



Indiabulls Financial Services Limited

Earnings Update – Q2 FY09

Un-audited Results

October 21st, 2008

Indiabulls

The Board of Directors of Indiabulls Financial Services Limited at their meeting held on October 21st, 2008, approved the un-audited results for the quarter ended September 30th, 2008.

Indiabulls Financial Services Limited results for FY 2008 period are presented excluding the results of Indiabulls Securities Limited to provide for effective comparison with current period numbers. As a part of the de-merger scheme, one share of Indiabulls Securities Limited was given for every share of Indiabulls Financial Services Limited held on the record date of 8th Jan, 2008.

Highlights:

First Half FY 09 compared to First Half FY 08

- Consolidated Total Revenues up 78.9% to Rs. 1,206.1 crore in H1 FY 09 from Rs. 674.2 crore in H1 FY 08
- Consolidated Profit After Tax up 25.2% to Rs. 284.7 crore in H1 FY 09 from Rs. 227.4 crore in H1 FY 08
- Basic EPS up 6.1% to Rs. 10.70 in H1 FY 09 from Rs. 10.09 in H1 FY 08

Q2 FY 09 compared to Q2 FY 08 (YoY)

- Consolidated Total Revenues up 83.0% to Rs. 641.5 crore in Q2 of FY 09 from Rs. 350.5 crore in Q2 of FY 08
- Consolidated Profit After Tax up 21.4% to Rs. 135.7 crore in Q2 of FY 09 from Rs. 111.8 crore in Q2 of FY 08
- Basic EPS up 2.3% to Rs. 5.09 in Q2 of FY 09 from Rs. 4.98 in Q2 of FY 08

Strong Year on Year Growth in Revenues and Profits After Tax:

- Revenues continued their strong annual growth rate with 83.0% increase over the same period last year.
- Profit after tax growth rate was 21.4% with profits increasing to Rs. 135.7 crore, reflecting strong year on year growth in the business.
- This strong profit growth was achieved despite significantly higher excess liquidity and lower risk assets (as highlighted previously)

Business Highlights

- The Company has proactively re-positioned its business for the uncertain macro-economic environment by implementing significant steps that are a drag on operating profits in the short term however significantly reduce operating, financing and credit risks:
 - Focus on lower risk (and lower yielding) assets
 - Maintain high levels of liquidity and Capital in the business – CRAR stands at 27%
 - Keep leverage low (only 2.4x debt / equity on 30th Sep 08)
 - Tighten credit policy and continue to churn higher risk assets
 - Maintain industry leading credit and collections discipline; credit ratios reflect strong performance
 - Change liability mix from short term funding to longer dated term loans
 - Focus on shorter duration assets or match fund longer duration assets
 - Continue to increase number of counter parties with financing relationships
 - Maintain high credit ratings for Company and for collateral-backed pools
 - Increase focus on Fees producing businesses esp. strategic ventures of Insurance, Mutual Funds and Comex

Dividend Payment:

- During the quarter, the final dividend of Rs. 8.50 per equity share (425% on the face value of Rs. 2/- per equity share) amounting to Rs.21,541.3 lakhs (excluding corporate dividend tax) approved at the Annual General Meeting held on September 05, 2008 and was paid by the Company on September 09, 2008 into the Dividend Account.

Net worth:

- Consolidated Networth of Rs. 3,777.1 crores, as compared to Rs. 3,500.8 crores on March 31, 2008

Portfolio Highlights:

- Total outstanding & serviced loans as on September 30, 2008 were Rs. 11,006.5 crore compared to total outstanding & serviced loans of Rs. 5,621.5 crore as on September 30, 2007 (a growth of over 95.8% yoy)
- Average annualized yield on Rs. 11,006.5 crore outstanding and serviced portfolio is 20.6%. Average annualized yield was negatively impacted as the mix of the portfolio shifted from higher yielding (and higher risk) assets to lower yielding (and lower risk) assets.
- Total outstanding small ticket personal loans were Rs. 274.4 crores as on September 30, 2008 which constitutes about 2.5% of the current loan portfolio as compared to Rs. 451.6 crores as on September 30, 2007 which constituted 8.0% of the then portfolio

Provisioning & NPA Performance

Indiabulls Financial Services Limited follows a combination of general and specific provision policy on its outstanding loan portfolio. General provisions are taken upfront on all consumer loans disbursed and outstanding, while specific provisions are additional and based on progressive rates on aged portfolio and on static basis. The specific provisions reflect the actual performance of the portfolio and are in addition to the upfront general provisions. Company also maintains additional general provisioning reserves.

