profit and loss account. Gratuity and Leave Salary payable to employees is provided for on the actuarial valuation basis as at the period-end.

vii) Taxes on Income:

Current tax is determined as the tax payable in respect of taxable income for the period and is computed in accordance with the relevant tax regulations.

Deferred tax is recognised for all timing differences between accounting income and taxable income and is quantified using the substantially enacted tax rates as at the balance sheet date. Deferred tax assets are recognised where realisation is virtually certain and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

viii) Equity Index / Stock Futures

(a) Initial Margin – Equity Index/ Stock Futures, representing the initial margin paid, and margin deposits representing additional margin paid over and above the initial margin, for entering into a contract for equity index/ stock futures which are released on final settlement/squaring-up of the underlying contract, are disclosed under Loans and Advances.

(b) Equity index/ stock futures are mark-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities, respectively, in the Mark-to-Market Margin – Equity Index/ Stock Futures Account, represents the net amount paid or received on the basis of movement in the prices of index/ stock futures till the balance sheet date.

(c) As on the balance sheet date, profit/loss on open positions in equity index/ stock futures is accounted for as follows:

- Credit balance in the Mark-to-Market Margin – Equity Index/Stock Futures Account, being the anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
- Debit balance in the Mark-to-Market Margin – Equity Index/Stock Futures Account, being the anticipated loss, is adjusted in the profit and loss account.

(d) On final settlement or squaring-up of contracts for equity index/stock futures, the profit or loss is calculated as the difference between the settlement/squaring-up price and the contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract in Mark-to-Market Margin – Equity Index/Stock Futures Account after adjustment of the provision for anticipated losses is recognised in the profit and loss account. When more than one contract in respect of the relevant series of equity index/stock futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using the weighted average cost method for calculating the profit/loss on squaring-up.

Annexure VII: Indiabulls Insurance Advisors Private Limited

D. Significant Notes to the statement of profits and losses and assets and liabilities, as restated, for the quarter ended June 30, 2004:

1. Overview:

Indiabulls Insurance Advisors Private Limited (Formerly Orbis Technologies Private Limited ("the Company") was incorporated on February 18, 2002. The company is in the business of selling various insurance products as a Licensed Corporate Agent.

The company's accounting year is from April 1, 2004 to March 31, 2005. These financial statements are prepared for an interim period from April 1, 2004 to June 30, 2004 in accordance with Accounting Standard – 25 'Interim Financial Reporting'. As the previous accounting year was for a period of twelve months, and as the interim financial statements are prepared for a period of three months, the figures of the current period are not directly comparable with those of the previous accounting year.

2. The members of the company at their Extraordinary General Meeting held on January 5, 2004, resolved to change the name of the company to Indiabulls Insurance Advisors Private Limited. The company has received approval from the Department of Company affairs u/s 21 of the Companies Act, 1956; vide their letter dated January 28, 2004, as regards the said change in name of the company.

3. On February 28, 2004, Indiabulls Financial Services Limited, the holding company, established the Indiabulls Employees Stock Options Scheme ("Indiabulls ESOS" or "Plan"). Under the plan, the holding company is authorised to issue up to 6,000,000 equity shares of Rs. 2 each to eligible employees including employees of its subsidiary companies. Employees covered by the plan are granted an option to purchase shares of the holding Company subject to the requirements of vesting. A Compensation Committee constituted by the Board of Directors of the holding Company administers the plan.

On February 28, 2004, the Holding Company granted 6,000,000 options at an exercise price of Rs. 2 per share. These options vest uniformly over a period of 5 years, whereby 20% of the options vest on each vesting date as per the vesting schedule. The company has adopted the plan in respect of its employees. As at the period / year end, no stock options granted under the Indiabulls ESOS were exercised.

4. The company has entered into an indemnification cum license agreement with its Holding Company for a non-assignable, non-exclusive license to use its trademarks for a period of 15 years, renewable for a further period of 15 years on mutually agreed terms and conditions. The said agreement can be terminated by the company by giving ninety days notice to the Holding Company. Pursuant to the said agreement, a license fee is payable to the Holding Company as per the terms and conditions mentioned therein.

Further in pursuance of the said agreement, the company has agreed to defend, indemnify and hold harmless in full the Holding Company from and against all claims and costs. The company in pursuance of this obligation has paid indemnification money amounting to Rs. 8,000,000 to its Holding Company, which is stated under loans and advances.

5. Salaries, Wages, Incentives & Bonus and Service Charges are net of reimbursements from fellow subsidiary, Indiabulls Securities Limited, of Rs. 3,142,036 and Rs. 641,472 respectively.

6. Segment Reporting:

Segment information for the period April 1, 2004 to June 30, 2004

i. Primary segment information (by business segments)

(All Amounts in Rupees)

		Insurance Advisory Services	Others	Total
(i)	Segment Revenue	2,589,096	213,375	2,802,471
(ii)	Segment Result	1,126,921	(408,945)	717,976
	Less: Unallocated expenditure net of other unallocated income			43,755
	Less: Income taxes			243,321
	Total Profit after tax			430,900
(iii)	Segment Assets	775,228	193,197	968,425
	Unallocated corporate assets			19,234,033
	Total Assets			20,202,458
(iv)	Segment Liabilities	2,305,008	379,250	2,684,258
	Unallocated Corporate Liabilities			3,332,781
	Total Liabilities			**6,017,039**

ii. The company operates solely in one geographic segment namely “Within India” and hence no separate information for geographic segment wise disclosure is required.

iii. The company’s primary business segment is reflected based on principal business activities carried on by the company. The Company’s primary business activity is selling of Insurance products as a Licensed Corporate Agent.

“Others” business segment constitutes profit on investment / dealing in securities. This not being the normal business activity of the company the same is reflected as “Others”.

iv. Segment revenue, results, assets and liabilities include amounts identifiable to each segment and amounts allocated on a reasonable basis.

v. The accounting policies adopted for segment reporting are in line with the accounting policies adopted for preparation of financial information as disclosed in (A) above.

7. Disclosures in respect of AS – 18 Related Party Disclosures:

<u>**Nature of relationship**</u>	<u>**Related party**</u>
(a) Related parties where control exists	
Holding company	Indiabulls Financial Services Limited.
(b) Fellow Subsidiaries	Indiabulls Securities Limited Indiabulls Commodities Private Limited
(c) Other related parties	
Key Management Personnel:	Mr. Rajiv Rattan, Director Mr. Tejinderpal Singh Miglani, Director Mr. Gagan Banga, Director Mr. Sameer Gehlaut - Person exercising significant control over the company

(d) Significant Transactions with Related Parties:

(All Amounts in Rupees)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Total
Finance			
Short term loan taken	12,500,000	—	12,500,000
Share Application money	8,000,000	—	8,000,000
Indemnity Deposit	8,000,000	—	8,000,000
Expense			
Reimbursement of expenses received	—	3,784,508	3,784,508
Brokerage	—	3,524	3,524

(e) Outstanding as at June 30, 2004:

Share Application Money	8,000,000	—	8,000,000
Indemnity Deposit	8,000,000	—	8,000,000

(f) Statement of Material Transactions

Companies	Amount (Rs.)
Fellow Subsidiaries	
Indiabulls Securities Limited	
- Brokerage	3,524
Indiabulls Insurance Advisors Private Limited	
- Reimbursement of Expenses Received	3,784,508

8. The provisions of the Employees Provident Funds and Miscellaneous Provisions Act, 1952, became applicable to the Company only with effect from January 2004. Accordingly, the company is in the process of obtaining registration and necessary approvals in respect of the same. However, there are no dues payable in respect of the said statutes as at the period-end.

9. In compliance with Accounting Standard 22 - Accounting for Taxation on Income, the company has recognised deferred tax credit for the period, amounting to Rs. 6,679/- in the profit and loss account.

The break-up of deferred tax asset into major components as at the period end is as under:

	As at June 30, 2004 Amount (Rs.)
Deferred Tax Assets	
Disallowances u/s 43B of the Income Tax Act, 1961	<u>**21,510**</u>

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES, AS RESTATED, (INCLUDING SUBSIDIARIES) FOR THE YEARS / PERIOD ENDED MARCH 31, 2001, 2002, 2003, 2004 AND FOR THE QUARTER ENDED JUNE 30, 2004.

AUDITOR'S REPORT

To,
The Board of Directors,
Indiabulls Financial Services Limited,
F-60 Malhotra Building,
Connaught Place,
New Delhi – 110-001.

Dear Sirs,

We have examined the Consolidated Financial Information of M/s Indiabulls Financial Services Limited and its subsidiaries viz: Indiabulls Securities Limited, Indiabulls Insurance Advisors Private Limited and Indiabulls Commodities Private Limited ("Indiabulls" / "the Company" / "the group"), as attached to this report and initialled by us for identification.

The said consolidated financial information has been prepared in accordance with the requirements of Part II of Schedule II of the Companies Act, 1956 (the "Act"), the Securities and Exchange Board of India ("SEBI") - Disclosure and Investor Protection Guidelines, 2000 (as amended vide Circular No. 11 on August 14, 2003) ("the guidelines") issued by the Securities and Exchange Board of India ("SEBI") on January 19, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992, and related clarifications; and in accordance with instructions dated February 26, 2004 and July 29, 2004, received from the company requesting us to carry out work in connection with the offer document being issued by the company in connection with its Initial Public Offering of Equity Shares (referred to as "the issue"). The financial information has been prepared by the Company and approved by the Board of Directors of the Company.

A. Financial Information as per the audited financial statements:

We have examined the attached Consolidated Summary Statements of Assets and Liabilities as restated of the Company as at March 31, 2002 and March 31, 2003, March 31, 2004 and as at June 30, 2004 (Annexure II) and the attached Consolidated Summary Statements of Profits & Losses as restated for the years ended March 31, 2002, March 31, 2003, March 31, 2004 and for the quarter ended June 30, 2004 (Annexure I), together referred to as "summary statements".

These summary statements have been extracted from the financial statements of the group for these years / period audited by us and have been adopted by the Board of Directors / Members for those respective years / period.

Based on our examination of these summary statements, we state that:

a) The restated profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate in the years / period to which they relate, as stated vide Annexure III to this report.

b) The summary statements of the Company have been restated with retrospective effect to reflect the significant accounting policies and significant notes being adopted by the Company as at June 30, 2004, as stated vide Annexure IV to this report.

c) There are no qualifications in the auditors' report that require any adjustment to the summary statements.

d) There are no extra ordinary items that need to be disclosed separately in the summary statements.

B. Other Financial Information:

We have examined the following financial information relating to the group proposed to be included in the Prospectus, as approved by the Board of Directors and annexed to this report:

i. Summary of accounting ratios based on adjusted profits relating to earnings per share, net asset value and return on net worth as stated vide Annexure V to this report.

ii. Details of Unsecured Loans as at June 30, 2004, as stated vide Annexure VI to this report.

iii. Age-wise statement of Sundry Debtors as at June 30, 2004 as stated vide Annexure VII to this report.

iv. Details of Loans and Advances as at June 30, 2004 as stated vide Annexure VIII to this report.

v. Capitalisation statement of the company as at June 30, 2004 as stated vide Annexure IX to this report.

vi. Statement of taxation as stated vide Annexure X to this report.

vii. Details of related party disclosure vide Annexure XI to this report.

viii. Details of contingent liabilities as stated vide Annexure XII to this report.

We confirm that the Company has not paid any equity dividend for any financial year since its inception. Indiabulls Securities Limited (ISL), a subsidiary of the Company has during the quarter ended June 30, 2004, provided for interim dividend on preference shares amounting to Rs. 5,107,022 (including Rs. 580,022 on account of corporate tax on preference dividend) as approved by the board of directors of the Company. ISL has during the quarter ended June 30, 2004 paid the final dividend amounting to Rs. 7,032,621 (including Rs. 798,719 on account of corporate tax on preference dividend) on preference shares for the year ended March 31, 2004, as approved at the Annual General Meeting held on May 31, 2004; and has also paid an interim preference dividend amounting to Rs. 10,214,044 (including Rs. 1,160,044 on account of corporate tax on preference dividend) as proposed by the board of directors and approved at the Annual General Meeting held on May 31, 2004.

In our opinion the financial information of the Company, attached to this report as mentioned in Paragraphs A and B above, read with respective significant accounting policies and significant notes as stated in Annexure IV to this report, and after making adjustments and re-grouping as considered appropriate; has been prepared in accordance with part II of Schedule II of the Act and the Guidelines issued by SEBI.

This report is intended solely for your information and for inclusion in the Offering Memorandum in connection with the specific Public Offer of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For Deloitte Haskins & Sells
Chartered Accountants

N. P. Sarda
Partner
Membership No: 9544

Place: Mumbai,
Date: August 6, 2004

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Annexure I: Statement of Consolidated Summary of Profits and Losses, as Restated:

Statement of Consolidated Profits/ (Losses) of Indiabulls Financial Services Limited Group for three financial years ended March 31, 2002, March 31, 2003, March 31, 2004 and for the quarter ended June 30, 2004, read with statement of changes in accounting policies and other adjustments (Refer Annexure III), and statement of significant accounting policies and significant notes (Refer Annexure IV); and after making groupings and adjustments as are set out below:

(Amounts in Rupees)

	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Quarter ended June 30, 2004
Income				
Revenue from Operations	129,564,925	257,763,184	697,539,776	221,095,767
Other income	2,986,791	8,931,751	21,946,558	10,240,998
Total Income	**132,551,716**	**266,694,935**	**719,486,334**	**231,336,765**
Expenditure				
Operating Expenses	17,335,347	49,332,726	119,624,759	26,877,799
Employees Remuneration and Benefits	12,364,117	28,911,800	109,435,877	52,531,026
Administrative and Other Expenses	42,615,610	69,944,352	124,700,188	47,691,312
Interest and Finance Charges	9,163,559	29,555,611	45,298,679	11,862,774
Depreciation / Amortisation	7,192,631	9,243,510	11,117,358	3,680,085
Miscellaneous expenditure written off	335,070	335,070	335,060	-
Total Expenditure	**89,006,334**	**187,323,069**	**410,511,921**	**142,642,996**
Profit before tax & prior period adjustments	**43,545,382**	**79,371,866**	**308,974,413**	**88,693,769**
Provision for taxation:				
Current Tax	2,650,779	20,045,000	110,768,000	32,766,000
Deferred Tax (credit)/expense (net)	-	8,278,003	4,666,983	505,111
Net profit after tax but before prior period adjustments	40,894,603	51,048,863	193,539,430	55,422,658
Prior year adjustments	281,539	-	-	-
Net profit for the year	**40,613,064**	**51,048,863**	**193,539,430**	**5,5422,658**
Adjustments on account of changes in accounting policies:				
Deferred Tax credit/(expense) (Refer note I (a) of Annexure III)	7,334,925	-	-	-
Pension Expense (Refer Note II (a) of Annexure III)	(76,485)	(125,777)	202,262	-
Change in treatment of deferred revenue expenditure (Refer Note I (b) of Annexure III)	(670,130)	335,070	335,060	-
Impact of prior period items (Refer Note II (b) of Annexure III)	281,539	-	-	-
Total Impact of adjustments	6,869,849	209,293	537,322	-
Net profit, as restated (c/f.)	**47,482,913**	**51,258,156**	**194,076,752**	**55,422,658**
Net Profit, as restated (b/f.)	**47,482,913**	**51,258,156**	**194,076,752**	**55,422,658**
Preference Dividend – Subsidiary	-	-	6,233,902	13,581,000
Distribution tax thereon	-	-	798,719	1,740,066
Net Profit before Minority Interest	**47,482,913**	**51,258,156**	**187,044,131**	**40,101,592**
Minority Interest	-	-	9,706	276
Net Profit after Minority Interest	**47,482,913**	**51,258,156**	**187,034,425**	**40,101,316**
Appropriations				
Balance of Profit brought forward	(242,489)	47,226,904	98,477,335	284,526,240
Transfer to reserve u/s 45 IC of the RBI Act, 1934	13,520	7,725	985,520	-
Balance of Profit carried forward	47,226,904	98,477,335	284,526,240	324,627,556

Note:-

The accompanying statement on changes in accounting policies (Annexure III) and significant accounting policies and significant notes (Annexure IV) are an integral part of this statement.

