

“

**“IF MONEY IS YOUR HOPE FOR INDEPENDENCE YOU WILL NEVER HAVE IT. THE ONLY REAL SECURITY THAT A MAN WILL HAVE IN THIS WORLD IS A RESERVE OF KNOWLEDGE, EXPERIENCE AND ABILITY.”**

”

*– Henry Ford*



# KNOWLEDGE @ IIFL.

Catalyst. Enricher. Hedge.  
For the benefit of more than one million IIFL customers.

## Snapshot

# IIFL – THE ONE-STOP FINANCIAL SERVICES SHOP.



- The IIFL Group is a leading player in the Indian financial services space.
- IIFL offers advice and execution platforms across the entire range of financial services – equities, derivatives, currencies, commodities, wealth and asset management, life insurance mobilisation, investment banking and credit. Founded in 1995 as an independent business research and knowledge provider, IIFL has evolved into a one-stop financial services solutions provider.
- IIFL enjoys a pan-India presence through over 2,300 business locations in 450 cities and towns. Its global footprint extends across Dubai, New York and Singapore.
- IIFL is registered with the BSE and the NSE for securities trading (cash and derivatives segment), with

MCX/SX and NSE for currency derivatives segment, with MCX, NCDEX and DGCX for commodities trading and with CDSL and NSDL as depository participants. It is also registered as a Category I merchant banker and as a portfolio manager with SEBI. Its equity shares are listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

- IIFL Securities Pte Ltd is registered with the Monetary Authority of Singapore (MAS) for dealing in securities and corporate finance and notified for research activities. It has received in principle approval as trading member and CDP clearing member from Singapore Exchange (SGX). Setting up trading infrastructure and systems for commencement of

operations and final approval from SGX are under progress. IIFL Capital Pte Ltd. is notified with MAS for business of fund management and as financial adviser.

- IIFL's subsidiary in Sri Lanka, IIFL Securities Ceylon (Pvt) Ltd., has received an in-principle membership of the Colombo Stock Exchange.

- India Infoline Commodities DMCC regulated by DGCX and DMCC and is engaged in Commodity broking business in Dubai.

- IIFL subsidiaries – India Infoline Investment Services and Moneyline Credit Limited – are registered with the RBI as non-deposit taking, non-banking finance companies. India Infoline Housing Finance Ltd, the housing finance arm, is registered with the National Housing Bank.

# MILESTONES.

Incorporated as an independent equity research and consulting firm with clients comprising leading FIIs, banks, consulting firms and corporates

1995

Restructured the business model to embrace the internet; launched **www.indiainfoline.com** and mobilised capital from reputed private equity investors

1999

Commenced the distribution of personal financial products; launched online equity trading; entered life insurance distribution as corporate agent; acknowledged by *Forbes* as 'Best of the Web' and '...must read for investors'

2000

Acquired a commodities broking license; launched Portfolio Management Service

2004

Listed on the Indian stock markets

2005

Acquired membership of DGCX; launched investment banking services

2006

Launched a proprietary trading platform, the Trader Terminal; inducted an institutional equities team; raised over US\$ 300 mn in the group; launched the consumer finance business under the 'Moneyline' brand. IIFL's US-based subsidiary acquired registration as FII from SEBI and commenced global advisory business.

2007

Launched wealth management services under the 'IIFL Wealth' brand; received the insurance broking license from IRDA; received 'Best broker- India' award from *FinanceAsia*; and 'Most Improved Brokerage- India' award from *Asiamoney*.

2008

Received registration for a housing finance company from the National Housing Bank; recognised as 'Fastest growing Equity Broking House - Large firms' in India by Dun & Bradstreet; received in-principle approval to sponsor a mutual fund

2009

IIFL Securities Pte. Ltd. (Singapore), received in-principle approval from the Singapore Stock Exchange, IIFL Securities Ceylon (Pvt) Ltd. (Sri Lanka), received in-principle approval for membership of the Colombo Stock Exchange for stock broking

2010

# VISION

To become the Most Respected Company in the financial services space



# OUR STRATEGY.

## Business strategy

- Continuously assimilate, analyse and apply knowledge to power superior financial decisions
- Focus on core competence in financial services
- Derisk through multiple products and diverse revenue streams

## Customer strategy

- Enhance customer retention through quality research and service
- Efficiently deploy cutting-edge technology
- Create a wide, multi-modal network to serve customers at one stop

## People strategy

- Attract exceptionally talented and driven people
- Ensure a conducive environment
- Share ownership liberally

# IIFL SERVICE. SOMETHING FOR EVERYONE.

## CUSTOMER SEGMENTS

### RETAIL

- Equities
- Mutual funds
- Credit
- Insurance
- Commodities
- Currencies

### CORPORATE

- Investment banking
- Corporate debt
- Mergers and acquisitions

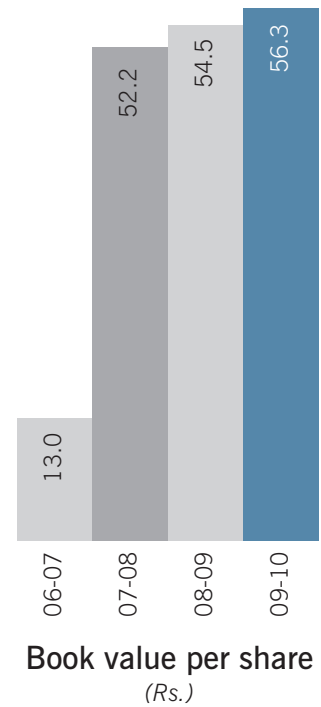
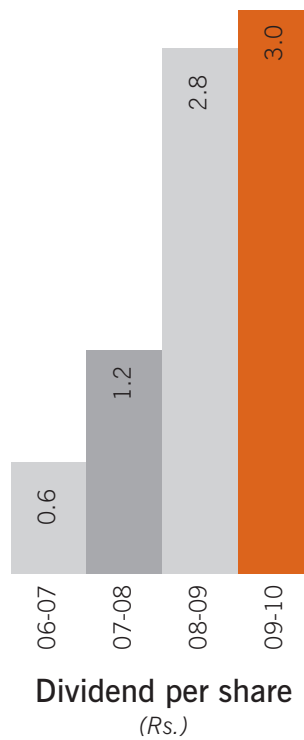
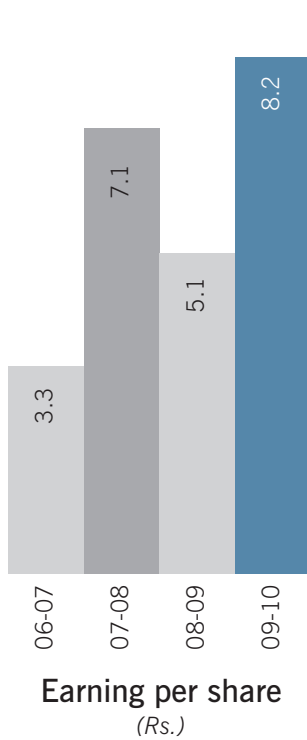
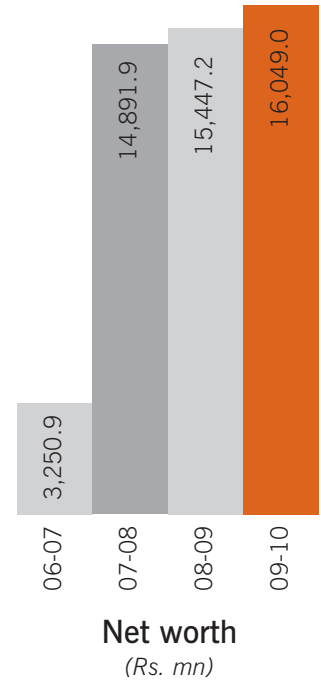
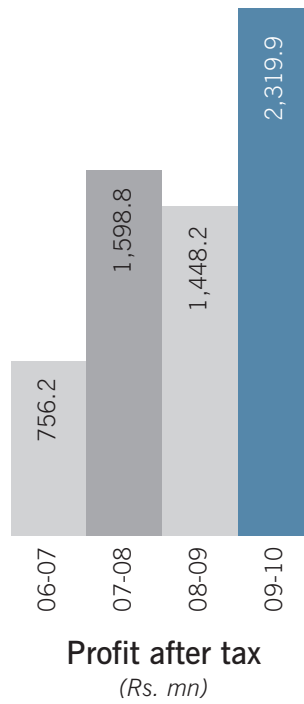
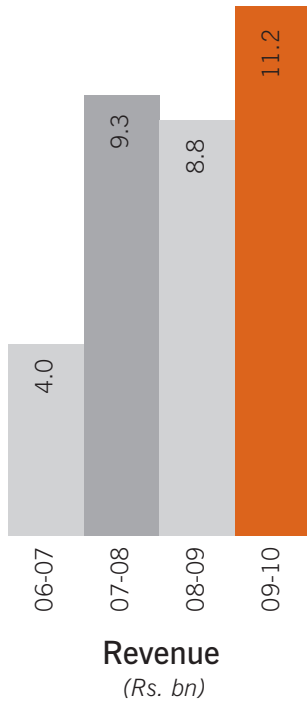
### AFFLUENT

- Wealth management
- Advisory
- Financing

### INSTITUTIONAL

- Institutional equities
- Derivatives

# INVESTING IN KNOWLEDGE WITH GROWING RETURNS.\*



\*Numbers calculated are after minority interest



# THIS IS WHAT WE ACHIEVED IN 2009-10.

## Financial

Revenues grew  
**28.1%**  
from Rs. 8.8 bn  
in 2008-09 to  
Rs. 11.2 bn  
in 2009-10

EBIDTA grew  
**49.6%**  
from Rs. 2.9 bn  
in 2008-09  
to Rs. 4.4 bn  
in 2009-10

Profit after tax grew  
**60.2%**  
from Rs. 1.4 bn  
in 2008-09  
to Rs. 2.3 bn  
in 2009-10

## Business

- Increased average daily trading volumes during the year to Rs. 35 billion, up 57% on a year-on year basis.
- Sole book-running lead manager for Cox & Kings (Rs. 6.1 bn) and Talwalkars (Rs. 744.4 mn)
- Scaled up Wealth management business with assets under advice have crossed Rs. 50 bn

- Financing book grew to Rs. 16.3 bn
- Received an in-principle approval for securities trading and clearing membership from the Singapore Exchange for IIFL Securities Pte Ltd, our Singapore-based subsidiary.

### Customer engagement

- Conducted our first Global Investors' Conference – 'Enterprising India' – in Mumbai, drawing the participation of

more than 450 fund managers, more than 70 corporates as well as world-renowned economists and thought leaders.

## Corporate

- Changed Group identity from India Infoline to IIFL.
- Bought out the stake of a private equity partner in the Credit and finance and Insurance distribution businesses.

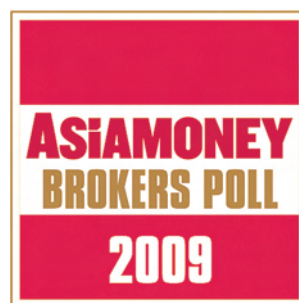
## Awards



Received BQ1 broker grading from CRISIL, reflecting a superior quality of operations and services.



Chairman Nirmal Jain ranked second among 'India's Most Valuable CEOs' by *Businessworld* in November 2009.

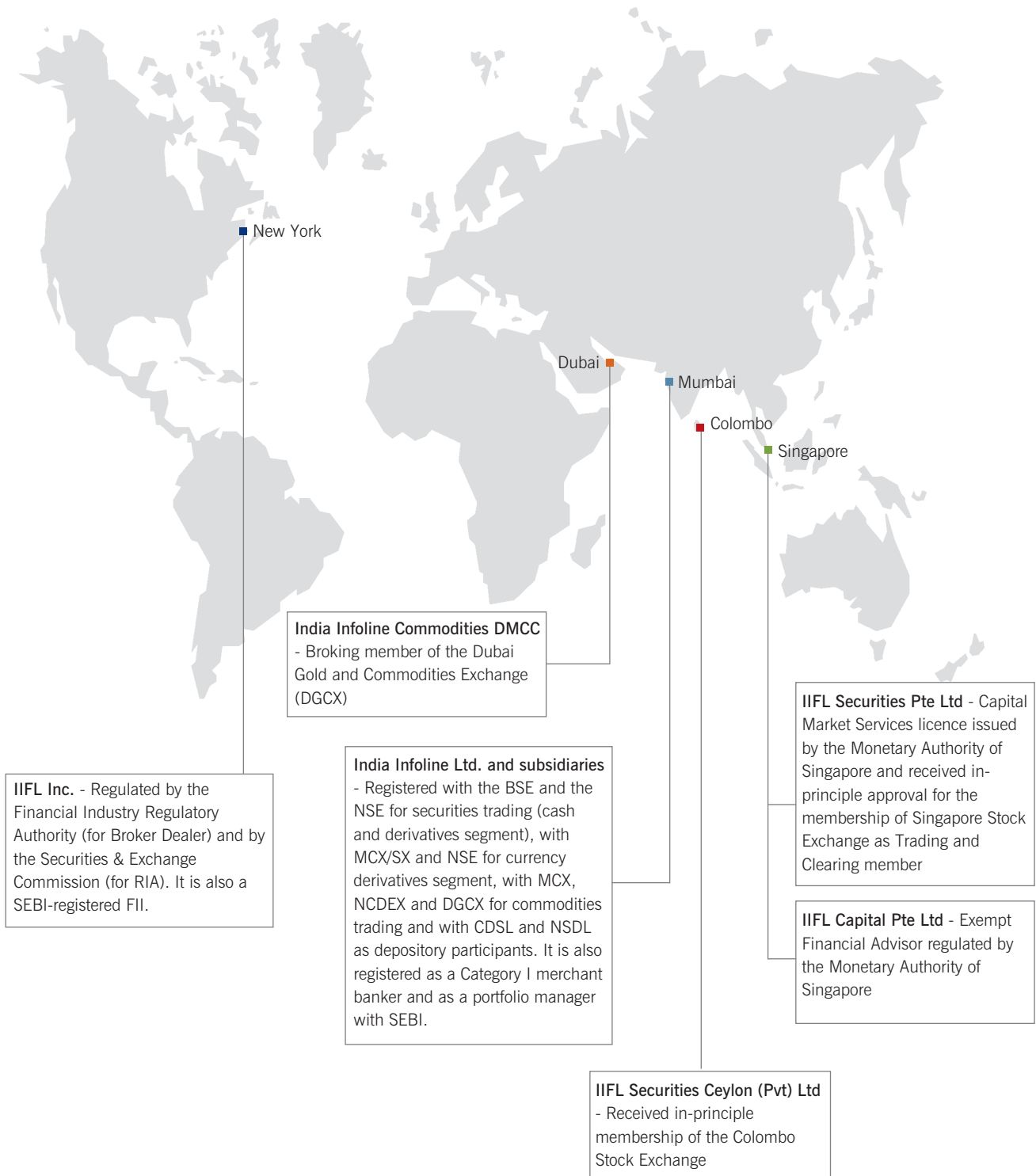


Rated by *AsiaMoney* in 2009 among the country's top three brokerages.



Awarded at the 'India's best market analysts awards – 2009' by Zee Business for being the best in the 'Oil and Gas' and 'Commodities' sectors and finalists in the 'Banking' and 'IT' sectors.

# IIFL. GLOBAL PRESENCE.



# PENCILS DON'T SOLVE CROSSWORDS

Nothing adds up to anything without knowledge. Stocks multiply money only when you pick the right ones. In fact it's our research that brought us a million investors. And convinced juries to vote us India's best broking house\*. After all, finance is more than numbers.

KNOWLEDGE IS THE EDGE



**IIFL**

[www.indiainfoline.com](http://www.indiainfoline.com)

WEALTH | EQUITIES | COMMODITIES | MUTUAL FUNDS | INSURANCE | LOANS

\*India Infoline Ltd. has been adjudged India's Best Broker in 2008 by Finance Asia and the country's fastest growing broking house in 2009 by D & B

The IIFL Knowledge Bank

# INTELLECTUAL DEPOSITS.

THE EFFECTIVE MANAGEMENT OF A LIFETIME'S EARNINGS IS CRITICAL, AS THE COMPETENCE REQUIRED TO MANAGE IT IS GENERALLY UNAVAILABLE. FOR VARIOUS REASONS: MULTIPLE ASSET CLASSES. DIVERSE CHOICE. NUMEROUS VENDORS. INFORMATION CLUTTER. INCAPABILITY. PAUCITY OF TIME. CONFUSION. THE PREMIUM ON INTELLIGENT DECISION-MAKING IS BUT OBVIOUS.



## Objective

IIFL aims to enrich client knowledge, leading to an informed investment decision. Over the years, we have done precisely so in the following ways:

- Pioneered the concept of providing incisive independent research reports on investment opportunities based on comprehensive interactions with corporate and industry executives; we regularly produce high quality research reports followed by frequent updates.
- Prepared thematic reports on areas overlooked by most

research houses, strengthening our 'knowledge' positioning.

- **Enterprising India:** 41 leading entrepreneurs and thought leaders profiled and interviewed
- **Rural India:** Based on NREGA impact and opportunities
- **INCH series:** Multi-sectoral comparison of India and China
  - Extended beyond mapping prominent companies; helped unearth lesser-known Indian corporates with attractive investment potential, facilitating their responsible price discovery.
  - Created an open-architecture

model for financial products wherein we analysed investment opportunities threadbare (pros and cons), making it easier to customise investment products to suit the respective risk appetites of clients.

- Provided reports (daily and weekly) of economic, sectoral, corporate and product developments that could influence investment decisions.
- Created reports on important asset class developments, explaining their immediate and prospective impact.

## Method

- We established an extensive presence across all asset classes, emerging as a holistic financial services provider.
- We created qualified and experienced teams to manage diverse business verticals.

■ We supported our front-end with a large, qualified and experienced research team – analysts with hands-on experience in sectors and financial markets; we established dedicated research teams for diverse asset classes.

■ We engaged in a continuous dialogue with corporate executives (of companies researched and of other financial product providers) to identify inflection points that could potentially influence investment returns.

The IIFL Knowledge Bank

# RISK MITIGATION.

INVESTMENT IS ALWAYS FRAUGHT WITH RISK, EVEN MORE SO IN THE PREVAILING ENVIRONMENT. FOR A NUMBER OF REASONS: CROSS-COUNTRY LINKAGES, GOVERNANCE BREAKS, INTER-CONNECTEDNESS, DYNAMIC ENVIRONMENT, COMPLEXITY, INEXPERIENCE, TECHNOLOGY HAZARDS AND FEAR.





## Objective

IIFL provided clients 'peace of mind' through the following initiatives:

- Institutionalised a system of revisiting investment recommendations; advised clients to enhance or reduce their exposure based on prevailing realities.

- Created robust risk management systems – real time and post-facto – to minimise the probability of credit losses.
- Strengthened the real time identification of trend breaks or trading pattern irregularities that could enrich or protect clients.
- Strengthened the risk management framework

resulting in proactive action for clients deficient in margin calls.

- Enhanced client confidence through thorough audit processes, both internal and external and stringent quality checks to ensure high quality and faster turnaround for processes.

---

## Method

- We continuously fine-tuned risk management algorithms in the proprietary Trader Terminal to deter clients from erroneously building positions higher than their respective margins limit.
- We strengthened our Internal

Audit systems by bringing on board Ernst & Young as our Internal Auditor.

- We created a robust risk monitoring team to analyse trading statistics in real time, resulting in the prompt action of freezing select client accounts.

We initiated sales on behalf of clients who exceeded their trading limits, minimising the client's loss in a falling market.

- We have built a team of qualified research analysts to continuously monitor and scan financial environment.

The IIFL Knowledge Bank

# SMILE RETURNS.

INVESTING IS A CONTINUOUSLY CHALLENGING OCCUPATION. AFTER NAVIGATING THE CHALLENGE OF IDENTIFYING THE RIGHT OPPORTUNITY, YOU GENERALLY ENCOUNTER UNEXPECTED HURDLES. MULTIPLE REGULATIONS. LACK OF FAITH IN OPERATING PLATFORMS. INTIMIDATING TECHNOLOGY. UNENDING QUERIES. LITTLE WONDER THEN, THAT A SMILE FROM A CUSTOMER IS THE BEST 'RETURN ON SUCCESSFUL INVESTING'.





## Objective

At IIFL, we showcased our effectiveness through the smiles of our clients with the following initiatives:

- Increased proximity with clients through a robust pan-India network comprising over 2,300 business locations in more than 450 cities and towns. Provided

multiple touch-points through which the customers could get in touch with us.

- Provided the client the convenience to trade in multiple asset classes – equities, commodities, derivatives, currency and mutual funds.

- Honed our technological prowess to execute online

transactions (order-to-confirmation) on our trading platform in less than a second.

- Reduced the cycle time for key operations (account opening, funds credit, demat account, among others); institutionalised processes that eliminated errors.

- Invested adequately to maximise network uptime.

---

## Method

- We established multiple communication platforms – SMS, telephone, internet and branches – to facilitate client interaction resulting in an understanding of

their concerns and needs.

- We kept up our focus on understanding the customer better to be able to service him better. This took the form of surveys and various other

feedback mechanisms.

- We continually upgraded the Trader Terminal, upgrading features and accelerating transaction speed.

The IIFL Knowledge Bank

# THE EARNINGS INTEREST.

AFTER ONE HAS WORKED HARD TO EARN A DECENT LIVING COMES THE NEXT BIG CHALLENGE: THE NEED TO MANAGE AND GROW THE SAVINGS COMPETENTLY; TO MAKE OUR MONEY WORK AS HARD AS WE DID; TO PREVENT ITS EROSION BY INFLATION AND SUB-STANDARD ALLOCATIONS.



## Objective

At IIFL, we manage the hard-earned earnings of our clients by delivering returns that more than match their expectations through the follows means:

- Advise them on the widest bouquet available (sovereign and quasi-sovereign debt, corporate and collateralised debt, structured products, direct equity, ETFs and mutual funds, third party portfolio management service, options strategy, real estate and private equity).

- Use advanced proprietary models to measure risk profiles and investment objectives leading to strategic allocation and superior risk-adjusted returns.

- Create an online performance reporting system with consolidated investments across asset classes for multiple clients within a single family to facilitate informed decisions, performance tracking and cost management. Other technology innovations include the comprehensive

online reporting of 'Held-Away assets'.

- Create the 'Personalised Investment Office' concept for select investors where, in addition to investment management, the team provides diverse services like legal advice, tax planning, managing wealth not invested by the team.

- Designed high-yield structured products with adequate protection against capital erosion.

---

## Method

- We recognise that in order to be on the same side of the table as the client, it is essential to have transparency in fee structures and align interests

between clients and advisors.

- We created dedicated relationship managers from IIMs and premier institutes with an insight into portfolio analytics to

assist clients.

- We have invested in in-house multi-asset research and analytics department to analyse risk-return payoff.

Chairman's overview

# KNOWLEDGE IS THE EDGE.



Your Company's income and profits have scaled a new peak last year. It is now a decade since we commissioned our broking services on a revolutionary platform. During this period, we have not only emerged as a leading player in India's dynamic financial services space but are also closing in on our vision of becoming the most respected financial services company in India.

When I look back on these ten years, the first thing that comes to my mind is: what did we do right? What enabled us

to grow from scratch into the top strata? What enabled us to outperform competition from large institutions, banks and traditional brokers? It is important to discover the true edge, so that we keep sharpening it. A number of probable explanations come to my mind. But, when one tries to think deeper, they may not be the real edge.

Technology, for one. However, the devil's advocate inside me argues that after a while, the technology advantage usually becomes irrelevant for various reasons.

For instance, our business does not require proprietary or secret technology that cannot be emulated. Besides, we compete with large organisations with deeper pockets that can buy or replicate our technology advantage.

Could it be capital? A strong balance sheet has helped many organisations globally to emerge stronger. But here again, that would not appropriately explain our success, because a significant part of our growth in the first eight years was achieved with modest capital. Even today, we are not amongst the industry leaders in terms of capital base or access to funds. Besides, access to capital – once considered crucial for growth – is no longer an impediment for most industry players. Most of our peers would have out-invested us on their way to growth. Several unlisted brokerages are also well-funded, having successfully tapped private equity during the good times.

The tricky one, something which any organisation will swear by, is 'people'. Its importance has almost become a cliché in Chairmen's statements, regardless of the industry. Here again, there is an interesting alternative perspective. The same people deliver different results under different environments in response to different motivational forces. So the key lies not as much in hiring the best people but matching the right people to the right job profiles and giving them the right environment and right value system in which to work. In turn, success is also derived from an ability to understand people's aspirations and expectations. And to provide a conducive environment

to accomplish with corresponding monetary and non-monetary rewards, intellectual enrichment and autonomy.

Therefore, the key to success perhaps lies more in the *knowledge* of people's aspirations, capabilities and requirements of the job so as to find an appropriate fit and not simply the most talented people available. Also needed is knowledge of what environment would be best suited for our business and not blindly emulating the best in the world and so on. Similarly, the edge lies not in getting as much capital as possible but a *knowledge* of how to use it most effectively and when and how to raise it optimally. Going back to technology, the edge again is in the *knowledge* of cost and complexities of available technologies on the one hand and value to the customer on the other. The best technology may be too complex or too costly for the consumer. It is *knowledge* of customers' needs, aspirations, perceptions and available competitive alternatives which enables us to design superior products.

In fact, when I look back, it is the knowledge of the rapidly changing environments and our humility as well as our ability to adapt to the same that has been the key to our survival and growth. But for this, we would not have enhanced our business model from dot com to brick and mortar, from retail to institutional, from execution to advisory, from fee-driven to fund-supported and so on.

This knowledge is not necessarily in the possession of highly qualified people,

nor produced in sophisticated computer models, nor packaged in jazzy presentations. In my personal experience, the knowledge that has been most valuable for strategy has often come from rank and file employee who is in touch with the customer. Whatever your Company has achieved is primarily due to passion of people at the bottom of organisation's pyramid, to gather, share and apply knowledge about the customer.

When I examine our core business, I feel this business is perhaps the most knowledge-intensive -- probably more than even businesses traditionally perceived as knowledge businesses like IT/ ITES or education. No business needs to deal with real-time ever-changing realities that the financial services sector demands. When a technology programmer goes to his office in the morning he does not have to worry about changes in his domain or industry that may have occurred the previous night; a professor of mathematics does not have to deal with new developments in his field on a daily basis.

On the other hand, if any of our financial advisors overlook a relevant news item or important information in the morning, it can potentially spell disaster for the client's finances. As a result, they need to keep themselves abreast with developments not just in the stocks that their clients hold, but also in relevant sectors, overall market, global markets and thousands of factors affecting them - in *real time*. In an age of information explosion, our analyst's job is rendered

even tougher as the same information may warrant different recommendations as the contexts change. A fundamentally good company could be a 'sell' and vice versa. Adverse political news may be good for some companies. An extremely optimistic promoter may actually be emitting negative vibes to his shareholders.

Besides, as an organisation we need to possess a deep knowledge of markets, sentiments that drive them and fundamentals that underlie them. It is not just assimilating or disseminating information but joining the dots, visualising the big picture, understanding the client's risk profile and recommending the right solutions.

To put it simply, *knowledge is the edge*. Knowledge of economies, markets and corporates to service our customers. Knowledge of our customers, technologies and people to remain competitive. Knowledge of efficient sources, timing and optimum capital deployment to generate above-average returns.

We need to sharpen this edge every moment as yesterday's knowledge is at best historical data today. Knowledge is the edge that has helped us come this far and will help us sustain above-average growth. As mankind advances into the *knowledge age*, your company's business founded on the *knowledge edge*, has indeed a very promising outlook.

**Nirmal Jain**  
Chairman



Business divisions

# A SNAPSHOT.

IIFL IS A HOLISTIC FINANCIAL SERVICES COMPANY.  
WITH A PRESENCE ACROSS MULTIPLE ASSET CLASSES.  
PROVIDING INNOVATIVE AND CUSTOMISED SOLUTIONS.  
PLUS WORLD-CLASS RESEARCH AND SERVICES.



Division	Revenue	Business model
<b>Equities and commodities broking</b>	2007-08: Rs. 5.1 bn 2008-09: Rs. 4.7 bn 2009-10: Rs. 6.4 bn	Large retail base through pan-Indian physical and internet presence  Institutional business enhances brand recall
<b>Credit and finance</b>	2007-08: Rs. 1.9 bn 2008-09: Rs. 2.7 bn 2009-10: Rs. 2.9 bn	Offers secured mortgages, loan against property, loan against shares and margin funding to retail and corporates.
<b>Insurance</b>	2007-08: Rs.1,009.3 mn 2008-09: Rs. 481.5 mn 2009-10: Rs. 536.4 mn	Sales of insurance products of reputed insurance companies as an insurance broker
<b>Investment banking</b>	2007-08: Rs. 161.5 mn 2008-09: Rs. 23.3 mn 2009-10: Rs. 387.7 mn	Bridges the gap between quality investment opportunities (IPOs, QIPs) and quality investors. Facilitates innovative M&A deals
<b>Wealth and asset management</b>	2007-08: Rs. 207.1 mn 2008-09: Rs. 177.1 mn 2009-10: Rs. 331.6 mn	Customises wealth solutions for HNIs and corporates across all products  Presence in Dubai, New York and Singapore enabling access to NRIs

Business

# EQUITIES AND COMMODITIES BROKING



## Highlights, 2009-10

- IIFL's revenue from its broking business (equities and commodities) grew 35.9% to Rs. 6.4 bn in 2009-10 from Rs. 4.7 bn in 2008-09.
- IIFL received the BQ1 broker grading (highest grading) from CRISIL. The assigned grading reflects an effective external interface, robust systems framework and strong risk management. The grading also reflects IIFL's healthy regulatory compliance track record and adequate credit risk profile.
- IIFL's analyst team won Zee Business' 'India's best market analysts awards – 2009' for being the best in the Oil and Gas and Commodities sectors and a finalist in the Banking and IT sectors.
- Our first Global Investors' Conference at Mumbai - 'Enterprising India' witnessed a participation of more than 450 fund managers, over 70 corporates, world renowned economists and thought leaders.

Equities	Commodities
Revenue from equity broking increased 35.4% from Rs. 4.5 bn in 2008-09 to Rs. 6.1 bn in 2009-10	Revenue from commodity broking increased 46.8% from Rs. 169.2 mn in 2008-09 to Rs. 248.3 mn in 2009-10
Average daily turnover went up by 57% y-o-y in FY10 to Rs. 35.0 bn; market share on the NSE maintained at 3.8% in 2009-10	Average daily volumes stood at Rs. 4.07 bn, an increase of 55% y-o-y
IIFL Securities Pte Ltd, our Singapore-based subsidiary, received the in-principle approval for securities trading and clearing membership from Singapore Exchange (SGX)	Maintained our overall market share on both exchanges (MCX and NCDEX) at 1.7%
Caters to a customer base of 0.8 mn	

## Overview

**Equities:** IIFL is a member of BSE and NSE registered with NSDL and CDSL as a depository participant and provide broking services in the cash, derivatives and currency segments, online and offline.

- The Company has, over the years, established a brand around

the delivery of pioneering services to clients, both retail as well as institutional.

- Provide a trading terminal (Trader Terminal) with the facility to trade on the BSE as well as the NSE and in both segments -- cash as well as derivatives -- through a single screen along with real time charts and other user-friendly features.



- Provide world-class research to all its clients absolutely free.

**Commodities:** The Company is a member of MCX, NCDEX and DGCX. Its extension into commodities trading reconciles its vision to emerge as a one-stop financial intermediary.

The Company is present across more than 2,300 business locations through its branches and franchisees; it services more than 750,000 customers for its broking business.

The Company received a number of awards for its broking excellence:

- Awarded BQ1 Broker Quality rating (the highest rating) from CRISIL
- Featured among the Top 3 for 'Best Brokerage' in India by *AsiaMoney* for 2009
- Accredited as the Fastest Growing Broking House 2008 by Dun & Bradstreet
- Awarded at the 'India's best market analysts awards – 2009' by Zee Business for being the best in the 'Oil and Gas' and 'Commodities' sectors and finalists in the 'Banking' and 'IT' sectors

## The knowledge edge

- **Experience:** The Company engaged in broking for last 10 years, having successfully survived multiple market downturns.
- **Research team:** The highly qualified and experienced research team tracks stocks across a number of sectors.
- **Risk management:** The Company institutionalised risk management, comprising proactive risk minimisation coupled with post-facto analyses, protecting client interest.
- **Technology:** The Company utilised cutting-edge technology to create a comprehensive trading platform, the Trader Terminal, offering diverse analytical tools complemented by extensive research.

