

The logo for Indiabulls, featuring the word "Indiabulls" in a white, bold, sans-serif font centered within a solid green rectangular background.

Indiabulls Financial Services Limited

Earnings Update – Q2 FY07

Unaudited Results

October 16, 2006

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The Board of Directors of Indiabulls Financial Services Limited at their meeting held on 16th Oct 2006 took on record the unaudited results for the quarter and the half year ended 30th Sep 2006

Highlights:

First Half FY 07 compared to First Half FY 06

- Consolidated Total Revenues up 93.6% to Rs. 4,910.9 million in H1 FY07 from Rs. 2,536.6 million in H1 FY06.
- Consolidated Profit After Tax up 68.8% to Rs. 1,717.1 million in H1 FY07 from Rs 1,017.4 million in H1 FY06

Second Quarter FY 07 compared to Second Quarter FY 06

- Consolidated Total Revenues up 74.4% to Rs. 2,703.7 million in Q2 FY07 from Rs. 1,550.3 million in Q2 FY06
- Consolidated Profit after Tax up 58.7% to Rs. 951.0 million in Q2 FY07 from Rs. 599.3 million in Q2 FY06
- Company is revising its guidance range upwards to Rs. 3,700 million to Rs.4,100 million
- Consumer Finance business Loans Outstanding up 726.7% YoY to Rs. 5,044.5 million (*unsecured loans: 46.3% and secured loans: 53.7%*) as on 30th Sep 2006 compared to Rs. 610.2 million a year ago. Annualized yield on Loans Outstanding is 29%
- Indiabulls branch network was 648 branches across the Group as on September 30, 2006, the largest branch office network in the private financial services sector in India.
- The Company entered into an agreement with Crown Capital, a subsidiary of Sovereign Global, to issue 7,250,000 equity shares on a preferential basis at a price of Rs 417 per share for an aggregate consideration of Rs 3,023 million. The agreement is subject to Shareholder approval by postal ballot due on November 2, 2006. The consolidated net worth of Indiabulls Financial Services Limited will increase to over Rs 28,000 million upon completion of the preferential issue.
- The shareholders and unsecured creditors of the Company approved the Scheme of demerger of the real estate business on 18th September 2006 in court convened meetings. The demerger is expected to be completed during the current fiscal quarter. The demerger will result in the Company's equity shareholders owning one equity share of Indiabulls Financial Services Limited, comprising of the financial services business, and one equity share of Indiabulls Real Estate Limited, focused on real estate and construction-development business, for each one share of the Company that they currently own.
- Company is currently undergoing a strategic review of its Consumer Finance and Securities Business including potential for demerger of the two businesses to provide enhanced managerial and business focus.

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Business Segment Details

Financial Services Business:

- Revenues up Rs 2,703.7 million in Q2 FY07 from Rs. 1,550.3 million in Q2 FY06
- PAT up Rs. 951.0 million in Q2 FY07 from Rs. 599.3 million in Q2 FY06

- Revenues up Rs. 4,910.9 million in H1 FY07 from Rs. 2,536.6 million in H1 FY06
- PAT up Rs. 1,717.1 million in H1 FY07 from Rs 1,017.4 million in H1 FY06

- **Securities Business:** Securities business comprises of brokerage of equities, derivatives and debt capital markets; loan against shares, and IPO finance business; along with distribution of investment products such as mutual funds and insurance products.
 - Indiabulls added over 56,000 clients during the quarter to reach 387,131 clients as of Sept 30, 2006. The comparable numbers were 236,287 clients as of Mar 31, 2006 and 152,539 clients as of Sept 30, 2005.
 - Overall trading volumes held firm through the quarter as a larger client base offset the lower activity per client. Indiabulls continued to gain share in the retail brokerage business during the current period.

- **Consumer Finance Business:** Comprises of unsecured personal loans, secured personal loans, used two-wheeler financing, commercial vehicle financing, small business loans, home loans and loans against property.
 - Commercial credit products targeting small business successfully launched during the quarter.
 - Credit products now offered out of 158 branches.
 - Outstanding loans grew 726.7% YoY to Rs 5,044.5 million as of 30th Sep 2006 from Rs. 610.2 million last year.