Annexure II: Statement of Consolidated Assets and Liabilities, as Restated:

Statement of Consolidated Assets and Liabilities of Indiabulls Financial Services Limited Group at the end of each financial year as at March 31, 2002, March 31, 2003, March 31, 2004 and as at June 30, 2004, read with statement of changes in accounting policies and other adjustments (Refer Annexure III), and statement of significant accounting policies and significant notes (Refer Annexure IV); and after making groupings and adjustments and are set out below:

(Amount in Rupees)

	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	As at June 30, 2004
Assets				
Fixed Assets- Gross block	50,084,667	68,112,501	106,872,157	121,809,134
Less: Depreciation / Amortisation	18,911,848	28,155,358	39,272,716	42,943,788
Net Block	31,172,819	39,957,143	67,599,441	78,865,346
Capital Work in Progress	4,181,923	–	–	–
Net Fixed Assets	35,354,742	39,957,143	67,599,441	78,865,346
Goodwill on Consolidation	76,605,679	76,605,679	76,420,398	76,420,398
Current assets, loans and advances				
Interest Accrued	571,761	291,901	2,249,199	3,667,729
Stock of Securities	–	–	11,533,767	–
Sundry debtors	487,761,653	492,702,594	1,347,153,008	1,614,857,311
Cash and bank balances	41,607,413	75,735,676	872,595,918	977,754,952
Other current assets	761,858	375,376	–	–
Loans and advances	46,402,050	55,846,410	394,525,637	274,924,987
Total Current Assets, Loans and Advances	577,104,735	624,951,957	2,628,057,529	2,871,204,979
Deferred tax Assets (Net) - (net)	7,334,925	–	–	–
Total Assets	**696,400,081**	**741,514,779**	**2,772,077,368**	**3,026,490,723**
Liabilities and Provisions				
Loan funds				
Secured loans	152,639,842	167,330,241	830,291,227	1,068,225,758
Unsecured loans	–	10,263,334	386,750,000	120,000,000
Total Loan funds	152,639,842	177,593,575	1,217,041,227	1,188,225,758
Current liabilities and provisions				
Current liabilities	288,997,994	236,297,809	389,440,105	598,776,118
Provision for taxation	2,655,779	22,695,779	134,411,129	166,958,432
Provision for retirement benefits	531,595	1,151,511	2,381,886	2,865,093
Total Current liabilities and provisions	292,185,368	260,145,099	526,233,120	768,599,643
Deferred tax Liability (Net)	–	943,078	5,610,061	6,115,172
Total Liabilities	**444,825,210**	**438,681,752**	**1,748,884,408**	**1,962,940,573**
Net worth	**251,574,871**	**302,833,027**	**1,023,192,960**	**1,063,550,150**
Represented by:				
Shareholders funds:				
Equity Share Capital	155,425,000	157,125,110	163,125,110	163,125,110
Share application money pending allotment	3,000,000	–	–	–
Securities Premium Account	45,898,447	47,198,337	115,530,237	115,242,737
Reserve u/s 45 IC of the RBI Act, 1934	24,520	32,245	1,017,765	1,017,765
Surplus as per profit and loss statement, as restated	47,226,904	98,477,335	284,526,240	324,627,556
Stock Compensation Adjustment	–	–	–	2,250,000
Minority Interest	–	–	458,993,608	457,286,982
Less: miscellaneous expenditure not written off (Refer Note I (b) of Annexure III)	–	–	–	–
Total	**251,574,871**	**302,833,027**	**1,023,192,960**	**1,063,550,150**

Note:-

(1) The accompanying statement on changes in accounting policies (Annexure III) and significant accounting policies and significant notes (Annexure IV) are an integral part of this statement.

(2) On February 28, 2004, the Company granted 6,000,000 options at an exercise price of Rs. 2 per share. As at the period / year end, no stock options granted under the Indiabulls ESOS were exercised. These options vest uniformly over a period of 5 years, with effect from April 1, 2004, whereby 20% of the options vest on each vesting date as per the vesting schedule, giving rise to a deferred stock compensation expense of Rs. 42,750,000 (Previous year Rs. 45,000,000) and employee stock options outstanding as at 30th June, 2004 amounting to Rs. 45,000,000 (Previous year Rs. 45,000,000). (Refer Note B 5 Annexure IV)

Annexure III: Notes to the Consolidated Statement of Profits and Losses and Assets and Liabilities, as Restated:

(I) Changes in Accounting Policies:

a) Deferred Taxation:

Accounting Standard – 22 on Accounting for Taxes on Income (AS 22) issued by the Institute of Chartered Accountants of India (ICAI) is mandatory in respect of accounting periods commencing on or after April 1, 2002. The Company adopted AS 22 for the first time in preparing its financial statements for the accounting year commencing on April 1, 2002. Accordingly, for the purpose of this statement, the deferred tax asset / liability has been reorganized in the respective years of origination with a corresponding effect to the statement of profits as restated.

In accordance with the transitional provisions of AS 22, the Company recognised a net deferred tax credit aggregating to Rs. 7,334,925 that accumulated prior to the adoption of this standard as at March 31, 2002 to the Reserves and Surplus in the financial statements for the year ended March 31, 2003. Accordingly, in the Consolidated Statement of Assets and Liabilities as restated, this amount has been reclassified from the Reserves and Surplus as at April 1, 2002 and adjusted to the relevant years in the statement of Profits and Losses.

b) Deferred Revenue Expenditure

i. Preliminary / Share Issue Expenses:

Until the year ended March 31, 2003, the Company adjusted preliminary expenses and share issue expenses out of securities premium account to the extent of balance available and amortized the balance portion over a period of three years. Effective April 1, 2003, in line with Accounting Standard AS 26, Intangible Assets, issued by the Institute of Chartered Accountants of India, the company changed its accounting policy to adjust share issue expenses out of securities premium account to the extent of balance available and charge off the balance portion to the profit and loss account, as incurred.

Accordingly, preliminary expenses amounting to Rs. 1,000,000, Rs. 585,000 and Rs. 287,500 have been adjusted against Securities Premium Account for the years ended March 31, 2003, March 31, 2004 and quarter ended June 30, 2004, in line with the above mentioned policy.

ii. Computer to Computer Link expenses:

In the year ended March 31, 2002, the Company incurred certain computer-to-computer link expenses, which were accounted for as deferred revenue expenditure and amortised over a period of three years. Effective April 1, 2003, in line with Accounting Standard AS 26, Intangible Assets, issued by the Institute of Chartered Accountants of India, the Company changed its accounting policy to charge off such expenses as incurred.

Accordingly, deferred revenue expenditure amounting to Rs. 1,005,200 has been adjusted in line with the above mentioned policy for the years ended March 31, 2002 and March 31, 2003 and March 31, 2004.

(II) Other adjustments:

a) Pension expense:

During the year ended March 31, 2004, the Company approved a scheme of pension and medical benefit in respect of its two directors, whereby these directors are eligible to receive certain pension and medical benefits upon their retirement or termination of employment relationship with the company, on attainment of a particular age and fulfillment of certain conditions. In the financial statements for the year ended March 31, 2004, the Company provided the entire actuarially determined liability as at the year-end estimated at Rs. 936,525. For the purpose of this statement, pension expenses relating to earlier years i.e. elapsed service period; have been adjusted in the respective years as estimated by the management.

b) Prior period expenses (net):

In the financial statements for the year ended March 31, 2002, the Company had charged off certain expenses (net) amounting to Rs. 281,539 as prior period expenses. For the purpose of this statement, the said expenses have been adjusted in the relevant year.

Annexure IV: Significant Accounting Policies and Significant Notes to the Consolidated Statement of Profits and Losses and Assets and Liabilities as at June 30, 2004, as Restated:

A. **Significant Accounting Policies:**

a) **Basis of Consolidation:**

i) **Basis of preparation:**

The consolidated financial statements are prepared in accordance with Accounting Standard 21 on Consolidated Financial Statements issued by the Institute of Chartered Accountant of India. Reference in these notes to Company, Parent Company, Companies or Group shall mean to include Indiabulls Financial Services Limited or any of its subsidiaries, unless otherwise stated.

ii) **Principles of consolidation:**

The consolidated financial statements comprise of the Financial Statements of Indiabulls Financial Services Limited and its subsidiaries. The financial statements of the group companies are prepared according to uniform accounting policies, in accordance with accounting principles generally accepted in India. The effects of inter company transactions are eliminated on consolidation.

iii) **Goodwill / Capital Reserve**

Goodwill represents the difference between the Company's share in the net worth of subsidiaries, and the cost of acquisition at each point of time of making the investment in the subsidiaries. For this purpose, the Company's share of net worth is determined on the basis of the latest financial statements prior to the acquisition after making necessary adjustments for material events between the date of such financial statements and the date of respective acquisition. Capital Reserve on consolidation is adjusted against Goodwill. The Goodwill recorded in these consolidated financial statements has not been amortised, but instead evaluated for impairment whenever events or changes in circumstances indicate that its carrying amount may be impaired.

iv) **Subsidiaries included in consolidation:**

Name: Indiabulls Securities Limited (formerly Orbis Securities Limited)
Country of incorporation: India
Proportion of ownership interest: 99.99 %

Name: Indiabulls Insurance Advisors Private Limited (formerly Orbis Technologies Private Limited)
Country of incorporation: India
Proportion of ownership interest: 100%

Name: Indiabulls Commodities Private Limited
Country of incorporation: India
Proportion of ownership interest: 100%

b) **Basis of Accounting:**

The financial statements are prepared under historical cost convention on an accrual basis.

c) **Use of Estimates:**

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known / materialised.

d) **Revenue Recognition:**

- Revenue from brokerage activities is accounted on the trade dates of transactions.
- Revenue from interest charged to customers on delayed payments is recognised on a daily/ weekly basis up to the last day of accounting period.
- Interest income is recognised on an accrual basis.
- Commission on insurance policies sold is recognised when the company under its agency code sells the insurance policies and when the same is accepted by the principal insurance company.
- Depository income is accounted for on accrual basis.
- Commission on Mutual Funds is recognised on accrual basis.
- Transactions in respect of Investment / Dealing in securities are recognised on trade dates.

e) **Fixed Assets:**

(i) **Tangible Assets:**

Fixed assets are stated at cost, less accumulated depreciation. Cost includes original cost of acquisition, including incidental expenses related to such acquisition and installation.

(ii) **Intangible Assets:**

Intangible assets are stated at cost, less any accumulated amortisation / impairment losses. Cost includes original cost of acquisition, including incidental expenses related to such acquisition.

f) **Depreciation / Amortisation:**

(i) Depreciation on tangible fixed assets is provided on the straight-line method at rates specified in Schedule XIV of the Companies Act, 1956 except for trading software, which is amortised over a period of four years. Depreciation on addition to fixed assets is provided on pro-rata basis from the date the asset is put to use. Depreciation on sale / deduction from fixed asset is provided for up to the date of sale/deduction, as the case may be. Assets costing less than Rs. 5,000/- are fully depreciated in the year of purchase.

(ii) Intangible assets are amortised on straight-line method basis over the useful life of the intangible asset, subject to a maximum amortisation period of ten years from the date when the intangible asset is available for use.

g) **Retirement benefits:**

Company's contribution to Provident Fund is charged to profit and loss account. Gratuity, leave encashment and other retirement benefits in the form of pension, medical benefits and termination compensation payable to employees is provided for on the basis of actuarial valuation as at the Balance Sheet date.

h) **Deferred Employee Stock Compensation Cost:**

Deferred employee stock compensation cost for stock options are recognized on the basis of generally accepted accounting principles and are measured by the difference between the estimated fair value of the company's shares on stock options grant date and the exercise price to be paid by the option holders. The compensation expense is amortised uniformly on the basis of weighted period of services over the vesting period of the options. The fair value of options is measured on the basis of an independent valuation performed in respect of stock options granted.

i) **Taxes on Income:**

Current tax is determined as the tax payable in respect of taxable income for the year / period and is computed in accordance with relevant tax regulations.

Deferred tax is recognised for all timing differences between accounting income and taxable income and are quantified using enacted / substantially enacted tax rates as at the balance sheet date. Deferred tax assets are recognised where realisation is reasonably certain and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

j) **Leases:**

In case of assets taken on operating lease, the lease rentals are charged to the profit and loss account in accordance with Accounting Standard 19 on Leases issued by the Institute of Chartered Accountants of India.

k) **Borrowing Cost:**

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of cost of the asset. All other borrowing costs are charged to revenue.

l) **Stock of Securities:**

Stock of securities is valued on weighted average basis, at lower of cost and net realisable value.

m) **Miscellaneous expenditure:**

i. **Share Issue Expenses:**

Until the year ended March 31, 2003, the Company adjusted share issue expenses, filing and registration fees for increase in share capital, etc. out of securities premium account to the extent of balance available and amortized the balance portion over a period of three years. Effective April 1, 2003, in line with Accounting Standard AS 26 Intangible Assets issued by the Institute of Chartered Accountants of India, the Company changed its accounting policy to adjust share issue expenses out of securities premium account to the extent of balance available and charge of the balance portion to the profit and loss account, as incurred. There is no impact on the profit for the period / year on account of the said changes in accounting policy.

ii. Deferred Revenue Expenditure:

Until the year ended March 31, 2003, deferred revenue expenditure in the form of certain computer-to-computer link expenses, were amortised over a period of three years. Effective April 1, 2003, in line with Accounting Standard AS 26 Intangible Assets issued by the Institute of Chartered Accountants of India, the Company changed its accounting policy to charge off such expenses as incurred. There is no impact on the profit for the period / year on account of the said changes in accounting policy.

n) Equity Index / Stock Futures:

i. Initial Margin – Equity Index/ Stock Futures, representing the initial margin paid, and margin deposits representing additional margin paid over and above the initial margin, for entering into a contract for equity index/ stock futures which are released on final settlement/squaring-up of the underlying contract, are disclosed under loans and advances.

ii. Equity index/ stock futures are mark-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities, respectively, in the Mark-to-Market Margin – Equity Index/ Stock Futures Account, represents the net amount paid or received on the basis of movement in the prices of index/ stock futures till the balance sheet date.

iii. As on the balance sheet date, profit/loss on open positions in equity index/ stock futures is accounted for as follows:

- Credit balance in the Mark-to-Market Margin – Equity Index/Stock Futures Account, being the anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
- Debit balance in the Mark-to-Market Margin – Equity Index/Stock Futures Account, being the anticipated loss, is adjusted in the profit and loss account.

iv. On final settlement or squaring-up of contracts for equity index/stock futures, the profit or loss is calculated as the difference between the settlement/squaring-up price and the contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract in Mark-to-Market Margin – Equity Index/Stock Futures Account after adjustment of the provision for anticipated losses is recognised in the profit and loss account. When more than one contract in respect of the relevant series of equity index/stock futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using the weighted average cost method for calculating the profit/ loss on squaring-up.

B. Significant Notes to accounts:

1. Overview

We through our various subsidiary companies offers its services in the following areas:

Stocks
Options and Futures
Bonds and Debt Products
Commodities
Mutual Funds
Annuities and Term Life Insurance
Research Services
Depositary Services
IPO distribution

Indiabulls Financial Services Limited (“IFSL”) (“Parent Company”) was incorporated as a Private Limited Company in India on January 10, 2000 to invest in various subsidiaries and also to invest, acquire, hold, purchase or procure equity shares, debentures, bonds, mortgages, obligations, securities of any kind issued or guaranteed by any company. On March 30, 2001 IFSL was registered under section 45-IA of the Reserve Bank of India Act, 1934 to carry on the business of a Non Banking Financial Company but is prohibited from accepting public deposits. With effect from the current financial year, the company has commenced business of Short – term financing activities.

On March 30, 2001, IFSL acquired Indiabulls Securities Limited (formerly Orbis Securities Limited) (“ISL”) which carries on the business as stock and share brokers, depository participants and other related ancillary services. As on the balance sheet date IFSL holds 99.99% of ISL. On February 1, 1996 ISL received a certificate of registration from the Securities and Exchange Board of India under sub-section 1 of section 12 of the Securities and Exchange Board of India Act, 1992 to carry on the business as a stockbroker. Accordingly, all provision of the Securities and Exchange Board of India Act, 1992, and all rules and regulations made there under are applicable to ISL.

Indiabulls Securities Limited (formerly Orbis Securities Private Limited) was converted into a Public Limited Company vide resolution of the members of Orbis Securities Limited ("OSL") at their Extraordinary General Meeting held on October 31, 2003, and the approval of the Registrar of Companies dated January 5, 2004. The members of OSL at their Extraordinary General Meeting held on January 22, 2004, resolved to change the name of OSL to Indiabulls Securities Limited. OSL has since received the said approval dated February 16, 2004, from the Registrar of Companies as regards the said change in name.

On December 27, 2003 IFSL acquired Indiabulls Insurance Advisors Private Limited ("IIAPL") (formerly Orbis Technologies Private Limited) ("OTPL") a wholly owned subsidiary company, which carries on business of Insurance agency. The members of OTPL at their Extraordinary General Meeting held on January 5, 2004, resolved to change the name of OTPL to Indiabulls Insurance Advisors Private Limited. OTPL has since received approval dated February 9, 2004 from the Registrar of Companies as regards the said change in name.

Indiabulls Commodities Private Limited ("ICPL") was incorporated in India on October 30, 2003 as a wholly owned subsidiary company of IFSPL, to operate as a commodity broker. ICPL is a member of National Commodities and Derivatives Exchange Limited.

2. The members of IFSL at their Extraordinary General Meeting held on February 3, 2004 have resolved interalia to:

   a. Convert the company into a Public Limited Company pursuant to section 44 of the Companies Act, 1956. The Company has since received the certificate from Registrar of Companies dated February 27, 2004, in respect of the said change.

   b. Split the nominal value of Equity Shares of Rs.10 each in the capital of the company fully paid up, into five equity shares of Rs. 2 each fully paid up.

   c. Increase the authorised capital of the company from Rs. 160,000,000 divided into 16,000,000 equity shares of Rs.10 each to Rs. 250,000,000 divided into 125,000,000 equity shares of Rs. 2 each, ranking pari-pasu with the existing equity shares of the company.

