



India Infoline earnings call transcript for quarter ending 30th September, 2007

Gaurav: Good evening ladies and gentlemen. I am Gaurav, the moderator, for this conference. Welcome to the India Infoline Limited conference call. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for participants connected to the international bridge. After that, the question and answer session will be conducted for participants in India. I would now like to hand over the proceedings to Kapil Krishan. Thank you and over to you sir.

Kapil Krishan: Hello and welcome all to India Infoline's earnings conference call. Without taking anymore time, I would like to request Mr. Nirmal Jain to just give brief highlights on the performance and various developments in the business.

Nirmal Jain: Good afternoon everybody and seasons greetings in this festival season from my side and from my company's side. I believe that all of you have the numbers and our results as well as press release are in your hand. However, I will in any case summarize right from beginning in case you did not have chance to look at it.

In this quarter, we reported a turnover of Rs1,953 million which is about 46% growth on a sequential quarter-on-quarter basis and 146% growth on a year-on-year basis. The growth was primarily driven by equity brokerage income, which grew 126% year-on-year and about 63% on a quarter-on-quarter basis, as you know that equity markets have been very good. The stock market volumes also went up and when the stock market volumes have gone up in the last quarter, we had been able to increase our market share from 3% in the previous to 3.3% in the quarter for which results are being reported. Therefore, there is about 10% market share increase in just 1 quarter and that has led to 63% rise in our top line.

If you look at the brokerage, yield has gone up from 8 basis points in last quarter to 8.6 basis points and our average daily turnover was Rs 21 billion as compared to Rs14 billion in the previous quarter. Financing income, which again is incidental and depends significantly on equity brokerage income, recorded very good growth of 31% sequentially quarter-on-quarter. Our equity brokerage business has been driven primarily by growth in our retail as well as significant traction in our institutional business. As you are aware that last year we expanded our branch network significantly from 175, now currently we are almost about 600 branches all over the country. These branches have been becoming productive and have been gradually improving their business. In fact, I would say that still maybe half the branches are not yet at their optimum level, but the traction has been there and we can see that in our results.

Our institutional business also has started last quarter, as you know that we had a team joining from CLSA, they also built a very good research and sales team, and we will see significant traction in the coming quarters. The team as well as our back office software and back office settlement dealing systems are in place. Our online and media income and life insurance commissions are interrelated, so a significant part of our marketing income is linked to our insurance business and that income comes from insurance companies. If you see our online and media income that grew 74% quarter-on-quarter and there is a marginal decline in our life

insurance commission, but overall, the business if you see in terms of volumes or the premium mobilized by us grew by about 26% quarter-on-quarter.

Commodity brokerage business, our turnover grew marginally from about Rs137 million in previous quarter to Rs151 million in the current quarter, but the brokerage came down from 3.5 basis points to 3.1 basis points. This resulted in a marginal decline in this business, as you would be aware that commodities market witnessed significant volatility in this quarter, primarily in the agro commodities and that led to a number of traders losing lot of money and the volumes coming down. The exchange volumes actually came down more significantly, whereas our volumes have been relatively flat.

Coming to mutual funds distribution business, again this business is relatively insignificant just about between 2% and 3% of our overall income and this business had a marginal de-growth. Mutual fund business is driven primarily by NFOs where your commission rates are higher. Whenever in a quarter when you do not have too many NFOs and in fact see a slight decline but this business is not very significant and SEBIs recent moves, which will do away with the entry load and also distributors probably will not get any commission on that. That can do further damage, but in our case it will be, as I said, there is not any significance.

