

CARRYING YOUR DREAMS



COVER THEME

We all have dreams. We work passionately to achieve our dreams. More often than not, they include seeing our children educated, settled and married; having a house that we can call our own; travelling to see the beautiful world around us; living an independent retired life. However, most dreams need money to come true. That in turn needs successful financial planning, which is what we at IIFL do for a living. Therefore we say, our business is 'carrying your dreams'.



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Chairman's message

CARRYING YOUR DREAMS

We all have dreams. We dream of a better tomorrow. We dream of seeing our loved ones happier than us. We dream of pursuing our passion. In fact, all human beings are also 'dream beings' because dreaming ties all mankind together. We work hard with sincerity and passion to achieve our dreams. We earn, save, invest and even borrow money to fulfil our dreams. Money is needed to achieve most of our dreams such as owning a house, children's education and marriage, a comfortable life post retirement etc.

Your Company's core business is to help people plan and manage their finances; the success of which is key to make their dreams come true. Our business is therefore founded on fiduciary or trust-based relationships with customers. This is in contradiction to most other businesses that operate on a Caveat Emptor or 'Buyer Beware' principle. And this difference is huge indeed. This difference defines the culture of our organisation and behaviour of people. It therefore also dictates the kind of people we hire, content of our training and method of our appraisal. Our organisation's, systems and processes are designed to be conducive for the same.

While carefully resisting the temptation of confusing dreams with reality, your Company is awake to the fact that we have to be driven by profits; we have to be driven by growth and we have to constantly build our capabilities to excel and beat competition. But the primary driver that supersedes everything else is the most suitable advice to customers on their finances. In many ways, we are like doctors for our client's finances. Our advice is centred at first curing the poor health of the client's portfolio and then prescribing the right dose of medicines and changes in lifestyle for continued good health. A good doctor is also driven by profits and desires a good life for himself and family. Yet, the primary motive of his advice is always driven by the best interest of the patient's health and profits come secondary. His practice grows with satisfied patients and their word of mouth. And it's in the same way that your Company carries on its business.

Let me put things in a better perspective. In the last three years of financial uncertainty, we have been advising our clients to keep a dominant part of their portfolio in fixed income instruments. Today, approximately 70% of our clients' assets are in fixed

income instruments. A typical intermediary will loath such an approach as one earns much higher commission if clients invest in equities. And what have we gained in the bargain? Customers' amplified trust in us. We now have over US\$ 5 billion of assets under advice or custody.

While we cannot guarantee to fulfil anybody's dreams, we can surely improve the odds for our customers. We do this by first mitigating the risk of their dreams getting shattered for lack of knowledge or want of honest advice. Our regulators - SEBI, RBI and IRDA – have done a commendable job of reducing incidences of frauds, misrepresentation and incidences of betrayal of trust. For a common man, the securities markets, banks, mutual funds as well as insurance products are much safer now with little fear of getting swindled. Yet we have seen occurrences where even educated people have fallen prey to some manipulators of the market. We are cognizant of the fact that there is a huge need to spread financial literacy. The task itself is like a dream; it is enormous and has to be a collaborative effort of governmental bodies and private entities. We did not wait for

anyone to fund us or encourage us. Our team came up with an innovative initiative -- FLAME (Financial Literacy Agenda for Mass Empowerment), under which a campaign was run in print media covering more than 3 crore readers across the country. We have been conducting several workshops and seminars to make people aware of their rights as well as risks regarding their own finances. Besides corporates, we have extended our efforts to cover school children, socially backward and physically challenged individuals. We even joined hands with the Indian Army with a financial literacy project to help families affected due to decades of violence in Kashmir. We walked the talk by taking people on board from Kashmir to join our Company and achieve their dream of a life free of terrorism. We have spent several crores of your Company's money in financial literacy although there was no legal obligation on us. Trust us that the trust we earn with this effort is worth every penny of it and you will be as proud as we are in bringing a meaningful

Interestingly, the nature of our fiduciary relationship remains the same whether we are advising one of the largest global investors in Manhattan to invest his billions or insuring a billion dreams of a small daily wage earner in Machlipatnam with a few hundred rupees. But their expectations from us vary. From exacting global standards to explaining basics in local language, your Company has to pass the test of trust every time.