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- Unsecured loans constitute 46.3% and Secured loans constitute 53.7% of Loans outstanding as on Sept 30, 2006. Annualized yield on Loans Outstanding is 29%
- Total Provisions of Rs. 407 million provided against Rs. 5,044.5 million total loans outstanding, including general provisions of Rs 162 million. Provisioning is primarily driven by anticipated credit performance of unsecured loans, and to a lesser extent by the secured loan portfolio.

Real Estate Business:

- Indiabulls Financial Services Limited to increase its ownership in three real estate JVs from 40% to 51%:
 - Indiabulls, FIM Limited (“FIM”), and each of Indiabulls Infrastructure Limited (“**IIL**”), Indiabulls Properties Private Limited (“**IPPL**”) and Indiabulls Estate Limited (“**IEL**”), entered into three Share Subscription and Shareholders Agreements on September 4, 2006 in relation to the Company's and FIM's respective shareholdings in each of IIL, IPPL and IEL.
 - Pursuant to the said agreements, the equity stake of the Company in IIL, IPPL and IEL will increase from the present 40% up to 51% through conversion of Optionally Convertible Debentures amounting up to Rs 1415.94 million held by the Company in IIL, IPPL and IEL.

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Consolidated Financials

Revenues (in Rs. Millions)

	H1 FY07	H1 FY06	Growth (%) YoY	Q2 FY07	Q2 FY06	Growth (%) YoY	FY 06
Brokerage and capital markets related Income	2,083.2	1,364.1	52.7%	1,096.1	864.9	26.7%	3,097.5
Financing Income	2,326.6	1,058.3	119.9%	1,276.5	599.0	113.1%	2,604.0
Other Income	501.1	114.2	338.9%	331.1	86.4	283.0%	430.1
Total	4,910.9	2,536.6	93.6%	2,703.7	1,550.3	74.4%	6,131.6

Profit (in Rs. Millions except EPS)

	H1 FY07	H1 FY06	Growth (%) YoY	Q2 FY07	Q2 FY06	Growth (%) YoY	FY 06
Profit before Interest and Tax	2,734.3	1,683.6	62.4%	1,426.7	993.2	43.6%	4,048.7
Interest Expense	251.4	156.5	60.6%	111.5	101.6	9.7%	314.9
Profit before Tax	2,482.9	1,527.1	62.6%	1,315.2	891.6	47.5%	3,733.7
Profit after Tax	1,717.1	1,017.4	68.8%	951.0	599.3	58.7%	2,533.7
EPS (basic) Rs.	9.227	6.974	32.3%	5.025	4.134	21.6%	15.610

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Business Outlook

- **Net Profit:**

- Company is revising its guidance range upwards to Rs. 3,700 million to Rs.4,100 million from the Financial Services Business during the current fiscal year, based on the current business conditions.

- **Financial Services:**

- **Securities Business:**

- Company expects business volumes to be sequentially upwards in current fiscal quarter driven by the rapid growth in customer base offset by reduced trading volumes per customer. Company expects to continue its gains in market share through out the current fiscal year.

- **Consumer Finance Business:**

- Company expects to continue to show significant growth in its Consumer Finance loan origination, driven by increased productivity at existing branch network, new products such as small business loans, and increased rollout of the loan products through the Company's nationwide distribution network.
- The company expects to exceed its target of Rs 15,000 million of various types of loans by end of FY 2006-07.
- Indiabulls Financial Services Ltd plans to increase its ownership in Indiabulls Credit Services Ltd, the consumer finance subsidiary during the current fiscal year.

- **Real Estate:**

- Indiabulls Financial Services Limited ownership in three real estate JVs viz. IIL, IPPL and IEL will increase from 40% to 51% upon completion of all terms and conditions as per the Share Subscription and Shareholders Agreements executed in the second quarter of the current fiscal year.

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Safe Harbor

This document contains certain forward-looking statements based on current expectations of Indiabulls management. Actual results may vary significantly from the forward-looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India, and outside India, volatility in interest rates and in securities markets, new regulations and government policies that might impact the business of Indiabulls in either Financial Services or Real Estate, the general state of the Indian economy and demand for new real estate by commercial and residential users, and management's ability to implement the company's strategy. Indiabulls doesn't undertake any obligation to update these statements.

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