Mortgage and loan distribution business in the last quarter we transitioned from third party distributors, primarily for ICICI Bank and Citi Financial to distribute our own products and this was our first quarter so we were very cautious in credits. So, our approval rates have been very strict. We just built a book of around Rs250 million, which is a very small book and this business had PBT level loss of Rs55 million in last quarter, which has been entirely written off. If you look at our EBIDTA margins, which improved from 33.5% in the previous quarter to 34.2% in this quarter, primarily driven by volume growth and as the same infrastructure becomes more productive and as of today that Rs55 million has been provided for losses in our consumer finance business and that probably took away almost about a little over 2.5% of EBIDTA margin. However, despite this we have been able to report growth in our EBIDTA margin. If you compare EBIDTA margin on a year-on-year basis then there has been more impressive growth from 31.9% last year in the same quarter to 34.2% this quarter. Our employee cost has grown in line with income and employee cost too has grown significantly 45% quarter-on-quarter and about 136% on a year-on-year basis. This is driven by both increases in number as well as salary levels in line with the industry trends. Again as you know that we are a full tax paying company so on a PBT of Rs537 million, we reported a post-tax profit of Rs360 million, which is 158% growth on a year-on-year basis. With this, I will now begin our question and answers, Gaurav.

Gaurav: Thank you very much sir. We will now begin, the Q and A interactive session for participants in India. Participants who wish to ask questions may please press *1 on you telephone keypad. On pressing *1, the participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking the question. To ask a question participants may please press *1 now. First in line, we have Ms. Kiran from Prabhudas Liladhar.

Kiran: Hello. Congrats for a good set of numbers.

Nirmal: Thank you.**Kiran:** Sir I have a couple of questions.



Nirmal: Yes.

Kiran: Basically wanted to know our average daily turnover for this quarter and what has been average daily turnover in institutional segment?

Nirmal Jain: Our average daily turnover of the company has been 2,126 Crores in the previous quarter. And I will be unable to share with you, our average daily turnover in the institutional business, because this number has not been shared in our communications with the exchanges as well as in our public communications.

Kiran: Okay sir. Sir, another thing, how big is our institutional team in terms of research analyst and in terms of sales and dealing?

Nirmal Jain: We have about 35 people for research and dealing put together and they are almost equally divided.

Kiran: Okay. In addition, sir, what would be our total employee base?

Nirmal Jain: Our total employee base is, directly employed, as also our associates, we have about 21000 people now.

Kiran: Okay. Are they on our payroll, these 21,000 people?

Nirmal: No, this actually includes people who work for us, either as employees or as agents.

Kiran: Sir, another thing. What will be our WAPI as we announce in every quarter?

Nirmal Jain: Our WAPI last quarter was 91.9 Crores and in the quarter before that was 56.1 Crores in June quarter. On our employee strength the previous question that you asked we have on payroll 18000 employees.

Kiran: Okay. 18000. And sir, what would be our margin funding book size?

Nirmal Jain: Our Margin funding book is close to around 700 Crores.

Kiran: Okay sir. Thank you sir.

Moderator: Thank you very much mam. Next in line we have Mr. Himanshu from Kotak Securities.

Himanshu: Hello sir. Good afternoon.

Nirmal Jain: Hello.

Himanshu: Yes. I just wanted to know first of all we are unprecedented volumes on market regularly. So, can I understand the incremental market share that we are getting if you have the figure?



Nirmal Jain: Yes. In fact our market share was 3.3% in last quarter compared to 3% in the earlier quarter.

Himanshu: Any idea of the incremental; especially in the last 3-4 months when market volumes as a sold article. Any idea of incremental market share? Has it been around 4%-5%?

Nirmal Jain: No. I am not able to understand your question. How do you compute incremental market share?

Himanshu: No. Just a trend if I can understand.

Nirmal Jain: If you really look the market shares then in this quarter we have gained 10% in market share.

Himanshu: Okay. Sir, also, I mean last year you have opened a lot of branches. Can I understand how many of those branches have broken even and how much time will it take probably for the rest of them and what is your expectation on the number of branches that you will be having in the next 1 or 2 years probably?

Nirmal Jain: As of now, we have 596 branches and number of branches we will not increase significantly from here and the predominant part of this expansion took place last year. Therefore, our focus in next couple of quarters will be to make these branches fully productive. We do not allocate all the overheads to the branches and neither do we have an accounting system, which can give you branch-wise profitability. But, if you look at contribution level, this will be most of the branches, say around 80% have more than broken even, but that is not sufficient because we believe that about 50%-60% of branches have yet not reached their full potential. Therefore, we expect that significant improvement can take place in the branches that were set up in last 1 year.

