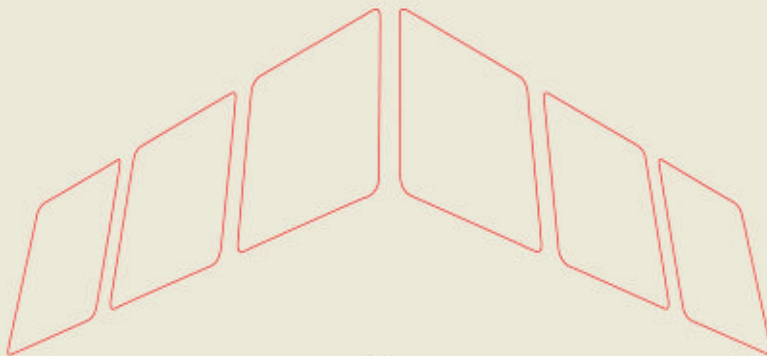




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6 facets **1** direction

India Infoline Limited | [Annual Report 2007-08](#)

## Contents

➤ 02	➤ 06	➤ 08	➤ 11	➤ 15	➤ 19	➤ 22
About us	Chairman speaks	2007-08 in retrospect	Broking	Credit and finance	Insurance	Investment banking
<hr/>						
➤ 26	➤ 31	➤ 34	➤ 40	➤ 50	➤ 58	➤ 72
Wealth management	Asset management	Risk management	Directors' Report	Management discussion and analysis	Corporate Governance Report	Financial Section
<hr/>						
➤ 112						
Corporate information						
<hr/>						

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### Rubik's cube & our business

Like the six different bright colours of the Rubik's cube, India Infoline has six distinct business groups – all an integral part of financial services. Each of the individual businesses has bright growth prospects and together they form the cube of financial services – our core competence.

Any business, like the Rubik's cube, may have 43,252,003,274,489,856,000 strategic options for one correct solution. But unlike the Rubik's cube, business solutions involve people and emotions and the right solution depends upon your vision and goals.

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# India Infoline is among the largest, most diversified and de-risked financial services players in India today.



## Our pedigree

- ◆ Started in 1995 as an independent business research and information services provider; now evolved into a one-stop financial services provider.
- ◆ Managed by competent professionals with impeccable track record and with a deep understanding of the Indian financial services space.



## Our product offerings

- ◆ Broking (Retail & institutional, equities and commodities)
- ◆ Credit and finance
- ◆ Asset management
- ◆ Wealth management
- ◆ Insurance distribution
- ◆ Investment banking



## Our presence

- ◆ Headquartered in Mumbai, India.
- ◆ Pan-India distribution network, comprising 758 business locations (607 branches, 151 franchisees) in 346 cities; international presence in Dubai, New York and Singapore.
- ◆ Listed on the BSE and NSE.

Commenced operations

1995

Promoter's holding

33.4%

As on March 31, 2008



#### Our portal

- ◆ www.indiainfo.com, the Company's flagship portal, is recognised as the most comprehensive information resource centre with an incisive analysis of Indian business, finance and investments.

FII holding

27.5%

As on March 31, 2008



#### Our memberships

- ◆ NSE, BSE (securities trading).
- ◆ MCX, NCDEX and DGCX (commodities trading).
- ◆ NSDL and CDSL (depository participant)
- ◆ Registered as a Category-I Merchant Banker.
- ◆ SEBI-registered Portfolio Manager.
- ◆ India Infoline Investment Services Ltd. and Moneyline Credit Ltd. are registered with RBI as non-deposit accepting non-banking financial companies.

India Infoline team

14,000+

As on March 31, 2008

India Infoline clients

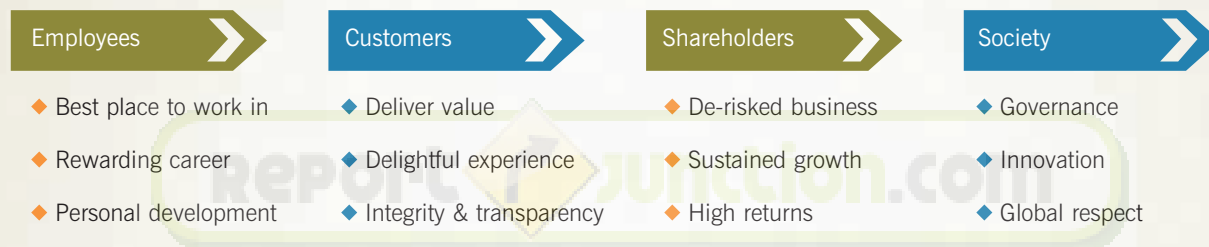
800,000+

As on March 31, 2008

## Our vision

To become the most respected Company in the financial services space.

