



## India Infoline Limited

Registered Office: IIFL House, Sun Infotech Park, Road No. 16V,  
Plot No.B-23, Thane Industrial Area, Wagle Estate, Thane - 400604

### NOTICE

Notice is hereby given that the 18th Annual General Meeting of the Members of INDIA INFOLINE LIMITED will be held on Tuesday, July 23, 2013, at 4 p.m. at Hall of Harmony, Nehru Center, Dr. Annie Besant Road, Worli, Mumbai – 400018, to transact the following business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2013 and the Profit & Loss Account for the financial year ended on that date together with the Reports of the Auditors' and Directors' thereon.

In this regard to consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT the Audited Balance Sheet as at March 31, 2013 and Profit and Loss Account for the year ended on that date together with the Auditors' and Directors' Reports as circulated to the shareholders and now laid before the meeting be and are hereby approved and adopted."

2. To appoint a Director in place of Mr. Kranti Sinha, who retires by rotation and being eligible, offers himself for reappointment.

In this regard to consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Kranti Sinha, who retires by rotation at this meeting and being eligible, offers himself for reappointment, be and is hereby reappointed as the Director of the Company."

3. To appoint a Director in place of Mr. A.K. Purwar, who retires by rotation and being eligible, offers himself for reappointment.

In this regard to consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. A.K. Purwar, who retires by rotation at this meeting and being eligible, offers himself for reappointment, be and is hereby reappointed as the Director of the Company."

4. To appoint Statutory Auditors and to fix their remuneration.

In this regard to consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT the Statutory Auditors of the Company, M/s. Sharp & Tannan Associates., Chartered Accountants, having registration no. 109983W, and who retire at the conclusion of this Annual General

Meeting, being eligible and willing to act as the Auditors of the Company, be and are hereby re-appointed as the Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration as may be decided by the Board and the Statutory Auditors mutually."

#### SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Dr. S Narayan, who was appointed as an Additional Director of the Company and whose term of appointment expires at this Annual General Meeting, and in respect of whom the Company has received notice under Section 257 of the Companies Act, 1956, proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of section 31 of the Companies Act, 1956, and subject to the approval of regulatory authorities, if any, Article 171 of the Articles of Association of the Company be and is hereby altered and substituted with the following new clause :

"Every deed or other instrument to which the Seal of the Company is required to be affixed shall, be affixed in the presence of atleast one Director or the Manager or the Secretary or such other person as the Board/ Committee of the Board may appoint for the purpose, who shall sign every instrument to which the Seal is so affixed in his presence provided that in respect of the Share Certificate the Seal shall be affixed in accordance with Article 22 (a)."

RESOLVED FURTHER THAT any of the Directors or Company Secretary of the Company be and are hereby severally authorized to do or cause to be done all such acts, deeds and things as may be necessary and expedient to give effect to this resolution and to file all necessary intimations, forms and returns with the Registrar of Companies, Mumbai."

By Order of the Board

Dated: May 11, 2013  
Place: Singapore

Sunil Lotke  
Company Secretary

## NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. Proxy form duly completed should be deposited at the registered office of the Company not less than forty- eight hours (48 hours) before the scheduled time of the Annual General Meeting. Blank Proxy Form is enclosed.
2. Relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business, as set out above is annexed hereto. All the documents referred to in the Notice and Explanatory Statement are open for inspection at the Company's Registered Office on all working days of the Company between 11.00 a.m. to 1.00 p.m. upto the date of Annual General Meeting.
3. The disclosures required under Clause 49 of the Listing Agreement in respect of the Directors being reappointed in this Annual General Meeting are given as an Annexure to this Notice.
4. The Register of Members and the Share Transfer Book of the Company will remain closed from July 17, 2013 to July 23, 2013 (both days inclusive) for the purpose of Annual General Meeting.
5. Members are requested to notify immediately any change of address:
  - i. to their Depository Participants (DPs) in respect of their electronic share accounts, and
  - ii. to the Company at its Registered Office in respect of their physical shares, if any, quoting their folio number, banker's name and account number to ensure prompt and safe receipt of dividend warrants.
6. Members are requested :
  - i. to bring their copies of annual report , notice and attendance slip at the time of the meeting.
  - ii. to quote their folio nos./ID nos. in all correspondence.
  - iii. to note that no gifts will be distributed in the AGM.

## Annexure to the Notice

### Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956

The following explanatory statement sets out the material facts relating to the business mentioned in Item No. 5 & 6 of the accompanying Notice dated May 11, 2013.

#### ITEM NO. 5

The Board of Directors of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 (the Act) and the Articles of Association of the Company, had appointed Dr. S. Narayan as an Additional Director of the Company with effect from August 01, 2012. In terms of the provisions of Section 260 of the Act, Dr. S. Narayan holds office upto the date of this Annual General Meeting. A brief profile of Dr. Narayan is provided in this Notice.

The Company has received a notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Dr. S. Narayan for the office of Director of the Company under the provisions of Section 257 of the Act. Dr. S. Narayan is not disqualified from being appointed as Director in terms of Section 274(1)(g) of the Act.

Save and except Dr. S. Narayan, none of the other Directors of the Company is, in any way, concerned or interested in the Resolution set out at item no.5 of the notice.

Your Directors therefore commend the said resolution for your approval.

#### ITEM NO. 6

With view to meet the business requirements, the Company

is required to execute various agreements and documents with banks, financial institutions, and bodies corporate on day to day basis. Pursuant to the existing article in the Articles of Association for execution of deed, agreement and other documents, the common seal of the Company is required to be affixed in presence of Director and Secretary or such other person authorised by the Board of Directors. In order to facilitate administrative convenience it is proposed to amend the existing article on execution of common seal as per clause contained in the Special Resolution at item no. 6

Pursuant to section 31 of the Companies Act, 1956, the approval of the members of the Company is sought by way of special resolution for substitution of the said clause of the Articles of Association of the Company.

None of the Directors is interested in the proposed resolution.

By Order of the Board

Dated: May 11, 2013  
Place: Singapore

Sunil Lotke  
Company Secretary

**Details of Directors seeking re-appointment at the Annual General Meeting  
(Item no. 2, 3 & 5)**

Name of the Directors	Mr. Kranti Sinha	Mr. A.K. Purwar	Dr. S. Narayan
Date of birth	December 28, 1942	May 14, 1946	June 20, 1943
Nationality	Indian	Indian	Indian
Date of appointment on the Board	January 27, 2005	October 03, 2008	August 01, 2012
Qualifications	Graduate from Agra University with a Master Degree	B.Com, Masters degree in commerce, Diploma in Business Administration	M.Sc., MBM, M Phil, Ph.D. degree
Brief resume and expertise in specific functional area	<p>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 LICHL 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.</p>	<p>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 &amp; FS Renewable Energy Limited in March 2008. 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, Member of the Board of Management of Bombay Hospital Trust and is also a member of Advisory Board for Institute of Indian Economic Studies (IIES), Waseda University, Tokyo, Japan.</p> <p>Mr. Purwar was the Chairman of State Bank of India, the largest bank in the country from November 2002 to May 2006 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 &amp; 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.</p>	<p>Dr. S Narayan retired IAS is an eminent public administrator for nearly four decades (1965 to 2004). He was in public service in the State and Central Government in development administration. Retired as Economic Advisor to the Prime Minister of India, he has rich experience in implementation of economic policies and monitoring of the special economic agenda of the Cabinet on behalf of the Prime Minister’s Office, and is also experienced in formulation of macro-economic policy for the Government tariff and taxation polices, as well as initiatives for modernizing the capital markets.</p> <p>Dr. Narayan hold M.Sc., MBM, M Phil, Ph.D. degree.</p>

Directorships held in other public companies (excluding foreign companies)	1. Hindustan Motors Limited 2. Cineline Limited 3. HM Export Ltd	1. Vardhaman Textiles Ltd. 2. Reliance Communications Ltd 3. Jindal Steel & Power Ltd. 4. Apollo Tyres Ltd. 5. IL&FS Renewable Energy Ltd.(IREL) 6. Jindal Power Limited. 7. C & C Constructions Limited 8. Vardhman Chemtech Limited 9. Sri Kavery Medical Care (Trichy) Limited	1. Apollo Tyres Ltd. 2. Dabur India Ltd 3. Godrej Properties Ltd. 4. Seshasayee Paper and Board Ltd. 5. Aviva Life Insurance Co. India Ltd. 6. Teesta Urja Ltd.
Membership/ Chairmanship of committees of other public companies (includes only Audit Committee and Shareholders/ Investor Grievance Committee)	Audit and Shareholder Grievance Committee of Hindustan Motors Ltd	Audit Committee: 1. Reliance Communications Ltd, Chairman 2. Jindal Power Ltd. 3. Sri Kavery Medical Care (Trichy) Ltd. Shareholder Grievance Committee: Reliance Communications Ltd.	Audit Committee Member of Dabur India Ltd.
Number of shares held in the Company	65,000	65,000	Nil

### Important Communiqué to Members - Green Initiative in the Corporate Governance

The Ministry of Corporate Affairs (MCA) has taken a Green Initiative in the Corporate Governance by allowing paperless compliances by the companies and has issued a Circular stating that service of all documents including Annual Reports can be sent by e-mail to its Members. Your Company believes that this is a remarkable and necessitated initiative by MCA and requests all its Members to support in this noble cause.

We therefore propose to send documents including Annual Reports in electronic form to the Members on the email address provided by them to the Company/Share Transfer Agent/the Depositories.

The Members who holds shares in physical form are requested to intimate/update the email address to the Company/Share Transfer Agent while Members holding shares in demat form can intimate/update their e-mail address to their respective Depository Participants.

# COMING OF AGE

18<sup>th</sup> Birthday Edition

INDIA INFOLINE LIMITED

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18<sup>th</sup> ANNUAL REPORT 2012-2013



## **A MODEST CELEBRATION**

An 18th Birthday marks a young person's transition to adulthood - becoming independent, self sufficient and responsible. For the IIFL Group, it marks a new high not only on parameters of income and profits but also on levels of trust of customers, employees, shareholders and society at large. IIFL is happy - and humbled - upon reaching this milestone on its journey, and by the trust that over two million customers repose in it. We are also excited and elated on moving into a new orbit of growth and challenges.

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## Chairman's Message Coming of Age

*Dear Shareholders,*

Your company celebrates its 18th birthday this year, with record all time high income and profit, which on a consolidated basis stood at ₹ 26.7 bn and ₹ 2.79 bn respectively. What is more pleasing to note is that these numbers look a lot less vulnerable with a diversified business mix and position of leadership in core businesses.

Your company has truly come of age. Wikipedia defines coming of age as a young person's transition from childhood to adulthood. An adult is a person who is independent, self sufficient and responsible; the age when the person becomes strong and mature enough, has developed the muscles and sinews to take on

Your company celebrates its 18th birthday this year, with record all time high income and profit..... these numbers look a lot less vulnerable with a diversified business mix

the world and has the education and experience to understand the responsibility of taking independent decisions. Your company has a balance sheet of over ₹ 131 bn and consolidated networth of ₹ 19.6 bn. It's loan assets are one of highest quality and capital adequacy, well above statutory threshold. It supports employment of over 24,000 people directly and thousands more indirectly. The company services its 2.1 mn customers through its network of 3,820 locations, covering literally every nook and corner of the country. It is a proud corporate citizen with cumulative contribution since inception to the exchequer of over ₹ 5 bn. It is a respectable social entity



fulfilling its social responsibilities. The company has set an example for the peer group with its financial literacy campaign that has reached to more than 30 mn people. We have an established brand, recognition, reach, relationship with customers, technology that is original, cut above the rest and proven. Above all, our people have the character, commitment and competence expected from a leader and as owner mindset that ensures that their interest are aligned with other stake-holders.

When we look back at the last 18 years of the company's existence, we have seen the best years of economic growth and the worst years of economic crisis; the booms and bubble bursts, prosperity and scams, revolutionary regulatory overhauls and geo-political upheavals and of course, the wonders of technology in every aspect of our lives. Amidst all this, in terms of excitement and thrill, we could not have asked for more. We have been riding a roller coaster of business and economic cycles. Yet, a few things have not changed. One, our undiluted focus on our core domain of financial services. Two, our values that allow no compromise whether in letter or spirit, when its about integrity, transparency and compliance. Three, our relentless pursuit of sustainability and stability in earnings by diversifying our business mix.

India is emerging, with its indomitable enterprising spirit. In the near term, political instability, inflation and global economic turbulence pose some hindrances to our country's dreams and ambitions of being amongst

global leaders and uplifting crores of Indians to superior living. If one looks ahead keeping in mind a longer term picture, India's economic juggernaut will move on and gather momentum. Our demographics with preponderance of young people, democracy and judiciary ensuring freedom of enterprise and hard working enterprising culture position us much better than many other nations to sustain rapid growth over the long term.

If Indian economy has to grow, financial services have to grow even faster. Your company has a position of pre-eminence in the sector. Over the years, we have reduced our

Our efforts have been contributing to financial inclusion of people from less privileged segments of the society. Our strength is our distribution and reach to retail customers in small towns and cities across the country

dependence on the core business of equity broking. In FY13, equities broking was a minuscule 13% of our income. Post infusion of substantial

equity capital in the group companies in 2007-08, we have systematically and in a disciplined way nurtured our NBFC business and today it has become a key propeller of sustained growth. At present, penetration of credit in India is way below its potential. Our efforts have been contributing to financial inclusion of people from less privileged segments of the society. Our strength is our distribution and reach to retail customers in small towns and cities across the country.

Our government and RBI have felt the need for a few new private banks. Your company's board has evaluated the guidelines and IIFL's case for being a fit and proper candidate. The Board, after due consideration, has decided that the company should apply for converting its NBFC into a bank. The IIFL group, with its presence across the country and trust of lakhs of retail customers, indeed has the credential to deliver financial inclusion better than most others. The NBFC's loan and financial assets have grown to over ₹ 100 bn and with a record of consistent high credit quality and strong retail base, should look at the natural progression of converting into a bank.

Your company, with rich managerial depth and strong financials, is well placed to weather headwinds, overcome challenges, seize opportunities and move into the next orbit of growth.

**Nirmal Jain**  
Chairman

*'Your Company' reference may be to India Infoline Ltd and its subsidiaries as consolidated picture is fairer representation*



## A small group of professionals formed an Information Services Company\*

The company was formed in October 1995 with a vision to produce high quality, unbiased, independent research on the Indian economy, business, industries and corporates.

\*The company was originally incorporated as Probity Research & Services Pvt. Ltd.  
The name of the company was later changed to India Infoline Ltd.

# 1996





## Onwards and upwards!

We launched our research products - Probity 200 Company Reports, followed by Economy Probe, Sector Reports covering Pharmaceuticals, Information Technology, Oil & Gas and FMCG among others. Leading FIs, brokers, banks and companies were immediate subscribers.

# 1998





## The Launch of [www.indiainfoline.com](http://www.indiainfoline.com)

Up popped a crazy idea - if all this research were to be available free on the internet, the number of users could well leap straight from hundreds to millions. We took the plunge and thus [www.indiainfoline.com](http://www.indiainfoline.com) was born! CDC (now Actis) was the first private equity firm to invest US\$1mn.

# Launched online trading through www.5paisa.com

This was the year we became one of the pioneers of online trading, with the launch of 5paisa.com, a paradigm shift, with full service brokerage at 0.05% when the industry was at 1-1.5%. We received growth capital from Intel and others in this year of 'dot-com euphoria.'

# 2000





# 2001

## Dot com bust-and preparations for better times!

The 'internet bubble' burst with a vengeance and funding just vanished. We persevered, nevertheless, with laying the foundations of our distribution business, becoming India's first Corporate Agent for Insurance, tying up with ICICI Prudential Life Insurance.

## Difficult year - Survive without losing focus

There was global gloom. The internet bubble burst, the economy witnessed a slowdown and the stock market was paralysed by the Ketan Parekh scam. We conserved resources, focused on survival and avoided any distractions, which were away from our core competencies i.e. financial services.

# 2002





Making fortunes on your screen!

# New trader terminal at Stock Exchange

IT Correspondent  
Kanpur, May 7

DIRECTOR OF M/S India Infoline Limited Atul Rastogi launched the new '5Paisa Trader Terminal' based on Internet trading system at

on. Executive and Incharge Kshitiz Aggarwal launched new trader terminal software, which is copied from a

Sentence : Life  
Bail : Rs. 555

Feel uncomfortable to those never-ending charges on your various accounts? Confused and locked up, even by your proxy club? Ever lost your cool, rattle the bars and stamp your feet? Screaming for permanent release from petty jailers' custody?

Well, from today, just pay a one-time Rs.555, and avoid freedom's years!

Pay Rs.555 one premium. Broker Accounts for a life for the rest of your monthly charges.

