# India Infoline Limited

## Results for Quarter ended September 30, 2010

October 27, 2010

- Performance highlights
- Business review
- Corporate overview
- Industry update

*Unless otherwise mentioned, facts and figures in this presentation refer to those for the India Infoline group (consolidated)*

# Performance highlights – Quarter ended Sept 30, 2010

### Overall consolidated financial performance

- For the quarter, Income stood at ₹3,399 mn, up 19% yoy and 11% qoq
- EBIDTA margin was 39.9% as compared to 35.6% in the previous quarter
- PAT stood at ₹541 mn, down 7% yoy, up 26% qoq

### Equities, Broking and related

- Average daily turnover was around ₹46 bn, up 39.0% yoy, up 6.7% qoq
- Equity, brokerage income was down yoy due to fall in yield, as product mix changed in favor of lower yield derivatives turnover. IIFL market share in NSE was 3.9% during the quarter
- Investment Banking, although subdued during the last quarter, has a robust pipeline of deals
- The Wealth Management business continues to grow. The assets under advisory are over ₹100 bn

### Financing and Investing

- The aggregate loan book size increased to over ₹25 bn from ₹19.6 bn in the last quarter
- Net NPAs on the book continue to remain less than 1%

### Marketing and Distribution

- Insurance premium mobilization in Q2FY11 was around ₹660 mn, up 61.5 % yoy
- During the quarter, the relative share of pension products reduced from 32% to 18%

# Financial highlights: Quarter ended Sept 30, 2010

| ₹ Mn | Q2FY11 | Q1FY11 | Q-Q | Q2FY10 | Y-Y |
|---|---|---|---|---|---|
| Equities, Broking and related income | 1,634.0 | 1,543.3 | *5.9%* | 1,836.2 | *-11.0%* |
| Financing and Investing income | 1,252.7 | 1,097.8 | *14.1%* | 777.3 | *61.2%* |
| Marketing and Distribution income | 507.0 | 417.0 | *21.6%* | 249.8 | *103.0%* |
| Other income | 5.4 | 1.8 | *194.0%* | 2.3 | *129.7%* |
| **Total Income** | **3,399.1** | **3,059.9** | ***11.1%*** | **2,865.6** | ***18.6%*** |
| A. Direct cost | 444.6 | 477.4 | *-6.9%* | 365.5 | *21.7%* |
| B. Employee cost | 986.8 | 919.7 | *7.3%* | 736.0 | *34.1%* |
| C. Administration expenses | 610.1 | 572.5 | *6.6%* | 507.0 | *20.3%* |
| **EBITDA** | **1,357.6** | **1,090.3** | ***24.5%*** | **1,257.1** | ***8.0%*** |
| Interest | 385.3 | 282.9 | *36.2%* | 155.6 | *147.6%* |
| Depreciation and amortisation | 155.3 | 154.2 | *0.7%* | 131.5 | *18.1%* |
| **Profit / (Loss) before tax** | **817.0** | **653.2** | ***25.1%*** | **970.0** | ***-15.8%*** |
| Provision for taxation | 267.5 | 212.8 | *25.7%* | 326.9 | *-18.2%* |
| **Profit/(Loss) after tax before minority** | **549.5** | **440.4** | ***24.8%*** | **643.1** | ***-14.5%*** |
| Minority Interest | 8.1 | 9.0 | *-10.4%* | 62.8 | *-87.1%* |
| **Profit/(Loss) after tax** | **541.4** | **431.4** | ***25.5%*** | **580.3** | ***-6.7%*** |

# Financial highlights: Half-year ended Sept 30, 2010

| ₹ Mn | H1FY11 | H1FY10 | *Y-Y* |
|---|---|---|---|
| Equities, Broking and related income | 3,177.3 | 3,441.7 | *-7.7%* |
| Financing and Investing income | 2,350.5 | 1,351.0 | *74.0%* |
| Marketing and Distribution income | 924.1 | 447.7 | *106.4%* |
| Other income | 7.2 | 3.2 | *127.1%* |
| **Total Income** | **6,459.0** | **5,243.5** | ***23.2%*** |
| A. Direct cost | 922.0 | 747.0 | *23.4%* |
| B. Employee cost | 1,906.5 | 1,378.9 | *38.3%* |
| C. Administration expenses | 1,182.7 | 902.4 | *31.1%* |
| **EBITDA** | **2,447.8** | **2,215.2** | ***10.5%*** |
| Interest | 668.2 | 162.7 | *310.6%* |
| Depreciation and amortisation | 309.4 | 265.6 | *16.5%* |
| **Profit / (Loss) before tax** | **1,470.2** | **1,786.9** | ***-17.7%*** |
| Provision for taxation | 586.3 | 596.7 | *1.6%* |
| **Profit/(Loss) after tax before minority** | **990.0** | **1,190.2** | *-16.8%* |
| Minority interest | 17.1 | 93.2 | *-81.6%* |
| **Profit/(Loss) after tax** | **972.9** | **1,097.0** | ***-11.3%*** |

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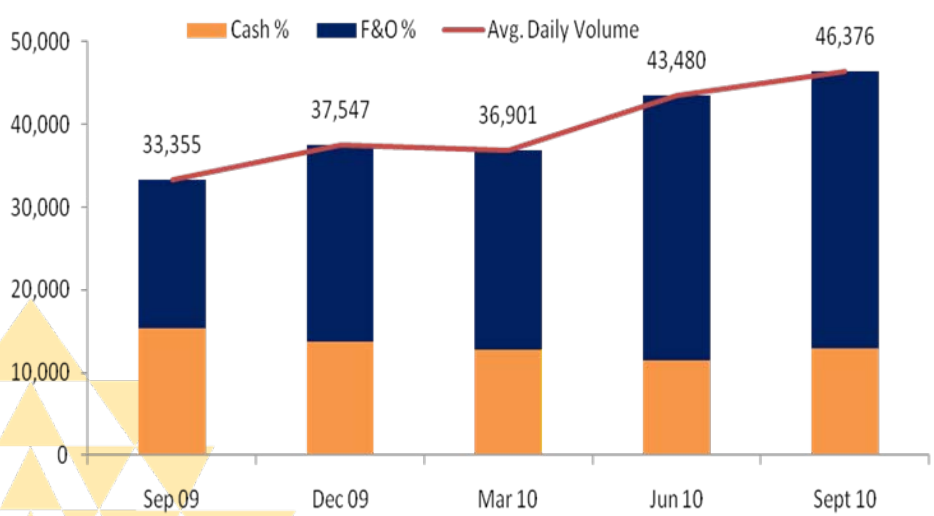
# Equities

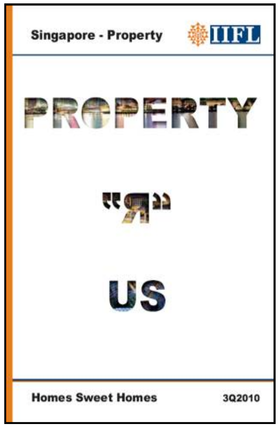
- Market share on NSE was 3.9% in Q2FY11
- Average daily turnover up 39% yoy in Q2FY11 to around ₹46 bn
- Present in over 2,700 business locations through branches and sub-brokers
- Recent thematic research reports include:
  - Discover Sri Lanka: A primer on this promising market
  - Property 'R' Us: A detailed survey and analysis of Singapore's property market
  - India Coal - Black Diamond: A detailed analysis of India's coal industry
  - India Telecom: A detailed rundown on India's telecom sector