Vision elaborated from the perspective of various constituencies



## Our milestones

### 1995

Incorporated as an equity research and consulting firm with a client base that includes leading FIIs, banks, consulting firms and corporates.

### 1999

Restructured the business model to embrace the internet; launched [www.indiainfoline.com](http://www.indiainfoline.com); mobilised capital from reputed private equity investors.

### 2000

Commenced the distribution of personal financial products; launched online equity trading; entered life insurance distribution as a corporate agent.

### 2004

Acquired commodities broking license; launched Portfolio Management Service.

## Our mission

To become a full-fledged financial services company known for its quality of advice, personalised service and cutting-edge technology.

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### 2005

Listed on the Indian stock markets.

### 2006

Acquired membership of DGCX; launched Investment banking services.

### 2007

Launched a proprietary trading platform; inducted an institutional equities team from the incumbent leader; formed a Singapore subsidiary; raised over USD 300 mn in the group; launched consumer finance business under the 'Moneyline' brand.

### 2008

Launched wealth management services under the 'IIFL Wealth' brand; set up India Infoline Private Equity fund.

Chairman speaks

## 'De-risking our business for sustained growth.'

Nirmal Jain, Chairman, India Infoline Group

*Dear friends*

During the last few months, risk awareness and aversion have increased across the world. While during periods of easy liquidity, most market participants underestimated and underpriced this risk, there is a widespread concern given the record price of crude oil for its impact on inflation and disposable incomes. However, what is more worrying is the incidence of inflation in food products, the first time such an instance has occurred in decades. What is alarming is its feared impact on the bottom of the pyramid, threatening political and social stability in countries and reflected in stock markets and currency markets volatility the world over.

Like market participants, many businesses also undermine the significance of risk in favourable periods, when they are single-mindedly pursuing business growth and profits. The pursuit of the latter is quantified and reported quarterly and then multiplied by a factor for the computation of shareholder wealth. The leveraged response to risk and rewards is even greater in financial services. Our systems, processes and controls have stood the trial by fire on days of extreme volatility and proved robust enough to handle multi-sigma deviations. We

continue to invest in strengthening these risk management systems for the benefit of customer and company.

We remain sanguine about Indian economy's capacity to sustain long-term growth, with services accounting for a bulk of the incremental growth. We are also confident that financial services industry will grow manifold over the next 5-10 years. However, what we cannot deny is that the growth curve will not move steadily upward but more likely to be a scary roller-coaster in gradient.

The management of your Company is therefore focused on building a business model that will be progressively de-risked, through a five-pronged strategy:

- ◆ **People driven by an owner's mindset:** While companies would like to claim how well they invest in people, it works the other way round for us. We create owners out of people not only through a financial stake but also through autonomy to take decisions, make mistakes, learn from them and grow their confidence, careers and competence. It is our experience that when we have such a model of liberal ownership, people invest their heart, soul and mind in the business. The sheer energy and

vibrancy of our workplace is attracting an increasing number of professionals with an exceptional track record. We are also extremely selective about people who join us at the leadership level with an emphasis on their alignment with the Company's long term vision, goals and values.

- ◆ **Capital:** Nobody can over-emphasise the importance of being adequately capitalised in a financial service business like ours. During the last financial year, we raised over Rs 11 bn in our Company and its subsidiaries. This will allow us to invest in our core businesses and sustain growth.
- ◆ **Operational excellence:** Even in the worst of times, we resist mindless cost-cutting. However, what we do emphasise is the highest level of operational excellence where we can maximise value and customer delight. We continue to invest significantly in technology to reduce recurring costs and shrink turnaround time, enhancing our customer experience.
- ◆ **Business mix:** We remain focused on financial services. We are building teams with professionals possessing the best credentials, broadening our service offerings to encompass the





entire range of financial services (except commercial banking). The beauty of this business model is that while it leverages the existing infrastructure of people, technology and processes, it generates multiple revenue streams, reducing our vulnerability to a single business or cycle. As a result, our business model is akin to a Rubik's Cube with six faces of different but vibrant colors and yet part of an integrated cube.