Yes, you get 5p trading interface. Yes, you get 5p customer service. Yes, you keep Rs 5,000. Yes, you pay choose to use. Yes, there are

SMS P...  
Call To...  
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Trader Terminal the world's most...  
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let, your desktop...  
streaming quotes...  
lay and historical...  
based alerts, real...  
time making ideas...



5paisa.com

You get...  
world-class...  
by Forbes as 'Best...  
and a 'must for...  
Your trades happen...  
than you can fulfill...  
Invest brokerage of...  
or 0.05% Anytime...  
course you can trade offline on...  
all India Toll-Free number below...

Contact us for your free Demo and for further details at:  
Free 1600-22-6555

E-mail: info@5pmail.com



5 paisa.com

# 2003

## Trader Terminal - Our proprietary software to revolutionize online trading

Convinced that technology was game changer, we launched the 'Trader Terminal', a pioneering technology that we built over 3 years, shall we call it retail investor's Bloomberg. The product became an instant hit and remains sought after even to this date.

## Our commodities license

We were again at the forefront to offer commodities broking to retail investors. A coincidence may be, but this was when our magical linkage between transactional and advisory expertise began.

# 2004





## THE ECONOMIC TIMES

### India Infoline IPO oversubscribed 7.34 times

AGENCIES April 24, 2005, 11:10AM IST

MUMBAI: The Initial Public Offering (IPO) of India Infoline, one of the leading online broking and financial advisory services companies in India, has got an overwhelming response with the offer getting subscribed by 7.34 times.

The company received bids for 85.74 million shares as against the 11.68 million shares on offer in the issue. Of the total applications, almost 99.93 per cent were received at the upper end of the price band.



# 2005

## Our Maiden IPO - the tipping point

Listing on the NSE and BSE gave impetus and momentum to expansion, scaling up and funding. It was again full steam ahead. The IPO was at Rs15.2 (adjusted for split) and shareholders have received Rs15.7 by way of dividend.

The price was Rs60.65 as at FY13 end.

## Commenced our lending business

This was another major move for our group - from fee-based to fund-based business. From a modest beginning with all processes and controls, the NBFC was later to become the most dominant business line.

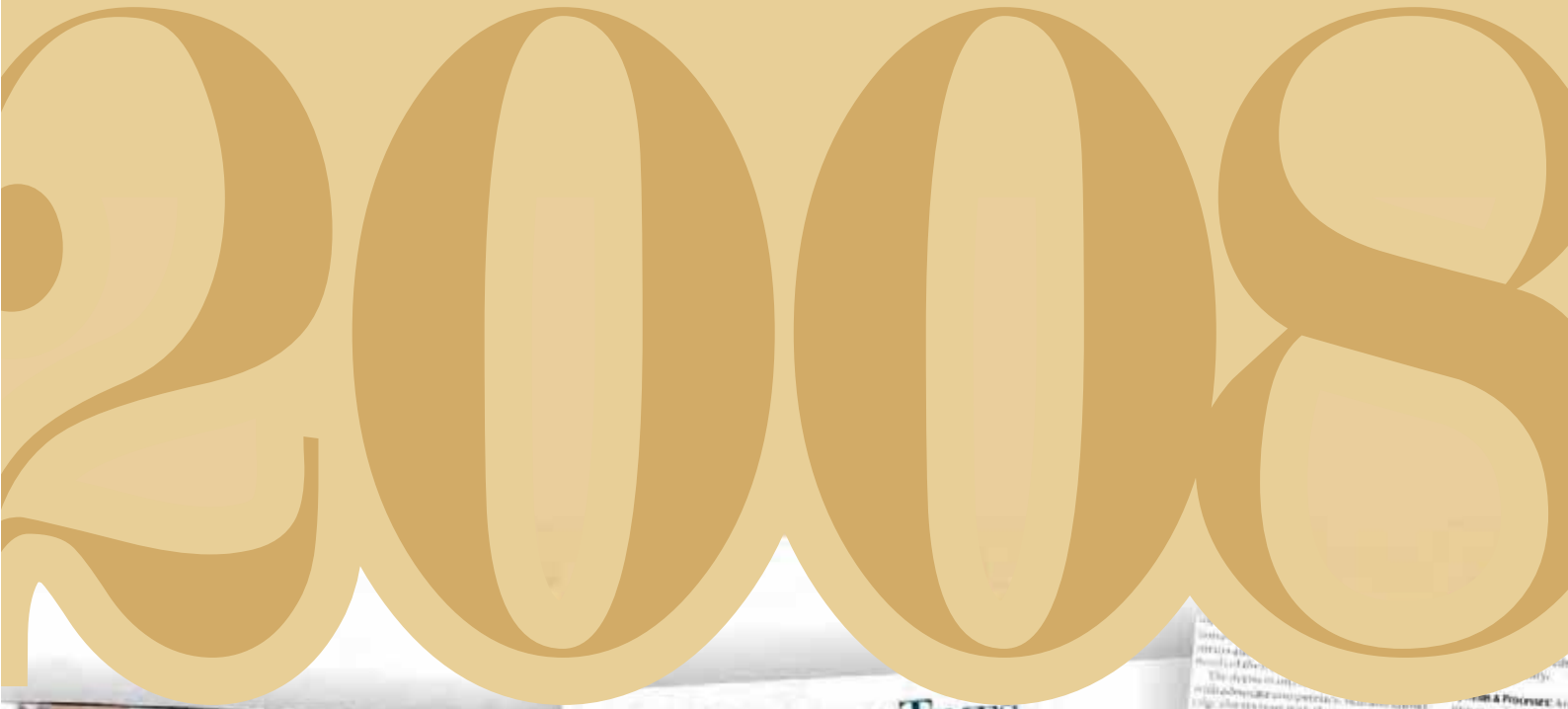
# 2006





# Launched IIFL Private Wealth Management

IIFL Wealth's business model, in contrast to the traditional industry's practice of driving revenues through distribution and commission, focuses on advisory fees as core income, ensuring alignment of interests with those of our clients. Meanwhile, we transitioned from a corporate agent to insurance broking.



## THE ECONOMIC TIMES

### Infoline lures Kotak execs with sign-on bonuses

TNN - Jan 11, 2009, 03:08 am IST

MUMBAI: The saga of huge sign-on bonuses of Mahindra Bank, who left to set up India Infoline sign-on bonuses from the brokerage.

People in the know said that the compensation line announced in the market of...



Home | Business | International News | Market Trends | Stocks | Fund Update | Personal Finance | Corporate Strategy

### India Infoline's income crosses Rs 1000cr, up 140% YoY

India Infoline's full year income crosses Rs 1000 crores mark, up 140% over FY08. The Weighted Annualized Premium Income (WAPI) in our life insurance business was Rs 4.42 billion, up 24% YoY, assisted from Mutual Funds mobilization was Rs 1.98 bn, up 27% YoY.

SN Nimalan, CEO, India Infoline, said "The financial year 2008-2009 was quite an eventful year for the market as well as the company. The market jumped through unprecedented turbulence and volatility. Yet, the company scaled new heights and gained market share. This remarkable work is a result of the long term India growth story and the increasing role of financial services industry in driving the growth. We are pleased to leverage on this growth opportunity."

## THE BUSINESS LINE

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### India Infoline sets up offshore asset management biz based in Singapore

Our Bureau

Mumbai, Sept. 16 Mumbai-based financial services firm India Infoline on Thursday announced the launch of an offshore asset management business to be managed by India Infoline Capital (IIFL) and will be based out of Singapore.

"India Infoline Capital IIFL aims to offer India-focused equity products and fund management and advisory services for offshore as well as domestic customers," said a release issued by India Infoline.

"IIFL plans to launch two funds towards the beginning of 2009 and will focus on the developed markets' investor base of pension funds, endowment funds, mutual funds, HNIs, sovereign fund and India equity exposure in asset allocations," said Mr. Deepesh Pandey, Co-Head, Investments, IIFL.

### EXPERT TAKE | BY KARAN BHAGAT, CHIEF EXECUTIVE OFFICER, IIFL PRIVATE WEALTH MANAGEMENT



## Do The Due Before You Choose Your Financial Advisor

The wealth management market in India may have a large size of 42 million in 2012, against just about 1 million in 2007. Indians will have \$1 trillion in net worth by 2012, with the country's net worth from just about \$250 billion in 2007. According to a report by international consulting firm Capgemini, India will require more than 100,000 financial advisers by 2012. The demand for financial advisers is expected to rise significantly through 2012.

According to Wikanda, a financial adviser is a professional who renders financial services to individuals, businesses and...

included low-cost products which... product respectively... on the investor's financial health.

Client References: If the adviser has been a part of a low-cost product, it is a good sign. It is a good sign if you have been a part of a low-cost product. It is a good sign if you have been a part of a low-cost product.

Several companies are...



# 2009

## Enterprising India

Our first global investor conference, Enterprising India, held in 2009-10, received an overwhelming response. It was attended by 450 fund managers, 67 corporates and thought leaders like Jim Walker, David Bloom and Brahma Chellany among others.

# Beyond Borders

IIFL became the first Indian broker to register on the Colombo Stock Exchange. In the same year, IIFL received in-principle approval for membership of the Singapore Stock Exchange.



## Equity Investing: Weapons of mass inclusion

India's growing prosperity and wealth creation from investing is enjoyed only by a handful of investors. Spread of equity cult can make a lot of difference to the future generation.

**I**t's become a common refrain in India that the country is a land of billionaires. The number of billionaires in India has increased from 10 in 2005 to 100 in 2010. The country is now a global financial hub. The Indian economy is growing at a rapid pace. The country is now a global financial hub. The Indian economy is growing at a rapid pace. The country is now a global financial hub. The Indian economy is growing at a rapid pace.



India's growing prosperity and wealth creation from investing is enjoyed only by a handful of investors. Spread of equity cult can make a lot of difference to the future generation.

### Equity STRATGO

#### Galloping Ahead

All the indicators of the present growth curve in India point towards a good time ahead. That will especially be true for some of the fastest growing sectors such as infrastructure, information technology, banking, etc.

### Equity STRATGO

Equity investing is the most effective way to create wealth. It is a long-term investment strategy. It is a long-term investment strategy. It is a long-term investment strategy. It is a long-term investment strategy.

## India Info gets Colombo SE membership

**MUMBAI:** Financial services provider India Infoline has received a provisional membership from the Colombo Stock Exchange (CSE) for stock broking. The company will soon set up a subsidiary for commencing stock broking services in Sri Lanka. India Infoline Group executive director R Venkataratnam said, "Our Sri Lanka operations will enable us to leverage on our technology, particularly proprietary internet trading platform, research capabilities and effectively cater to domestic and foreign investors in the country," he said. The provisional membership has made India Infoline the first India-based broker to register on the Colombo Stock Exchange.

### Advisory

#### BRICK & MORTAR TO WEB

Advisory services for brick and mortar businesses. Brick & Mortar to Web. Advisory services for brick and mortar businesses. Brick & Mortar to Web. Advisory services for brick and mortar businesses.





# 2011

## The Launch of IIFL Mutual Fund

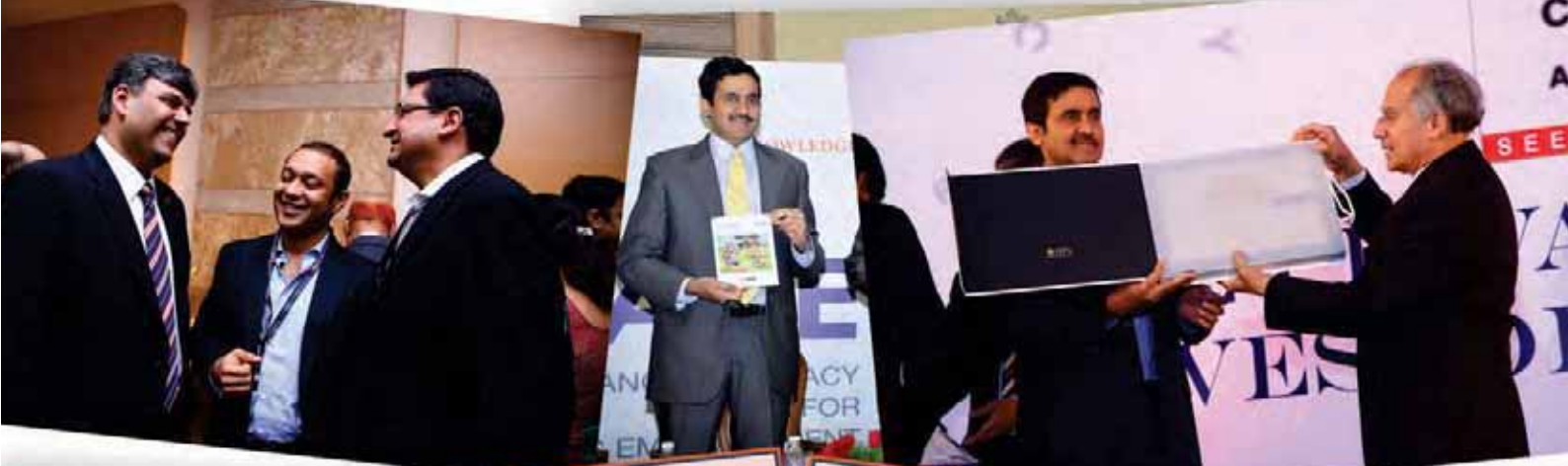
We incorporated the IIFL Asset Management Company, and in doing so, ensured our coverage of the entire gamut of financial services.

# Announcing the Real Estate Fund

A debt and equity linked investment instrument, this fund's focus is on affordable residential segments in the top seven cities in India. The maiden fund raised Rs5bn, as a testimony to customers' trust.

# 2012





**When it's about money..**

**Being close always helps**

When you need to take decisions about...  
...you don't want your partner to...  
...the way. We are here for you...  
...and we are always there for you...

**When it's about money..**

**Trust is a must**

We take nothing more than your trust...  
...every time you step with us or through...  
...us. We know that you rely on our...  
...intuitive communication...  
...with the...  
...with the...  
...with the...

**When it's about money..**

**Technology works wonders**

Technology has transformed the way...  
...it works - and we are the equivalent...  
...but and efficient. Always at the...  
...forefront of cutting edge technology...  
...we deliver the customer...  
...Our first and...

**When it's about money..**

**Knowledge is the edge**

Knowledge is the edge in providing...  
...and it is critical to your success...  
...and it is critical to your success...  
...and it is critical to your success...  
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# 2013

## The biggest AIF and all time high income and profits

We launched AIF raising Rs6.28bn, the largest AIF fund in India, till date. Over the years, our business model has been de-risked and is no longer dependent on cyclical capital markets. Reported all time high Income of Rs 26.65bn and PAT of Rs 2.79bn.

# IIFL Group Today Overview

## Key Businesses

- Credit and Finance
- Wealth Management
- Financial Products Distribution
- Asset Management
- Equities, Commodities and Currency Broking

## Vision

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

## Values

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

## Growth

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

## Integrity

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

## Fairness

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

## Transparency

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

## Service

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

2.1<sub>mn</sub>

No of customers

3,820

Business locations

8

Presence in countries

14,000+

Team strength

250+

Stocks covered

₹ 400+<sub>bn</sub>

Wealth under advice

# Awards



Mr R Venkataraman received the award on behalf of IIFL at the D&B Equity Broking Awards, 2012



Entrepreneur of the Year  
(Mr Nirmal Jain) - 2012



Top Performer – Equity –  
FI Category – 2012



Best Wealth Management  
House – India  
2011 & 2012



Best Market  
Analyst 2009 & 2012



Best Commodities  
Investment 2012



Decide with Confidence  
Best Broking House  
With Global Presence  
2011 & 2012



*Dear Shareholders,*

**“The Only Thing That Is Constant Is Change -” – Heraclitus**

Your group started as an independent research entity catering to the specialized needs of the institutional investor. It saw a great opportunity in the Internet space to reach out to a larger audience and as a result www.indiaonline.com was born. Over years, it incubated and scaled up many new businesses to emerge as one of India’s leading financial services companies. In the last five years itself, we have expanded our institutional broking, wealth management, consumer lending and asset management businesses.

As the years passed, our revenue mix has changed significantly - from being predominantly equities broking driven, to consumer finance. Now, in the last fiscal, our revenue from equities broking came down to 13% of our total income. About 70% of our income is attributable to the consumer lending business. Even within the NBFC strategic business unit, we have diversified and are not a single-product company. Our loan book is diversified and we lend against the security of homes, gold, capital markets instruments, medical equipment and commercial vehicles.