## Other strengths

- **Presence:** The business is supported by a pan-India network across 450 cities and towns and more than 2,300 business locations.

- **Customer service:** The customer service team proactively contacts customers and interacts with them across multiple touch points viz. online, over the telephone, at the branches and via SMS.

## Industry optimism

- India continues to be among the better performing markets across the globe and hence there is a high amount of FII participation in the Indian capital markets. According to SEBI, FIIs invested a record US\$ 17.5 billion in domestic equities during the calendar year 2009. FIIs infused a net US\$ 1.1 billion in debt instruments during the said period. Data from SEBI shows that the number of registered FIIs stood at 1711 and number of registered sub-accounts rose to 5,382 as of April 30, 2010. [Source: *IBEF*].
- India enjoys the highest household savings rate of 24.7%, but out of the total investments made, equity-related investments are only about 10% compared with 22% in China and 30-40% in developed countries [Source: *Businessline*].
- Although the Indian economy is on a strong growth path, global events like the Eurozone crisis can have an impact on Indian capital markets.

## Outlook

The Company expects to strengthen its business through the following initiatives:

- Higher client penetration by virtue of increased ease of internet access.
- Further improve the online trading experience by fine-tuning our proprietary trading platform, the Trader Terminal and invest in strengthening the technology backbone.
- Continually enhance customer experience by delivering ever-improving service standards
- Increased research analysis of companies with attractive potential thereby increasing the universe of stocks under coverage.

Business

# CREDIT AND FINANCE



## Highlights, 2009-10

- Revenues stood at Rs. 2.9 bn compared with 2.7 bn in 2008-09, a rise of 9.9%.
- Loan book grew 70.2% from Rs. 9.6 bn as on March 31, 2009 to Rs. 16.3 bn as on March 31, 2010.

- The private equity partner's 22.28% stake in India Infoline Investment Services Ltd. was bought out, transforming it into a 99.02% subsidiary of IIFL.

## Overview

India Infoline Investment Services Ltd and its subsidiaries provide a wide array of secured loan products. Secured loans (mortgage loans, margin funding, loans against shares) comprise 94% of the loan book. The Company has discontinued its unsecured products.

It has robust credit processes and collections mechanism resulting in overall NPAs of less than 1%. The Company deployed proprietary loan-processing software to enable stringent credit checks while ensuring fast application processing.

## The knowledge edge

**Experienced team:** The team comprises experienced professionals experts from globally respected financial houses with years of experience in this business.

**Customer insights:** The team interacts regularly with customers, thus getting invaluable insights into their funding

requirements. In turn, this makes it possible for the team to design products suited to the needs of the customers.

## Other strengths

■ **Distribution network:** The team leverages our vast pan-India distribution network to market products and services. Being a holistic financial service institution provides profitable cross-sell opportunities.

■ **Asset quality:** Sizeable business is generated from referrals and customers from other business verticals of the Group. Strong systems and processes, coupled with an internal audit team, which scrutinises carefully each and every application, results in NPAs of less than 1%.

## Business-strengthening initiatives

**Credit bureau usage:** The Company extensively uses the credit bureau for underwriting loan products and evaluating client credit history.

**Proprietary systems:** The team developed an in-house loan

application system that facilitates faster turnaround, extensive data capture and superior MIS capabilities. This also facilitates a seamless and faster addition of new features and new products that cater to changing external environments.

**Centralised operations:** The team centralised all its business operations in Chennai. The centralised operations unit manages the processing of loan applications, presentations and other key activities. The operations unit is connected to every branch office, facilitating uniformity and competent loan servicing.

### Industry overview

Retail loans have been a relatively new growth area for Indian financial institutions and banks. This is reflected in the modest growth of the Indian consumer finance sector – 23% CAGR between FY05-09. The Indian finance market is largely under-penetrated with housing loan to GDP at around 9% and consumer loan to GDP at around 16%.

[Source: UBS Research]

### Sectoral optimism

The under-penetration of the consumer finance market in India is expected to correct for credible reasons:

- India is a young country with an average age of about 26 years; about 49% of the population is below 25. This, coupled with the sustained economic growth, growing salaries and a changing mindset will fuel disposable incomes.

- Estimates suggest that urbanisation will increase from 30% currently to 40% by 2030. Nearly 590 mn people will be living in Indian cities, twice the population of United States today. This will translate into a massive growth in housing and commercial space [Source: Mckinsey report].

- Increase in the supply of affordable homes, recent price correction in the residential sector and increasing tax sops for housing loans are expected to drive the demand for related financing.

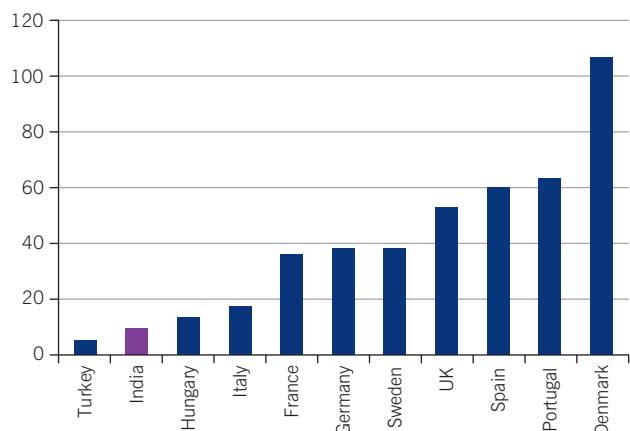
- Medium and small enterprises are expected to contribute 22% to India's Gross Domestic Product (GDP) by 2012, up from about 17% (Source: ASSOCHAM), which is expected to grow related financing needs.

### Outlook

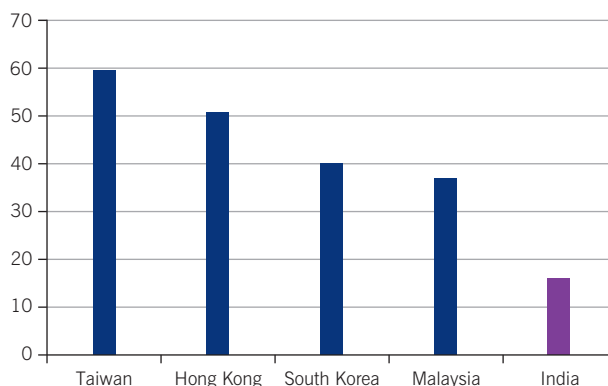
The Company expects to strengthen its business through the following initiatives:

- Improve understanding of the clients and their businesses to facilitate introduction of innovative products customised to specific client needs.
- Fine-tune processes further to ensure faster turnaround for applications while ensuring that all credit requirements are met.
- Leverage upon the housing finance subsidiary to capitalise upon the mortgage loan and securitisation opportunity.

**Mortgage as a % of GDP**



**Consumer loan as a % of GDP**



Business

# INSURANCE



## Highlights, 2009-10

- Witnessed 11.4% revenue increase from Rs. 481.5 mn in 2008-09 to Rs. 536.4 mn.
- Offering customer a wide bouquet of products from several insurance companies including Max New York Life Insurance, MetLife, Reliance Life Insurance, Bajaj

Allianz Life, Birla Sunlife, Life Insurance Corporation, Kotak Life Insurance and others.

- The private equity partner's 10.44% stake in India Infoline Marketing Services Ltd. was bought out, transforming it into a 99.07% subsidiary of IIFL.

	2007-08	2008-09	2009-10
Revenue (Rs mn)	1,009.3	481.5	536.4

	2007-08	2008-09	2009-10
Lives insured	187,695	115,996	111,649

## Overview

IIFL entered the insurance distribution business in 2000 as ICICI Prudential Life Insurance Co. Ltd's corporate agent. Later, it became an Insurance broker in October 2008 in line with its strategy to have an 'open architecture' model. The Company now distributes products of major insurance companies through its subsidiary India Infoline Insurance Brokers Ltd. This business vertical now contributes close to 10.5% of the Group's total income.

## The knowledge edge

- **Experience:** IIFL has been in the insurance space for over a

decade, and has a deep understanding of the market and customers.

- **Associations with insurance companies:** The Company has developed strong relationships with leading private sector Insurance companies.

- **Comparative research:** The team undertakes in-depth research of all products being marketed with a comparative analysis of similar products of other insurance companies leading to informed decisions by customers.

- **Regular interaction:** The team engages in a regular interaction with business partners (insurance companies) for an updated knowledge on new products, trends and policies.

## Other strengths

- **Fine-tuned processes:** The Company continually invests in fine-tuning operational processes to ensure shortest turnaround time with least errors.

- **Product mix:** The Company offers a wide product basket to

suit every investment need for diverse age-groups, preferences and backgrounds. It maintains a prudent balance between endowment, ULIPs and retirement products to suit the risk appetite of investors.

■ **Pan-India network:** The Company entrenched its national footprint through a robust distribution network comprising branch offices, a large feet-on-street team and proximity to the investing community.

### Business-strengthening model

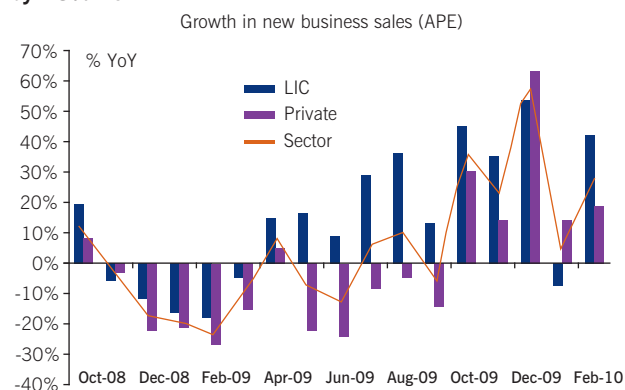
■ **Focus on business quality:** The sales team was given training inputs to match the right product for client needs, increasing client conversion and retention.

■ **Quality of team:** Recruited the right people for the right role, especially in the sales team (insurance marketing needs a specialised skill set) supported by continuous training.

### Insurance sector

The US\$ 41 bn Indian life insurance industry – considered the world’s fifth largest life insurance market – is growing at 32-34% annually according to the Life Insurance Council. Since the opening of the Indian insurance sector, the industry received around US\$ 525.6 million in FDI. The total number of life insurers registered with the Insurance Regulatory Development Authority (IRDA) increased to 23 (including LIC), reflecting growing potential. India ranks 136 globally in terms of life insurance penetration, far behind China (106), Thailand (87), Russia (86), Brazil (85), Japan (61) and the US (9) [Source: IBEF].

**In February 2010, sector new business premium (APE) grew by 28% YoY**



APE: Annualised premium equivalent  
[Source: IRDA, CLSA Asia-Pacific Markets]

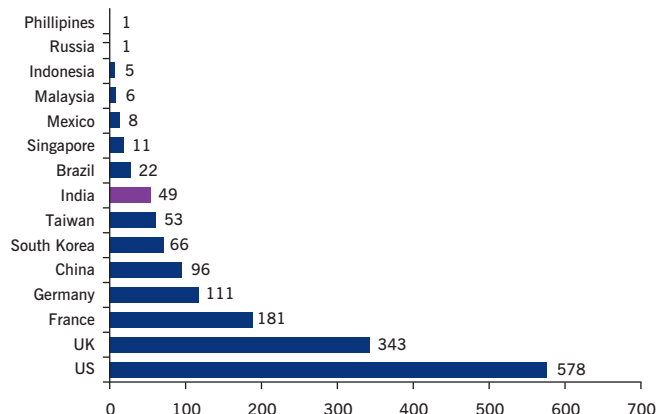
### Sectoral optimism

■ The low life insurance penetration in India (premia/GDP ratio at 4% against the average of 6% in developed nations) is likely to correct faster owing to the improved economic scenario and higher disposable incomes [Source: McKinsey report].

■ Life insurance penetration in India is estimated to increase from 4% to 4.4% over the next two years as insurance companies extend into rural India. A hugely untapped rural insurance market is expected to grow four-fold by 2015. The government is likely to reintroduce the Insurance Bill that proposes to increase the FDI cap for private sector insurance companies from 26% to 49% [Source: IBEF].

■ The Life Insurance industry is going through a period of readjustment, which is caused by regulatory and capital market conditions.

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



[Source: IIFL Research]

### Outlook

The Company expects to strengthen its business through the following initiatives:

■ **Focus on productivity:** The Company undertakes provides its sales team with continuous training inputs to generate better levels of productivity.

■ **Focus on cross-sell:** Given the huge customer base that the group has, there exists a huge cross-sell opportunity which the Company is pursuing by putting in place adequate systems and processes and also by providing training inputs to its sales force.

Business

# INVESTMENT BANKING



## Highlights, 2009-10

- Income increased manifold to Rs. 387.7 mn as against Rs. 23.3 mn in 2008-09.
- Advised and managed more than 10 transactions including four IPOs and four Qualified Institutions Placements.
- Became sole book running lead manager for the Rs. 6.1 bn IPO of Cox & Kings and book running lead manager for the Rs.1.9 bn IPO of Infinite

Computer Solutions.

- Became global coordinator and book running lead manager for the Rs. 5.2 bn QIP of KSK Energy Ventures and the Rs. 3.1 bn QIP of Emami Limited. Similarly, became the co-book running lead manager for the Rs. 6.8 bn QIP of Cipla Ltd and the Rs. 3.0 bn QIP of Gammon India Ltd.
- Created a robust pipeline of transactions likely to be executed in the future.

## Deal snapshot: FY10

<p>QIP Rs 6.1 bn</p>  <p>Cox &amp; Kings India Ltd. Sole BRLM 2009</p>	<p>IPO Rs 1.9 bn</p>  <p>Infinite Computer Solutions BRLM 2010</p>	<p>IPO Rs 1.3 bn</p>  <p>DQ Entertainment (International) Ltd. Member of the Syndicate 2010</p>	<p>QIP Rs 3.0 bn</p>  <p>Gammon India Ltd. BRLM 2009</p>	<p>QIP Rs 5.2 bn</p>  <p>KSK Energy Ventures BRLM 2009</p>
<p>QIP Rs 6.8 bn</p>  <p>Cipla Ltd. Co-BRLM 2009</p>	<p>IPO Rs 30.2 bn</p>  <p>ADANI Adani Power Ltd. Member of the Syndicate 2009</p>	<p>QIP Rs 3.1 bn</p>  <p>emami group Emami Ltd. BRLM 2009</p>	<p>Secondary Placement Rs 1.1 bn</p>  <p>Everest Kanto Cylinder Ltd. 2009</p>	<p>Acquisition of AMS Division of Caryaire Equipments India Pvt. Ltd. by Flakt Woods</p>  <p>Flaktwood Sole Advisor 2009</p>

## Overview

The Company's investment banking division was launched in 2006. The business leverages upon its strength of research and placement capabilities of the institutional and retail sales teams.

## The knowledge edge

- **Qualified team:** Our experienced investment banking team possesses the skill-set to manage all kinds of investment banking transactions.
- **Efficient need matching:** Our close interaction with investors as well as corporates helps us understand and offer tailor-made solutions to fulfill requirements.

## Other strengths

- **Strong placement capabilities:** The Company possesses strong placement capabilities across institutional, HNI and retail investors. This makes it possible for the team to place large issues with marquee investors.
- **A strong brand:** A track record of successful business with reputed corporates has created a strong recall, making it easier to approach large investors and corporates. Our investment banking success in the last two years positioned our capabilities/brand equity favourably among large Indian corporates.

## Investment banking sector

According to an analysis, about 44 companies (including PSUs) raised Rs. 478.7 bn between April 2009 and March 2010, the

second highest fund raising by India Inc. through this route and 23 times higher than Rs. 20.3 bn mobilised in 2008-09 [Source: *The Economic Times*].

## Industry optimism

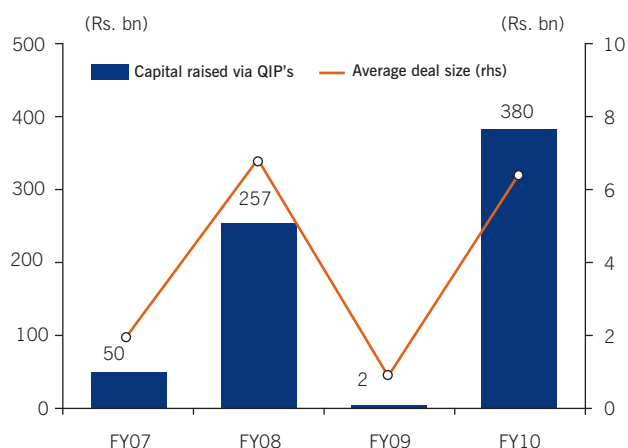
- As per credible estimates, a large number of public offers are foreseen in 2010-11 as the government targets to raise Rs. 400 bn through divestments in public sector companies.
- Strong economic growth is expected to keep capital markets buoyant. We expect a number of small and mid-sized companies to go public to fund their growth as the Indian economy continues on its growth path.
- An increasing need to leverage inorganic opportunities is expected to catalyse an unprecedented M&A opportunity. In 2010, 610 M&A deals worth US\$ 74.5 billion were announced [Source: *The Economic Times*].

## Outlook

The Company expects to strengthen its business through the following initiatives:

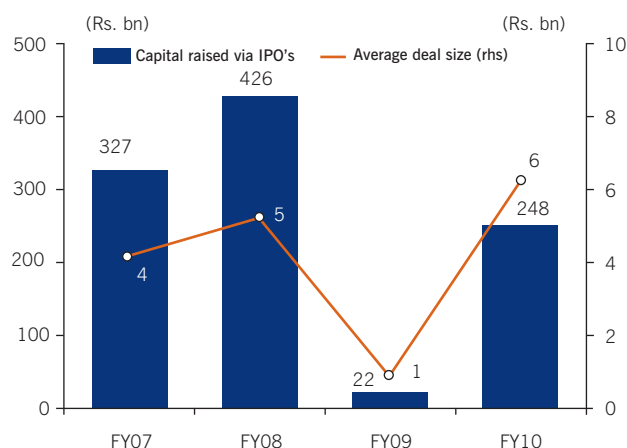
- Leverage the track record of successful deals and a strong brand to expand the pipeline of transactions.
- Increase client coverage geographically and offer innovative structures to meet client funding requirements

### Capital raised through QIPs (Rs. bn)



Source: Bloomberg, IIFL Research

### Capital raised through IPOs (Rs. bn)



Source: Bloomberg, IIFL Research



Business

# WEALTH AND ASSET MANAGEMENT



## Highlights, 2009-10

Wealth management	Asset management
Assets under advisory crossed the Rs. 50 bn mark during the year.	IIFL's offshore asset management business is run by IIFL Capital Pte. Ltd., based in Singapore. The Company launched two India focused long-short funds in 2009 which delivered a strong performance over the last 12 months.
Pioneered secondary market transactions in quasi-sovereign bonds like NABARD and IIFCL	Awaiting the final approval from SEBI to establish a domestic AMC.
Tied up with Interactive Brokers LLC to strengthen its execution platform and provide investors with a global investment platform	Began offering the online trading option for mutual fund transactions on the BSE and NSE.

## Overview

■ **Wealth and asset management:** IIFL Wealth Management Ltd, a wholly-owned subsidiary of India Infoline Ltd, offers private wealth advisory services to high-net-worth individuals (HNI) and corporate clients under the 'IIFL Private Wealth' brand. The subsidiary manages investments in equity, mutual funds, real estate, fixed income and structured products; it offers portfolio management services across all asset classes. The Group commenced its offshore asset management business under the 'IIFL Capital' brand. The Company received an in-principle approval to establish a mutual fund.

IIFL Inc. is the Group's US subsidiary, registered with SEC, US

as Investment Advisor and a SEBI-registered FII. It provides Investment advisory services to global funds and international institutional investors.

■ **Mutual funds distribution:** IIFL is a leading pan-India mutual fund distributor associated with all leading asset management companies, leveraging its vast distribution network to reach clients.

In keeping with its credo of being a strong research-based fund house, IIFL offers investment advice on funds with a demonstrated track record of having survived all market cycles. These recommendations are backed by strong proprietary research reports.



## The knowledge edge

■ **Extensive product bouquet:** The team advises clients across asset classes like sovereign and quasi-sovereign debt, corporate and collateralised debt, direct equity, ETFs and mutual funds, third party PMS, derivative strategies, real estate and private equity. It has developed innovative products structured on the fixed income side.

■ **Structured products:** IIFL Private Wealth has firmly established itself as a market leader for structured products due to product innovation. A robust in-house structured product team sources and customises products based on clients' requirements, offering flexibility and innovation.

■ **Experienced team:** The wealth management business is managed by a qualified team of MBAs from IIMs and premier institutes with relevant industry experience.

■ **Focus on risk-adjusted returns:** The team deploys advanced proprietary models to measure client risk profiles and investment objectives, leading to strategic resource allocation, derisking and superior risk-adjusted returns.

■ **Research:** The Group's specialised research team tracks many companies across sectors. We track not just the mutual funds but also the companies that they are investing in. We track the views of mutual fund experts – debt as well as equity-based – to comprehend emerging trends.

## Other key strengths

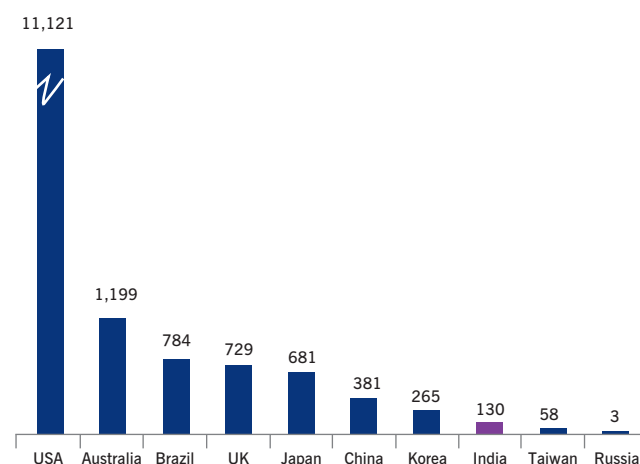
■ **Vendor-neutral strategy:** The open architecture and independent product research desk makes it possible for the team to work with various product manufacturers, strengthening client trust.

■ **Superior technology platform:** The Online Performance Reporting system with consolidated investments across family members and asset classes facilitates informed decisions, performance and cost tracking. Other innovations include a comprehensive online reporting of 'held-away assets'.

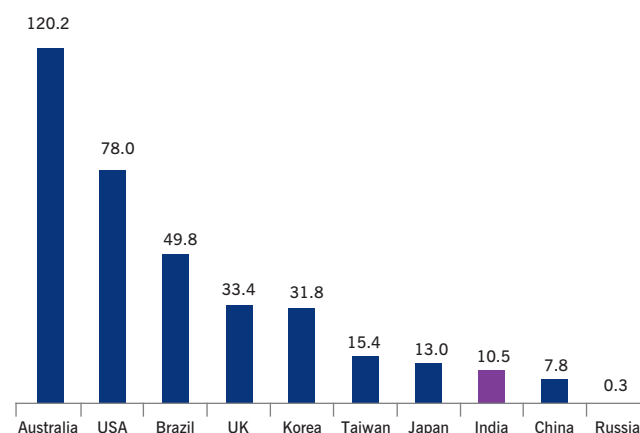
■ **Pan-India presence:** The Company's online trading facility and physical presence across 2,300 Indian business locations translates into a pan-India presence.

■ **Online facility for mutual funds:** The Company also offers clients the facility to trade mutual funds online on the NSE and BSE through its proprietary trading platform.

### Assets under management (US\$bn)



### AUM as % of GDP

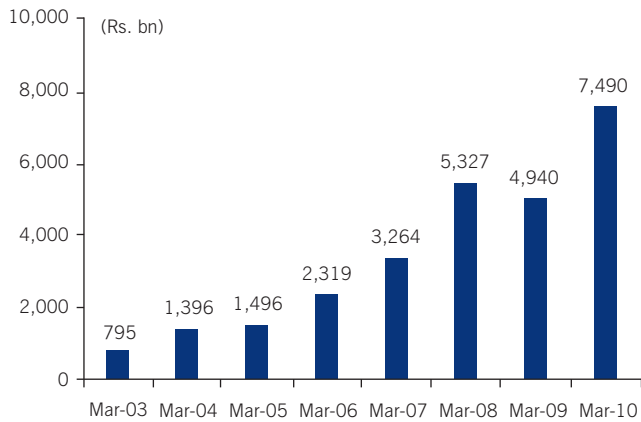


Source: ICI, IMF, IIFL Research

Note: it does not include close-ended funds and ETFs

In line with a stronger economy scenario and stock market performance, the country's mutual funds industry reported impressive growth and average assets under management increased nearly 36% from US\$ 111.55 billion in February 2009 to US\$ 174.06 billion in February 2010 [Source: AMFI].

**Total AUM for the industry (Rs bn) – March 2010**



[Source: AMFI, March 2010].

**Industry optimism**

■ India's total wealth is estimated at US\$ 1.4 trillion of which ultra high net worth individual wealth is placed at around US\$ 260 billion. The country comprises about 80,000 UHNWIs; only 4% of their wealth is tapped for professional wealth management by the leading players [Source: Times of India].

■ HNWI wealth is expected to grow annually by 8.1% by 2013 [Source: World Wealth Report].

■ Per capita income in India grew from Rs. 37,328 in 2007-08 to Rs. 38,695 in 2008-09 and Rs. 40,745 in 2009-10.

■ The facility of online mutual funds trading is expected to enhance mutual fund trading participation.

■ The facility to apply in new fund offers (NFOs) of mutual fund schemes by not only drawing a cheque/demand draft but also through ASBA (Applications Supported by Blocked Accounts) facility. Under the ASBA process, investors can submit an application to their banks containing an authorisation to block the application money in the bank account, which is automatically debited once the mutual fund units are allocated.

**Outlook**

The Company expects to strengthen its business through the following initiatives:

■ Expand geographically to provide the mass affluent segment with wealth management services.

■ Launch new products aimed at maximising the risk-return payoff for clients.

■ Invest in training to ensure that client needs are better understood and met most effectively.

# IIFL. EXTENDING BEYOND BUSINESS.



*Mrs. Chameli Pandit , 104 year old lady, had her eye sight restored at the IIFL sponsored eye-camp at Barsana.*

## Barsana Eye Camp

The IIFL Foundation sponsored an eye and dental camp held in February, 2010 with the support of expert doctors and surgeons from the Bhaktivedanta Foundation in Barsana near Mathura.

While over 2,600 people underwent eye tests and over 800 were selected for free eye surgery, a total of over 1,800 dental procedures like extraction, scaling and filling, among others, were performed. Team IIFL provided its whole-hearted support to this noble cause and will continue to do so in the future.

*A blood donation camp in progress at the IIFL headquarters.*

## Blood donation drive

IIFL organised a blood donation drive via camps at six locations across India. Over 500 employees participated in the same.



# Directors' report

Dear members,

**India Infoline Limited**

Your Directors have pleasure in presenting the 15th Annual Report along with the audited statements of accounts of your Company for the financial year ended March 31, 2010.

## I Financial results

A snapshot of the financial performance of the Company and its major subsidiaries for the financial year 2009-10 is as under:

Name of Company	<i>(Rs. mn)</i>		
	Revenues	Profit before interest, depreciation and tax	Profit after tax
Aggregate	11,238.7	4,373.1	2,340.5
India Infoline Ltd.	6,981.9	2,754.2	1,520.2
India Infoline Investment Services Ltd.	1,650.3	855.3	475.5
Moneyline Credit Ltd.	572.9	94.1	7.1
India Infoline Distribution Company Ltd.	67.9	68.2	35.8
India Infoline Housing Finance Ltd.	54.6	34.2	19.5
India Infoline Marketing Services Ltd.	860.5	130.6	34.0
India Infoline Insurance Services Ltd.	164.8	79.8	18.1
India Infoline Insurance Brokers Ltd.	385.5	31.7	20.6
India Infoline Commodities Ltd.	275.9	44.8	26.7
India Infoline Media and Research Services Ltd.	53.8	44.7	10.9
IIFL Realty Ltd.	207.6	207.6	(5.7)
IIFL Wealth Management Ltd.	626.4	222.2	147.3
IIFL (Asia) Pte. Ltd.	331.8	103.1	29.5
IIFL Inc.	49.2	14.8	16.9
Inter Company Adjustments	1,055.0	298.6	-
Other subsidiaries	10.6	(13.6)	(15.9)

The consolidated financial performance is as under:

(Rs. mn)

	2009-10	2008-09
<b>Gross total income</b>	<b>11,238.7</b>	<b>8,775.0</b>
Profit before interest, depreciation and taxation	4,373.1	2,922.7
Interest and financial charges	291.4	331.8
Depreciation	534.6	396.0
Profit before tax	3,547.1	2,194.9
Taxation - Current	1,201.1	653.7
- Deferred	(37.4)	(30.9)
- Fringe benefit tax	-	27.9
- Short or excess provision for income tax	42.9	(29.2)
<b>Net profit for the year</b>	<b>2,340.5</b>	<b>1,573.4</b>
Less: Exceptional item (net of tax)	-	-
Net profit before minority interest	2,340.5	1,573.4
Less: Minority interest	(20.6)	(125.2)
Less: Appropriations	-	-
Interim dividend	852.0	794.5
Proposed dividend	-	-
Dividend distribution tax	144.8	135.0
Transfer to general reserve	152.0	105.8
Transfer to special reserve	102.4	139.0
Add: Balance brought forward from the previous year	2,087.1	1,813.3
Balance to be carried forward	3,155.8	2,087.2

A snapshot of the stand-alone financial performance of India Infoline Limited is as under:

(Rs. mn)

	2009-10	2008-09
<b>Gross total income</b>	<b>6,981.9</b>	<b>4,921.3</b>
Profit before interest, depreciation and taxation	2,754.2	1,848.8
Interest and financial charges	102.5	78.5
Depreciation	318.6	255.6
Profit before tax	2,333.1	1,514.7
Taxation - Current	831.6	480.8
- Deferred	(58.2)	(12.3)
- Fringe benefit tax	-	10.3
- Short or excess provision for income tax	39.6	(22.3)
<b>Net profit for the year</b>	<b>1,520.1</b>	<b>1,058.2</b>
Less: Exceptional Item (Net of tax)	-	-
Less: Appropriations	-	-
Interim dividend	852.0	794.5
Dividend distribution tax	144.8	135.0
Transfer to general reserve	152.0	105.8
Add: Balance brought forward from the previous year	1,252.1	1,229.1
Balance to be carried forward	1,623.4	1,252.0

## II Review of operations

The Indian capital markets staged a remarkable recovery during 2009-10 on the back of an overall global change in sentiment and economic recovery in India. Your Company continues to build upon its competitive position as a leading player in Indian financial services sector. On a consolidated basis, the Company's income increased by 28.0% to Rs. 11.2 bn and EBITDA increased 49.6% to Rs. 4.4 bn. Profit after tax before extra ordinary items and minority interest increased by 48.7% to Rs. 2.3 bn.

Income from the core business of equity broking increased by 35.4% to Rs. 6.1 bn. Income from wealth management and mutual fund advisory increased significantly by 87.3% and stood at Rs. 331.6 mn. The income from merchant banking activities rose manifold to Rs. 387.7 mn, whereas life insurance distribution income increased by 11.4% to Rs. 536.4 mn. Income from financing grew by 9.9% to Rs. 2.9 bn. The other businesses viz., commodities broking and online and other media also registered a marginal growth and stood at Rs. 907.0 mn.

During 2009-10, the Company received BQ1 broker grading from CRISIL, reflecting its superior quality of operations and services. The Company's research analysts were felicitated at the 'India's best market analysts awards – 2009' by Zee Business for being the best in the 'Oil and Gas' and 'Commodities' sectors and finalists in the 'Banking' and 'IT' sectors. The Company was rated by AsiaMoney in 2009 among the country's three leading brokerages. Additionally, Mr Nirmal Jain, founder and Chairman of India Infoline Ltd., was ranked second in the study of 'India's

Most Valuable CEO's by Businessworld in November 2009.

## III Key initiatives

Your Company continued to successfully scale up its wealth management business, which has been among the fastest growing in India with assets under advice having crossed Rs. 50 bn. It is one of the industry's strongest platforms across various product propositions, which feed into a strong advisory setup. Your Company filed its application for final approval from Securities Exchange Board of India (SEBI) for the proposed mutual fund business.

The lending business was revived and scaled up in view of favourable macro-economic conditions. Housing finance business is also now being actively pursued.

Your Company's institutional and retail research products have been well appreciated by the target audience. 'Enterprising India', your Company's first Global Investors' Conference, held in February 2010 at Mumbai, received an overwhelming response. It witnessed participation of more than 450 fund managers, over 70 corporates, world-renowned economists and thought leaders.