- ◆ **Global expansion:** Your Company has already commissioned subsidiaries in major global financial centers. We now propose to leverage the 'India' edge and build research capabilities to cover regional markets. We will focus on our core competence and domain understanding of financial services; we will leverage our research and relationships with institutional investors to expand overseas, effectively mitigating risks associated with a single geography.

As you are aware, we have established a competitive position in the area of life insurance distribution and retail broking.

During the year under review, we added two new engines of growth, namely institutional equities and investment banking. I am pleased to say that we gained a credible traction in both within a short period. Our team is now confident of graduating these businesses to leadership positions within their respective spaces. In the area of institutional equities, our research reports have received wide acclaim from fund managers, corporates as well as other bodies. We proved our investment banking capabilities by successfully advising placement of a GDR issue, the third largest till date from India, in an adverse environment. As I write this, we have done the groundwork to add another powerful engine of growth in the form of Wealth Management business through a subsidiary. We have put together a team of professionals with the best credentials with a substantial stake in the subsidiary.

Presently, there are a number of global uncertainties affecting our business, added to the haziness about domestic policy decisions during an election year. This is not the first time that we are

passing through such a chaotic environment, nor presumably the last. I am an optimist and believe that sooner than later oil prices will subside, inflationary pressures will abate and the Indian markets will see a pull back. The central elections will be behind us in 2009, and the structural growth drivers will be back in play. Leaving aside near-term volatility that could last for a few months, the medium-term outlook continues to remain reasonably sound.

We believe that we are building an organisation that will not only survive such turbulence through competent de-risking, but also emerge stronger. As we have demonstrated in the past, if we manage risk and uncertainties better than our peers, such times will emerge as periods of great opportunity, helping us fortify the foundation of our business and improve competitive position.

**Nirmal Jain**

*Chairman, India Infoline Group*



## 2007-08 in retrospect

### Profitability

- ◆ 610-basis point increase in EBITDA margin from 33.2% in 2006-07 to 39.3% in 2007-08.
- ◆ 70-basis point increase in net margin from 26.9% in 2006-07 to 27.6% in 2007-08.
- ◆ 25.3% return on average capital employed in 2007-08 compared to 28.7% in 2006-07.

### Shareholder value

- ◆ Enhanced basic earnings per share from Rs 16.3 in 2006-07 to Rs 35.6 in 2007-08.
- ◆ A final dividend of Rs 6 per share translating to a payout ratio of 25.1% in 2007-08 against Rs 3 per share in 2006-07.
- ◆ Proposed 1:5 stock-split.

### Business divisions

- ◆ **Broking:** In the equities broking business, the Company increased its market share on the NSE from 2.2% in 2006-07 to 3.4% in 2007-08. It reported one of the highest gross broking yields of 11.6 bps during the fourth quarter. Average daily commodity volumes increased 44% to Rs 0.2 bn.
- ◆ **Insurance:** Life Insurance Agency income increased by 80% to Rs 1.1 bn during the same period.
- ◆ **Credit and finance:** The consumer finance business (brand name 'Moneyline') gained traction with the loan portfolio increasing from Rs 940 mn in December 2007 to Rs 3.3 bn in March 2008.
- ◆ **Investment banking:** Revenues

increased 473% to Rs 0.2 bn following increased traction and induction of experienced professionals.

- ◆ **Asset Management:** Mutual fund distribution income increased 27% to Rs 0.2 bn.
- ◆ **Wealth Management:** The Company formed a separate subsidiary (IIFL Wealth Management Ltd.) and inducted seasoned professionals to spearhead this initiative.

### Presence

- ◆ Commissioned offices and subsidiaries in Singapore and New York to offer wealth management services to the NRI community. Going forward, it also plans to offer broking and regional research- based services from these locations.