When we commenced our NBFC journey, the core products were home loans, loan against property, loans against shares and personal loan. Very soon, we identified what would work in the changing market scenario

and discontinued the unsecured personal loans business. Since then, your company has successfully added product lines like gold loans and medical equipment finance to its loan suite. Last year, we launched a pilot on financing of new and used commercial vehicles, which is slowly and steadily gaining traction. The key to success in lending business is credit underwriting and risk management. Your company has a strong system of audit and control as evidenced in the low gross NPA.

India Infoline Group has emerged as a diversified financial service provider with multiple revenue streams. It is no longer dependant on a single product, thereby insulating itself from volatility that can impact any one business. This diversification, apart from a risk mitigation tool, is also a revenue enhancer. This approach has helped us to identify new opportunities as

our revenue from equities broking came down to 13% of our total income. About 70% of our income is attributable to the consumer lending business

well. In the last few years, in line with the changing business environment, we have successfully diversified into Wealth Management. Despite tightening of regulations, Asset Management business has long term potential and is synergistic to our other businesses. In most of the businesses we operate, we are amongst the market leaders and have a dominant competitive positioning.

**“The secret of change is to focus all of your energy, not on fighting the old, but on building the new.” – Socrates**

As I am writing this message to you, world economy is facing the impact of Federal Reserve Governor, Ben Bernanke’s statements about the end of quantitative easing. This has impacted asset classes across the globe –equities, commodities, currency and money markets. The domestic markets have been volatile and dependent on foreign inflows. Despite of short term headwinds, there is a long-term optimism about the future of the Group’s business. On one hand, India has the most favourable demographics in the world and on the other the country has one of the highest saving rates. The convergence of these realities provides us with a great opportunity, and is intricately linked to the growth of the country’s financial markets. On the domestic macro economic front, the worst appears to be behind us.

## Managing Director's Message Taking a look forward



The Indian regulators have taken a number of steps to make mutual fund and life insurance products consumer-friendly, creating the foundation for responsible growth. The Reserve Bank of India's steps towards supervision of NBFCs will have a long term impact on improving the credit worthiness and resource flows to the sector. While these changes may create challenges for all players in the short term, they will definitely help in enhancing prospects for the long term. We need to deliberate on a strategic response to overcome these challenges.

Going ahead, your Group would remain committed to its core competency - financial services. We will continuously transform to address changes in a dynamic market place, leveraging our competitive position

We will scan the environment to identify next engines of growth without wavering from our core of financial services

across multiple product lines. We will scan the environment to identify next engines of growth without wavering from our core of financial services. There might be bigger opportunities in real estate or consumption, but we will let them pass.

The key to our success in the past, and no doubt in future, is our people.

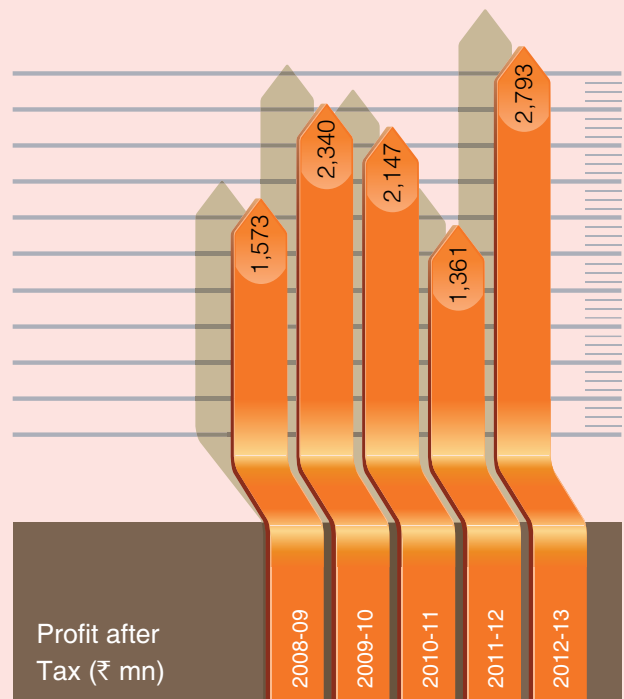
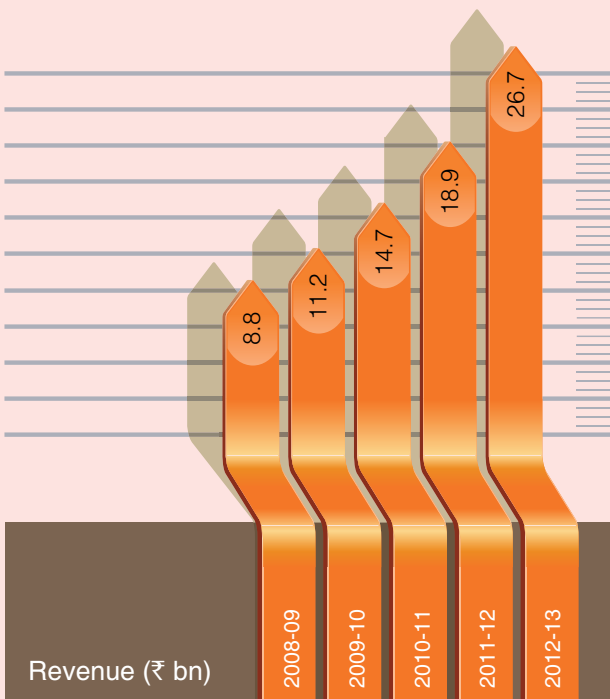
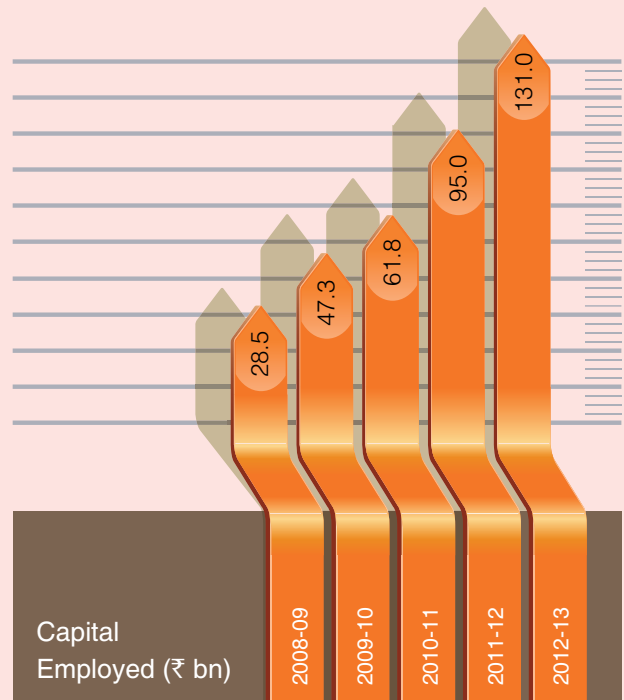
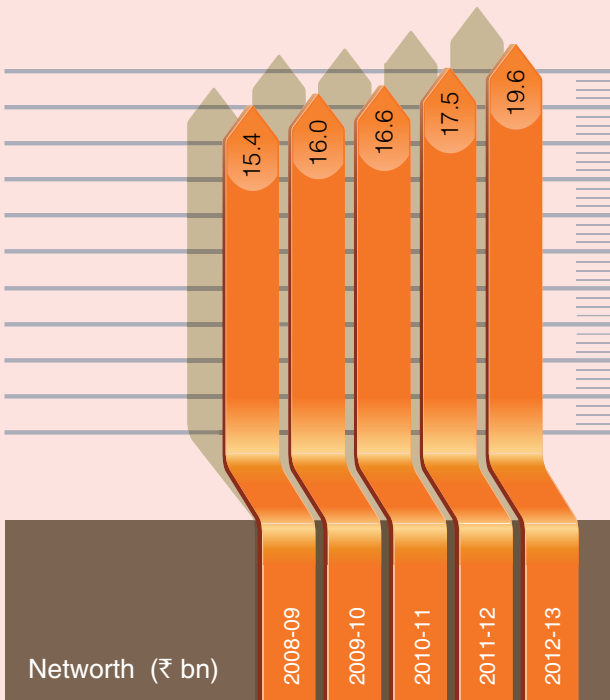
We will continue to invest in training our people and enhancing their competencies – which we believe will help us to serve our customers better. We will reinforce our client-centricity through proactive investments in processes and technologies.

Every organization has to adapt to survive to the needs of the changing environment. As **Andrew Grove prescribes - "Success breeds complacency. Complacency breeds failure. Only the paranoid survive."** We are a paranoid organization and will not take past success for granted but strive to forge ahead.

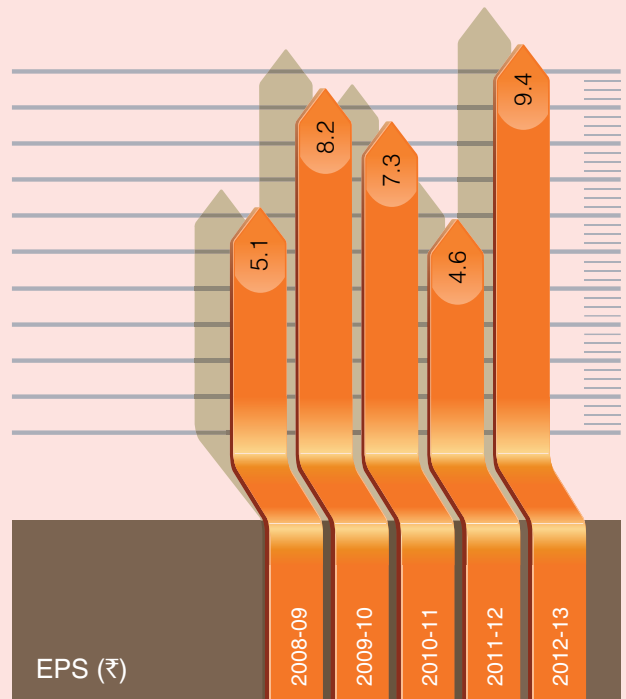
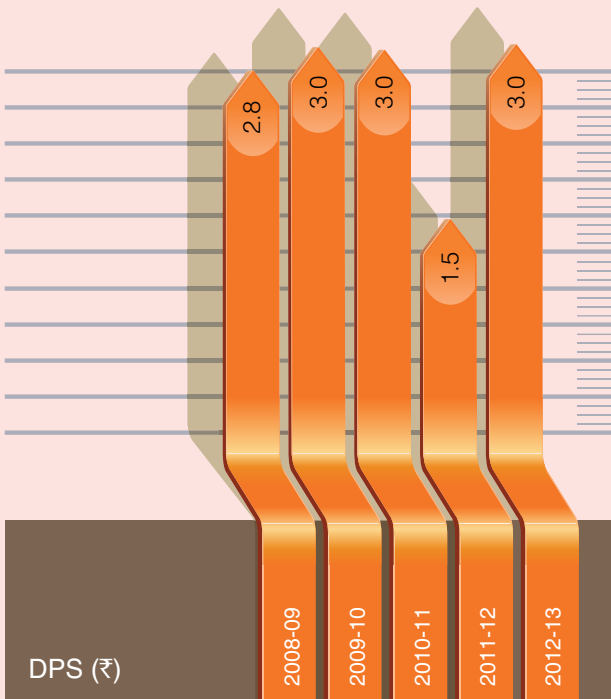
R Venkataraman  
Managing Director



# Highlights 2012-13







# Credit and finance

## India Infoline Finance Limited

The IIFL Group offers credit and finance facilities through its subsidiaries India Infoline Finance Ltd (98.87% subsidiary of India Infoline Ltd) and India Infoline Housing Finance Ltd (wholly-owned subsidiary of India Infoline Finance Ltd).

The diversified lending portfolio comprises the following:

- Home loans
- Healthcare finance for medical equipments
- SME and Trader loans
- Loans secured against Gold jewellery
- Commercial vehicle financing
- Loan against property
- Capital market finance secured against securities

We have a robust credit evaluation process, which not only takes into account the value and quality of the collateral, but also cash flows of the potential borrower.

Backed by a diversified portfolio, robust credit assessment, effective risk management techniques and an efficient collection mechanism, the net NPAs are kept well under control at less than 0.2%.

## Review, 2012-13

- Revenues stood at ₹ 17.37 bn in 2012-13 compared with ₹ 9.53 bn in 2011-12, a rise of 82.10%.

- Loan book grew 39% to ₹ 93.75 bn as on March 31, 2013 from ₹ 67.47 bn as on March 31, 2012.

- Mortgage loans (home and property) accounted for 41% of the loan book, Gold loans accounted for 41%, Capital Market finance accounted for 13.51%, Healthcare finance for 3.28% and commercial vehicle and personal loans accounted for 0.8% of the total loan book, as on March 31, 2013.

- Conservatism in lending with a high safety margin was maintained in leverage as reflected in the capital adequacy ratio of 21.6% (well above the minimum statutory requirement of 15%).

- Net Interest Margin (NIM) stood at 9.5% for 2012-13 as against 7.4% in the previous year, despite a challenging macro-economic environment.

- Process improvement initiatives were taken to reduce the turnaround time (TAT) in each credit business.

## Outlook

**Mortgage loans:** There is a growing demand for homes on account of urbanization and rising rural incomes. For urban India, the demand for homes is expected to increase as there is an estimated existing shortage of 26.5 mn dwelling units as per the Ministry of Housing and Urban Poverty Alleviation, Govt. of India. This augers well for demand for mortgages.

**Gold loans:** Until a decade ago, most of the country's lending against gold was in the unorganized sector (pawnbrokers and money lenders). However, this scenario has been changing following the entrance of organized players, who now command more than 25% of the market. Although the organized gold loan sector witnessed a 40% CAGR since 2002, the industry expects a growth of 20%, following changes in RBI norms.

**Health Care Financing:** India's health care spending is only 5% of GDP compared to 15% in USA. The spending is set to rise to address the healthcare needs of a large population, resulting in a growing demand for equipment financing.

## Strategy

In the mortgage segment, the Company will focus on housing loans. The Company sees a huge untapped opportunity in semi-urban and rural areas, which can be serviced easily through our extensive reach.

The Company will target the micro, small and medium enterprises mushrooming across the country through a cluster approach for Gold loans and SME and Trader financing.

The Company recently launched a new product line in commercial vehicle financing, which will meaningfully contribute to revenues.



# Wealth management

## IIFL Wealth Management Ltd

In an increasingly unpredictable world, there is a greater investor need for a comprehensive wealth management solution as opposed to disparate services.

IIFL Group offers private wealth advisory services to high net worth individuals (HNI) and corporate clients under the IIFL Private Wealth brand. The company provides an exhaustive product platform with complete advisory services (equity, mutual funds, fixed income and structured products). The company's fixed income practice coupled with a large bond desk facilitates direct access to sovereign, corporate and collateralised debt.

IIFL Group brings excellent credentials to this business. Its recommendations are backed by strong proprietary research.

The company manages the five significant constituents - people, platform, product, processes and propositions - that go into successful wealth management and advisory services. The result is that the Company aggregated over ₹ 400 bn of 'Assets under Advice' (AuA) on a client base exceeding 7,000 families towards the close of 2012-13.

## Review, 2012-13

The year was marked by a number of regulatory changes, expected to catalyse sectoral growth.

- SEBI introduced well-defined guidelines for Alternate Investment Fund (AIF) control, helping investors select the appropriate investment from three categories. This enhances the flexibility in the nature of investment mandate (instruments). The Company launched its first AIF in the last week of February 2013 (also the largest today) and collected ₹ 6.28 bn. Following the AIF guidelines, assets under management are set to grow manifold
- SEBI segregated the role of an agent and advisor following complaints of unethical product endorsement by 'advisors'
- The Direct Plan came into effect from January 2013, targeting investors who did not make their mutual fund investments through distributors; these plans feature a lower expense ratio than existing plans

The business grew revenues from ₹ 13.8 mn in 2008-09 to ₹ 1.65 bn in 2012-13.

## Outlook

India had 126,000 HNIs with wealth of US\$ 477bn in 2011 as against 100,000 HNIs with US\$ 350 bn in

2006 (Source: Capgemini). Even as India's HNI count to total population grew from 0.007% to 0.011% from 2004 to 2011, the numbers are small compared to mature markets, which indicates prospects for growth

Despite economic headwinds, India offers scope for growth given positive long-term economic prospects, favourable demographics and low financial product penetration. Using a five-year historical average of HNI wealth/GDP combined with IMF's GDP projections, it is estimated that HNI wealth in India will grow to US\$ 952 bn by 2017, a 12% CAGR from 2011. Besides, the total net worth of Indian ultra HNI households is expected to reach ₹ 23,500 bn in 2015-16, up from an estimated ₹ 45,000 bn in 2010-11. Taking into consideration a minimum net worth of ₹ 250 mn, India had 62,000 ultra HNIs in 2010-11, which is poised to more than treble to 219,000 households by 2015-16 (Source: Kotak-Crisil).