3. Minority Interest includes 45,270,000 12% Redeemable Cumulative Preference Shares of Rs. 10 each fully paid up and 1000 Equity Shares of Rs. 10 each fully paid up, issued by subsidiary company – Indiabulls Securities Limited in February 2004.

4. Pursuant to the approval of the members of IFSL at their Extraordinary General Meeting held on February 11, 2004, the Company and its main promoters have entered into an agreement on February 13, 2004, with two overseas investors for the issue and exercise of 3,000,000 warrants at an exercise price being higher of: (a) Rs. 25 per equity share and (b) Lowest price per warrant security permissible under the exchange control regulations. Each of the said warrant has been converted into one equity share of face value of Rs. 2 each. The said warrants have been exercised and the company has received a sum of Rs. 74,916,900 (including Rs. 68,916,900 towards securities premium) and the company on February 26, 2004 has allotted 3,000,000 Equity Shares to the holders of such warrants.

5. On February 28, 2004, Indiabulls established the Indiabulls Employees Stock Options Scheme ("Indiabulls ESOS" or "Plan"). Under the plan, the company is authorised to issue upto 6,000,000 equity shares of Rs. 2 each to eligible employees including employees of its subsidiary companies. Employees covered by the plan are granted an option to purchase shares of the Company subject to the requirements of vesting. A Compensation Committee constituted by the Board of Directors of the Company administers the plan.

   On February 28, 2004, the Company granted 6,000,000 options at an exercise price of Rs. 2 per share. As at the period / year end, no stock options granted under the Indiabulls ESOS were exercised. These options vest uniformly over a period of 5 years, with effect from April 1, 2004, whereby 20% of the options vest on each vesting date as per the vesting schedule, giving rise to a deferred stock compensation expense of Rs. 42,750,000 (Previous year Rs. 45,000,000) and employee stock options outstanding as at 30th June, 2004 amounting to Rs. 45,000,000 (Previous year Rs. 45,000,000).

   The SEBI (ESOP & ESPS) Guidelines, 1999 ("the guidelines") were not applicable to the company, being an unlisted company, when the Indiabulls ESOS was established. The Company had also been legally advised as regards the non-applicability of the guidelines. The Company has also been further advised that per disclosure requirement clause 15.3 and accounting treatment to be followed per 13.1 of the guidelines, the Company would have to record a compensation expense being the difference between the grant price and the fair value only after vesting of stock option begin. As per the said plan, as the vesting begins after 1st April, 2004, and as legally advised, no compensation expense was required to be charged to the profit and loss as at the previous year end. For the quarter ended June 30, 2004, an amount of Rs. 2,250,000 being pro-rate charge in respect of such employee compensation is charged to the profit and loss account.

The fair value of options is measured on the basis of an independent valuation performed in respect of stock options granted.

	Period ended June 30, 2004		
	Shares arising out of options	**Exercise price Rs.**	**Weighted Average remaining contractual life (months)**
Outstanding at the beginning of the period	6,000,000	2	60
Granted during the period	—	—	—
Forfeited during the period	—	—	—
Exercised during the period	—	—	—
Outstanding at the end of the period	6,000,000	2	60
Exercisable at the end of the period	—	—	—

6. Pursuant an agreement dated February 13, 2004 with Holding Company, Indiabulls Financial Services Limited, its main promoters and two overseas investors, the Company has issued 45,270,000, 12% Redeemable Preference Shares of Rs. 10 each at par; and 1,000 Equity Shares of Rs. 10 each at a premium of Rs. 40 per share to two overseas investors. The said preference shares are redeemable at par on maturity on February 13, 2007. The Company reserves the right to redeem 50% or 100% of the said preference shares at any time before the date of maturity. In the event of failure of the Company to fully redeem its preference capital, the company may be required to issue equity shares to such investors, which when issued, would represent 75% of ordinary shares outstanding after such issuance.

7. The members of ISL at their Extraordinary General Meeting held on February 11, 2004 have resolved to Increase the authorised capital of the company from Rs. 180,000,000 divided into 18,000,000 equity shares of Rs.10 each to Rs. 650,000,000 divided into 19,000,000 equity shares of Rs. 10 each, aggregating to Rs. 190,000,000, and 46,000,000 Redeemable Cumulative Preference Shares of Rs. 10 each aggregating to Rs. 460,000,000.

8. Contingent Liabilities not provided for are as stated in Annexure XII.

9. Secured loans from banks amounting to Rs. 816,463,771 are secured against hypothecation of book debts and pledge of securities.

   Secured loan from others amounting to Rs. 251,761,987 is secured against securities. Secured Loans are repayable within a year.

10. The company has issued a demand promissory note of Rs. 40,000,000 against unsecured loan obtained from a shareholder. Unsecured loan from others represents loan taken from a Financial Institution, originally secured against stock of securities. However, as such securities were significantly sold towards the end of the previous year, the said loan is shown as unsecured. Unsecured loans are repayable within a year.

11. Maximum amount outstanding on commercial papers during the period is Rs. 200,000,000

12. Intangible asset consisting of Membership Rights of The Stock Exchange, Mumbai, has been amortised over a period of five years on pro-rata basis as at the period-end.

13. Fixed deposits of Rs. 10,000,000 are pledged with National Securities Clearing Corporation Limited, Rs. 10,000,000 pledge with The Stock Exchange, Mumbai for Additional Base Capital and Rs. 246,375,000 are pledged against bank guarantees issued by banks for Base Capital and Additional Base Capital.

14. The Loss on squaring off of erroneous transaction amounting to Rs. 159,372 (Net) has been adjusted to Profit and Loss account.

15. The company has taken office premises on operating lease at various locations and lease rent in respect of the same have been charged to Profit and Loss account. The minimum lease rentals outstanding as at June 30, 2004, are as under:

Minimum lease rentals	**As at June 30, 2004**
Within one year	37,717,366
One to Five years	80,498,387

16. **Segment Reporting**

Segment information for the period ended June 30, 2004

(a) Primary segment information (by business segments)

(Amount in Rupees)

	Broking and related activities	Investing and financing activities	Insurance advisory services	Others	Total
(i) Segment Revenue	162,257,128	63,360,666	2,589,096	3,129,875	231,336,765
(ii) Segment Result	34,910,210	56,427,275	1,126,921	(386,579)	92,077,827
Less: Interest expenses					—
Less: Unallocated expenditure net of other unallocated income					3,384,058
Less: Income taxes					33,271,111
Total Profit after tax					55,422,658
(iii) Segment Assets	310,897,921	1,590,772,980	775,228	558,315	1,903,004,444
Unallocated corporate assets					1,123,486,279
Total Assets					3,026,490,723
(iv) Segment Liabilities	686,395,783	976,878,367	2,305,008	566,273	1,666,145,431
Unallocated Corporate Liabilities					296,795,142
Total Liabilities					1,962,940,575
(v) Capital Expenditure	14,965,172	—	—	—	14,965,127
(vi) Depreciation	3,652,022	1,195	—	—	3,653,217
(vii) Non cash expenditure other than Depreciation	2,276,868	—	—	—	2,276,868

(b) The Company operates solely in one geographic segment namely “Within India” and hence no separate information for geographic segment wise disclosure is require.

(c) The group’s primary business segments are reflected based on principal business activities carried on by the group. The group’s primary business activities are to carry on business of investing in subsidiary companies, selling of Insurance products as a Licensed Corporate Agent, commodity broker on National Commodities and Derivatives Exchange Limited, stock and share broker and other related ancillary services.

“Others” business segment constitutes profit on investment / dealing in securities. This not being the normal business activity of the company the same is shown as “Others”.

(d) Segment revenue, results, assets and liabilities include amounts identifiable to each segment and amounts allocated on a reasonable basis.

(e) The accounting policies adopted for segment reporting are in line with the accounting policies adopted for preparation of financial information as disclosed in (A) above.

17. In compliance with Accounting Standard 22 - Accounting for Taxation on Income the Company has recognised deferred tax charge (net) to the profit and loss account of Rs. 505,111 during the period. The breakup of the net deferred tax asset/(liability) into major components is as follows:

	As at June 30, 2004 (Rs.)
Deferred Tax Assets	
Provision for Bad & doubtful debts	553,698
Disallowance U/s. 43B	1,027,831
Others	207,585
	1,789,114
Deferred Tax Liabilities	
Depreciation	(7,904,286)
	(7,904,286)
Net Deferred Tax Asset/(Liabilities)	**(6,115,172)**

18. Disclosures in respect of AS - 18 Related Party disclosures is as stated in Annexure XI.

19. Earnings per share:

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period by the weighted average number of equity shares outstanding at the period end. Diluted earnings per share is computed using the weighted average number of equity shares and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value.

Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The number of equity shares and potential diluted equity shares are adjusted for stock split, bonus shares and the potential dilutive effect of Employee Stock Option Plan as appropriate.

	For the period from April 1, 2004 to June 30, 2004
Profit available for equity Shareholders (Rs.)	55,422,658
Less: Adjustment for preference dividend & tax thereon of subsidiary	15,321,066
Profit available for Equity Shareholders	40,101,592
Weighted average number of Shares used in computing Basic earning per share	81,562,555
Add: Potential number of Equity share that could arise on exercise of Employee Stock Options	4,736,842
Weighted average number of Shares used in computing Diluted earning per share	86,299,397
Nominal Value of Equity Shares - (Rs.)	2.00
Basic Earnings Per Share - (Rs.)	0.49
Diluted Earnings Per Share - (Rs.)	0.46

20. No borrowing cost has been capitalised during the period.

Annexure V: Accounting Ratios based on Consolidated Statement of Profits and losses, and Assets and Liabilities

	Year ended March 31, 2002		Year ended March 31, 2003		Year ended March 31, 2004		Quarter ended June 30, 2004
	Pre Split	Post Split	Pre Split	Post Split	Pre Split	Post Split	Post Split
Earning Per Share (EPS) Basic (Rs.)	3.06	0.61	3.28	0.66	11.86	2.37	0.49
Diluted (Rs.)	3.06	0.61	3.28	0.66	11.19	2.24	0.46
Return on Net worth (%)	18.87	18.87	16.93	16.93	18.28	18.28	3.77
Return on Net worth (For Equity Shareholders) (%)	18.87	18.87	16.93	16.93	32.79	32.79	6.56
Net Asset Value per Share (Rs.)	16.19	3.24	19.27	3.85	62.72	12.54	13.04
Weighted average number of equity shares outstanding during the year / period used for com puting Basic Earning Per Share	15,542,500	77,712,500	15,648,892	78,244,460	15,769,888	78,849,440	81,562,555
Weighted average number of equity shares outstanding during the year / period used for computing Diluted Earning Per Share	15,542,500	77,712,500	15,648,892	78,244,460	16,717,256	83,586,282	86,299,397
Total number of shares outstanding at the end of year / period	15,542,500	77,712,500	15,712,511	78,562,555	16,312,511	81,562,555	81,562,555

The ratios have been computed as below:

i) Earning per share (Rs.): Net Profit before minority interest as restated attributable to equity shareholders/ weighted average number of equity shares outstanding during the year/period.

ii) Return on net worth (%): Net profit before minority interest as restated after tax/ Net worth as at the end of the year/period.

iii) Return on net worth (For Equity Share holders) (%): Net profit before minority interest as restated after tax/ Net worth as at the end of the year/period Less Preference Capital

iv) Net asset value (Rs.): Net worth at the end of the year/period/ Number of equity shares outstanding at the end the year/period.

v) Net profit, as restated as appearing in the statement of profits and losses, as restated has been considered for the purpose of computing the above ratios. These ratios are computed on the basis of consolidated restated financial statements of the Company.

vi) Earning per share calculations are done in accordance with Accounting Standard 20 “Earning Per Share” issued by the Institute of Chartered Accountants of India.

vii) On February 3, 2004, the Company’s Board of Directors approved a sub division of equity shares of Rs.10 each into 5 equity shares of Rs. 2 each. Accordingly, the above ratios have been computed on pre and post share split basis.

viii) For the year ended March 31, 2001, the Company allotted 15,387,075 equity shares of Rs. 10 each as bonus shares in the ratio 99:1. The number of shares considered in the calculations of earnings per share and net asset value per equity share has been adjusted to include the above bonus shares issued, for all periods presented.

ix) Earnings per share for the year ended March 31, 2004 and for the period ended June 30, 2004 are after adjustment of preference dividend and corporate tax thereon payable amounting to Rs. 7,032,621 and Rs. 15,321,066 respectively.

Annexure VI: Details of Unsecured Loans based on Consolidated Statement of Assets and Liabilities

The following table represents the break-up of outstanding unsecured loans in respect of the Consolidated financial statement of Indiabulls Financial Services Limited and its Subsidiaries as on June 30, 2004

(Amount in Rupees)

Name of the Lender	
Commercial Papers	
Bank of Maharashtra	50,000,000
Punjab National Bank	30,000,000
Short term loan	
Intercorporate Deposit	40,000,000
Total	**120,000,000**

There are no unsecured loans outstanding other than those stated above.

Annexure VII: Age wise analysis of Sundry Debtors based on Consolidated Statement of Assets and Liabilities

(Amount in Rupees)

Particulars	As at June 30, 2004
Debts outstanding for a period exceeding six months:	
Considered good	1,0457,579
Considered doubtful	888,657
	11,346,236
Other debts:	
Considered good	1,604,399,732
	1,615,745,968
Less: Provision for doubtful debts	888,657
Total	**1,614,857,311**

Annexure VIII: Details of Loans and Advances based on Consolidated Statement of Assets and Liabilities

(Amount in Rupees.)

Particulars		As at June 30, 2004
1.	Advances recoverable in cash or in kind or for value to be received	
	Considered Good	20,392,366
	Considered Doubtful	454,750
		20,847,016
	Less: Provision for Doubtful Advances	454,750
		20,392,366
2.	Security Deposits	
	Considered Good	21,303,536
	Considered Doubtful	200,000
		21,503,536
	Less: Provision for Doubtful Deposits	200,000
		21,303,536
3.	Deposits (including margin money) with Stock Exchanges	167,804,339
4.	Advance Income Tax /Tax Deducted At Source	65,424,846
	Total	**274,924,987**
Above Includes:		
Loans / Advances to promoters/ Promoter Group / Group Companies		Nil
Loan and Advances made to persons / Companies in which directors are Interested		Nil

ANNEXURE IX: CAPITALISATION STATEMENT BASED ON CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(Amount in Rs.)

Particulars	Pre – Issue as at June 30, 2004	Adjusted for the Public Issue
Borrowing		
Short - Term debt	1,188,225,758	1,188,225,758
Long-term debt	–	–
Total Debt	1,188,225,758	1,188,225,758
Shareholders' funds		
Share Capital		
- Equity	163,125,110	217,500,148
Reserves and surplus	443,138,058	905,325,881
Minority Interest	457,286,982	457,286,982
Total Shareholders Funds	1,063,550,150	1580,113,011
Long Term Debt/Equity ratio	–	–

Annexure X: Statement of Taxation based on Consolidated Statement of Profits and Losses

(Amount in Rsupee.)

Particulars	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004
Profit/(Loss) before tax, as restated	43,080,306	79,581,159	309,511,735
Tax Rate (%)	35.7%	36.75%	35.875%
Tax at Notional Rate	15,379,669	29,246,076	111,037,335
Adjustments:			
Difference Between Tax depreciation and book depreciation	(3,283,283)	(2,466,410)	(6,376,770)
Other adjustments	541,926	(12,830,969)	5,626,010
Net adjustments	(2,741,357)	(15,297,379)	(750,760)
Tax (saving)/Increase thereon	(978,664)	(5,621,787)	(269,335)
Total taxation	14,401,005	23,624,289	110,768,000
Tax on profits	14,401,005	23,624,289	110,768,000
Brought Forward Losses	(40,334,352)	(9,739,562)	–
Set off of Brought Forward Losses	(14,399,364)	(3,579,289)	–
Net Tax Provided for the year/period	1,641	20,045,000	110,768,000
Carried Forward Losses	9,739,562	–	–

(Amount in Rsupee.)

Particulars	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004
Tax Rate	35.7%	36.75%	35.875%
Tax at actual rate of profit	15,379,669	29,246,076	111,037,335
Adjustments			
Permanent Differences:			
i) Preliminary Exp Written Off u/s 35D	(4,000)	(4,000)	(4,000)
ii) Other Adjustments	453,796	(2,743,530)	3,385,956
iii) Bad Debts	268,330	–	–
Timing Differences:			
i) Depreciation	(3,283,283)	(2,466,410)	(6,376,770)
ii) Other Adjustment	(176,200)	(10,083,439)	2,244,054
iii) Unabsorbed business losses/ depreciation	(40,334,352)	(9,739,562)	–
Net Adjustments	(43,075,709)	(25,036,941)	(750,760)
Tax Savings thereon	(15,378,028)	(9,201,076)	(269,335)
Total Taxation	1,641	20,045,000	110,768,000

Note: The above information is based on information and records available with the company.