Himanshu: Also sir, if I can understand a little bit, the geographical mix of the branches, are you focusing on tier 2 or tier 3, because some of the competitors are going to tier 3 cities first and then getting into tier 1 or tier 2. So, what has been your strategy and going forward also?

Nirmal Jain: See we have our branch presence in 345 cities and towns. So the sheer numbers will indicate that we are there in tier 1, tier 2 almost completely and some branches in tier 3 cities also.

Himanshu: Lastly, do we have a breakup of the kind of percentage of volume in the delivery segment and then the rest in all public and F&O segment?

Nirmal Jain: See our delivery as well as F&O segment volumes, our market share and cash market is slightly high marginally, but broadly, they are in line with market volume. So, if you really look at delivery vis-à-vis intraday volumes, they are about 30-70.

Himanshu: Okay.

Nirmal Jain: Yes. If you take the market breakup, we are quite close to that.



Himanshu: With so many premier brokers and is there consolidation in terms of market share that is happening in the industry, how do you see the yield sustaining, like average brokering yield going forward, because we are seeing a lot of competition at the ground level.

Nirmal Jain: I don't see any pressure on average brokerage yield at retail level, in fact the slight incremental margin is driven in fact if you look at last quarter then they have been ready for incrementing our brokerages, which is driven by institutional business and retail business also has maintained the same yield as we had in the last 3 quarters. So, if you really look at 8 basis point gross, then I do not think there is too much of room for this to go down.

Himanshu: Thanks a lot.

Nirmal Jain: Thank you.

Moderator: Thank you very much sir. Next, we have Mr. Nirmal Shah from Star Capital.

Nirmal Shah: Hello.

Nirmal Jain: Yes.

Nirmal Shah: Yes. Hi, sir congrats on the impressive numbers. Sir, I just want to ask one thing. On total brokerage income what will be proprietary income if we had on a percentage basis?

Nirmal Jain: On total brokerage, we have no proprietary income. We do not do any proprietary business at all.

Nirmal Shah: Okay fine. That is it.

Moderator: Thank you very much sir. Participants who wish to ask questions may please press *1 now. Next in line, we have Mr. Upadhyay from Alchemy.

Upadhyay: Good evening. Good set of numbers.

Nirmal Jain: Yes thank you. Please continue.

Upadhyay: Sir, just wanted to know a couple of things. In the sense of mutual fund, the income will be directly co-related to NFO.

Nirmal Jain: Not directly, but partially.

Upadhyay: Partially, sir. Okay.

Nirmal Jain: Now open-ended funds also will have mobilization.

Upadhyay: Okay. Could I know what would be the current net worth of the company?

Nirmal Jain: 450 Crores.



Upadhyay: 450 Crores and any incremental investments that have been made in subsidiary?

Nirmal Jain: Not anything significant, we have made about 2.7 Crores investment in our foreign subsidiary and in the previous quarter we did not have any incremental investment in subsidiaries.

Upadhyay: You have got a 250 billion advances that you have done this quarter.

Nirmal Jain: No, 25 Crores is our consumer finance i.e. 243 million is about Rs25 crores which is a small part of our business.

Upadhyay: Okay 243 million, sorry.

Nirmal Jain: It is about 25 Crores, which is a small part of our overall books.

Upadhyay: Okay. Sir, what do you intent to take this book to towards the end of this year?

Nirmal Jain: We do not have a very precise forecast of this, but let me tell you when we were distributing for ICICI and Citifinancial we had the potential to mobilize almost about 30-40 Crores per month. As our system stabilizes then you know, we should get to the speed in this year itself.

Upadhyay: Okay and sir if I fully dilute the equity, what will be the fully diluted equity after accounting for ESOPS and everything?