## Strategy

As per the change in SEBI guidelines, dictating the need for organisations to draw clear boundaries between their advisory and distribution channels, the Company intends to create two different companies. The company is also investing in technology and systems for more effective delivery.





## Financial products distribution

The IIFL Group distributes a range of financial products like life insurance, mutual funds, National Pension Scheme (NPS), bonds and debentures through its extensive distribution network. The company is a leader among non-bank promoted entities in the distribution of life insurance and mutual funds.

Life insurance was the dominant category, with the Company following an 'open architecture' model to distribute products of major insurance companies (through its subsidiary India Infoline Insurance Brokers Ltd).

The Company distributed insurance policies through nine tele-calling centres and its wide branch network; insurance premium collection was conducted through a dedicated 70-member team.

The company enjoyed the services of experienced and qualified personnel at the NBFC branches to educate and assist customers. The company interfaced with customers through direct engagement and newsletters,

helping timely renewals.

The company possessed 4,000 tele-calling workstations to reach customers. It organized periodic seminars in more than 200 locations to educate the masses on investment benefits.

The company extended deeper into semi-urban and rural areas, where knowledge and penetration of financial investment was low. The company's seminars helped educate 50,000 people on insurance products.

### Review, 2012-13

- Annual premium mobilisation (APE) for the Company was ₹ 3.2 bn
- There was a marked shift from ULIP plans to endowment plans in line with shifting customer preferences and regulatory changes
- There was enhanced focus on the mutual funds business, which helped expand market share

### Outlook

A significant increase in the young

working population and improving penetration could drive a 15-20% CAGR for the life insurance sector over 15-20 years. Of the insured population, a significant percentage remained under-insured. So, while premium as percentage of GDP was 4.47%, the sum assured as a multiple of GDP was just 0.3.

In the area of mutual funds, following two consecutive years of decline, the industry registered a smart rebound in 2012-13, with assets nearing ₹ 8 trillion (increase of about ₹ 2 trillion in 2012). The mutual fund industry is expected to grow 15 to 25% in the coming years.

### Strategy

The company plans to widen its sub-broker network to grow its presence in semi-urban and rural areas and enhance sales through online portals to emerge as a leading distributor for all financial products.



# Asset management

We launched our Asset Management business in 2011 with a unique proposition. The maiden scheme was (and still is) the lowest cost Nifty ETF in India. A total of six schemes were launched, including four close-ended debt schemes and two open-ended equity schemes. Total assets under management stood at ₹ 3.27 bn as on March 31, 2013.

Our strength lies in gauging the market pulse and launching niche products with low churn and high operational efficiency, thereby minimising costs.

## Review, 2012-13

- The Company launched a unique scheme called IIFL Dividend Opportunities Index Fund ('Scheme', which is a passively managed scheme based on CNX Dividend Opportunities Index (Dividend Index)). This index comprises stocks of large and mid-cap companies spread across 25 diversified sectors.
- IIFL's Dividend Opportunities ETF was ranked the second best performer by Value Research
- The Company launched Fixed Maturity Plans, which are ideal for all investors wanting benefits across different parameters, such as lower market risk and tax efficient returns

- The Company conducted several seminars to interact with the masses, spreading awareness on the benefits of mutual funds investing

## Strategy

Mutual Funds offer one of the best investing avenues for most individuals. The fund will be on the lookout for unique opportunities in fixed income, equity and gold, based on market studies and people interaction. Over the coming months, fund plans to expand product basket extensively, particularly in the fixed income segment.



# 5 Equities, commodities and currency

IIFL Group is a leading online and offline broking as well as advisory services provider for cash and derivative segments directed at retail and institutional clients. Over a decade, the Company created a brand marked by informed research, systemic uptime, transaction speed, cutting-edge technology, extensive footprint, high service standards and competitive brokerage.

The company pioneered the concept of internet broking in India and rationalized brokerage rates from 1-1.5% in the late nineties to as low as 0.05%.

IIFL Group's extension into commodities and currency trading reconciles with its vision to emerge as a one-stop-shop financial intermediary.

## Review, 2012-13

Following the economic slowdown, equity cash trading volumes declined and the business shifted to low yield products (options). This decline from the equity segment was partly offset by increase in currency and commodity revenues. Average daily turnover in the equities segment was ₹ 50.36 bn in 2012-13 compared with ₹ 52.64 bn in the previous year;

equity market share on NSE was 3.6% in 2012-13 compared to 3.8% in the previous year

In the currency business, average daily turnover stood at ₹ 6.44 bn during 2012-13 against ₹ 5.89 bn in the previous year, whereas average daily commodity turnover stood at ₹ 17.46 bn during 2012-13 as against ₹ 14.81 bn in the previous year

- The Company introduced SIPs in equities, gold and silver
- It launched a product called Super Multiple, which provides higher multiples for the client to trade in certain scrips
- It provided live Dow Jones news on IIFL Group's trading portal to enable clients take informed decisions.

The result was that broking revenues increased 1.3% to ₹ 5.52 bn in 2012-13 as against ₹ 5.46 bn in 2011-12. Broking accounted for 20.73% of revenues during the year under review as against 28.93% in 2011-12.

## Outlook

Even as the brokerage revenue pool remained flat at around ₹ 105 bn for 2012-13 when compared with 2011-12 (source: ICRA), there are reasons for optimism. Inflation has fallen sharply

in recent months and the RBI has responded with a series of Repo rate cuts in the first half of 2013. Once the current account deficit is reined in, more RBI measures are expected. The reform process is also likely to resume post India's General elections. Many reports project India to be the fourth largest economy in 2020 (projected GDP of over US\$ 4 trillion), which is an encouraging long-term indicator for the capital market.

Among other positives, the Securities Transaction Tax (STT) on equity futures contract was reduced from 0.017% to 0.01% in Union Budget 2013.

Commodities Transaction Tax was introduced on futures trading in non-agriculture commodities, which is a near-term impediment even as the long-term potential for this market is immense. The currency market is also in a nascent phase and expected to pick up in the foreseeable future.

## Strategy

The Company is in the process of building a culture of advisory and financial planning to extend from pure execution with the objective to de-risk the business.

# Business enablers



## 1 Research

In the business of financial intermediation, marked by a growing number of variables, the core competence is driven by the ability to make informed decisions, which, in turn, is derived from credible research.

At the IIFL Group, in-depth research represents our principal advantage. We pioneered the concept of incisive independent research reports in India based on comprehensive interactions with corporate and industry executives at a time when this practice was largely non-existent; we produce quality research reports followed by frequent updates covering companies, sectors and economies.

At the heart of the Company's research capability lies a competent analyst team that covers more than 250 stocks (across sectors and market capitalization). This research is showcased in multi-lingual reports (English, Hindi and Gujarati), which have earned the respect of investors and industry experts. The Company

has created a team catering to the growing needs of institutional and retail clients, with focused research on India, China and Sri Lanka markets.

Enterprising India IV, the Company's global investor conference, was a grand success with over 75 companies and 500 fund managers attending the three-day event.

### Our competencies

**Deep engagement:** The IIFL Research Team is engaged in a continuous dialogue with executives (of companies researched and other financial product providers) to identify inflection points that could influence investment returns.

**Tracking outcomes:** The Research Team tracks each recommendation with call closure notes, a rarity in the business.

**In-depth reports:** IIFL's exhaustive, thematic and thought-provoking research reports have helped differentiate it from others



## 2 Brand

Financial intermediation is marked by a need to reach the widest product range across the largest number of people. Success here is derived by the ability to market persuasively, distinctively and effectively.

### Competencies

Over the years, IIFL enhanced its visibility through print media advertisements, commercials on business television channels, product-specific regional marketing and online marketing. The company reinforced offerings through trained relationship managers and financial planners. Personalized customer attention

was emphasized and traders were provided timely research reports. IIFL strengthened its positioning from 'Knowledge is the edge' to 'When it's about money', underlining its extension from a research-based firm to a diversified financial services company.

### Key initiatives, 2012-13

The Company strengthened its marketing through the following initiatives:

- Increased internet marketing and related lead generation
- Conducted periodic investor

meets; engaged in several financial awareness programmes

- Enhanced visibility for the proprietary book on financial literacy (108 Mantras for Financial Success) under its FLAME initiative
- Strengthened the positioning from 'Knowledge is the edge' to 'When it's about money'
- Classification of customers into groups (gold, platinum, diamond and silver) with related services
- Enhanced presence in semi-urban and rural areas

## 3 Intellectual capital

In the competitive business of financial intermediation, people make the difference— the size, qualifications, experience and orientation are key differentiators here. IIFL is an employer of choice with ~14,000 workforce strength as on March 31, 2013.

### Resource base

At IIFL, we hire young graduates, taking into consideration their aptitude, qualifications, experience and enthusiasm. As IIFL makes inroads deeper into the country, it recruits from regions of its presence. The company recruits through campuses, portals and social media.

It provides delegation, responsibility, accountability, training and attractive career growth. To supplement key functions, the Company also provides indirect employment to agents and distributors.

### Culture

IIFL provides a merit-respecting environment where performance is appraised professionally and periodically. The Company provides fast-track opportunities based on responsibilities and delivery.

Training is a consistent catalyst, covering functional, specialized and behavioural areas. The Company partnered with IIM Calcutta to offer a

customized training programme to its senior management team. Recruits were provided six-day induction training coupled with mentoring. The company's training modules were uploaded on the HR portal, providing an easy reference through an in-house online Learning Management System (LMS), which could be accessed by all IIFL employees 24x7. Employees were assigned courses based on their profile and business requirements. Courses included behavioural as well as domain-related content. Employees also had the option of self-registering for courses on the e-learning portal. As a part of upgrading the skill sets of IIFL employees, IIFL introduced



an online course called CSMER in association with Dalal Street Journal and an online course on Wealth Management for IIFL employees in association with FLIP Learning Pvt. Ltd. The entire course was designed in accordance with a high retention

learning method endorsed by leading practitioners of the trade, industry, broking houses and exchanges.

#### Key initiatives, 2012-13

- Developed productivity norms
- Introduced training initiatives

(including online courses) and induction plans.

- Introduced programmes for senior managers
- Strengthened the appraisal process

## 4 Information Technology

For any company providing financial services, IT plays a crucial role in its overall operation.

IIFL's broking activity is structured around an internet-based platform. The immediate aspects that come to mind about broking are the computers, connectivity, trading software and broker. The trading platform (developed in-house), branch connectivity to a data centre and the main server are posted in the data center, playing a crucial role for any trade at IIFL Group.

On the infrastructural side, the trading takes place on a high availability platform with dual servers, dual CPUs and dual memory among others. Should something fail, there is redundant infrastructure to take over. Even on the applications front, the IIFL Group possesses a highly distributed application design, which ensures that the Company is not vulnerable to failure especially in crucial areas. Should any unforeseen incident

transpire, the systems ensure that the failure is detected within seconds and remedial action taken instantly.

The IT team optimally manages existing infrastructure without exerting stress on the existing systems or unnecessary additional procurement.

#### Key initiatives, 2012-13

- The Company initiated security measures and rolled out a mobile device management set-up to ensure that the data remained safe even in the event of loss of a device.
- The Company was certified for ISO 27001.
- From the applications point of view, the Company has moved strongly on the mobile front; the IIFL website is now accessible through mobile handsets.
- The Company introduced dual connectivity in important branches to ensure that if one link failed, traffic could be diverted automatically to the

second link without delay.

- The company implemented VOIP technology at nine major offices, providing communication ease.
- The Company launched a Customer Relationship Management software, which will increase collaboration between multiple business segments.
- The Company developed a lead management system (as part of CRM) to track leads and enable conversions, which will also help cross-sell between all business segments.
- The Company introduced an advanced business intelligence platform for better Management Information Systems, facilitating report generation in real time for the senior management.
- The IT team established the infrastructure comprising more than 1,446 gold loan branches across the country in record time.



## 5 Internal audit

In a geographically-dispersed business where decisions have to be taken across delegated levels, organizational integrity is protected by a periodic audit discipline.

The internal audit function comprises more than 200 individuals in addition to the engagement of multiple audit firms. Ernst & Young, the Company's internal auditor, is one of the Big Four, reporting directly to the Board of Directors and the Audit Committee.

IIFL has an Audit Committee comprising respected experts with a deep market understanding and industry standing, who bring the wealth of their experience to the audit process.

The company has invested in the following audit types:

- **Risk-based internal audits:** To perform audits based on a risk assessment of the audit universe and carrying out a heat map for audit areas; the heat map makes it possible to classify risk categories and define audit frequency.

- **Regulatory audits:** Audits mandated by regulations or regulators are conducted by the team of internal/ external auditors as mandated and findings discussed with management

- **Concurrent audits:** Pre- or post-audit for transactions carried out prior to a transaction or immediately subsequent to the transaction to keep a check on any possible frauds etc.

- **Payment review audit:** Verification of expenses subsequent to payment to ensure no leakages or operational mistakes are made.

- **Certification audits:** Audits that ensure continuation of a certification provided to the Company, carried out by specific external agencies with coordination from the internal audit team.

### Key initiatives, 2012-13

- Initiated audit process automation
- Commenced initiatives to bring processes under audit by setting internal SOPs in place, validated by external consultants
- Commenced a data-sharing concept from the centralised knowledge bank, benefiting audit teams across India
- Created the concept of an audit universe to map various concern areas and introduced the heat map concept

# How we manage risk at IIFL Group

Effective management of risk is at the heart of the enterprise.

At one level, the company is engaged in estimating customer risk; at the other, the company invests in processes and priorities to reduce its own operating risk to reinforce sustainability.

The better we manage the risk of our business, the stronger and more sustainable our business will be.

## Background

At the IIFL Group, the effectiveness of our risk management practice emanates from our rich experience. It is derived from a deep understanding of the Indian economy, sectoral trends and corporate fundamentals.

## Culture

The basis of our risk management – and hence our sustainability – is our underlying conservatism. We recognize that it is far more important to be engaged profitably and sustainably in business for the long-term than be influenced by the prospects of the immediate quarter. This long-termism – the DNA of our business - has translated into robust risk management practices, which touches every aspect of our working.

## Risk management organisation, roles and responsibilities

Our corporate policy (and in effect, our ability to manage organisational risk), cascades from our Board of Directors. Our Board comprises professionals with rich and varied experience; their exemplary leadership and hands-on understanding of the economic and corporate realities have proved invaluable in helping us outline our corporate direction and appraise and reorient our corporate strategy.

The Board of Directors is also responsible for our Group governance principles, including our overall risk tolerance. Our Board is assisted by various committees with specific functions, which usually comprise a Board member (s), who report their findings to the Board of Directors.

We ensure that members within our risk management structure and the overall Group are informed of our risk strategy and processes, ensuring a complete organizational alignment and ability to manage risks at the day-to-day transactional level. Our risk governance therefore makes it possible to develop and maintain an effective risk control culture.

## Risk strategy determination

Our business essentially revolves around the risks that we are prepared to take for our clients and shareholders. This understanding has been institutionalized into a risk strategy that is incorporated into our annual planning cycle and forms a part of our business plan.

Our risk strategy is determined by an appetite defined for a series of risk criteria based on the capital and liquidity available on one hand and on our earnings target within accepted volatility limits on the other. These criteria provide a reference for our operating divisions.



- **Whole portfolio criteria:** This approach relates to the entire portfolio of risks and is designed to protect our capital and limit the likelihood of an economic loss for the year. This ensures that our risk profile or risk-bearing capacity do not fall below an internal limit in the event of an absolutely unprecedented business experience.

- **Supplementary criteria:** This approach limits losses that arise out of individual risk types like natural hazards and terrorism.

- **Other criteria:** This approach preserves IIFL's reputation and protects its business potential by comprising limits for individual risks that could dent stakeholder confidence without necessarily affecting our financials.

## Strategic implementation and the risk management cycle

At IIFL, there is an institutionalized tolerance of what we describe as acceptable and unacceptable risk. This risk appetite, defined by our Board of Directors, is reflected in our successive business plans and integrated into our operations. This appetite rests on a fine balance of risks and settlements, which ensures profits without affecting our latent viability.

Our risk tolerance is an expression of the extent to which our Board of Directors has authorised our management to assume risk within

the constraints imposed by its capital resources, strategy, risk appetite and environment.

Our risk tolerance and risk appetite – the amount of risk we seek to take – are enunciated and translated into a consistent limit framework across all risk categories.

The effective implementation of our risk management at the operational level embraces risk identification, measurement, analysis and assessment. Our risk reporting, limitation (reduction to a level we have defined as appropriate) and monitoring makes it possible for us to closely follow all significant risks.

## Risk goal

The primary goal of risk management is to ensure that risks are properly controlled and priced to create and protect shareholder value. Risk, in varying degrees and in different forms, is conspicuously present in all business activities of a financial services organisation. In certain activities, risk is regarded as a means of generating revenue, while in others risk exists by virtue of engaging in the activity itself. Regardless of the type of risk, or the activity that creates the risk, the fundamental concepts of risk management remain the same.