Annexure XI: Related Party Transactions

Year Ended March 31, 2002
Key Managerial Personnel
Mr. Sameer Gehlaut
Mr. Rajiv Rattan

(*Amount in Rupees.*)

Nature of Transaction	Shareholder	Key Management Personnel	Total
Other receipts and payments			
Remuneration	–	1,500,000	1,500,000
Outstanding as on March 31, 2002	–	–	–

Year Ended March 31, 2003
Shareholder
Infinity Technology Trustee Private Limited
Key Managerial Personnel
Mr. Sameer Gehlaut
Mr. Rajiv Rattan

(*Amount in Rupees.*)

Nature of Transaction	Shareholder	Key Management Personnel	Total
Finance			
Short- term loans taken by the Holding Company	10,000,000	–	10,000,000
Interest Expense on short term loan	263,334	–	263,334
Other receipts and payments			
Remuneration	–	2,466,660	2,466,660
Outstanding as on March 31, 2003			
Short term loan (including interest accrued)	10,263,334	–	10,263,334

Year Ended March 31, 2004
Shareholder
Infinity Technology Trustee Private Limited

Key Managerial Personnel
Mr. Sameer Gehlaut
Mr. Rajiv Rattan

(*Amount in Rupees.*)

Nature of Transaction	Shareholder	Key Management Personnel	Total
Finance			
Short- term loans taken by Subsidiary Company	40,000,000	17,300,000	57,300,000
Short- term loans taken by the Holding Company	40,000,000	1,500,000	41,500,000
Re-payment of short term loan (including interest accrued) paid by Holding company	50,263,334	1,500,000	51,763,334
Interest Expense on short term loan	1,846,625	–	1,846,625
Investments			
Purchase of Equity Shares	–	200,000	200,000
Other receipts and payments			
Remuneration	–	17,136,525	17,136,525
Outstanding as on March 31, 2004			
Short term loan (including interest accrued)	40,579,960	17,300,000	57,879,960
Remuneration	–	1,631,651	1,631,651

Quarter Ended June 30, 2004

Shareholder	Infinity Technology Trustee Private Limited
Key Managerial Personnel	1) Mr. Sameer Gehlaut 2) Mr. Rajiv Rattan 3) Mr. Tejinderpal Singh Miglani Director in Subsidiary companies 4) Mr. Gagan Banga Director in Subsidiary companies

(Amount in Rupees)

Nature of Transaction	**Shareholder**	**Key Management Personnel**	**Total**
Finance			
Interest Expense on short term loan	2,075,851	–	2,075,851
Other receipts and payments			
Remuneration	–	5,708,588	5,708,588
Outstanding as on June 30, 2004			
Short term loan (including interest accrued)	42,075,851	–	42,075,851
Remuneration	–	1,094,414	1,094,414

Note:-

Related parties with whom transactions have taken place during the years are as recognised / identified by the management and relied upon by the Auditors.

Annexure XII: Details of Contingent Liabilities

The Company has following contingent liabilities for which no provisions have been made in the book of accounts of the Company for the quarter ended June 30, 2004:

(*Amount in Rupees.)*

	Particulars	**As at June 30, 2004**
1	Payment to the erstwhile shareholders of Indiabulls Securities Limited towards acquisition of their shares in Indiabulls Securities Limited subject to their procuring additional equity funding of Rs. 2,000 lacs for the Company	11,800,000
2	Counter guarantee to banks in respect of the secured loans taken by subsidiary company	510,000,000
3	Claims from third parties not acknowledged as debts	521,475
4	Liability in respect of IPO issue expenses has not been provided for as the same accrues on completion of issue, the amount where of is not ascertained.	–

TAX BENEFITS

Ajay Sardana Associates, Chartered Accountants have advised our Company vide their report dated May 6, 2004, that the following tax benefits would be available to our Company and its shareholders under the provisions of the Tax Laws.

Benefits under the Income -Tax Act, 1961

To our Company

1. Under Section 10 (34) of the Income Tax Act, 1961, dividend received by a company from other domestic companies is exempted from tax.

To the Resident Members of our Company

1. Under Section 10 (34) of the Income Tax Act, 1961, dividend from an Indian company is exempted from tax.
2. Under Section 112 of the Income Tax Act, 1961, and other relevant provisions of the Act, long term capital gains arising on transfer of shares in our Company i.e. if shares are held for a period exceeding 12 months shall be concessionally taxed at the flat rate of 20% (plus surcharge as applicable) (after indexation as provided in the second proviso to section 48) or at 10% (plus surcharge as applicable) (without indexation), at the option of the shareholder.
3. Under Section 54EC of the Income Tax Act, 1961, and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of our Company will be exempt from capital gains tax, if the capital gains are invested for a period of 3 years in bonds issued by

   i) National Highways Authority of India

   ii) Rural Electrification Corporation Ltd.

   iii) National Bank for Agriculture and Rural Development

   iv) National Housing Bank and

   v) Small Industries Development Bank of India

   within a period of 6 months after the date of such transfer. If only a part of consideration is invested, then the exemption shall be reduced proportionately. If the investment made is converted or transferred within a period of three years from the date of acquisition then the same shall be taxable in the year of such transfer or conversion.
4. Under Section 54ED of the Income Tax Act, 1961, and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of our Company will be exempt from capital gains tax if the capital gains are invested in shares forming part of an eligible issue of capital, within a period of 6 months after the date of such transfer. If only a part of consideration is invested, then the exemption shall be reduced proportionately.
5. Under Section 54F of the Income Tax Act, 1961, long term capital gains arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of our Company will be exempt from capital gains tax subject to other conditions mentioned in the said section, if the sale proceeds from such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

To the Mutual Fund

1. In terms of Section 10(23D) of the Income Tax Act, 1961, all Mutual Funds set up by Public Sector Banks or Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorised by the Reserve Bank of India, subject to the conditions specified therein, will be exempt from income tax on all their income, including income from Investment in the shares of our Company.

To the Non-Resident Indians/Non Residents (other than Foreign Institutional Investors)

1. A Non-Resident Indian (i.e. an individual being a citizen of India or person of Indian origin) has an option to be governed by the provisions of Chapter XII-A of the Income Tax Act, 1961.

   a) Under Section 115E of the Income Tax Act, 1961, capital gains arising to a nonresident on transfer of shares in our Company, subscribed to in convertible Foreign Exchange and held for a period exceeding 12 months shall be concessionally taxed at the flat rate of 10%. (Without indexation benefit) (Plus Surcharge as applicable).

   b) Under provisions of Section 115F of the Income Tax Act, 1961, long term capital gains arising to a non-resident Indian from the transfer of shares of our Company subscribed to in convertible foreign Exchange shall be exempt from income tax, if the net consideration is invested in specified assets within six months of the date of transfer. If only part of the net consideration is so invested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

c) Under provisions of section 115G of the Income Tax Act, 1961, it shall not be necessary for a Non-Resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.

d) Under Section 115I of the Income Tax Act, 1961, a Non-Resident Indian may elect not to be governed by the provisions of chapter XII-A for any Assessment Year by furnishing his Return of Income under section 139 of the Income Tax Act declaring therein that the provisions of the chapter shall not apply to him for that assessment year and if he does so, the provisions of this chapter shall not apply to him; instead the other provisions of the Act shall apply.

2. Under the first proviso to section 48 of the Income Tax Act, 1961, in case of a non-resident, in computing the capital gains arising from the transfer of shares of our Company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.

3. Under Section 54EC of the Income Tax Act, 1961, and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of our Company will be exempt from capital gains tax if the capital gains are invested for a period of 3 years in bonds issued by National Bank for Agriculture and Rural Development or National Highways Authority of India or Rural Electrification Corporation Limited or National Housing Bank or Small Industries Development Bank of India, within a period of 6 months after the date of such transfer. If only a part of consideration is invested, then the exemption shall be reduced proportionately. If the investment made is converted or transferred within a period of three years from the date of acquisition, then the same shall be taxable in the year of such transfer or conversion.

4. Under Section 54ED of the Income Tax Act, 1961, and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of our Company will be exempt from capital gains tax if the capital gains are invested in shares forming part of an eligible issue of capital, within a period of 6 months after the date of such transfer. If only a part of consideration is invested, then the exemption shall be reduced proportionately.

5. Under Section 54F of the Income Tax Act, 1961, long term capital gains arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of our Company will be exempt from capital gains tax subject to other conditions mentioned in the said section, if the sale proceeds from such shares are used for the purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

To Foreign Institutional Investors (FIIs)

1. By virtue of Section 10(34) of the Income Tax Act, dividend income referred to in Section 115O of the Income Tax Act, 1961, are exempt from tax in the hands of the institutional investor.

2. Under Section 115AD of the Income Tax Act, 1961, Foreign Institutional Investors will be charged to tax at 20% (plus surcharge as applicable) on income from securities (other than income by way of dividends referred to in section 115O); at 10% (plus surcharge as applicable) on the long term capital gains arising from transfer of such securities; and at 30% (plus surcharge as applicable) on short term capital gains arising from the transfer of such securities, such income being computed in the manner set out in that section.

Benefits under the Wealth Tax Act, 1957

1. Shares of our Company held by the shareholder will not be treated as an asset within the meaning of section 2(EA) of the Wealth Tax Act, 1957, and are not liable to Wealth Tax.

Benefits under the Gift Tax Act, 1958

1. Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore any gifts of the shares will not attract Gift tax.

Note:

All the above benefits are as per the current tax law as amended by the Finance Act, 2003 and will be available only to the sole/first named holder in case the shares are held by joint holders.

This is a summary only and not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares. The statements made above are based on the laws in force and as interpreted by the relevant taxation authorities as of date. Investors are advised to consult their tax advisors with respect to tax consequences of their holdings based on their residential status and the relevant double taxation conventions.

OTHER REGULATORY DISCLOSURES

Stock Market Data for our Equity Shares

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange

Particulars Regarding Public Issues during the Last Five Years

Public Issues during the Last Five Years by Companies Under the same Management

We have not made any public issues during the last five years.

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to the Issue and us will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of despatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

There are no pending Investor Grievances as of March 31, 2004.

Our Company has appointed Mr. Amit Jain, Company Secretary as Compliance Officer. The investors may contact the compliance officer in case of any pre issue/post issue related problems. The Compliance Officer will be available at the following address:

Mr. Amit Jain
Company Secretary,
Indiabulls Financial Services Ltd.
F-60, Malhotra Building, 2nd Floor,
Connaught Place, New Delhi – 110 001
Tel: +91-11-5152 3700; Fax: +91-11- 5152 9071
Email: ajain@indiabulls.com

DETAILS OF OUR BORROWINGS

Unsecured loans

We launched our unsecured loans programme in the form of commercial paper. CARE has rated ISL paper as ‘PR1+’ for short term unsecured loans (upto 1 year maturity), the highest available rating for short-term loans. Current commercial paper offering is Rs.320 million and will be expanded in the future as needed.

As of March 31, 2004

Name of the Lender	Amount in Rs.	Remarks
Commercial Papers		
ABN Amro	20,000,000	Repaid on April 6, 2004
Punjab National Bank	30,000,000	Repayable on May 10, 2004 and the discount rate is 6.5%
Short term loan		
Intercorporate Deposit	40,000,000	A sum of Rs. 20 million has been repaid on July 27, 2004 and balance sum is payable on August 6, 2004.
Loan from Director	17,300,000	Repaid on April 11, 2004
Short term loans – others	279,450,000	The entire sum was repaid between April 2 – 10, 2004
Total	**386,750,000**	

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles of our Company, conditions of the FIPB and RBI approvals, the terms of this Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note ("CAN") and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

AUTHORITY FOR THE ISSUE

The current Issue has been authorised vide a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at the Extraordinary General Meeting of our Company held on April 12th, 2004.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Memorandum and Articles of Association and shall rank pari passu in all respects with the other existing shares of our Company including in respect of the rights to receive dividends.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 2/- each are being offered in terms of this Prospectus at a total price of Rs. 19 per share. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, subject to applicable laws.

Compliance with SEBI Guidelines

Our Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Memorandum and Articles of Association of our Company.

For a detailed description of the main provisions of our Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, refer to the section on "Main Provisions of Articles of Association of our Company" on page 153 in this Prospectus.

Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares of our Company shall be allotted only in dematerialised form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of our Company shall only be in dematerialised form for all investors.

Since trading of our Equity Shares is in dematerialised mode, the tradable lot is one equity share. Allotment of Equity Shares through this Issue will be done only in electronic form to the successful bidders, subject to a minimum allotment of 365 Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in New Delhi, India.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidder, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered / Corporate Office or to our Registrar and Transfer Agents.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

a. to register himself or herself as the holder of the equity shares; or

b. to make such allotment of the equity shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to allot the equity shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the equity shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant.

Subscription by NRIs/ FIIs/Foreign Venture Capital Funds registered with SEBI

As per the extant policy of the Government of India, OCBs cannot participate in this Issue. As per the current provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, there exist a general permission for the NRIs, FIIs and Foreign Venture Capital Investors registered with SEBI to invest in shares of an Indian companies by way of subscription in an IPO. However, such investments would be subject to other investment restrictions under the RBI and/or SEBI regulations as may be applicable to such investors. Based on the above provisions, it will not be necessary for the investors to seek separate permission from the FIPB/RBI for this specific purpose. However, it is to be distinctly understood that there is no reservation for NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI and all NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI applicants will be treated on the same basis with other categories for the purpose of allocation.

The allotment of the Equity Shares to Non-Residents shall be subject to the conditions as may be prescribed by the Government of India/RBI while granting such approvals.

ISSUE STRUCTURE

The present issue is for 2,71,87,519 Equity Shares, of Rs. 2 each, for cash at a price of Rs. 19 per Equity Share aggregating Rs. 516.56 million. This Issue is being made through a 100% book building process.

	QIBs	Non Institutional Bidders	Retail Individual Bidders
Number of equity shares*	Up to 1,35,93,759 Equity Shares or Issue size less allocation to Non Institutional Bidders and Retail Individual Bidders	Minimum of 67,96,880 Equity Shares or Issue size less allocation to QIBs and Retail Individual Bidders	Minimum of 67,96,880 Equity Shares or Issue Size less allocation to QIBs and Non Institutional Bidders
Percentage of Issue Size available for allocation	Up to 50% or Issue size less allocation to Non Institutional Bidders and Retail Individual Bidders	Minimum 25% or Issue size less allocation to QIBs and Retail Individual Bidders	Minimum 25% or Issue Size less allocation to QIBs and Non Institutional Bidders
Basis of Allocation	Discretionary	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 50,000 and thereafter in multiples of 365 Equity Shares	Such number of Equity Shares that the Bid Amount exceeds Rs. 50,000 and thereafter in multiples of 365 Equity Shares	365 Equity Shares and thereafter in multiples of 365 Equity Shares
Maximum Bid	Not exceeding the Issue Size	Not exceeding the Issue Size	Not exceeding Rs. 50,000
Mode of Allotment	Compulsory in Dematerialised form	Compulsory in Dematerialised form	Compulsory in Dematerialised form
Trading Lot	One	One	One
Size of allocation	365 and in multiples of 1 thereafter	365 and in multiples of 1 thereafter	365 and in multiples of 1 thereafter
Who can Apply	Public financial institutions, as specified in section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, venture capital funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, societies and trusts	Individuals (including NRIs and HUFs) applying for up to Rs 50,000
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the BRLMs	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the BRLMs	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the BRLMs
Margin Money	Nil	Full Bid amount on Bidding	Full Bid amount on Bidding

* Subject to valid bids being received at or above the Issue Price, under-subscription, if any, in any category, would be allowed to be met with spillover from any other categories at the discretion of our Company in consultation with the BRLMs.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% book building scheme wherein up to 50% of the Net Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than 25% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% of the Net Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. We, in consultation with the BRLMs, reserve the right to reject any Bid procured without assigning any reasons thereof in case of QIBs. In case of Non Institutional Bidders and Retail Bidders, we would have a right to reject the Bids only on technical grounds. We, in consultation with the BRLMs would have discretion to allocate to QIBs based on a number of criteria, which will typically include, but would not be limited to the following: prior commitment, investor quality, price, earliness of bid, existing and continued shareholding of QIBs during the period prior to the Bid Opening Date and until the date of pricing. Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialised form.

Bid-cum-Application Form

Bidders shall only use the Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorised us to make the necessary changes in the Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category	Colour of Bid-cum-Application Form
Indian Public or NRIs applying on a non-repatriation basis	White
Non-residents including NRIs or FIIs applying on a repatriation basis	Blue

Who Can Bid?

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: “Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta”. Bids by HUFs would be considered at par with those from individuals;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in Equity Shares;
4. Indian mutual funds registered with SEBI;
5. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission, as applicable);
6. Venture capital funds registered with SEBI;
7. Foreign venture capital investors registered with SEBI;
8. State Industrial Development Corporations;
9. Insurance companies registered with the Insurance Regulatory and Development Authority;
10. Provident funds with minimum corpus of Rs. 250.0 million and who are authorised under their constitution to invest in Equity Shares;
11. Pension funds with minimum corpus of Rs. 250.0 million and who are authorised under their constitution to invest in Equity Shares;
12. Multilateral and bilateral development financial institutions;
13. Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts and who are authorised under their constitution to hold and invest in Equity Shares;
14. Eligible Non-residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable local laws; and

15. Scientific and/or industrial research organizations authorised under their constitution to invest in Equity Shares.

Note: The members of the Syndicate and any associate of the members of the Syndicate (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary. Further, the BRLMs shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law. In accordance with the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments by index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

In accordance with the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of the post-Issue issued capital of our Company (i.e. 10% of 10,87,50,074 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual.