Average Daily Turnover (₹ mn)

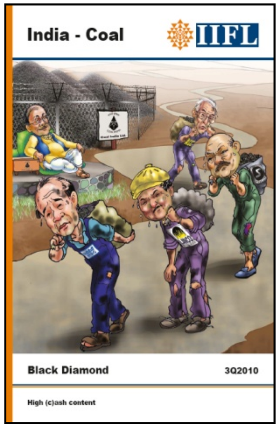



Recent research reports

A detailed survey and analysis of Singapore's property market




A detailed analysis of India's coal industry

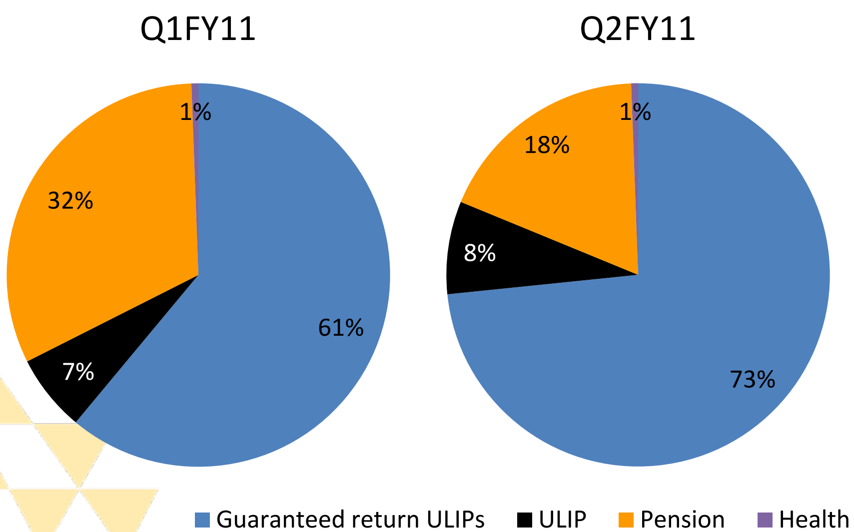



A detailed rundown on India's telecom sector

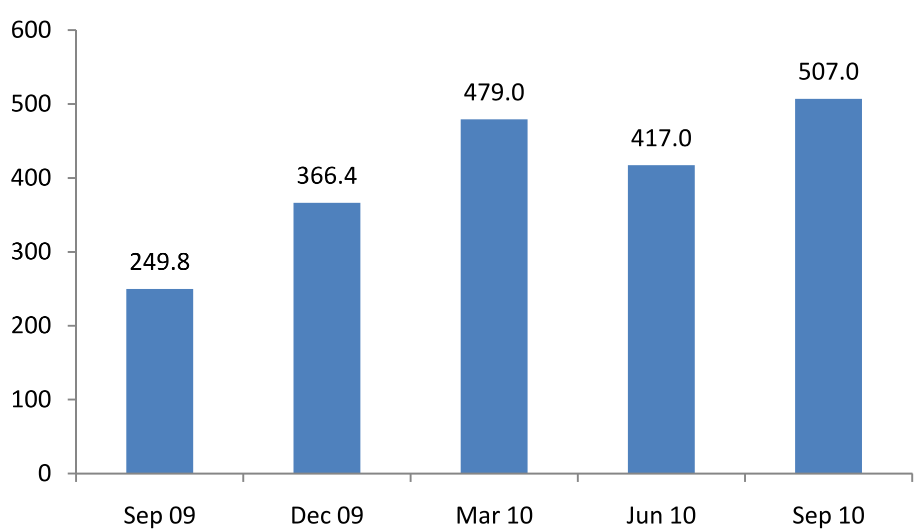
# Insurance

- Insurance premium mobilization in Q2FY11 was around ₹660 mn, up 61.5% yoy
- During the quarter, the relative share of pension products has fallen from 32% to 18%
- IIFL offers customers a wide bouquet of products from several insurance companies including ICICI Prudential, Reliance Life Insurance, Bajaj Allianz Life, Max New York Life and others

Changing product mix



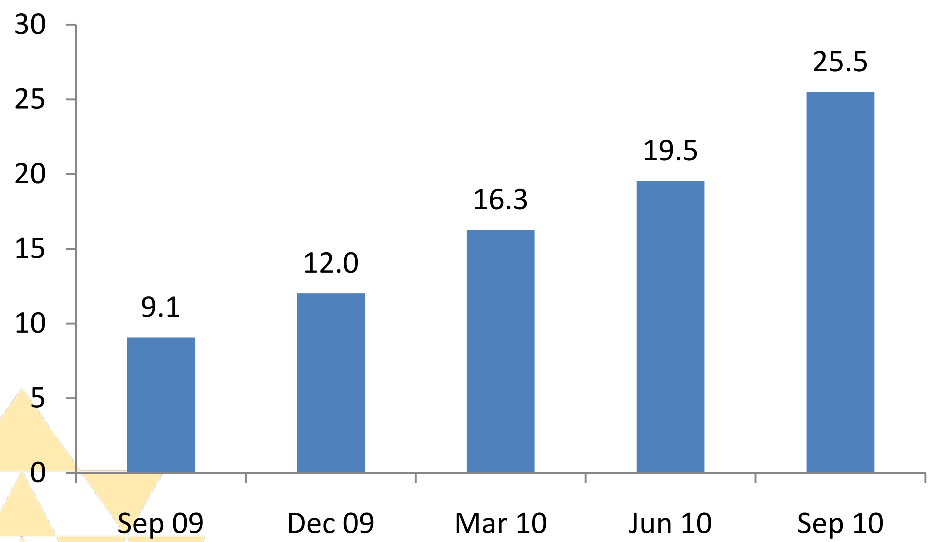

Marketing and Distribution income (₹ mn)



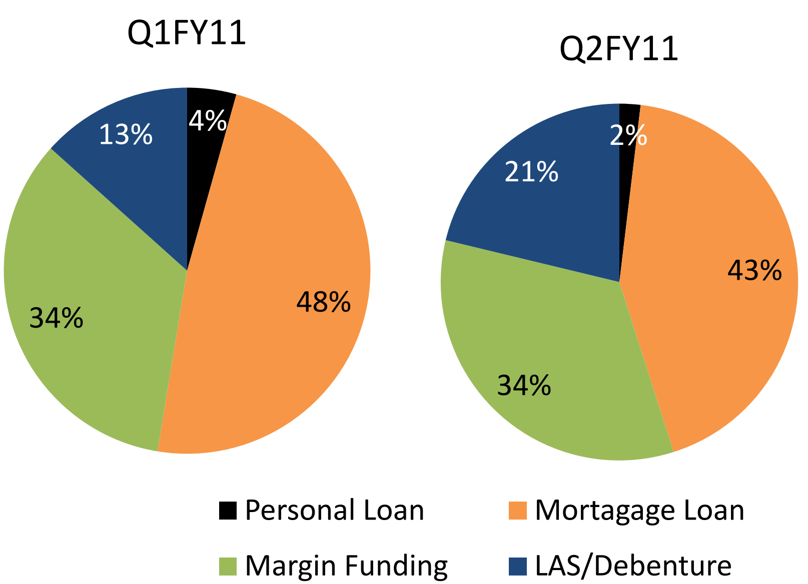
# Credit and finance

- The loans portfolio as on September 30, 2010 increased to over ₹25 bn
- 98% of the loan portfolio is against collateral of mortgages and securities
- Net NPAs on the books continue to remain less than 1%