## Risk identification

At IIFL, we identify risks through appropriate systems, indicators (quantitative component) and risk surveys reinforced by experience of our managers. Besides, our inbuilt

reporting protocol makes it possible for our members to report risks to our central risk management function as and when they perceive the same.

## Risk measurement

We are continuously strengthening our risk measurement tools, which are customised to the nature of each business segment. We compare the results produced by our risk model with those recommended by supervisory authorities, credit rating agencies and risk modelling companies.

## Analysis and assessment

At IIFL, it is important that our competence in the area of risk management translates into a superior financial performance. In view of this, our financial performance serves to validate the robustness of our risk management and operating model in an unambiguous way.

## Risk reporting

At IIFL, we periodically report the effectiveness of our risk management to our Board of Directors covering the individual risk categories and the entire Group. We recognise that this can potentially generate early alerts, which make it possible to engage proactively in counter initiatives. Besides, we have embarked on reporting our risk management effectiveness to appraise our stakeholders of where we stand with regard to risk management processes, risk governance and various risks facing our business.

## Categorization of IIFL's risk landscape



### Core risks

#### Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower to honour financial or contractual obligations to the Company. With the loans and advances business now comprising almost 68% of turnover, the Company runs the risk of clients not honouring their financial commitments. This risk is managed at the transactional and portfolio levels. Credit risk management processes are highly disciplined and designed to preserve the independence and integrity of the risk assessment process.

At IIFL, a multi-level Credit & Investment Committee (comprising Directors and HODs) considers medium to large credit proposals. The smaller proposals are decided at lower levels as per our existing approval matrix. A Risk Management Committee and Asset Liability Management Committee, comprising Directors and senior officials, ensure policies and systems, while employees work in their rightful places for credit and finance-related activities.

An ongoing review of the risk management processes, covering credit and underwriting controls,

operations, technology and compliance risks, is overseen by the Risk Management Committee. The Asset Liability Committee (ALCO) reviews the strategic management of interest rates and liquidity risks, product pricing for various loans and advances, desired maturity profiles and the proper mix of the incremental assets and liabilities.

Funding policies are reviewed periodically in line with interest rate movements and the desired fund mixes, particularly fixed / floating rate funds, wholesale / retail funds, money market funding, among others. In case of margin funding, when the



credit limit is breached, a system-generated alert makes it possible for the Company to liquidate the client's holdings, thereby reducing risk. A stock-based categorisation allows limits to be based on the liquidity and quality of the specific stock in question.

### **Compliance risk**

The scale and pace of regulatory change is unprecedented in this industry. IIFL deals with multiple jurisdictions and multiple timetables for new regulations. There are higher penalties for non-compliance and the regulations themselves often reflect public agitations.

Each IIFL business is regulated by a different regulator. IIFL is registered and regulated by SEBI for merchant banking, stock broking, depository participants, portfolio management and mutual fund businesses. India Infoline Finance Ltd is an NBFC registered with the Reserve Bank of India and its housing finance subsidiary, namely India Infoline Housing Finance Ltd is registered with the National Housing Bank. The company's commodities broking subsidiary is regulated by the Forward Markets Commission and insurance broking subsidiary registered with the IRDA. Besides, its foreign subsidiaries are registered with respective overseas regulatory authorities. Any violation or transgression could invite censure, affecting the Company's reputation.

A robust compliance department, manned by knowledgeable and experienced professionals, guides

the businesses when it comes to regulatory compliance. The strong legal and compliance units provide specialised advice on banking and stock exchange regulations while monitoring the observance of these rules. The compliance team assists the management in identifying risks and train employees on issues relevant to compliance. The compliance and legal unit supports the management in fostering and promoting high ethical standards, especially financial market regulatory norms, creating a culture of compliance throughout the organization. The compliance and audit discipline extends across the entire transactional cycle: KYC process, transactional execution and settlement involving securities, loan documentations, pre- and post-disbursement, fund transfer and customer reporting, among others. The company instituted specialised audits for credit, systems and folio management among others. The compliance requirements across the various service points are communicated comprehensively through compliance manuals and circulars. Quarterly compliance reports for all businesses and zones are reviewed by the Audit Committee and submitted to regulatory authorities.

### **Market risk**

Market risk refers to the risk of loss arising from the unforeseen of the external environment. The financial services sector is linked to the global and Indian economic development. Any economic event with a significant

impact across geographies can have a direct or indirect impact on the Company's fortunes. Also, there is the risk of capital market volatility affecting the broking (retail and institutional) business.

IIFL possesses diversified revenue streams across multiple product lines and businesses linked to capital and non-capital markets, fund and non-fund based, and advisory and distribution businesses. IIFL's presence in multiple product segments serves as a natural hedge against a downturn in any particular sector. The Company's presence in the relatively volatile equity segment is balanced by its presence in the relatively stable mortgage financing business.

### **Operational risks**

#### **Asset quality risk**

Asset quality risk is associated with the failure on the customer's end to repay the interest or installment of principal for a specified period of time. Non-performing assets affect the profitability of institutions like ours since we depend on timely interest payments and debt repayments. A troubled economy can lead to a sharp increase in non-performing loans and often results in massive write-downs and adversely affects overall asset quality.

IIFL is focused on secured lending and has an adequate credit appraisal, risk monitoring and collection systems that commensurate with its scale of operations.

The NBFC loan book comprises

secured lending against tangible collaterals. The asset quality in the retail lending portfolio is reflected via gross non-performing assets (NPAs) at less than 1%, as on March 31, 2013. Stringent risk management systems in retail and institutional broking are functional when it comes to securities-based lending businesses, enabling the Company to resist market volatility even in a scenario of declining equity prices. Constant audit checks help protect asset quality.

### Technology risk

Technology risk is the risk of loss from inadequate or failed internal processes and systems. It is an inherent risk element in each of the financial service business and key support activities. It can manifest itself in various ways, including breakdowns, errors and business interruptions, and can potentially result in financial loss, regulatory sanctions and cause damage to the reputation.

The dominant online nature of the Company's business model makes the selection and management of technology critical. A delayed communication between 3,820 branches could affect customer interests.

The Company has invested in one of the best trading front-end systems, enabling users to place orders and receive confirmations with speed. Superior Trader Terminal, the Company's proprietary trading platform, is user-friendly with superior features when compared

with alternatives. The Company launched mobile and tablet-friendly versions of its trading platform. It invested in the latest technologies of wide area networking using MPLS, video communications, VoIP, automated dialers and other customer relationship management (CRM) tools and software to enhance services. A consolidated nation-wide deal with Airtel helped the Company roll out a reliable MPLS network with redundant MPLS Clouds and automated failover in most locations.

A significant use of Cloud technology for customer-facing servers, provides a rapid and inexpensive ramp-up of capacity in line with business requirements. The company ensures that information is secure using a two-factor authentication technique involving employees and customers using IIFL's portal. The company established a disaster recovery site with an online replication of data to ensure business continuity.

### Process risk

In financial service business that is dispersed across the vast Indian landmass, we need to delegate decision making to capitalize on emerging opportunities. At IIFL, we have created an operational architecture that leverages established processes, which facilitate accuracy and timeliness. These processes are extensively documented in a standard operating procedure (SOP) that is followed across the organization. The result is that a number of decisions taken across the country can be

done without the need to revert to the company's headquarters for ongoing clarifications and without compromising our risk appetite or speed.

### Human resource risks

**Human resource** risk is the risk of loss resulting from human errors, employee attrition and low resource productivity. This can manifest itself in inappropriate employee behaviour and inadequate customer service. The Company invested in quality manpower with relevant experience across all business areas.

IIFL ensures a professional environment conducive for overall employee growth and progress. IIFL employees are encouraged to take decisions and work with the ethos of an 'owner mindset' wherein employees act like 'co-owners'. The Company enhances a sense of employee ownership through ESOP schemes. At the operating level, motivated manpower is also driven by an owner's mindset. The Company enjoys significant ownership by employees with credo of 'owners work, workers own'.

A robust performance management system ensures performance-based rewards for employees. The Company invested in a strong training and development programme (classroom and e-learning modules). Each recruit undergoes at least two interviews and is appraised for knowledge, language and behavioural skills, among others. Industry reference checks are also conducted for new recruits.



IIFL enjoys diverse funding sources, has a wide lending portfolio and is not overtly dependent on any particular source. The funding is addressed through a combination of borrowings including working capital limits from banks, non-convertible debentures and short term capital.

#### **Attrition risk**

In the financial service business, people (and their intellectual capital) account for the principal business asset and any attrition represents intellectual depletion. At IIFL, we strengthened our people retention through a number of initiatives: positioning our company as a serious, competence-led and merit-respecting organisation, creating a space that respect knowledge accretion, investing in the competencies of people, providing a vibrant space to work in, believing in empowerment and practicing a genuine respect for people.

#### **Other risks**

##### **Funding resources risk**

Funding risk is the risk of loss due to insufficient funds to meet operational and customer requirements. Inability to meet the funding requirements at an acceptable cost could affect the business.

IIFL enjoys diverse funding sources, has a wide lending portfolio and is not overtly dependent on any particular source. The funding is addressed through a combination of borrowings including working capital limits from banks, non-convertible debentures and short term capital. For 2012-13, the cost of borrowings of the Group stood at 12%. The Group's ability to raise long-term resources at competitive rates remains a key

strength. IIFL mobilised ₹ 5,000 mn through a retail NCD issue in 2012-13. Company's short term debt program is top rated A1+ by ICRA and CRISIL. ICRA and CRISIL has rated our long term debt as ICRA AA- and CRISIL AA-/stable respectively.

##### **Earnings risk**

Dependence on one single business may affect the revenue stream in case of volatility in the markets.

IIFL's earning profile benefits from well-diversified revenue streams, which partially offsets the impact of volatility in terms of income from capital-market-related business. Return on equity on a consolidated basis for IIFL increased to 15% from 8% in the previous year. With the increase in IIFL's business diversification, non-broking income constitutes a sizeable chunk of the total income.

##### **Liquidity risk**

Adequate liquidity addresses known and unanticipated funding needs. Liquidity risk arises in the general funding of the firm's activities and in the management of its assets. Liquidity risk includes both the risk of being unable to fund assets with appropriate maturities and rates and the risk of being unable to liquidate positions in a timely manner and at a reasonable price. Insufficient cash flow to meet the working capital and debt requirements could hamper business growth.



The liquid nature of IIFL's broking business enables it to address all working capital requirements. A positive asset-liability up to one year reflects comfortable liquidity in any NBFC business.

### **Reputational risk**

Reputational risk stems from the possibility of a company's brand being dented following adverse publicity generated involving an institution's business practices, true or otherwise. Such risks adversely affect any business, including IIFL, whether in terms of operations or customer base. Usually, such risks require costly litigation or other defensive measures.

At IIFL, this risk is managed through a conformance with an established code of conduct, governance practices and risk management policies. All Directors, officers and employees have a responsibility to conduct themselves in a manner that nullifies reputational risk. There is a stringent employee Code of Conduct and trading guidelines that need to be followed by every employee. IIFL's policy ensures monitoring and strict disciplinary actions against those deviating from the same.

A robust 90-member customer care team ensures all customer queries and grievances are resolved in a fair manner on time, every time. The investor grievance cell ensures that all investor complaints are addressed

in the least possible time. Client funds are transferred in designated banks or demat accounts whereas all customer receipts and payments are done via cheques / demand drafts (no cash acceptance is permitted as a strict policy). The Company's customers are kept aware and intimated regularly about their transactions.

There is a concerted effort to educate customers in financial literacy (FLAME) through newspapers, advertisements, seminars, conferences and booklets, among others.

### **Market position risk**

In an environment where business realities change rapidly and where competition is intense, the Company could lose its market share.

IIFL is one of the leading players in the equity broking segment. IIFL enjoys the largest market share of 3.6% on NSE in terms of broking turnover (cash and derivatives segments of the BSE and the NSE). IIFL has a total client base of over two mn customers. The company exhibited strong growth in a secured retail loan portfolio at a three-year CAGR of 80% leading to 2012-13. The company possesses one of the widest networks with presence across 4,000 business locations. It clocked a healthy growth in the wealth management and advisory businesses, with assets under the advice portfolio doubling to over

₹ 400 bn in two years. The company established itself as the leading insurance broker and insurance distributor for large players like Reliance Life, ICICI Prudential, and HDFC Standard Life.

### **Management capability risk**

IIFL was set up by first-generation entrepreneurs with no corporate or institutional pedigree. IIFL has emerged as a leading financial services player, competing with peers promoted by large corporates and banks, surviving amidst global turmoil. IIFL successfully managed operational, credit and market risks to emerge unscathed from a major global financial crisis.

Given the propensity of foreign banks and large institutions to lean towards metros, IIFL found its niche in the real India with a diversified product and wide geographic spread. Leveraging its retail success, the company forayed into the wholesale and HNI segments and attained leadership in a short time.

Today, amongst non-bank players, the Company is a leader in life insurance distribution, mutual fund distribution, equities, commodities, currency broking and wealth management. IIFL contributes over ₹ 5,000 mn to the exchequer and provides employment to more than 20,000 people.



# Inclusion matters: 100 small customers speak

We have surveyed and taken testimonials of IIFL customers across the country. Watch the complete audio visual on our website [www.indiaonline.com/inclusion](http://www.indiaonline.com/inclusion)  
A few excerpted transcribes placed below:

**Govardhan Singh** (Kishangarh, Rajasthan)  
Supervisor, Marble Unit, IIFL Customer



"...I needed money a couple of times and approached IIFL, they gave me loan on the basis of my identity card without any other documents. Every time I go to IIFL, as my work is done hassle free there."

**Rajesh Kumar Verma** (Agra, Uttar Pradesh)  
Owner - Small Scale Shoe Manufacturing Unit, IIFL Customer



"The system at IIFL is very good because they charge interest per day. At some other companies, the system is such that they charge minimum three months interest that is why I do not deal with them."

**Jayesh Mehta** (Uran, Maharashtra)  
Store Owner, IIFL Customer



"I needed money urgently, so I took a gold loan from IIFL. They explained everything (terms and conditions) very well to me and released the amount immediately."

**Tajuddin** (Agra, Uttar Pradesh)  
Raw Material Supplier, Leather Shoe Industry, IIFL Customer



"I am into shoe manufacturing and need lots of money to run the business. I prefer IIFL over other firms as the rate of interest is 1.5 to 2%... IIFL also helps people in starting their own business. The company has very good customer service."

# Inclusion matters....

**Dr. S K .Vijayati** (Kishangarh, Rajasthan)  
Surgeon, Saroj Hospital, IIFL Customer



"I financed my sonography machine from IIFL and the loan procedure was hassle free. IIFL is a very good firm and all my queries were handled telephonically without need for personal visit everytime and the staff are very helpful."

**Kinner Nayak** (Mumbai, Maharashtra)  
Architect, IIFL Customer



"We approached IIFL as we were desperately looking for funds and I received timely help from them. All documentation issues were sorted out within no time and the team of IIFL is excellent."

**Hiralal Gujar** (Kishangarh, Rajasthan)  
Worker, IIFL Customer



"This is the village's main city. There is no post office here. If any bank or institution comes here the villagers will be benefited."

**Manisha Sarkar** (Kolkata, West Bengal)  
Homemaker, IIFL Customer



"From what they explained to me about the interest rates and the benefits I would get, and by comparing what I knew about the prevailing rates in the market, and about other companies; I liked the service of IIFL..."



# Inclusion matters...

**Sarita Gupta** (Uran, Maharashtra)  
Shop Owner, IIFL Customer



"... I have two shops in Uran. I wanted loan but the bank did not give me. So I went to IIFL. They helped me fulfill my dreams of making my own house..."

**Surendra Namdeo Bhoir** (Uran, Maharashtra)  
Autorickshaw Driver, IIFL Customer



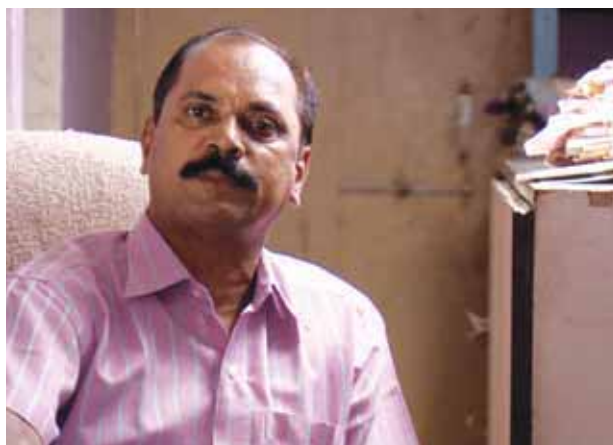
"I invested ₹ 25,000, and the interest helps pay for my son's college fees... I have to take care of two kids' education, and there are seven other mouths to feed at my home..."