Nirmal Jain: Fully diluted equity after accounting for the warrants that are going to be issued in January 2009 and ESOPS and also the further dilution I think will be around Rs66 Crores and plus there will be incremental new ESOP scheme also will come. As on date equity is Rs53 crores.

Upadhyay: Right. Sir, fully diluted will be Rs66 crores.

Nirmal Jain: Fully diluted will be around Rs66 Crores.

Upadhyay: Sir, and in case of employee expenses which was relatively high this quarter. Can we expect this trend of you know stabilizing at current levels or should we expect it to you know firm up further during the second half?

Nirmal Jain: I feel that the growth will decelerate, but it will continue to rise.

Upadhyay: Okay. Thank you. Fair enough. I guess I am through with my questions.

Moderator: Thank you very much sir. Next, we have Ms. Ashvina from ING Investments.

Ashvina: Sir can you give us some idea on your investment plans in real estate business?

Nirmal Jain: Our investment plans in real estate business primarily in some of the major cities where we have key offices those we want to buy. Therefore, this real estate is not a business,

but it is more to support our core business and we own the offices. And the primary reason being, as you know that the rentals are going through the roof many times if the lesser refuses to renew the lease, then you have a significant problem in terms of relocating the people, furnishing as well as communicating to the customers. So, where we have a very long established business and primarily for that and where we cannot find a good place in rental, but the location is strategic then we will acquire those. So, our real estate business will be our subsidiary which we have form to acquire real estate primarily will be driven by requirements of our own businesses.

Ashvina: What is your investment plan?

Nirmal Jain: We do not have any investment plan ready here and when there is real estate available, which can be used for offices, we will take it up. A committee has been formed. So, a committee of board of directors and the committee will approve investment in real estate. So, that is how it will be done.

Ashvina: Okay and are you looking for any strategic partner for this subsidiary?

Nirmal Jain: No.

Ashvina: Okay. Thank you sir.

Moderator: Okay. Thank you very much ma'am. Next we have Mr. Vishal from IL&FS Investsmart.

Vishal: Hello.

Nirmal Jain: Hello Vishal.

Vishal: Yes sir. Can you give me the breakup of your other income please?

Nirmal Jain: Our other income is Rs9.18 Crores.

Vishal: Yes.

Nirmal Jain: It is primarily the interest on fixed deposits, which we use for our bank guarantees with the exchanges. It comprises of that from quarter-on-quarter basis.

Vishal: And one more question that I had is sir, what is the total debt on your balance sheet?

Nirmal Jain: 200 Crores.

Vishal: 200 Crores. Okay sir. Thank you.

Moderator: Thank you very much sir. Next, we have Mr. Shah from Dolat Capital.

Shah: Hello.



Nirmal Jain: Yes.

Shah: Sir the retail loan book is too small that is of 25 Crores, what kind of yields are you looking at?

Nirmal Jain: Look at a NIM of 6%-8% on personal loans and maybe about 3%-4% on home refinancing.

Shah: Moreover, sir, would you really focus towards mortgages, personal loans, or credit card finance?

Nirmal Jain: Yes. As of now our loan book 80% comprises of home refinancing, which is collateral based and where we feel more secure and safe. Credit cards, we are not into that segment. So, personal loan business is as of now very small. Going ahead, both the business will grow hand in hand and they will be similar in size.

Shah: Okay sir. Thank you very much sir.

Nirmal Jain: Thank you.

Moderator: Thank you very much sir. Next, we have Mr. Amish from Alchemy Capitals.

Amish: Yes sir, very macro question. Actually I just wanted to get a sense as to what is your take on the entire p-note issue and how does India Infoline stand to benefit from this?

Nirmal Jain: This question is quite extraneous to our results. Actually, this call may not be the right forum to discuss this, because they are nothing to do with our results. As far India Infoline is concerned; in a way, I will speak from the point of view of local brokers. It is a positive development because foreign brokers will have an advantage in P-Note. These convert to registered FII's and you know all the brokers local as well as foreign can be at par.

Amish: Right. Okay.

