

India Infoline Limited
Quarter Four and Year Ended March 31, 2008, Results Conference Call
April 28, 2008

Moderator: Good afternoon Ladies and Gentleman. I am Rita, the moderator, for this conference. Welcome to the India Infoline Conference Call. For the duration of the presentation, all participant lines will be in the listen-only mode. I will be standing by for the question and answer session. I would now like to handover the floor to Mr. Nirmal Jain. Thank you and over to you sir.

Nirmal Jain: Thank you. Good afternoon everybody. I am Nirmal Jain, Chairman of the company. I have with me Kapil Krishnan who is CFO and R. Venkataraman, who is co-Promoter and Executive Director of this company. You can address your questions to any of us. Thanks for joining in the call. I will just give a brief summary of results, and then I will be happy to take questions from all of you. We had a good quarter. In fact, our quarterly revenue was at all time high. We did Rs384 crores or Rs3.84 billion of topline income in the last quarter. Our yearly revenue crossed 1,000 crores or 10 billion rupees mark for the first time, which is about 140% higher as compared to last year. Our post tax profit was Rs65.88 crores or Rs658.9 million, which is about 1% higher quarter over quarter, and 150% higher year on year if we exclude the extraordinary item. We had a one-time extraordinary payment of Rs44 crore. This is adjusted for tax Rs29 crores. Most of the participants here are from our local, therefore I will talk in crores and lakhs more and in case anybody has any doubt, we can convert the number into US million dollars and also speak about that. In terms of our various businesses, our equity brokerage business in March quarter, we had a revenue of Rs192 crores vis-à-vis Rs215 crores in the previous quarter, which was a decline of 11%, which I think is a very commendable performance because the market volumes in the same time period declined by 29% quarter over quarter. Our financing income had a very robust quarter, it tripled on a quarter over quarter basis. This business is relatively new and therefore year on year numbers are not that comparable. As you would be aware that we raised about Rs1100 crores of equity money in the month of December and January. Significant part of this money will be deployed in our financing business, which comprises personal loans, mortgages, loan against shares, and business loan to SMEs, small and medium enterprises. Our online media income and life insurance commission income, they can be looked at together. They both are driven by our life insurance business where we are the largest corporate agent. Last year, we had Rs447 crore rupees of first year premium income, which is about 24% higher than our previous year. In terms of quarterly performance, we had about 15% YoY increase in our insurance issuances, but if you look at commission income, it is almost flat primary due to product mix change because we had more of pension products in this quarter. We had almost 46% of our quarterly business coming from pension products. Upfront commission in pension products is lower, but typically premium pay income and annuity is much longer because the resting is after 10 years in these products. Our commodity brokerage business grew 28% YoY, and this was a small business, and had a 10% growth quarter on quarter. Mutual fund distribution business again not very significant, but we are happy to report that JFM quarter we had 30% quarter over quarter growth in our fee income from mutual fund distribution. This is significant because this quarter

was a bit turbulent quarter, and market sentiment was very negative particularly for investing in the equity funds. Merchant banking, this is again a new initiative where we are riding on our distribution strength in local market as well as our institutional distribution strength. We had a large GDR issue for Anant Raj Industries. In fact, this was the third largest ever. We also had a couple of private equity transactions that got consummated in last quarter. There is reasonable good number of decent pipeline, and other income is insignificant, so I will skip over it. So, quarter over quarter, our revenue topline grew 24%, and on a YoY basis 168%. In terms of pre-tax profits, there was a decline of 9% on a quarter over quarter basis, but if you look at year on year, we had 152% growth. The decline, as you can see, is primarily due to lower brokerage income. Our post tax profits recorded a modest, it was almost flat, just up marginally 1%. If you notice then our tax liability, tax incidence or tax as a percentage of PBT has fallen in the last quarter. This is primarily for two reasons. One is that we had equity infusion in the month of January, and that money largely remained invested in liquid mutual fund, where we earned tax-free dividend, and secondly, the first 3 quarterly results were unaudited results where tax liability was estimated. After the full year, we have announced the audited results, where the tax liability is finally computed, and the difference is taken in the last quarter. We can hand it over for questions and answers.

- Moderator: Thank you very much sir. We will now begin the Q&A interactive session. Participants who wish to ask questions, kindly press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first in line basis. Participants are requested to use only handsets while asking a question. To ask a question, kindly press *1 now. First in line, we have Mr. Siddhant from Sunidhi Securities. Over to you sir.
- Mr. Siddhant: Yeah. Congrats for good set of numbers. Could you share us individual segment margins, EBITDA margins I am talking about, say for example broking, insurance commission, financing income and all that?
- Nirmal Jain: This is very difficult to compute individual segment EBITDA margin because we use same infrastructure for all our businesses, and in fact the key USP of our model is that we have the same infrastructure and same set of people who cross-sell and sell all the products.
- Mr. Siddhant: Secondly Sir, what will be the fully diluted equity, I mean, ultimate equity I am talking about?
- Nirmal Jain: Fully diluted equity will be 72 crores after conversion of all the warrants and ESOPs.
- Mr. Siddhant: Okay, I will get back with some more questions after some time sir.
- Moderator: Thank you very much sir. Next in line, we have Mr. Anand from HDFC Mutual Fund. Over to you sir.
- Mr. Anand: Hi Sir, good set of numbers. Sir, I just wanted to know, what is your net worth for the consumer finance business?