In accordance with the current regulations, VCFs and FVCIs are restricted from investing in companies engaged in non-banking financial services. However, there is an exception laid out for companies which are registered with the RBI and have been categorised as equipment leasing or hire purchase companies.

The above information is given for the benefit of the Bidders. We and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Prospectus. Bidders are advised to make their independent investigations and ensure that their number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

For Retail Bidders

The Bid must be for a minimum of 365 Equity Shares and in multiples of 365 Equity Shares thereafter, that the Bid Amount does not exceed Rs. 50,000. In case of revision of Bids, the Retail Bidders have to ensure that the Bid Amount does not exceed Rs. 50,000. In case the Bid Amount is over Rs. 50,000 due to revision or on exercise of Cut-off option, the Bid would be considered for allocation under the Non Institutional Bidders category. The Cut-off option is an option given only to the Retail Bidders indicating their agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

For Non Institutional and QIB Bidders

The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 50,000 and in multiples of 365 Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision in Bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 50,000. In case the Bid Amount reduces to Rs. 50,000 or less due to a revision in Bids, the same would be considered for allocation under the Retail Portion.

Information for the Bidders

1. We will file the Red Herring Prospectus with the RoC.
2. The Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
3. Any investor who would like to obtain the Red Herring Prospectus along with the Bid cum Application Form can obtain the same from our registered / corporate office or from any of the members of the Syndicate.
4. The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms that do not bear the stamp of the members of the Syndicate will be rejected.

Method and Process of bidding

1. We, with the BRLMs shall declare the Bid/Issue Opening Date and Bid/Issue Closing Date in the Red Herring Prospectus filed with RoC and publish the same and the Price Band in two national newspapers (one each in English and Hindi) and a regional newspaper. This advertisement shall contain the salient features of the Red Herring Prospectus as specified under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the members of the Syndicate. The members of the Syndicate shall accept Bids from the Bidders during the Issue Period.

2. Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.

3. The Bidding Period shall be open for at least 5 days and not more than 10 days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be informed to the Stock Exchanges and published in two national newspapers (one each in English and Hindi) and one regional newspaper and the Bidding Period shall be extended for a further period of three days, subject to the total Bidding Period not exceeding thirteen days.

4. During the Bidding Period, the Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids.

5. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices within the Price Band and specify the demand (i.e., the number of Equity Shares bid for). The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid price, will become automatically invalid.

6. The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the paragraph "- Build up of the Book and Revision of Bids".

7. The members of the Syndicate will enter each option into the electronic bidding system as a separate Bid and generate a TRS, for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

8. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment and Payment into the Escrow Account" on page no. 137 of the Prospectus.

Bids at Different Price Levels

1. The Price Band has been fixed at Rs. 16 to Rs. 19 per Equity Share, Rs. 16 being the floor of the Price Band and Rs. 19 being the cap of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Re.1.

2. We, in consultation with the BRLMs, can revise the Price Band during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding thirteen days. The cap on the Price Band should not be more than 20% above the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.

3. Any revision in the Price Band will be widely disseminated by informing the Stock Exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi), and one regional newspaper and also indicating the change on the web site of the BRLMs and at the terminals of the Syndicate.

4. We, in consultation with the BRLMs, can finalise the Issue Price within the Price Band without the prior approval of, or intimation, to the Bidders.

5. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. The Retail Bidders may bid at "Cut-off Price" However, bidding at "Cut-off Price" is prohibited for QIBs or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.

6. Retail Bidders who bid at the Cut-off Price agree that they shall purchase the Equity Shares at the Issue Price,

as finally determined which would be a price within the Price Band. Retail Bidders bidding at Cut-off Price shall deposit in the Escrow Account the Bid Amount based on Cap Price.

7. In case of an upward revision in the Price Band announced as above, Retail Bidders who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the Revised Price Band, with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 50,000, the Bid will be considered for allocation under the Non Institutional category in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at cut-off.

8. In case of a downward revision in the Price Band, announced as above, Retail Bidders who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

Escrow Mechanism

We and the BRLMs shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account for the Issue. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account for the Issue shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account as per the terms of the Escrow Agreement with us. Payments of refund to the Bidders shall also be made from the Escrow Collection Banks as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Account

Each Bidder shall, with the submission of the Bid cum Application Form, draw a cheque or demand draft in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph "Payment Instructions" on page no. 142 of the Red Herring Prospectus) and submit the same to the member of the Syndicate with whom the Bid is being deposited. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

If the amount paid by the Bidder is equal to or higher than the total amount payable by the Bidder on the Equity Shares allotted to the Bidder at the Issue Price, we have a right to issue fully paid Equity Shares and no partly paid shares shall be issued to such Bidders. We shall thereafter refund the excess amount paid by the Bidder, if any. If the amount paid by the Bidder is less than the total amount payable by the Bidder on the Equity Shares allotted to the Bidder at the Issue Price, we shall refund the excess of the amount received from the Bidder over the Amount Payable on Application towards the Equity Shares allotted to the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank. The Escrow Collection Bank will hold all monies collected for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank shall transfer the funds in respect of those Bidders whose Bids have been accepted from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account. The balance amounts after the transfer to the Public Issue Account, lying credited with the Escrow Collection Banks, shall be held for the benefit of the Bidders who are entitled to a refund. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation, to the Bidders. Each category of Bidders (i.e., QIBs, Non Institutional Bidders and Retail Bidders) would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The details of the Margin Amount payable is mentioned under the section entitled "Issue Structure" on page no. 133 of the Red Herring Prospectus and will be available with the Syndicate and will be as per the Syndicate Agreement. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder not later than the Pay-in-Date, which shall be a minimum period of 2 days from the date of communication of the allocation list to the Syndicate Members by the BRLMs. If the payment is not made favoring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Rate for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid Form. The excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which we shall pay interest at 15.0% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

1. The members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city where a stock exchange centre is located in India, and where Bids are accepted.

2. BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids, subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid Closing Date, we will upload the Bids until such time as permitted by the Stock Exchanges.

3. The aggregate demand and price for Bids registered on each of the electronic facilities of BSE and NSE will be uploaded on an hourly basis and consolidated. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.

4. At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

   (a) Name of the investor;
   (b) Investor Category — Individual, Corporate, NRI, FII, or Mutual Funds etc.,
   (c) Numbers of Equity Shares bid for;
   (d) Bid price;
   (e) Bid cum Application Form number;
   (f) Whether payment is made upon submission of Bid cum Application Form; and
   (g) Depository participant Identification number and Client Identification number of the demat account of the Bidder.

5. A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or us.

6. Such TRS will be non-negotiable and by itself will not create any obligation of any kind. Consequently, a member of the Syndicate also has the right to accept or reject a Bid without assigning any reasons in case of QIBs. In case of Non Institutional Bidders and Retail Bidders, their Bids shall not be rejected except on the technical grounds listed elsewhere in this Prospectus.

7. It is to be distinctly understood that the permission given by BSE and NSE to use their network and software of the online IPO system should not in any way be deemed or construed that the compliance with various statutory and other requirements by us or the BRLMs are cleared or approved by BSE or NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for our financial or other soundness, management or any scheme or project.

8. It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Prospectus has been cleared or approved by BSE or NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

Build Up of the Book and Revision of Bids

1. Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on an on-line basis. Data would be uploaded on a regular basis.

2. The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding thirteen days. The cap on the Price Band should not be more than 20% above the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus

3. Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper and also indicating the change on the web site of the BRLMs and at the terminals of the members of the Syndicate.

4. During the Bidding Period, any Bidder who has registered an interest in the Equity Shares at a particular price level is free to revise the Bid within the Price Band using the printed Revision Form that is a part of the Bid cum Application Form.

5. Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. The Bidder must complete the details of all the options in the Bid cum Application Form or earlier Revision Form and revisions for all the options as per the Bid cum Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid cum Application Form or the earlier Revision Form and is changing only one of the options in the Revision Form, the Bidder must still complete the details of the other two options that are not being revised in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

6. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the earlier Bid, the Bidders will have to use the services of the same member of the Syndicate through whom the original Bid was placed. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must only be made on that Revision Form.

7. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In case of QIBs, the members of the Syndicate may at their sole discretion, waive the payment requirement at the time of one or more revisions by the QIB Bidder.

8. When a Bidder revises a Bid, the Bidder shall surrender the earlier TRS and get a revised TRS from the member of the Syndicate. It is the responsibility of the Bidder to request and obtain the revised TRS, which will act as proof of having revised the Bid.

9. In case of discrepancy of data between the electronic book and the physical book, the decision of the BRLMs shall be final and binding on all concerned.

Price Discovery and Allocation

1. After the Bid/Issue Closing Date, the BRLMs shall analyse the demand generated at various price levels and discuss pricing strategy with us.

2. We, in consultation with the BRLMs, shall finalise the Issue Price and the number of Equity Shares to be allotted and the allotment to successful QIB Bidders. The allocation to QIBs will be decided based on the quality of the QIB Bidder, determined broadly by the size, price and date of the Bid.

3. The allocation to QIBs of upto 50% of the Net Issue size would be discretionary. The allocation to Non Institutional Bidders and Retail Bidders of not less than 25% and not less than 25% of the Net Issue size, respectively, would be on a proportionate basis, in consultation with the Designated Stock Exchange and subject to valid Bids being received at or above the Issue Price.

4. Undersubscription, if any, in any category other that the QIB category would be allowed to be met with spillover from any of the other categories, at our sole discretion, in consultation with the BRLMs.

5. Allocation to eligible Non Residents, NRIs, FIIs or Foreign Venture Capital Funds registered with SEBI applying on repatriation basis.

6. The BRLMs and we shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders where the full Bid Amount has not been collected from the Bidders.

7. We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reason therefore, but before allotment.

8. In terms of SEBI guidelines, QIB Bidders shall not be allowed to withdraw their Bids after Bid/Issue Closing Date.

Signing of Underwriting Agreement and RoC Filing

1. We have entered into an Underwriting Agreement with the BRLMs upon reaching an agreement on the Issue Price and allocation(s) to the Bidders.

2. After the Underwriting Agreement is signed amongst us and the BRLMs, we have filed the Prospectus with RoC. The Prospectus has the details of the Issue Price, size of the Issue, underwriting arrangements and is complete in all material respects.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by us after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set forth in the statutory advertisement, shall indicate the Issue Price along with a table showing the number of Equity Shares to be issued. Any material updates between the Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

1. The BRLMs will send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the full Bid Amount into the Escrow Account on or prior to the time of bidding shall pay the full amount into the Escrow Account on or prior to the Pay-in Date specified in the CAN.

2. Bidders who have been allocated Equity Shares and who have already paid the full Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allotted to such Bidder.

Designated Date and Transfer of Funds to Public Issue Account

Successful Bidders will receive credit for the Equity Shares directly in their depository account. **Equity shares will be allotted only in the dematerialised form to the allottees**. Successful Bidders will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

We will ensure the allotment of Equity Shares within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, we would ensure that credit is given to the successful Bidders' depository accounts within two working days from the date of allotment.

General Instructions

Dos:

a. Check if you are eligible to apply;

b. Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour), as the case may be;

c. Ensure that you Bid only in the Price Band;

d. Ensure that the details about depository participant and beneficiary account are correct as there will be no allotment of Equity Shares in physical form;

e. Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;

f. Ensure that you have collected a TRS for all your Bid options;

g. Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS; and

h. Ensure that you mention your Permanent Account Number (PAN) allotted under the Income Tax Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more. In case neither the PAN nor the GIR number has been allotted, mention "Not allotted" in the appropriate place.

Don'ts:

a. Do not bid if you are prohibited from doing so under the law of your local jurisdiction;

b. Do not Bid for lower than the minimum Bid size;

c. Do not Bid/revise the Bid to a price that is less than the floor of the Price Band or higher than the cap of the Price Band;

d. Do not Bid on another Bid cum Application Form after you have submitted the Bid to the members of the Syndicate;

e. Do not pay the Bid Amount in cash;

f. Do not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;

g. Do not Bid at Cut-off Price (for Non Institutional and QIB Bidders);

h. Do not fill up the Bid cum Application Form for an amount that exceeds the investment limit or maximum number of Equity Shares that can be held by a Bidder under applicable law.

Instructions for Completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and / or Revision Forms from the members of the syndicate.

Bids and Revision of Bids

Bids and revision of Bids must be:

1. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white color for Resident Indians and NRIs applying on non-repatriation basis and blue color for NRIs or FIIs applying on repatriation basis).
2. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
3. For Retail Bidders, the Bids must be for a minimum of 365 Equity Shares and in multiples of 365 thereafter, subject to a maximum Bid Amount of Rs. 50,000.
4. For Non Institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 50,000 and in multiples of 365 Equity Shares thereafter. Bids cannot be made for more than the size of the Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.
5. In single name or in joint names (not more than three).
6. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Bank Details

The name of the sole or first Bidder's bank, branch, type of account and account numbers must be completed in the Bid cum Application Form. This is required for the Bidder's own safety so that these details can be printed on the refund orders. These bank account details should be the same as those mentioned in the Bidder's depository account, as those details will be printed on the refund orders. Bid cum Application Forms without these details are liable to be rejected.

Bidders Depository Account Details

Bidders should note that, on the basis of name of the Bidders, DP ID and Client ID provided by them in the Bid-cum-Application Form, Registrar to the Issue will obtain demographic details of the Bidders such as address, bank account details for printing on refund orders, and occupation (herein after referred to as Demographic Details) from the depositories. Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form. These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/ Allocation Advice and printing of Bank particulars on the refund order, and the Demographic Details given by Bidders in the Bid–cum Application Form would not be used for these purposes by the Registrar to the Issue.

Further, Bidders are advised to update their Demographic Details as provided to their Depository Participants. By signing the Bid-cum-Application form, Bidder would be deemed to authorise their depository to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records. Refund orders/Allocation Advice/ CANs would be mailed at the address of the Bidder as per the Demographic Details received from the depositories. Bidders may note that delivery of refund orders/allocation advice/ CANs may get delayed, if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the applicant in the Bid-cum-Application Form would be used only to ensure dispatch of refund orders.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the depositary participant's identity (DP ID) and the beneficiary's identity, then such Bids are likely to be rejected. **Investors should also note that the refund cheques would be overprinted with details of bank account as per the details received from the depository.**

Bids under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or by laws must be submitted with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore. In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case without assigning any reason therefore. In case of Bids made by provident funds with minimum corpus of Rs. 250.0 million and pension funds with minimum corpus of Rs. 250.0 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore. We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid cum Application form, subject to such terms and conditions as we may deem fit.

Bids by NRIs

NRI Bidders to comply with the following:

- Individual NRI Bidders can obtain the Bid cum Application Forms from our Registered Office, our Corporate Office, the BRLMs or the Registrar to the Issue.
- NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid-cum-Application Form meant for Resident Indians (white in colour).

BIDS BY NON RESIDENTS, NRIs, FIIs AND FOREIGN VENTURE CAPITAL FUNDS REGISTERED WITH SEBI ON A REPATRIATION BASIS

Bids and revision to Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. NRIs for a Bid Amount of up to Rs. 50,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 50,000 would be considered under Non Institutional Portion for the purposes of allocation; by FIIs for a minimum of such number of Equity Shares, that the Bid Amount exceeds Rs. 50,000 and in multiples of 365 thereafter. For further details, see “Maximum and Minimum Bid Size” on page no. 135 of this Prospectus.
4. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals or their nominees.
5. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency. It is to be distinctly understood that there is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Funds applicants will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

We shall open an Escrow Account with the Escrow Collection Banks for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form. The BRLMs shall also open Escrow Accounts of the Syndicate with one or more of the Escrow Collection Banks for the collection of the Margin Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account to the Issue

1. The Bidders who have paid the Bid Amount on application shall draw a payment instrument for the Bid Amount in favour of the Escrow Account for the Issue and submit the same to the members of the Syndicate along with the Bid cum Application Form.
2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into our Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.

3. In case the payment of the Bid Amount has been waived by a member of the Syndicate during the Bidding Period, on receipt of the CAN, an amount equal to the Issue Price multiplied by the Equity Shares allocated to the Bidder, shall be paid by the Bidders into the Escrow Account for the Issue within the period specified in the CAN which shall be a minimum period of two days from the date of communications of the allocation list to the members of the Syndicate by the BRLMs.

4. The payment instruments for payment into our Escrow Account should be drawn in favour of:

   a. In case of Resident Bidders: "Escrow Account — Indiabulls Financial Services Limited Public Issue"

   b. In case of Non Resident Bidders: "Escrow Account — Indiabulls Financial Services Limited Public Issue -NR"

   c. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.

   d. In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.

5. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from our Escrow Account. If the amount paid by the Bidder is equal to or higher than the total amount payable by the Bidder on the Equity Shares allotted to the Bidder at the Issue Price, we have a right to issue fully paid Equity Shares and no partly paid shares shall be issued to such Bidders. We shall thereafter refund the excess amount paid by the Bidder, if any. If the amount paid by the Bidder is less than the total amount payable by the Bidder on the Equity Shares allotted to the Bidder at the Issue Price, we shall refund the excess of the amount received from the Bidder over the Amount Payable on Application towards the Equity Shares allotted to the Bidder.