Moderator: Thank you very much sir. Participants who wish to ask questions may please press *1 now. Next in line we have Mr. Nishchint from Kotak Securities.

Nishchint: Yes Hi. My question is pertaining to the balance sheet structuring. You have net worth of 450 Crores and borrowings of 200 Crores and on the asset side you said you have a margin funding book of 700 Crores. Is that right?

Kapil Krishan: Yes. That is right.

Nishchint: Is it pure margin funding book or does it include the IPO funding or any kind of asset funding as well?

Nirmal Jain: We have had no IPO funding. So, it is more of margin funding. Again this is point data, which keeps fluctuating over a period of time and also every quarter on every day, this number will be different.

Nishchint: And I mean how is your balance kind of been funded?

Nirmal Jain: In terms of? There are current liabilities which are the payment should be made. So those funds are basically direct.

Nishchint: We will also obviously have margins for the exchanges as well.

Nirmal Jain: But those margins you collect from customers as well. Okay, so even those customers who do not have enough margin funding they will keep margin for trading and that basically gets deposited during the exchange.

Nishchint: Okay. So that is kind of accounting for the balance and is actually giving you a surplus of 50 Crores.

Nirmal Jain: Again, as I said this is point data and when you look at a period data, so there can be some discrepancies there. At point in time the quarter end numbers will be a little different than what they are on a daily basis. The numbers that I gave you are broadly the numbers that are in the range which are more indicative of period data.

Nishchint: Okay fine, okay thank you.

Moderator: Thank you very much sir. Next in line, we have Ms. Kajol from ICICI direct.

Ms. Kajol: Good afternoon sir. Sir, I wanted to know the breakup of the total income from operations that is into brokerage, insurance, and broking income and interest.

Nirmal Jain: Yes, actually, the numbers are there in the results. We give a fairly detailed line item for each and every business, so it will be our numbers, and brokerage was about 113 Crores, and insurance commission is also in there, so I think numbers are there in results. If you have a look at them, they have been there fairly detailed there.

Ms. Kajol: Okay, I could not see the BSE site things okay.

Nirmal Jain: I'll have it mailed to you because these consolidated results are the line items where each business income is given separately. If you want me to run through very quickly, of 195 crores of total income, equity brokerage 113, and financing 20.7. It is there on our website. On our website, go to the investors corner and you will find everything.

Ms. Kajol: Okay, and sir what will be your brokerage if I wish to know on percentage terms and how much must be institutional brokerage and the retail in percentage terms?

Nirmal Jain: We do not share this data with anybody, and I am afraid I would not be able to share with you also.

Ms. Kajol: Okay, fine thank you. Sir and also one more thing on spreads, what will be the spreads of margin funding book?



Nirmal Jain: The spreads and margin-funding book is difficult to compute, but typically, we charge a customer anywhere between 14% to 18% for margin funding, depending on customer's credit worthiness, his track record with us etc.

Ms. Kajol: Okay, thank you sir.

Moderator: Thank you very much madam. Next, we have Mr. Harish from Kotak Mahindra.

Mr. Harish: Hi, we were just wondering in your distribution business, you were looking at a stake sale in that; I was wondering what kind of a partner would you be looking at?

Mr. Harish: That is right.

Nirmal Jain: See 'distribution business' is a very wide term; we have distribution of life insurance, we have distribution of consumer finance where, we are looking for the private equity investors.

Mr. Harish: Okay, could you give us some indication as to where you are, at what stage?

Nirmal Jain: We are looking at private equity investors of high repute so we are in dialogue with many of them, but nothing has yet been concluded, and no agreement has been signed. As soon as that is done, we shall be communicating to exchange that as well in our website.

Mr. Harish: Could you give us any indicative timeline as well?

Nirmal Jain: We expect it we conclude in the coming OND quarter.

Mr. Harish: Okay, thanks a lot sir.

Nirmal Jain: Thank you.

Moderator: Thank you very much sir. Next, we have Mr. Punit from Arisaig Partners Partners.