- Nirmal Jain: See, we have an NBFC which is called India Infoline Investment Services, which has 4 subsidiaries run off, that is another NBFC called Moneyline Credit. So, the network for the entire NBFC business is a little over 1100 crores.
- Mr. Anand: And sir, how much is the debt on this book, subsidiary, NBFC?
- Nirmal Jain: We will have about Rs400 crore rupees of debt on the subsidiary, but on consolidated basis, we have 900 crore rupees in liquid mutual fund. So, on a net basis, we are surplus.
- Mr. Anand: Okay, sir, can I get a breakup of the loan, the whole loan book is like Rs329 crores for the whole year, or this is what you have reported in the press release of the quarter?
- Nirmal Jain: 329 crore rupees for the consumer finance which is retail, home loans as well as personal loans, and this 660 crore rupees of margin funding book.
- Mr. Anand: I just wanted sir, you mentioned that Moneyline has a portfolio of Rs3.29 billion. This is the whole year portfolio or the portfolio for the quarter?
- Nirmal Jain: Actually, the business started in the month of November, but it is at 31st March, which is a cumulative balance.
- Mr. Anand: Okay, this is a cumulative Rs. 3.29 billion.
- Nirmal Jain: Rs. 3.29billion.
- Mr. Anand: And 660 crores is a margin funding book.
- Nirmal Jain: Yeah, this is separate.
- Mr. Anand: Sir, the margin funding book is also in the NBFC only?
- Nirmal Jain: Margin funding book is also in the NBFC, and the consumer business is in a different NBFC.
- Mr. Anand: Okay, sir, can I get breakup of this Rs329 crores.
- Nirmal Jain: 75% is mortgage, 20% is personal loans and 5% is business loans.
- Mr. Anand: Can you share the yield on each of this.
- Nirmal Jain: We don't have yield on each of this, I am afraid, because the gross margin may differ, the yield is very difficult to compute.
- Mr. Anand: Overall margins sir, if you can share. Overall yield on this whole Rs3.29 billion.

- Nirmal Jain: Mortgages, our yield is about 15% and personal loan is about 20%.
- Mr. Anand: Okay. Sir, you have shown some financing income in your P&L. This is the total of Rs3.29 billion consumer loan and 660 margin funding
- Nirmal Jain: Right, we also did IPO funding for Reliance and other IPOs. So, all the funding income is part of this.
- Mr. Anand: Okay sir. Thank you sir.
- Moderator: Thank you very much sir. Next in line, we have Mr. Kunal Shah from Edelweiss Securities. Over to you sir.
- Kunal Shah: Hello Sir. Congratulations for great set of numbers.
- Nirmal Jain: Thank you.
- Kunal Shah: Sir, I just wanted to know like what is your trading volume for this quarter?
- Nirmal Jain: Trading volume for the quarter was 2,663 crores per day average.
- Kunal Shah: 2,663 crores. Okay sir, and how has been the mix between retail and institutional as compared to last 2 to 3 quarters. How is that business ramping up and how many institutional clients you have tie up with as of now?
- Nirmal Jain: Yeah, that business is ramping up quite well. About 200 FII's in the leading mutual funds already trading with our institutional desk.
- Kunal Shah: Okay, and sir, one more thing was on the insurance side. We are seeing ICICI Bank, ICICI Securities, that is ramping up topline channels and only they are also betting quite aggressively on distributing life insurance, so you being the key agent for ICICI, how do you see this business running up over the next few years? Now, they are getting more aggressive in distributing this through ISEC, so how would it affect our business as such, it is like, do you see any kind of pressure in India Infoline's market share in growing this business going forward from ICICI.
- Nirmal Jain: No, I don't think there is any pressure as such because we have very good relationship, and we continued to be their valued partner. In fact, we have been awaiting regulator's approval for our insurance broker license. Now, we are getting indications that the license should come through very soon. In fact, we had several meetings at the top level and as soon as we get this license for insurance broking, we shall be able to do business with all insurance companies and you will have more products, but I think ICICI Prudential will remain a special relationship because they are in our valued principal and we have been their significant partner, and we have excellent relationship with them.
- Kunal Shah: Okay. How has been the new branches entered in the business in the last 2 quarters as in the last 4 quarters we have significantly ramped up our branch network. So, if

you can get just some kind of sense as to how these new businesses are performing, how the productivity has improved over there.

Nirmal Jain: I think the productivity has been improving very consistently over the last few quarters. In fact, the new business ramp up in terms of percentage of new branches has slowed down. We are consolidating our position, but whatever new branches we have been setting up, they take 6 to 18 months depending on the market conditions, but response will be very positive. In fact, if you look at the performance in the difficult times of February and March, then these small branches get lesser affected as compared to large city branches.

Kunal Shah: Okay, and sir, how about your blended commissioning for this quarter.

Nirmal Jain: Is about 11.6 basis points.

Kunal Shah: 11.6 basis points, okay thank you sir.

Nirmal Jain: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Sumit Agarwal from Enam Securities. Over to you sir.

Sumit Agarwal: Yeah, hello, congratulations on good set of numbers. Sir, my question is related to the merchant banking business. The business has picked up quite well as compared to the previous quarter. Can you share some more details as to the number of deals and the composition of the deals, like how much is capital market oriented like ECM related and how much would it be?