6. The monies deposited in our Escrow Account will be held for the benefit of the Bidders until the Designated Date.

7. On the Designated Date, the Escrow Collection Banks shall transfer the funds from our Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.

8. Not later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payment by Stockinvest

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003; the Stockinvest Scheme has been withdrawn with immediate effect. Hence, payment through Stockinvest would not be accepted in this Issue.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid cum Application Form unless waived by a member of the Syndicate at its sole discretion. The collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder. No separate receipts shall be issued for the money paid on the submission of Bid cum Application Form or Revision Form.

Other Instructions

Joint Bids in the case of Individuals

Individuals may make bids in single or joint names (not more than three). In the case of joint Bids, all refund amounts will be made only in favour of the First Bidder. All communications will be addressed to the First Bidder and will be despatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. Bids made by Retail Shareholders in the Net Issue to the Indian Public shall not be treated as multiple applications. In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made. We reserve the right to reject, in our absolute discretion, all or any multiple Bids in all or any categories.

'PAN' or 'GIR' Number

Where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more, i.e., the actual numbers of Equity Shares Bid for multiplied by the Bid Amount is Rs. 50,000 or more, the Bidder or, in the case of a Bid in joint names, each of the Bidders should mention his or her PAN or where the same has not been allotted, the General Index Register (GIR) Number and the Income-Tax Circle, Ward or District. In case neither the PAN nor the GIR number has been allotted, the Bidders must mention, "Not allotted" in the appropriate place. Bid cum Application Forms without this information will be considered incomplete and are liable to be rejected.

Our Right to Reject Bids

We and the members of the Syndicate reserve the right to reject any Bid without assigning any reason therefore in case of QIBs. In case of Non Institutional Bidders and Retail Bidders, we would have the right to reject Bids only on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on technical grounds, including the following:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Bank account details (for refund) are not given;
3. Age of First Bidder not given;
4. Bids by minors;
5. Bids by NRIs in jurisdictions where we are relying on a private placement exception;
6. PAN or GIR Number not given if Bid is for Rs. 50,000 or more;
7. Bids for lower number of Equity Shares than specified for that category of investor;
8. Bids at a price less than the floor of the Price Band higher than the cap of the Price Band;
9. Bids at Cut-Off Price by a QIB or a Non Institutional Bidder;
10. Bids for number of Equity Shares, which are not multiples of 365;
11. Category not ticked;
12. Multiple Bids;
13. In case of Bid under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
14. Bid-cum-Application Form does not have the stamp of a member of the Syndicate;
15. Bid-cum-Application Form does not have the Bidder's depository account details, including as specified below;
16. Bid-cum-Application Forms are not submitted by the Bidders within the time prescribed as per the Bid cum Application Form, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Form;
17. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations (see the details regarding the same on page no. 133 of this Prospectus);
18. Bids not duly signed by the sole/joint Bidders;
19. Bids by OCBs;
20. Bids accompanied by Stockinvest;
21. In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the depositary participant's identity (DP ID) and the beneficiary's identity;
22. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act.

Equity Shares in Dematerialised Form with NSDL or CDSL

In terms of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in dematerialised form (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode).

In this context, two tripartite agreement have been signed between the Registrars to the Issue, NSDL and CDSL and us:

1. An agreement dated June 1, 2004 between NSDL, us and the Registrars to the Issue; and

2. An agreement dated June 7, 2004 between CDSL, us and the Registrars to the Issue.

Bids from any Bidder without the following details of his or her depository account are liable to be rejected.

1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the depository participants of NSDL or CDSL prior to making the Bid.

2. The Bidder must necessarily fill in the details (including the beneficiary account number and depository participant's identification number) appearing in the Bid cum Application Form or Revision Form.

3. Equity Shares allotted to a Bidder will be credited in electronic form directly to the beneficiary account (with the depository participant) of the Bidder. Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account of the Bidder(s). If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable for rejection. The Bidder is responsible for the correctness of his or her demographic details given in the Bid cum Application Form vis-à-vis those with his or her depository participant. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. The Stock Exchanges where our Equity Shares are proposed to be listed are connected to NSDL and CDSL. The trading of our Equity Shares would only be in dematerialised form for all investors.

Communications

All future communications in connection with Bids made in the Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Undertaking by us

We undertake that:

a. the complaints received in respect of this Issue shall be attended to by us expeditiously;

b. we shall take all steps for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are to be listed within seven working days of finalisation of the basis of allotment;

c. the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;

d. the refund orders or allotment advice to the Bidders shall be dispatched within specified time as mentioned hereinafter; and

e. no further offer of Equity Shares shall be made until the Equity Shares offered through this Prospectus are listed or until the Bid moneys are refunded on account of nonlisting, under-subscription, etc.

Utilisation of Issue Proceeds

Our Board of Directors certifies that

a. all monies received out of the Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;

b. details of all monies utilised out of Issue referred above shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised; and

c. details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested.

Procedure and Time Schedule for Allotment of Equity Shares

We reserve, at our absolute and uncontrolled discretion and without assigning any reason thereof, the right to accept or reject any Bid in whole or in part. In the case of Retail and Non Institutional Bidders, the rejection of any Bid is only on grounds of technical non-compliance with the specified procedure. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. We will ensure the allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date. We shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within two working days from the date of allotment.

Disposal of Applications and Application Money

We shall ensure dispatch of allotment advice or refund orders and giving of benefit to the beneficiary account with depository participants and submission of the allotment and listing documents to the Stock Exchanges within two working days of finalisation of the basis of allotment of Equity Shares. We shall ensure the dispatch of refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and dispatch of refund orders above Rs. 1,500, if any, by Registered Post or Speed Post at the sole or First Bidder's sole risk.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalisation of the basis of allotment. In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, we further undertake that:

1. Allotment of Equity Shares shall be made only in dematerialised form within 15 days of the Bid/Issue Closing Date;
2. We would ensure dispatch of refund orders within 15 days of the Bid/Issue Closing Date; and
3. We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 days time period prescribed above.
4. We will provide adequate funds required to the Registrar to the Issue for dispatch of refund orders or allotment advice. Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by us as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Interest on Refund of excess Bid Amount

We shall pay interest at the rate of 15% per annum on the excess Bid Amount received by us if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the GoI, Ministry of Finance pursuant to their letter no. F-8/6/SE/79 dated July 21, 1983, as amended by their letter no. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents.

STATUTORY AND OTHER INFORMATION

Consents

Consents in writing of: (a) the Directors, the Company Secretary, the Auditors, the Legal Advisors, the Bankers to the Company, the Escrow Collection Banks and the Bankers to the Issue; and (b) the Book Running Lead Managers to the Issue, and the Registrars to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Delhi and Haryana as required under Section 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the offer document for registration.

M/s Deloitte Haskins & Sells, Chartered Accountants, our statutory auditors, have given their written consent to the inclusion of their report in the form and context in which it appears in the Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Prospectus for registration to the Registrar of Companies, Delhi, and Haryana.

M/s Ajay Sardana Associates, Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in the Prospectus and has not withdrawn the same up to the time of delivery of the Prospectus for registration to the Registrar of Companies, Delhi and Haryana.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the net offer to public including devolvement of Underwriters within 60 days from the date of closure of the issue, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act.

Expert Opinion

Save as stated elsewhere in the Prospectus, our Company has not obtained any expert opinions.

Changes in Auditors during the last three years

There has been no change in the Auditors of our Company. M/s Deloitte Haskins & Sells, Chartered Accountants continue to be the Auditors of our Company for the last three years.

Basis of Allotment or Allocation

(A) For Retail Bidders

- Bids received from the Retail Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Retail Bidders will be made at the Issue Price.
- The Issue size less allocation to Non Institutional Bidders and QIBs shall be available for allocation to Retail Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 6,796,880 Equity Shares at or above the Issue Price, full allocation shall be made to the Retail Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 6,796,880 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 6,796,880 Equity Shares. For the method of proportionate basis of allotment, refer below.

(B) For Non Institutional Bidders

- Bids received from Non Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all successful Non Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to Retail Bidders and QIBs shall be available for allocation to Non institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 6,796,880 Equity Shares at or above the Issue Price, full allocation shall be made to Non Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 6,796,880 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 6,796,880 Equity Shares. For the method of proportionate basis of allotment refer below.
- Allotment to a single Bidder would not exceed 10 % of the post Issue paid-up capital of our Company

(C) For QIB Bidders

- Bids received from QIBs at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all successful QIBs will be made at the Issue Price.
- The Issue size less allocation to Retail Bidders and Non-institutional Bidders shall be available for allocation to QIBs who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- The allocation would be broadly decided based on the quality of the Bidder, determined by the size, price and date of the Bid.
- Allotment to a single Bidder would not exceed 10% of the post Issue paid-up capital of our Company (i.e. 80 million Equity Shares)

Our Company, in consultation with the BRLMs shall have the discretion for allocation to QIB Bidders.

Method of Proportionate Basis of Allocation

In the event the Issue is over-subscribed, the basis of allotment to Retail and Non Institutional Bidders shall be finalised by our Company, in consultation with the Stock Exchange, Mumbai. The Executive Director of the BSE, along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalised in a fair and proper manner. Allotment to Bidders shall be as per the basis of allocation as set out in this Prospectus under "Offer Structure".

a) Bidders will be categorised according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis which is the total number of Equity Shares applied for in that category (number of bidders in the category multiplied by number of shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted to the successful bidders will be arrived at on a proportionate basis which is total number of Equity Shares applied for by each bidder in that category multiplied by the inverse of the over-subscription ratio in that category, subject to minimum allotment of 365 Equity Shares. The minimum Allotment Lot shall be the same as the minimum Application lot, irrespective of any revisions to the Price Band.

d) In case the proportionate allotment to any Bidders is in fractions, then the same would be rounded off to nearest integer.

e) In all bids where the proportionate allotment is less than 365 Equity Shares per bidder, the allotment shall be made as follows:

- Each successful bidder shall be allotted a minimum of 365 equity shares; and
- The successful bidders out of the total bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising of bidders applying for minimum number of Equity Shares.

Expenses of the Issue

The expenses of the Issue payable by our Company inclusive of brokerage, fees payable to the BRLMs, other advisors to the Issue, fees of Legal Advisors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, fees payable to the Registrars to the Issue, listing fees and other miscellaneous expenses is estimated to be approximately 10% of the Issue size.

Fees Payable to the Book Running Lead Managers

The total fees payable to the BRLMs will be as per the Memorandum of Understanding signed amongst our Company and the BRLMs, a copy of which is available for inspection at the Registered Office of our Company.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding signed with our Company, a copy of which is available for inspection at the Registered Office of our Company.

The Registrar will be reimbursed for out-of-pocket expenses as agreed in the MOU including such as postage, stamp duty etc. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allocation advice by registered post/ Speed Post. Refund Orders up to Rs. 1,500/- would be sent under certificate of posting.

Underwriting Commission, Brokerage and Selling Commission

The underwriting commission and selling commission for the Issue is as set out in the Syndicate Agreement amongst our Company and the BRLMs.

The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue Price and amount underwritten in the manner mentioned elsewhere in the Prospectus.

Commission and Brokerage on Previous Issues

Except as stated elsewhere in the Prospectus, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares of our Company since its inception.

Outstanding Debenture or Bond Issues

As of date, our Company does not have any outstanding debenture or bond issue.

Outstanding Preference Shares

As of date, our Company does not have any outstanding preference shares.

Capitalisation of Reserves or Profits

Our Company has not capitalised its reserves or profits at any time since its inception.

Issues otherwise than for Cash

Our Company has not issued any shares for consideration other than cash since its inception, except as given below:

1. 1,00,000 equity shares of Rs. 10 each issued to Avendus Advisors Private Limited on September 13, 2002, which was subsequently subdivided into 5,00,000 equity shares of Rs. 2 each on February 3, 2004.
2. 1,53,87,075 shares of Rs. 10 each issued as Bonus shares to various shareholders on February 26, 2001, which was subsequently subdivided into 7,69,35,375 equity shares of Rs. 2 each on February 3, 2004.

Option to Subscribe

Equity Shares being offered through this Prospectus can be applied for in dematerialised form only.

Purchase of Property

No property which our Company has purchased or acquired or propose to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material.

Except as elsewhere stated in this Prospectus, we have not purchased any property in which any of its promoters and/ or Directors, have any direct or indirect interest in any payment made thereof.

Remuneration of Managing Director/Whole-Time Director

Mr. Sameer Gehlaut, Chairman & Chief Executive Officer

Mr. Sameer Gehlaut was appointed as Chief Executive Officer of our Company with effect from April 1, 2001 at the meeting of the board of Directors held on April 2, 2001 at New Delhi. He was appointed as Chairman & Chief Executive Officer of our Company with effect from February 28, 2004 at the meeting of the board of Directors held on February 27, 2004. In accordance with a resolution adopted at the general meeting of shareholders of ISL held on April 30, 2003, Mr. Sameer Gehlaut is employed as Chief Executive Officer of ISL for an initial term until December 31, 2008. He has the option exercisable six months prior to end of his initial term to extend his employment for an additional period of five years (extension term). As per this resolution, he is entitled to withdraw his salary and benefits as per his service conditions with ISL, with effect from April 1, 2003 as stated herein under:

1. Salary: Rs. 6,00,000 per month with effect from April 1, 2003. After the First Year, the Salary for each year shall be subject to upward adjustment of 10 % of the last year's Salary.
2. Housing: (i) The expenditure on hiring furnished accommodation for Mr. Sameer Gehlaut will be Subject to a ceiling of 30% of the Salary, or; (ii) Mr. Sameer Gehlaut shall be entitled to house rent allowance subject to a ceiling of 30% of the Salary. and; The expenditure incurred by ISL on gas, electricity, water and furnishing shall be valued as per the provisions of Income Tax Rules, 1962. This shall, however, be subject to a ceiling of 5% of the Salary of Mr. Sameer Gehlaut.

3. Medical Reimbursement: Full medical expenses incurred for Mr. Sameer Gehlaut and his family, including premium for medical insurance will be re-imbursed by ISL.

4. Leave and Travel Allowance: Leave Travel Expenses for Mr. Sameer Gehlaut and his family, once in a year, incurred in accordance with the rules of ISL.

5. Provident Fund: Contribution towards provident fund as per the rules of ISL.

6. Pension: ISL shall provide the following Retirement Benefits to Mr. Sameer Gehlaut or his surviving spouse.

   On Mr. Sameer Gehlaut's retirement or the termination of his employment relationship with ISL, 50 % of Mr. Sameer Gehlaut's last Annual Salary (plus House Rent Allowance) payment to start when Mr. Sameer Gehlaut reaches the age of 60; and Full Medical Expenses Coverage. In the event of Mr. Sameer Gehlaut's death, prior to his own election of retirement from ISL or reaching the age of 60, the foregoing benefits shall commence to be paid to Mr. Sameer Gehlaut's surviving spouse until her death. The foregoing benefit shall not be alienable by Mr. Sameer Gehlaut or his surviving spouse by assignment or any other method and shall not be subject to be taken by his creditors by any process whatsoever.

7. Gratuity: Gratuity, as per the rules of ISL, not exceeding half a month's Salary for each completed year of service.

8. Earned Leave: On full pay and allowances as per rules of ISL but not exceeding one month's leave for every eleven months of service. Leave accumulated shall be encashable at the end of the tenure.

9. Minimum Remuneration: In the event of absence or inadequacy of profits in any financial year during the tenure of Mr. Sameer Gehlaut, the Board of Directors shall revise the remuneration payable to Mr. Sameer Gehlaut during such financial year in such manner as agreed to between the Board of Directors and Mr. Sameer Gehlaut and within the limits prescribed in this behalf under Schedule XIII to the Companies Act, 1956.

10. Insurance: He is entitled to participate in all current and future benefit and insurance programmes available to employees of ISL. ISL will secure and pay for policies covering full and partial disability as well as provide full coverage for Mr. Sameer Gehlaut and his family's medical and dental insurance and a travel and accident policy equal to two times the base salary.

11. Incentive Compensation: He shall be eligible to participate in any Incentive/Bonus Compensation Plan including Sweat Equity Plan and ESOP established by ISL for its Directors and the Employees.

12. Other Terms: Mr. Sameer Gehlaut shall be entitled to two cars for use and telephone at residence. Mr. Sameer Gehlaut shall be entitled to reimbursement of all actual expenses, including on entertainment and traveling incurred by him in the course of ISL's business. Mr. Sameer Gehlaut is entitled to get full re-imbursement of the education expenses of his children. Mr. Sameer Gehlaut, so long as he functions as such, he shall not be paid any sitting fees for attending meetings of the Board of Directors or Committees thereof.

13. Termination of Employment

    This agreement shall be terminated on the occurrence of the following:
    (i) On death while this Agreement is in effect.
    (ii) On expiration of the Initial Term, provided Mr. Sameer Gehlaut has not exercised his option to extend his employment for the Extension Term.
    (iii) Permanent disability whilst so employed.
    (iv) Resignation of Sameer Gehlaut due to irresolvable issues with the Board of Directors of IFSL.
    In the event of termination for any of the reasons specified above in (i), (ii), (iii) and (iv) Mr. Sameer Gehlaut shall receive as a lump sum Severance payment, a sum equal to 5 times the annual salary plus house rent allowance."