Mr. Punit: Good evening sir. Congratulations on a good set of number. Hello.

Nirmal Jain: Yes. Thank you, I am there.

Mr. Punit: Yes. One, I want to find out what is the funding source for the consumer finance business, and what is the cost of funding, and two how are the risk management systems, are they properly in place?

Nirmal Jain: First question is the sources of funding. As of now, our net worth is 450 Crores and we plan to fund our investments subsidiary, with about Rs200 Crore of net worth which will take care of our margin funding requirement as well as consumer finance. If we really look at the book size in consumer finance, it is an insignificant part of our total lending book, so out of about Rs700 Crores, we are just about Rs25 Crores which is close to 3.5% in consumer finance, and the rest of the book is used for margin funding. So, the book is very small, but as it grows, we should be able to fund it by a mix of equity and debt. We have been able to get



money from the market for 6 months and 10 months period at a very good rate, in fact between 9% and 10% maybe on 50 basis point above the best rate available in the market for even AAA borrowers with longstanding track record.

Mr. Punit: Okay.

Nirmal Jain: And if you really look at our debt equity we are favorably placed because despite being in financing business and having NBFC, our debt equity ratio is less than 0.5 or else can very well go up to 3 to 4 times, so we have a huge room available in terms of leveraging and funding our growth if required. On the risk management part of it yes we are very cautious, and if you really look at our track record in the last quarter, we have written of Rs. 5.5 Core losses on our salaries and establishment costs, but we have been very slow in approving our loans, in fact our acceptance ratio has been less than 10%, but this is just because our rules our very strict. We slowly or gradually understand how it is. We have done few things. Let me take you through. We have got a team from Citifinancial financing primarily and from other established places, so if you look at our team for credit policy, if you look at our team for underwriting and collections, then each senior person will have a domain knowledge and experience of doing the same thing, which are very large established house at least about 8 to 10 years. They have got the best of the system, in fact from the best of the software. We have also a sort of collaborating with Fractal analytics and we have also got registered with CIBIL which is the only credit bureau of information available, and we have put a very robust system in place in terms of credit approval.

Mr. Punit: Okay.

Nirmal Jain: Look at our first 2 to 3 months of track record. It is not easy to conclude from there, but you can look at the number of checks that bounced in the first month and second month, and these people have experiences from other houses and we are very well-equipped in terms of our credit.

Mr. Punit: Okay.

Nirmal Jain: So we are very cautious, and also the small book that we have 80% of that book is home equity which is mortgage backed, which is almost entirely safe, and our loan to book value never exceeds 50%.

Mr Punit: Okay. Actually, I have one more question on your branch network. You said earlier that 50% of your branch network is underutilized as you said. How do you define it? Do you have the exact number for the branch?

Nirmal Jain: Yes. These are very broad indications, but now that we have 600 branches set up over the last 8 years, so we have a good experience of what size, how the branches scale up, and also based on various areas, okay let me put this way like Cochin is 32nd in terms of our brokerage income, which is low if you look at the potential of the market, maybe #8, #10 or whatever. So we know that what are the underperforming cities vis-à-vis our other cities so we can benchmark based on the good performing cities, which are the poor performing. Within that too, we know the potential of a branch, so we have a fairly well-developed model internally, which we have developed with empirical knowledge and as well as whatever other stats and



data we have in those cities, so these are broad estimates so 50, will be 60 or 40, but we know that the good number of branches that can do much better than what we are doing now.

Mr. Punit: Okay. Thank you so much.

Moderator: Thank you very much sir. Participants who wish to ask questions, may please press *1 now. Next, we have Mr. Kunal from Edelweiss Capital.

Mr. Kunal: Yes. Hello sir.

Nirmal Jain: Hello Kunal.

Mr. Kunal: In the past few quarters, you were targeting your equity brokerage to contribute round about 50%, it should decline from the current 65% to 70%? Okay, but with this venture into institutional broking, how do you see your revenue mix going forward like 1 or 2 years down the line.

