

In today's world, realities change by the minute. An
opportunity

lasts for a moment. When it arrives, will you be armed with all the information? Will you be able to transact with speed? Will you have an advisor you can trust?

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Retail financial services is one of the fastest growing businesses in India today.

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Our business

And India Infoline is best positioned to capitalise on this opportunity.

Purpose

To be a one-stop financial services shop, most respected for quality of its advice, personalised service and cutting-edge technology.

Positioning

A unique combination of full-service and competitive pricing with an online as well as offline execution platform.

Products

Equities and commodities broking, life insurance, mutual funds, fixed income instruments, investment banking, distribution of mortgages and personal loans.

Presence

Headquartered in Mumbai, India.

Pan-Indian presence with 177 branches across 19 Indian states.

Memberships in the NSE, BSE (securities trading), MCX, NCDEX and DGCX (commodities trading).

Registered as a Category I Merchant Banker.

Depository Participant with NSDL and CDSL

SEBI-registered Portfolio Manager.

Listed on the Mumbai and National Stock Exchanges.

Portals

www.indiainfoline.com - the Company's flagship portal, known for the most comprehensive information and incisive analysis of Indian business, finance and investments.

www.5paisa.com, the group's trading platform, widely regarded for the most advanced features and speed of execution.

Promoters

A group of professionals with an impeccable track record and a deep understanding of the Indian financial services space, holding over 35% stake

in the Company.

Position

Well-placed to emerge as the leading player in the retail financial services space in India with a significant presence in businesses like equities and commodities broking, as well as distribution of mutual funds and life insurance products across India. One of the pioneers in the field of online broking, we are the biggest corporate agency for the distribution of life insurance products. We have achieved a critical mass in all key segments of our business.

Performance

Revenues witnessed at a CAGR of 146% over three years; profit after tax increased 156% over the same period. Net worth registered an increase of 272% to Rs 1,942 mn.

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Corporate
Information

Highlights of performance in 2005-06

182.2%

increase in net revenue over 2004-05

125.7%

increase in profit after tax over
2004-05

39.8%

EBIDTA margin

39.7%

return on average equity

178.8%

increase in profit before tax over
2004-05

32.3%

return on capital employed

100

branches added in 2005-06

2,986

manpower increased in 2005-06

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Financial highlights

(Rs mn)			
Parameters	2005-06	2004-05	Growth (%)
Income from operations	2,134.1	757.3	181.8
Equities brokerage and related income	1,427.1	511.1	179.2
Life Insurance	215.9	59.8	261.0
Distribution of Mutual Funds	199.9	117.7	69.8
Commodities broking	41.3	4.8	753.9
Financing and investment	46.9	–	–
Online media and content	200.6	63.8	214.3
Distribution of Mortgages and loans	2.4	–	–
Other income	46.4	15.3	203.1
EBIDTA	868.8	297.9	191.7
Gross profit	933.9	312.9	198.4
Profit after tax	489.3	216.8	125.6
Cash profit	574.9	241.9	137.6
E.P.S. (Rs)	11.5	8.0	44.3
Cash E.P.S. (Rs)	12.7	7.6	67.1
D.P.S. (Rs)	3.0	–	–
Net worth	1,942.6	522.5	271.8
Capital employed	3,778.4	1,064.2	255.0

**Our Rs 900 mn public issue in April 2005
was oversubscribed 7.22 times.**

‘Our vision is to be the most respected company in the financial services space’

Mr Nirmal Jain, Founder and Chairman, highlights the rationale of the Company vision

Dear Shareholders

At India Infoline we are convinced that even as a number of our peer companies are focused on emerging as the biggest and the best in the financial services space in India, there is an even more critical opportunity available in emerging as the most respected.

This is an engaging subject.

- Is there really such an opportunity, considering the plethora of banks and entrepreneurial companies in the sector?
- How does one define and measure respect?
- Is ‘respect’ a compelling vision over ‘largest’ or ‘most profitable’?
- Can ‘respect’ suffice as the rationale for one’s existence?
- What do we need to do to achieve this vision?
- What we should not do to make this vision happen?

It might be a relevant time in our post-IPO annual report to be addressing a subject that is clearly at

the head of our priorities.

Is there really an opportunity?

There are indeed a number of respected companies in India’s financial sector, including well managed private sector banks and rapidly growing entrepreneurial outfits. And yet I feel that the opportunity that is being addressed by India Infoline is indeed unique for an important reason: private sector banks may be respected for their size and management depth but when it comes to commanding respect for research, advice and execution speed that can make a distinctive difference to a retail investor, India Infoline is better equipped.