Rajiv Rattan, President & Chief Financial Officer

Mr. Rajiv Rattan was appointed as President & Chief Financial Officer of our Company with effect from February 28, 2004 at the meeting of the board of Directors held on February 27, 2004 at New Delhi. He was earlier appointed as Chief Operating Officer of our Company with effect from April 1, 2001 at the meeting of the board of Directors held on April 2, 2001 at New Delhi. In accordance with a resolution adopted at the general meeting of shareholders of ISL held on April 30, 2003, Mr. Rajiv Rattan is employed as Chief Operating Officer of ISL for an initial term until December 31, 2008. He has the option exercisable six months prior to end of his initial term to extend his employment for an additional period of five years (extension term). As per this resolution, he is entitled to withdraw his salary and benefits as per his service conditions with ISL, with effect from April 1, 2003 as stated herein under:

1. Salary: Rs. 6,00,000 per month with effect from April 1, 2003. After the first year, the Salary for each year of shall be subject to upward adjustment of 10 % of the last year's Salary.

2. Housing: (i). The expenditure on hiring furnished accommodation for Mr. Rajiv Rattan will be Subject to a ceiling of 30% of the Salary, or; (ii). Mr. Rajiv Rattan shall be entitled to house rent allowance subject to a ceiling of

30% of the Salary, and; The expenditure incurred by ISL on gas, electricity, water and furnishing shall be valued as per the provisions of Income Tax Rules, 1962. This shall, however, be subject to a ceiling of 5% of the Salary of Mr. Rajiv Rattan.

3. Medical Reimbursement: Full medical expenses incurred for Mr. Rajiv Rattan and his family, including premium for medical insurance will be re-imbursed by ISL.

4. Leave and Travel Allowance: Leave Travel Expenses for Mr. Rajiv Rattan and his family, once in a year, incurred in accordance with the rules of ISL.

5. Provident Fund: Contribution towards provident fund as per the rules of ISL.

6. Pension: ISL will provide the following Retirement Benefits to Mr. Rajiv Rattan or his surviving spouse. On Mr. Rajiv Rattan's retirement or the termination of his employment relationship with our Company, 50 % of Mr. Rajiv Rattan's last Annual Salary (plus House Rent Allowance), payment to start when Mr. Rajiv Rattan reaches the age of 60; and Full Medical Expenses Coverage. In the event of Mr. Rajiv Rattan's death, prior to electing retirement from our Company or reaching the age of 60, the foregoing benefits shall commence to be paid to Mr. Rajiv Rattan's surviving spouse until her death. The foregoing benefit shall not be alienable by Mr. Rajiv Rattan or his surviving spouse by assignment or any other method and shall not be subject to be taken by his creditors by any process whatsoever.

7. Gratuity: Gratuity, as per the rules of ISL, not exceeding half a month's Salary for each completed year of service.

8. Earned Leave: On full pay and allowances, as per rules of ISL, but not exceeding one month's leave for every eleven months of service. Leave accummulated shall be encashable at the end of the tenure.

9. Minimum Remuneration: In the event of absence or inadequacy of profits in any financial year during the tenure of Mr. Rajiv Rattan, the Board of Directors shall revise the remuneration payable to Mr. Rajiv Rattan during such financial year in such manner as agreed to between the Board of Directors and Mr. Rajiv Rattan and within the limits prescribed in this behalf under Schedule XIII to the Companies Act, 1956.

10. Insurance: Mr. Rajiv Rattan is entitled to participate in all current and future benefit and insurance programmes available to employees of Indiabulls. Indiabulls will secure and pay for policies covering full and partial disability as well as provide full coverage for Mr. Rajiv Rattan and his family's medical and dental insurance and a travel and accident policy equal to two times the base salary.

11. Incentive Compensation: Mr. Rajiv Rattan shall be eligible to participate in any Incentive/Bonus Compensation Plan including Sweat Equity Plan and ESOP established by ISL for its Directors and the Employees.

12. Other Terms: Mr. Rajiv Rattan shall be entitled to two cars for use for Company's business and telephone at residence. Mr. Rajiv Rattan shall be entitled to reimbursement of all actual expenses, including on entertainment and traveling incurred by him in the course of ISL's business. Mr. Rajiv Rattan is entitled to get full re-imbursement of the education expenses of his children. Mr. Rajiv Rattan so long as he functions as such he shall not be paid any sitting fees for attending meetings of the Board of Directors or Committees thereof.

13. Termination of Employment

    This agreement shall be terminated on the occurrence of the following:

    (i) On death while this Agreement is in effect.

    (ii) On Expiration of the Initial Term, provided Mr. Rajiv Rattan has not exercised his option to extend his employment for the Extension Term.

    (iii) Permanent disability whilst so employed.

    (iv) Resignation of Rajiv Rattan due to irresolvable issues with the Board of Directors of IFSL.

In the event of termination for any of the reasons specified above in (i), (ii), (iii) and (iv), Mr. Rajiv Rattan shall receive as a lump sum Severance payment, a sum equal to 5 times the annual salary plus house rent allowance.

Interest of Promoters and Directors

Except as stated in "Related Party Transactions" on page no. 57 of the Prospectus, the Promoters do not have any interest in our Company's business, except to the extent of investments made by them in our Company and earning returns thereon.

All our Company's Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or committee thereof as well as to the extent of other remuneration and/or reimbursement of expenses payable to them under the Articles. The Wholetime Directors are interested to the extent of remuneration paid to them for services rendered as officers or employees of our Company. All the Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their friends and relatives in our Company, or that may be purchased for and allotted to them out of the present Issue in terms of the Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

The Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as Directors, Members, Partners and/or Trustees.

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by us with any company in which they hold Directorships or any partnership firm in which they are Partners.

BORROWING POWERS OF DIRECTORS

Article 84 of the Articles of Association provides that, the Board may, from time to time, subject to the sections 58A, 292 and 293 of the Act, at their discretion, raise or borrow any sum or sums of money for the purpose of our Company and subject to the applicable provisions of the Act, may secure payment or repayment of same in such manner and upon such terms and conditions, in all respects, as may be prescribed by the Board, in particular by the creation of any mortgage or charge or other encumbrances on any of the immovable properties of our Company or hypothecation, pledge or charge on and over our Company's stocks, book debts and other movable properties.

Article 87 of the Articles of Association provides that any debentures, debentures stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares and attending (but not voting) at General Meeting, appointment of Directors allotment and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of our Company in General Meeting accorded by a Special Resolution.

The shareholders of our Company have passed a resolution in its meeting held on April 10, 2000 that the consent of our Company be obtained for authorising the Board of Directors to borrow such sums of money (including by the way of debentures secured or unsecured loans or otherwise) at any time, from time to time, as may be required for the purpose of business of our Company, in excess of the aggregate of the paid up capital of our Company and its free reserves, subject to the condition that such borrowings together with the money which is already borrowed (apart from temporary loans obtained by our Company from its bankers/ other entities in the ordinary course of business) shall not at any time exceed Rs. 25,000 million over and above the aggregate paid up capital of our Company and its free reserves, apart from temporary loan obtained by our Company from its Bankers/other entities in the ordinary course of its business.

Revaluation of Assets

Our Company has not revalued any of its assets since inception.

Classes of Shares

Our Company's authorised capital is Rs. 250 million, which is divided into 125 million equity shares of Rs.2/- each.

Payment or Benefit to Promoters or Officers of the Company

Except as stated otherwise in this Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our promoters or officers except the normal remuneration for services rendered as directors, officers or employees.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

Article 4 provides that

4. The authorised Share Capital of the Company is Rs. 25,00,00,000 (Rupees Twenty Five Crores) divided into 12,50,00,000 equity shares of Rs. 2 (Rupees two) each.

Article 5 provides that

5. Subject to the provisions of Section 80 of the Companies Act, 1956, the Company may issue preference shares, which are or at the option of the Company, are liable to be redeemed and/or converted into equity share capital, on such terms and in such manner and time, as the resolution authorising such issue shall prescribe.

Article 6 provides that

6. Subject to the provisions of these Articles, the shares shall be under the control of the Board, who may allot or otherwise dispose of the same to such person, on such terms and conditions, at such times, either at par or at a premium and for such consideration as the Board thinks fit.

Article 7 provides that

7. The Directors may allot and issue shares in the Capital of the Company as partly or fully paid up in consideration of any property sold or goods transferred or machinery supplied or for services rendered to the Company in the conduct of its business.

Article 8 provides that

8. Unless the shares of the Company are held with a Depository, the shares in the Capital shall be numbered progressively according to their several denominations.

Article 9 provides that

9. Except as required by law, no person shall be recognised by the Company as holding any shares upon any trust, and the Company shall not be bound by, or be compelled in any way to recognise (even when having notice thereof), any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share or (except only as by these regulations or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

Article 10 provides that

10. The Company may pay commission to any person prescribed under Section 76 of Act and that such commission may be paid in cash or by the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also, on any issue of shares or debentures, pay such brokerage as may be lawful.

Article 11 provides that

11. Save as permitted by Section 77 of the Act, the funds of the Company shall not be employed in the purchase of or lent on the security of shares of the Company. The Company shall not give, directly or indirectly, any financial assistance whether by way of loan, guarantee, security or otherwise any financial assistance for the purpose of or in connection with any purchase of or subscription for any shares in the Company.

Article 12 provides that

12. Subject to the provisions of section 77A, 77AA and 77B and any statutory amendments or re-enactments thereof and compliance of the provisions thereof by the Company, the Company is authorised to purchase its own shares or other specified securities.

Article 13 provides that

13. Subject to the provisions of section 78 and section 79 of the Act, the Company may issue shares at a premium or at a discount.

Article 14 provides that

14. The Company, subject to the provisions of section 79A of the Act, may issue sweat equity shares of a class of shares already issued. All the limitations, restrictions and provisions relating to equity shares shall apply to such sweat equity shares.

Article 15 provides that

15. If, by the conditions of issue of any shares, the whole or part of amount of issue price thereof shall be payable in instalments, every such instalment shall, when due, be paid to the Company, by the person who, for the time being, shall be the registered holder of the share or by his executor or administrator, as the case may be.

Article 16 provides that

16. The Joint holders of a share shall be severally as well as jointly liable for the payment of all instalments and calls due in respect of such share.

Article 17 provides that

17. Share(s) may be registered in the name of any person, Company or other body corporate. Not more than three persons shall be registered as joint holders of any shares. Shares may be registered in the name of any minor through a guardian only as fully paid shares.

FURTHER ISSUE OF SHARES

Article 18 provides that

18 Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, which ever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the un-issued capital or out of the increased share capital then:

(a) such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.

(b) such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.

(c) the offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.

(d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.

Article 19 provides that

19. Notwithstanding anything contained in clause 18, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (18) hereof) in any manner whatsoever.

(a) If a special resolution to that effect is passed by the Company in General Meeting, or

(b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board in this behalf that the proposal is most beneficial to the Company.

Article 20 provides that

20 Nothing in sub-clause (c) of clause 18 hereof shall be deemed:

(a) to extend the time within which the offer should be accepted; or

(b) to authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

Article 21 provides that

21. Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:

(i) to convert such debentures or loans into shares in the Company: or

(ii) to subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

(a) either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the rules, if any, made by that Government in this behalf: and

(b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any Institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

EMPLOYEES STOCK OPTIONS

Article 22 provides that

22. Subject to the provisions of section 81 of the Act and the applicable law, the Company may issue options to the whole-time directors, officers, or employees of the Company, its subsidiaries or its parent, which would give such directors, officers or employees, the benefit or right to purchase or subscribe at a future date, the securities offered by the Company at a pre-determined price, in terms of schemes of employee stock options or employees share purchase or both.

INCREASE AND REDUCTION OF CAPITAL

Article 23 provides that

23. The Company in General Meeting may, from time to time, by ordinary resolution increase the share capital of the Company by the creation of new shares by such sum, to be divided into shares of such amount as may be deemed expedient.

Article 24 provides that

24. Subject to any special rights or privileges for the time being attached to any shares in the capital of the Company when issued, the new shares may be issued upon such terms and conditions and with such preferential, qualified or such rights and privileges or conditions there to, as General Meeting resolving upon the creation thereof shall direct. If no direction be given, the Board shall determine in particular the manner in which such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company.

Article 25 provides that

25. Before the issue of any new shares, the Company in General Meeting may make provisions as to the allotment and issue of the new shares and in particular, may determine to whom the shares be offered in the first instance and whether at par or premium or at a discount. In case no such provision is made by the Company in General Meeting, the new shares may be dealt with according to the provisions of these Articles.

Article 26 provides that

26. Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered part of the then existing capital of Company and shall be subject to the provisions herein contained with reference to the payment of dividends, calls and instalments, transfer and transmission, forfeiture, lien, voting, surrender and otherwise.

Article 28 provides that

28 Subject to the provisions of sections 100 to 103 of the Act, the Company may, from time to time, in any manner, by special resolution and subject to any consent required under sections 100 to 103 of the Act, reduce:

(a). its share capital

(b). any capital redemption reserve

(c). any share premium account.

ALTERATION OF SHARE CAPITAL

Article 30 provides that

30. The Company, by ordinary resolution may, from time to time:

(a). consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.

(b). sub-divide its share or any of them into shares of smaller amount than is fixed by the Memorandum of Association so, however, that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.

(c). cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of share so cancelled.

Article 31 provides that

31. Where any share capital is sub-divided, the Company in General Meeting, subject to the provisions of Section 85, 87 and 106 of the Act, may determine that as between the holders of the shares resulting from sub-division, one or more of such shares shall have same preferential or special rights as regards dividend, payment of capital, voting or otherwise.

VARIATION OF SHARE HOLDER'S RIGHTS

Article 32 provides that

32. If at any time the share capital is divided into different classes of shares, all or any of the rights and privileges attached to any class (unless otherwise prohibited by the terms of issue of the shares of that class) may, subject to the provisions of sections 106 and 107 of the Act, whether or not the Company is being wound up, be modified, commuted, affected, abrogated, varied or dealt with by the consent in writing of the holders of not less than three fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of three fourths of the issued shares of that class. To every such separate meeting the provisions of these regulations relating to general meeting shall mutatis mutandis apply but so that necessary quorum shall be five members or all the members holding or represented by proxy of the entire issued share of the class in the question.

SHARE CERTIFICATES

Article 33 provides that

33. Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up there on and shall be in such form as the Directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holder..

    The provisions of this Article shall mutatis mutandis apply to debentures of the Company.

    Nothing contained herein shall apply to transfer of a security effected by the transferor and the transferee both of whom are entered as Beneficial Owners in the records of a Depository

Article 34 provides that

34. The certificate of shares registered in the name of two or more persons shall be delivered to the person first named in the Register.

Article 36 provides that

36. If the securities of the Company are dealt with in a Depository, the Company shall intimate the details of allotment of securities to Depository immediately on allotment of such securities.

CALLS

Article 37 provides that

37. The Board may, from time to time, subject to terms on which any shares may have been issued and subject to the provisions of Section 91 of the Act, make such calls as the Board thinks fit upon the members in respect of all moneys unpaid on shares held by them respectively and not by the conditions of allotment thereof made payable at fixed times. Each member shall pay the amount of every call so made on him to the persons and the times and places appointed by the Board, provided that option or right to make call on shares shall not be given to any person except with the sanction of the Company in a General Meeting. A call may be made payable by instalment and be deemed to have been made at the time when the resolution of the Board authorising such call was passed at a meeting of Board.

SHARES AT THE DISPOSAL OF THE DIRECTORS

Article 49 provides that

49. Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares. Provided that option or right to call on shares shall not be given to any person or persons without the sanction of the Company in a General Meeting.

FORFEITURE OF SHARES

Article 50 provides that

50. If a member fails to pay any sum payable in respect of any call or any instalment of a call, on or before the day appointed for payment thereof, the Board may at any time thereafter during such time as any part of the said call or instalment remains unpaid, serve a notice on such member requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued and all expenses that they may have been incurred by the Company by reason of such non-payment.

Article 51 provides that

51. The notice aforesaid shall name a further day not being earlier than the expiry of thirty days from the date of service of notice, on or before which such call or payment required by notice, is to be made and a place at which such call or installment and such interest and expenses as aforesaid are to be paid. The notice shall state that in the event of non-payment, on or before the date so named the shares in respect of which such call or installment was payable shall be liable to be forfeited.

Article 52 provides that

52. If the requirements of any such notice as aforesaid are not complied with, any shares in respect of which such notice has been given may at any time thereafter, before the payment of calls or installment, interest and expenses due in respect thereof has been made, be forfeited by a resolution of the Board to that effect. Such Forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture, subject to section 205 A of the Act.

Article 53 provides that

53. When any share shall have been so forfeited, notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture with the date thereof shall forthwith be made in the Register of Members but no forfeiture shall in any manner be invalidated by any omission or failure to give such notice or to make such entry as aforesaid.

Article 54 provides that

54. Any share so forfeited shall be deemed to be property of the Company, and may be sold or otherwise disposed off on such terms and in such manner as the Board thinks fit.