Nirmal Jain: There are quite a few deals in pipeline at various stages, but as you know from the Enam experience that it is very difficult to say that how many deals will reach the fructification, but we keep building up our pipeline, and there are quite a few deals for IPOs, as well as private equity transactions which are there. As of now, we have not set up a desk for debt or structured products in private or in investment banking space, so we are just focusing on the equity transactions which can be either for local IPO or for GDR/QIP or for private equity. I would say that, you know, many a times even promoters, entrepreneurs, they wait for good market conditions, so that they can price issues well, but what we do in our investment banking transaction, we are very conscious of quality control and we take only promoters and companies that we think have good business model, and management quality is of high standard. There are a number of deals in the pipeline. It won't serve any purpose to put a number or value because many a times, as you know, that in investment banking there is a slip between the cup and the lip, and also there may be confidentiality issues with the clients, so I can't say more details on this, but I can only assure you that this is one of our key focus businesses from longer term perspective, but this business tends to be lumpy because you get deals, they fructify in certain quarters, so it is very difficult to put a quarter over quarter growth numbers on this, but little longer term, you will see us as a, emerging as a meaningful player in the investment banking space.

- Sumit Agarwal: Okay, sir actually, I was asking about the number of deals done in FY08 or in the last quarter, that is readied number.
- Nirmal Jain: We did 3 transactions in last quarter.
- Sumit Agarwal: Okay sir next question is on the financing income growth, I mean, we have seen that this quarter has really seen a large increase in it, but as you mentioned it is because of the Reliance Power IPO as well, and the funding you did against that, but is it possible for you to give the breakup of this income as to how much would be a part of consumer finance which is under Moneyline and how much would be margin funding?
- Nirmal Jain: That information will be difficult from SEBI perspective, but I can only say this much that all the businesses are growing very well, and book size numbers have already been disclosed, that Rs329 crores of consumer finance and Rs660 crores of margin funding.
- Sumit Agarwal: That is right.
- Nirmal Jain: And then that certain transactions which will be....these are the book sizes at that period end.
- Sumit Agarwal: That is right.
- Nirmal Jain: But these balances, they keep fluctuating, as you know, that margin funding is peak in the month of January.
- Sumit Agarwal: Very right sir.
- Nirmal Jain: And would have contacted after that.
- Sumit Agarwal: Okay, sir any provisions or losses, for losses, in terms of margin funding that you might have faced?
- Nirmal Jain: Yeah, we have made a provision of Rs2.67 crore rupees in the previous quarter.
- Sumit Agarwal: Okay, and anything else you expect from it, sir, or I mean all the expectations have been fully provided for?
- Nirmal Jain: No, whatever is the last quarter's known debit or where there is a risk or we will not be able to recover our money, has been fully provided for, and we are...in terms of our risk management see, last quarter also was an exceptional quarter in terms of volatility. Otherwise, we, in general, in normal circumstances, we don't face this problem at all.
- Sumit Agarwal: Okay, sir one thing, life insurance business, you have already clarified that this is going to be your focus, but the 4Q life insurance income has been like relatively very low as compared to or almost flat as compared to the YoY previous year, and day before yesterday, ICICI in their analyst meet, they mentioned that they would be

opening up their own physical distribution arm for life insurance, so, I know, you have applied for insurance brokerage, broker license, but how much time can we expect that license to come and what actually is your realistic expectation on growth in this segment basically?

Nirmal Jain: See, from ICICI starting their own physical distribution network, I think, is not anything new or any news there because they have been setting up their distribution network for a long time now. They always had their branches and huge force of tied agency and also even their group ICICI Bank also competes also for the same business, and they are probably the largest partner. So, we work in a competitive environment. So, from a little medium term perspective, we will also expand our, in terms of our principles on the products that we offer, so once we get our insurance broking license, we will be able to offer all insurance companies.

Sumit Agarwal: Okay.

Nirmal Jain: How much time will it take or what is the state, in fact there is a reason that we should not get our license or there should be any concern but regulators take some time, and there are processes, and we are very confident that we should get it very soon now. In fact, whatever delays happened in the last one year also has been unexpected and a bit inordinate, but at top management level, we are following up, and we are in touch with IRD on a continuous basis. We have been given indications that this would come through very soon.

Sumit Agarwal: Okay. Sir, one just last question. Is it possible for you to give an indicative mix between retail and institutional, if not the exact one?

Nirmal Jain: For what broking?

Sumit Agarwal: Yeah sir.

Nirmal Jain: No, I am afraid, it won't be because none of our competitor has given, this information would not be shared publicly.

Sumit Agarwal: Okay, thank you so much sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Sunil Jain from Nirmal Bang Securities. Over to you sir.

Sunil Jain: Hello?

Nirmal Jain: Yeah, Sunil, hi.

Sunil Jain: Hello sir. This is with regarding your Moneyline business. Since you have started this business very recently, can you throw some light how you plan to scale up this business in near future?

Nirmal Jain: See, in the Indian context, the issue is under penetration of credit. In fact, the organized credit reaches to only a small part of population, and there is a huge

demand for housing because if you look at our mortgage to GDP ratio, it is just about 4%, and number of people who live in concrete houses is just about 17%, and also those who live probably would aspire to move into bigger houses. So, first of all, we see this industry as a huge growth industry in terms of its potential to accommodate new players as well as its potential to increase its size. Now, we are in an environment where we have seen the interest rates hardening and also you know a lot of media attention on subprime crisis that is happening in the US and impact has been felt in some of the countries also.