Loans Portfolio (₹ bn)




Portfolio break-up



# Investment banking

- Book running lead manager for the ₹3,040 mn GDR issue of Cox & Kings India Ltd.
- The company continues to invest in strengthening its investment banking team and infrastructure
- With a healthy pipeline in the coming quarters, we expect an uptick in the Investment banking business

**Deal Snapshot: H1FY11**

| | | | |
|---|---|---|---|
| GDR<br>₹ 3,040mn | IPO<br>₹ 774mn | Rights<br>₹11,563mn | IPO<br>₹ 2,000mn |
| Cox & Kings India Ltd. | Talwalkars Better Value Fitness Limited | Videocon Industries Limited | Parabolic Drugs Limited |
| 2010 | 2010 | 2010 | 2010 |
| Book Running Lead Manager | Sole Book Running Lead Manager | Lead Manager to the Issue | Member of the Syndicate |

# Wealth management

- Assets under advisory of over ₹100 bn
- Have continuously invested in upgradation of systems, technology and processes and built a robust platform supporting multiple asset classes
- Introduced Personalised Investment Office (PIO) - A unique family office proposition which besides being a regular advisory mandate, also manages held away assets, for pre-identified, select clients (distinguishing levels of service offering)
- Received in principle approval  from DIFC, Dubai to set-up a category 4 company – that can advice clients on purchase and sale of shares and units

**IIFL WEALTH**

- Asset Advisory
- Real Estate, Structured Products, Derivatives
- Mutual Funds and PMS
- International Products
- Fixed Income
- Equity Advisory and Research Aggregation
- Centralized Broking Desk
- NBFC and Credit Services

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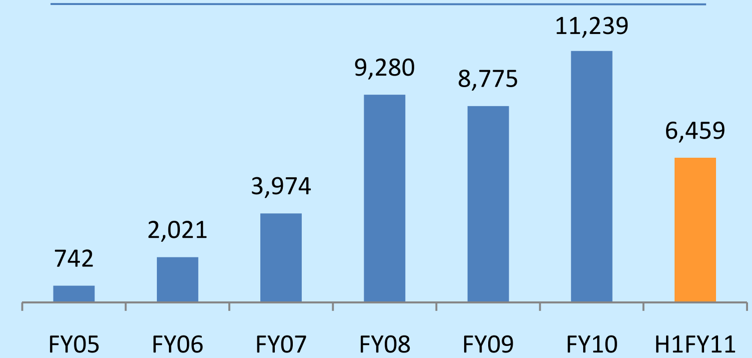
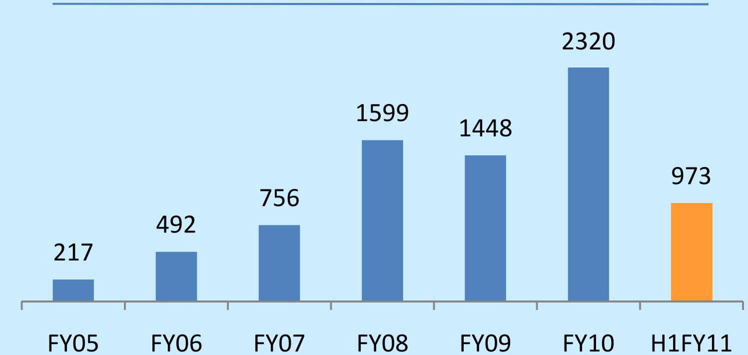
# Evolution

| | |
|---|---|
| 1995 | ↗ Commenced operations as an Equity Research firm |
| 1997 | ↗ Launched research products of leading Indian companies, key sectors and the economy<br>↗ Client included leading FIIs, banks and companies |
| 1999 | ↗ Launched www.indiainfoline.com |
| 2000 | ↗ Launched online trading through www.5paisa.com<br>↗ Started distribution of life insurance and mutual fund |
| 2003 | ↗ Launched proprietary trading platform Trader Terminal for retail customers |
| 2004 | ↗ Acquired commodities broking license<br>↗ Launched Portfolio Management Service |
| 2005 | ↗ Maiden IPO and listed on NSE, BSE |
| 2006 | ↗ Acquired membership of DGCX<br>↗ Commenced the lending business |
| 2007 | ↗ Commenced institutional equities business under IIFL<br>↗ Formed Singapore subsidiary, IIFL (Asia) Pte Ltd |
| 2008 | ↗ Launched IIFL Wealth<br>↗ Transitioned to insurance broking model |
| 2009 | ↗ Acquired registration for Housing Finance<br>↗ SEBI in-principle approval for Mutual Fund<br>↗ Obtained Venture Capital license |
| 2010 | ↗ Received in-principle approval for membership of the Singapore Stock Exchange<br>↗ Received membership of the Colombo Stock Exchange |

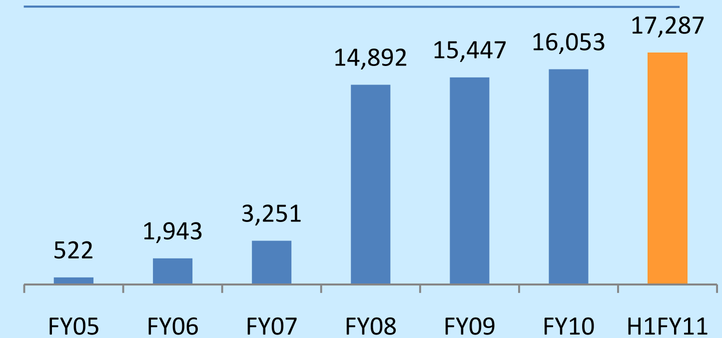
Income (₹ mn)




Net Profit (₹ mn)