To realise our customers' dreams, we continue to invest in research, technology and distribution capabilities. We make every effort to ensure that our customer experience in dealing with us is second to none. We meet

our customers regularly through multiple channels; from Global Investor Conferences for institutional clients to investor meets in small towns to thousands of direct interactions everyday. We diligently collect valued feedback from our customers to help us improve our service and constantly raise our standards.

While business models differ on fiduciary relationships with customers, all businesses have a fiduciary relationship with employees and stakeholders. In other words, carrying the dreams of one, should not turn into a nightmare for other stakeholders. How do we come true on those relationships?

IIFL's core business is to help people plan and manage their finances: the success of which is key to make their dreams come true

Let us take our employees first. Beginning with me, we all share the vision that we want to be the most respected company in the financial services industry. We are the face of your Company to the customers. We all have unflinching faith in our values that customer's trust can never be betrayed. We all know that our dreams are

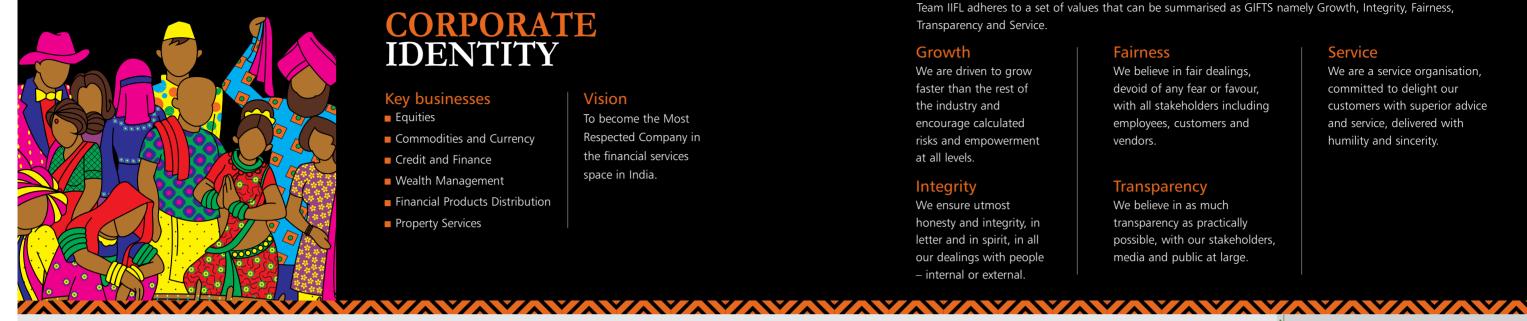
founded on customers' continued trust in the long term. We are willing to sacrifice short-term revenue-based incentives and are happier with long term incentives by way of part ownership. We all are driven by an 'owner mindset'. We want to build a great business of happy customers who motivate us and are thrilled to refer us to their friends and relatives. We are not driven by direct measures of size and profitability as much as we are guided by the right way of doing business and winning customers'

The difficult one is to define your shareholders' dreams. We have no control over stock market prices and wealth as computed by market cap formula. We have no inclination to control it either. The way we understand your dreams is a bit different. We believe you expect us to build a great business that generates a huge value for you in the long run. You expect that the business be done with the highest standards of governance and ethics such that you can be proud of owning it. Your Company should excel in operating efficiency and have a robust de-risked model, capable of sustained growth. Such business will no doubt create enormous shareholders wealth in the long run and fulfil your expectations. Your Company's management and people are committed to such understanding of your dreams.

It is indeed a great privilege as well as a responsibility to be carrying your dreams.

NIRMAL JAIN Chairman

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CORPORATE IDENTITY

Key businesses

- Equities
- Commodities and Currency
- Credit and Finance
- Wealth Management
- Financial Products Distribution
- Property Services

Vision

To become the Most Respected Company in the financial services space in India.