Your Company now has offices in Dubai, New York and Singapore representing an increasing international footprint. IIFL Securities Pte Ltd, which set up its office in early 2008, is the Singapore arm of the India Infoline Group. It has received in-principle approval for Securities Trading and Clearing memberships from Singapore Stock Exchange (SGX). This paves the way for IIFL to be the first India-based broker to become a member of SGX. IIFL Securities Ceylon (Pvt) Ltd., the subsidiary in Sri Lanka has applied

for membership of Colombo Stock Exchange.

Your Company had taken several initiatives to optimise cost without compromising on service quality and efficiency. Already, a significant part of back office, MIS, customer care and call center operations has been migrated to your Company's Chennai facility. Your Company has set up its new corporate office measuring over one lakh sq. ft. equipped with modern state-of-the-art facilities at Lower Parel, wherein all corporate functions are carried out. Your Company has also shifted its registered office to owned premises in Thane, Maharashtra.

During the year, your Company changed the brand identity of the India Infoline group from 'India Infoline' to 'IIFL'. Incidentally, IIFL is the Bloomberg code for India Infoline. When the group started international operations as well as institutional research, the same was branded with the short form or the Bloomberg code, IIFL. In order to avoid confusion between India Infoline and IIFL, your Company undertook a branding campaign to communicate the fact that IIFL stands for India Infoline Group. Also, your Company retained Ogilvy & Mather as the advertising agency.

## IV Buy back

Pursuant to the resolution passed by the Board of Directors of the Company and in accordance with the provisions of the Companies Act, 1956 and the Securities and Exchange Board of India (buy back of securities) Regulations, 1998, the Company made a public announcement on December 4, 2008, to buy-back the Company's equity shares at a price not exceeding Rs. 43.2 per share, aggregating to Rs. 989.1 mn subject to



a buy-back of minimum 5 mn equity shares and maximum of 6 mn equity shares. The buy-back was open from December 18, 2008 and closed on November 28, 2009 and the Company bought back 25,57,915 equity shares at an aggregate value of Rs. 108.0 mn. Consequently, the paid-up equity share capital of the Company declined from Rs. 572.0 mn to Rs. 567.0 mn as on November 28, 2009.

### V Dividend on equity shares

During 2009-10, the Company declared and paid two interim dividends of Rs. 1.2 per share and 1.8 per share totaling to Rs. 3.0 per share (face value of Rs. 2 per share). The same is considered as final. The total dividend paid in 2008-09 was Rs. 2.8 per share. The total outflow on account of dividend payout (including dividend distribution tax and surcharge) was Rs. 996.8 mn (previous year Rs. 929.2 mn).

### VI Changes in equity capital

During 2009-10, the paid-up share capital of the Company after buy-back of shares increased from Rs. 566.8 mn to Rs. 570.4 mn consequent to allotment of 18,14,775 equity shares of Rs. 2/- each on exercise of stock options under the Employee Stock Option Schemes of the Company.

### VII Change in registered office of the Company

The registered office of the Company shifted to IIFL House, Sun Infotech Park, Road No. 16V, Plot No.B-23, MIDC, Thane Industrial Area, Wagle Estate, Thane – 400 604, Maharashtra.

### VIII Deposits

During 2009-10, your Company did not accept/renew any deposits within the meaning of Section 58A of the

Companies Act, 1956 and the rules thereunder and as such, no amount of principal or interest was outstanding as on the balance-sheet date.

### IX Subsidiary companies

As at March 31, 2010, the Company's subsidiaries and step-down subsidiaries were as follows:

Sr No.	Name of the Company
1	India Infoline Investment Services Ltd.
2	Moneyline Credit Ltd.
3	India Infoline Distribution Company Ltd.
4	India Infoline Housing Finance Ltd.
5	India Infoline Marketing Services Ltd.
6	India Infoline Insurance Services Ltd.
7	India Infoline Insurance Brokers Ltd.
8	India Infoline Commodities Ltd.
9	India Infoline Media and Research Services Ltd.
10	IIFL Realty Ltd.
11	IIFL Wealth Management Ltd.
12	IIFL Energy Ltd.
13	IIFL Capital Ltd.
14	India Infoline Trustee Company Ltd.
15	India Infoline Asset Management Company Ltd.
16	Unval Industries Private Ltd.
17	IIFL (Asia) Pte. Ltd.
18	India Infoline Commodities DMCC
19	IIFL Capital Pte. Ltd.
20	IIFL Securities Pte. Ltd.
21	IIFL Inc.
22	IIFL Wealth (UK) Ltd.

Pursuant to the approval of the central government under Section 212(8) of the Companies Act, 1956, copies of the

Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Report of the Auditors of each of the subsidiary Companies are not attached to the accounts of the Company for financial year 2009-10. The Company will make available these documents/details upon request by any member of the Company. These documents/details will also be available for inspection by any member of the Company at its registered office and also at the registered offices of the concerned subsidiaries. As required by Accounting Standard - 21 (AS-21) issued by the Institute of Chartered Accountants of India, the Company's consolidated financial statements included in this Annual Report incorporates the accounts of its subsidiaries. A summary of key financials of the Company's subsidiaries is also included in this Annual Report.

### X Management Discussion and Analysis

The Management Discussion and Analysis Report for 2009-10, as required under Clause 49 of the Listing Agreement, is given as a separate statement in the Annual Report.

### XI Disclosure of Employee Stock Options

During 2009-10, the Company granted 13,45,000 stock options to the employees under its Employee Stock Option Scheme 2008. Details as per the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, are attached as an annexure

### XII Directors

In accordance with Sections 255 and 256 of the Companies Act of 1956 read with Article 137 of the Articles of



Association of the Company, Mr. Kranti Sinha, retires by rotation and being eligible, offers himself for reappointment at the ensuing Annual General Meeting of the Company.

### XIII Directors' Responsibility Statement

As required by Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

- (a) In the preparation of the annual accounts, the applicable accounting standards were followed;
- (b) Appropriate accounting policies were selected and applied consistently and that judgments and estimates made were reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at March 31, 2010, and of its profit for the year ended on that date;
- (c) Proper and sufficient care was taken to maintain adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- (d) The annual accounts were prepared on an ongoing concern basis.

### XIV Conservation of energy, technology absorption, foreign exchange earnings and outgo

The additional information required in accordance with sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is appended to and forms part of this Report.

### XV Corporate Governance Report

The Securities and Exchange Board of India (SEBI) prescribed Corporate Governance standards. Your Directors reaffirm their commitment to these standards and this Annual Report carries a section on Corporate Governance.

A certificate from the Statutory Auditors, M/s Sharp & Tannan Associates, Chartered Accountants, regarding compliance with the conditions of Corporate Governance as stipulated under clause 49 of the listing agreement is annexed herewith.

### XVI Particulars of employees

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 and the rules framed thereunder, the names and other particulars of employees are set out in the annexure to the Directors' Report. In terms of the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Directors' Report is being sent to all the shareholders of the Company excluding the aforesaid information. The annexure is available for inspection at the registered office of the Company. Any shareholder interested in the said information may write to the Company Secretary at the registered office of the Company.

### XVII Statutory Auditors

M/s. Sharp & Tannan Associates, Chartered Accountants, Mumbai, retire at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment. M/s Sharp & Tannan Associates have sought re-appointment and confirmed that their re-appointment shall be within the limits of Section 224(1B) of the Companies Act, 1956.

The necessary eligibility certificate under Section 224(1B) of the Companies Act, 1956 was received from them. The Audit Committee and Board of Directors recommend the appointment of M/s Sharp & Tannan Associates, Chartered Accountants as the Auditors of the Company.

The notes to the accounts referred to in the Auditors Report are self-explanatory and therefore do not call for any further comments.

### XVIII Appreciation

Your Directors place on record their sincere appreciation for the assistance and guidance provided by the government, regulators, stock exchanges, other statutory bodies and Company's bankers for the assistance, cooperation and encouragement extended to the Company.

Your Company's employees are instrumental in your Company scaling new heights, year after year. Their commitment and contribution is deeply acknowledged. Your involvement as shareholders is also greatly valued. Your Directors look forward to your continuing support.

On behalf of the Board

**Nirmal Jain**

*Chairman and Managing Director*

Dated: April 24, 2010

# Annexure to the Directors' Report

Information relating to conservation of energy, technology absorption and innovation and foreign exchange earnings/outgo forming part of the Directors' Report in terms of Section 217(1)(e) of the Companies Act, 1956.

## (a) Conservation of energy

The Company is engaged in providing financial services and as such its operations do not account for substantial energy consumption. However, the Company is taking all possible measures to conserve energy. Several environment friendly measures were adopted by the Company such as:

- Installation of capacitors to save power,
- Installed TFT monitors that save power,
- Automatic power shutdown of idle monitors,
- Creating environmental awareness by way of distributing the information in electronic form,
- Minimising air-conditioning usage,
- Shutting off all the lights when not in use and
- Education and awareness programs for employees

The Management frequently puts circulars on corporate intranet – IWIN, educating employees on ways and means to conserve the electricity and other natural resources and ensures strict compliance of the same.

## (b) Technology absorption and innovation

The Management understands the importance of technology in the business segments it operates and lays utmost emphasis on the system development and use of best technology available in

the industry. The management keeps itself abreast of technological advancements in the industry and ensures continued and sustained efforts towards absorption of technology, adaptation as well as development of the same to meet business needs and objectives.

**Software:** The Company developed and deployed the Trader Terminal, its proprietary trading platform, which is more user-friendly and has rich features that are superior to the other trading platforms available in the market. The Company also successfully developed a browser-based trading platform using Microsoft's .NET technology platform which is light and at the same time provides users a rich experience. Back-office software was developed in-house on .NET technology that gives far more flexibility and advantage. The Company could successfully migrate many back office operations to remote locations with in-house developed software. The Company believes in making the best use of technology and available resources, and continues to develop new technologies in-house faster and more cost-effectively.

**Network:** The Company invested considerable resources in deploying the latest technologies in areas of wide area networking using MPLS, video communications, VoIP, automated dialers and other customer relationship management (CRM) tools and software. Storage consolidation using EMC helped

the Company meet the ever-growing demand on performance and better manageability. The Company successfully consolidated its core network on Cisco high-end switches with double redundancy resulting in better performance and zero downtime. The Company also made significant strides in using cloud technology for customer-facing servers providing rapid and inexpensive ramp-up or down of capacity in line with business requirements.

## (c) Foreign exchange earnings/outgo

a) The foreign exchange earnings of the Company were Rs. 33.8 mn.

b) The foreign exchange expenditure was Rs. 33.7 mn.

## (d) Research and Development (R & D):

The Company is engaged in financial services and so there were no activities in the nature of research and development involved in the business. Being in financial services, we provide financial and equity research to the customers, which is not in the nature of research and development.

Amount of expenditure incurred on Research and Development:

Particulars	March 31, 2010	March 31, 2009
Capital	Nil	Nil
Revenue	Nil	Nil

## Disclosure as required under Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

Particulars	ESOP 2005	ESOP 2007	ESOP 2008
Options outstanding as at the beginning of the year	7,747,500	4,100,000	45,000,000
a Options granted during the year	-	-	1,345,000
b Pricing Formula			The Exercise Price may be decided by the compensation committee in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines and any amendments thereto, subject to a maximum discount of 25% to the market price.
c Options Vested**	4,574,250	1,025,000	20,250,000
d Options Exercised**	1,715,725	14,550	84,500
e Total no. of shares arising as result of exercise of Options	1,715,725	14,550	84,500
f Options lapsed *	181,225	110,000	599,000
g Variation in terms of Options	None	None	None
h Money realised by exercise of Options (In Millions)	51.96	0.74	3.93
i Total number of options in force**	5,850,550	3,975,450	45,661,500

\*\* The number of options have been reported as on 31-03-2010

\* Lapsed Options includes options cancelled/lapsed.

Particulars	ESOP 2008
j Employee wise details of options granted to:	
- Senior Management	Nil
- any other employee who receives a grant in any one year of option amounting to 5% or more of option granted	Nil
- employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding warrants and conversions) of the Company at the time of grant	Nil
k Diluted earnings per share pursuant to issue of shares on exercise of option calculated in accordance with AS 20 'Earnings per Share'	

I Pro Forma Adjusted Net Income and Earning Per Share

Particulars		Rs.
Net Income		
As Reported		1,520,729,925.1
Add: Intrinsic Value Compensation Cost		15,295,133.0
Less: Fair Value Compensation Cost		507,926,776.2
Adjusted Pro Forma Net Income		1,028,098,281.9
Earning Per Share: Basic		
As Reported		5.36
Adjusted Pro Forma		3.62
Earning Per Share: Diluted		
As Reported		4.49
Adjusted Pro Forma		3.04
<hr/>		
m Weighted average exercise price of Options granted during the year whose ESOP 2008:		
(a) Exercise price equals market price		136
(b) Exercise price is greater than market price		NA
(c) Exercise price is less than market price		100
Weighted average fair value of options granted during the year whose		
(a) Exercise price equals market price		85.26
(b) Exercise price is greater than market price		NA
(c) Exercise price is less than market price		97.76
n Description of method and significant assumptions used to estimate the fair value of options		The fair value of the options granted has been estimated using the Black-Scholes option pricing Model. Each tranche of vesting have been considered as a separate grant for the purpose of valuation. The assumptions used in the estimation of the same has been detailed below:
Weighted average values for options granted during the year ESOP 2008:		
Variables		
Stock Price		138.52
Volatility		81.86%
Riskfree Rate		6.97%
Exercise Price		127.97
Time to Maturity		4.94
Dividend yield		1.82%
		<b>88.05</b>

**Stock Price:** Closing price on NSE as on the date of grant has been considered for valuing the grants.

**Volatility:** We have considered the historical volatility of the stock till the date of grant to calculate the fair value.

**Risk-free rate of return:** The risk-free interest rate being considered for the calculation is the interest rate applicable for a maturity equal to the expected life of the options based on the zero-coupon yield curve for Government Securities.

**Exercise Price:** As decided by the Compensation Committee

**Time to Maturity:** Time to Maturity / Expected Life of options is the period for which the Company expects the options to be live. The minimum life of a stock option is the minimum period before which the options cannot be exercised and the maximum life is the maximum period after which the options cannot be exercised.

**Expected dividend yield:** Expected dividend yield has been calculated as an average of dividend yields for the four financial years preceding the date of the grant.

# Management's Discussion and Analysis

## of financial condition and results of operations

(as per consolidated Indian GAAP)

In this section, the discussion pertains to the consolidated financials of India Infoline Limited along with all its subsidiaries (as depicted in the table below). As a significant part of the Company's business is conducted through its subsidiaries, your Company believes that the consolidated accounts provide a more accurate representation of the performance of your Company and hence we have used it in the management's discussion and analysis.

Subsidiary	Proportion of ownership interest	
	March 31, 2010	March 31, 2009
India Infoline Media & Research Services Ltd.	100%	100%
India Infoline Commodities Ltd.	100%	100%
IIFL Wealth Management Ltd.	90%	90%
IIFL Realty Ltd.	100%	100%
IIFL Energy Ltd.	100%	100%
IIFL Asia Pte Ltd.	100%	100%
IIFL Capital Pte. Ltd.	100%	100%
IIFL Securities Pte. Ltd.	100%	100%
IIFL Capital Ltd.	100%	100%
IIFL Inc.	100%	100%
India Infoline Commodity DMCC	100%	100%
IIFL Wealth (UK) Ltd.	100%	-
India Infoline Trustee Company Ltd.	100%	-
Unval Industries Private Ltd.	100%	-
India Infoline Marketing Services Ltd	99.07%	89%
India Infoline Insurance Services Ltd.	99.07%	89%
India Infoline Insurance Brokers Ltd.	99.07%	89%
India Infoline Investment Services Ltd.	99.02%	76.74%
India Infoline Distribution Company Ltd.	99.02%	76.74%
India Infoline Housing Finance. Ltd.	99.02%	76.74%
Moneyline Credit Ltd.	99.02%	76.74%

## Sources of Funds

### Share Capital

Your Company's share capital has increased from Rs. 566.8 mn last year to Rs. 570.4 mn, as a net result of exercise and allotment of 1,814,775 equity shares of Rs. 2 each to employees under the Company's employee stock options schemes.

(Rs. mn)

As on March 31	2010		2009	
	Equity Shares (Nos.)	Rs. Mn	Equity Shares (Nos.)	Rs. Mn
Share Capital - beginning of the year	283,400,000	566.8	285,514,665	571.0
ESOP Plan	1,814,775	3.6	443,250	0.9
Buy Back	-	-	(2,557,915)	(5.1)
<b>Share Capital - end of year</b>	<b>285,214,775</b>	<b>570.4</b>	<b>283,400,000</b>	<b>566.8</b>

### Reserves and Surplus

The Company's net worth (excluding minority interest) grew from Rs. 15.5 bn in 2008-09 to Rs. 16.1 bn in 2009 -10. Your Company's book value per share rose from Rs. 54.51 per share to Rs. 56.27 per share (excluding minority interest). Summary of reserves and surplus is provided in the table below.

(Rs. mn)

	Balance as at March 31, 2009	Additions	Deductions/ Adjustments	Balance as at March 31, 2010
Securities premium account	11,559.9	53.0	(72.6)	11,540.3
General reserve	319.8	152.1	-	471.9
Capital reserve	484.0	113.7	-	597.7
Capital redemption reserve	5.1	-	-	5.1
Special reserves	220.7	102.4	-	323.2
Employee stock options outstanding	22.4	15.4	-	37.8
Foreign exchange fluctuation reserve	67.6		(52.0)	15.5
Profit and loss account	2,087.1	1,229.6	(833.6)	2,483.1
	<b>14,766.6</b>	<b>1,666.2</b>	<b>(958.2)</b>	<b>15,474.6</b>

### Securities Premium

(Rs. mn)

As on March 31	2010	2009
Balance - beginning of year	11,559.9	11,530.6
Add : Premium on ESOP exercise	53.0	12.4
Less: Proceeds from issuance of minority share capital	(70.8)	134.4
Less : Buy back	-	(102.9)
Less : Transfer to capital redemption reserve	-	(5.1)
Less : Share issue expenses	(1.8)	(9.5)
<b>Balance - end of year</b>	<b>11,540.3</b>	<b>11,559.9</b>

## Loans

Secured loans outstanding as on March 31, 2010 were Rs. 3.6 bn compared to Rs. 17.0 mn as at the previous year end. The Company availed of long term secured loans from banks and mutual funds for its lending business. These loans are secured against the receivables of the Company.

Your Company's unsecured loans as on March 31, 2010 were Rs. 11.6 bn

compared to Rs. 501.0 mn as at the previous year end. The unsecured loans were taken mainly from mutual funds to finance the Company's shorter term capital market lending operations of margin funding and loan against shares.

## Application of funds

### Fixed Assets

During the year, the Company's gross block rose by 43% to Rs. 5.0 bn from Rs. 3.5 bn in the previous year. During

the year, the Company acquired an office building at Kamala Mills, Lower Parel in Mumbai, to house its corporate headquarters. The Company continued to invest in technology, call center infrastructure, upgradation of existing offices as well as new offices in various parts of the country. Your Company has shifted its registered office to its owned premises at Thane, Maharashtra.

A statement of movement in fixed assets is given below:

(Rs. mn)

As on March 31	2010	2009	Growth %
Computers	397.9	517.3	(23.1%)
Electrical equipment	309.7	167.6	84.8%
Furniture & fixture	961.0	865.6	11.0%
Office equipment (Air conditioners, etc.)	410.7	455.7	(9.9%)
Buildings (Including land)	967.2	1,233.0	(21.6%)
Land/Leasehold land	1,783.0	162.6	996.6%
Software	72.3	80.1	(9.7%)
Non compete fees	27.4	27.4	0%
Goodwill	99.8	-	
<b>Gross block</b>	<b>5,029.0</b>	<b>3,509.3</b>	<b>43.3%</b>
Less : accumulated depreciation	997.8	728.9	36.9%
<b>Net block</b>	<b>4,031.2</b>	<b>2,780.4</b>	<b>45.0%</b>
Add : Capital work in progress	340.9	71.1	379.5%
<b>Net fixed assets</b>	<b>4,372.1</b>	<b>2,851.5</b>	<b>53.3%</b>
Depreciation			
as % of revenue	4.8%	4.1%	
as % of average gross block	12.5%	15.9%	
Accumulated depreciation			
as % of gross block	19.8%	20.8%	



## Investments

Your Company had made investments of Rs. 4.8 bn as of March 31, 2010 compared to Rs. 3.1 bn in the previous year. Of these Rs. 4.3 bn were deployed in fixed income schemes of various mutual funds and Rs. 355.7 mn in equity of various companies. Your Company also holds private equity investment of Rs. 100.2 mn and Rs. 16.8 mn in 130,000 shares in The Bombay Stock Exchange Ltd.

A detailed table of cash and cash equivalents given below:

As on March 31	(Rs. mn)	
	2010	2009
Cash balance	5.7	3.3
<b>Bank balances in India</b>		
Current accounts	4,957.1	3,920.9
Deposit accounts	2,998.7	1,761.8
Unclaimed dividend account	3.5	3.5
<b>Bank balances held by subsidiaries outside India</b>		
Current accounts	90.7	71.4
Deposit accounts	1.2	508.4
<b>Total cash and bank balances</b>	<b>8,056.9</b>	<b>6,269.3</b>
<b>Deposits (reported under 'Loans &amp; advances')</b>	<b>61.1</b>	<b>295.9</b>
Investment in Fixed income schemes of mutual funds (reported under 'Investments/Stock in trade')	5,359.8	4,348.5
Investment in certificate of deposits ( reported under 'Investments')	-	-
<b>Total cash and cash equivalents</b>	<b>13,477.8</b>	<b>10,913.7</b>
Cash and equivalents / Total assets	28.5%	38.3%
Cash and equivalents / revenues	119.9%	113.3%

## Deferred tax assets and liabilities

Deferred tax assets and liabilities have been computed as per the provisions of the Income Tax Act, 1961. Deferred tax assets are Rs. 156.9 mn as on March 31, 2010.

## Working Capital

As on March 31, 2010, the Company's working capital stood at Rs. 22.1 bn as compared to Rs. 13.0 bn last year. There has been a significant growth in the loan book resulting in Loans and Advances increasing to Rs. 23.1 bn in the current year from Rs. 13.6 bn in the

previous year. Cash and bank balances also increased to Rs. 8.1 bn from Rs. 6.3 bn in the previous year. Of these Rs. 2.6 bn (Rs. 2.3 bn in the previous year) was kept in fixed deposits with banks as margin for bank guarantees for our broking business and Rs. 0.4 bn as securities against assignment of loan

book. Your Company's liquidity position was high at the year-end due to long term secured borrowings obtained in last few days of March and refunds received as on March 31, 2010 from funding of IPOs. These have been subsequently deployed in the lending business in the current year. Sundry debtors registered an increase due to higher activity in

equity broking business in current year. Stock on hand mainly comprises of fully hedged arbitrage position as on March 31, 2010 and bonds warehoused by us. Current liabilities as on March 31, 2010 were Rs. 12.9 bn as compared to Rs. 7.4 bn in the previous year. The increase is mainly due to payable to

the stock exchanges and increase in credit balances in client accounts as on the year end date. Provisions stood at Rs. 3.0 bn as compared to Rs. 2.0 bn in the previous year. The increase is mainly on account of provision for taxation made during the year. Provisions for gratuity and leave encashment are made based on actuarial valuation.

### Income (as per consolidated Indian GAAP)

The following table sets forth the contribution of the different components of our revenue.

(Rs. mn)

	Year ended March 31, 2010	Year ended March 31, 2009
Equities brokerage & related	6,148.4	4,539.1
Financing and investment	2,917.8	2,654.1
Life Insurance distribution	536.4	481.5
Marketing and online media	658.7	706.4
Commodities brokerage & related	248.3	169.2
Wealth and Mutual fund advisory	331.6	177.1
Merchant banking	387.7	23.3
Others	9.8	24.2
<b>Total Income</b>	<b>11,238.7</b>	<b>8,774.9</b>

### Equities brokerage and related income

It comprises the income received from broking and related activities in the cash and derivatives segments of both the exchanges, the BSE and NSE. During

the year, our equities brokerage-related income grew 35.5% year-on-year to Rs.6.1 bn. Average daily trading volumes during the year were Rs. 35 bn, up 57% on a year-on year basis. During the year, the Company's client base

increased to 0.8 mn as against 0.6 mn in the previous year. As on March 31, 2010 the Company had over 2,300 business locations spread across more than 450 cities and towns across India.

### Financing and investing income

The income from financing and investments stood at Rs. 2.9 bn during the year, up 10% yoy over 2008-09. The Company's product offerings include margin funding, loan against shares, loan to promoters, loan against commercial and residential property as collaterals. The Company's portfolio stood at Rs. 16.3 bn as at March 2010 compared to Rs. 9.6 bn as at March 2009 and comprised Rs. 2.7 bn of loan against shares and debentures, Rs. 6.9 bn of mortgages/ loan against property, Rs. 1.0 bn of personal loans/ business loans and Rs. 5.8 bn towards margin funding.

### Life insurance distribution Income

The income is generated from the sale of life insurance policies as an insurance broker. The Company sold insurance policies issued by various Life Insurance companies including ICICI Prudential Life Insurance, Reliance Life Insurance, Max NewYork Life, LIC and Bajaj Life Insurance. During the year the Company's income from Life Insurance distribution was Rs. 536.4 mn, which is an increase of 11.4% yoy.

### Online and other media

This is the income generated from the

sale of banners, sponsorship and other forms of advertising on our web property www.indiaonline.com and related marketing and promotional activities undertaken through network of various branches. Your Company's online and media income was Rs. 658.7 mn.

### Wealth management and Mutual fund advisory income

Income generated by way of wealth management advisory and distribution of mutual fund products stood at Rs. 331.6 mn, an increase of 87.3% yoy. Your Company continued to successfully scale up the wealth management business, which has been among the fastest growing wealth management businesses in India with assets under advice having crossed Rs. 50 bn. It is one of the industry's strongest platforms across various product propositions, which feed into a strong advisory setup.

Your Company filed its application for final approval from Securities Exchange Board of India (SEBI) for the proposed mutual fund business.

### Commodities broking income

This income comprises brokerage and other related income generated from executing client trades on the two commodity exchanges,

MCX and NCDEX. Our average daily volume was Rs. 4.1 bn during financial year 2009-10 as compared to Rs. 2.6 bn in financial year 2008-09, registering a growth of 55% yoy. We maintained our overall market share on both exchanges at 1.7%. commodities broking income group 46.7% to Rs. 248.3 mn,

### Merchant banking income

Income from merchant banking rose sharply to Rs. 387.7 mn from the previous year's figure of Rs. 23.3 mn.

Your Company's investment banking business gained significant traction and your Company managed the QIPs of Gammon India, KSK Energy, Cipla and Emami and also was the sole book running lead manager for Cox & Kings IPO. During Q4FY10, your Company managed the IPOs of Infinite Computer Solutions and DQ Entertainment. All these issues were very successful and received an overwhelming response from investors. With benign capital markets and a buoyant investor sentiment, your Company expects growth in the investment banking business, which has a healthy deal pipeline.

## Expenditure

The following table sets forth the expenditure that the Company incurred under various heads:

(Rs. mn)

Year ended	March 31, 2010	March 31, 2009
Direct cost	1,675.9	1,211.7
Employee cost	3,178.9	2,737.0
Administration and other expenses	2,010.8	1,903.6
Finance cost	291.4	331.8
Depreciation	534.6	396.0
<b>Total expenses</b>	<b>7,691.6</b>	<b>6,580.1</b>

### Direct cost

Direct costs consist of brokerage related charges, exchange and statutory charges, marketing expenses and commissions, investment and financing related costs. Direct costs have increased 38.3% on a year-on-year basis to Rs.1.7 bn. Direct costs were 15% of revenues in FY2010 as compared to about 14% in FY2009. This is in line with overall increase in business activity.

### Employee cost

Employee costs were Rs.3.2 bn for FY2010, which is up 16% on a year-on-year basis. This increase in employee cost is primarily on account of increase in the number of employees as well as their average compensation.

### Administrative cost

Our administrative costs comprise expenses incurred on rent, electricity, tele communication, technology, infrastructure, printing and stationery, travel, courier, advertisement, legal and professional etc. Administrative expenses

during the year stood at Rs. 2.0 bn, a rise of 5.6% as compared to 2008-09.

### Depreciation expense

Depreciation in FY2010 was Rs. 534.6 mn compared to Rs. 395.9 mn in FY2009 an increase of 35%. This increase has primarily been on account of capital expenditure made on purchasing our own corporate headquarters in Kamala Mills, Lower Parel, the registered office at Thane and on expanding our overall technology infrastructure.

### Human resources

Given the nature of business, your Company requires trained and skilled manpower. A strong brand, a challenging work environment conducive for independent decision making coupled with competitive compensation including stock ownership has enabled your Company to attract and retain extremely qualified professionals with impeccable professional track records. The Company's philosophy has been to hire

the best people and then give them the latitude to take decisions. This philosophy has helped further the entrepreneurial culture which is central to the Company's strong growth.

The total employee strength of the Company and its subsidiaries was 13,174 as on March 31, 2010.

### Risk Management

We have developed a comprehensive and integrated risk management framework comprising continuous environment scanning, developing strategic responses and reporting structures and controls. The top management has a "hands – on" approach at a strategic level, at the same time delegating and decentralising operations. Risk Management also forms a critical part of our training module across all levels so that all employees are trained on risk management and implications thereof.

Your Company operates in various businesses under the financial services

space. Each of these businesses is regulated by a different regulator and as such compliance forms a critical part of operations of the Company. We are a SEBI registered category I merchant banker. We are also governed by SEBI's stock brokers and sub-brokers, depository participants and portfolio management regulations. India Infoline Investment Services Ltd and Moneyline Credit Ltd are NBFCs registered by Reserve Bank of India and housing finance subsidiary namely India Infoline Housing Finance Ltd is registered with National Housing Bank. Our commodities broking subsidiary is regulated by Forward Markets Commission and our insurance broking subsidiary is registered with Insurance Regulatory and Development Authority. Besides, our foreign subsidiaries are registered with respective overseas regulatory authorities. Your Company has a full fledged compliance department, headed by a Chief Compliance Officer, which ensures all the regulatory compliances of the group.

The financial services sector is aligned to a variety of factors linked to economic development in India and rest of the world and also global fund flows. Any economic event across the globe can have a direct or indirect impact on your Company. To mitigate this we have diversified our revenue streams across multiple product lines. Our business is intensively linked to technology and hence to mitigate risk of technology failure we have multiple options for

internet bandwidth and internet connectivity. We have sophisticated firewalls to protect our IT infrastructure against external attacks. We have also invested in disaster recovery centers. We manage client level risk in broking operations through use of internally developed credit algorithms by automated risk management software. These algorithms are continuously fine-tuned in keeping with changing market conditions and trends.

### Internal controls

The Company's internal audit team comprises professionals at head office in Mumbai, supported by regional teams at zonal offices. We conduct regular audits of business and operations and have a branch audit and quality team which reviews all the branches and sub-brokers on a regular basis. This is supported by a team of external auditors whose reports are reviewed by the top management and Audit committee at regular intervals. Many of these audits are mandated by regulatory authorities and the reports and compliances are submitted to them.

We have invested in internal audit and control systems commensurate with the nature of our business and the size of our operations. Operationally speaking, all our key operations have in-built maker checker concept. We also have external concurrent auditors to make sure that a proper system of checks and balances exists on important and critical areas. Besides, we strengthened the Internal audit function with the induction of Ernst & Young as our Internal Auditor.

### Outlook

Although the Indian economy is on a strong growth path, global events like the Eurozone crisis continue to cast their shadow upon us. Rising inflation is also a cause for worry because it can have a direct impact on interest rates. Our Mutual funds and Insurance distribution businesses face uncertainties owing to changing regulations. These short term uncertainties notwithstanding, we remain sanguine about the medium to long term prospects of the Indian economy.

Given the size of India's domestic market coupled with its favourable demographics, we expect the economy to go back to an 8%+ growth trajectory. Owing to the low level of participation in financial services and related products, the prospects for financial services are good. In line with this, we continue to invest in people as our key strategy for future growth across all our lines of businesses.

# Corporate Governance Report

## 1. Corporate philosophy

Corporate Governance is about promoting corporate fairness, transparency and accountability.

Corporate Governance deals with laws, procedures, practices and implicit rules that determine a Company's ability to take informed managerial decisions vis-à-vis its claimants – in particular, its shareholders, creditors, customers, the state and employees. There is a global consensus about the objective of good Corporate Governance maximising long-term shareholders value.