Sunil Jain: True.

Nirmal Jain: But you must understand that in India there has not been any subprime impact on the banks about the local assets or the domestic assets, so it is not that when you see banks making provisions, they are making any provisions for their lending in domestic market, what is our market. As far as we are concerned, we have a very good distribution network. We have 750 locations where we operate from in more than 350 cities. We have field force of almost about 15,000 people. We have about 1 million customers, so we are very well placed to leverage this and penetrate more. Also, our credit rating is the highest. We are A1+ rated by ICRA, so we can be very competitive in raising our debt. What we have done strategically is that we have tried to hire people with very rich domain expertise. In fact, the team that is there for credit for underwriting, they have done this for a living for more than 10 years, so they know exactly what can go wrong and what to do. We took more than a year to set up our system, software, processes, and again you know do the pilot testing. We also were very slow to roll out credit. In fact, we started in the month of June. Till June to November, we did just beta testing, and then also we are slowly and gradually ramping up this business. Although our book size or our portfolio is young, it is just about 6 months, but if you look at NPAs, they are near zero. They are negligible. So, we are very confident that we will build high quality assets in this, although we may be a new and young player, but obviously the lesson that you pay in terms of learning experience, we have tried to mitigate that risk by hiring people with domain expertise, giving them a very clear set of policy guidelines that we want to be very high quality in terms of our assets.

Sunil Jain: Where do you see your book size in another 12 months?

Nirmal Jain: See, we are new in this, so we should be able to scale up very first. If you look at our last quarter performance, we tripled our income. Even if you provide for spike due to Reliance Power, I think all the businesses have grown very well. I can't give you precise number on where will you see this growing, but if you take competitive benchmarks, then we have a similar player, India Bulls, they have ramped up this business very well. They were about two years ahead of us in terms of starting this business. I think their book size is already about USD 2-2.5.

Sunil Jain: Yeah.

Nirmal Jain: So, there should be one indication of the growth path, but we don't have any precise targets or guidance on this.

- Sunil Jain: Sir, one more question.
- Nirmal Jain: Yeah.
- Sunil Jain: This is more related to real estate where you plan to invest around 150 crores or already in process of investing that.
- Nirmal Jain: Right.
- Sunil Jain: What is the logic behind that, you are investing in very high real estate prices, and that too, I am talking about more on return on equity or return on capital employed will definitely come down because of this.
- Nirmal Jain: See, from last 6 months, we have invested primarily in one large property in Chennai. Now, here the purpose is different because if you really look at this investment as in proportion to our balance sheet size, then this is very small and very insignificant. Secondly,, we have invested in property that we are going to use ourselves. So, all the property that we have bought till now, it is primarily for our use, and there, you know, if you look at our business, it is technology driven, internet driven. We have to make very large investments in furnishing, wiring the offices and also connecting them by leased lines as well as virtual private network with our head office. We also have to provide for very high level of security. What happens is that if you are in leased premises or rented premises, then if the lease expires after 3 years or whatever extent of time period, there is a huge cost of shifting, because you have to relocate the people, and there is significant damage to business also. So, our investment in real estate is not in the high cost locations. We have not invested in Bombay as such. We don't own any property in Bombay till date. So, we have invested in property like in Chennai, where we got our property, that is almost about 300,000 square feet, and we invested in Pune. We invested in smaller locations in Gujarat. So, we are owning offices which will be primarily for our use, maybe sales offices for our broking or back office because we look at this business as a long-term business and your key infrastructure should be owned, so that you can have confidence and you can build, you know, high cost and high quality infrastructure for those offices.
- Sunil Jain: Okay sir, thank you very much.
- Nirmal Jain: Thank you.
- Moderator: Next in line, we have Mr. Kumar from ICICI Venture. Over to you sir.
- Mr. Kumar: Good afternoon Mr. Jain. Congratulations on great set of numbers. Sir, I have just one small query. The press release mentioned the exclusive partnership tie-up that you have entered with Auerbach Grayson & Company. I just wanted to get some sense on how this is expected to pan out as far as you are concerned?
- Nirmal Jain: Auerbach Grayson is a very respected broker in the US, and this exclusive tie-up is for certain set of clients and is not for the clients that we do business with directly. So, it

excludes the clients that we are already doing business with, and it is for a new set of clients.

Mr. Kumar: Okay, and in terms of the dynamics of the tie-up in terms of as in how are you sharing the profit sharing kind of thing, how is that going to work out?

Nirmal Jain: The tie-up works in a manner that they will market and they will introduce their clients who are interested in investing in India, and we will offer them our research products and broking services, and there will be a revenue sharing, but the split or the more details on this, we are governed by confidentiality agreement, so I won't be able to share with you.

Mr. Kumar: Okay, thanks a lot sir. That was the question, thanks.

Moderator: Thank you very much sir. Participants who wish to ask questions, kindly press *1 on your telephone keypad. Next in line, we have Ms. Jasmina from ING Investment Management. Over to you ma'am.