As things stand today,

- Investors respect our calls on the market
- Traders swear by our entrepreneurial dynamism that has helped them tide over a volatile environment

- Those who want to borrow, prefer us for our vendor-neutral shopping platform

- Our technology team is respected by peer companies, reflected in their prompt emulation

It is this complement of trust, thought, technology and service that evokes a distinctive and spontaneous respect for India Infoline over other banking and non-banking financial services firms in India.

How do we define and measure respect?

At India Infoline, we are convinced that respect must be earned through one’s performance. At the Company, we believe that this ‘performance’ is not only a play on our core competence in the narrow sense but a broader demonstration of acceptable behavior.

While core competence has been discussed in the factors listed earlier in this report, the ‘acceptable behaviour’ bit comprises our advice

timeliness, service efficiency, governance standards, general transparency and an ongoing fulfillment of societal and statutory obligations.

This is the tricky part. Unlike money, respect cannot be quantified or measured but must be perceived from the quality of positive responses of all who deal - or even not - with us over a period of time. More challengingly, it must extend from an intermittent achievement to sustained consistency over time.

Is this the preferred vision?

At India Infoline, we recognise that we are engaged in dealing with people's hard-earned money for which the business is understandably regulated. In view of this, we recognise that we need to build an organisation that lasts the test of time and wins the trophy of trust each time a customer deals with it. At the Company, we believe that we need to be single-mindedly in the pursuit of orderly conduct and blemishless reputation.

This brings me to an important point. History is replete with instances of scores of individuals and organisations that gained wealth, fame, recognition almost overnight through an unexpected stroke of luck. In my mind, no one ever gained respect through a stroke of luck. On the contrary, respect, even though it is difficult to gain, is easy to lose, which is what makes its pursuit challenging and its achievement precious.

Does this define the rationale for our existence?

At India Infoline, while to be the most respected is our singular vision, we recognise that it cannot be

achieved in isolation. No organisation can claim to be the most respected with a profitability among the lowest or presence in the last quartile or growth that lags the industry average.

This brings me to another conclusion. To achieve our vision, we must perform well across all parameters. We may not rank first across all aspects of business but must rank among the top few across all. While on the whole, we need to grow fast, profitably and strive for leadership, our conflict situations will be resolved through our vision. In view of this, we may let a profitable opportunity pass, should it hold even a semblance of a prospect of threatening our reputation.

What do we need to do to achieve this vision?

At India Infoline, the pursuit of our vision is not a fixed goal but a moving target. In view of this, we need to continuously reinforce our research capability, transaction delivery model, service efficiency and compliance standards, even though we are already second to none in them. More importantly, we need to reinforce our capabilities and set new industry standards in a sustainable way.

At the end of the day, the potency in our achievement must be reflected in customer response. We need to enhance our credibility to the point so that when people trust us with their money, they can sleep peacefully; what our research puts out after considerable analysis attracts even expert attention; instances of our outstanding service get discussed over tea in clubs and corporate offices.

The goal is clear: to delight the customer with the comfort and convenience of a one-stop shop, reaching out to her, wherever she may be. And we can do all this only if our only asset – people - function at the peak of their morale and productivity.

What we should not do in order to make this vision happen?

As important as what we need to do will be our courage to say 'no' at the right points. At India Infoline, I am pleased to state that this discerning ability is already embedded in our DNA.

We are emphatically prepared to say 'no' to poor quality in the pursuit of instant results. Prepared to say 'no' to short-term stop-gap alternatives. 'No' to unfair or ad hoc policies, be they for customers or employees. 'No' to reckless hire-and-fire policies. 'No' to using legal loopholes to ensure our sole benefit. 'No' to cutting corners, to policies that may be legal but not fair. 'No' to hidden charges and unethical suppliers, even if they represent a lower cost.

More importantly, this intolerance for the sub-standard needs to percolate to the smallest of things – for instance, saying 'no' to reaching late for appointments and 'no' to shirking responsibilities.

So even as the theme of this annual report is 'opportunity', the opportunity to occupy the position of the 'most respected' is the only one for India Infoline that will remain enduring and eternal. A journey with no destination, where the journey is the reward in itself.

Nirmal Jain

Founder and Chairman



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Success

**is nothing but
opportunity meeting
the prepared.**

Opportunity: Technology

“A brick-and-mortar mindset restricted capital market participation to a privileged few.”



Trading required dealing with messy paper-based settlement, opaque trading systems and high costs. Understandably not everyone could participate. Suddenly, one fine day, the walls started disappearing, paving the way for a level playing field even for small investors.”