Thus, Corporate Governance is a reflection of a Company's culture, policies, its relationship with the stakeholders and its commitment to values.

During the year, the Ministry of Corporate Affairs, Government of India, published the Corporate Governance Voluntary Guidelines 2009. These guidelines have been published keeping in view the objective of encouraging the use of better corporate governance practices through voluntary adoption which not only serve as a benchmark for the corporate sector but also help them in achieving the highest standard of

corporate governance. These guidelines provide corporate India a framework to govern themselves voluntarily as per the highest standards of ethical and responsible conduct of business. The Ministry hopes that adoption of these guidelines will also translate into a much higher level of confidence that is crucial to ensuring long term sustainability and value generation by business. The guideline broadly focuses on areas such as Board of Directors, responsibilities of the Board, audit committee functions, roles and responsibilities, appointment of auditors and mechanism for whistle blower policy. We substantially comply with the Corporate Governance Voluntary Guidelines.

We, at India Infoline, believe that sound Corporate Governance is critical to enhance and retain investors' trust. Accordingly, we always seek to ensure that we attain our performance rules with integrity.

Our Corporate Governance philosophy is based on the following principles.

- Corporate Governance standards should be complied with in letter as well as spirit
- Maintain absolute transparency and

adequate disclosure practices.

- Individual preferences and convenience should be subordinate to Corporate conveniences
- Communicate externally in a truthful manner about how the Company is run internally.
- Compliance with the laws in which the Company operates.
- Simple and transparent corporate disclosure driven solely by business needs.
- Management is the trustee of the shareholders' capital and not the owner.

Your Company understands that the customer is the purpose of our business and every customer is an important stakeholder of your Company, performing ethically and efficiently to generate long term value and wealth for all its stakeholders.

The Report on Corporate Governance, as per the applicable provisions of Clause 49 of the Listing Agreement, is as under

## 2. Board of Directors

### (a) Composition of the Board

The Board of Directors of your Company



comprises the optimum combination of Executive and Non-Executive Directors, all of whom are leading professionals in their respective fields. The brief profiles of the Directors are as follows:

The Chairman of the Board is an Executive Director and half of the Board comprises of Independent Directors.

**Mr. Nirmal Jain** (*Chairman and Managing Director*)

Mr. Nirmal Jain is the founder and Chairman of India Infoline Ltd. He is a PGDM (Post Graduate Diploma in Management) from IIM (Indian Institute of Management) Ahmedabad, a Chartered Accountant and a rank-holder Cost Accountant.

His professional track record is equally outstanding. He started his career in 1989 with Hindustan Lever Limited, the Indian arm of Unilever. During his stint with Hindustan Lever, he handled a variety of responsibilities, including export and trading in agro-commodities. He contributed immensely towards the rapid and profitable growth of Hindustan Lever's commodity export business, which was then the nation's as well as the Company's top priority.

He founded Probity Research and

Services Pvt. Ltd. (later re-christened India Infoline) in 1995; perhaps the first independent equity research Company in India. His work set new standards for equity research in India. Mr. Jain was one of the first entrepreneurs in India to seize the internet opportunity, with the launch of [www.indiainfoline.com](http://www.indiainfoline.com) in 1999. Under his leadership, your Company not only steered through the dotcom bust and one of the worst stock market downtrends but also grew from strength to strength.

**Mr. R. Venkataraman** (*Executive Director*)

Mr. R Venkataraman, Co-Promoter and Executive Director of India Infoline Ltd., is a B.Tech (electronics and electrical communications engineering, IIT Kharagpur) and an MBA (IIM Bangalore). He joined the India Infoline Board in July 1999. He previously held senior managerial positions in ICICI Limited, including ICICI Securities Limited, their investment banking joint venture with J P Morgan of US, BZW and Taib Capital Corporation Limited. He was also the Assistant Vice President with G E Capital Services India Limited in their private equity division, possessing a varied experience of more

than 19 years in the financial services sector.

**Mr. Sat Pal Khattar** (*Non-Executive Director*)

Mr. Sat Pal Khattar is a Member of the Presidential Council of Minority Rights, Chairman of the Board of Trustees of Singapore Business Federation and is also a life trustee of SINDA, a non-profit body, helping the under-privileged Indians in Singapore. He joined the India Infoline Board in April 2001. Mr. Khattar is a Director of many public and private companies in Singapore, India and Hong Kong including Chairman of Guocoland Limited listed in Singapore and its parent Guoco Group Ltd listed in Hong Kong, a leading property Company of Singapore, China and Malaysia. A Board Member of Gateway Distriparks Ltd, he is also the Chairman of the Khattar Holdings Group of Companies with investments in Singapore, India, UK as well as across the world.

**Mr. Kranti Sinha** (*Independent Director*)

Mr. Kranti Sinha — Board member since January 2005 — completed his masters from the Agra University and started his career as a Class I Officer with Life Insurance Corporation of India. He served as the Director and Chief

Executive of LIC Housing Finance Limited from August 1998 to December 2002 and concurrently as the Managing Director of LICHFL Care Homes (a wholly-owned subsidiary of LIC Housing Finance Limited). He retired from the permanent cadre of the Executive Director of LIC; served as the Deputy President of the Governing Council of Insurance Institute of India and as a member of the Governing Council of National Insurance Academy, Pune apart from various other such bodies. Mr. Sinha is also on the Board of Directors of Hindustan Motors Limited and Cinemax (India) Limited.

**Mr. Nilesh Vikamsey** (*Independent Director*)

Mr. Nilesh Vikamsey – Board Member since February 2005 - is a practising Chartered Accountant for 25 years and Senior Partner at M/s Khimji Kunverji & Co., Chartered Accountants, a member firm of HLB International, a world-wide organisation of professional accounting firms and business advisers, ranked amongst the top 12 accounting groups in the world. Mr. Vikamsey headed the audit department till 1990 and thereafter also handled financial services, consultancy, investigations, mergers and acquisitions, valuations and due diligence, among others. He is elected

member of the Central Council of Institute of Chartered Accountant of India (ICAI), the Apex decision making body of the second largest accounting body in the world, 2010–2013. He is on the ICAI study group member for the introduction of the Accounting Standard — 30 on financial instruments — recognition and management. Convener of the Study group Formed by ASB of ICAI to formulate comments on various Exposure Drafts, Discussion Papers and other matters pertaining to IFRS originating from IASB, Representative of the Institute of Chartered Accountants of India on the Committee for Improvement in Transparency, Accountability and Governance (ITAG) of South Asian Federation of Accountants (SAFA), Member of Executive Committee & IFRS Implementation Committee of WIRC of Institute of Chartered Accountant of India (ICAI), Accounting and Auditing Committee of Bombay Chartered Accountant Society (BCAS) and also on its Core Group, member of Review, Reforms & Rationalisation Committee, IPR Committee of Bombay Chamber of Commerce and Industry (BCCI), Member of Legal Affairs Committee of Bombay Chamber of Commerce and Industry (BCCI), Corporate Members Committee of The Chamber of Tax Consultants (CTC), Regular Contributor to WIRC

Annual Referencer on “Bank Branch Audit”, Study/ Sub Group formed by ICAI for Considering Developments on Fair Value Accounting (AS 30) post Sub Prime crisis, Sub Group formed by ICAI for approaching the Government and Regulatory Authorities for Convergence with IFRS. He is also a Vice Chairman of Financial Reporting Review Board Accounting Standard Board and Member of Accounting Standard Board and various other Standing and Non Standing Committees. Mr. Vikamsey is also a Director of Miloni Consultants Private Limited, HLB Offices and Services Private Limited, Trunil Properties Private Limited, BarKat Properties Private Limited and India Infoline Investment Services Limited.

**Mr. A. K. Purwar** (*Independent Director*)

Mr. Purwar is currently the Chairman of IndiaVenture Advisors Pvt. Ltd., investment manager to IndiaVenture Trust – Fund I, the healthcare and life sciences focussed private equity fund sponsored by the Piramal Group. He has also taken over as the Chairman of IL & FS Renewable Energy Limited in March 2008 and India Infoline Investment Services Ltd in November 2009.

He is working as Independent Director in leading companies in Telecom, Steel, Textiles, Power, Auto components,

Renewable Energy, Engineering Consultancy, Financial Services and Healthcare Services. He is an Advisor to Mizuho Securities in Japan and is also a member of Advisory Board for Institute of Indian Economic Studies (IIES), Waseda University, Tokyo, Japan.

Mr. Purwar was the Chairman of State Bank of India, the largest bank in the

country from November '02 to May '06 and held several important and critical positions like Managing Director of State Bank of Patiala, Chief Executive Officer of the Tokyo branch covering almost the entire range of commercial banking operations in his illustrious career at the bank from 1968 to 2006. Mr. Purwar also worked as Chairman of Indian Bank

Association during 2005 - 2006

Awards received: "CEO of the year" Award from the Institute for Technology & Management (2004); "Outstanding Achiever of the year" Award from Indian Banks' Association (2004); "Finance Man of the Year" Award by the Bombay Management Association in 2006.

The other Board and Board Committees in which the Director is Member or Chairman are as under:

Name of the Director	Relationship with other Director	Directorships in India under Section 275 of the Companies Act, 1956 <sup>1</sup>	Other Directorships <sup>2</sup>	Membership of other Board Committees <sup>3</sup>	
				Member	Chairman
Mr. Nirmal Jain	N.A.	12	2	2	Nil
Mr. R. Venkataraman	N.A.	12	1	3	Nil
Mr. Sat Pal Khattar	N.A.	9	63	Nil	Nil
Mr. Kranti Sinha	N.A.	2	Nil	6	2
Mr. Nilesh Vikamsey	N.A.	1	4	2	2
Mr. A. K. Purwar	N.A.	9	5	6	4

**Note:**

1. Directorship held by the Directors, as mentioned above, does not include Directorships in Private Limited Companies which are neither a subsidiary nor holding company of public company, foreign companies and companies not carrying business for profit.

2. Other Directorships are those, which

are not covered under Section 275 of the Companies Act, 1956.

3. The committees considered for above purpose are those prescribed in the Listing Agreement viz. Audit Committee and Share Transfer and Investor Grievance Committee.

**(b) Meeting of Board of Directors**

The Board Meetings were convened after giving proper notice and detailed

agenda. The Board meets at least once a quarter and the time gap between two Board Meetings is not more than four (4) calendar months. The Board of the Company met six (6) times during the last financial year on April 28, 2009, July 17, 2009, August 11, 2009, October 24, 2009, January 20, 2010 and January 23, 2010.

The attendance of Directors at the Board Meeting and last Annual General Meetings was as under:

Name of the Director	Total board meetings	Board meetings attended	Annual General Meeting dated July 17, 2009 whether attended
Mr. Nirmal Jain	6	6	Yes
Mr. R. Venkataraman	6	5	No
Mr. Sat Pal Khattar	6	4	Yes
Mr. Kranti Sinha	6	5	Yes
Mr. Nilesh Vikamsey	6	5	Yes
Mr. A. K. Purwar	6	5	Yes

The following information is given to the Board either as a part of the agenda of the meeting or by way of presentation during the meeting:

- Annual operating plans, budgets and performances.
- Quarterly, half-yearly and annual results of your Company and its' subsidiary companies
- Minutes of meeting of Audit Committee and other committees of the Board of Directors
- Minutes of all the subsidiary companies
- Information on appointment of all the key managerial personnel below the Board level
- Significant regulatory matters

- Detailed risk analysis
- Details of potential acquisitions or disinvestments
- Details of potential joint venture or collaborations
- Details of investments
- Details of deployment of capital issue proceeds
- Compliance of statutory regulations, listing agreements
- Significant investments, transactions and arrangements of subsidiary companies
- Such other material and significant information

The Board performs following functions in addition to overseeing the overall business and management:

- Review, monitor and approve major financial and business strategies and corporate actions;
- Assess critical risks facing your Company – review options for their mitigation;
- Ensure that processes are in place for maintaining the integrity of
  - The Company
  - The financial statements
  - Compliance with law
  - Relationships with customers, suppliers and other stakeholders
- Delegation of appropriate authority to the senior executives of the Company for effective management of operations.

### (c) Details of Director's remuneration

The details of remuneration paid during the year ended March 31, 2010 were as follows:

Name of the Director	Salary and perquisite	Commission	Cont to PF and other funds	Sitting fees	Stock options granted	No. of equity shares held	Convertible warrants
Mr. Nirmal Jain	1,78,12,500	Nil	17,280	Nil	Nil	5,11,35,905	Nil
Mr. R. Venkataraman	1,28,25,000	Nil	14,640	Nil	Nil	1,98,62,510	Nil
Mr. Sat Pal Khattar	NIL	5,00,000	Nil	1,60,000	Nil	NIL	Nil
Mr. Kranti Sinha	NIL	5,00,000	Nil	2,00,000	Nil	16,250	Nil
Mr. Nilesh Vikamsey	NIL	5,00,000	Nil	1,80,000	Nil	16,250	Nil
Mr. A. K. Purwar	NIL	5,00,000	Nil	1,00,000	Nil	16,250	Nil

### (d) Periodic review of compliances of all applicable laws

Your Company adopted a system whereby all the acts, rules and regulations applicable to your Company were identified and compliance with such acts, rules and regulations is monitored by dedicated team on a regular basis. Your Company obtains report on compliance from all the heads of departments and business on a periodical basis, which is monitored through surprise inspections and internal

audit. A consolidated compliance certificate along with the compliance in respect of various laws, rules and regulations applicable to your Company is placed before the Board on quarterly basis and reviewed by the Board.

### 3. Audit Committee

The Audit Committee of your Company comprises two Independent Directors and one Non-Executive Director. The Committee is chaired by an Independent Director, Mr. Nilesh Vikamsey, a

qualified Chartered Accountant and diploma holder in information system audit. All the members of the Audit Committee are financially literate and possess thorough knowledge of the financial services industry.

The Audit Committee of the Company met four (4) times during the last financial year on April 28, 2009, July 17, 2009, October 24, 2009 and January 20, 2010. The gap between two Audit Committee Meetings was not more than four (4) months:

The constitution of the Audit Committee and attendance of each member of the committee is given below:

Name of the members	Designation	Non-Executive/ Independent	Profession	No. of committee meetings held	Committee meeting attended
Mr. Nilesh Vikamsey	Chairman	Independent	Chartered Accountant	04	04
Mr. Sat Pal Khattar	Member	Non- Executive	Lawyer	04	04
Mr. Kranti Sinha	Member	Independent	Corporate Consultant	04	04

The scope of the Audit Committee includes the references made under Clause 49 of the Listing Agreements as well as Section 292A of the Companies Act, 1956, besides the other terms that may be referred by the Board of Directors. The Broad terms of reference of the Audit Committee are:

- To supervise the financial reporting process and all financial results;
- Review statements and disclosures and recommend the same to the Board;
- Review the adequacy of internal control systems of the Company, including the scope and performance of the internal audit function; review of related party transactions; reviewing with management performance of internal and statutory auditors and fixing their remuneration;
- Holding discussions with statutory auditors on the nature and scope of audit, ensuring compliance with all the applicable accounting standards; Compliance with the listing and other legal requirements and the Company's financial and risk management policies and
- Compliance with the statutory requirements.

The minutes of the Audit Committee Meetings form part of the agenda papers circulated for the Board Meeting.

#### 4. Compensation/ Remuneration Committee

The Compensation/ Remuneration Committee comprises two Independent Directors and one Non-Executive Director with Mr. Kranti Sinha (Independent Director) as the Chairman of the Committee and Mr. Nilesh Vikamsey (Independent Director) and Mr. Sat Pal Khattar (Non-Executive Director) as members. The Compensation/ Remuneration Committee reviews and makes recommendations on annual salaries, perquisites, performance linked bonus, stock options, pensions and other employment conditions of Executive and Non-Executive Directors and senior employees. The Committee conducts discussions with the HR department and lays down suitable remuneration policies for the employees.

The Compensation/ Remuneration Committee also administer your Company's Stock Option plans. The stock options granted by the Committee are disclosed in detail in the Directors' Report.

#### 5. Share Transfer and Investor Grievance Committee

The Share Transfer and Investor Grievance Committee comprises Mr. Kranti Sinha, Independent Director as the Chairman and Mr. Nirmal Jain and Mr. R. Venkataraman, Executive Directors as the Members. The Company Secretary of the Company acts as the

Secretary to the Committee.

During 2009-10, the Company received 71 complaints from SEBI/ Stock Exchanges / MCA/ Investors. All complaints were redressed to the satisfaction of the shareholder. No complaints were pending either at beginning or at the end of the year. There were no shares pending for transfer as on March 31, 2010.

The Committee met two (2) times during 2009-10, on 3rd July, 2009 and 2nd February, 2010.

The Name, designation and address of Compliance Officer of the Company is as under:

**Name and designation:** Mr. Sunil Lotke, Company Secretary

**Address:** IIFL Centre, Kamala City, Off. Senapati Bapat Marg, Lower Parel, Mumbai – 400 013.

**Contacts:** Tel: +91 22 4249 9000

Fax: +91 22 40609049

E-mail: shareholders@indiainfoline.com

#### 6. Subsidiary Companies

Your Company has one material non-listed Indian subsidiary whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding Company and its subsidiaries in the immediately preceding accounting year. Mr. Nilesh Vikamsey and Mr. Arun

Purwar, Independent Directors on the Board of India Infoline Limited (holding Company) are also Directors on the Board of India Infoline Investment Services Limited (material non-listed Indian subsidiary). Mr Arun Kumar Purwar, is the Non-Executive Chairman on the Board of India Infoline Investment Services Limited.

The financial statements including particulars of investments made by all the unlisted subsidiary companies are reviewed by the Audit Committee.

Your Company has a system of placing the minutes and statements of all the significant transactions of all the unlisted subsidiary companies in the Meeting of Board of Directors.

## 7. Disclosures

### (a) Basis of related party transactions

The statement of transactions with the related parties, if any, is duly placed before the Audit Committee on a quarterly basis. During 2009-10, there were no materially significant related party transactions entered into by your Company with its Promoters and Directors or Management or their relatives, among others, that may conflict with the Company's interests. All the transactions are on arms' length basis and in the normal course of business.

The related party transactions are disclosed under Notes to Accounts No.

18 of Schedule N forming part of the Annual Accounts.

### (b) Disclosure of accounting treatment

There was no deviation in following the treatments prescribed in any Accounting Standard (AS) in the preparation of the financial statements of your Company.

### (c) Disclosure on risk management

The internal auditors and statutory auditors test and ensure that your Company has adequate systems of internal control to ensure reliability of financial and operational information. Your Company adheres to strict policies to ensure compliance with all the regulatory/statutory requirements. The procedures and policies for risk assessment and minimisation are regularly reviewed by the Board.

The management understands that the information is the prime business asset and has therefore laid down strict policies and procedure to safeguard your Company's information. The InfoSec policy of your Company is uploaded on Company's intranet for all employees to adhere to.

### (d) Proceeds from public issues, right issues and preferential issue, among others.

Your Company did not raise money through any public issue, right issue or preferential issue.

### (e) Compensation paid to Non-

### Executive Directors

The Non-Executive Directors and Independent Directors are paid Rs. 20,000 (Rupees Twenty Thousand) each towards sitting fees for attending the Board Meeting in accordance with the resolution passed in the Meeting of Board of Directors on February 11, 2005 and Rs. 20,000 (Rupees Twenty Thousand) each towards sitting fees for attending the Audit Committee Meetings and Rs. 10,000 (Rupees Ten Thousand) each towards attending other committee meetings, in accordance with the resolution passed in the Meeting of Board of Directors on March 21, 2005 .

The Non-Executive Directors and Independent Directors are paid commission of a sum not exceeding Rs. 20,00,000 per annum in aggregate, subject to a maximum ceiling of 1% of the net profits of the Company computed under the applicable provisions of the Companies Act, 1956, and approved by the shareholders at the Extraordinary General Meeting held on January 25, 2006. The payment of commission is decided based on the contribution made by the non Wholtime Directors and time spent on the Company affairs.

During 2009-10, no Employee Stock Options were granted to Independent Directors.

### (f) Details of non-compliance

No strictures/penalties were imposed on your Company by Stock Exchanges or



the Securities and Exchange Board of India or any statutory authority on any matter related to the capital markets during the current year.

**(g) Code of Conduct**

The Board of Directors adopted the Code of Conduct for Board Members and senior management personnel. The said code was communicated to the Directors and members of the senior management and they affirmed their compliance with the said Code. The Code adopted is posted on the Company's website [www.indiaonline.com](http://www.indiaonline.com).

Code of Conduct and Corporate Disclosure Practices for Prevention of Insider Trading:

Your Company adopted Code of Conduct and Corporate Disclosure Practices for prevention of Insider Trading for monitoring adherence to the rules for the preservation of price sensitive information, pre clearance and monitoring of trade. Your Company appointed the Company Secretary as the compliance officer to ensure compliance of the said code by all the Directors,

senior management personnel and employees likely to have access to price sensitive information.

**(h) Details of compliance with mandatory requirements and adoption of non-mandatory requirements of Clause 49 of the Listing Agreement**

Your Company duly complied with all the mandatory requirements of Clause 49 of the Listing Agreement. Besides complying with all the mandatory requirements of Clause 49, we also have a Remuneration Committee of the Board (known as Compensation/ Remuneration Committee).

**(i) CEO/CFO Certificate**

The Certificate required under Clause 49(V) of the Listing Agreement duly signed by the CEO and CFO was given to the Board and the same is annexed to this Report.

**(j) Means of communication to the stakeholders**

The primary source of information to the shareholders, customers, analysts and other stakeholders of your Company and

to public at large is through the website of your Company [www.indiaonline.com](http://www.indiaonline.com). The Annual Report, quarterly results, shareholding pattern and material events copies of press releases, among others, are regularly sent to stock exchanges and uploaded on the Company's website. Quarterly/annual financial results are regularly submitted to the Stock Exchanges in accordance with the Listing Agreement entered with the Stock Exchanges..

The quarterly and annual results of your Company are published in widely circulated national newspapers like Economic Times and Maharashtra Times (Marathi). Your Company also regularly makes presentation to the analyst in their meetings held from time to time, transcripts of which are uploaded on your Company's website.

## 8. General body meeting

The following table gives the details of the last three Annual General Meetings of the Company:

Date of AGM	Location	No. of special resolutions passed
July 17, 2009	Building No.35, A, Nirlon Complex, Off. Western Express Highway, Goregaon (E), Mumbai - 400063	None
July 7, 2008	Ground Floor, Kamalnayan Bajaj Hall, Nariman Point, Mumbai-400 021	None
June 20, 2007	Maharashtra Chambers of Commerce, K. Dubhash Marg, Fort, Mumbai 400 001	1

The special resolution was passed on show of hands.

## 9. General shareholders' information

1. Annual General Meeting	: July 30th, 2010 at 4.00 p.m. at Hall Of Harmony, Nehru Center Dr. Annie Besant Road, Worli, Mumbai – 400 018.
2. Financial calendar (2010-2011)	: Financial Year April 1, 2010 to March 31, 2011. 15th Annual General Meeting – July 30th, 2010 Results for the quarter Ended June 30, 2010 – on or before July 31, 2010 Results for the quarter Ended September 30, 2010 – on or before October 31, 2010 Results for the quarter Ended December 31, 2010 – on or before January 31, 2011 Results for the quarter Ended March 31, 2011 – on or before April 30, 2011
3. Book closure date	: July 9, 2010 to July 16, 2010 (both days inclusive)
4. Interim dividend	: During 2009-10, your Company declared and paid interim dividend, twice in a year on the following dates: a) August 11, 2009 at Rs. 1.20 per equity share of Rs. 2 each- b) January 20, 2010 at Rs. 1.80 per equity share of Rs. 2 each
5 Listing of equity shares on stock exchanges at	: National Stock Exchange of India Limited The Bombay Stock Exchange Limited
6 Stock code	: National Stock Exchange of India Limited - INDIAINFO The Bombay Stock Exchange Limited - 532636
7 Demat ISIN numbers in NSDL and CDSL for equity shares	: ISIN No. INE530B01024
8 Registrar & Transfer Agent	: Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai – 400 078. Tel: 022-25946970, rnt.helpdesk@linkintime.co.in
9 Share transfer system	: Your Company's shares are compulsorily traded in dematerialised form. In the case of transfers in physical form, which are lodged at the Registrar and Transfer Agent's Office, these are processed within a period of 30 days from the date of receipt.  All share transfers and other share related issues are approved in the Share Transfer and Investor Grievance Committee Meeting, which is normally convened as and when required.
11 Dematerialisation of shares	: As on March 31, 2010, 99.75% of the paid-up share capital of the Company was in dematerialised form. Trading in equity shares of the Company is permitted only in dematerialised form through CDSL and NSDL as per notifications issued by the Securities and Exchange Board of India.
12 Correspondence for dematerialisation, transfer of shares, non –receipt of dividend on shares and any other query relating to the shares of the Company	: Link Intime India Private Limited C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai – 400 078. Tel: +91 22 2596 3838
13 Any query on Annual Report contact at corporate office:	: Mr. Sunil Lotke, Company Secretary and Compliance Officer, IIFL Centre, Kamala City, Off Senapati Bapat Marg, Lower Parel, Mumbai – 400013 shareholders@indiainfoline.com
14 Outstanding convertible instruments, conversion date and likely impact on equity	: The Company has outstanding unexercised ESOPs (vested or Not vested) of 5,54,87,500 stock options under its ESOP plan, 2005, 2007 and 2008 which may be exercised by the grantees after its vesting in tranches. Each option granted is convertible into one equity share of the Company. Upon exercise of options by grantees, the paid-up share capital of the Company will accordingly increase.

## 10. Shareholding pattern

The detailed shareholding pattern of the Company as on March 31, 2010 was as under:

Category code	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		Share pledged or otherwise encumbered	
					As a percentage of (A+B) <sup>1</sup>	As a percentage of (A+B+C)	No. of shares	As a percentage
<b>(A)</b>	<b>Shareholding of Promoters and Promoters Group</b>							
<b>1</b>	<b>Indian</b>							
(a)	Individual/HUF	9	9,21,74,407	9,21,74,407	32.32	32.32	1,50,000	0.16
(b)	Central/State government(s)	0	0	0	0.00	0.00	0	0.00
(c)	Bodies corporate	3	35,00,000	35,00,000	1.23	1.23	0	0.00
(d)	Financial institutions/ banks	0	0	0	0.00	0.00	0	0.00
(e)	Any others (specify)	0	0	0	0.00	0.00	0	0.00
	<b>Sub total (A) (1)</b>	<b>12</b>	<b>9,56,74,407</b>	<b>9,56,74,407</b>	<b>33.54</b>	<b>33.54</b>	<b>1,50,000</b>	<b>0.16</b>
<b>2</b>	<b>Foreign</b>							
a	Individuals (Non-Residents Individuals/ Foreign Individuals)	0.00	0.00	0.00	0.00	0.00	0	0.00
b	Bodies corporate	0.00	0.00	0.00	0.00	0.00	0	0.00
c	Institutions	0.00	0.00	0.00	0.00	0.00	0	0.00
d	Any others (specify)	0.00	0.00	0.00	0.00	0.00	0	0.00
d-i								
d-ii	<b>Sub total (A) (2)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>
	<b>Total shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)</b>	<b>12</b>	<b>9,56,74,407</b>	<b>9,56,74,407</b>	<b>33.54</b>	<b>33.54</b>	<b>1,50,000</b>	<b>0.16</b>
<b>(B)</b>	<b>Public shareholding</b>							
<b>1</b>	<b>Institutions</b>							
(a)	Mutual Funds/ UTI	72	6,19,49,895	6,19,49,895	21.72	21.72		
(b)	Financial institutions/ banks	4	3,29,055	3,29,055	0.12	0.12		
(c)	Central Government/ State Government(s)	0	0	0	0.00	0.00		
(d)	Venture capital funds	0	0	0	0.00	0.00		
(e)	Insurance Companies	0	0	0	0.00	0.00		
(f)	Foreign institutional investors	92	4,97,72,811	4,97,72,811	17.45	17.45		
(g)	Foreign venture capital investors	0	0	0	0.00	0.00		
(h)	Any other (specify)				0.00	0.00		
	<b>Sub-total (B)(1)</b>	<b>168</b>	<b>11,20,51,761</b>	<b>11,20,51,761</b>	<b>39.29</b>	<b>39.29</b>		
<b>B 2</b>	<b>Non-institutions</b>							
(a)	Bodies corporate	1,001	1,01,37,530	1,01,37,530	3.55	3.55		
(b)	Individuals							
I	Individuals -i. Individual shareholders holding nominal share capital up to Rs. 1 lakh	40,005	1,57,54,089	1,55,74,531	5.52	5.52		

## 10. Shareholding pattern

The detailed shareholding pattern of the Company as on March 31, 2010 was as under:

Category code	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		Share pledged or otherwise encumbered	
					As a percentage of (A+B) <sup>1</sup>	As a percentage of (A+B+C)	No. of shares	As a percentage
II	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	55	2,41,02,285	2,37,87,285	8.45	8.45		
(c)	Any other (specify) office bearers							
(c-i)	Clearing member	230	5,92,165	5,92,165	0.21	0.21		
(c-ii)	Market makers							
(c-iii)	Office bearers	5	14,26,650	14,26,650	0.50	0.50		
(c-iv)	Foreign nationals	3	10,74,996	10,74,996	0.38	0.38		
(c-v)	Non-Resident Indians (Repat)	579	13,61,888	11,36,888	0.48	0.48		
(c-vi)	Non -Resident Indians ( Non – Repat)	159	78,88,120	78,88,120	2.77	2.77		
(c-vii)	Foreign Companies	3	1,07,75,085	1,07,75,085	3.78	3.78		
(c-viii)	Overseas bodies corporate	1	42,50,170	42,50,170	1.49	1.49		
(c-ix)	Trusts	4	76,879	76,879	0.03	0.03		
(c-x)	Directors	3	48,750	48,750	0.02	0.02		
	<b>Sub total (B) (2)</b>	<b>42,048</b>	<b>7,74,88,607</b>	<b>7,67,69,049</b>	<b>27.17</b>	<b>27.17</b>		
(B)	Total holding for shareholders							
	<b>(B) = (B) (1) + (B) (2)</b>	<b>42,216</b>	<b>18,95,40,368</b>	<b>18,88,20,810</b>	<b>66.46</b>	<b>66.46</b>		
	<b>Total (A) + (B)</b>	<b>42,228</b>	<b>28,52,14,775</b>	<b>28,44,95,217</b>	<b>100.00</b>	<b>100.00</b>	<b>1,50,000</b>	<b>0.16</b>
(C)	Shares held by custodians	0.00	0.00	0.00	0.00	0.00		
	<b>Total (C)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		
	<b>Grand total (A)+(B)+(C)</b>	<b>42,228</b>	<b>28,52,14,775</b>	<b>28,44,95,217</b>	<b>100.00</b>	<b>100.00</b>	<b>1,50,000</b>	<b>0.16</b>

## 11. Distribution of shareholding as on March 31, 2010

The distribution of shareholders as on March 31, 2010 is as follows:

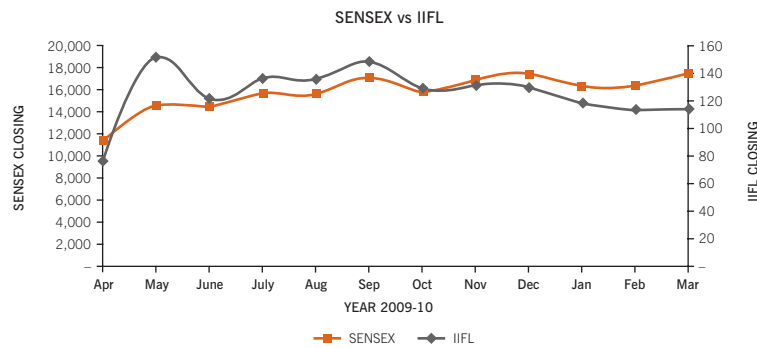
No. of equity shares held (range)	No. of shareholders	% of shareholders	No. of shares	% of share holdings
1 - 500	35,928	85.08	45,10,329	1.59
501 - 1000	3,280	7.77	24,94,393	0.87
1001 - 2000	1,214	2.87	17,96,592	0.63
2001 - 3000	529	1.25	13,46,807	0.47
3001 - 4000	227	0.54	8,09,721	0.28
4001 - 5000	176	0.42	8,35,071	0.29
5001 - 10000	327	0.77	24,73,077	0.87
10001 and more	547	1.30	27,09,48,785	95.00
<b>Total</b>	<b>42,228</b>	<b>100</b>	<b>28,52,14,775</b>	<b>100</b>

## 12. Stock market data

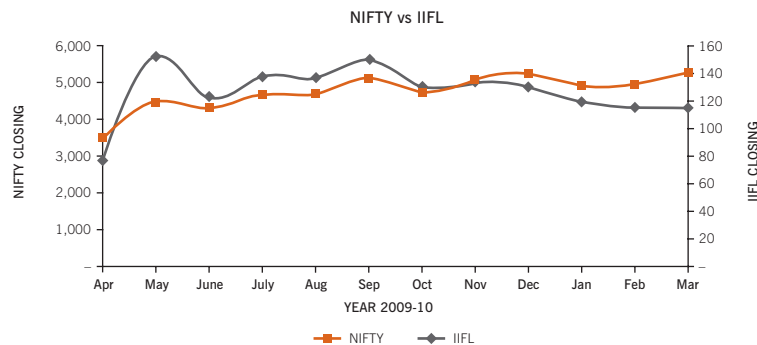
Table below gives the monthly high and low quotations of shares traded at Bombay Stock Exchange Limited and the National Stock Exchange of India Limited for the current year. The chart below plots the monthly closing price of India Infoline Limited versus the BSE - Sensex and NSE - S&P CNX Nifty for the year ended March 31, 2010.