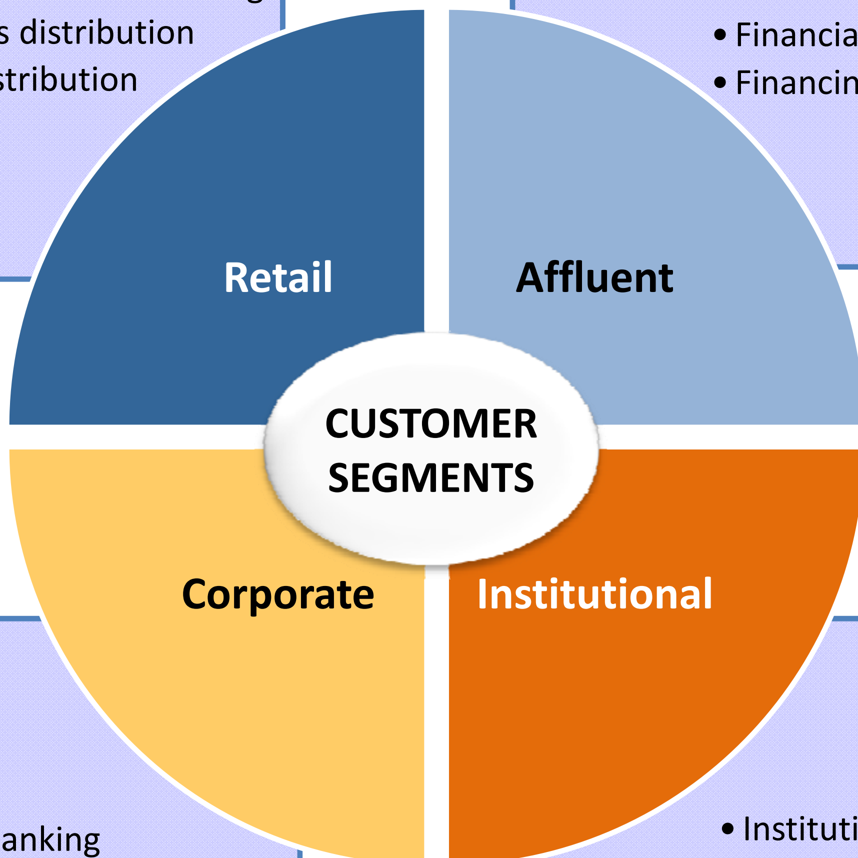

Networth (₹ mn)



# Business Model

- Equities, commodities broking
- Mutual funds distribution
- Insurance distribution
- Loans

- Wealth management
- Financial advisory
- Financing



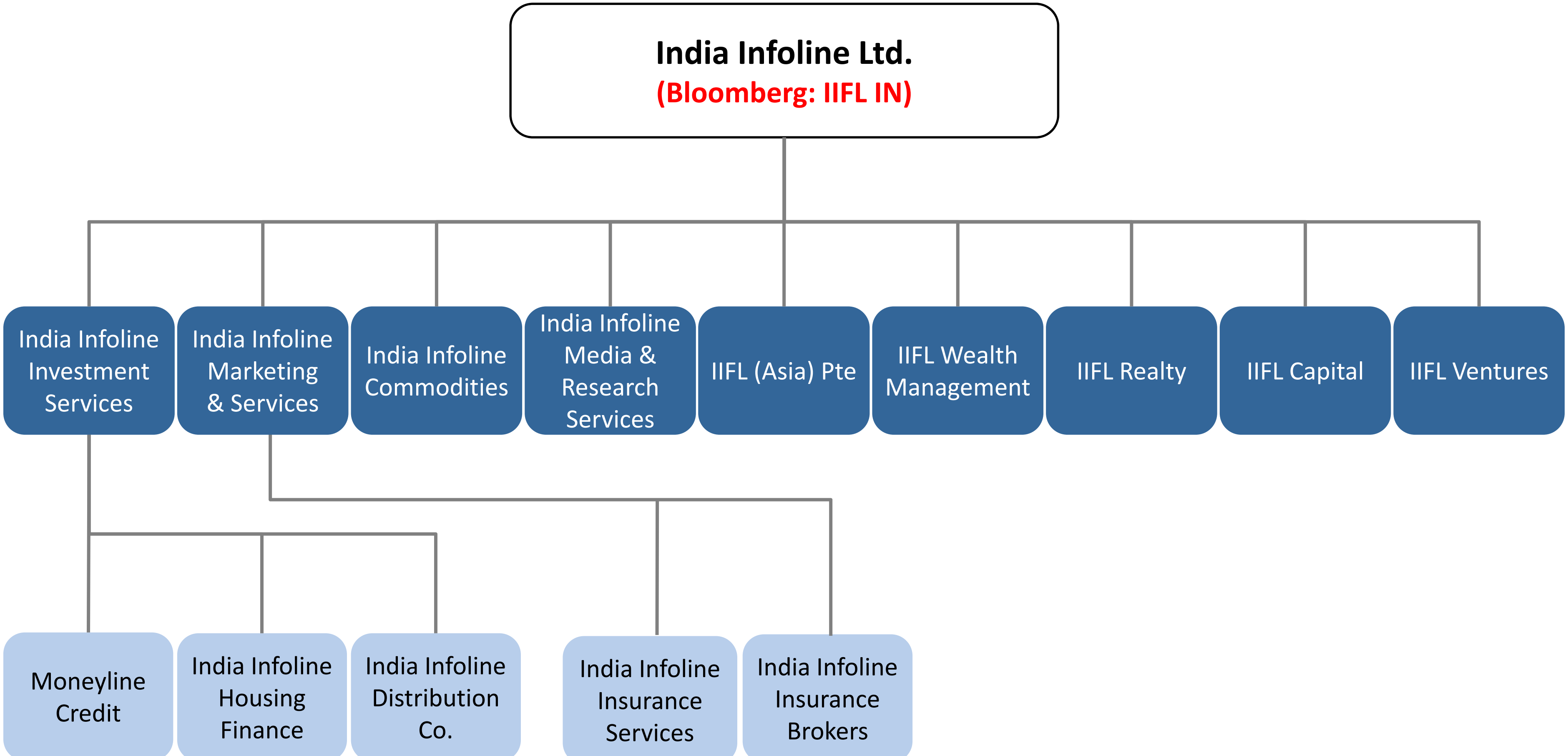

- Investment banking
- Corporate debt

- Institutional equities
- Derivatives

**Our service offerings**

- Equities
- Insurance
- Credit & finance
- Wealth management
- Asset management
- Investment banking

# Corporate Structure




** The above chart does not cover all group companies*

# Vision and Strategy

**Vision**

“To become the **Most Respected Company** in the financial services space”

| Business Strategy | Customer Strategy | People Strategy |
|---|---|---|
| ↗ Continuously assimilate, analyse and apply knowledge to power superior financial decisions<br>↗ Focus on core competence in financial services<br>↗ Ensure de-risked business through multiple products and diverse revenue streams | ↗ Drive stickiness through high quality research & service<br>↗ Maintain cutting-edge proprietary technology<br>↗ Wide, multi-modal network serving as one-stop shop to customers | ↗ Attract exceptionally talented and driven people<br>↗ Ensure conducive environment<br>↗ Liberal Ownership-sharing |

# Management Team

- Team with impeccable academic and professional credentials
- Open door, transparent and performance oriented culture
- Increasing level of employee ownership

**Management Team**

| | | | |
|---|---|---|---|
| Chairman and Managing Director | Nirmal Jain | Executive Director | R. Venkataraman |
| Institutional Equities | H. Nemkumar | Finance | LP Aggarwal |
| Investment Banking | Ajit Menon, Donald D'Souza | Compliance | R Mohan |
| Consumer Finance | Pratima Ram | Operations | Narendra Jain |
| Retail Broking | Nandip Vaidya | Audit & Risk | Upendra Jaiswal |
| Wealth Management | Karan Bhagat | Human Resources | Capt Rahul Sharma |
| International Operations | Bharat Parajia | Technology | Sankarson Banerjee |
| Offshore Asset Management | Deepesh Pandey, Manish Srivastava | | |
| Insurance Distribution | Mukesh Kumar Singh | | |