Values

Team IIFL adheres to a set of values that can be summarised as GIFTS namely Growth, Integrity, Fairness, Transparency and Service.

Growth

We are driven to grow faster than the rest of the industry and encourage calculated risks and empowerment at all levels.

Integrity

We ensure utmost honesty and integrity, in letter and in spirit, in all our dealings with people - internal or external.

Fairness

We believe in fair dealings, devoid of any fear or favour, with all stakeholders including employees, customers and vendors.

Transparency

We believe in as much transparency as practically possible, with our stakeholders, media and public at large.

Service

We are a service organisation, committed to delight our customers with superior advice and service, delivered with humility and sincerity.

AWARDS





Best Commodities Investment, February 2012



Decide with Confidence

Best Broking House with Global Presence, October 2011



Best Wealth Management House – India, September 2011

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Best Equity Broker of the Year March 2011

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Ranked No. 1 in 'Fixed Income Portfolio Management' in India, February 2012

Best Broker - India, June 2011

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COUNTRY

AWARDS

2011

Finance Asia

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IIFL TODAY

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1 million+

Customers across various Businesses

3000+

Business locations across India

Presence in countries globally

10,000+

India Infoline team members as on March 31, 2012

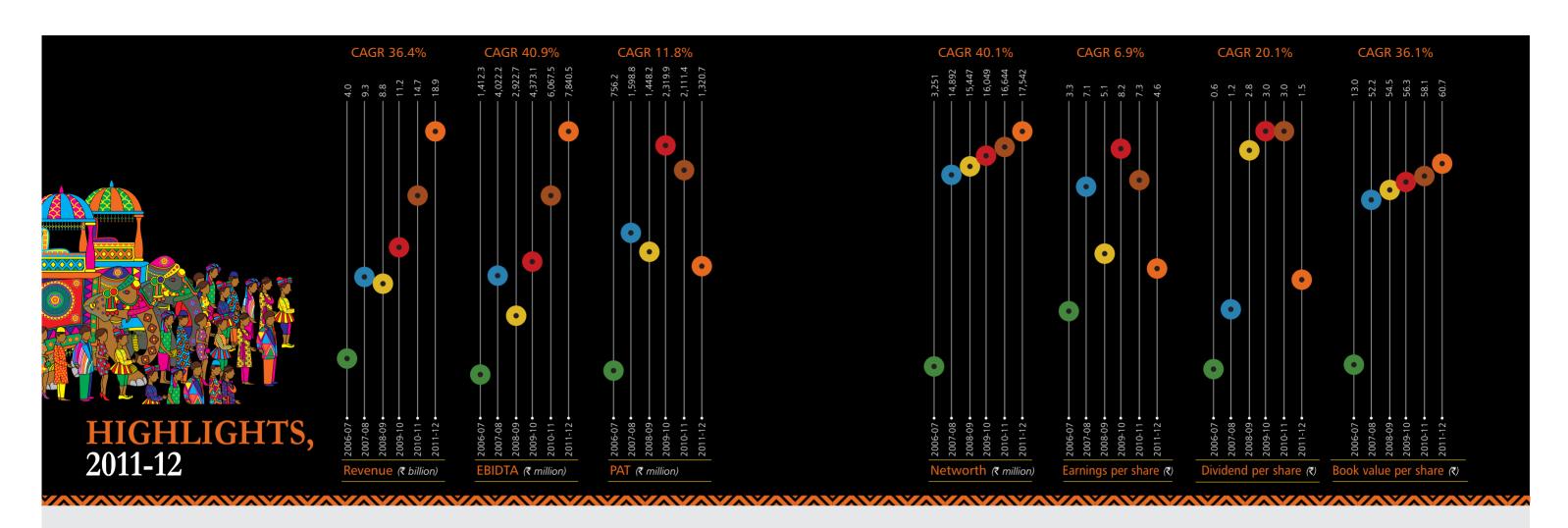
200 +

Stocks covered by our research team

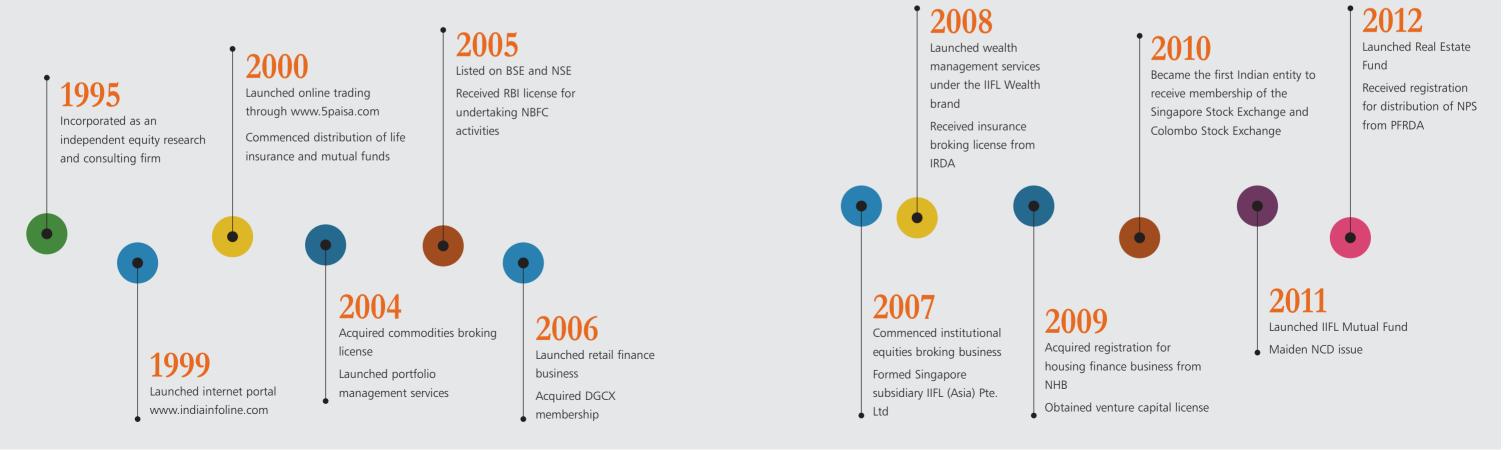
240 +

₹ billion HNI wealth under advice

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MILESTONES