Month	BSE			NSE			Total volume on BSE and NSE
	High (Rs.)	Low (Rs.)	Volume	High (Rs.)	Low (Rs.)	Volume	
Apr-09	88.75	56.80	2,82,58,634	88.50	56.60	47,05,184	3,29,63,818
May-09	166.75	77.20	2,97,89,157	166.40	79.00	8,46,94,097	11,44,83,254
Jun-09	173.25	110.25	2,81,11,339	173.50	109.25	8,79,01,663	11,60,13,002
Jul-09	142.45	107.50	3,62,58,412	142.60	107.50	12,36,15,510	15,98,73,922
Aug-09	148.70	121.00	4,32,20,131	148.80	120.50	12,08,58,426	16,40,78,557
Sep-09	155.90	129.00	2,38,47,938	158.75	129.10	6,99,55,516	9,38,03,454
Oct-09	163.70	126.20	1,47,34,394	164.25	125.80	5,47,76,734	6,95,11,128
Nov-09	159.00	121.00	1,15,64,471	149.80	122.00	3,96,94,264	5,12,58,735
Dec-09	142.25	111.60	94,40,101	142.10	126.00	3,36,16,834	4,30,56,935
Jan-10	146.40	111.10	1,12,30,886	146.30	110.35	4,05,42,002	5,17,72,888
Feb-10	121.70	107.00	52,48,605	121.95	106.90	2,20,71,305	2,73,19,910
Mar-10	124.80	113.20	49,93,102	124.95	113.55	2,27,00,441	2,76,93,543

India Infoline Limited share price versus the BSE Sensex



India Infoline Limited share price versus the NSE S&P CNX Nifty



## Annexure

# Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

We, Nirmal Jain, Chairman and Managing Director and Kapil Krishan, Chief Financial Officer of India Infoline Limited, to the best of our knowledge and belief, certify that:

- (a) We have reviewed the financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
  - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the

effectiveness of the internal control systems of the Company and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

- (d) We have indicated to the Auditors and the Audit Committee
  - (i) Significant changes in internal control during the year;
  - (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control.

**Nirmal Jain**  
*Chairman and Managing Director*

**Kapil Krishan**  
*Chief Financial Officer*

Mumbai, April 24, 2010

## Annexure

# Declaration on Compliance with the Code of Conduct

This is to confirm that the Company adopted a Code of Conduct for its board members and the senior management and the same is available on the Company's website. I confirm that the Company has in respect of financial year ended March 31, 2010, received from the senior management team of the Company and the Members of the Board, a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, the term 'senior

management' means the direct reportees to the Chairman and Managing Director.

For India Infoline Limited

**Nirmal Jain**  
*Chairman and Managing Director*

Mumbai, April 24, 2010

## Auditor's Certificate on Compliance of conditions of Corporate Governance

To  
The Members  
INDIA INFOLINE LIMITED

We have examined the compliance of conditions of corporate governance by India Infoline Limited, for the financial year ended 31st March 2010 as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied in all material respect with the conditions of

Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**Sharp & Tannan Associates**  
*Chartered Accountants*

By the hand of  
**Tirtharaj Khot**  
*Partner*

Place: Mumbai  
Date: 24th April, 2010

Membership No.: 37457



# Auditors' Report

To  
The Members  
INDIA INFOLINE LIMITED

We have audited the attached Balance Sheet of India Infoline Limited as at 31st March 2010, and Profit and Loss account and also the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India under sub-section (4A) of section 227 of the companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanation given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
  - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
  - iii) The balance sheet, profit and loss account and also cash flow statement dealt with by this report are in agreement with the books of account;

- iv) In our opinion, the balance sheet, profit and loss account and also cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
- v) On the basis of written representations received by the Company from its Directors as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March, 2010 from being appointed as a Director in terms of the clause (g) of sub section (1) of section 274 of the Companies Act, 1956;

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the significant accounting policies and notes appearing thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. In the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2010;
- b. In the case of the profit and loss account, of the profit for the year ended on that date; and
- c. In the case of the cash flow statement, of the cash flows for the year ended on that date.

**Sharp & Tannan Associates**

*Chartered Accountants*

ICAI Registration No.109983W

By the hand of

**Tirtharaj Khot**

*Partner*

Place: Mumbai

Date: 24th April, 2010

Membership No.: 37457

## Annexure to the Auditors' Report

Annexure referred to in paragraph 1 of our report dated 24th April 2010, to the members of India Infoline Limited.

1. (a) The Company has maintained adequate records to show full particulars, including quantitative details and situation of the fixed assets.
- (b) The Company has formulated a programme of physical verification of its fixed assets in a phased manner. In accordance with this program, a physical verification of certain fixed assets has been carried out by management during the year and there are no material discrepancies observed between assets physically verified and book balances. In our opinion, the periodicity of verification is reasonable having regard to the size of the Company and the nature of its assets.
- (c) The Company has not disposed of any substantial part of its fixed assets so as to affect its going concern status.
2. The Company is not carrying on any manufacturing or trading activity. Therefore, the provisions of sub clause (a), (b), and (c), of clause (ii) of paragraph 4 of the Order are not applicable to the Company.
3. (a) The Company has granted loan to One Company and loan to One Party covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amounts involved during the year were Rs. 575,523,013/- and the year-end balance of loans granted to such Company / Party was Rs. 574,323,013/-.
- (b) In our opinion, the rate of interest and other terms and conditions of such loan given is not, prima facie, prejudicial to the interest of the Company.
- (c) There are no stipulations as to repayment of principal and interest amounts.
- (d) There is no overdue amount in excess of Rs.1 lakh in respect of loan granted to Companies listed in the register maintained under Section 301 of the Companies Act, 1956 since repayment schedule is not stipulated.
- (e) The Company has not taken any loans from the companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of sub clause (e), (f) and (g) of clause (iii) of paragraph 4 of the Order are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and nature of its business, for the purchase of fixed assets and sale of services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered into a Register in pursuance of Section 301 of the Companies Act, 1956 and those brought to our notice, have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions in pursuance of such contracts or arrangements entered in the register maintained under section 301 of the companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year, have been made at prices which are not comparable since the prevailing market prices of such services, in view of the management, are not readily available.
6. The Company has not accepted any deposits from the public of the nature, which attracts the provisions of Section 58A, 58AA or any other relevant provision of the Companies Act, 1956 and the rules made there under. Therefore, the provision of clause (vi) of paragraph 4 of the Order is not applicable to the Company.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. As per the information and explanations given to us, in respect of the class of industry the Company falls under, the maintenance of cost records has not been prescribed by the Central Government under section 209 (1) (d) of the Companies act, 1956. Therefore, the provision of clause (viii) of paragraph 4 of the Order is not applicable to the Company.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues as and wherever applicable to the Company, with the appropriate authorities. Based on the information furnished to us, there are no undisputed statutory dues as on 31st March 2010, which are outstanding for a period exceeding six months from the date they became payable.
- (b) According to the information and explanations given to us and records of the Company examined by us, the particulars of sales tax/excise duty/service tax/income tax/custom duty/wealth tax/cess as at 31st March, 2010 which have not been

deposited on account of a dispute pending, and amount involved and the forum where dispute is pending is as under;

Name of the Statute	Nature of the Disputed Dues	Amount (Rs.) of Tax	Period to Which The Amount Relates	Forum Where Dispute is Pending
MVAT Act, 2002	Delay in filing VAT Audit Report for the period 2007-2008	Rs. 563,342/-	FY 2007-08	Dy. Comm. Of Sales Tax
Income Tax Act, 1961	Penalty proceeding u/s 271(1) (c)	Rs. 106,680/-	A.Y. 2004-2005	CIT Appeals of income Tax
Income Tax Act, 1961	Disallowance of Depreciation, Disallowance of Expenses u/s 14A and disallowance of expenses.	Rs. 7,025,888/-	A.Y. 2007-2008	Commissioner of Income Tax Appeal

10. At the end of the financial year, the Company has neither accumulated losses nor has incurred any cash loss during the financial year and in the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of its dues to its financial institution, bank and debenture holders.
12. According to the information and explanations given to us, since the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, in our opinion, the Company need not maintain relevant documents and record.
13. The Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of sub clause (a), (b), (c) and (d) of clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
14. Based on our examination of the records and evaluation of the related internal controls, the Company has maintained proper records of transactions and contracts in respect of dealing or trading in shares, securities, debentures and other investments, as applicable, and timely entries have been made therein. The aforesaid shares, securities, debentures and other investments have been held by the Company in its own name, except to the extent of the exemption granted under Section 49 of the Companies Act, 1956.
15. The Company has granted Corporate Guarantees to a Banks/Financial Institutions in respect of loans availed by its subsidiary companies. Based on the information and explanations given to us, we are of the opinion that the terms and conditions on which the guarantees are given are prima facie, not prejudicial to the interest of the Company.
16. According to the information and explanation given to us and on overall examination of books of accounts of the Company, we report that the Company has not raised any terms loans during the year.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investments.
18. According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
19. The Company has issued unsecured debentures during the year. Since, these debentures are unsecured the Company is not required to and has not created a charge in respect of these debentures.
20. The Company has not raised any money through a public issue during the year. Therefore, the provision of clause (xx) of paragraph 4 of the Order is not applicable to the Company.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanation given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year nor have we been informed of such case by management.

**Sharp & Tannan Associates**  
Chartered Accountants  
ICAI Registration No.109983W  
By the hand of

**Tirtharaj Khot**  
Partner

Place: Mumbai  
Date: 24th April, 2010

Membership No.: 37457

INDIA INFOLINE LIMITED

STANDALONE FINANCIAL STATEMENTS OF INDIA INFOLINE LIMITED

**Balance Sheet** As at 31st March, 2010

(Amount in Rupees)

	Schedule	As at 31.03.2010		As at 31.03.2009	
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Fund</b>					
Share Capital	A	570,429,550		566,800,000	
Share Application Money		4,021,350		-	
Reserves and Surplus	B	10,506,695,485		9,801,314,902	
Equity Share Warrants	C	-	11,081,146,385	113,700,000	10,481,814,902
<b>Loan Funds</b>					
Secured Loans	D	11,672,560		17,044,854	
Unsecured Loans	E	4,965,829,409	4,977,501,969	1,031,242	18,076,096
<b>Total</b>			<b>16,058,648,354</b>		<b>10,499,890,998</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets (Including Intangibles)</b>					
Gross Block	F	1,088,334,787		1,436,768,398	
Less : Accumulated depreciation and amortisation		(606,325,123)		(449,446,945)	
Net Block		482,009,664		987,321,453	
Capital-Work-In-Progress		17,511,161	499,520,825	45,134,564	1,032,456,017
<b>Investments</b>	G		11,042,244,111		8,693,123,758
Deferred Tax Assets			96,396,623		38,154,037
<b>Current Assets, Loans and Advances</b>					
Sundry Debtors	H	5,775,030,452		1,035,288,204	
Cash and Bank Balances		5,618,364,349		4,302,493,074	
Stock On Hand		537,590,262		5,609,032	
Loans and Advances		5,070,671,411		2,405,913,981	
		17,001,656,474		7,749,304,291	
<b>Less : Current Liabilities &amp; Provisions</b>	I				
Current Liabilities		10,258,096,541		5,526,753,387	
Provisions		2,323,073,138		1,486,393,718	
		12,581,169,679		7,013,147,105	
<b>Net Current Assets</b>			4,420,486,795		736,157,186
<b>Total</b>			<b>16,058,648,354</b>		<b>10,499,890,998</b>
Significant Accounting policies and notes to Accounts	N				

Schedules referred to above form an integral part of the accounts

As per our attached report of even date

For Sharp & Tannan Associates

Chartered Accountants

ICAI Registration No. 109983W

By the hand of

Tirtharaj Khot

Partner

Membership No. 37457

Place : Mumbai

Dated : April 24, 2010

For India Infoline Limited

Nirmal Jain  
Managing Director

R. Venkataraman  
Executive Director

Kapil Krishan  
Chief Financial Officer

Sunil Lotke  
Company Secretary



STANDALONE FINANCIAL STATEMENTS OF INDIA INFOLINE LIMITED

## Profit and Loss Account For the year ended 31st March, 2010

(Amount in Rupees)

Schedule	2009-2010	2008-009
<b>INCOME</b>		
Equity brokerage & related income	6,125,493,009	4,516,852,265
Mutual Funds distribution, etc	146,687,721	87,827,926
Merchant banking income	387,731,280	23,262,564
Other income J	321,998,621	293,362,605
	<b>6,981,910,631</b>	<b>4,921,305,360</b>
<b>EXPENDITURE</b>		
Direct cost K	1,463,955,099	683,582,429
Employee cost L	1,641,491,422	1,434,218,601
Administration & other expense M	1,122,287,419	954,676,174
Interest	102,456,419	78,456,609
Depreciation & amortisation F	318,646,716	255,613,981
	<b>4,648,837,075</b>	<b>3,406,547,794</b>
<b>Profit before tax</b>	<b>2,333,073,556</b>	<b>1,514,757,566</b>
Less: Provision for taxation - Current	831,593,975	480,757,044
- Deferred tax	(58,242,586)	(12,260,101)
- Fringe benefit tax	-	10,341,846
- Short/(Excess) Provision of Income Tax	39,558,672	(22,335,012)
<b>Net profit after tax</b>	<b>1,520,163,495</b>	<b>1,058,253,789</b>
<b>Net profit after tax for available Appropriations</b>	<b>1,520,163,495</b>	<b>1,058,253,789</b>
<b>Appropriations</b>		
Dividend		
- Interim Dividend	851,982,000	794,488,993
Dividend distribution tax	144,794,341	135,023,404
Transfer to General Reserve	152,016,352	105,825,379
Balance of Profit brought forward from previous year	1,252,058,659	1,229,142,646
<b>Balance of Profit carried forward</b>	<b>1,623,429,461</b>	<b>1,252,058,659</b>
Earning Per Share - Basic	5.36	3.71
- Diluted	4.49	3.48
Face Value Per Share	2.00	2.00
Significant Accounting policies and notes to Accounts N		

Schedules referred to above form an integral part of the accounts

As per our attached report of even date

For Sharp & Tannan Associates

Chartered Accountants

ICAI Registration No. 109983W

By the hand of

Tirtharaj Khot

Partner

Membership No. 37457

Nirmal Jain  
Managing Director

R. Venkataraman  
Executive Director

Kapil Krishan  
Chief Financial Officer

Sunil Lotke  
Company Secretary

For India Infoline Limited

Place : Mumbai

Dated : April 24, 2010

**Schedules forming part of the Balance Sheet** As at 31st March, 2010

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE A SHARE CAPITAL</b>		
<b>Authorised :</b>		
500,000,000 (Previous Year - 500,000,000) Equity Shares of Rs. 2 each	1,000,000,000	1,000,000,000
<b>Issued , Subscribed and Paid Up :</b>		
285,214,775, (Previous Year - 283,400,000) Equity Shares of Rs. 2 each fully paid-up	570,429,550	566,800,000
<b>Total</b>	<b>570,429,550</b>	<b>566,800,000</b>

**SCHEDULE B RESERVES AND SURPLUS**

<b>Securities Premium Account</b>		
Opening Balance	7,717,842,192	7,813,462,014
Addition During The Year	52,998,295	12,411,000
Deduction During The Year (on account of Buy back of equity shares)	-	(108,030,822)
	7,770,840,487	7,717,842,192
<b>General Reserve</b>		
Opening Balance	319,825,379	214,000,000
Addition during the year	152,016,352	105,825,379
	471,841,731	319,825,379
<b>Capital Redemption Reserve</b>		
Opening Balance	5,115,830	-
Addition during the year	-	5,115,830
	5,115,830	5,115,830
<b>Capital Reserve</b>		
Opening Balance	484,000,000	-
Addition during the year	113,700,000	484,000,000
	597,700,000	484,000,000
<b>Employee Stock options outstanding</b>	52,264,312	36,694,545
Less : Deferred Employee Compensation Expense	14,496,336	14,221,703
	37,767,976	22,472,842
Profit and Loss Account	1,623,429,461	1,252,058,659
<b>Total</b>	<b>10,506,695,485</b>	<b>9,801,314,902</b>

**SCHEDULE C EQUITY SHARE WARRANTS**

Equity Share Warrants (Application money received against Equity Warrants)	-	113,700,000
--	---	-------------

**SCHEDULE D SECURED LOANS**

Loan from Others (Secured against Fixed Assets purchased thereagainst)	11,672,560	17,044,854
<b>Total</b>	<b>11,672,560</b>	<b>17,044,854</b>



STANDALONE FINANCIAL STATEMENTS OF INDIA INFOLINE LIMITED

## Schedules forming part of the Balance Sheet As at 31st March, 2010

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE E UNSECURED LOANS</b>		
Short Term Loans - Others	4,960,000,000	-
Other Loans and Advances - Others	5,829,409	1,031,242
<b>Total</b>	<b>4,965,829,409</b>	<b>1,031,242</b>

The above include Rs. 4,96,00,00,000 due in one year

## SCHEDULE F FIXED ASSETS

(Amount in Rupees)

Assets	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 31.03.2009	Additions	Deductions/ Adjustments during the year*	As at 31.3.2010	Upto 31.03.2009	For the year	Deductions/ Adjustments during the year*	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
<b>Tangible Assets</b>										
Buildings	14,074,920	-	-	14,074,920	1,231,558	703,750	-	1,935,308	12,139,612	12,843,362
Computers	320,396,685	29,639,765	108,110,031	241,926,419	153,475,410	92,813,820	83,842,408	162,446,822	79,479,597	166,921,275
Electrical Equipment	107,974,901	30,515,915	89,483	138,401,333	22,136,975	35,195,875	1,099,532	56,233,318	82,168,015	85,837,926
Furniture & Fixture	586,974,623	71,481,515	274,019,176	384,436,962	146,854,324	112,015,943	49,575,615	209,294,652	175,142,310	440,120,299
Office Equipment	321,232,591	45,827,493	134,950,823	232,109,261	88,413,409	52,162,347	18,306,197	122,269,559	109,839,702	232,819,182
<b>Sub Total</b>	<b>1,350,653,720</b>	<b>177,464,688</b>	<b>517,169,513</b>	<b>1,010,948,895</b>	<b>412,111,676</b>	<b>292,891,735</b>	<b>152,823,752</b>	<b>552,179,659</b>	<b>458,769,236</b>	<b>938,542,044</b>
<b>Intangible Assets</b>										
Software	73,692,720	216,000	8,944,786	64,963,934	27,397,700	23,270,592	8,944,786	41,723,506	23,240,428	46,295,020
Non Compete Fees	12,421,958	-	-	12,421,958	9,937,569	2,484,389	-	12,421,958	-	2,484,389
<b>Sub Total</b>	<b>86,114,678</b>	<b>216,000</b>	<b>8,944,786</b>	<b>77,385,892</b>	<b>37,335,269</b>	<b>25,754,981</b>	<b>8,944,786</b>	<b>54,145,464</b>	<b>23,240,428</b>	<b>48,779,409</b>
<b>Grand Total</b>	<b>1,436,768,398</b>	<b>177,680,688</b>	<b>526,114,299</b>	<b>1,088,334,787</b>	<b>449,446,945</b>	<b>318,646,716</b>	<b>161,768,538</b>	<b>606,325,123</b>	<b>482,009,664</b>	<b>987,321,453</b>
Previous Year	983,180,924	611,484,978	157,897,504	1,436,768,398	350,766,596	255,613,981	156,933,632	449,446,945	987,321,453	

\* Refer note :6 to Schedule N

(Amount in Rupees)

	As at 31.03.2010			As at 31.03.2009	
<b>SCHEDULE G INVESTMENTS</b>	Face Value	Number	Amount	Number	Amount
<b>Unquoted, Non Trade, Current</b> (Valued at Cost or market whichever is less)					
<b>Mutual Fund</b>					
<b>Canara Robeco Mutual Fund</b>					
Canara Robeco Multicap	10	50,000	500,000	50,000	339,000
<b>Deutsche Mutual Fund</b>					
DWS Insta Cash Fund	10	4,985,432	50,005,881	-	-
DWS Treasury Fund Cash	10	4,995,167	50,199,926	-	-
<b>DSP Black Rock Mutual Fund</b>					
DSP Black Rock Floating Rate Fund	1,000	499,780	500,052,337	-	-
<b>ICICI Prudential Mutual Fund</b>					
ICICI Prudential Flexible Income Plan Premium	100	7,094,291	750,114,820	-	-
<b>Religare Liquid Fund</b>					
Religare Liquid Fund	10	49,974,061	500,055,447	-	-
<b>UTI Mutual Fund</b>					
UTI Liquid Cash Plan Institutional	1,000	490,511	500,049,749	-	-
<b>Benchmark Mutual Fund</b>	1,000	29	29,498	-	-
			<b>2,351,007,658</b>		<b>339,000</b>



**Schedules forming part of the Balance Sheet** As at 31st March, 2010

(Amount in Rupees)

SCHEDULE G INVESTMENTS (Contd.)	Face Value	As at 31.03.2010		As at 31.03.2009	
		Number	Amount	Number	Amount
<b>Quoted, Non Trade, Current</b>					
<b>(Valued at Cost or market whichever is less)</b>					
<b>Equity shares</b>					
Aban Offshore Ltd	2	492	571,975	-	-
Aditya Birla Nuvo Ltd	10	764	692,413	-	-
Anant Raj Industries Ltd	2	13,829	1,615,897	-	-
Ansal Properties & Infrastructure Ltd	5	14,096	1,002,930	-	-
Apollo Tyres Ltd	1	14,398	708,718	-	-
Bajaj Electricals Ltd	2	3,885	621,504	-	-
Bajaj Holdings & Investment Ltd	10	1,199	524,059	-	-
CESC Ltd	10	3,421	1,309,217	-	-
Eveready Industries India Ltd	5	8,835	523,916	-	-
Gayatri Projects Ltd	10	1,667	640,545	-	-
Glaxosmithkline Consumer Healthcare Ltd	10	597	598,063	-	-
Gujarat NRE Coke Ltd	10	750	65,588	-	-
HCL Infosystems Ltd	2	4,499	611,864	-	-
HCL Technologies Ltd	2	2,860	902,126	-	-
Housing Development & Infrastructure Ltd	10	2,148	615,080	-	-
ICICI Bank Ltd	10	760	510,743	-	-
India Cements Ltd	10	5,630	717,087	-	-
Indiabulls Financial Services Ltd	2	14,477	1,521,533	-	-
Indusind Bank Ltd	10	5,802	794,586	-	-
IVRCL Infrastructures & Projects Ltd	2	8,220	1,364,520	-	-
Jai Balaji Industries Ltd	10	6,567	1,566,558	-	-
Jindal South West Holdings Ltd	10	157	273,329	-	-
KEC International Ltd	10	1,835	629,928	-	-
Lupin Ltd	10	507	712,034	-	-
Mahindra & Mahindra Ltd	5	906	323,496	-	-
Mercator Lines Ltd	1	7,816	434,960	-	-
Mindtree Ltd	10	1,198	638,722	-	-
Moser-Baer (I) Ltd	10	4,000	292,000	-	-
Patni Computer Systems Ltd	2	4,275	942,415	-	-
Piramal Healthcare Ltd	2	1,991	563,587	-	-
Prism Cement Ltd	10	6,034	329,539	-	-
Shree Renuka Sugars Ltd	1	21,010	1,498,013	-	-
Simplex Infrastructures Ltd	2	1,906	563,486	-	-
United Phosphorus Ltd	2	5,047	740,119	-	-
Voltas Ltd	1	6,077	767,331	-	-
Yes Bank Ltd	10	3,414	479,633	-	-
Zee Entertainment Enterprises Ltd	1	2,724	659,181	-	-
			<b>27,326,695</b>		<b>-</b>
<b>Un-Quoted, Long Term (Valued at cost)</b>					
<b>Non-Trade</b>					
Units of India Infoline Venture					
Capital Fund (IIFLOpportunity)	100,000	675	67,500,000	-	-
India Infoline Private Equity Fund (Trust)		-	-	-	100,200,000
			<b>67,500,000</b>		<b>100,200,000</b>



STANDALONE FINANCIAL STATEMENTS OF INDIA INFOLINE LIMITED

## Schedules forming part of the Balance Sheet As at 31st March, 2010

(Amount in Rupees)

		As at 31.03.2010		As at 31.03.2009	
<b>SCHEDULE G INVESTMENTS (Contd.)</b>	Face Value	Number	Amount	Number	Amount
<b>Investments in Subsidiaries:</b>					
India Infoline Investment Services Ltd	10	18,200,000	6,414,038,775	18,200,000	6,414,038,775
India Infoline Marketing Services Ltd	10	17,000,000	610,700,000	17,000,000	610,700,000
IIFL Realty Ltd	10	9,000,000	605,175,000	9,000,000	605,175,000
IIFL (Asia) Pte Ltd, Singapore	S\$ 0.1	21,085,000	652,393,032	21,085,000	652,393,032
India Infoline Commodities Ltd	10	200,000	20,000,000	200,000	20,000,000
IIFL Wealth Management Ltd	10	900,000	225,000,000	900,000	225,000,000
India Infoline Commodities DMCC.	AED 1000	950	11,755,102	950	11,755,102
India Infoline Media & Research Services Ltd	10	50,000	500,000	50,000	500,000
IIFL Energy Ltd	10	-	-	50,000	500,000
IIFL Capital Ltd	10	50,000	500,000	50,000	500,000
IIFL Inc, USA	\$1.40	140	35,152,849	140	35,152,849
IIFL Wealth (Uk) Ltd	£1.00	50,000	3,825,000	-	-
India Infoline Trustee Company Ltd	10	50,000	500,000	-	-
			<b>8,579,539,758</b>		<b>8,575,714,758</b>
<b>Trade (Valued At Cost)</b>					
Equity Shares of Bombay Stock Exchange Ltd (Valued at written down value of the Membership card)	1	130,000	16,870,000	130,000	16,870,000
			<b>16,870,000</b>		<b>16,870,000</b>
<b>Total Investments</b>			<b>11,042,244,111</b>		<b>8,693,123,758</b>
Aggregate Book value	- Quoted		27,326,695		339,000
	- Unquoted		11,014,917,416		8,692,784,758
Aggregate Market value	- Quoted		32,669,261		339,000

(Amount in Rupees)

		As at 31.03.2010		As at 31.03.2009	
<b>SCHEDULE H CURRENT ASSETS, LOANS AND ADVANCES</b>					
<b>A) Current Assets</b>					
<b>I) Sundry Debtors (Unsecured, considered good, unless otherwise stated)</b>					
Outstanding for a period exceeding six months			49,904,187		184,565
Considered doubtful			17,358,449		16,200,001
			67,262,636		16,384,566
Other Debts			5,725,126,265		1,035,103,639
Provision for Doubtful Debts			(17,358,449)		(16,200,001)
			<b>5,775,030,452</b>		<b>1,035,288,204</b>
<b>II) Cash and Bank Balance</b>					
Cash on Hand			4,420,323		2,001,812
Bank Balances					
With Scheduled Banks :					
- In Current Accounts			3,093,821,813		2,637,647,322
- In Fixed Deposits			2,519,136,047		1,661,458,019
With Others :					
- In Current Accounts (Maximum balance during the year Rs. 2,871,639 (P Y 14,879,764 )			354,419		1,385,921
- In Fixed Deposits			631,747		-
			<b>5,618,364,349</b>		<b>4,302,493,074</b>
<b>III) Stock on Hand</b>					
		Qty	Face Value		
<b>Mutual Funds</b>					
Kotak Mutual Fund - Gold Exchange Traded Fund		4,500	100	7,230,960	-
Reliance Mutual Fund - Gold Exchange Traded Fund		13,800	100	21,555,186	-
<b>Equity Shares</b>					
ACC Ltd		10,152	10	9,650,446	-
Allahabad Bank		2,450	10	349,983	-
Apollo Tyres Ltd		40,800	1	2,892,720	-
Cipla Ltd		16,250	2	5,476,575	-
Dish TV India Ltd		195,700	1	7,162,929	-

**Schedules forming part of the Balance Sheet** As at 31st March, 2010

(Amount in Rupees)

			As at 31.03.2010	As at 31.03.2009	
<b>SCHEDULE H</b>	<b>CURRENT ASSETS, LOANS AND ADVANCES (Contd.)</b>	<b>Qty</b>	<b>Face Value</b>		
	Essar Oil Ltd	9,884	10	1,344,422	-
	Firstsource Solutions Ltd	9,500	10	272,650	-
	Housing Development and Infrastructure Ltd	20,898	10	5,964,545	-
	Hindalco Industries Ltd	87,950	1	15,936,540	-
	Indiabulls Real Estate Ltd	102,700	2	10,793,770	-
	IFCI Ltd	86,680	10	4,281,125	-
	Ispat Industries Ltd	24,900	10	476,088	-
	Kingfisher Airlines Ltd	4,250	10	198,900	-
	Maruti Suzuki India Ltd	11,200	5	15,881,040	-
	Power Finance Corporation Ltd	2,400	10	620,040	-
	Reliance Infrastructure Ltd	3,036	10	2,459,312	-
	Shree Renuka Sugars Ltd	103,326	1	7,367,144	-
	Rolta India Ltd	10,800	10	1,900,152	-
	Suzlon Energy Ltd	84,000	2	6,035,400	-
	Tata Power Company Ltd	13,200	10	18,109,194	307,440
	Triveni Engineering & Industries Ltd	7,700	1	1,034,033	-
	Vijaya Bank	6,900	10	326,784	-
	Bharat Heavy Electricals Ltd	300	10	-	453,165
	IRB Infrastructure Developers Ltd	4,400	10	-	356,620
	Reliance Power Ltd	18,000	10	-	1,842,300
	Steel Authority of India Ltd	5,400	10	-	520,830
	Reliance Industries Ltd	1,200	10	-	1,815,284
	Reliance Petroleum Ltd	3,350	10	-	313,393
	<b>Bonds</b>				
	IIFCL 22 January 2014	340	1,000,000	35,064,432	-
	IRFC IPO Bonds 8 March 2015	3,480	100,000	347,141,902	-
	NABARD January 2019	800	20,000	8,063,990	-
				<b>537,590,262</b>	<b>5,609,032</b>
	Aggregate market value - Quoted			543,238,786	5,753,411
<b>B)</b>	<b>Loans And Advances (Unsecured, Considered good, unless otherwise stated)</b>				
	Advances to Subsidiaries			621,357,588	31,871,937
	Advances recoverable in cash or in kind or for value to be received.			1,645,333,379	159,768,210
	Deposits with stock exchanges and others			430,098,336	541,481,910
	Advance Income Tax & Tax deducted at Source			2,250,810,269	1,484,841,598
	Other Loans & Advances			123,071,839	187,950,326
				<b>5,070,671,411</b>	<b>2,405,913,981</b>
	<b>Total</b>			<b>17,001,656,474</b>	<b>7,749,304,291</b>

**SCHEDULE I CURRENT LIABILITIES AND PROVISIONS**

<b>A)</b>	<b>Current Liabilities</b>				
	<b>Sundry Creditors</b>				
	Total Outstanding dues of micro and small enterprises			-	-
	Total Outstanding dues of creditors other than micro and small enterprises			7,020,608,406	3,831,118,108
	Unpaid dividend			3,525,698	3,459,552
	Other Liabilities			3,233,962,437	1,692,175,727
				<b>10,258,096,541</b>	<b>5,526,753,387</b>
<b>B)</b>	<b>Provisions</b>				
	Provision for Gratuity			45,474,783	31,377,286
	Provision for Leave Encashment			10,586,471	14,390,805
	Provision for Taxation			2,267,011,884	1,440,625,627
				<b>2,323,073,138</b>	<b>1,486,393,718</b>
	<b>Total</b>			<b>12,581,169,679</b>	<b>7,013,147,105</b>



STANDALONE FINANCIAL STATEMENTS OF INDIA INFOLINE LIMITED

## Schedules forming part of the Profit and Loss Account For the year ended 31st March, 2010

(Amount in Rupees)

	2009-2010	2008-2009
<b>SCHEDULE J OTHER INCOME</b>		
Financing Income	322,189,073	292,688,386
Miscellaneous income	1,510,509	1,011,975
Profit/(Loss) on sale of fixed assets	(1,700,961)	(337,756)
<b>Total</b>	<b>321,998,621</b>	<b>293,362,605</b>

<b>SCHEDULE K DIRECT COST</b>		
Brokerage rebate and remisier expenses	1,318,762,334	545,076,877
Exchange and statutory charges	145,192,765	138,505,552
<b>Total</b>	<b>1,463,955,099</b>	<b>683,582,429</b>

<b>SCHEDULE L EMPLOYEE COST</b>		
Salaries and bonus	1,555,240,247	1,291,721,777
Contribution to provident and other funds	24,605,832	27,440,223
Gratuity	14,838,427	17,963,533
Staff welfare expenses	31,511,782	31,961,903
Deferred employee compensation expenses	15,295,134	65,131,165
<b>Total</b>	<b>1,641,491,422</b>	<b>1,434,218,601</b>

<b>SCHEDULE M ADMINISTRATIVE AND OTHER EXPENSES</b>		
Advertisement	53,022,728	128,706,217
Rent	409,910,950	237,398,945
Electricity	64,373,246	60,727,179
Communication	127,139,342	142,825,691
Printing and stationery	35,477,323	25,738,979
Postage and courier	43,022,144	36,041,983
Provision for doubtful debts and bad debts	1,051,322	3,265,804
Bank charges	36,305,934	33,008,442
Repairs and maintenance:		
- Computers	1,255,865	630,381
- Others	39,886,360	41,142,225
Travelling and conveyance	86,834,429	81,464,241
Legal and professional charges	109,161,626	84,964,437
Remuneration to auditors		
- Audit fees	2,010,000	1,480,000
- Certification work and other matters	33,780	150,000
- Out of pocket expenses	98,929	2,142,709
Office expenses	41,813,838	64,189,232
Software charges	51,942,578	35,083,195
Miscellaneous expenses	18,947,025	6,296,828
<b>Total</b>	<b>1,122,287,419</b>	<b>954,676,174</b>

## Schedules forming part of the Balance Sheet & Profit and Loss Accounts

Significant Accounting Policies and Notes forming part of the Balance Sheet as at March 31, 2010 and Profit and Loss Account for the Year ended March 31, 2010.