Ms. Jasmina: Good afternoon Sir. This is Jasmina here. Sir, what was the market share overall in the fourth quarter. You have given the market share for the entire year.

Nirmal Jain: At 3.6%.

Ms. Jasmina: In the fourth quarter?

Nirmal Jain: Yeah.

Ms. Jasmina: Okay, and sir, can you give us some idea on your current, maybe ROE on the margin funding book?

Nirmal Jain: Margin funding book, we get a gross yield of around 18%. ROE will be very difficult to....because the ROE we would compute for the company as a whole, but yeah, we get interest of around 18%.

Ms. Jasmina: And what kind of ROE you are looking at in your Moneyline business?

Nirmal Jain: We are looking at, on a little medium term perspective once we have business reaching little mature stage, we will get about 18% to 20% ROE.

Ms. Jasmina: Okay, and secondly sir, what are you number of employees currently?

Nirmal Jain: It is close to 20,000.

Ms. Jasmina: 20,000 and of this around 15,000 are Feet on Street.

Nirmal Jain: That is right.

Ms. Jasmina: Okay, and how many outlets are your own out of 758.

- Nirmal Jain: 607.
- Ms. Jasmina: 607, and sir out of total 758 outlets, how many outlets were fully operational last year?
- Nirmal Jain: They were not operational throughout the year. Out of our own outlets, we had about 560 outlets operational as at last year end.
- Ms. Jasmina: Okay, they were fully operational last year, and Sir, lastly, can you give us a market share figure in fourth quarter of last year on the equity broking?
- Nirmal Jain: It was close to 2%.
- Ms. Jasmina: Sir, do you have any plan to float AMC?
- Nirmal Jain: We applied for in-principal license for AMC, so we have little medium to long term, we look at that option, but it is in a very nascent stage, so we have not yet, you know, found up any plan or thought to it.
- Nirmal Jain: Yeah, I can hear you, please go on.
- Ms. Jasmina: Yeah, do you have any plan of any offshore money raising?
- Nirmal Jain: Offshore money raising for our equity capital or for asset management?
- Ms. Jasmina: Overall, for the business.
- Nirmal Jain: See, there are, in terms of....you are saying by diluting our capital, we raise money?
- Ms. Jasmina: No, I am saying India Infoline having any offshore money raising plan for an AMC business?
- Nirmal Jain: See, we are, okay let me just answer this question combined with the earlier question on what our plans for AMC. See, our core business is financial services, and our core strength is research. From little medium to long-term perspective, it makes logical sense for us to move up to sort of you know diversify or expand into asset management business. Now, asset management business has various facets to it. You can do a local AMC, you can do offshore asset management. We have been evaluating all these propositions, and we are getting more details on this, so we have a team working on this. Any concrete plan is formed, we shall communicate to all the people concerned.
- Ms. Jasmina: Okay sir, and what will be your key business focus area over the next 2 years?
- Nirmal Jain: Our key business focus areas, see we have existing or relatively established businesses of retail broking and life insurance distribution which will expand. We will also expand mutual fund distribution as aggressively as possible. Besides this, we have about 4 new businesses. They will also be major focus for growth in the next 3

to 5 years, and they are our institutional equities business, investment banking, wealth management, and lending business which is financing business.

Ms. Jasmina: Sir, just one more last question. Do you have any plan to have a model like future capital holding that they have or different alternative investments?

Nirmal Jain: At this point in time, we don't have any such plans.

Ms. Jasmina: Okay, thank you very much sir.

Moderator: Thank you very much ma'am. Next in line, we have Mr. Clayton from Anand Rathi Securities. Over to you sir.

Clayton: Hello, Mr. Jain.

Nirmal Jain: Yes.

Clayton: Sir, just 3 questions. One is on your loan book, financing business, which is Rs3.3 billion now. So, how much of that would be margin financing?

Nirmal Jain: None of that is margin financing. Margin financing is over and above that.

Clayton: Okay, how much would that be?

Nirmal Jain: Rs660 crores.

Clayton: Okay sir. Sir, secondly, what would be the....how much would be the lending book, the Rs3.3 billion, how much would be secured against collateral?

Nirmal Jain: 75% of lending book is mortgages, which is secured against collateral of property.

Clayton: Okay sir, and rest would be personal loans?

Nirmal Jain: The rest is personal and business loans.

Clayton: Okay sir, fine. Secondly, on your life insurance front, there has been a slowdown in your commission income, even though your Feet on Street had increased, is there any reason for that, is it linked to industry volumes going down or something like that?

Nirmal Jain: See, our licenses, year as a whole we grew by 24%, and industry grew by 40%, so we had a slight slowdown.

Clayton: Right sir.

Nirmal Jain: There are a few reasons for that. One is that right from the beginning of the year, we were waiting for our insurance broking and may be we overestimated the time required to get the regulatory approval, so we had structured our infrastructure in a

manner that we should be able to do more products, but throughout the year, we could not get our license operational.