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IIFL's Enterprising India Investors' Conference was held at Mumbai in February 2012. IIFL had the privilege of hosting more than 600 institutional investors, 75 Indian companies, a few Sri Lankan companies and select specialist speakers. We hosted companies from a wide array of sectors and market caps. The institutional investors who participated at the conference included a number of marquee long-only funds that estimated investments of more than US\$100 billion in India. In total, we had more than 2,000 group and one-on-one meetings, a record number for a three-day event. The conference received an overwhelming response and set new standards for investor conferences in India.

Dr. CP Joshi, Honourable Minister for Roads and Highways with Mr. Nirmal Jain, Chairman, IIFL, inaugurated the El-III conference. In his speech, Mr Joshi highlighted the remarkable progress made in new road awards.

Dr. Jim Walker, Founder, Asianomics, with Mr. Bharat Parajia, MD, IIFL (Asia), Pte. Dr. Walker was optimistic on prospects of growth recovery in the US, but was decisively negative on Europe and China.



Dr. Subir Gokarn, Dy. Governor, Reserve Bank of India was a key note speaker at the IIFL Global Enterprising India Conference. In his address, Mr Gokarn expected India's growth cycle to bottom out, highlighting thus that FY13 growth would be better than that in FY12.



Ms Shikha Sharma, MD & CEO, Axis Bank with Mr. R Venkataraman, MD, IIFL





Vinayak Chatterjee, Founder and CEO, Feedback Infrastructure with Mr Nemkumar, President, Institutional Equities, IIFL. Mr Chatterjee was bullish on the prospects for the infrastructure sector. The EI-III conference witnessed the participation of more than 600 institutional investors, 75 Indian companies, a few Sri Lankan companies and select specialist speakers



Panel discussion on "Asset Quality of Banks" - Diwakar Gupta, MD, SBI; Keki Mistry, Vice Chairman, HDFC; Naresh Thakkar, MD, ICRA; Rakesh Sethi, ED, PNB.