### SCHEDULE N SIGNIFICANT ACCOUNTING POLICIES AND NOTES

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1) Basis of preparation of financial statements:

The financial statements have been prepared under historical cost convention on an accrual basis in compliance with all material aspects of the applicable Accounting Standards in India and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the Company.

##### 2) Use of Estimates:

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known / materialised.

##### 3) Fixed Assets and Depreciation:

Fixed assets are stated at cost of acquisition less accumulated depreciation and impairment loss if any thereon. Depreciation is charged using the straight line method based on the useful life of fixed assets as estimated by the management as specified below, or the rates specified in accordance with the provisions of schedule XIV of the Companies Act, 1956, which-ever is higher. In the case of transfer of used fixed assets from group companies, depreciation is charged over the remaining useful life of the asset.

Depreciation is charged from the month in which new assets are put to use. No depreciation is charges from the month in which assets are sold.

Individual assets / group of similar assets costing less than Rs. 5,000 has been depreciated in full in the year of purchase.

Estimated useful life of the assets is as under

Furniture and fixtures	5 years
Computer equipment	3 years
Software	3 years
Office equipment	5 years
Buildings	20 years

##### 4) Translation of foreign currency items :

Transactions in foreign currencies are recorded at the prevailing rates at the time transactions were affected. Foreign currency assets & liabilities outstanding at the year-end are translated at the rates of exchange ruling on that day; gain / loss on transactions are accounted in the Profit & Loss account.

##### 5) Revenue Recognition:

Brokerage income earned on secondary market operations is accounted on trade dates. Depository & related income is accounted on accrual basis. Dividend income is accounted for when the right to receive the payment is established. Investment banking related income is accounted on accrual basis.

##### 6) Retirement Benefits:

The Company's contribution towards Provident Fund and Family Pension Fund is charged against revenue on actual basis. The Company has provided Gratuity and leave encashment on the basis of actuarial valuation.

##### 7) Deferred Employee Stock Compensation:

The stock options granted by the Company are accounted for as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999 issued by Securities and Exchange Board of India and the guidance note on Accounting for Stock Options issued by The Institute of Chartered Accountant of India, whereby the intrinsic value of the options are recognised as deferred employee compensation. The deferred employee compensation is charged to the Profit and Loss Account on a straight line basis over the vesting period of the options. The Employee Stock Options Outstanding Account, net of unamortised Deferred Employee Compensation is shown separately as part of Reserves.

##### 8) Provisions, Contingent Liabilities and Contingent Assets:

Provisions involving substantial degree of estimation in measurement are recognised when there is present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

## Schedules forming part of the Balance Sheet & Profit and Loss Accounts

Significant Accounting Policies and Notes forming part of the Balance Sheet as at March 31, 2010 and Profit and Loss Account for the Year ended March 31, 2010.

### SCHEDULE N SIGNIFICANT ACCOUNTING POLICIES AND NOTES (Contd.)

9) **Taxes on Income:**

Provision for current tax is computed in accordance with relevant tax provisions. Deferred tax is recognised for all timing differences between accounting income & taxable income and is quantified using enacted / substantially enacted tax rates as at the balance sheet date. Deferred tax assets are recognised subject to the management judgement that the realisation is virtually / reasonably certain.

10) **Operating Leases:**

Lease rentals in respect of operating lease arrangements are charged to the Profit & Loss Account in accordance with Accounting Standard 19 – Leases.

11) **Investments:**

Investments are classified into current and long-term investments. Current investments are stated at lower of cost or market value. Long-term investments are carried at cost less provisions, if any, for permanent diminution in the value of such Investment.

12) **Stock in Trade:**

Closing stock is valued at cost or market value whichever is lower. Cost is computed on FIFO basis.

### B. NOTES TO ACCOUNTS

1. At balance sheet date, there were outstanding commitments for capital expenditure (net of advances) to the tune of Rs. 104,993,301 (previous year Rs. 76,135,859) of the total contractual obligation entered during the year.

2. The Company does not have contingent liabilities not provided for other than an income tax matter amounting to Rs.7,695,910. The Company has filed an appeal with the tax authorities against the said demand.

3. The Company has provided Corporate Guarantee on behalf of the following subsidiaries. (Amount in Rupees)

Sr. No.	Name of the subsidiary	Amount
1	India Infoline Commodities Limited	Rs. 129,000,000 (previous year 129,000,000)
2	Moneyline Credit Limited	Rs. 1,000,000,000 (previous year Nil)
3	IIFL Inc	USD 141,414 (previous year Nil)
4	India Infoline Investment Services Limited	Rs. 2,300,000,000 (previous year Nil)

4. The Company has implemented Employee Stock Options Scheme 2005, 2007 and 2008 (ESOP Schemes) and has outstanding options granted under the said schemes. The options vest in graded manner and must be exercised within a specified period as per the terms of grants by the Remuneration and Compensation Committee and ESOP Schemes.

A) The details of various Employee Stock Option Schemes are as under : (Amount in Rupees)

Particulars	ESOP 2005	ESOP 2007	ESOP 2008
Nos. of Options as on March 31, 2010	5,850,550	3,975,450	45,661,500
Method of Accounting	Intrinsic Value	Intrinsic Value	Intrinsic Value
Vesting Plan	Options granted would vest over a period of four years subject to a minimum period of one year from the date of grant of options	Options granted would vest over a period of five years subject to a minimum period of one year from the date of grant of options	Options granted would vest over a period of five years subject to a minimum period of one year from the date of grant of options
Exercise Period	Five years from the date of grant	Five years from the date of grant	Five years from the date of grant
Grant Dates	May 4, 2006 and April 2, 2007	October 17, 2008, December 18, 2008 and January 1, 2009	December 18, 2008, January 1, 2009, May 27, 2009 and December 10, 2009
Grant Price (Rs. Per Share)	Rs. 30.00 and Rs. 51.00	Rs. 45.30 and Rs. 63.75	Rs. 45.30, Rs. 50.90, Rs. 100 and Rs. 136
Market Price on the date of Grant of Option (Rs.)	Rs. 30.00 and Rs. 51.00	Rs. 45.30 and Rs. 63.75	Rs. 45.30, Rs. 50.90, Rs. 100 and Rs. 136

## Schedules forming part of the Balance Sheet & Profit and Loss Accounts

Significant Accounting Policies and Notes forming part of the Balance Sheet as at March 31, 2010 and Profit and Loss Account for the Year ended March 31, 2010.

### SCHEDULE N SIGNIFICANT ACCOUNTING POLICIES AND NOTES (Contd.)

B) Movement of options granted:

(Amount in Rupees)

Particulars	ESOP 2005	ESOP 2007	ESOP 2008
Options outstanding at the beginning of the year	7,747,500	4,100,000	45,000,000
Granted during the year	-	-	1,345,000
Exercised during the year	1,715,725	14,550	84,500
Lapsed during the year*	181,225	110,000	599,000
Options outstanding at the end of the year	5,850,550	3,975,450	5,661,500

\*Lapsed options include options surrendered and cancelled

- Pursuant to the resolution passed by the Board of Directors of the Company and in accordance with the provisions of the Companies Act, 1956 and the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998, the Company made a Public Announcement on December 4, 2008, to buy-back the equity shares of the Company at a price not exceeding Rs. 43.20 per share, aggregating to Rs. 98.91 crore subject to a Buy-back of minimum 5,000,000 Equity Shares and maximum of 60,000,000 Equity Shares. The Buy-back was open from December 18, 2008 and closed on November 28, 2009 and the Company bought back 2,557,915 equity shares at an aggregate value of Rs. 10.80 crore. Consequently, the paid-up equity share capital of the Company declined from Rs. 57.19 crore to Rs. 56.68 crore as on November 28, 2009.
- The Company has reduced its Gross block and accumulated depreciation for those assets having zero net block as on 31st March 2010 amounting to Rs. 80,116,662 (P.Y. Rs.156,049,067). The Company has also regrouped assets amounting to Rs. 81,689,935 during the year (P.Y. Rs. Nil)
- During the year the Company has invested in IIFL Wealth (UK) Ltd (wholly owned subsidiary) and India Infoline Trustee Company Ltd (wholly owned subsidiary) amounting to Rs.3,825,000 and Rs. 500,000 respectively. The Company has also contributed Rs.67,500,000 to India Infoline Venture Fund.
- The Company recognised deferred tax assets for the year ended on 31st March 2010 since the management is reasonably/virtually certain of its profitable operations in future. As per Accounting Standard 22 'Accounting for Taxes on Income', the timing differences mainly relates to following items and result in a net deferred tax asset.

#### Deferred Tax Assets

(Amount in Rupees)

Particulars	2009-2010	2008-2009
On Gratuity/Leave Encashment	15,456,878	10,665,139
Depreciation	75,408,790	21,982,518
Provision for doubtful debts	5,530,955	5,506,380
<b>Total</b>	<b>96,396,623</b>	<b>38,154,037</b>

9. Details of bank balance with non schedule banks are :

(Amount in Rupees)

Name of Bank	Closing Balance	Maximum balance During the year
Bank of Baroda, Dubai	133,106	1,968,684
Mashreq Bank, Dubai	221,312	3,460,737



## Schedules forming part of the Balance Sheet & Profit and Loss Accounts

Significant Accounting Policies and Notes forming part of the Balance Sheet as at March 31, 2010 and Profit and Loss Account for the Year ended March 31, 2010.

### SCHEDULE N SIGNIFICANT ACCOUNTING POLICIES AND NOTES (Contd.)

10. Company has pledged fixed deposits to the extent of Rs. 2,515.14 Million (previous year 1,554.20 Million) with banks for bank guarantees/ overdraft facilities and with the stock exchanges.
11. Disclosure of loans/advances and investments in its own shares by the Listed Company, in its subsidiaries and associates etc. as required under clause 32 of the Listing Agreement

(Amount in Rupees)

Sr. No.	Name	Particulars	2009-2010	2008-09
1	India Infoline Commodities DMCC	Outstanding at year end	39,072,176	18,852,158
		Maximum Amount Outstanding	39,072,176	25,759,009
2	IIFL Capital Ltd.	Outstanding at year end	827,467	827,467
		Maximum Amount Outstanding	827,467	827,467
3	IIFL (Asia) Pte. Ltd.	Outstanding at year end	574,123,014	-
		Maximum Amount Outstanding	574,180,665	-
4	IIFL Energy Ltd.	Outstanding at year end	1,959,568	459,538
		Maximum Amount Outstanding	1,959,568	459,538
5	IIFL Inc	Outstanding at year end	4,516,432	11,732,773
		Maximum Amount Outstanding	4,516,432	11,732,773
6	India Infoline Trustee Company Ltd.	Outstanding at year end	858,930	-
		Maximum Amount Outstanding	1,358,930	-

12. The Company has taken office premises on operating lease at various locations. Lease rent in respect of the same have been charged to Profit and Loss account. The agreements are executed for a period ranging from one to five years with a renewable clause. Some agreements have a clause for a minimum lock-in period. The agreements also have a clause for termination by either party giving a prior notice period between 30 to 90 days. The Company has also taken some other assets under operating lease. The minimum Lease rentals outstanding as at March 31, 2010, are as under:

(Amount in Rupees)

Minimum Lease Rentals	2009-2010	2008-2009
Due for:		
- Up to one year	93,799,308	160,626,593
- One to five years	118,669,868	441,093,091
- Over five years	NIL	11,68,200
<b>Total</b>	<b>212,469,176</b>	<b>602,887,884</b>

13. In the opinion of the management, there is only one reportable business segment as envisaged by AS 17 'Segment Reporting'. Accordingly, no separate disclosure for segment reporting is required to be made in the financial statements of the Company.
- Secondary segmentation based on geography has not been presented as the Company operates primarily in India and the Company perceives that there is no significant difference in its risk and returns in operating from different geographic areas within India.
14. The Company has reported revenues net of service tax, stamp duty and other regulatory charges compared to an inclusive method of reporting followed earlier. This has resulted in a reduction in total revenues and direct costs to the extent of Rs. 1,046 mn each for the current year and Rs. 795 mn each for the previous year.
15. Financial income includes dividend on investments of Rs. 55,160,035 (previous year Rs. 151,667,039), interest of Rs. 186,282,511 (previous year Rs. 162,376,930) and Profit on sale of investments Rs. 80,746,527 (previous year (Rs. 21,355,583)).
16. Interest expenses include the interest on debentures Rs. 71,881,046 (Previous year Rs. 28,289,522) and discount on commercial paper Rs. 22,623,911 (Previous year 47,834,812).
17. The Company provides for the use of its wholly owned subsidiaries certain facilities like use of premises, infrastructure and other facilities and services and the same are termed as 'Shared Services'. Such shared services consisting of administrative and other revenue expenses paid for by the Company are recovered on an actual basis from subsidiaries and estimates are used where actuals are difficult to determine.

## Schedules forming part of the Balance Sheet & Profit and Loss Accounts

Significant Accounting Policies and Notes forming part of the Balance Sheet as at March 31, 2010 and Profit and Loss Account for the Year ended March 31, 2010.

### SCHEDULE N SIGNIFICANT ACCOUNTING POLICIES AND NOTES (Contd.)

#### 18. Related Party Disclosures:

Related party disclosures as on March 31, 2010.

##### (a) Related parties where control exists:

Nature of relationship	Name of party
Subsidiaries including	India Infoline Investment Services Limited
	India Infoline Media and Research Services Limited
Step down subsidiaries	India Infoline Marketing Services Limited
	India Infoline Commodities Limited
	IIFL Wealth Management Limited
	India Infoline Insurance Services Limited
	India Infoline Insurance Brokers Limited
	India Infoline Distribution Company Limited
	India Infoline Housing Finance Limited
	Moneyline Credit Limited
	IIFL Realty Limited
	IIFL Capital Limited
	IIFL Energy Limited
	India Infoline Trustee Company Limited
	India Infoline Asset Management Company Limited
	Unval Industries Private Limited
	IIFL Securities Pte Limited
	IIFL Capital Pte Limited
	IIFL Asia Pte Limited
	IIFL Inc
	India Infoline Commodity DMCC
	IIFL Wealth (UK) Limited

##### (b) Key Management Personnel

	Nirmal Jain
	R Venkataraman
Other related parties	Madhu Jain (wife of Mr. Nirmal Jain)
	Aditi Venkataraman (wife of Mr. R Venkataraman)
	India Infoline Venture Fund

##### (c) Significant Transactions with Related Parties

Significant transactions with related parties (figure in bracket represents previous year figures)

(Amount in Rupees)

Nature of Transaction	Subsidiaries	Key Managerial Personnel	Other Related Parties	Total
Investment (refer schedule G)	4,325,000	-	67,500,000	71,825,000
	(804,960,009)	-	-	(804,960,009)
Sale of Investments	3,707,020,000	-	100,200,000	3,807,220,000
	-	-	-	-
Sale of Fixed Assets (Net Block)	355,101,798	-	-	355,101,798
	-	-	-	-
Brokerage Income	276,588	30,928	12,029	319,545
	(2,015,376)	(108)	(6,464)	(2,021,948)
Remuneration	-	30,669,420	-	30,669,420
	-	(23,251,920)	-	(23,251,920)



STANDALONE FINANCIAL STATEMENTS OF INDIA INFOLINE LIMITED

## Schedules forming part of the Balance Sheet & Profit and Loss Accounts

Significant Accounting Policies and Notes forming part of the Balance Sheet as at March 31, 2010 and Profit and Loss Account for the Year ended March 31, 2010.

### SCHEDULE N SIGNIFICANT ACCOUNTING POLICIES AND NOTES (Contd.)

(Amount in Rupees)

Nature of Transaction	Subsidiaries	Key Managerial Personnel	Other Related Parties	Total
Interest Income	30,694,344	-	-	30,694,344
	(40,822,502)	-	-	(40,822,502)
Rent Expenses	207,550,720	-	317,000	207,867,720
	(5,700,000)	-	(100,000)	(5,800,000)
Referral Fees	545,223,320	-	-	545,223,320
	(55,248,242)	-	-	(55,248,242)
Corporate Guarantee (refer Note 3) -USD	141,414	-	-	141,414
	-	-	-	-
Corporate Guarantee (refer Note 3)	3,429,000,000	-	-	3,429,000,000
	(129,000,000)	-	-	(129,000,000)
Advances given/Reimbursement of Expenses	41,369,532,690	-	-	41,369,532,690
	(13,881,216,938)	-	-	(13,881,216,938)
Advances taken/allocation of expenses	40,731,074,921	-	-	40,731,074,921
	(14,681,586,770)	-	-	(14,681,586,770)

#### Outstanding as on March 31, 2010

(Amount in Rupees)

Nature of Transaction	Subsidiaries	Key Managerial Personnel	Other Related Parties	Total
Sundry Payables	-	280,509	337,973	618,482
	(48,972,114)	(2,934)	(293,592)	(49,268,640)
Sundry Receivables	621,357,587	-	-	621,357,587
	(31,871,936)	-	-	(31,871,936)
Investments	8,579,539,758	-	67,500,000	8,647,039,758
	(8,575,714,758)	-	-	(8,575,714,758)
Guarantees - USD	141,414	-	-	141,414
	-	-	-	-
Guarantees	3,429,000,000	-	-	3,429,000,000
	(129,000,000)	-	-	(129,000,000)

19. The Company is recognising and accruing the employee benefit as per accounting standard (AS) – 15 on “Employee Benefits”

Details are given below

(Amount in Rupees)

Assumptions	2009-2010
Discount rate previous year	7.00%
Salary Escalation previous year	5.00%
Discount rate current year	7.50%
Salary Escalation Current year	5.00%

(Amount in Rupees)

Change in Benefit Obligation	2009-2010
Liability at the beginning of the year	31,377,286
Interest Cost	4,184,127
Current Service Cost	28,766,426
Benefit paid	(740,929)
Actuarial (gain)/ Loss on obligations	(18,112,127)
<b>Liability at the end of the year</b>	<b>45,474,783</b>

## Schedules forming part of the Balance Sheet & Profit and Loss Accounts

Significant Accounting Policies and Notes forming part of the Balance Sheet as at March 31, 2010 and Profit and Loss Account for the Year ended March 31, 2010.

### SCHEDULE N SIGNIFICANT ACCOUNTING POLICIES AND NOTES (Contd.)

(Amount in Rupees)

Amount Recognised in the Balance Sheet	2009-2010
Liability at the end of the year	45,474,783
Fair value of plan Assets at the end of the year	-
Differences	(45,474,783)
<b>Amount of liability Recognised in the balance sheet</b>	<b>45,474,783</b>

(Amount in Rupees)

Expenses Recognised in the Income statement	2009-2010
Current Service cost	28,766,426
Interest Cost	4,184,127
Expected return on plan assets	-
Actuarial Gain or Loss	18,112,126
<b>Expense Recognised in P&amp;L</b>	<b>14,838,427</b>

(Amount in Rupees)

Balance Sheet reconciliation	2009-2010
Opening Net liability	31,377,286
Expense as above	14,838,427
Employers contribution	(740,930)
<b>Amount Recognised in Balance sheet</b>	<b>45,474,783</b>

#### Defined Contribution Plans:

The Company has recognised the following amounts as an expense and included in the schedule L – Contribution to provident and other funds:  
(Amount in Rupees)

Particulars	2009-2010	2008-2009
BASIC	15,526,724	16,295,459

#### 20. Basic and Diluted Earnings per Share ["EPS"] computed in accordance with Accounting Standard (AS) 20 'Earnings per share'

(Amount in Rupees)

Particulars		2009-2010	2008-2009
<b>BASIC</b>			
Profit after tax as per Profit and Loss account	A	1,520,163,495	1,058,253,789
Weighted Average Number of Shares Subscribed	B	283,732,763	285,467,125
Basic EPS(Rupees)	A/B	5.36	3.71
<b>DILUTED</b>			
Profit after tax as per Profit and Loss account	A	1,520,163,495	1,058,253,789
Weighted Average Number of Shares Subscribed		283,732,763	285,467,125
Add : Potential Equity Shares on Account conversion of Employees Stock Options, Promoter warrants, etc.		54,824,905	18,670,881
Weighted Average Number of shares Outstanding	B	338,557,668	304,138,006
Diluted EPS (Rupees)	A/B	4.49	3.48

STANDALONE FINANCIAL STATEMENTS OF INDIA INFOLINE LIMITED

## Schedules forming part of the Balance Sheet & Profit and Loss Accounts

Significant Accounting Policies and Notes forming part of the Balance Sheet as at March 31, 2010 and Profit and Loss Account for the Year ended March 31, 2010.

### SCHEDULE N SIGNIFICANT ACCOUNTING POLICIES AND NOTES (Contd.)

#### 21. Directors Remuneration

(Amount in Rupees)

Particulars	2009-2010	2008-2009
<b>Whole time Directors</b>		
Salaries and Allowances	30,637,500	23,220,000
Company Contribution to Provident Fund	31,920	31,920
<b>Non-Whole time Directors</b>		
Commission	2,000,000	1,600,000

#### Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956

(Amount in Rupees)

Particulars	2009-2010	2008-2009
Profit after tax as per Profit and Loss Account	1,520,163,495	1,058,253,789
Add:		
Depreciation charged to the Accounts	318,646,716	255,613,981
Profit / Loss on Sale of Assets	1,700,961	(337,756)
Managing and Whole -time Directors' remuneration	30,669,420	23,251,920
Directors sitting fees and Commission	2,502,060	2,522,060
	<b>1,873,682,652</b>	<b>1,339,303,994</b>
Less:		
Depreciation as per section 350 of the Companies Act, 1956	124,075,870	99,977,920
Excess of expenditure over income as per Section 349	-	-
<b>Net profit as per section 349 of the Companies Act, 1956</b>	<b>1,749,606,782</b>	<b>1,239,326,074</b>
Maximum permissible remuneration under section 198 of the companies Act, 1956 @ 10% of the profit computed above to Whole Time Directors	174,960,678	123,932,607
Maximum permissible remuneration under section 198 of the companies Act, 1956 @ 1% of the profit computed above to Non-Whole Time Directors	17,496,068	12,393,261

#### 22. Information under paragraphs 3 and 4 of part II to schedule VI of the Companies Act, 1956 is stated to the extent applicable.

(Amount in Rupees)

Particulars	2009-2010	2008-2009
<b>Earnings in Foreign Currency</b>		
Investment Banking & Research Income	33,762,479	637,214
<b>Expenses in Foreign Currency</b>		
Professional Fees	9,127,756	14,713,848
Travelling Expenses	11,634,193	13,502,900
Membership & Subscription	2,858,987	2,302,623
Wire Service	7,483,425	2,903,781
Salaries	-	5,252,124
Advertisement Expenses	489,720	2,074,268
Software Charges	201,364	-
Business promotion	1,887,216	828,173

During the year the Company remitted the dividend in foreign currency. The details are under.

(Amount in Rupees)

Type of Dividend	2009-2010	2008-2009
Type of Dividend	Interim Dividend	Interim Dividend
Number of Non-resident shareholder	8	3
Number of shares held by them	2,055,900	2,400,000
Gross amount of dividend	6,160,620	6,720,000

## Schedules forming part of the Balance Sheet & Profit and Loss Accounts

Significant Accounting Policies and Notes forming part of the Balance Sheet as at March 31, 2010 and Profit and Loss Account for the Year ended March 31, 2010.

### SCHEDULE N SIGNIFICANT ACCOUNTING POLICIES AND NOTES (Contd.)

23. The Company purchased & redeemed units of various mutual funds during the year (Amount in Rupees)

Nature of Transaction	For the year ended 31.03.2010		For the year ended 31.03.2009	
	Quantity ('000)	Value (Rs. Mn.)	Quantity ('000)	Value (Rs. Mn.)
Purchases	17,562,093	176,835	22,693,740	231,110
Sales	17,411,647	174,795	22,745,637	232,179

Quantitative detail of opening stock, Purchase Sales and closing stock of shares (including derivatives) (Amount in Rupees)

Nature of Transaction	For the year ended 31.03.2010		For the year ended 31.03.2009	
	Quantity	Value (in Rs.)	Quantity	Value (in Rs.)
Opening	33,050	5,609,031	63,500	13,085,125
Purchase	427,477,113	63,881,544,338	91,042,908	52,170,611,553
Sales	426,637,187	63,761,877,567	91,073,358	52,235,326,645
Profit/(Loss)		22,044,135		57,238,998
Closing Stock	872,976	147,319,937	33,050	5,609,031

These Shares were purchased / sold on arbitrage basis.

Profit/Loss on the above transactions is included in financing income.

24. There are no dues to micro & small enterprises (MSEs) outstanding for more than 45 days.

25. Other requirements of Para 3 and 4 of part II to Schedule VI of the Companies Act, 1956 are not applicable to the Company.

26. Previous year figures have been regrouped, reclassified & rearranged, wherever considered necessary to confirm to current year's presentation.

As per our attached report of even date

For Sharp & Tannan Associates

Chartered Accountants

ICAI Registration No. 109983W

By the hand of

Tirtharaj Khot

Partner

Membership No. 37457

Nirmal Jain  
Managing Director

R. Venkataraman  
Executive Director

Kapil Krishan  
Chief Financial Officer

Sunil Lotke  
Company Secretary

For India Infoline Limited

Place : Mumbai

Dated : April 24, 2010



STANDALONE FINANCIAL STATEMENTS OF INDIA INFOLINE LIMITED

## Cash Flow Statement For the year ended 31st March, 2010

(Amount in Rupees)

	2009-2010	2008-2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before taxation, and exceptional item	2,333,073,556	1,514,757,566
Adjustments for:		
Depreciation & Amortisation	318,646,716	255,613,981
Provisions for Gratuity	14,838,427	17,963,533
Provisions for Leave Encashment	2,280,729	8,657,732
Deferred Employee Compensation	15,295,134	65,131,165
Provision for Doubtful Debts	1,051,322	-
Loss / (Profit) on Sale of Investments	(10,656,155)	-
Interest expense	102,456,419	78,456,609
<b>Operating profit before working capital changes</b>	<b>2,776,986,148</b>	<b>1,940,580,586</b>
(Increase) / Decrease in sundry debtors	(4,740,793,570)	2,392,838,786
(Increase) / Decrease in Loans & Advances	(1,358,275,222)	174,065,970
(Increase) / Decrease in Group Co. Balances	(540,513,537)	800,369,828
Increase / (Decrease) in Provisions	(51,592,383)	(175,584,686)
Increase / (Decrease) in Current Liabilities	4,731,343,154	329,238,430
<b>Cash generated from operations</b>	<b>817,154,590</b>	<b>5,461,508,914</b>
Cash flow before exceptional item	817,154,590	5,461,508,914
Tax (Paid) / Refund	(765,968,671)	(331,983,949)
<b>Net cash from operating activities</b>	<b>51,185,919</b>	<b>5,129,524,965</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase / Sale of fixed assets (includes intangible assets)	224,944,631	(650,749,492)
Investment / Sale in subsidiaries	(3,825,000)	1,268,637,629
Purchase/Sale of Investments/Stock on Hand	(2,877,276,582)	(797,483,916)
<b>Net cash from investing activities</b>	<b>(2,656,156,951)</b>	<b>(179,595,779)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital	60,649,195	13,297,500
Buy back of equity shares	-	(108,030,822)
(Repayment) / Proceeds of borrowings	4,959,425,873	(1,287,600,227)
Interest paid	(102,456,420)	(78,456,609)
Dividend Paid (including dividend distribution tax)	(996,776,341)	(1,330,357,856)
<b>Net cash used in financing activities</b>	<b>3,920,842,307</b>	<b>(2,791,148,014)</b>
Cash and cash equivalents at beginning of period (see note 1)	4,302,493,074	2,143,711,902
Cash and cash equivalents at end of period (see note 1)	5,618,364,349	4,302,493,074
<b>Net increase in cash and cash equivalents</b>	<b>1,315,871,275</b>	<b>2,158,781,172</b>
<b>Cash and cash equivalents include :</b>		
Cash on hand	4,420,323	2,001,812
Bank balances	5,613,944,026	4,300,491,262
<b>Total</b>	<b>5,618,364,349</b>	<b>4,302,493,074</b>

1. Cash flow statement has been prepared under the Indirect Method as set out in the Accounting Standard (AS-3) "Cash Flow Statement".
2. Fixed deposits with Scheduled banks includes Rs. 2,515.1 million (Previous year Rs. 1,554.2 million) pledged for bank guarantees/overdraft facilities and with stock exchange.
3. Previous year's figure are re -grouped/re-arranged wherever considered necessary.