Article 55 provides that

55. The Board may at any time before any share so forfeited shall have been sold or otherwise disposed off, annul the forfeiture upon such terms and conditions, as it thinks fit.

Article 56 provides that

56. i). A person whose shares have been forfeited shall cease to be member in respect of forfeited shares, but shall not withstanding the forfeiture remain liable to the Company for all moneys, which at the date of forfeiture were presently payable by him to the Company in respect of the shares.

    ii). The liability of such person shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares.

    iii). The forfeiture of a share shall involve the extinction of all interest in and also for all claims and demands against the Company in respect of the shares and all other rights, incidental to the share except any such of those rights as by these Articles are expressly saved.

Article 57 provides that

57. A duly verified declaration in writing that the declarant is a Director of the Company and that certain shares in the Company have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration, if any, given for the shares on any sale or disposal thereof and may execute a transfer of share in favour of the person to whom the share is sold or disposed of. On receipt by the Company of the consideration, if any given for the shares on the sale or disposition thereof, the transferee shall be registered as the holder of such shares and the purchaser shall not be bound to see to the application of purchase money, nor shall his title to such shares be affected by any irregularity or invalidity in the proceedings in reference to such forfeiture, sale or disposition.

Article 58 provides that

58. The provisions of these regulations as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share becomes payable at a fixed time whether on account of the nominal value of the share or by way of premium as if the same has been payable by virtue of a call duly made and notified.

Article 59 provides that

59. When any shares under the powers in that behalf herein contained are sold by the Directors and the certificate has not been delivered to the Company by the former holder of the said shares, the Directors may issue a new certificate for such shares distinguishing it in such manner as they may think fit from the certificate not so delivered.

Article 60 provides that

60. Neither the receipt by the Company of a portion of any money which shall from time to time, be due from any member to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money shall preclude the Board from thereafter proceeding to enforce a forfeiture of such shares as provided in these regulations for non-payment of the whole or any balance due in respect of the shares.

COMPANY'S LIEN ON SHARES

Article 63 provides that

63. The Company shall have a first and paramount lien upon all the shares (other than fully paid up shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any shares shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonus from time to time declared in respect of such shares subject to section 205A of the Act. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien if any on such shares. The Directors may, at any time declare any share wholly or in part to be exempt from the provisions of this clause.

Article 64 provides that

64. For the purpose of enforcing such lien the Board may sell the shares in such manner as it thinks fit, but no sale shall be made unless a sum in respect of which the lien exists is presently payable and until notice in writing of the intention to sell shall have been served on such member, his executor or administrator or other legal representative as the case may be and default shall have been made by him or them in payment of the sum payable as aforesaid in respect of such share for fourteen days after the date of such notice.

Article 65 provides that

65. The net proceeds of the sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon share before the sale) be paid to the person entitled to the share at the date of the sale.

Article 66 provides that

66. Upon any sale after forfeiture or surrender or for enforcing a lien purported in exercise of the powers herein conferred, the Board may appoint some person to execute the instrument of transfer of the share sold and cause the purchaser's name to be entered in the Register in respect of the share sold and the purchaser shall not be bound to see to the regularity of the proceedings nor to the application of the purchase money. After his name has been entered into the Register in respect of such share, the validity of the sale shall not be impeached by any person on any ground whatsoever and the remedy of any person aggrieved by such sale shall be in damages only and against the Company exclusively.

TRANSFER AND TRANSMISSION

Article 68 provides that

68. Save as provided in Section 108 of the Act, no transfer of share shall be registered unless a proper instrument duly stamped and executed by or on behalf of the transferor and by or on behalf of transferee and specifying the name, address and occupation of the transferee has been delivered to the Company along with the certificate relating to the shares or if no such certificate is in existence along with the letter of allotment of the shares, in accordance with the provisions of Section 108 of the Act. The transferor shall be deemed to remain a member in respect of such share until the name of the transferee is entered in the Register in respect thereof. The signature of one credible witness who shall add his address shall duly attest each signature to such transfer. Provided, that, where on application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the transfer on such terms as the Board may think fit so as to indemnify the Company.

Article 74 provides that

74. Subject to the provisions of Section 111A of the Act the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or

not and the right of refusal, shall not as affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares, transfer of shares/debentures in whatever lot shall not be refused.

BORROWING POWERS

Article 84 provides that

84. The Board may from time to time subject to the sections 58A, 292 and 293 of the Act, at their discretion raise or borrow any sum or sums of money for the purpose of the Company and subject to the applicable provisions of the Act may secure payment or repayment of same in such manner and upon such terms and conditions in all respect as may be prescribed by the Board, in particular by the creation of any mortgage or charge or other encumbrances on any of the immovable properties of the Company or hypothecation, pledge or charge on and over the Company's stocks, book debts and other movable properties.

Article 85 provides that

85. The Board may raise or secure the payment of such sum or sums in such manner and upon such terms and conditions as they think fit and in particular, by the issue of bonds, perpetual or redeemable debentures or debenture-stock or any mortgage, charge or other security on the undertaking of the whole or any part of the property (both movable and immovable) of the Company both present and future including its uncalled capital for the time being or by giving, accepting or endorsing on behalf of the Company any promissory notes, bills of exchange or other negotiable instruments and no debenture shall carry any voting right whether generally or in respect of any particular class or classes of business.

Article 91 provides that

91. Subject to Section-58A, 292 and 293 of the Act and the Companies (Acceptance of Deposits) Rules, 1975 the Company may receive deposits on such terms and conditions and bearing interest at such rates as the Board may decide and fix and which may be made payable monthly, quarterly, half yearly or yearly. .

PROCEEDINGS AT GENERAL MEETING

Article 94 provides that

94 In addition to any other meetings, a general meeting of the Company shall be held within such interval as specified in Section 166 (1) of the Act, and subject to the provisions of Section 166 (2) of the Act, at such times and places as may be determined by the Board. Each such general meeting shall be called an Annual General Meeting and shall be specified as such in the notice convening the meeting. Any other meeting of the Company shall be called an Extra Ordinary General Meeting.

Article 119 provides that

119 The number of Directors of the Company shall not be less then three and not more then twelve (maximum.)

Article 121 provides that

121 Not less than two thirds of total number of directors of the Company shall be persons whose period of office is liable to determination by retirement of Directors by rotation; and save as otherwise expressly provided in the Act or these presents be appointed by the Company in General Meeting.

Article 122 provides that

122 The Company in general Meeting, may subject to provisions of these presents and Section 259 of the Act, by special resolution, increase or reduce the number of its Directors.

Article 123 provides that

123 The Directors shall have powers at any time and from time to time to appoint any other person as a Director as an addition to the Board but so that the total number of Directors shall not at any time exceed the maximum number of fixed by these Articles. Any Director so appointed shall hold office only up to the date of the next following Annual General Meeting of the Company but shall be eligible for re-election at such meeting.

Article 124 provides that

124 Subject to the provisions of Section 313 of the Act or any statutory modification thereof, the Board shall have power to appoint any person to act as alternate director for a director during the latter's absence for a period of not less than three months from the State in which meetings of the Directors are ordinarily held and such appointment shall be have effect and such appointee, whilst he holds office as an alternate director, shall be

entitled to notice of meetings of the Board and to attend and vote there at accordingly, but he shall not be required to hold any qualification shares, if any, and shall ipso facto vacate his office if and when the original Director returns to the State in which meetings of the Board are ordinarily held or if the Original director vacates his office as director.

Article 125 provides that

125. A director need not hold any share in the Company in his name as his qualification, but nevertheless shall be entitled to attend, speak and preside at any general meeting of the Company and at any separate meeting of the holders of any class of shares in the Company.

126 Each Director, other than the whole time paid Directors, may be paid such fee as may be notified by the Central Government from time to time pursuant to Section 310 of the Act and as approved by the Board, for each meeting of the Board of Directors or a Committee thereof attended by him. The Directors may also be paid the expenses as decided by the Board, from time to time, in attending the meeting of the Board or a Committee of Board.

Article 126 provides that

127 In addition to the fee payable to the Directors under Article 126 hereof, the Directors may be paid reasonable traveling, hotel and other expenses in attending and returning from the meetings of the Board of Directors or any Committee thereof in connection with the Business of the Company as decided by the Board.

POWERS OF THE BOARD

Article 143 provides that

143. Subject to the provisions of the Act, the Board shall be entitled to exercise all such powers, and to do all such acts and things, as the Company is authorised to exercise and do; provided that the Board shall not exercise any power or do any act or thing which is directed or required, whether by the Act or any other statute or by the Memorandum of Association of the Company or by these Articles or otherwise, to be exercised or done by the Company in General Meeting. Provided further, that in exercising any such powers or doing any such Act or thing, the Board shall be subject to the provisions in that behalf contained in the Act or any other statute or in the Memorandum of Association of the Company or in these Articles or in any regulations made by the Company in General Meeting but no regulations, made by the Company in General Meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.

MANAGING / WHOLE TIME DIRECTORS

Article 148 provides that

148. The Company by ordinary resolution or the Board of Directors may, subject to the provisions of sections 268, 269 and 314 and schedule XIII of the Act, from time to time appoint one or more of the Directors to be Managing Director(s) or other Whole time Director(s) of the Company, for a term not exceeding five years at a time and may from time to time (subject to the provisions of any contract between him or them and the Company) remove him or them from office by following the statutory procedures and appoint another or others in his or their place or places.

Article 149 provides that

149. Subject to the provisions of Sections 198, 309, 310 and 311 of the Act, a Managing Director or whole-time Director shall in addition to the usual remuneration payable to him as a director of the Company under these Articles, receive such additional remuneration as may from time to time be sanctioned by the Company and may be by way of fixed salary or at a specified percentage of the net profits of the Company or both, or in any other manner and extent otherwise determined. The Remuneration of Managing Director / whole time Director shall be deemed to accrue from day to day.

RESERVE

Article 156 provides that

156. The Board may subject to Section 205 (2A) of the Act from time to time, before recommending any dividend set apart any portion of the profits of the Company as it thinks fit as reserves to meet contingencies or for the liquidation of any debentures, debts or other liabilities of the Company or for equalisation of dividends or for repairing, improving or maintaining any of the property of the Company and for such other purposes of the Company as the Board in its absolute discretion thinks conducive to the interest of the Company and may, subject to the provisions of Sections 372A of the Act, invest the several sums so set aside upon such investments (other than shares in the Company) as it may think fit and may from time to time deal with and vary such investments and dispose of all or any part thereof for the benefit of the Company and may divide the reserves into such special funds as it thinks fit, with full power to employ the reserve or any part thereof in the business of the Company and that without being bound to keep the same separated from the other assets. The Board may also carry forward any profits, which it may think prudent not to divide without setting them aside as a reserve.

Article 158 provides that

158 (1) The Company in General Meeting may, upon the recommendation of Board, resolve;

(a) to capitalise whole or any part of the amount for the time being standing to the credit of any of the Company's reserve account, or to the credit of the profit and loss account or otherwise available for distribution and

(b) That such sum be accordingly set free for distribution in the manner specified I sub clause (2) below amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.

(2) The sum aforesaid shall not be paid in cash but shall be applied subject to the provisions contained in sub-clause (3) below, either in or towards:

(a) Paying up any amounts for the time being unpaid on any shares held by such members respectively.

(b) Paying up in full, un-issued shares of the Company to be allotted and distributed credited as fully paid up to and among such members in the proportion aforesaid or,

(c) Partly in the way specified in (I) and partly in that specified in (ii) above.

(3) A share premium account and a capital redemption reserve fund may, for the purpose of this Article, only be applied in the paying up of un-issued shares to be issued to members of the Company as fully paid bonus shares or for any other purpose specified in Section 78 of the Act.

(4) The Board shall give effect to the resolution passed by the Company in pursuance of this Article.

Article 160 provides that

160 Subject to the rights of members entitled to a share (if any) with preferential or special rights attached thereto the profits of the Company which shall from time to time be determined to be divided in respect of any year or other period shall be applied in the payment of dividend on the Equity Shares of the Company, but so that the holder of a partly paid up share shall be only entitled to such proportion of the distribution upon a fully paid up share proportionately to the amount paid or credited thereon during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

INDEMNITY

Article 200 provides that

200.Subject to Section 201 of the Act, Every Director, Manager, Secretary or Officer of the Company or any person (whether an officer of the Company or not) employed by the Company and any person appointed Auditor shall be indemnified out of the funds of the Company, against all benefited liability incurred by him as such Director, Manager, Secretary, Officer, employee or Auditor in defending any benefited proceedings, whether civil or criminal or in which judgment is given in his favour or in which he is acquitted, or in connection with any application under Section 633 of the Act in which relief if granted to him by the Court.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTIONS

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or contracts entered into more than two years before the date of this Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Prospectus have been delivered to the Registrar of Companies, National Capital Territory of Delhi and Haryana for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company from 10.00 a.m. to 4.00 p.m. on working days from the date of the Red Herring Prospectus until the date of closure of the Issue.

MATERIAL CONTRACTS

1. Memorandum of Understanding between our Company and the Book Running Lead Managers, SBI Capital Markets Limited and DSP Merrill Lynch Limited dated May 6, 2004.
2. Memorandum of Understanding between our Company and the Registrar to the Issue dated May 6, 2004.
3. Agreement dated June 1, 2004 and June 7, 2004 between our Company, the Registrars to the Issue and NSDL and CDSL respectively for dematerialisation of shares.
4. Syndicate Agreement dated September 3, 2004.
5. Escrow Agreement dated September 3, 2004.
6. Underwriting Agreement dated September 11, 2004.

MATERIAL DOCUMENTS

1. Memorandum and Articles of Association of our Company.
2. Certificate of Incorporation dated January 10, 2000 and Certificate of Change of Name of our Company from M/s Orbis Infotech Private Limited to M/s Indiabulls Financial Services Private Limited dated March 16, 2001 and from M/s Indiabulls Financial Services Private Limited to M/s Indiabulls Financial Services Limited dated February 27, 2004.
3. Copy of the resolution of Board of Directors of our Company at the Board Meeting held on April 12, 2004.
4. Copy of the Shareholders resolution passed in the EGM held on April 12, 2004
5. Power of Attorney executed by the Directors of our Company in favour of Shri Rajiv Rattan, Director & Chief Financial Officer, to sign the Prospectus and complete other activities in relation to the Issue.
6. Audit Report dated August 6, 2004 from M/s. Deloitte Haskins & Sells.
7. Consent dated March 1, 2004 from M/s. Ajay Sardana Associates to the inclusion of their report on tax benefits in the Prospectus and tax benefit report dated May 6, 2004 from M/s. Ajay Sardana Associates.
8. Copies of the Balance Sheet and Profit and Loss Accounts of our Company for the years ended March 31st, 2001, 2002, 2003, 2004 and quarter ended June 2004.
9. Copies of the Balance Sheet and Profit and Loss Account of the three Subsidiaries of our Company for the three years ended March 31, 2001, 2002, 2003, 2004 and quarter ended June 2004.
10. Copies of the documents regarding the appointment of Whole time directors
11. Copies of the resolution passed at the board meeting held on April 12, 2004 authorizing the directors to appoint Book Running Lead Managers to the Issue and Registrars to the Issue.
12. Consent letters from Book Running Lead Managers to the Issue, Registrars to the Issue, Bankers to the Issue, Directors, Auditor, Legal Advisor, Compliance Officer, Company Secretary as referred to in this Prospectus to act in their respective capacities.

13. Copy of Initial Listing Applications dated May 10, 2004 made to the Stock Exchanges at the Stock Exchange Mumbai, and the National Stock Exchange of India Limited for listing of equity shares of our Company.

14. Copy of the letter dated May 14, 2004 from the Stock Exchange, Mumbai and letter dated May 31, 2004 from the National Stock Exchange of India Ltd. granting in-principle listing approval.

15. Due Diligence Certificate dated May 6, 2004 from SBI Capital Markets Limited and DSP Merrill Lynch Limited, Copy of SEBI observation letter No. CFD/DIL/ISSUES/UR/15623/2004 dated July 16, 2004 issued in respect of this Prospectus, in-seriatim reply from SBI Capital Markets Limited and DSP Merrill Lynch Limited dated July 27, 2004.

16. Copy of the Shareholder's Agreement dated November 2, 2000, Share Subscription Agreement dated February 13, 2004, Share Warrant Agreement dated February 13, 2004 and Letter Agreement dated May 27, 2004.

17. Sanction Letters from HDFC Bank, Citigroup, Standard Chartered and ABN Amro Bank for the facilities to IFSL.

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time, if so required in the interest of our Company or if required by the other parties, without reference to the shareholders, subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the guidelines issued by the Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. Further, we certify that all the disclosures made in the Prospectus are true and correct.

Signed by the Directors

Mr. Sameer Gehlaut*

Mr. Rajiv Rattan

Mr. Saurabh K Mittal*

Mr. Prem Rajani*

Mr. Rishi Khosla*

Mr. Gaurav Dalmia*

Mr. Inder Vikram Singh Achreja*

* Signed by the constituted attorney Mr. Rajiv Rattan.

Signed by the Chief Financial Officer

Signed by the Chief Executive Officer

Place: New Delhi

Date: September 14, 2004

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