Panel discussion on "The Internet sector and E-commerce opportunities in India". Sanjeev Bikhchandani, Founder and Vice Chairman, Info Edge; Deep Kalra, CEO, MakeMyTrip; Sandeep Murthy, Partner, Sherpalo Ventures; Ishita Swarup, CEO, 99 labels.









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RESEARCH CAPABILITIES 卐

At IIFL, our core competence lies in research, which has been built over the years. We have published a number of research reports that have been very well received by investors and industry experts. We have independent teams catering to the institutional segment and retail clients.

Our institutional research team has 25 analysts who cover over 150 stocks, including research on India, China and Sri Lankan markets. The in-depth, thematic and thought provoking research published by the institutional team has been well received and differentiates us from others. We also have top-tier rankings with leading institutional investors in India.







Our retail research team has 15 analysts who cover over 110 stocks. Our research team provides in-depth research on stocks across sectors and market capitalisation. Market Mantra, our daily comprehensive retail product covers market outlook, latest news, economy snapshot, personal finance insights, research ideas, etc. We also publish research reports in regional languages including Hindi, Marathi and Gujarati.







Mukherjee; Mr. Subhash Chandra, Chairman, Essel

Group on the right

TECHNOLOGY EDGE



IIFL's proprietary online trading platform, Trader Terminal, has always been very popular among clients. The Trader Terminal has lightning fast execution speed, world-class user interface and a single-click access to its world-class research. The new terminal offers the facility to trade in cash, derivatives, mutual funds, IPOs, currencies and commodities all in one screen. Besides. investors can now trade from their desktop, over the web and using their mobile.

Trader Terminal has been very well received by our clients. Its features include streaming quotes, instant order confirmation, multiple market watches, alerts, advanced charting options, etc.



Several initiatives have been taken to make the research accessible to retail investors

- 'Ask Analyst' facility provided to clients online
- Live Chat conducted by the research team
- Research queries are addressed on social media

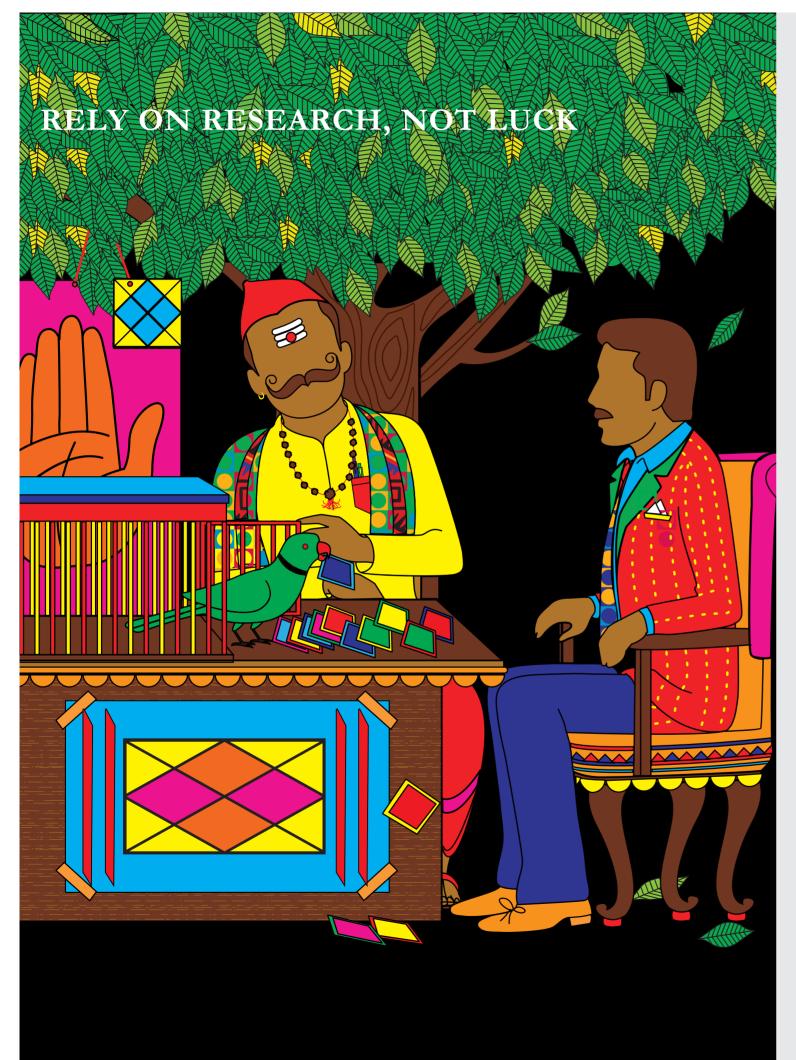
Robust mobile trading application for Blackberry and Android phones which freely enables you to trade on the move.