Verticals

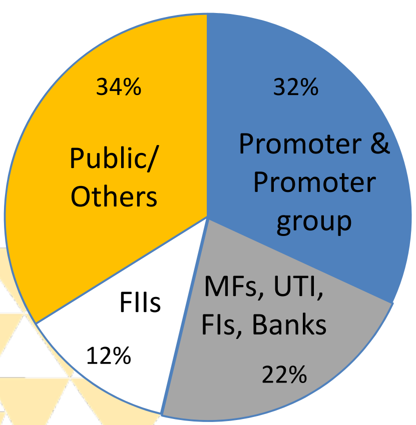
Corporate Functions

# Corporate governance

## Eminent independent directors of group companies

| Name | Designation | Brief Profile |
|---|---|---|
| Sat Pal Khattar | Non-executive Director | • Chairman of the Khattar Holding Group of Companies<br>• Member of Presidential Council of Minority Rights<br>• Chairman of the Board of Trustee of Singapore Business Federation |
| A.K. Purwar | Independent Director | • Joined State Bank in 1968 and became chairman in 2002<br>• Became Chairman of Indian Banks Association in the year 2005-06<br>• Received CEO of the year' and 'Outstanding Achiever of the year' award |
| Nilesh Vikamsey | Independent Director | • Chartered Accountant and partner of Khimji Kunverji & Co<br>• Part of the Managing Council and heading the Corporate Members Committee of the Chamber of Tax Consultants (CTC) |
| Kranti Sinha | Independent Director | • Director and Chief Executive of LIC Housing Finance Limited -1998 to 2002<br>• Concurrently was the MD of LICHFL Care Homes<br>• Served as Deputy President of Governing Council of Insurance Institute |
| M. N. Singh | Independent Director | • Joined the 'Indian Police Service' in 1967<br>• Worked as the chiefs of the crime branch of Mumbai Police, State CID and Anti-Corruption Bureau |

## Category-wise shareholding (%)




## Board Committees

| Board Committees | Key Role |
|---|---|
| Audit Committee | Supervise financial reporting process and ensure compliance with statutory requirements |
| Compensation Committee | Review compensation of Executive & Non – Executive Directors and senior employees |
| Share Transfer & Investor Grievance | Review investor grievances and ensure redressal to the satisfaction of the shareholders |

# How we differentiate ourselves

| | |
|---|---|
| **Managerial depth** | • Promoted by first generation professional entrepreneurs<br>• Highly qualified and experienced Management team with an impeccable track record |
| **Well-capitalized** | • Net worth approximately ₹17 bn<br>• Significant unutilized capacity to leverage |
| **Distribution reach** | • Present at over 2,700 business locations<br>• Effectively cover over 500 cities across India<br>• Global footprint covers Colombo, Dubai, New York and Singapore |
| **Owner-mindset** | • The top management is driven by pride and reward of ownership<br>• To think and work like an owner is part of organization's DNA |
| **Technology edge** | • Uniquely placed with proprietary front, mid and back office software<br>• Effectively harnessed technology to facilitate processes and provide superior customer experience |
| **De-risked** | • De-risked and diversified business model across multiple revenue streams<br>• Multiple products across all segments of financial services |

# Recent awards and accolades

**BEST MARKET ANALYST 2009**

Best Analyst awards in the 'Oil & Gas' and 'Commodities' sectors at the Zee Business for 2009

**BROKER QUALITY GRADING 2009**

CRISIL BQ1

Awarded BQ1 Broker Quality rating (highest rating) from CRISIL

**BEST BROKERAGE 2009**

Amongst the top 3 for 'Best Brokerage' in India by AsiaMoney for 2009

**INDIA'S MOST VALUABE CEOs 2009**

Nirmal Jain ranked second in 'India's Most Valuable CEOS' by Business World for 2009

**BEST BROKER – INDIA 2008**

FinanceAsia COUNTRY AWARDS FOR ACHIEVEMENT 2008

**MOST IMPROVED BROKERAGE – INDIA 2008**

ASIAMONEY BROKERS POLL 2008

**FASTEST GROWING BROKING HOUSE 2008**

D&B Decide with Confidence

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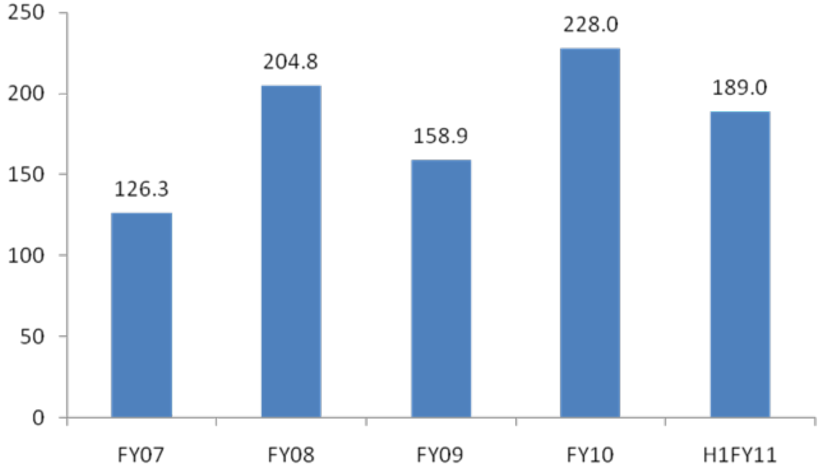
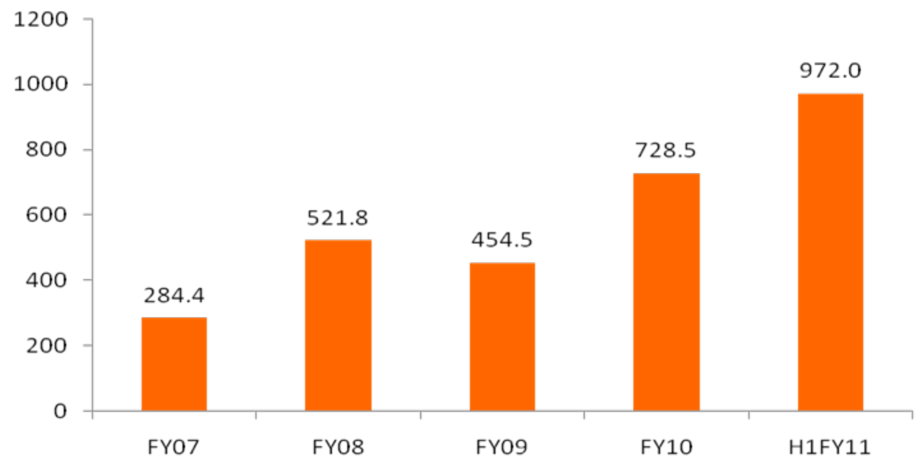
# Equities

Average Cash market turnover (₹ bn)