As per our attached report of even date

For **Sharp & Tannan Associates**

Chartered Accountants

ICAI Registration No. 109983W

By the hand of

**Tirtharaj Khot**

Partner

Membership No. 37457

Place : Mumbai

Dated : April 24, 2010

**Nirmal Jain**  
Managing Director

**R. Venkataraman**  
Executive Director

**Kapil Krishan**  
Chief Financial Officer

**Sunil Lotke**  
Company Secretary

For India Infoline Limited



## Balance Sheet Abstract and Company's General Business Profile

### Balance Sheet Abstract and Company's General Business Profile

#### I. Registration Details

Registration No.	L74999MH1995PLC093797	State Code									1	1	
Balance Sheet Date	3	1	0	3	2	0	1	0	Date	Month	Year		

#### II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue								N	I	L	Rights Issue									N	I	L
Bonus Issue								N	I	L	Private Placement									N	I	L
Equity Warrants Application								N	I	L	ESOP						3	6	3	0		

#### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	1	6	0	5	8	6	4	9	Total Assets	1	6	0	5	8	6	4	9					
<b>Sources of Funds</b>																						
Paid-up Capital				5	7	0	4	3	0	Secured Loans					1	1	6	7	3			
Share Application Money							4	0	2	1	Unsecured Loans			4	9	6	5	8	2	9		
Reserves & Surplus	1	0	5	0	6	6	9	6														
<b>Application of Funds</b>																						
Net Fixed Assets				4	9	9	5	2	1	Investments	1	1	0	4	2	2	4	4				
Net Current Assets		4	4	2	0	4	8	7	Deferred Tax Assets					9	6	3	9	7				
Accumulated Losses								N	I	L	Misc. Expenditure									N	I	L

#### IV. Performance of Company (Amount in Rs. Thousands)

Turnover				6	9	8	1	9	1	1	Total Expenditure			4	6	4	8	8	3	7		
Profit/Loss before Tax (Please tick Appropriate box + for Profit - for Loss)				+	2	3	3	3	0	7	4	Profit/ Loss after Tax (please tick Appropriate box + for Profit - for Loss)			+	1	5	2	0	1	6	3
Basic Earnings Per Share in Rs.								5	.	3	6	Dividend				8	5	1	9	8	2	

#### V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Product Description	Item Code No. (ITC Code)
Brokerage Income & Related Income	N . A

As per our attached report of even date

For Sharp & Tannan Associates  
Chartered Accountants  
ICAI Registration No. 109983W  
By the hand of

For India Infoline Limited

Tirtharaj Khot  
Partner  
Membership No. 37457

Nirmal Jain  
Managing Director

R. Venkataraman  
Executive Director

Kapil Krishan  
Chief Financial Officer

Sunil Lotke  
Company Secretary

Place : Mumbai  
Dated : April 24, 2010

## Section 212

### Statement relating to subsidiary companies pursuant to approval granted U/S 212 (8) of the Companies Act, 1956

Figures are in millions

Particulars	India	Moneyline	India	India	India	India	India	India	India	India	IIFL inc		India	India	India	India	India	IIFL	IIFL	IIFL	IIFL		
	Investment Services Ltd.	Credit Ltd.	Marketing Services Ltd.	Reality Ltd.	Unval Industries Private Ltd.	IIFL Asia Pre Ltd.	India Infoline Media & Research Services Ltd.	IIFL Wealth Management Ltd.	India Infoline Insurance Services Ltd.	India Infoline Commodities Ltd.	India Infoline Distribution Company Ltd.	IIFL Sec	IIFL Inc	India Infoline Housing Finance Ltd.	India Infoline Insurance Brokers Ltd.	India Infoline Commodities DMCC	India Energy Ltd.	India Infoline Trustee Company Ltd.	IIFL Capital Ltd.	IIFL Wealth (UK) Ltd	IIFL Capital Pte Ltd.		
						INR	S \$				INR	USD			INR	AED			INR	£	INR	S \$	
1	Equity																						
2	Share Capital	237.2	145.0	171.6	90.0	173.8	21.1	0.5	10.0	2.8	2.1	14.0	275.0	5.0	11.8	1.0	0.5	0.5	3.8	0.1	146.3	4.6	
3	Reserves	12,321.4	1,435.7	2,335.2	515.2	-	241.9	7.5	340.5	191.5	76.7	59.7	369.0	25.8	(28.7)	(2.5)	(0.9)	(1.0)	(0.8)	(0.0)	(104.8)	(3.3)	
4	Total assets	21,763.6	2,575.0	4,081.2	3,247.6	173.8	1,493.8	45.9	350.5	194.3	78.8	73.7	644.0	30.8	(16.9)	(1.5)	(0.4)	(0.5)	3.0	0.0	41.4	1.3	
5	Total liabilities	21,763.6	2,575.0	4,081.2	3,247.6	173.8	1,493.8	45.9	350.5	194.3	78.8	73.7	644.0	30.8	(16.9)	(1.5)	(0.4)	(0.5)	3.0	0.0	41.4	1.3	
6	Investments (other than investment in subsidiaries)	934.7	-	-	-	-	1,182.7	36.8	-	61.8	-	0.1	-	-	-	-	-	-	-	-	-	-	
7	Total turnover	1,660.4	572.9	860.5	207.6	-	324.9	9.9	626.4	164.8	275.9	67.9	54.6	385.5	-	-	-	-	-	-	-	2.9	0.1
8	Profit/(Loss) before taxation	662.5	111.6	38.7	(7.0)	-	307.5	9.4	220.2	24.8	36.5	63.7	28.3	30.4	(23.4)	(1.8)	(0.0)	(0.0)	(0.4)	(0.0)	(63.8)	(1.9)	
9	Provision for taxation (including deferred tax)	187.0	4.5	4.7	(1.3)	-	57.6	1.8	72.9	6.7	9.8	27.9	8.8	9.8	-	-	-	-	-	-	-	-	
10	Profit after taxation	475.5	7.1	34.0	(5.7)	-	249.9	7.6	147.3	18.1	26.7	35.8	19.5	20.6	(23.4)	(1.8)	(0.0)	(0.0)	(0.4)	(0.0)	(63.8)	(1.9)	
11	Extent of Interest in subsidiaries	99.02%	99.02%	99.07%	100.00%	100.00%	100.00%	100.00%	90.00%	99.07%	100.00%	99.02%	99.02%	99.02%	99.07%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
	Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Note : All subsidiaries have common year end of March 31, 2010



## Consolidated Auditors' Report

To  
The Board of Directors  
INDIA INFOLINE LIMITED

### Sub: Report on Consolidated Financial Statement as at 31 March, 2010

We have examined the attached Consolidated Balance Sheet of India Infoline Limited and its subsidiaries namely, (1) Consolidated financial statements of India Infoline Investment Services Limited, for its subsidiaries (a) India Infoline Distribution Company Limited; (b) India Infoline Housing Finance Limited, (c) Moneyline Credit Limited; (2) Consolidated financial statements of India Infoline Marketing Services Limited, for its subsidiaries (a) India Infoline Insurance Services Limited, (b) India Infoline Insurance Brokers Limited, (3) India Infoline Commodities Limited, (4) India Infoline Media and Research Services Limited, (5) India Infoline Commodities DMCC, Dubai (6) IIFL Capital Limited (7) IIFL Wealth Management Limited (8) Consolidated financial statement of IIFL Realty Limited, for its subsidiaries (a) Unval Industries Private Limited, (b) IIFL Energy Limited; (9) IIFL Inc. (10) Consolidated financial statement of IIFL (Asia) Pte. Limited, for its subsidiaries (a) IIFL Capital Pte Limited. (b) IIFL Securities Pte Limited (11) India Infoline Venture Capital Fund (12) India Infoline Trustee Company limited (13) IIFL Wealth UK Ltd (collectively referred to as the IIFL Group), as at March 31 2010, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date and annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit also includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

In respect of the financial statements of subsidiaries incorporated outside India namely IIFL Inc., IIFL (Asia) Pte Limited, IIFL Capital Pte Limited, IIFL Securities Pte. Limited; India Infoline Commodities DMCC, Dubai, and IIFL Wealth UK Limited, we have not carried out the audit. These have been audited / reviewed by other auditor whose financial statements have been received by us. In case of Unval Industries Private Limited a subsidiary of IIFL Realty Limited, the financial statements have been reviewed by the management and therefore, insofar as it relates to the amounts included in respect of these subsidiaries, the same are based solely on the certified copies of report of the other auditor(s) and financial statements reviewed by the management, as the case may be. The details of Assets and Revenues in respect of these subsidiaries to the extent to which they are reflected in the Consolidated Financial Statements are given below:

Audited by other Auditors: (Amount in Rupees)

Name of the Company:	Total Assets	Total Revenues
<b>A. Foreign Subsidiaries</b>		
India Infoline Commodities DMCC, Dubai	14,965,012	NIL
IIFL Inc.	34,637,512	49,165,105
IIFL (Asia) Pte Limited	1,468,380,757	324,829,071
IIFL Capital Pte Limited	41,449,268	2,931,781
IIFL Securities Pte Limited	35,659,268	4,078,962
IIFL Wealth UK Ltd	2,983,436	NIL
<b>B. Reviewed by Management</b>		
A. Subsidiary of IIFL Realty Limited		
Unval Industries Private Limited	173,750,000	NIL

We report that; the consolidated financial statements have been prepared by the Company's management in accordance with the requirement of the Accounting Standard (AS) 21, "Consolidated Financial Statement", notified by the Companies (Accounting Standards) Rules, 2006, and on the basis of the separate audited financial statements of the IIFL Group included in the consolidated financial statements.

We report that on the basis of the information and explanation given to us and on the separate audit report on individual audited financial statements of the IIFL Group, we are of the opinion that the consolidated financial statements, read together with significant accounting policies and notes appearing thereon, give true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of Consolidated Balance Sheet, of the state of affairs of the IIFL Group as at March 31, 2010;
- in case of Consolidated Profit and Loss Account, of the consolidated results of operations of the IIFL Group for the year ended on that date; and
- in the case of the Consolidated Cash Flow Statements, of the consolidated cash flows of the IIFL Group for the year ended on that date.

**Sharp & Tannan Associates**  
Chartered Accountants  
ICAI Registration No. 109983W  
By the hand of

**Tirtharaj Khot**  
Partner

Place: Mumbai  
Date: 24th April, 2010

Membership No.: 37457



CONSOLIDATED FINANCIAL STATEMENTS OF INDIA INFOLINE LIMITED AND ITS SUBSIDIARY COMPANIES

## Consolidated Balance Sheet As at 31st March, 2010

(Amount in Rupees)

Schedule	As at 31.03.2010		As at 31.03.2009	
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Fund</b>				
Share Capital	A	570,429,550		566,800,000
Share Application Money		4,021,350		-
Reserves and Surplus	B	15,474,528,884		14,766,666,184
Equity Share Warrants	C	-	16,048,979,784	113,700,000
Minority Interest			182,150,290	3,124,594,226
<b>Loan Funds</b>				
Secured Loan	D	3,621,096,151		17,044,854
Unsecured Loan	E	11,555,829,409	15,176,925,560	501,031,242
<b>Total</b>			<b>31,408,055,634</b>	<b>19,089,836,506</b>
<b>APPLICATION OF FUNDS</b>				
Goodwill (On Consolidation)		-	1,388,970	-
<b>Fixed Assets (Including Intangibles)</b>	F			
Gross Block		5,029,023,414		3,509,285,055
Less : Accumulated depreciation and amortisation		(997,809,442)		(728,867,502)
Net Block		4,031,213,972		2,780,417,553
Capital Work-In-Progress		340,870,546	4,372,084,518	71,118,197
<b>Investments</b>	G		4,819,628,047	3,149,730,892
Deferred Tax Assets		157,650,915		119,662,342
Less: Deferred Tax Liabilities		(771,568)	156,879,347	(401,340)
<b>Current Assets, Loans and Advances</b>	H			
Sundry Debtors		6,097,719,596		1,141,660,097
Cash and Bank Balances		8,056,914,669		6,269,219,758
Stock on Hand		692,388,323		1,337,237,279
Loans and Advances		23,129,632,337		13,617,942,884
		37,976,654,925		22,366,060,018
<b>Less : Current Liabilities &amp; Provisions</b>	I			
Current Liabilities		12,881,965,856		7,429,958,258
Provisions		3,036,614,317		1,968,310,424
		15,918,580,173		9,398,268,682
<b>Net Current Assets</b>			22,058,074,752	12,967,791,336
<b>Miscellaneous Expenditure (To the Extent Not Written Off)</b>			-	128,556
<b>Total</b>			<b>31,408,055,634</b>	<b>19,089,836,506</b>
Significant Accounting policies and notes to Accounts	N			

Schedules referred to above form an integral part of the accounts

As per our attached report of even date

For Sharp & Tannan Associates

Chartered Accountants

ICAI Registration No. 109983W

By the hand of

Tirtharaj Khot

Partner

Membership No. 37457

Nirmal Jain  
Managing Director

R. Venkataraman  
Executive Director

Kapil Krishan  
Chief Financial Officer

Sunil Lotke  
Company Secretary

Place : Mumbai

Dated : April 24, 2010

For India Infoline Limited



INDIA INFOLINE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS OF INDIA INFOLINE LIMITED AND ITS SUBSIDIARY COMPANIES

**Consolidated Profit and Loss Account** For the year ended 31st March, 2010

(Amount in Rupees)

Schedule	2009-2010	2008-009
<b>INCOME</b>		
Equities brokerage & related	6,148,339,242	4,539,192,913
Financing and Investment	2,917,805,927	2,654,111,231
Life Insurance distribution	536,443,751	481,491,860
Marketing and online media	658,737,713	706,404,926
Commodities brokerage & related	248,274,715	169,181,637
Wealth and Mutual fund advisory	331,627,819	177,084,467
Merchant Banking	387,731,278	23,262,564
Others J	9,784,550	24,248,789
	<b>11,238,744,995</b>	<b>8,774,978,387</b>
<b>EXPENDITURE</b>		
Direct cost K	1,675,885,411	1,211,681,218
Employee cost L	3,178,975,395	2,736,993,006
Administration & other expense M	2,010,772,085	1,903,621,574
Interest	291,363,814	331,786,654
Depreciation and amortisation F	534,591,627	395,992,853
	7,691,588,332	6,580,075,305
<b>Profit before tax</b>	<b>3,547,156,663</b>	<b>2,194,903,082</b>
Less: Provision for taxation - Current	1,201,145,206	653,658,471
- Deferred tax (net)	(37,368,673)	(30,874,248)
- Fringe benefit tax	-	27,923,985
- Short/(Excess) Provision of Income Tax	42,906,834	(29,173,715)
<b>Net profit after tax</b>	<b>2,340,473,296</b>	<b>1,573,368,589</b>
Less : Minority Interest	(20,589,457)	(125,170,751)
<b>Net profit after tax for available appropriation</b>	<b>2,319,883,839</b>	<b>1,448,197,838</b>
<b>Appropriations</b>		
Dividend		
- Interim Dividend	851,982,000	794,488,993
Dividend distribution tax	144,794,341	135,023,404
Transfer to General Reserve	152,016,352	105,825,379
Transfer to Special Reserve	102,428,819	139,035,288
Balance of Profit brought forward from previous year	2,087,077,462	1,813,252,688
<b>Balance of Profit carried forward</b>	<b>3,155,739,789</b>	<b>2,087,077,462</b>
Earning Per Share - Basic	8.18	5.07
- Diluted	6.85	4.76
Face Value Per Share	2.00	2.00
Significant Accounting policies and notes to Accounts N		

Schedules referred to above form an integral part of the accounts

As per our attached report of even date

For Sharp & Tannan Associates

For India Infoline Limited

Chartered Accountants

ICAI Registration No. 109983W

By the hand of

Tirtharaj Khot

Nirmal Jain

R. Venkataraman

Kapil Krishan

Sunil Lotke

Partner

Managing Director

Executive Director

Chief Financial Officer

Company Secretary

Membership No. 37457

Place : Mumbai

Dated : April 24, 2010



CONSOLIDATED FINANCIAL STATEMENTS OF INDIA INFOLINE LIMITED AND ITS SUBSIDIARY COMPANIES

## Schedules forming part of the Consolidated Balance Sheet

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE A SHARE CAPITAL</b>		
<b>Authorised :</b>		
500,000,000 (Previous Year - 500,000,000) Equity Shares of Rs. 2 each	1,000,000,000	1,000,000,000
<b>Issued, Subscribed and Paid Up :</b>		
285,214,775, (Previous Year - 283,400,000) Equity Shares of Rs. 2 each fully paid-up	570,429,550	566,800,000
<b>Total</b>	<b>570,429,550</b>	<b>566,800,000</b>

<b>SCHEDULE B RESERVES AND SURPLUS</b>		
<b>Securities Premium Account</b>		
Opening Balance	11,559,887,179	11,530,633,460
Addition during the year	52,998,295	146,784,541
Deduction during the year	(72,616,679)	(117,530,822)
Closing Balance	<b>11,540,268,795</b>	<b>11,559,887,179</b>
<b>General Reserves</b>		
Opening Balance	319,825,379	214,000,000
Addition during the year	152,016,352	105,825,379
Closing Balance	<b>471,841,731</b>	<b>319,825,379</b>
<b>Special Reserve*</b>		
Opening Balance	220,752,367	81,717,079
Addition during the year	102,428,819	139,035,288
Closing Balance	<b>323,181,186</b>	<b>220,752,367</b>
*(pursuant to section 45 1C of RBI Act, 1934 and section 29C of National Housing Bank Act, 1987)		
<b>Employee Stock Options Outstanding</b>	52,264,312	36,694,545
Less : Deferred Employee Compensation Expenses	(14,496,336)	(14,221,703)
<b>Total</b>	<b>37,767,976</b>	<b>22,472,842</b>
<b>Foreign Exchange Fluctuation Reserve</b>		
Opening Balance	67,535,125	12,551,565
Addition during the year	(52,001,619)	54,983,560
Closing Balance	<b>15,533,506</b>	<b>67,535,125</b>
<b>Capital Reserve</b>		
Opening Balance	484,000,000	-
Addition during the year	113,700,000	484,000,000
Closing Balance	<b>597,700,000</b>	<b>484,000,000</b>
<b>Capital Redemption Reserve</b>		
Opening Balance	5,115,830	-
Addition during the year		5,115,830
Closing Balance	<b>5,115,830</b>	<b>5,115,830</b>
<b>Profit and Loss Account</b>		
Opening Balance	2,087,077,462	1,813,252,688
Addition during the year	1,229,644,760	273,824,774
Deduction during the year**	(833,602,362)	-
Closing Balance	<b>2,483,119,860</b>	<b>2,087,077,462</b>
<b>Total</b>	<b>15,474,528,884</b>	<b>14,766,666,184</b>

\*\* Refer Note B.2 to Schedule N

<b>SCHEDULE C EQUITY SHARE WARRANTS</b>		
Equity Share Warrants (Application money received against Equity Warrants)	-	113,700,000

## Schedules forming part of the Consolidated Balance Sheet

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE D SECURED LOANS</b>		
Loans from banks (secured against receivables)	3,294,323,591	-
Non Convertible Debentures (secured against Immovable property and receivables)	315,100,000	-
Loans from others (secured against fixed assets purchased thereagainst)	11,672,560	17,044,854
<b>Total</b>	<b>3,621,096,151</b>	<b>17,044,854</b>

	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE E UNSECURED LOANS</b>		
Short Term Loans - Others	11,550,000,000	500,000,000
Other Loans and Advances - Others	5,829,409	1,031,242
<b>Total</b>	<b>11,555,829,409</b>	<b>501,031,242</b>

The above include Rs. 11,550,000,000 due in one year

Assets	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 31.03.2009	Additions	Deductions/ Adjustments during the year*	As at 31.3.2010	Upto 31.03.2009	For the year	Deductions/ Adjustments during the year*	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
<b>Tangible Assets</b>										
Land/Leasehold Land	162,566,828	1,082,984,926	(537,502,392)	1,783,054,146	-	632,374	-	632,374	1,782,421,772	162,566,828
Buildings (Including Land)	1,232,984,264	271,724,780	537,502,392	967,206,652	6,487,765	27,095,959	-	33,583,724	933,622,928	1,226,496,499
Computers	517,339,992	59,408,574	178,853,642	397,894,924	269,998,777	149,361,168	151,573,559	267,786,386	130,108,538	247,341,215
Electrical Equipment	167,616,900	138,213,273	(3,858,745)	309,688,918	44,197,925	59,433,243	4,396,524	99,234,644	210,454,274	123,418,975
Furniture & Fixture	865,577,427	405,183,044	309,725,209	961,035,262	231,140,824	187,506,157	72,375,066	346,271,915	614,763,347	634,436,603
Office Equipment	455,678,734	111,907,151	156,900,133	410,685,752	124,731,678	80,831,682	28,359,752	177,203,608	233,482,144	330,947,056
<b>Sub Total</b>	<b>3,401,764,145</b>	<b>2,069,421,748</b>	<b>641,620,239</b>	<b>4,829,565,654</b>	<b>676,556,969</b>	<b>504,860,583</b>	<b>256,704,901</b>	<b>924,712,651</b>	<b>3,904,853,003</b>	<b>2,725,207,176</b>
<b>Intangible Assets</b>										
Software	80,134,828	1,131,636	8,944,786	72,321,678	29,008,841	25,646,654	8,944,786	45,710,709	26,610,969	51,125,987
Goodwill	-	99,750,000	-	99,750,000	-	-	-	-	99,750,000	-
Non Compete Fees	27,386,082	-	-	27,386,082	23,301,692	4,084,390	-	27,386,082	-	4,084,390
<b>Sub Total</b>	<b>107,520,910</b>	<b>100,881,636</b>	<b>8,944,786</b>	<b>199,457,760</b>	<b>52,310,533</b>	<b>29,731,044</b>	<b>8,944,786</b>	<b>73,096,791</b>	<b>126,360,969</b>	<b>55,210,377</b>
<b>Grand Total</b>	<b>3,509,285,055</b>	<b>2,170,303,384</b>	<b>650,565,025</b>	<b>5,029,023,414</b>	<b>728,867,502</b>	<b>534,591,627</b>	<b>265,649,687</b>	<b>997,809,442</b>	<b>4,031,213,972</b>	<b>2,780,417,553</b>
Previous Year	1,473,588,527	2,200,723,457	165,026,929	3,509,285,055	495,663,768	395,992,853	162,789,119	728,867,502	2,780,417,553	

\* Refer note : 17 to Schedule N

(Amount in Rupees)

	As at 31.03.2010		As at 31.03.2009		
<b>SCHEDULE G INVESTMENTS</b>	Face Value	Number	Amount	Number	Amount
<b>Unquoted, Non - Trade, Current</b> (Valued at cost or market value whichever is lower)					
<b>Mutual Fund</b>					
<b>Birla Sunlife Mutual Fund</b>					
BSL Interval Income	10	-	-	15,066,059	150,763,038
Birla Income Plus	10	912.96	25,000	912.96	25,000
Birla Mid-Cap Fund	10	3,369.72	71,000	3,369.72	71,000





CONSOLIDATED FINANCIAL STATEMENTS OF INDIA INFOLINE LIMITED AND ITS SUBSIDIARY COMPANIES

## Schedules forming part of the Consolidated Balance Sheet

(Amount in Rupees)

SCHEDULE G INVESTMENTS (Contd.)	Face Value	As at 31.03.2010		As at 31.03.2009	
		Number	Amount	Number	Amount
<b>Reliance Mutual Fund</b>					
Money Manager Fund	1,000	51,169	51,226,804	528,830	529,430,852
Liquidity Fund	10	51,159,848	511,842,048	51,128,720	511,445,702
Liquid Fund - Treasury Plan	10	-	-	658,803	10,071,253
<b>Canara Robeco Mutual Fund</b>					
Canara Robeco Multicap	10	50,000	500,000	50,000	339,000
Canara Robeco Short Term	10	-	-	5,000,000	50,000,000
Canara Robeco Liquid	10	-	-	4,986,351	50,067,949
Canara Robeco Treasury Advantage Fund	10	4,030,357	50,005,045	-	-
<b>HDFC Mutual Fund Fund</b>					
HDFC Cash Management Fund	10	-	-	16,925,883	180,030,461
<b>ICICI Prudential Mutual Fund</b>					
ICICI Prudential Institutional Income Plan	10	-	-	85,022,012	850,262,636
ICICI Prudential Flexible Income Plan Premium	100	7,094,291	750,114,820	-	-
<b>Fidelity Mutual Fund</b>					
Fidelity Ultra Short Term Debt Fund	10	-	-	15,010,328	150,140,806
<b>Principal Mutual Fund</b>					
Principal Cash Management Fund	10	-	-	49,965,024	500,000,000
<b>AIG Mutual Fund</b>					
AIG India Liquid Fund Institutional	1,000	-	-	49,963	50,013,195
<b>DSP Mutual Fund</b>					
DSP Black Rock Floating Rate Fund	1,000	499,780	500,052,337	-	-
<b>Deutsche Mutual Fund</b>					
DWS Insta Cash Plus Fund	10	4,985,432	50,005,881	-	-
DWS Treasury Fund Cash	10	4,995,167	50,199,926	-	-
<b>Religare Mutual Fund</b>					
Religare Liquid Fund	10	49,974,061	500,055,447	-	-
<b>UTI Mutual Fund</b>					
UTI Liquid Cash Plan Institutional	1,000	490,511	500,049,749	-	-
<b>Axis Mutual Fund</b>					
Axis Liquid Fund	1,000	200,019	200,019,204	-	-
<b>Benchmark Mutual Fund</b>					
Benchmark Mutual Fund	1,000	29	29,495	-	-
<b>Lombard International Unit-linked insurance plan</b>			1,182,657,126	-	-
			<b>4,346,853,882</b>		<b>3,032,660,892</b>
<b>Quoted, Non - Trade, Current</b>					
<b>(valued At cost or market value whichever is lower)</b>					
<b>Equity Shares</b>					
Aban Offshore Ltd	2	6,770	7,870,464	-	-
Aditya Birla Nuvo Ltd	10	6,885	6,239,876	-	-
Anant Raj Industries Ltd	2	124,844	16,386,443	-	-
Ansal Properties & Infrastructure Ltd	5	126,600	9,007,590	-	-
Apollo Tyres Ltd	1	115,721	5,676,206	-	-
Bajaj Electricals Ltd	2	35,030	5,601,278	-	-
Bajaj Holding And Investment Ltd	10	11,210	5,482,507	-	-
C E S C Ltd	10	30,824	11,796,344	-	-
Eveready Industries India Ltd	5	75,502	4,376,601	-	-
Gayatri Projects Ltd	10	14,964	5,749,917	-	-
Glaxosmithkline Consumer Healthcare Ltd	10	4,791	6,046,530	-	-
Gujarat NRE Coke Ltd	10	8,238	720,413	-	-
HCL Infosystems Ltd	2	40,587	5,519,832	-	-

## Schedules forming part of the Consolidated Balance Sheet

(Amount in Rupees)

SCHEDULE G INVESTMENTS (Contd.)	Face Value	As at 31.03.2010		As at 31.03.2009	
		Number	Amount	Number	Amount
HCL Technologies Ltd	2	26,899	8,005,410	-	-
Housing Development And Infrastructure Ltd	10	17,302	4,954,428	-	-
ICICI Bank Ltd	10	6,122	4,927,315	-	-
India Cement Ltd	10	50,776	6,463,270	-	-
Indiabulls Financial Services Ltd	2	130,020	13,665,102	-	-
Indusind Bank Ltd	10	46,834	6,253,894	-	-
IVRCL Infrastructures & Projects Ltd	2	75,732	12,571,512	-	-
Jai Balaji Industries Ltd	10	59,059	14,088,524	-	-
Jindal South West Holding Ltd	10	1,430	2,489,559	-	-
KEC International Ltd	10	37,085	5,589,250	-	-
Lupin Ltd	10	4,575	6,560,516	-	-
Mahindra & Mahindra Ltd	5	7,296	3,259,510	-	-
Mercator Lines Ltd	1	76,455	4,254,721	-	-
Mindtree Ltd	10	10,740	5,726,039	-	-
Moser-Baer(India)Ltd	10	67,012	4,891,876	-	-
Patni Computer Systems Ltd	2	34,465	15,105,752	-	-
Piramal Healthcare Ltd	2	17,862	6,937,698	-	-
Prism Cement Ltd	10	54,007	2,949,344	-	-
Shree Renuka Sugars Ltd	1	197,150	14,056,795	-	-
Simplex Infrastructure Ltd	2	10,426	4,417,082	-	-
United Phosphorus Ltd	2	38,067	5,521,746	-	-
Voltas Ltd	1	48,265	7,198,048	-	-
Yes Bank Ltd	10	27,480	5,831,911	-	-
Zee Entertainment Enterprises Ltd	1	24,148	5,741,382	-	-
Infinite Computer Solutions (India) Ltd	10	79,068	13,046,220	-	-
DQ Entertainment (International) Ltd	10	132,410	10,592,800	-	-
Persistent Systems Ltd	10	27,591	8,553,210	-	-
Nirlon Ltd	10	952,471	61,577,250	-	-
			<b>355,704,165</b>		
<b>Un-Quoted, Non Trade, Long Term</b> <b>(valued at cost )</b>					
India Infoline Private Equity Fund (Trust)			100,200,000		100,200,000
			<b>100,200,000</b>		<b>100,200,000</b>
<b>Un-Quoted, Trade, Long Term</b>					
Equity Shares of Bombay Stock Exchange Limited (Valued at written down value of the Membership card)	1	130,000	16,870,000	130,000	16,870,000
<b>Total Investments</b>			<b>4,819,628,047</b>		<b>3,149,730,892</b>
Aggregate book value - Quoted			355,704,165		-
- Unquoted			4,463,923,882		3,149,730,892
Aggregate market value - Quoted			385,162,966		-

(Amount in Rupees)

SCHEDULE H CURRENT ASSETS, LOANS AND ADVANCES	As at 31.03.2010		As at 31.03.2009	
<b>A) Current Assets</b>				
l) Sundry Debtors (Unsecured, Considered good, unless otherwise stated)				
Outstanding for a period exceeding six months			55,771,111	4,941,379
Considered doubtful			17,358,449	16,200,001
Other Debts - Unsecured and considered good			6,041,948,485	1,136,718,718
Provision for doubtful debts			(17,358,449)	(16,200,001)
			<b>6,097,719,596</b>	<b>1,141,660,097</b>



CONSOLIDATED FINANCIAL STATEMENTS OF INDIA INFOLINE LIMITED AND ITS SUBSIDIARY COMPANIES

## Schedules forming part of the Consolidated Balance Sheet

(Amount in Rupees)

			As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE H CURRENT ASSETS, LOANS AND ADVANCES (Contd.)</b>				
<b>II) Cash and Bank Balance</b>				
Cash on Hand			5,696,514	3,328,298
<b>Bank Balances</b>				
<b>With Scheduled Banks:</b>				
In Current Accounts			4,960,619,400	3,924,370,119
In Fixed Deposits			2,998,746,212	1,761,755,761
<b>With Others</b>				
In Current Accounts			90,694,225	71,401,738
In Fixed Deposits			1,158,318	508,363,842
			<b>8,056,914,669</b>	<b>6,269,219,758</b>
<b>III) Stock on Hand</b>				
	<b>Qty</b>	<b>Face Value</b>		
<b>Mutual Funds</b>				
<b>- Unquoted</b>				
Birla Income Fund	26,499,086	10	-	296,363,127
ICICI Pru Income Fund	46,561,864	10	-	533,161,281
Reliance Income Fund	47,620,951	10	-	486,343,244
Reliance Money Manager Fund	30,620	1,000	30,654,393	-
Birla Sun Life Saving Fund	1,044,338	10	10,450,482	-
<b>- Quoted</b>				
Kotak Mutual Fund - Gold Exchange Traded Fund	4,500	100	7,230,960	-
Reliance Mutual Fund - Gold Exchange Traded Fund	13,800	100	21,555,186	-
<b>Arbitrage position (Hedged)</b>				
Bharat Heavy Electricals Ltd	300	10	-	453,165
IRB Infrastructure Developers Ltd	4,400	10	-	356,620
Reliance Power Ltd	18,000	2	-	1,842,300
Steel Authority Of India Ltd	5,400	10	-	520,830
Reliance Industries Ltd	1,200	10	-	1,815,284
Reliance Petroleum Ltd	3,350	10	-	313,393
Tata Power Company Ltd	400	10	-	307,440
ACC Limited	10,152	10	9,650,446	-
Allahabad Bank	2,450	10	349,983	-
Apollo Tyres Ltd	40,800	1	2,892,720	-
Cipla Ltd	16,250	2	5,476,575	-
Dish TV India Ltd	195,700	1	7,162,929	-
Essar Oil Ltd	9,884	10	1,344,422	-
Firstsource Solutions Ltd	9,500	10	272,650	-
Housing Development and Infrastructure Ltd	20,898	10	5,964,545	-
Hindalco Industries Ltd	87,950	1	15,936,540	-
Indiabulls Real Estate Ltd	102,700	2	10,793,770	-
IFCI Ltd	86,680	10	4,281,125	-
Ispat Industries Ltd	24,900	10	476,088	-
Kingfisher Airlines Ltd	4,250	10	198,900	-
Maruti Suzuki India Ltd	11,200	5	15,881,040	-
Power Finance Corporation Ltd	2,400	10	620,040	-
Reliance Infrastructure Ltd	3,036	10	2,459,312	-
Shree Renuka Sugars Ltd	95,000	1	6,773,500	-
Rolta India Ltd	10,800	10	1,900,152	-
Suzlon Energy Ltd	84,000	2	6,035,400	-
Tata Power Company Ltd	13,200	10	18,109,194	-
Triveni Engineering & Industries Ltd	7,700	1	1,034,033	-
Vijaya Bank	6,900	10	326,784	-

## Schedules forming part of the Consolidated Balance Sheet

(Amount in Rupees)