- Clayton: Okay sir.
- Nirmal Jain: Secondly, just as you know, we are tied up only with once principle, which is ICICI Prudential, and there we are about 78%.
- Clayton: Okay, but because normally the last quarter, you know, is really great for insurance mobilization.
- Nirmal Jain: If you look at March numbers, and for the industry as a whole, there was no growth. Typically March numbers should be equal to Jan-Feb put together.
- Clayton: Right.
- Nirmal Jain: You see in March, we are just equal to Feb.
- Clayton: Right Sir.
- Nirmal Jain: And also the industry data that has come in newspaper in the last couple of days is only up to Feb, so March final numbers are yet to come.
- Clayton: Okay sir, so that 15,000 Feet on Street is as of March 31st.
- Nirmal Jain: That is right.
- Clayton: Okay sir, fine. The last question, what would be the consolidated book value of India Infoline as on March 31st?
- Nirmal Jain: Consolidated book value?
- Clayton: Yes sir. Book value per share you can give me or the net worth or anything whatever suits you.
- Nirmal Jain: Combined net worth is Rs1,800 crores and Equity capital is 58 crores.
- Clayton: Okay sir, thanks a lot sir. Thank you.
- Moderator: Thank you very much sir. Next in line, we have Mr. Nischint from Kotak Securities. Over to you sir.
- Mr. Nischint: Hi, could you give some guidance for, you know, growth in the insurance business, let us say over a period of new few quarters?
- Nirmal Jain: I think our insurance business will grow well, I mean notwithstanding slight bit of slowdown that we have seen in last year.

Mr. Nischint: Because you are making, you know, huge investments in the insurance business. You have got private investment in that, and so to that extent, I mean, how do we look at this, and despite that would have happened is that your growth rate has been lower than the industry this year, so I mean, how do we kind of you know look at the trends hereinafter. We will still you know take awhile for you to get the license and how do you really read this?

Nirmal Jain: Personally.....exceptional growth rate in the last 6 to 7 years. We have grown at 24% on a YoY basis in the large base. So, the marginal slowdown has not shattered our confidence at all. In fact, we are making much larger investments now, and our call center work force, automation, sales, lead management, which will improve productivity significantly. See, we have come to a stage where hiring people more aggressively will be relatively more difficult, and we are focusing now improving productivity, and once we have more products, then probably they all work as separate SBUs and can drive growth.

Mr. Nischint: Yes.

Nirmal Jain: One reason for commission growth being flat in the last quarter was change in product mix, which is pension products accounting for relatively greater share of our business. As I said in last quarter, they are almost about 46% of our total premium mobilized, and again, this pension product is a last quarter phenomena, and they have a longer annuity cycle typically. So, we remain as optimistic if not more on our life insurance business, and this business I am sure will grow very well in the next few quarters to come. Industry is expected to grow at around 40 to 50% per annum. We should maintain that, we can exceed that also once we have another next trigger for growth which is one is that we have talked about which is insurance broking, which will allow us to do business with all insurance companies. Yet another driver for growth which will be general insurance, which we are just starting, we are just getting our people trained, getting ready for that. Medical insurance also is a very significant market, and we can cross-sell and drive our growth there also. So, once our lending business grows, particularly mortgages, almost about 70% to 80% penetration we are finding, where we can, 70% to 80% of mortgages we can get them credit sealed, which is an insurance product, where once somebody has taken a loan for house, we offer insurance product, so that the bread-earner's life is assured, and there is a protection for the family in case something happens. Typically, in the Indian families, you will find, this is one person who is the bread-earner and driving the entire family, so that is protected, so that the family is safe. So, I think that there will be more cross-selling and more products and more lines of businesses opening up as we go along.

Mr. Nischint: What has this number, you know, typically been in the past like?

Nirmal Jain: For?

Mr. Nischint: For, for, I mean, what you are saying is that in the fourth quarter, 46% of, you know, the product loans sold were pension, and you know, which was relatively higher contribution with lower margins.

- Nirmal Jain: It gives a lower upfront margin.
- Mr. Nischint: Yeah, so what would this number be like, you know, in the previous quarter, or let us say fourth quarter last year or you know some sense on that? Very broad sense.
- Nirmal Jain: One key pension product that we showed was launched only in the month of December by ICICI Prudential called LifeStage pension.
- Mr. Nischint: Okay.
- Nirmal Jain: That did not exist, but other than that, pension products have been contributing 20% to 30%.
- Mr. Nischint: 20% to 30%.
- Nirmal Jain: Yeah.
- Mr. Nischint:: Okay, now if I look at you know, of around 20,000 employees, 15,000, you know, fleet-on-street, how much would be insurance, how much would be financing business, and how much would be brokerage.
- Nirmal Jain: I think last 60% to 65% would be life insurance.
- Mr. Nischint: Okay, okay.
- Nirmal Jain: Brokerage would be around 35% because financing is a new business, so there are not too many people there.
- Mr. Nischint: So, how do you break up, financing would be.....?
- Nirmal Jain: It is a new business. About 800 people in financing business.
- Mr. Nischint: 800?
- Nirmal Jain: Yeah, and almost about 5000 people in broking.
- Mr. Nischint: Okay.
- Nirmal Jain: About 4500 to 5000 people.
- Mr. Nischint: In terms of, you know, the breakup of fixed and variable, what would this be like let us say in the insurance business ?
- Nirmal Jain: What is that?
- Mr. Nischint: The breakup of, you know, a variable for an employee. You know, a breakup between a variable and fixed pay for insurance. What would that be like in the insurance business?