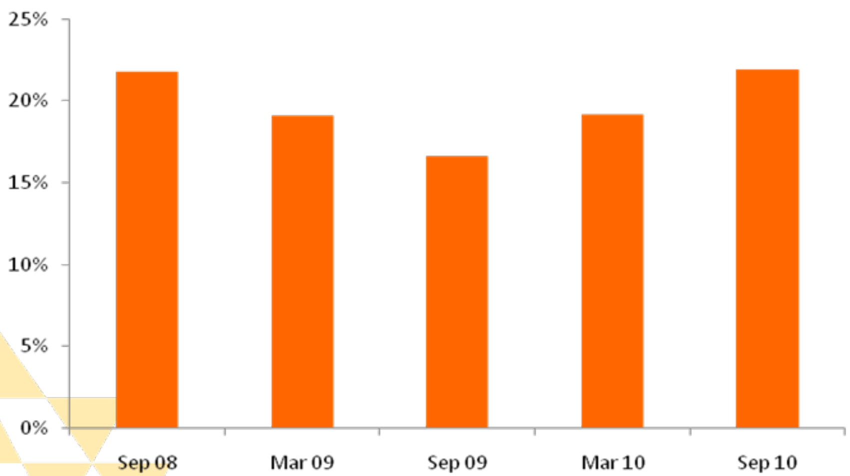

*Source: Bloomberg, IIFL Research*

Average Derivatives market turnover (₹ bn)



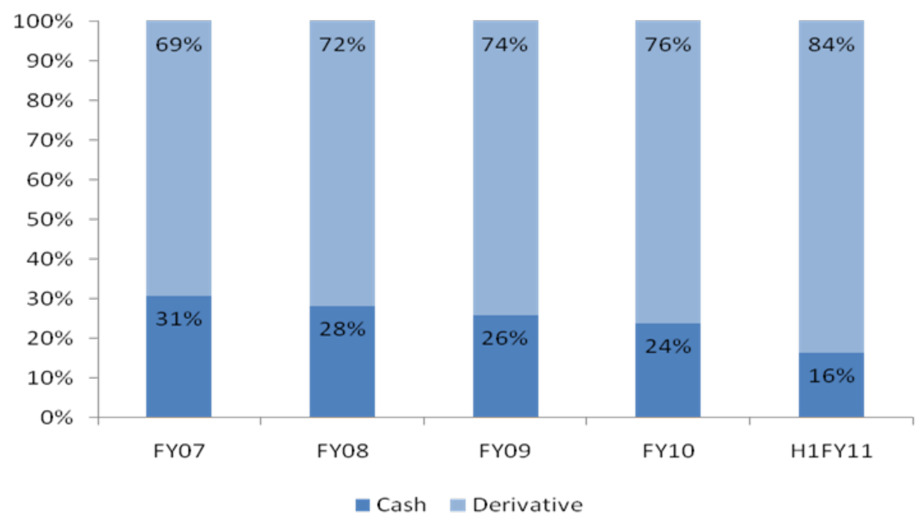

*Source: Bloomberg, IIFL Research*

Institutional Share of cash market volumes




*Source: Bloomberg, IIFL Research. Based on provisional data from the exchanges*

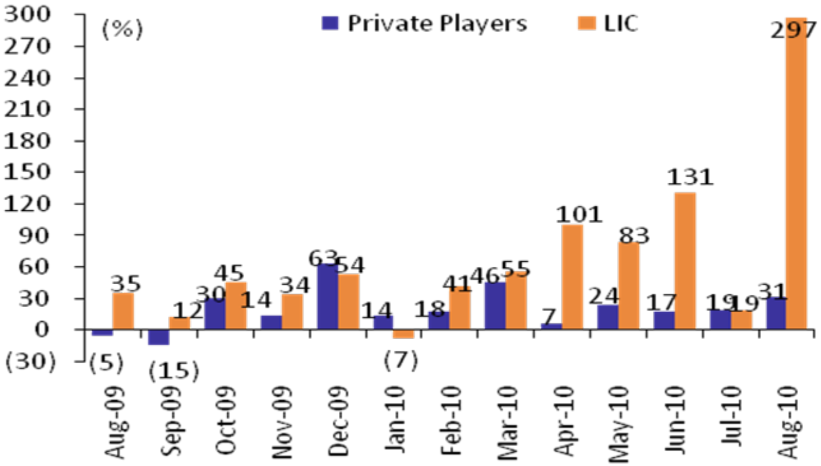
Increasing share of derivatives turnover in market