			As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE H</b>	<b>CURRENT ASSETS, LOANS AND ADVANCES (Contd.)</b>	<b>Qty</b>	<b>Face Value</b>	
<b>Options</b>				
Nifty		14,900	5,000	14,423,200
Nifty		8,300	5,100	7,358,400
Nifty		8,500	5,200	8,041,000
Nifty		5,750	5,300	5,321,347
<b>Bonds</b>				
IIFCL 22 January 2014		340	1,000,000	35,064,433
IRFC IPO Bonds 8 March 2015		3,480	100,000	347,141,902
NABARD January 2019		800	20,000	8,063,990
<b>Equity Shares</b>				
Nirlon Ltd		952,471	10	-
Selan Exploration Technology Ltd.		212,000	1	78,549,241
Shree Renuka Sugars Ltd		8,326	1	593,641
Praj Industries Ltd		53	2	-
Tata Consultancy Services Ltd.		10	1	-
				<b>692,388,323</b>
				<b>1,337,237,279</b>
Aggregate market value - Quoted				670,431,736
				21,524,487
<b>B) Loans And Advances (Unsecured, Considered good, unless otherwise stated)</b>				
Advances recoverable in cash or in kind or for value to be received				1,953,835,117
Other Deposits				623,467,380
Advance Income Tax & Tax Deducted at Source				3,304,312,972
Loans				16,267,831,902
Less : Provision for doubtful loans				(24,860,101)
Other Loans & Advances				1,005,045,067
				<b>23,129,632,337</b>
				<b>13,617,942,884</b>
<b>Total</b>				<b>37,976,654,925</b>
				<b>22,366,060,018</b>

**SCHEDULE I CURRENT LIABILITIES AND PROVISIONS**

<b>A) Current Liabilities</b>				
<b>Sundry Creditors</b>				
Total Outstanding dues of micro and small enterprises				-
Total Outstanding dues of creditors other than micro and small enterprises				990,000
Unpaid dividend				7,400,289,620
Other Liabilities				3,974,789,446
				3,525,698
				3,459,552
				5,478,150,538
				3,450,719,260
				<b>12,881,965,856</b>
				<b>7,429,958,258</b>
<b>B) Provisions</b>				
Provision for taxation				2,958,347,090
Provision for gratuity				1,903,375,499
Provision for leave encashment				61,603,529
				39,245,011
				16,663,698
				25,689,914
				<b>3,036,614,317</b>
				<b>1,968,310,424</b>
<b>Total</b>				<b>15,918,580,173</b>
				<b>9,398,268,682</b>



CONSOLIDATED FINANCIAL STATEMENTS OF INDIA INFOLINE LIMITED AND ITS SUBSIDIARY COMPANIES

## Schedules forming part of the Consolidated Profit and Loss Account

(Amount in Rupees)

	2009-2010	2008-2009
<b>SCHEDULE J OTHER INCOME</b>		
Miscellaneous income	12,407,059	16,608,935
Profit/(loss) on Sale of Assets	(2,335,199)	(225,081)
Share of profit in partnership firm	(287,310)	7,864,935
<b>Total</b>	<b>9,784,550</b>	<b>24,248,789</b>

<b>SCHEDULE K DIRECT COST</b>		
Brokerage related Expenses	808,218,787	497,185,091
Exchange and statutory Charges	146,040,042	128,257,443
Marketing and commission expenses	242,509,341	494,229,684
Investment and financing related cost	479,117,241	92,009,000
<b>Total</b>	<b>1,675,885,411</b>	<b>1,211,681,218</b>

<b>SCHEDULE L EMPLOYEE COST</b>		
Salaries and bonus	3,018,954,412	2,540,233,196
Contribution to provident and other funds	52,996,853	41,454,987
Gratuity	23,777,866	18,779,523
Staff welfare expenses	67,951,130	71,394,135
Deferred employee compensation expenses	15,295,134	65,131,165
<b>Total</b>	<b>3,178,975,395</b>	<b>2,736,993,006</b>

<b>SCHEDULE M ADMINISTRATIVE AND OTHER EXPENSES</b>		
Advertisement	122,881,220	174,735,611
Rent	528,679,738	489,550,796
Electricity	145,006,585	140,154,758
Communication	313,913,860	388,515,785
Postage and courier	61,555,354	56,262,240
Printing and stationery	70,598,580	70,024,037
Provision for doubtful debts and bad debts	3,044,401	5,206,806
Bank charges	39,396,058	35,001,583
Repairs and maintenance		
Computers	4,136,583	8,462,195
Others	68,336,640	30,097,244
Travelling and conveyance	171,558,137	137,489,443
Legal and professional charges	203,773,381	134,882,937
Remuneration to auditors		
Audit Fees	4,351,105	3,047,742
Certification work and other matters	123,781	269,695
Out of pocket expenses	173,929	147,736
Office expenses	144,312,299	137,151,058
Software charges	72,239,045	40,764,464
Miscellaneous expenses	56,691,389	51,857,444
<b>Total</b>	<b>2,010,772,085</b>	<b>1,903,621,574</b>

## Schedules forming part of the Consolidated Accounts

Significant Accounting Policies and Significant Notes to the Consolidated Statement of Balance Sheet as at March 31, 2010 and Profit and Loss Account for the year ended March 31, 2010

### SCHEDULE N SIGNIFICANT ACCOUNTING POLICIES AND NOTES

#### A. SIGNIFICANT ACCOUNTING POLICIES:

##### 1) Basis of Consolidation:

###### a) Basis of Preparation:

The individual Balance Sheet as at March 31, 2010 and Profit and Loss Account for the year ended March 31, 2010 of India Infoline Limited ('the Company') and its subsidiaries ('companies and / or subsidiaries'), collectively referred to as 'Group', have been consolidated as per principles of consolidation enunciated in Accounting Standard (AS) 21- 'Consolidated Financial Statements' as prescribed by Companies (Accounting Standard) Rules, 2006. The financial statements have been prepared under historical cost convention on an accrual basis.

###### b) Principles of Consolidation:

The financial statements of the group companies of India Infoline Limited are prepared according to uniform accounting policies, in accordance with accounting principles generally accepted in India. The effects of all inter-group transactions and balances have been eliminated on consolidation.

The list of subsidiaries that have been consolidated are given in note no B.1.

##### 2) Use of Estimates:

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements, the reported amount of revenues and expenses and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of fixed assets and intangible assets, provision for advances/ doubtful debts, etc. Actual results can differ from these results.

##### 3) Fixed Assets and Depreciation:

Fixed assets are stated at cost of acquisition less accumulated depreciation thereon. Depreciation is charged using the straight line method based on the useful life of fixed assets as estimated by the management as specified below, or the rates specified in accordance with the provisions of schedule XIV of the Companies Act, 1956, which-ever is higher. In the case of transfer of used fixed assets from group companies, depreciation is charged over the remaining useful life of the asset.

Depreciation is charged from the month in which new assets are put to use. No depreciation is charged from the month in which assets are sold

Individual assets / group of similar assets costing less than Rs. 5,000/- has been depreciated in full in the year of purchase.

Leasehold land is depreciated on a straight line basis over the leasehold period.

Estimated useful life of the assets is as under

Furniture and fixtures	5 years
Computer equipment	3 years
Non-Compete Fees	5 years
Software	3 years
Office equipment	5 years
Buildings	20 years

##### 4) Translation of foreign currency items :

Transactions in foreign currencies are recorded at the prevailing rates at the time transactions were affected. Foreign currency assets & liabilities outstanding at the year-end are translated at the rates of exchange ruling on that day; gain / loss on transactions are accounted in the Profit & Loss account.

The Company has adopted the revised accounting standard AS-11, "The effects of changes in Foreign Exchange Rates" for consolidating its investment in foreign subsidiary. As required by the standard, the exchange gain/loss on translation of financial statements of the foreign subsidiary for the purpose of consolidation is taken to Foreign Currency Translation Reserve and disclosed separately in the Consolidated Balance Sheet.



CONSOLIDATED FINANCIAL STATEMENTS OF INDIA INFOLINE LIMITED AND ITS SUBSIDIARY COMPANIES

## Schedules forming part of the Consolidated Accounts

Significant Accounting Policies and Significant Notes to the Consolidated Statement of Balance Sheet as at March 31, 2010 and Profit and Loss Account for the year ended March 31, 2010

### SCHEDULE N SIGNIFICANT ACCOUNTING POLICIES AND NOTES (Contd.)

**5) Revenue Recognition:**

- a) Brokerage income earned on secondary market operations is accounted on trade dates. Depository income is accounted on an accrual basis.
- b) Brokerage income from commodities trading is accounted for on the dates of respective trades.
- c) Commission income on first year premium on insurance policies is recognised, when an insurance policy sold by the Company is accepted by the principal insurance company. Renewal commission on policies is accounted for on receipt basis.
- d) Investment banking related income is accounted on accrual basis.
- e) Wealth and advisory income is accounted on accrual basis.
- f) Mortgages and loan :  
The Company complies, in all material respects, with the Prudential Norms relating to income recognition, accounting standards, asset classification and the minimum provisioning for bad and doubtful debts, specified in the directions issued by the Reserve Bank of India/National Housing Bank as applicable to it.  
Processing fees received from customers is recognised as income upfront at the time of sanction / disbursement of loan.  
Dealer / agent commission paid or payable is recognised as expense as and when it is incurred.
- g) Revenue from Online Media is recognised pro-rata, over the contractual /subscription period.

**6) Retirement Benefits:**

The Company's contribution towards Provident Fund and family pension fund is charged against revenue on actual basis.  
The Company has provided Gratuity and leave encashment on the basis of actuarial valuation.

**7) Deferred Employee Stock Compensation:**

The stock options granted by the Company are accounted for as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999 issued by Securities and Exchange Board of India and the guidance note on Accounting for Stock Options issued by The Institute of Chartered Accountant of India, whereby the intrinsic value of the options are recognised as deferred employee compensation. The deferred employee compensation is charged to the Profit and Loss Account on a straight line basis over the vesting period of the options. The Employee Stock Options Outstanding Account, net of unamortised Deferred Employee Compensation is shown separately as part of Reserves.

**8) Provisions, Contingent Liabilities and Contingent Assets:**

Provisions involving substantial degree of estimation in measurement are recognised when there is present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

**9) Taxes on Income:**

Provision for current tax is computed in accordance with relevant tax regulations.

Deferred tax is recognised for all timing differences between accounting income & taxable income and is quantified using enacted / substantively enacted tax rates as at the balance sheet date. Deferred tax assets are recognised subject to the management judgment that the realisation is virtually / reasonably certain.

**10) Operating Lease:**

Lease rentals in respect of operating lease arrangements are charged to the Profit & Loss Account on accrual basis in accordance with Accounting Standard 19 – Leases.

**11) Preliminary Expenses**

Preliminary Expenses are written off in the financial year in which it is incurred.

**12) Investments:**

Investments are classified into current and long-term investments. Current investments are stated at lower of cost or market value. Long-term investments are carried at cost less provisions, if any, for permanent diminution in the value of such Investments.

**13) Stock In Trade**

Closing stock is valued at cost or market value whichever is lower. Cost is computed on FIFO basis.



## Schedules forming part of the Consolidated Accounts

Significant Accounting Policies and Significant Notes to the Consolidated Statement of Balance Sheet as at March 31, 2010 and Profit and Loss Account for the year ended March 31, 2010

### SCHEDULE N SIGNIFICANT ACCOUNTING POLICIES AND NOTES (Contd.)

#### B. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS:

- The summary of consolidated financial summary represents consolidation of accounts of the Company with its following subsidiaries as detailed below :

Subsidiary	Proportion of ownership interest	
	31.03.2010	31.03.2009
India Infoline Investment Services Ltd.	99.02%	76.74%
Moneyline Credit Ltd	99.02%	76.74%
India Infoline Housing Finance Ltd.	99.02%	76.74%
India Infoline Marketing Services Ltd	99.07%	88.73%
India Infoline Insurance Services Ltd.	99.07%	88.73%
India Infoline Insurance Brokers Ltd.	99.07%	88.73%
India Infoline Media & Research Services Ltd	100%	100%
India Infoline Commodities Ltd.	100%	100%
IIFL Wealth Management Ltd	90%	90%
IIFL Realty Ltd	100%	100%
Unval Industries Private Limited	100%	-
IIFL Energy Ltd	100%	100%
IIFL Capital Ltd	100%	100%
India Infoline Trustee Company Limited	100%	-
India Infoline Distribution Company Ltd.	99.02%	76.74%
IIFL Asia Pte Ltd	100%	100%
IIFL Capital Pte. Ltd.	100%	100%
IIFL Securities Pte. Ltd.	100%	100%
IIFL Wealth UK Ltd	100%	-
India Infoline Commodity DMCC.	100%	100%
IIFL Inc	100%	100%

- During the year, the Company has acquired additional 5,283,870 shares (22.28%) of India Infoline Investment Services Ltd, the subsidiary company for Rs. 3,332,520,000 from a minority shareholder. This has resulted in goodwill of Rs. 833,602,362 on consolidation. As a prudent accounting practice, the Company's management has adjusted said amount to the surplus in the Profit and Loss Account. Consequently, the minority interest has reduced from Rs. 3,124,594,226 to Rs. 182,150,290 (to 0.98% as compared to 23.26% in PY).
- During the year, IIFL Realty Limited, a wholly owned subsidiary of the Company, has acquired the entire paid up share capital of Unval Industries Private Limited for a consideration of Rs. 27,35,00,000.
- At balance sheet date there were outstanding commitments for capital expenditure to the tune of Rs. 114,173,604 out of the total contractual obligation entered during the year.
- The Company does not have contingent liabilities not provided for other than an income tax matter amounting to Rs. 7,789,810. The Company has filed an appeal with the Income Tax Appellate Tribunal against the said demand.



## Schedules forming part of the Consolidated Accounts

Significant Accounting Policies and Significant Notes to the Consolidated Statement of Balance Sheet as at March 31, 2010 and Profit and Loss Account for the year ended March 31, 2010

### SCHEDULE N SIGNIFICANT ACCOUNTING POLICIES AND NOTES (Contd.)

6. The Company has implemented employee Stock Options Scheme 2005, 2007 and 2008 (ESOP Schemes) and has outstanding options granted under the said schemes. The options vest in graded manner and must be exercised within a specified period as per the terms of grant by the Remuneration and Compensation Committee and ESOP Schemes.

A) The details of various Employee Stock Option Schemes are as under: (Amount in Rupees)

Particulars	ESOP 2005	ESOP 2007	ESOP 2008
Nos. of Options as on March 31, 2010	5,850,550	3,975,450	45,661,500
Method of Accounting	Intrinsic Value	Intrinsic Value	Intrinsic Value
Vesting Plan	Options granted would vest over a period of four years subject to a minimum period of one year from the date of grant of options	Options granted would vest over a period of five years subject to a minimum period of one year from the date of grant of options	Options granted would vest over a period of five years subject to a minimum period of one year from the date of grant of options
Exercise Period	Five years from the date of grant	Five years from the date of grant	Five years from the date of grant
Grant Dates	May 4, 2006 and April 2, 2007	October 17, 2008, December 18, 2008 and January 1, 2009	December 18, 2008, January 1, 2009, May 27, 2009 and December 10, 2009
Grant Price (Rs. Per Share)	Rs. 30.00 and Rs. 51.00	Rs. 45.30 and Rs. 63.75	Rs. 45.30, Rs. 50.90, Rs. 100 and Rs. 136
Market Price on the date of Grant of Option (Rs.)	Rs. 30.00 and Rs. 51.00	Rs. 45.30 and Rs. 63.75	Rs. 45.30, Rs. 50.90, Rs. 100 and Rs. 136

B) Movement of options granted: (Amount in Rupees)

Particulars	ESOP 2005	ESOP 2007	ESOP 2008
Options outstanding at the beginning of the year	7,747,500	4,100,000	45,000,000
Granted during the year	-	-	1,345,000
Exercised during the year	1,715,725	14,550	84,500
Lapsed during the year*	181,225	110,000	599,000
Options outstanding at the end of the year	5,850,550	3,975,450	45,661,500

\*Lapsed options include options surrendered and cancelled

7. Pursuant to the resolution passed by the Board of Directors of the Company and in accordance with the provisions of the Companies Act, 1956 and the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998, the Company made a Public Announcement on December 4, 2008, to buy-back the equity shares of the Company at a price not exceeding Rs. 43.20 per share, aggregating to Rs. 98.91 crore subject to a Buy-back of minimum 50,00,000 Equity Shares and maximum of 6,00,00,000 Equity Shares. The Buy-back was open from December 18, 2008 till November 28, 2009 and the Company bought back 2,557,915 equity shares at an aggregate value of Rs. 10.80 crore. Consequently, the paid-up equity share capital of the Company declined from Rs. 57.19 crore to Rs. 56.68 crore as on November 28, 2009.
8. The Company recognised deferred tax assets for the year ended on 31st March 2010 since the management is reasonably/virtually certain of its profitable operations in future. As per Accounting Standard 22 'Accounting for Taxes on Income', the timing differences mainly relates to following items and result in a net deferred tax asset.

## Schedules forming part of the Consolidated Accounts

Significant Accounting Policies and Significant Notes to the Consolidated Statement of Balance Sheet as at March 31, 2010 and Profit and Loss Account for the year ended March 31, 2010

### SCHEDULE N SIGNIFICANT ACCOUNTING POLICIES AND NOTES (Contd.)

Deferred Tax Assets		(Amount in Rupees)	
Particulars	2009-2010	2008-2009	
Depreciation	97,699,035	30,833,767	
On Gratuity/Leave Encashment	20,937,928	13,515,353	
Provision for doubtful debts	13,980,903	11,035,353	
Preliminary Expenses	362,639	277,700	
Other	23,898,842	63,598,829	
<b>Total</b>	<b>156,879,347</b>	<b>119,261,002</b>	

9. The Company has taken office premises on operating lease at various locations. Lease rent in respect of the same have been charged to Profit and Loss account. The agreements are executed for a period ranging from one to five years with a renewable clause. Some agreements have a clause for a minimum lock-in period. The agreements also have a clause for termination by either party giving a prior notice period between 30 to 90 days. The Company has also taken some other assets under operating lease. The minimum Lease rentals outstanding as at March 31, 2010, are as under:

Minimum Lease Rentals		(Amount in Rupees)	
	2009-2010	2008-2009	
Due for			
- Upto one year	103,019,589	162,414,601	
- One to five years	174,573,799	442,461,417	
- Over five years	-	1,168,200	
<b>Total</b>	<b>277,593,388</b>	<b>606,044,218</b>	

#### 10. Segment Reporting:

Segment information for the year ended March 31, 2010. Primary segment information (by Business segment) (Amount in Rupees)

Sl. No	Particulars	Equities brokerage & related	Financing and Investment	Commodities brokerage & related	Life Insurance distribution	Marketing and online media	Others	Total
i	<b>Segment Revenue</b>							
	External	6,867,698,339	2,917,805,927	248,274,715	536,443,751	658,737,713	9,784,550	11,238,744,995
		(4,739,539,944)	(2,654,111,231)	(169,181,637)	(481,491,860)	(706,404,926)	(24,248,789)	(8,774,978,387)
	Inter-segment	-	-	-	-	-	-	-
	Total Revenue	6,867,698,339	2,917,805,927	248,274,715	536,443,751	658,737,713	9,784,550	11,238,744,995
		(4,739,539,944)	(2,654,111,231)	(169,181,637)	(481,491,860)	(706,404,926)	(24,248,789)	(8,774,978,387)
ii	<b>Segment Result</b>	2,773,859,251	994,396,016	54,544,477	27,846,707	82,745,767	8,459,678	3,941,851,896
		(1,563,562,199)	(1,054,925,210)	(35,739,170)	(6,536,139)	(30,931,557)	444,867	(2,691,249,408)
	Less: Unallocated Expenses							387,382,519
								(417,889,717)
	Operating Profit	2,773,859,251	994,396,016	54,544,477	27,846,707	82,745,767	8,459,678	3,554,469,377
		(1,563,562,199)	(1,054,925,210)	(35,739,170)	(6,536,139)	(30,931,557)	444,867	(2,273,359,691)
	Interest Expense							7,312,714
								(78,456,609)
	Profit before Tax							3,547,156,663
								(2,194,903,082)
	Less: Current Tax							1,206,683,367
								(621,534,493)
	Net Profit after Tax							2,340,473,296
								(1,573,368,589)
iii	<b>Segment Assets</b>	14,306,039,195	24,771,810,950	510,073,882	177,608,918	730,740,500	3,106,612,685	43,602,886,130
		(5,616,730,539)	(16,979,347,928)	(245,012,145)	(236,301,914)	(636,249,213)	(1,697,065,759)	(25,410,707,498)
	Unallocated Corporate assets							3,651,673,862
								(2,358,324,323)
	Total Assets							47,254,559,992
								(27,769,031,821)



CONSOLIDATED FINANCIAL STATEMENTS OF INDIA INFOLINE LIMITED AND ITS SUBSIDIARY COMPANIES

## Schedules forming part of the Consolidated Accounts

Significant Accounting Policies and Significant Notes to the Consolidated Statement of Balance Sheet as at March 31, 2010 and Profit and Loss Account for the year ended March 31, 2010

### SCHEDULE N SIGNIFICANT ACCOUNTING POLICIES AND NOTES (Contd.)

(Amount in Rupees)

Sl. No	Particulars	Equities brokerage & related	Financing and Investment	Commodities brokerage & related	Life Insurance distribution	Marketing and online media	Others	Total
iv	<b>Segment Liabilities</b>	4,228,325,158	8,069,033,303	61,259,457	46,928,782	294,316,501	167,066,003	12,866,929,204
		(1,749,739,761)	(4,438,322,278)	(135,449,880)	(56,008,395)	(321,588,201)	(11,980,807)	(6,713,089,322)
	Unallocated Corporate Liabilities							2,979,575,153
								(1,966,105,993)
	Total Liabilities							15,846,504,357
								(8,679,195,315)
v	<b>Capital Expenditure</b>	165,737,072	-	134,257,105	10,285,242	75,269,101	-	385,548,520
		(668,723,254)	(25,966,774)	-	(64,423,317)	(135,484,370)	-	(894,597,715)
	Unallocated Capital Expenditure							2,054,507,212
								(160,882,331)
	Total Capital Expenditure							2,440,055,732
								(1,055,480,046)
vi	<b>Depreciation</b>	364,505,146	15,171,853	8,351,965	94,746,171	51,816,492	-	534,591,627
		(259,183,286)	(16,435,105)	(272,386)	(57,313,337)	(57,103,657)	-	(390,307,771)
	Unallocated Depreciation							-
								(5,685,082)
	Total Depreciation							534,591,627
								(395,992,853)
vii	<b>Non-Cash expenditure other than depreciation</b>							

#### 11. Related Party Disclosures for the year ended March 31, 2010

(a) Name of the related parties with whom transactions have been entered during the year and description of relationship.

- (b) (i) Key Management Personnel
- |                |  |
|----------------|--|
| Nirmal Jain    |  |
| R Venkataraman |  |
- (ii) Relatives of Key Management Personnel
- |                         |                            |
|-------------------------|----------------------------|
| Mrs. Madhu Jain         | Wife of Mr. Nirmal Jain    |
| Mrs. Aditi Venkataraman | Wife of Mr. R Venkataraman |

#### Disclosure of Transactions with related parties

(Amount in Rupees)

Nature of Transaction	Key Managerial Personnel	Other Related Parties	Total
Brokerage Income	30,928	12,029	42,957
	(108)	(6,464)	(6,572)
Remuneration	30,669,420	-	30,669,420
	(23,251,920)	-	(23,251,920)
Rent Expenses	-	317,000	317,000
	-	(100,000)	(100,000)

#### Outstanding as on March 31, 2010

(Amount in Rupees)

Nature of Transaction	Key Managerial Personnel	Other Related Parties	Total
Sundry Payables	280,509	337,973	618,482
	(2,934)	(293,592)	(296,526)

Note: Figures in brackets indicate previous year figures.

## Schedules forming part of the Consolidated Accounts

Significant Accounting Policies and Significant Notes to the Consolidated Statement of Balance Sheet as at March 31, 2010 and Profit and Loss Account for the year ended March 31, 2010

### SCHEDULE N SIGNIFICANT ACCOUNTING POLICIES AND NOTES (Contd.)

12. Basic and Diluted Earnings per share ["EPS"] computed in accordance with Accounting Standard (AS) 20 'Earnings per share'

(Amount in Rupees)

Particulars		2009-2010	2008-2009
<b>BASIC</b>			
Profit after tax as per Profit and Loss account Before Extra Ordinary	A	2,319,883,839	1,448,197,838
Weighted Average Number of Shares Subscribed	B	283,732,763	285,467,125
Basic EPS(Rupees)	A/B	8.18	5.07
Profit after tax as per Profit and Loss account	C	2,319,883,839	1,448,197,838
Basic EPS(Rupees)	C/B	8.18	5.07
<b>DILUTED</b>			
Profit after tax as per Profit and Loss account	A	2,319,883,839	1,448,197,838
Weighted Average Number of Shares Subscribed		283,732,763	285,467,125
Add : Potential Equity Shares on Account conversion of Employees Stock Options, Promoter warrants, etc.		54,824,905	18,670,881
Weighted Average Number of shares Outstanding	B	338,557,668	304,138,006
Diluted EPS (Rupees)	A/B	6.85	4.76
Profit after tax as per Profit and Loss account	C	2,319,883,839	1,448,197,838
Diluted EPS (Rupees)	C/B	6.85	4.76

13. The Company is recognising and accruing the employee benefits as per Accounting Standard (AS) -15 "Employee Benefit

Details are given below

(Amount in Rupees)

Assumptions	2009-2010
Discount rate previous year	7.00%
Salary Escalation previous year	5.00%
Discount rate current year	7.50%
Salary Escalation Current year	5.00%

(Amount in Rupees)

Change in Benefit Obligation	2009-2010
Liability at the beginning of the year	39,245,011
Interest Cost	5,488,810
Current Service Cost	39,876,187
Benefit paid	(1,419,351)
Less: actuarial gain on obligations	(21,587,128)
<b>Liability at the end of the year</b>	<b>61,603,529</b>

(Amount in Rupees)

Amount Recognised in the Balance Sheet	2009-2010
Liability at the end of the year	61,603,529
Fair value of plan assets at the end of the year	-
Differences	(61,603,529)
<b>Amount of liability Recognised in the balance sheet</b>	<b>61,603,529</b>



CONSOLIDATED FINANCIAL STATEMENTS OF INDIA INFOLINE LIMITED AND ITS SUBSIDIARY COMPANIES

## Schedules forming part of the Consolidated Accounts

Significant Accounting Policies and Significant Notes to the Consolidated Statement of Balance Sheet as at March 31, 2010 and Profit and Loss Account for the year ended March 31, 2010

### SCHEDULE N SIGNIFICANT ACCOUNTING POLICIES AND NOTES (Contd.)

(Amount in Rupees)

Expenses Recognised in the Income statement	For the Year
Current Service cost	39,876,187
Interest Cost	5,488,807
Expected return on plan assets	
Less: Actuarial Gain or Loss	(21,587,128)
Expense Recognised in P &L	23,777,866

(Amount in Rupees)

Balance Sheet reconciliation	For the Year
Opening net liability	39,245,011
Expense as above	23,777,866
Employers contribution	(1,419,348)
Amount Recognised in Balance sheet	61,603,529

#### Defined Contribution Plans:

The Company has recognised the following amounts as an expense and included in the schedule L – Contribution to provident and other funds:

(Amount in Rupees)

Particulars	2009-2010	2008-2009
Contribution to Employee Provident Fund	33,519,894	30,071,334

#### 14. The Company purchased & redeemed units of various mutual funds during the year

(Amount in Rupees)

Nature of Transaction	For the year ended 31.03.2010		For the year ended 31.03.2009	
	Quantity ('000)	Value (Rs. Mn.)	Quantity ('000)	Value (Rs. Mn.)
Purchases	34,476,654	351,422	39,182,835	409,533
Sales	34,717,123	352,818	39,219,035	411,069

- The Company has reported revenues net of service tax, stamp duty and other regulatory charges compared to a inclusive method of reporting followed earlier. This has resulted in a reduction in total revenues and direct costs to the extent of Rs. 1,154.4 mn each for the current year and Rs. 856.0 mn for the previous year
- Interest expenses include the interest on debentures Rs. 232,837,651 (Previous year Rs. 164,109,704) and discount on commercial paper Rs. 34,179,537 (previous year 160,257,136).
- Company has reduced its gross block and accumulated depreciation for the assets having zero net block as on 31st March 2010 amounting by Rs. 132,263,264 /-. The Company has also regrouped assets amounting to Rs. 97,896,675.
- There are no dues to micro & small enterprises (MSEs) outstanding for more than 45 days.
- Figures for the previous year have been regrouped / reclassified wherever considered necessary.

As per our attached report of even date

For Sharp & Tannan Associates

Chartered Accountants

ICAI Registration No. 109983W

By the hand of

Tirtharaj Khot

Partner

Membership No. 37457

Place : Mumbai

Dated : April 24, 2010

Nirmal Jain  
Managing Director

R. Venkataraman  
Executive Director

Kapil Krishan  
Chief Financial Officer

Sunil Lotke  
Company Secretary

For India Infoline Limited

**Consolidated Cash Flow Statement** For the year ended 31st March, 2010

(Amount in Rupees)

	2009-2010	2008-2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before taxation, and exceptional items	3,547,156,663	2,194,903,082
Adjustments for:		
Depreciation & Amortisation	534,591,627	395,992,853
Provisions for gratuity	23,777,866	18,779,523
Provisions for leave encashment	6,022,862	11,104,885
Deferred employee compensation	15,295,134	65,131,165
Interest expense	291,363,814	331,786,654
<b>Operating profit before working capital changes</b>	<b>4,418,207,966</b>	<b>3,017,698,162</b>
(Increase) / Decrease in Sundry Debtors	(4,956,059,499)	2,713,091,804
(Increase) / Decrease in Loans & Advances	(8,436,586,728)	(291,744,954)
Increase / (Decrease) in Provisions	(205,548,874)	(232,708,385)
Increase / (Decrease) in Current Liabilities	5,451,757,924	1,415,675,004
<b>Cash generated from operations</b>	<b>(3,728,229,211)</b>	<b>6,622,011,631</b>
Cash Flow before exceptional items	(3,728,229,211)	6,622,011,631
Tax (Paid) / Refund	(1,074,974,170)	(654,342,515)
<b>Net cash from operating activities</b>	<b>(4,803,203,381)</b>	<b>5,967,669,116</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets (includes intangible assets)	(2,055,140,394)	(1,055,480,042)
Purchase of Investments/Stock on Hand	(1,025,048,199)	5,434,637,326
<b>Net cash from investing activities</b>	<b>(3,080,188,593)</b>	<b>4,379,157,284</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital (includes minority share capital)	55,999,195	204,797,501
Buy back of equity shares/Purchase of Minority stake in subsidiary	(3,703,620,000)	(108,030,822)
Foreign exchange fluctuation	(52,001,619)	54,983,560
(Repayment) / Proceeds of borrowings	14,658,849,464	(6,131,966,874)
Dividend	(996,776,341)	(1,330,357,856)
Interest paid	(291,363,814)	(331,786,654)
<b>Net cash used in financing activities</b>	<b>9,671,086,885</b>	<b>(7,642,361,145)</b>
Cash and cash equivalents at beginning of period (see note 1)	6,269,219,758	3,564,754,503
Cash and cash equivalents at end of period (see note 1)	8,056,914,669	6,269,219,758
<b>Net increase in cash and cash equivalents</b>	<b>1,787,694,911</b>	<b>2,704,465,255</b>
<b>Cash and cash equivalents include :</b>		
Cash on hand	5,696,514	3,328,297
Bank balances	8,051,218,155	6,265,891,461
<b>Total</b>	<b>8,056,914,669</b>	<b>6,269,219,758</b>

- Cash flow statement has been prepared under the Indirect Method as set out in the Accounting Standard (AS-3) "Cash Flow Statement".
- Fixed deposits with Scheduled banks includes Rs. 2,991.9 million (Previous year Rs. 1,624.3 million) pledged for bank guarantees/overdraft facilities and with stock exchange.
- Previous year's figure are re -grouped/re-arranged wherever considered necessary.

As per our attached report of even date

For Sharp &amp; Tannan Associates

Chartered Accountants

ICAI Registration No. 109983W

By the hand of

For India Infoline Limited

Tirtharaj Khot

Partner

Membership No. 37457

Place : Mumbai

Dated : April 24, 2010

Nirmal Jain  
Managing DirectorR. Venkataraman  
Executive DirectorKapil Krishan  
Chief Financial OfficerSunil Lotke  
Company Secretary