Credit Performance

- The Company has written off Rs. 42.5 crore during the quarter ended September 30, 2008 as bad debts. This is in line with the Company policy of writing off loans at an early stage if recovery is doubtful. This is reflected in the low balance of delinquent loans outstanding beyond 360 days.
- The vast majority of Delinquency and Credit costs are driven by the small-ticket personal loan business, which the Company has reduced from more than 8.0% of total book a year ago to about 2.5% of total book, and is in run-off mode. This has reduced from 3.0% of total book as of 30th June 2008.
- Upfront provisioning has provided significant credit cushion as Provisions cover is 277.4% of NPAs in non-small ticket personal loan business (which is more than 97.5% of the total book) and is significantly higher as % of expected losses on these NPAs (given high recoveries in Secured Asset portfolio)

As at September 30, 2008 Credit statistics of the portfolio:

- General provisions stood at Rs. 157.9 crore & specific provisions stood at Rs. 48.2 crore. Aggregate provisions stood at Rs 206.1 crore representing 1.9% of the loan portfolio (excluding Rs 42.5 crore of write-offs during the quarter).
- Gross NPAs of Rs 120.0 crore which represents 1.1% of the total loan portfolio.
- Net NPAs of Rs 0.0 crore which represents 0.0% of the total loan portfolio.
- Provisions / NPA coverage of 171.8%
- Total delinquent consumer loans with payments outstanding for more than 180 days are Rs. 110.9 crore which represents 1.0% of the loan portfolio.
- Total delinquent consumer loans with payments outstanding for more than 360 days are Rs. 1.4 crore which represents 0.01% of the loan portfolio

Strategic Updates

New Business Ventures:

During Q2 FY 09, the Company has made significant progress towards commercial launch of its three new business ventures. We expect to make significant progress and fully operationalize each of these three new strategic ventures throughout FY 2009. The Company expects to build a significant presence in these new segments with its strong distribution, brand and existing client base and expect them to form pillars of our growth and value creation in FY 2010 and beyond.

- **Commodities Exchange:** IBFSL and MMTC Limited, a Government of India undertaking and the largest international trading house in India, have received the approval from Ministry of Consumer Affairs and Forward Markets Commission to establish a National Commodities Exchange subject to certain conditions. IBFSL will own 40% of the combined entity (in-line with the revised COMEX guidelines). The proposed Commodities Exchange is the fourth national level approved exchange in India and will be targeting a rapidly growing commodity trading market. Mr Ajit Mittal has been appointed as the CEO of Commodity Exchange.
- **Life Insurance Venture:** Indiabulls Financial Services Limited (IBFSL) joint venture with Sogecap, the insurance arm of Societe Generale (SocGen) for its life insurance venture has made strong progress during the quarter with operating personnel. As a reminder, Sogecap will invest Rs 150 crore to subscribe to 26% of the paid up capital in the Joint Venture upon final regulatory approvals. Final approval from IRDA is awaited shortly. Indiabulls Securities Limited has picked up 24.5% of the Life Insurance Venture stake as IBFSL is restricted to 49.5%.
- **Asset Management Business:** IBFSL has already received approval from SEBI for its wholly owned Asset Management Company (AMC). We have put together a competent team of professionals and are currently preparing to launch the business.

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 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 Consumer Finance or Securities Business, the general state of the Indian economy and the demand for credit by commercial enterprises and consumers, and the management's ability to implement the company's strategy. Indiabulls doesn't undertake any obligation to update these forward-looking statements.

This document does not constitute an offer or recommendation to buy or sell any securities of Indiabulls or any of its subsidiaries or associate companies. This document also doesn't constitute an offer or recommendation to buy or sell any financial products offered by Indiabulls.

Investor Contact:

*Gagan Banga
Chief Executive Officer
Indiabulls Financial Services Limited
Tel: +91 22 39895555
Fax: +91 22 66311641
Email Investor.relations@indiabulls.com*

Media Contact:

*Kubeir Khara
Vice President
Indiabulls Financial Services Limited
Tel: +91 22 67430957
Fax: +91 22 67430989
Email khera@indiabulls.com*