*Source: Bloomberg, IIFL Research*

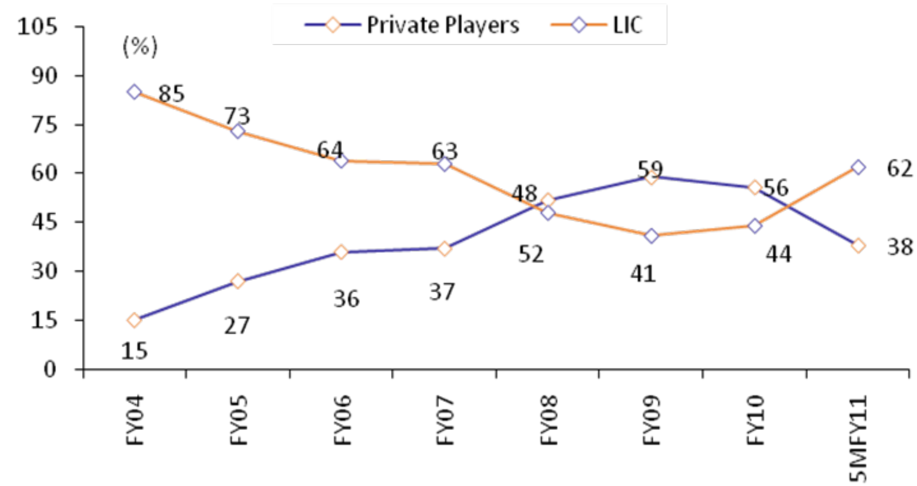
# Insurance

## APE yoy growth (%) – Aug 2010



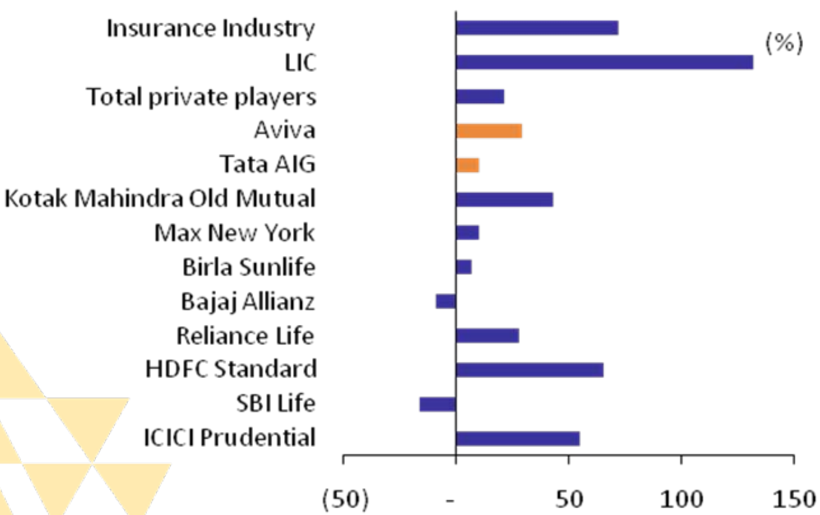

*Source: IRDA*

## APE market share (%) – Aug 2010



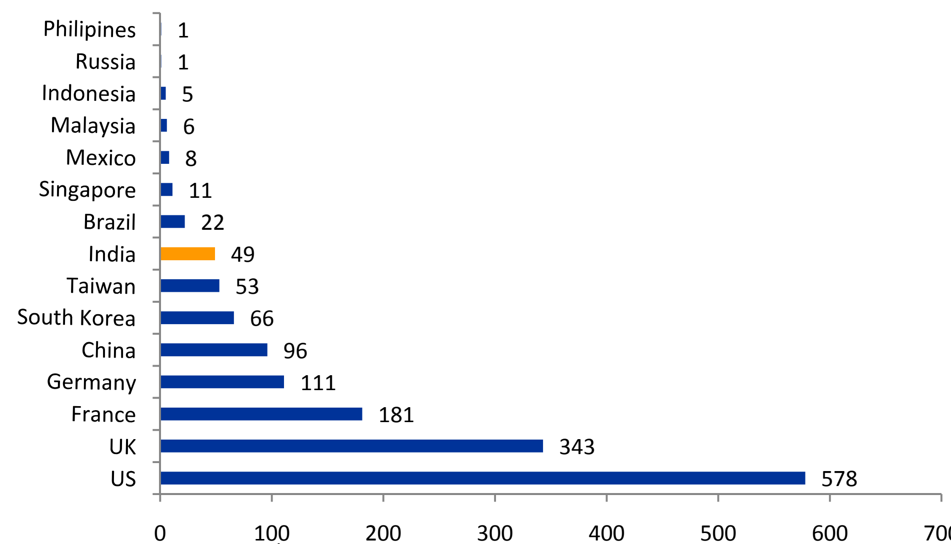

*Source: IRDA*

## APE growth YTD yoy (%) – Aug 2010




*Source: IRDA*

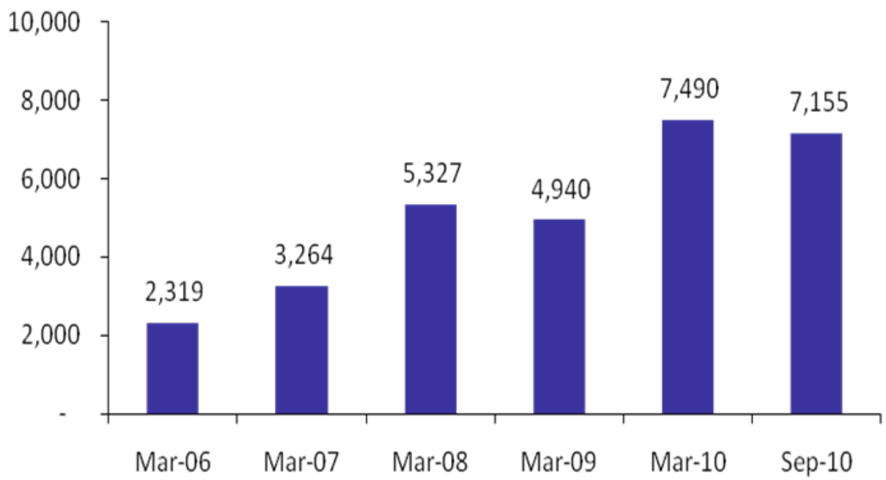
## Annual life insurance premiums in USD bn (2008)




*Source: IIFL Research*

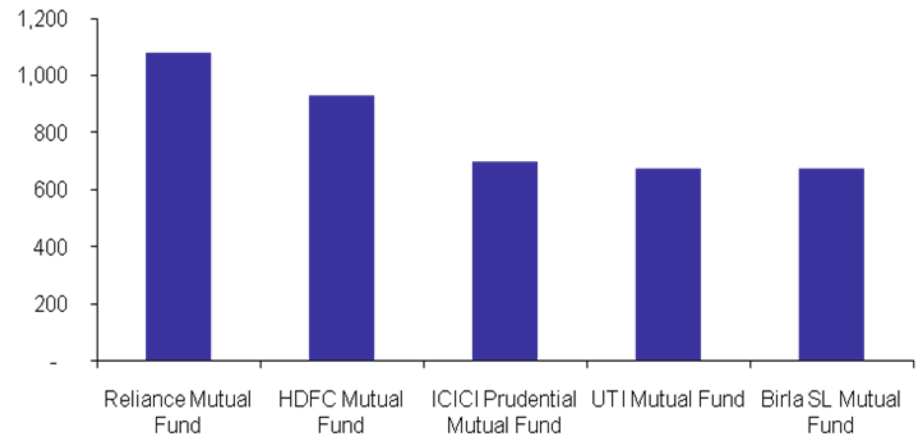
# Mutual funds

Total AUM for the industry (₹ bn) – Sept 2010



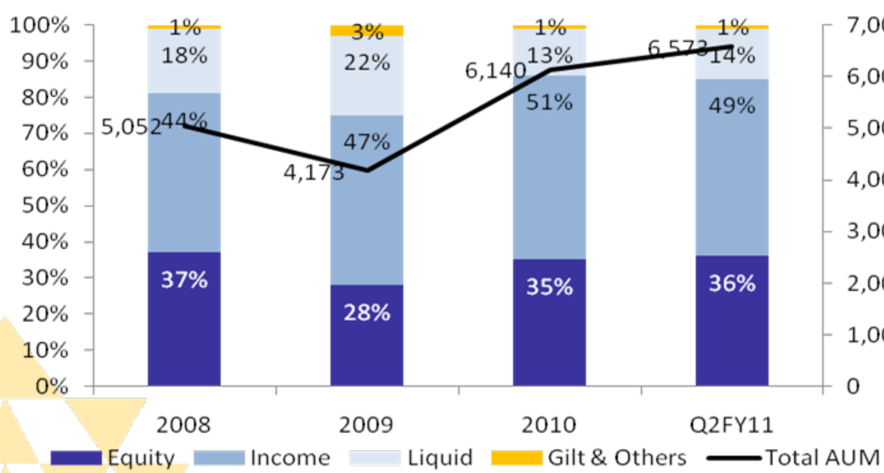

*Source: AMFI*

Top 5 AMCs contribution (₹ bn) – Sept 2010



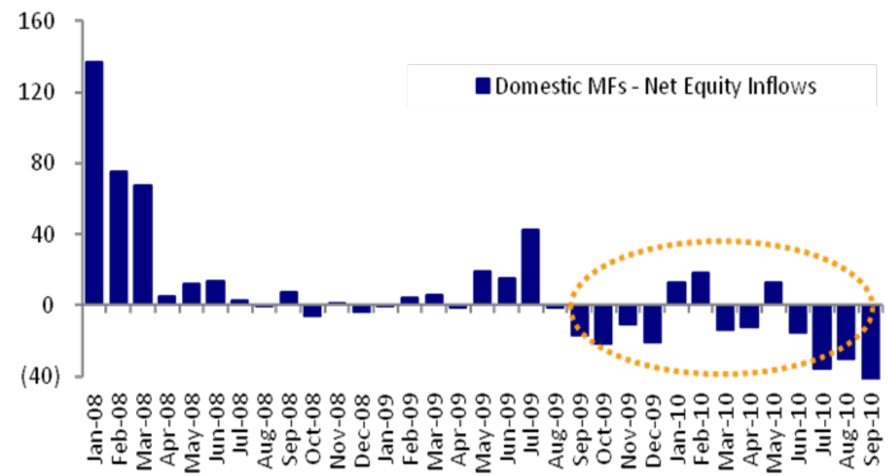

*Source: AMFI*

AUM by asset class (₹ bn)