- Nirmal Jain: See, the variable is very tricky and it fluctuates on a month-to-month basis because there are various slabs which the people have. On an average, I would guess that, you know, it is about 35% to 40% would be variable and 60% will be fixed for insurance business manpower cost.
- Mr. Nischint: Okay and even brokerage would be similar, the details and
- Nirmal Jain: Brokerage would also be similar number, yes.
- Mr. Nischint: Okay. Now, just coming to the brokerage whether I mean the yields of 12 bps, I guess, you know, it is almost two times what some of the competition, you know, has talked about. I just wanted to get some sense on that. You know, what would be the reason for such a high yield?
- Nirmal Jain: Yield is 11.6 bps.
- Mr. Nischint: Yeah, I mean close to.....yeah that is right....so, it is almost two times what some of the
- Nirmal Jain: I would explain.
- Mr. Nischint: Yeah.
- Nirmal Jain: Last quarter, if you look at our cash market turnover it was 46% of our total turnover, and what we have done consistently for our retail business, we have focused on advise-based broking, and we have, you know, encouraged customers to move into delivery trades and get into cash market. So, if you look at market-wise volumes and futures account for more than almost about 70%, but for us they, account for a little over 50%. There has been a gradual shift in our business mix toward cash market, which and as you know, typically charge about 25 bps brokerage or 25 basis point brokerage, for cash market transactions and we just charge about 3 or 4 or 5 basis points for futures and options. So, the significantly higher yield is given by two factors. One is our institutional business, which obviously is delivery based. In institutional business also we did not do any F&O till now, and even the retail business, we have been focusing and moving towards a higher percentage of cash market turnover.
- Mr. Nischint: Okay, you know, some sense now finally on the finance business, the interest income and interest expenses numbers, you know, that we discussed and that you have reported. I mean, all of them are a part of India Infoline Investment Services, is it?
- Nirmal Jain: That is right.
- Mr. Nischint: And any sense on the PBT and PAT of this company for full year and fourth quarter?
- Nirmal Jain: PBT.....see the....I will give you the numbers for India Infoline Investment. They will also....average investment, just give me a minute. Our NBFC company, which does all the lending and financing business, had a topline of Rs270 crores.

Mr. Nischint: Okay, that is the full year?

Nirmal Jain: Yeah.

Mr. Nischint: Okay.

Nirmal Jain: And the profit is also, I think, I don't have that number with me, but probably we can mail it or put up on our website, business.....we will put it up, but the business has become profitable and it generates good return on capital.

Mr. Nischint: Okay. You said, you will put up the numbers later on in the website, is it ?

Nirmal Jain: Yeah, I said, Investment Services numbers will also be put up.

Mr. Nischint: Okay, okay. That is it from my side. Thank you very much.

Nirmal Jain: Thank you.

Moderator: Thank you very much sir. Next is a follow-up question from Mr. Siddhant from Sunidhi Securities. Over to you sir.

Mr. Siddhant: Yeah hi. Siddhant here again. Hello?

Nirmal Jain: Yeah, yeah, go on.....

Mr. Siddhant: Yeah, regarding this Life Insurance Commission that 25 crores of income that you have shown on the results, so that is a net of passback or that is a gross figure?

Nirmal Jain: We do not do any passback.

Mr. Siddhant: So, that is the gross, you mean to say.

Nirmal Jain: See, all our business is done by our own employees. So, the net and gross are the same there. Because, in Life Insurance business pass back is prohibited and is not allowed by IRDA.

Nirmal Jain: You know, this is not done through sub-brokers or through agents like that.

Mr. Siddhant: Okay, got it, and this online and other media, could you throw some light on this, you know, going forward, how this will span out?

Nirmal Jain: See, online and other media that includes marketing income primarily given by insurance business. So, this will grow. See, actually, when you look at our life insurance business income, you should look at online media and Life Insurance Commission combined.

Mr. Siddhant: Could you just give us a breakup of your branches between owned and franchisee?

Nirmal Jain: 607 branches are owned and 151 are franchisees.

- Mr. Siddhant: Okay. Yeah, thank you sir.
- Nirmal Jain: Thank you.
- Moderator: Thank you very much sir. Next in line, we have Mr. Sumit Agrawal from Enam Securities. Over to you sir.
- Sumit Agrawal: Sir, just a follow-up question. In December, you mentioned about your setting up of offices in Dubai and Singapore and some plans about that. Can you throw some more light as to what has been the development and what are the future plans?
- Nirmal Jain: We had set up a subsidiary company and also an office in Singapore. There the office is already functional, and we have applied for various regulatory approvals and licenses there. In Dubai, we already have an office and we have a membership of Dubai Gold & Commodities Exchange. We also have a limited partnership there with a local person there. We are in the process of recruiting people in all these locations, and in fact the business will be driven, one is our wealth management business targeting NRIs, and the other business, we also intend to cover regional research and over a longer time period once business research gets accepted, we will also set up broking offices at other Asian countries.
- Nirmal Jain: Thank you.
- Moderator: Thank you very much sir. Next in line, we have Mr. Anand from HDFC Mutual Funds. Over to you sir.
- Mr. Anand: I just want to know your plans for adding employees going forward. I mean, what is your pipeline?
- Nirmal Jain: Our employee addition will not be very significant going forward.
- Mr. Anand: Okay.
- Nirmal Jain: Because, see now the number of people that have been recruited, they have been under training and now they will be fully available, but I think number may increase about 20% to 25% even if we target a growth of 70% to 80%.
- Mr. Anand: Mr. Jain, I did not quite get it. You mean to say, 20% to 25% could be the employee addition?
- Nirmal Jain: Yeah, in the year.
- Mr. Anand: Okay. Sir, can you reveal how many employee you actually had in Q4?
- Nirmal Jain: Last year ?
- Mr. Anand: Just Q4 quarter.
- Nirmal Jain: Q4 quarter, there was no significant employee addition actually.