**Shivcharan Agarwal** (Kishangarh, Rajasthan)  
Textile Shop Owner, IIFL Customer



"I have been dealing with IIFL for one-and-a-half years. First I took a gold loan from them, after repaying that, I took a loan against property... there are less formalities here... and the process was simple, which I liked a lot..."

**Dilip Damodar Kadu** (Uran, Maharashtra)  
Journalist, IIFL Customer



"... they explained to me very clearly, like you would to a child. And because they explained so well, I now know exactly how much I have to pay, and how much loan to take, and how long the policy will cover me."

# Inclusion matters....

**Sujit Nag** (Kolkata, West Bengal)  
Cable TV operator, IIFL Customer



"There is a young boy in my neighbourhood who was working with Saradha. He advised me to invest in Saradha as the returns will be much more... However, I told him if he can get me to invest in some trusted, reputed Company like I have done with IIFL. I have benefitted a lot by investing with IIFL... I am happy with this..."

**Tanmoy Chakraborty** (Agartala, Tripura)  
IIFL Customer



"... I needed money for my son's higher education. I was very disturbed. But I got loan in one and a half hour. ₹ 210,000. I was happy that at 1.9% interest rate I received the loan..."

**Jhuma Chakraborty** (Agartala, Tripura)  
Beauty parlour owner, IIFL Customer



"... I did a course in beauty treatment. But I could not start a parlour for days due to lack of funds. One day, I came to know about IIFL Loan branch from a friend... my dreams are fulfilled."

**Mohd Multazim Qureshi** (Agra, Uttar Pradesh)  
Small Scale Owner, Leather Shoe Industry, IIFL Customer



"It is very easy to avail money from IIFL as it is hassle free and this is the reason every time I go there."



# Corporate Social Responsibility

## Precious gift of Life: Blood donation drive for 5th year in a row

**‘Give the gift of life, Donate Blood’** was the theme this year at IIFL’s blood donation drive in Chennai. The fifth blood donation drive took place at the IIFL Towers, Near Lifeline Hospital, Chennai and in various other parts of Tamil Nadu.

Over 400 people came forward in Tamil Nadu to donate blood during the blood donation drives across the state conducted by IIFL Foundation. The camp was conducted in coordination with Mr. R Rajkumar, the Asian delegate of the International Federation of Blood Donor Organisations and Secretary of the Indian Society of Blood transfusion and immunohematology.

Every donor was given a free medical



check-up prior to the blood donation. Each of them were examined for medical fitness and care taken to ensure that none of them suffer from anemia, high blood pressure etc. Besides the blood donation camps

conducted in IIFL premises across the country, our employees proactively donate blood at various camps held in and around our office which is a very encouraging sign.

## Financial literacy at NASEOH

IIFL Foundation sponsored financial literacy for students of National Society for Equal Opportunities for the Handicapped (NASEOH). Individual attention was given to these students by volunteers of KJ Somaiya Institute who we partnered for imparting financial literacy to the differently enabled. This year 13 students completed their financial literacy course in December, 2012.



## H Nemkumar and Nirmal Jain Scholarship

India has a large number of gifted and deserving students who are unable to avail of a high-quality learning experience from reputed institutions in India or abroad due to financial or other constraints. Young India Fellows reaches out to such students. The YIF scholarships have been made possible by generous donations by a stellar set of individuals including Mr.



Nirmal Jain and Mr. H Nemkumar on behalf of IIFL Foundation.

## Sponsoring career guidance in Jawhar

IIFL Foundation joined hands with a social development organization working across the Thane district of Maharashtra with tribal and rural communities. IIFL is actively helping in providing career guidance to the students of High School and Junior colleges in Walvanda, Jawhar.

### IIFL's financial support for Barsana camp

For the last few years, IIFL Foundation has been sponsoring the Barsana camp, which has been successfully organized by the Bhaktivedanta Hospital. Like earlier years, besides the IIFL Foundation providing around ₹ 12 lakhs for the camp, the seniors in the company have also donated generously a substantial amount for the noble initiative.

Since 1992, the hospital has been conducting this free Eye and Dental

camp at Barsana, in Mathura district, about 150 kms from Delhi. Thousands of villagers, majority of them above 60 years of age have benefited through these camps.

The camp started on Jan 29 and the screening went on till Feb 1, 2013. The surgeries then continued till Feb 8.

Over 2,950 patients were screened out of which 1,250 patients were identified for cataract, other surgeries and procedures.

Around 800 patients were operated in the initial week while the rest were

operated over a fortnight. The patients later came for follow ups after 40 days where they received a pair of spectacles along with medicines.

Also about 1,980 patients attended the Dental camp between Jan 29 and Feb 1. All related procedures like scaling, filling and extraction were performed by the Dental team of 45 members consisting of Dentists and other Para medical staff. The hospital gave 120 dentures on the spot to the needy patients and active follow up is being done.





# FLAME

(Financial Literacy Agenda for Mass Empowerment) is an IIFL Foundation initiative to promote financial literacy amongst the masses in order to make them an integral part of India's spectacular growth story.

## Rajasthan



Kishangarh is considered the marble capital of India. IIFL has initiated a series of activities to bring a meaningful impact here. IIFL organized a session on nuances of taxation with reference to the marble industry. Financial literacy sessions were organized for the marble trade and marble artisans and labourers too. Besides Free Personal accident insurance cover all attendees were given a copy of the best-seller '108 Mantras for Financial Success' in Hindi.

## Andhra Pradesh



Besides an educational presentation on the practical aspects of money management, personal taxation and investing, the audience at Gudivada & Singarayapalem, Andhra Pradesh interacted with IIFL's financial planning experts from Mumbai and Hyderabad. Special help desks were set up for individual queries in financial planning and tax planning. All attendees were given a free personal accident insurance cover worth ₹ 1 lakh each.



## Financial Literacy for Schools

Over 50,000 school students from nearly 200 schools enrolled in the FLAME education programme. Even some teachers participated in the financial literacy initiative. Response came from schools across the country including Andaman & Nicobar Islands and Union territory of Lakshwadeep.

Mumbai



Bangalore



Teachers also participate



## Financial Literacy for Corporates



Leading MNCs like Hindustan Unilever and PSUs like RCF invited IIFL to provide financial literacy to their employees. HUL's sessions were conducted on their premises in Haridwar while RCF's financial literacy initiative was held in their factory premises at Chembur. The course content included Importance of saving & Investing, Tax & tax planning, Need for insurance, Introduction to financial planning, Systematic approach to investing and Retirement planning.



# Directors' Report

*Dear Shareholders,*

Your Directors have pleasure in presenting the Eighteenth Annual Report along with the audited statements of accounts of your Company for the financial year ended March 31, 2013.

## Financial results:

A summary of the financial performance of the Company and its major subsidiaries, for the financial year ended March 31, 2013, is as under:

	(₹ Million)	
Name of Company	Revenues	Profit after tax
Aggregate	26,652.6	2,793.4
India Infoline Limited	5,504.7	958.1
India Infoline Finance Limited	16,939.8	1,747.5
India Infoline Housing Finance Limited	451.5	139.7
India Infoline Insurance Services Limited	31.7	4.4
India Infoline Insurance Brokers Limited	903.7	26.8
India Infoline Commodities Limited	1,044.9	90.0
India Infoline Media and Research Services Limited	1,110.3	18.2
IIFL Realty Limited	917.5	193.6
IIFL Wealth Management Limited	1,602.6	282.9
IIFL Distribution Services Private Limited	34.4	19.9
IIFL Trustee Services Limited	5.5	1.7
India Infoline Asset Management Company Limited	15.3	(24.2)
IIFL Alternate Assets Advisors Limited	135.7	8.5
India Infoline Distribution Company Limited	33.5	7.0
IIFL Securities Ceylon (Pvt) Limited	33.6	(10.1)
IIFL Inc.	89.1	(4.6)
IIFL Private Wealth (Dubai) Limited	29.5	(20.6)
IIFL Private Wealth (Mauritius) Limited	284.6	44.6
IIFL Wealth (UK) Limited	32.5	0.2
IIFL (Asia) Pte. Limited	25.0	1.2
IIFL Capital Pte. Limited	54.6	9.5
IIFL Securities Pte Limited	321.7	160.4
IIFL Private Wealth Hong Kong Limited	13.7	1.1
Inter Company Adjustments	(2,973.6)	(860.6)
Other Subsidiaries	10.8	(1.8)

A summary of the consolidated financial performance of your Company, for the financial year ended March 31, 2013, is as under:

(₹ Million)

	2012-13	2011-12
Gross total income	26,652.6	18,864.7
Profit before interest, depreciation and taxation	13,536.0	7,840.5
Interest and financial charges	8,692.5	5,043.1
Depreciation	839.3	802.2
Profit before tax	4,004.3	1,995.2
Taxation – Current	1,420.3	835.2
- Deferred	(227.2)	(207.9)
- Short or excess provision for income tax	17.8	7.2
<b>Net profit for the year</b>	<b>2,793.4</b>	<b>1,360.7</b>
Less: Exceptional item (net of tax)	-	-
<b>Net profit before minority interest</b>	<b>2,793.4</b>	<b>1,360.7</b>
Less: Minority interest	(71.4)	(40.0)
<b>Less: Appropriations</b>		
Interim Dividend	(927.4)	(433.6)
Dividend Distribution Tax	(150.5)	(70.3)
Transfer to General Reserve	(306.0)	(65.2)
Transfer to Special Reserve	(378.0)	(216.3)
Debenture Redemption Reserve	(220.0)	(630.0)
Less: Adjustments for Minority Interest and fair value	(31.8)	69.7
Add: Additions/deductions on account of Merger	189.1	-
Add: Balance brought forward from the previous year	2,979.9	3,004.9
<b>Balance to be carried forward</b>	<b>3,877.3</b>	<b>2,979.9</b>

A summary of the stand-alone financial performance of your Company, for the financial year ended March 31, 2013, is as under:

(₹ Million)

	2012-13	2011-12
Gross total income	5,504.7	6,390.0
Profit before interest, depreciation and taxation	1,292.6	1,440.2
Interest and financial charges	90.9	378.6
Depreciation	132.9	314.4
<b>Profit before tax</b>	<b>1,068.8</b>	<b>747.2</b>
Taxation – Current	109.0	142.7
- Deferred	1.7	(29.1)
- Short or excess provision for income tax	-	0.6
<b>Net profit for the year</b>	<b>958.1</b>	<b>633.0</b>
<b>Less: Appropriations</b>		
Interim Dividend	883.1	433.6
Dividend Distribution tax	18.9	70.3
Transfer to General Reserve	96.0	65.2
Add: Balance brought forward from the previous year	1,801.1	1,737.2
<b>Balance to be carried forward</b>	<b>1,811.6</b>	<b>1,801.1</b>

## Review of operations

On a consolidated basis, in the current year, your Company's income increased by 41.3% to ₹ 26.7 bn and EBITDA increased by 73% to ₹ 13.54 bn. Profit before tax increased by 100.7% and Profit after tax before minority interest increased by 105.3% to ₹ 2.79 bn.

Equity broking and related income marginally increased by 1.2% to ₹ 5.53 bn. Our Credit and Finance business gained further momentum and increased by 66.6% to ₹ 18.17 bn contributing 68% of total revenues, in the current year. Marketing and Distribution income also grew by 18.8% to ₹ 2.89 bn. The other income stood at ₹ 71.5 mn.

## Key initiatives

### i. Equity Business

#### Qualified Depository Participant for Qualified Foreign Investor

The Company received SEBI approval as Qualified

Depository Participant (QDP) to undertake newly opened up Qualified Foreign Investor (QFI) transactions in Indian Market. Under this initiative, your Company has already sourced several investors who have made sizeable investment in Indian securities. The Company expects this segment to grow as it facilitates higher QFI transactions in coming years.

### Membership of MCX Stock Exchange

The Company received membership from the newly launched MCX Stock Exchange for Cash and Derivatives Segments during the year.

### ii. Fund Management Business

#### Alternative Investment Funds

During the year, the Company as a sponsor, received approval from SEBI for newly opened up Alternative Investment Funds (AIFs) under all three categories namely, IIFL Venture Fund (Category I AIF – Venture Capital Fund), IIFL Private Equity Fund (Category II AIF) and IIFL Opportunities Fund (Category III AIF).

As AIFs, these Funds are pooled investment vehicles for HNIs and corporate investors for investing in various securities under the respective Fund. The Company's subsidiary namely IIFL Alternate Asset Advisors Limited is the Investment Manager for these funds. Under IIFL Private Equity Fund (Category II AIF), IIFL Income Opportunities Fund was launched as a close ended debt scheme in February 2013. The Fund received an overwhelming response from large number of HNIs and corporate investors with a commitment of ₹ 6,200 mn.

We intend to launch various schemes under the above Funds as well as new AIFs in the coming future. We believe that this segment offers enormous potential for providing fund management services and opportunity for rapid growth in the coming years.

### **Mutual Funds**

During the financial year ended March 31, 2013, IIFL Mutual Fund increased the number of its equity schemes by launching IIFL Dividend Opportunity Fund, an open ended index scheme. The scheme garnered ₹ 212.7 mn from 16,426 investors. The Fund also launched a close ended debt scheme, which mobilised ₹ 1,222.1 mn. As on March 31, 2013, IIFL Mutual Fund managed 6 schemes, with Net Assets under Management (AUM) of ₹ 3,282.3 mn as compared to ₹ 1711.3 mn as on March 31, 2012. The number of investor folios increased to 26,928 during the year, from 8,883 folios a year ago. The Fund is in the process of launching further schemes including liquid and other debt schemes, which would enable more debt participation and higher AUM.

### **iii. NBFC Business**

During the year under review, India Infoline Finance Limited, the NBFC subsidiary of the Company, successfully completed Initial Public Offering of Subordinated Debt through Unsecured Redeemable Non-Convertible Debentures ("NCDs") of ₹ 2,500 mn with green shoe option of additional ₹ 2,500 mn. The issue received an overwhelming response and was oversubscribed in three days. The Company retained ₹ 5,000 mn through allotment of NCDs. These NCDs are listed and traded on the NSE and BSE.

During the year, the NBFC subsidiary initiated securitization

and assignment of some eligible loans under the revised Securitisation & Assignment Guidelines of RBI.

During the last quarter, the Company, after extensive evaluation, commenced financing of commercial vehicles. The Company has hired a specialised and experienced team for this business. The Company expects to drive and grow this business in the coming years.

### **iv. Investor Conferences**

#### **Institutional Investors' conference**

Your Company's institutional research products have been well appreciated by the target investors. Your Company's fourth Global Investors' Conference titled 'Enterprising India-IV' held in Mumbai in February 2013 had participation from leading corporate and eminent leaders/speakers and received an overwhelming response from global institutional investors.

#### **Wealth Management's Investor Summit**

IIFL Wealth Management's second Investor Summit titled 'See Clearly', was held in Pune and Mumbai in the months of January and February, 2013 respectively, and received an equally overwhelming response.

### **v. Corporate Social Responsibility**

#### **Financial Literacy**

As part of Corporate Social Responsibility initiative, your company continued with its comprehensive financial education and awareness program called FLAME - Financial Literacy Agenda for Mass Empowerment. Under this initiative, your Company has so far successfully completed over 300 FLAME workshops for investors and students. Almost 200 schools covering over 50,000 students have enrolled for the Fin-Lites distance learning program. Our other initiatives include a comprehensive mass media campaign on financial literacy, dedicated portal and helpline and effective use of social media platforms like Twitter and Facebook to answer queries besides providing easy to understand books on Finance (108 Mantras for Financial Success).

#### **Helping the underprivileged and physically handicapped**

IIFL has tied up with KJ Somaiya Institute of Management Studies & Research (SIMSR) to impart basic financial

knowledge to underprivileged sections of the society and physically handicapped people. The program covers lessons on savings, budgeting, banking, credit management, microfinance and self-help groups (SHGs).

FLAME has sponsored Financial Literacy Courses being conducted in National Society for Equal Opportunities for the Handicapped (NASEOH), Vocational Training Institute & Adarsh Vidyalaya.

#### **vi. Aadhaar**

UID-AADHAAR card is an effective government document, which confirms details about identity of Indians. IIFL encourages all its employees to register themselves for the UID-ADHAAR program and submit their UID-AADHAAR number or enrollment number to the Company.