Nirmal Jain: Last quarter was 58%, and within the equity brokerage now, we have retail as well as institutional so we are not dependant upon segment. But, going forward I think that consumer finance business has just started, which is contributing negligible to our top line so if it starts contributing obviously it will eat into relative state of other business including equity brokerage, so going forward over 2 to 3 years I expect that this percentage may decline further in line with whatever we indicated in our previous quarterly calls. There is no change in our stand on that front.

Mr. Kunal: Okay and sir out of this network of 450 Crores, you said round about 200 Crores have been deployed for margin funding as well as consumer financing.

Nirmal Jain: Yes we plan to. As of now network of financing companies is around 150 Crores, which will increase by exact 50 Crores over the next few months, so that's how things will be.

Mr. Kunal: Okay, if we just want to know like what could be the excess network like the network which would have been available, means the working capital requirement in your broking business and your distribution and what excess would be available for other businesses?

Nirmal Jain: The rest of the network is available for the broking business because the parent or the holding company does the broking businesses, it has listings on both the exchanges so the remaining part of network will be available there. Also we will have inflow of capital coming in with subscription of warrants close to around Rs484 crores in the next 14 to 15 months. So these things also add to the network and when we have ESOPS and all those thing get subscribed to, they will also add to network and besides of course our internal accruals.

Kunal: Okay, and sir one more thing it is like if we see all the leading players like the numbers for all these players, Motilal and all I think like everyone is improving the market share, okay sir it is a strong consolidation which is going among the top leaders but exactly where is this coming from if we go to see so who have been losing out the market share?



Nirmal Jain: I think the small mom and pops shops. If you really look at the number of ratio of brokers or sub-brokers, they are into several thousands so they are small. They are next door a small broker, they are losing market share actually, and this is my personal opinion.

Kunal: Okay, thank you sir.

Moderator: Thank you very much sir. Participants who wish to ask questions may please press * and 1 now. Next in line we have Mr. Valia from Parag Parikh.

Valia: Good evening sir. Hello.

Nirmal Jain: Hello. Yes, I am there, please.

Valia: Sir, I have a question, if you can just tell me of the brokerage income how much comes from institution, offline retail and online retail?

Nirmal Jain: No, I think this question has been asked by other participants on Q and A. I am afraid that we are not sharing these numbers.

Valia: Sir other thing if you can let me know do you have any plans to for your portal or I mean in terms of having it as a separate company and lot of company are getting in to the portal and demerging it and developing it more?

Nirmal Jain: Our portal is very popular and in fact this company started originally as a portal or a dot com business in 1999 when we launched our indiainfoline.com, infact the company started in 1995 as a research company. At this point in time, we do not have any plans to do this but portal and the media business is already is a separate company called India Infoline Media & Research services so that structuring need not change but so we do not have to take it because already is a separate company.

Valia: Sir is it possible for you to elaborate slightly on your institutional plan sir?

Nirmal Jain: We have aggressive plans for the institutional business and we want to put the best research product forward. We want to do the use the best systems to service our customers; in fact we will have top of line technology for our back office, for our settlement, for our communications with the institutional clients and we will have the best of the analysts you know servicing them.

Valia: Thanks a lot sir, thank you.

Nirmal Jain: Thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions may please press * and 1 now.

Nirmal Jain: Hello.

Moderator: Participants who wish to ask questions may please press * and 1 now. Next in line we have Mr. Upadhyay from Alchemy Capital.

Upadhyay: Sir, just one query that I have, what would be our budgeted employee target for FY08 and FY09, if you could give me as a total number of employees that you plan?

Nirmal Jain: Actually, most of our recruitments take place in the first half primarily for insurance business.

Upadhyay: Okay.

Nirmal Jain: So, we do not have a very precise number targets on this but may be there would not be very significant increase in this but 10% to 15% increase is what I know we would expect.

Upadhyay: Till 2009.

Nirmal Jain: Yes. This year it will further tend to go to again you know these are all the things which are dependent on several factors how your businesses take off, what is our requirement based on the market conditions.