IIFL is widely present in social media on Facebook and Twitter. The Company also launched an online contest for Facebook users to encourage aspiring individuals to fulfill their dreams. Under the theme of the contest 'Invest in your dreams', an individual can submit his or her biggest dream and win the contest by getting also help these winners get a step closer to realising their dreams.



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EQUITIES ADVISORY AND BROKING

We believe that in-depth research and not luck is the key to successful investing. We have our roots in equities research and over the years have honed our skills across different asset classes and investment styles. Our clients, be it retail, institutional or HNI, derive the benefits of research specific to their requirements.

Overview

IIFL offers online and offline broking and advisory services in cash and derivatives segments to retail and institutional clients. Your Company serves close to one million retail investors through its branches spread over more than 500 cities and towns across India. IIFL's institutional equities business has top-tier rankings with leading institutional investors in India and has established leadership in block placements. IIFL is also an active member of the Colombo Stock Exchange for stock broking.

The Investment Banking team is led by professionals having over 20 years of experience in the business. The team is well placed to leverage IIFL's in-depth research capabilities, institutional placement capabilities, wide retail reach and relationships with both issuers and investors.

Major highlights, 2011-12

- Average daily turnover in equities segment was ₹ 52.6 billion in FY12 as compared with ₹ 53.4 billion in FY11. Broking yields witnessed pressure due to change in product mix in favour of futures and options segment
- Equity market share in NSE was at 3.8% in FY12
- The Company received two successive awards during the year:
- 'Best Broker India' by FinanceAsia Country Awards, June 2011

 'Best Broking House with Global Presence' by D&B Equity Broking Awards, October 2011

Key strengths

- Award-winning research team which gives in-depth analysis on both technical and fundamental side of the business. We have independent teams catering to the institutional segment and retail group.
- Present in over 3000 business locations which include a vast network of own branches and franchisees across the country
- Strong in-house developed technology for internet, mobile trading and back office

Future roadmap

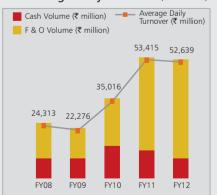
- Be a financial planner for our customers and provide research based advice on assets based on every clients' risk profile
- Continuously enhance customer delight by offering the best customer service standards
- Focus on creating an employeefriendly work environment to retain talent
- Strengthen our investment banking business to position ourselves favourably to capture new emerging opportunities

Industry overview

■ With the rapid growth in options volumes, the share of the F&O segment

- in overall market volumes increased to 90% of total volumes in 2011-2012 leading to further pressure on yields (Source: NSE and BSE).
- Given the prevailing negative sentiments in the global and Indian environment, India's investment banking fee pool came under serious pressure last year. The equity raised through the capital markets in the last financial year was ₹ 604 billion as against ₹ 969 billion in the previous year. Private equity continued to be an active and alternate pool of capital and the deal value was US\$ 10.1 billion in CY11 as against US\$ 8.1 billion last year. (Source: Bloomberg, IIFL Research).
- Given India's overall macro economic growth story, long-term potential of equities and commodities trading is good on back of low penetration and return generating potential of these asset classes.

IIFL Average Daily Turnover (₹ million)



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