#### **vii. Awards and Recognitions:**

Your Company was conferred with the following awards during the financial year ended March 31, 2013:

- An IIFL Analyst was rated as the 'Best Market Analyst' by Zee Business at the Zee Business Market Analyst Awards 2012
- 'Best Broking House with Global Presence' awarded by D&B Equity Broking Awards 2012
- IIFL's Wealth Management subsidiary bagged award for 'Best Wealth Management House – India' by The Asset Triple A 2012
- BSE Group felicitated IIFL for being one of the top performers in the 'Equity FI' category on Muhurat Trading day
- Mr. Nirmal Jain, our Chairman, received the 'Entrepreneur of the Year' award at the 10th Franchise India Awards, 2012

#### **Restructuring**

In order to achieve simplified business structure, focused management, strengthen core competencies and enhance value creation for the group, the Board of Directors of your Company have approved transfer of Company's broking, Depository Participant, Portfolio Management, Mutual Fund Distribution and Investment Banking businesses ("Financial Services Undertaking") to a wholly owned

subsidiary, India Infoline Distribution Company Limited ("IIDCL"), through a scheme of arrangement in terms of Section 391 to 394 of the Companies Act, 1956. As the said transfer is to a wholly owned subsidiary, it does not involve issue of new shares by the Company. The Scheme is subject to necessary approvals of regulatory authorities, shareholders, creditors and High Court. The Company has already initiated the process. The appointed date for the transfer is April 1, 2013.

Further, in order to achieve better operational efficiency and control, IIFL (Thane) Private Limited, a step down subsidiary, was merged with IIFL Realty Limited, a direct and the Company's office infrastructure support subsidiary.

#### **Dividend on equity shares**

During 2012-13, the Company declared and paid an interim dividend of ₹ 3 per share (face value of ₹ 2 per share). The same is considered as final. The total dividend paid in 2011-12 was ₹ 1.5 per share.

#### **Employees Stock Option Schemes (ESOS)**

The Company granted 3,300,000 stock options to employees during the year under its Employee Stock Option Scheme 2007 and 2008. Details as per the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Option Purchase Scheme) Guidelines, 1999, are attached as an annexure.

During the year under review, the Company allotted 62,05,680 equity shares of ₹ 2/- each to the eligible employees.

#### **Deposits**

During the year, the Company did not accept/renew any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under and as such, no amount of principal or interest was outstanding as on the balance-sheet date.

#### **Subsidiary Companies**

As on March 31, 2013, the Company had 28 subsidiaries located in India and overseas. Pursuant to the general exemption granted by the Ministry of Corporate Affairs

vide circular dated February 8, 2011, the Board of Directors had at their meeting held on May 11, 2013 approved attaching the consolidated financials of all the subsidiaries of the Company along with that of the Company. 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 the previous financial year 2012-13. Your 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. The Annual Report of all the subsidiaries shall be uploaded upon the website of the Company. 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.

### Management Discussion and Analysis Report and Report of the Directors on Corporate Governance

In accordance with Clause 49 of the listing agreements, the Management Discussion and Analysis Report and the Report of the Directors on Corporate Governance form part of this report.

A certificate from Statutory Auditors Messrs Sharp & Tannan Associates, Chartered Accountants, regarding compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the listing agreement is also attached.

### Directors

In accordance with Sections 255 and 256 of the Companies Act, 1956 ("Act") read with Article 137 of the Articles of Association of the Company, Mr. Kranti Sinha and Mr. A K Purwar are liable to retire by rotation at the ensuing AGM. Being eligible, they offer themselves for reappointment.

The Board recommends for shareholders' approval.

Dr. S Narayan has been appointed by the Board as an Additional Director of the Company with effect from August 1, 2012. As per provisions of Section 260 of the Act, Dr. Narayan holds the position till the date of the ensuing Annual General Meeting of the Company. The Company has received notice in writing from a member under Section 257 of the Act, proposing appointment of Dr. Narayan as a Director of the Company.

The proposal to appoint Dr. Narayan as Director of the Company is recommended for shareholders' approval.

### Directors' Responsibility Statement

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956 and based on the information provided by the management, your Directors state 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, 2013, 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 of the Company were prepared on a going concern basis.

### 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.

## 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 annexure. 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.

## Statutory Auditors

Messrs Sharp & Tannan Associates, Chartered Accountants, Mumbai, retire at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment. The Company has received a confirmation

from Messrs Sharp & Tannan Associates to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. The Audit Committee and Board of Directors recommend the re-appointment of Messrs Sharp & Tannan Associates, Chartered Accountants as Statutory Auditors of the Company.

## 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

Place: Singapore  
Date: May 11, 2013

**Nirmal Jain**  
*Chairman*



# 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 saves 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 for the employees educating them 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 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 the business needs and objectives.

**Software:** The Company's in-house technology team developed and deployed the trader terminal, its proprietary trading platform, which is more user-friendly and has better features than other trading platforms available in the market. The Company also successfully developed a browser-based trading platform using NET technology, which is light and at the same time provides rich experience to its users. Back-office software was developed in-house, and commodity and currency capabilities were also added. Mobile and tablet friendly versions of the trading platform have been launched and

have gained significant adoption.

**Network:** The management invested considerable resources in deploying the latest technologies in the areas of wide area networking using MPLS, video communications, VoIP, automated dialers and other customer relationship management (CRM) tools and software. A consolidated nationwide deal with Airtel has helped us roll out a reliable MPLS network with redundant MPLS clouds and automated failover in most locations. 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.

**Security & Compliance:** The management is aware of increasing threats in the Information Security domain and has taken substantial steps to ensure that the Company is safe guarded against hacking attacks, data leakage and security breaches. The IT and certain business processes have been re-certified for ISO 27001 systems for practicing industry standard security implementations and processes. The management has invested resources in implementing controls and continuously monitoring any violations.

## (c) Foreign exchange earnings/outgo

a) The foreign exchange earnings of the Company were Nil

b) The foreign exchange expenditure was ₹ 244.39 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, 2013	March 31, 2012
Capital	Nil	Nil
Revenue	Nil	Nil

## Disclosure in the Directors' Report as per SEBI ESOS Guidelines:

Particulars		ESOP 2005	ESOP 2007	ESOP 2008
	Options outstanding as at the beginning of the year	38,625.00	4,575,310.00	34,414,500.00
a	Options granted during the year	-	-	3,300,000.00
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 35% to the market price.
c	Options Vested**	-	1,620,000.00	3,633,500.00
d	Options Exercised**	-	238,380.00	5,967,300.00
e	Total no. of shares arising as result of exercise of Options	-	238,380.00	5,967,300.00
f	Options lapsed *	6,250.00	48,600.00	7,120,800.00
g	Variation in terms of Options	None	None	None
h	Money realised by exercise of Options (In Mns)	-	1.16	27.20
i	Total number of options in force**	32,375.00	4,288,330.00	24,626,400.00
	** The number of options have been reported as on 31-03-2013			
	* Lapsed Options includes options cancelled/lapsed.			
		<b>ESOP 2008</b>		
j	Employee wise details of options granted to:			
	- Senior Management			
	'Mr. Nilesh Vikamsey, Independent Director	100,000		
	'Mr. A K Purwar, Independent Director	100,000		
	'Mr. Kranti Sinha, Independent Director	50,000		
	- any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	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'			
l	Pro Forma Adjusted Net Income and Earning Per Share			



Particulars		₹
Net Income		
As Reported		951,439,971.00
Add: Intrinsic Value Compensation Cost		3,380,711.00
Less: Fair Value Compensation Cost		(103,717,629.09)
Adjusted Pro Forma Net Income		1,058,538,311.09
Earning Per Share: Basic		
As Reported		3.30
Adjusted Pro Forma		3.64
Earning Per Share: Diluted		
As Reported		3.25
Adjusted Pro Forma		3.59
m	Weighted average exercise price of Options granted during the year whose	ESOP 2008
(a)	Exercise price equals market price	59.60
(b)	Exercise price is greater than market price	NA
(c)	Exercise price is less than market price	NA
Weighted average fair value of options granted during the year whose		
(a)	Exercise price equals market price	29.67
(b)	Exercise price is greater than market price	NA
(c)	Exercise price is less than market price	NA
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
<b>Variables</b>		<b>ESOP 2008</b>
Stock Price		63.24
Volatility		58.57%
Riskfree Rate		8.10%
Exercise Price		59.60
Time To Maturity		3.73
Dividend yield		2.16%
		29.67

**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:** 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 35% to the market price.

**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

## MACROECONOMIC OVERVIEW :

India's real GDP growth moderated significantly from 6.2% in 2011-12 to 5% in 2012-13. Q3FY13 GDP growth was the slowest in 15 quarters at 4.7%. The slowdown reflects continued sluggish investment activity in the economy as well as slowdown in consumption demand. While slower growth is a major worry, there are other headwinds in the economy as well. Thus, current account deficit remained unsustainably large at over 5% of GDP in 2012-13, fiscal deficit continued to be above 5% of GDP (for the 5th consecutive year) and inflation remained above 7% or 150 bps above long-term average for the 3rd consecutive year. Reflecting the weak macro environment, INR depreciated by over 20% against the USD in the past two years.

However, we believe that the macro cycle is gradually turning for the better. Firstly, soon after taking charge, the Finance Minister Mr. P. Chidambaram slammed down on government expenditure and contained the fiscal deficit to 5.2% of GDP in 2012-13. This year, the Finance Minister has projected a fiscal deficit of 4.8% of GDP and given the recent decline in commodity prices, slippage, if any, is likely to be modest. Thus, while fiscal deficit still remains elevated, the deficit trend has been down in the last 2-3 years. Similarly, the slowdown in consumption will have a benign impact on both inflation as well as the current account deficit. WPI Inflation has already moderated sharply, largely reflecting the decline in commodity prices but we expect even the CPI inflation to moderate by 200-300 bps in 2013-14. Similarly, due to slowdown in consumption, non-Oil and non-Gold imports have been declining. This will result in lower current account deficit in FY 14. The recent decline in commodity prices is also a positive for the twin deficit of current account and fiscal and inflation. Although the twin deficits are still expected to remain high, they will be on a downward trajectory.

In the last two quarters, Government initiated several

reform measures. Controversial General Anti-Avoidance Rules (GAAR) was postponed by two years to April 1, 2016. Uncertainty with regard to tax residency certificate (TRC) was removed. Government also relaxed FDI rules in some sectors like Civil aviation and Retail trade. Government has similarly announced a plan for restructuring the loss making state electricity distribution companies. It has also set a path for de-regulating diesel prices, subsidy on which is a major drain on government finances. These steps were well received by the industry and by foreign investors in particular.

As a result of moderation in both inflation and the twin deficits, we expect RBI to continue to cut policy rates. Improved monetary transmission should lead to corresponding cut in banks' lending rates. Lower interest rate is a key enabling factor (though not sufficient by itself) for recovery in the investment cycle.

Several reform measures, decline in commodity prices and steep drop in inflation augur well for the economy and we expect revival of economic growth and better outlook for 2013-14.

## IIFL GROUP OVERVIEW

Our group has an extensive network of 3,820 outlets spread across more than 900 cities in India. 62% of these centres are situated in semi-urban and rural locations. This network includes our NBFC branches, distribution company branches, wealth management locations and also broking branches. This extensive presence has given us a great understanding and knowledge of local businesses, their constituents and their interdependencies, which is crucial for serving clients in these areas.

We have over 2.1 mn satisfied customers across various business segments and spread across the country. Majority of our customers are self employed and represent

a healthy mix from urban and rural segments. Our customer profile is 45% retail, 22% emerging retail, 29% small ticket and Financial Inclusion and 4% HNIs.

Apart from above, we have distributed 3.8 mn individual micro insurance policies over the last decade.

### IIFL SEGMENT OVERVIEW

This section covers discussion on consolidated financials of India Infoline Limited along with all its subsidiaries. As

The consolidated income includes the following:

₹ Mn

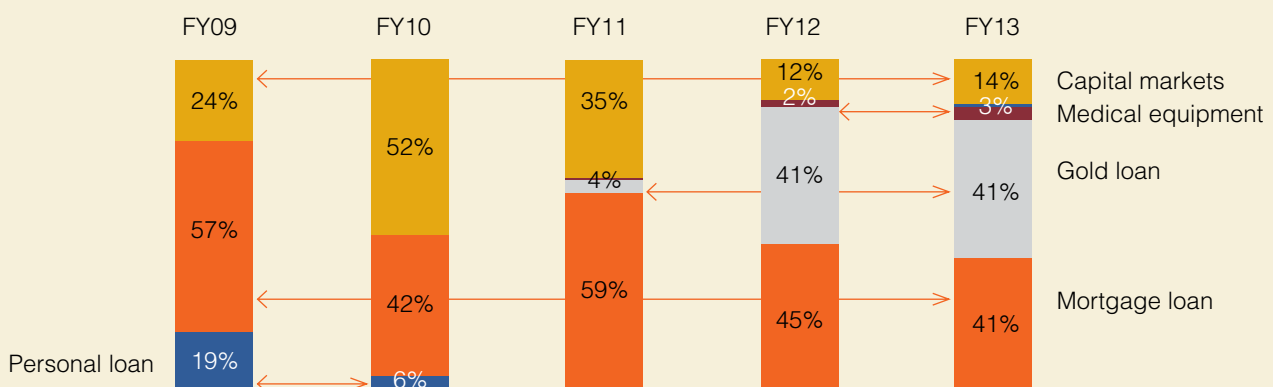
	Year ended March 31, 2013	% of total income	Year ended March 31, 2012	% of total income
Financing and investing income	18,167.0	68.2%	10,904.5	57.8%
Equity brokerage and related income	5,525.3	20.7%	5,457.6	28.9%
Marketing and distribution income	2,888.8	10.8%	2,430.7	12.9%
Other Income	71.5	0.3%	71.9	0.4%
<b>Total Income</b>	<b>26,652.6</b>	<b>100.0%</b>	<b>18,864.7</b>	<b>100.0%</b>

### Financing and investing income

The income from financing and investments was ₹ 18.16 bn during the year, up 66.6% yoy over FY 12. The Company's product offerings include home loans, loans against property, gold loans, commercial vehicle loans, margin funding and loans against shares, loans to promoters and healthcare equipment financing. The company's loan portfolio stood at ₹ 93.75 bn as at March 2013, (₹ 67.45 bn in FY 12), up 39% y-o-y. The loan book as at March 31, 2013, comprised ₹ 38.6 bn (₹ 30.14 bn in FY 12) of loans against property, ₹ 38.65 bn (₹ 27.70 bn in FY 12) of Gold Loan, ₹ 12.67 bn (₹ 8.0 bn in FY 12) of loan against capital

market products and ₹ 3.83 bn (₹ 1.6 bn in FY 12) of other loans. Besides, the Company also deployed surplus funds, based on available opportunities, in equities, commodities or currencies arbitrage activities. Their contribution in the income of year under review, however, was not significant. The growth in loan book in the current year was driven by the company's capability to originate retail and wholesale assets against collateral of property through its nationwide distribution network and quick turnaround in the economic and credit environment. The loan against securities book tends to be more volatile depending on capital market sentiment.

### Breakdown of loan portfolio (%)



The Capital Adequacy Ratio of the entity stood at 21.60% as at March 31, 2013 against a statutory requirement of 15%. The Tier I capital ratio was 14.58%, and Tier II capital ratio was 7.02%, thereby giving adequate room to grow the loan book in future, without the need to infuse more equity.

Our NBFC network consists of our self-owned mortgage, gold loans, commercial loans and other loan products branches. We currently have 1,446 branches in the NBFC present in over 600 cities spread across 21 states and union territories, that have been developed and scaled up within a short span of time. More than 50% of these centres are present in semi-urban and rural areas.