Upadhyay: Okay.

Nirmal Jain: I am talking about next half may be 10% to 15% and next year.

Upadhyay: Sir just wanted to understand one thing that do you actually plan per branch employees how much would you be deploying or something of that sir?

Nirmal Jain: In this.

Upadhyay: Do you actually have this target kind of thing I would want so many branches towards the end of the year and I would be deploying so many employees per branch?

Nirmal Jain: We had this plan last year, so at this point in time, we do not want to expand our branch network further, so may be you know 5 to 10 branches or few branches here and there if there is some pocket which has been missed.

Upadhyay: Okay.

Nirmal Jain: So, there would not be any significant increase in the number of branches.

Upadhyay: Okay.

Nirmal Jain: And some of the branches are not fully manned where you may see some more recruitment there.

Upadhyay: Okay, thank you sir.

Nirmal Jain: Thank you.

Moderator: Thank you very much sir. Next we have Mr. Vinod from Prodigy.

Vinod: Sir in the online broking space what is our market share?

Nirmal Jain: In online broking space, our market share I do not have a precise numbers on this but I would guess it should to be around 20% but this is a non-authentic number but may be I see if we communicate this as along as we can complete this number.

Vinod: Okay, thank you.

Moderator: Thank you very much sir. Next we have Mr. Robin from DNA.

Robin: Hello sir, I would like to know what is the amount you are looking at raising for your consumer finance division through private equity?

Nirmal Jain: About the new finance business we are looking to raise I think we have indicated around Rs200 crores or so that is what we have planned.

Robin: Right sir, thank you sir.

Moderator: Thank you very much sir. Participants who wish to ask questions may please press * and 1 now. Next in line, we have Mr. Himanshu from Kotak Securities.

Himanshu: Hello.

Nirmal Jain: Yes.

Himanshu: Yes sir, one more question I had on your consumer finance business only, Sir I mean we are seeing a lot of traction in this business from your other competitors, some of them have really scaled up this business. I just wanted to understand what kind of a target segment are you going to look at in terms of consumer finance because there are a huge market that is available with huge growth opportunities. But I just want to understand the target segment that you are looking at, because with the kind of NIM that you are targeting it is actually that the target segment would not be at the lower end or if I can call it sub-prime segment at the upper end I suppose like for example if I can call ICICI bank is targeting?

Nirmal Jain: Yes, you know you are right that India is absolutely under-penetrated in terms of creditor and the marketing can grow very rapidly over the next few years.

Himanshu: Yes.

Nirmal Jain: So, we will be targeting under served market rather than subprime market. Now that we have branch network almost covering 345 cities, so we can reach out to places where the organized sector is not able to reach out. We can reach out to segments of people and like self-employed people and you know their own family run businesses, they are not something that organized credit can reach today. If you really look at the PSU bank data, they mobilized deposits on small town but their credit and deposits is you know the ratio is not same in small



cities and in large cities, so what they do is they mobilize deposits from smaller towns and their dominant part of landing is in largest cities and larger network metros, so we will target under served segments in terms of geographical locations as well segments of customers.

Himanshu: Also sir as you just spoken of PSU banks, you have a tie-up of Bank of Baroda I suppose and so how are you leveraging I mean it has close to 2700 branches, so what is your incremental flow of revenue from there?

Nirmal Jain: No, our tie up with Bank of Baroda is only for offering broking services to their customers. So, we do not have any tie up for consumer finance because I think the Bank of Baroda itself is there so we cannot compete with them.

Himanshu: Okay. Thanks a lot.

Nirmal Jain: Thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions may please press * and 1 now. At this moment, there are no further questions from participants. I would like to hand over the floor back to Kapil Krishan for the final remarks, over to you sir.

Kapil Krishan: I would like to thank all the participants for being part of this call, and look forward to being in touch with you all.

Nirmal Jain: Thank you very much and happy Diwali to all of you.

Moderator: Ladies and gentlemen, 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 and have a nice time.