- Mr. Anand: You said, you had a plan to set up a call center in Chennai. So, how much seat capacity will it have?
- Nirmal Jain: It may need about 300 seats, you know, we already have one running from a rented premise.
- Mr. Anand: Okay.
- Nirmal Jain: So, the call center can be expanded, but we will start a 300 seater.
- Mr. Anand: Fine and the one you already have in the rented premise, you will vacate that when this 300-people call center starts operations?
- Nirmal Jain: You know, we may not vacate the physical infrastructure, but the people and the team can move from, I mean that is also a close-by office, so we will move from there.
- Mr. Anand: Sir, one more question on your insurance business. Sir, how different are the commission rates for pension funds and how different the commissions are for ULIP?
- Nirmal Jain: Pension rate is around 7.5%. ULIP is 22% and 12.5%.
- Mr. Anand: So, this is for the first year?
- Nirmal Jain: Yes.
- Mr. Anand: And what about the second and third year?
- Nirmal Jain: Third year, they varied between 2% to 4%.
- Mr. Anand: For the ULIP?
- Nirmal Jain: Again, the product wise, there is a lot of difference because there are many products in this each category?
- Mr. Anand: Okay.
- Nirmal Jain: So, they change and then there is another marketing support which also changes, and they also give something by way of reward or recognition. Then there are certain things which are target based.
- Mr. Anand: Okay and for the pension, it has been 7% I mean for first year and the second and third year?
- Nirmal Jain: As I said, it varies between 2% and 4%.
- Mr. Anand: Okay for pension also, it varies between 2% and 4%?

- Nirmal Jain: Yeah, unit linked will be around between 4% and 5%.
- Mr. Anand: Sir, till how many years do we get a commission. I mean it is still up to fourth year or fifth year.
- Nirmal Jain: See, in unit-linked product what happens typically after three years, they may start withdrawing.
- Mr. Anand: Okay.
- Nirmal Jain: Pension products, again product to product there is a differentiation, but resting in ICICI Pru is 10 years.
- Mr. Anand: Okay.
- Nirmal Jain: You will get, you know, then there are ways in which, you know, there are some people who can opt out. There is some penalty if you want to, you know, stop and you know want to surrender, and there are many people who basically go beyond the normal term also. You get your renewal commission as long as the customer is paying the premium. If the policy has been terminated for a variety of reasons like lapsation or death or you know then, obviously, the premium payment will stop. Basically, in second or third year, you will see a persistency of around 81%. It has stabilized at that. The first year persistency would be over 90%. It may drop to 86%. It may drop to, you know, anywhere around 80% to 82%.
- Mr. Anand: And it will remain stable at that level sir?
- Nirmal Jain: Yes.
- Mr. Anand: And then in the case of pension product also, the commission, I mean, the commission is all throughout for the life of the tenure, every time you are paying premium.
- Nirmal Jain: Yeah, actually, the pension products are different. You know, because you pay premium typically you pay premium, you know, you will start getting annuity back for rest of your life and vesting is only after 10 years.
- Mr. Anand: Fine. Thank you sir.
- Moderator: Thank you very much sir. Participants who wish to ask questions, kindly press *1 on your telephone keypad. Next in line, we have Mr. Darpin Shah from Dolat Capital. Over to you sir.
- Darpin Shah: Good afternoon sir. Sir, if you could throw some light on your prop book activity?
- Nirmal Jain: We do not have any prop book activity.
- Darpin Shah: Thank you.

- Moderator: Thank you very much sir. Participants who wish to ask questions, kindly press *1 on your telephone keypad. At this moment, there are no further questions from the participants. I would like to....
- Nirmal Jain: We had one more thing for this. See, in case of, I am just....the last question, prop book. We do now actually start to deploy that surplus cash and cash which are arbitrated, but we do not take any prop position with the short-term directional trading view. No more questions?
- Moderator: Sir, one just now lined up sir. That is Mr. Siddhant from Sunidhi Securities.
- Mr. Siddhant: Hello sir, sorry sir. Just last question. Hello ?
- Nirmal Jain: Yes, go on.
- Mr. Siddhant: Yeah, in your retail broking, could you just give us the breakup between franchisee and owned branches I mean in that case?
- Nirmal Jain: We do not have the breakup of turnover or brokerage, but in terms of number of outlets, 607 and 151.
- Mr. Siddhant: Okay, thank you sir and all the best sir.
- Nirmal Jain: Thank you.
- Moderator: Thank you very much sir. At this moment, there are no further questions from the participants. I would like to hand over the floor back to Mr. Nirmal Jain for the final remarks. Over to you sir.
- Nirmal Jain: Thank you very much. We have an investor relations department. So, in case you have any more questions, you can always mail it. We had an analysts' meet today and the presentation is put up on our website. Thank you very much for your participation. Have a good day.
- Moderator: Ladies and gentleman, thank you for choosing WebEx conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.