*Source: AMFI*

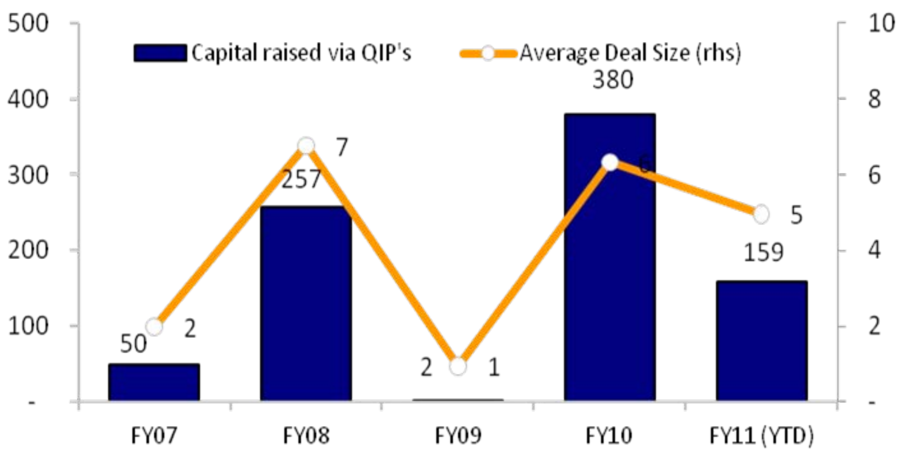
Domestic equity MFs have seen net outflows YTD (₹ bn)




*Source: IIFL Research*

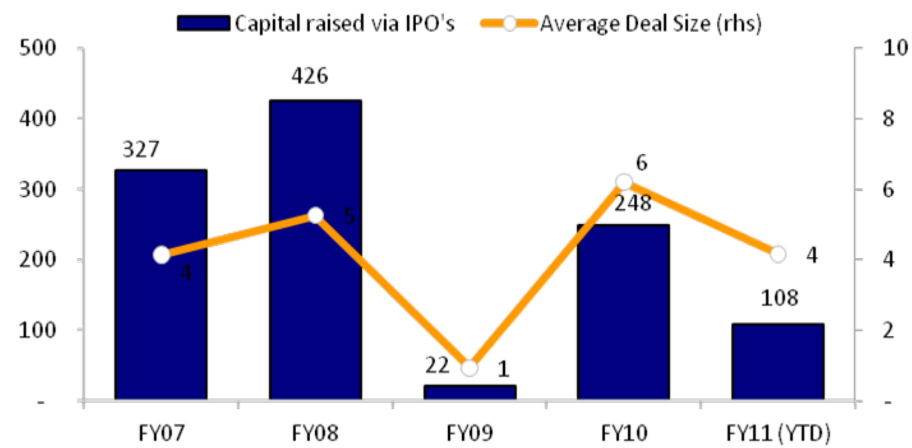
# Capital raising and Fund flows

## Capital raised through QIPs (₹ bn)



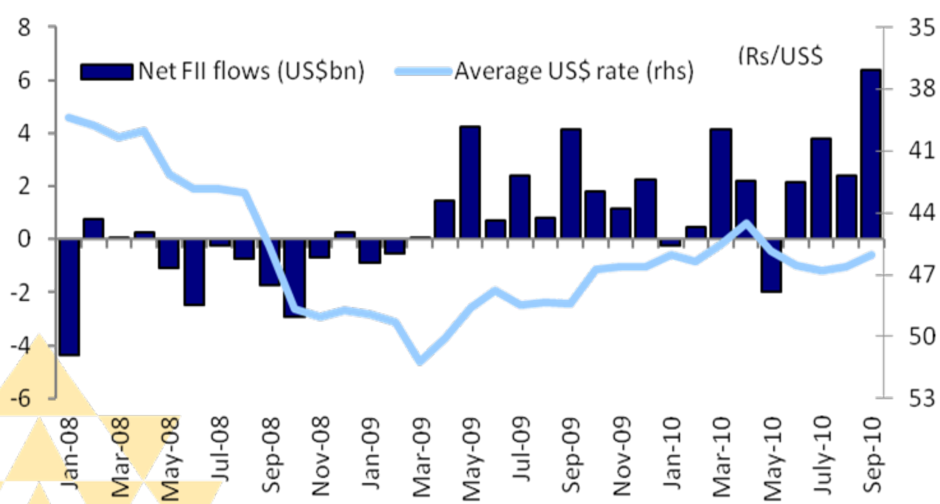

*Source: Bloomberg, IIFL Research*

## Capital raised through IPOs (₹ bn)



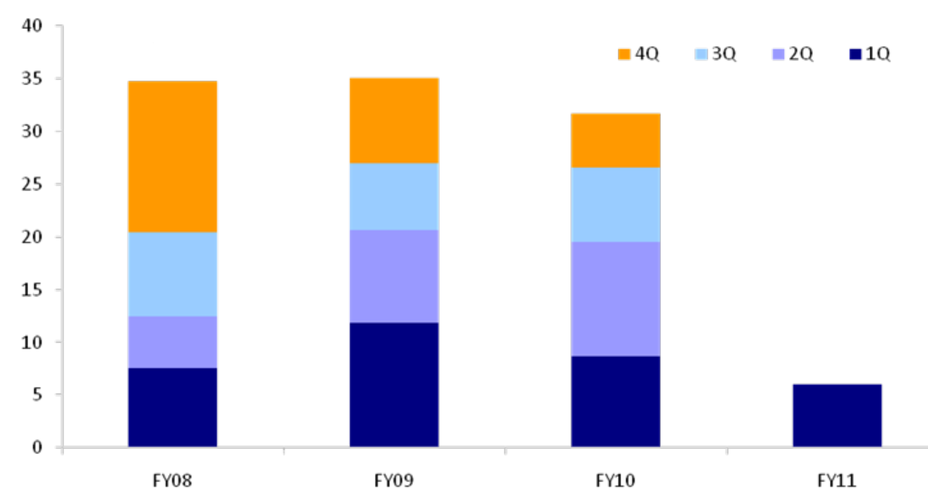

*Source: Bloomberg, IIFL Research*

## Net FII flows (US$bn)




*Source: Bloomberg, IIFL Research*

## FDI inflows (US$bn)




*Source: RBI, CMIE, IIFL Research*

# Thank you