## Wealth management

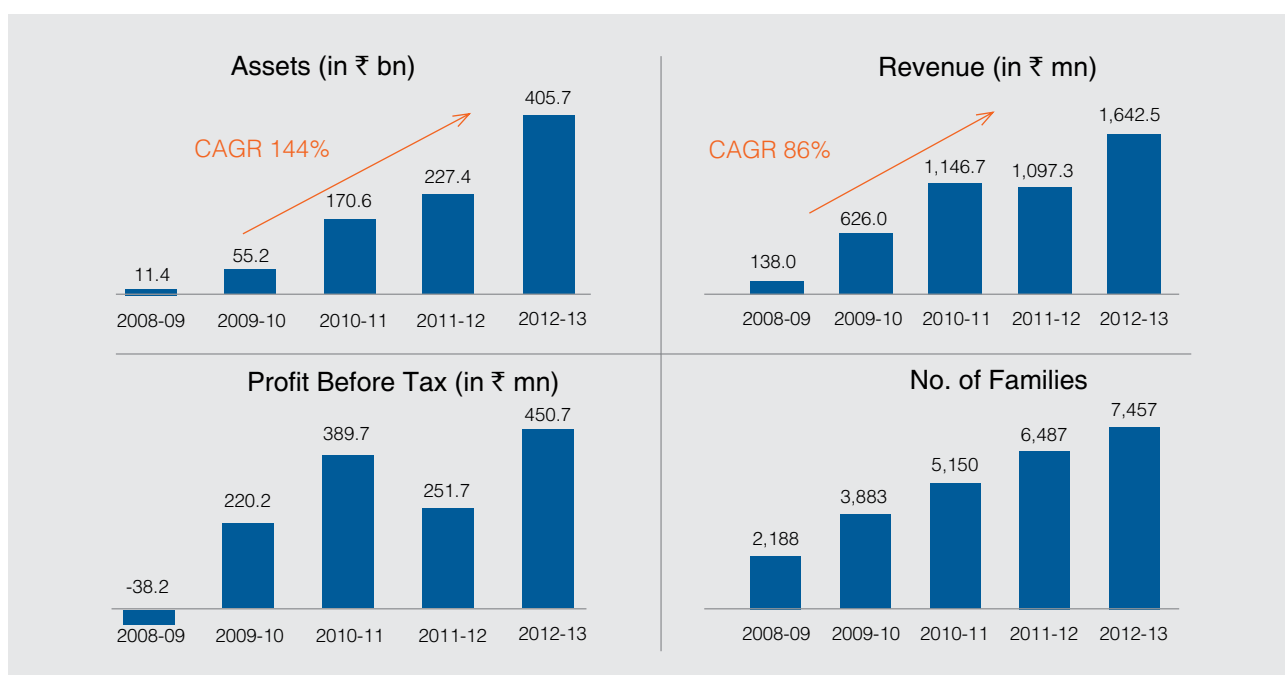
IIFL Wealth Management was incorporated in April 2008, at a time when the industry was plagued with high commission products, frequent movement of advisors

and high churn in portfolios. Over the last five years, we have earned the trust of more than 7,000 families. Our 275 employees spread over 14 cities in India and 7 jurisdictions internationally, are committed to honest advice, product innovation and prompt service. Though numbers aren't the only measure of success, we are proud to be advising on assets more than ₹ 400 bn, making us one of the leading players in India in the Wealth Management business.

IIFL Wealth Management continued to scale up its business in FY 2012-13. Revenue increased by 49.7% yoy from ₹ 1,097.3 mn to ₹ 1,642.5 mn. Assets under Advice increased 78.4% yoy from ₹ 227.39 bn to ₹ 405.73 bn, which includes over ₹ 50 bn of incremental Mutual Funds Assets during the year, making us amongst the top ranked Mutual Fund distributors for FY 2012-13.

The business grew its revenues from ₹ 138 mn in 2008-09 to ₹ 1.65 bn in 2012-13.

Particulars	2008 -09	2009 -10	2010 -11	2011 -12	2012 - 13
Assets (in ₹ bn)	11.40	55.18	170.59	227.39	405.73
Revenue (in ₹ mn)	138.0	626.0	1,146.7	1,097.3	1,642.5
Profit Before Tax (in ₹ mn)	-38.2	220.2	389.7	251.7	450.7
No of Families	2,188	3,883	5,150	6,487	7,457



## Distribution and marketing income

Distribution and marketing income comprises commission, brokerage and marketing income generated from distribution of third party products such as insurance, mutual funds and online marketing on the Company's website. A significant part of this income is contributed by commission and brokerage on life insurance premium mobilized as an insurance broker and Mutual Fund distribution from the wealth management platform. The company sold insurance policies issued by various life Insurance companies including ICICI Prudential Life Insurance, Reliance Life Insurance, Max New York Life and HDFC Life Insurance. During the year the company's income from Distribution and marketing was ₹ 2.88 bn, registering a growth of 18.8% yoy.

Last few years, we have seen various economic changes & headwinds on the regulatory front from IRDA, like low commission on ULIP, implications of Distance Marketing Guidelines, IGMS tracking for complaints, increased awareness to customers with Toll Free numbers, etc. Such guideline changes have allowed us to consolidate our processes and focus on employee efficiencies. Moreover, the movement of distribution model from Corporate agent (Single Party) to Broker (Open Architecture) too added to our efficiency as we got better products for customers, higher reach and best practices for our sales team and model. The profitability was hit on account of the lowered commission. To protect our costing and bottom line, we had to radically shift the portfolio towards endowment policies. The entire movement was successful with the help of training and tracking.

## Equities, currency, commodity broking and related income

Income from broking and related activities includes income from cash & derivatives segments of BSE/NSE,

commodities trading on MCX/NCDEX and currency trading on NSE/ MCX-SX. This includes income from equity advisory to Wealth Management and Investment Banking services.

During the year, Equities broking and related income increased marginally by 1.2% yoy to ₹ 5.5 bn. Falling brokerage yield has been an industry wide phenomenon and is attributable to change in the product mix and increase in competition. The product mix on the exchange has changed in favour of Futures and Options segment, which accounted for 91.7% of volumes for the year under review as compared to 90% in the previous year, with corresponding fall in the share of cash segment. Within cash segment, the share of delivery volumes fell. Brokerage yield is typically the lowest for options contract. Besides, pricing tends to be very competitive, when the industry income pie is not growing, just like any other competitive business.

Undeterred by short term cyclical headwinds, the Company continues to grow its distribution network and client base. During the year, the company's equity broking client base crossed the 1 mn mark.

Our average daily currency turnover during 2012-13 has been ₹ 6.44 bn as against ₹ 5.89 bn in 2011-12.

Our average daily volume in the commodities brokerage business was ₹ 17.8 bn during financial year 2012-13 as compared to ₹ 14.8 bn in financial year 2011-12, registering a growth of 18% yoy. Our overall market share on both exchanges (MCX and NCDEX) increased to 3.2% from 2.3% in the previous year. Commodity trading is penetrating wider and deeper across India. Trading volumes in commodities comprise a number of diverse commodities extending from Gold, Silver, Wheat to Crude oil and many more.

## Costs

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

(₹ Mn)	March 31, 2013	March 31, 2012
Employee benefits expense	5,335.3	4,917.4
Finance cost	8,692.5	5,043.1
Depreciation and amortisation expense	839.3	802.2
Other expenses	7,455.1	5,789.9
Provisions and Write off	326.2	316.8
Total	22,648.3	16,869.5

## Employee benefits expense

Employee costs were ₹ 5,335 mn for FY 13 from ₹ 4,917 mn in FY 12, up by 8.5% on a y-o-y basis. This increase in employee cost is primarily on account of rise in average salary levels owing to inflation and strengthening of the branch network and senior management team.

## Finance Cost

Finance cost increased to ₹ 8.69 bn from ₹ 5.04 bn in FY 12, an increase of 72%. This increase is primarily driven by incremental borrowings to fund the loan book growth.

## Depreciation expense

Depreciation in FY 13 was ₹ 839.3 mn compared to ₹ 802.2 mn in FY 12 an increase of 4.6%. This increase has primarily been on account of ongoing capital expenditure; company's gross block rose to ₹ 7.25 bn from ₹ 7.1 bn in FY 12.

## Other expenses

Other expenses include direct costs and administrative cost. Direct costs includes brokerage related charges paid to sub brokers, agents etc, exchange and statutory charges, marketing expenses and commissions and

direct costs relating to financing business. Administrative costs comprise expenses incurred on rent, electricity, telecommunication, technology, infrastructure, printing & stationery, travel, postage & courier, advertisement, legal & professional etc. Both these costs put together increased to ₹ 7,455.06 mn in FY 13 from ₹ 5,789.9 mn in FY 12, an increase of 28.8%, this is lower than the overall Income growth of 41%, mainly due to scale up of operations and full year expenses on consumer finance branches. Additionally, inflationary increase in utility prices also contributed to increased costs.

## Provisions and Write off

Provisions and write off are provided for as per management estimates, subject to minimum provision required as per the directions and asset classification norms issued by the Reserve Bank of India and National Housing Bank. During the year, provisions and write off marginally increased to ₹ 326.2 mn in FY 13 from ₹ 316.8 mn in FY 12.

NPA and Standard Asset provisions were ₹ 194.75 mn and ₹ 55.59 mn respectively.

The company's standard asset provision stood at ₹ 233,402,792 against its net NPA's of ₹ 157,917,253.

## BALANCE SHEET

### Sources of funds

#### Share capital

Your Company's share capital has increased from ₹ 578.0 mn in last year to ₹ 590.4 mn, as a result of allotment of 6,205,680 equity shares of ₹ 2 each to employees under the company's employee stock options schemes.

	As on March 31, 2013		As on March 31, 2012	
	Equity Shares (No.)	₹ Mn	Equity Shares (No.)	₹ Mn
Share Capital-beginning of the year (paid up ₹ 2 per share)	289,024,203	578.0	286,410,823	572.8
ESOPs exercised	6,205,680	12.4	2,613,380	5.2
Share Capital-end of the year	295,229,883	590.4	289,024,203	578.0



## Reserves and surplus

The company's net worth (excluding minority interest) was up from ₹ 17.54 bn in 2012-13 to ₹ 19.59 bn in 2012-13. Your company's book value per share increased to ₹ 66.34 per share from ₹ 60.69 per share in FY2012 (excluding minority interest). The increase in net worth is primarily on account of retained profits. Summary of reserves and surplus is provided in the table below.

₹ Mn

	Balance as at March 31, 2012	Additions	Deductions / Adjustments	Balance as at March 31, 2013
Securities Premium Account	9,567.5	1,881.9		11,449.4
General Reserve	743.0	459.1		1,202.1
Special Reserve	725.0	378.0		1,103.0
Employee Stock Options Outstanding Account	48.4		48.4	0.0
Foreign Exchange Fluctuation Reserve	246.6		28.0	218.7
Capital Reserve	1,992.3	36.0	1,594.6	433.7
Capital Redemption Reserve	31.1	20.0		51.1
Debenture Redemption Reserve	630.0	220.0		850.0
Profit and loss account	2,980.0	2,793.3	2,085.0	3,688.3
	16,963.9			18,996.3

## Resource Mobilisation

Secured loans outstanding as on March 31, 2013 were ₹ 53.29 bn compared to ₹ 40.16 bn as at the previous year end. The company availed of long term secured loans from banks primarily to fund the medium to long term requirements of its lending business. These loans are mainly secured against receivables of the company.

During FY 12, your company issued 6 year unsecured subordinate debt of ₹ 5 bn eligible for Tier II capital. The issue was fully subscribed in its respective categories within 3 days of its opening for subscription. This issuance significantly boosted the Company's Capital Adequacy. The short term unsecured loans were issued primarily to mutual funds to finance the company's lending business.

Your company's unsecured loans as on March 31, 2013 stood at ₹ 42.45 bn compared to ₹ 19.65 bn as at the previous year end. 36.4% of our funding was through commercial paper, 44.5% through cash credit and term loan and 19.2% was through NCDs.

## Asset Liability Management

As per guidelines of the Reserve Bank of India, NBFCs (engaged in and classified as equipment leasing, hire purchase finance, loan, investments and resident non – banking companies) meeting the criterion of asset base of ₹ 1 bn (whether accepting / holding public deposits or not) or holding public deposits of ₹ 200 mn or more (irrespective of their asset size) as per their audited Balance Sheet would be required to put in place the ALM System. In order to ensure successful implementation of risk management process, the Company shall at all times have a Committee, which shall consist of senior management of the Company. As per the guidelines, following three statements need to be submitted on a periodical basis to the regulator:

1. Statement of Structural Liquidity
2. Statement of Short Term Dynamic Liquidity
3. Statement of Interest Rate Sensitivity

Monitoring the gaps for taking necessary remedial action is the basic responsibility of the ALCO committee. The

prudential liquidity gap limits for negative gaps in the first two time buckets (viz. 1 – 14 days and over 14 days to one month) have been fixed at 15% of the cash outflows of each time-bucket and the cumulative gap up to the one year period should not exceed 15% of the cumulative cash outflows up to one year period. In case these limits are exceeded, the measures proposed for bringing the gaps within the limit, should be shown by a footnote in the relative statement.

### Asset Liability Committee

As per this policy, the company has constituted Board level supervisory ALCO comprising of Directors and Chief Financial officer along with ALCO committee constituted by Head of Departments and CEO. ALCO committee meets once in a month and Board level supervisory ALCO meets once a quarter. The company has taken prudent measures and assets in the ALM are categorized, as mentioned below, based on the behavioral pattern, past data or studies, industry practices:

1. Loan against Property – As per the contractual maturity and behavioral maturity.
2. Capital Markets – As per the contractual maturity

3. Gold Loans – As per the behavioral maturity
4. Health care - As per the contractual maturity.

The Company adheres to the RBI guidelines and maintains gaps within the prudential norms all the time. As of March 2013 there is a positive gap in the required buckets.

### Application of funds

#### Fixed Assets

During the year, the company's gross block rose marginally by 2% to ₹ 7.25 bn from ₹ 7.1 bn in FY 12. The company has invested in state-of-the-art technology to support inter alia its back-office, customer service and call center operations. The company continues to invest in technology, call center infrastructure, up-gradation of existing offices as well as new regional offices in the country.

The NBFC subsidiary acquired its own premises for its Corporate Office at Bandra Kurla Complex, Mumbai.

#### A statement of movement in fixed assets is given below:

₹ Mn

As on March, 31	2013	2012	Growth%
Computers	625.7	607.8	2.9%
Electrical equipment	689.2	659.2	4.5%
Furniture & Fixture	1,845.4	1,731.6	6.5%
Office equipment (Air conditions. etc.)	761.0	698.4	9.0%
Buildings (including land)	1,430.7	1,480.2	(3.3%)
Land/Leasehold land	1,828.8	1,828.8	0.0%
Vehicles	7.3	7.3	0.0%
Software	84.9	84.3	0.6%
Non compete fees	12.4	12.4	0.0%
Database	21.0	0.0	0.0%
Gross Block	7,305.7	7,110.0	2.7%
Less : accumulated depreciation	2,988.6	2,324.0	28.6%
Net Block	4,317.1	4,786.0	(9.8%)
Add : Capital work in progress	141.4	114.5	23.5%
Net fixed assets	4,458.5	4,900.5	(9.0%)
Depreciation			
as % of revenue	3.1%	4.3%	(26.8%)
as % average gross block	11.6%	12.6%	(7.6%)
Accumulated depreciation as % of gross block	40.9%	32.7%	25.1%

Depreciation is calculated on the basis of estimated useful life of the assets and the rates applied are as under:

Class of assets	Depreciation Rate
Buildings	5%
Computers	33.33%
Non Compete Fees	20%
Electrical & Office equipment	20%
Furniture and fixtures	20%
Vehicles	20%
Software	33.33%

### Investments

Treasury Investments are typically of temporary surpluses and are primarily made for liquidity management purposes. The company primarily invests in inter corporate deposits, G-sec, T-Bill, bank deposits and liquid and liquid plus schemes in mutual funds to meet these requirements.

All investments are approved by the CFO or the Treasurer and the treasury department updates the management on weekly basis. Board of directors are updated on the summary of investments on quarterly basis.

Your Company's investment portfolio stood at ₹ 11.28 bn,

as compared with ₹ 6.84 bn as at FY 12. Of this ₹ 2,854.5 mn (₹ 1,038.7 mn as at March 2012) was deployed in fixed income schemes of various mutual funds, ₹ 5,723.2 mn (₹ 5,221.7 mn as at March 2012) in debentures and bonds for financing real estate projects, Govt. securities of ₹ 1,000 mn (Previous year - Nil), ₹ 12.6 mn (₹ 125.8 mn as at March 2012) in equity of various companies, ₹ 605.3 mn of private equity investment (previous year ₹ 442.3 mn) and other investments of ₹ 1,073.2 mn, besides ₹ 16.8 mn in 130,000 shares in The Bombay Stock Exchange Ltd. (₹ 16.8 mn as at March 2012).

### Cash and cash equivalent

A detailed breakdown of cash and cash equivalents is given below:

₹ Mn

As on March 31	2013	2012
Cash balance	1,291.7	273.4
Bank balances in India		
Current accounts	6,879.5	4,477.3
Deposit accounts	5,047.2	3,687.8
Unclaimed dividend account	6.6	0.1
Bank balances held by subsidiaries outside India		
Current accounts	346.7	146.9
Deposit accounts	5.8	22.0
Total cash and bank balances	13,577.6	8,607.5
Deposits ( reported under 'Loans & advances' )	150.8	146.2
Investment in fixed income schemes of mutual funds/Equity shares (reported under 'Investments/Stock in trade')	3,001.6	3,300.5
Total cash and cash equivalents	16,730.1	12,054.2
Cash and equivalents / Total assets	12.8%	12.7%
Cash and equivalents / revenues	62.8%	63.9%

## 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 ₹ 729.04 mn as on March 31, 2013 from ₹ 492.19 mn as on March 31, 2012. Some of the Company's international subsidiaries are in investment phase and are expected to be profitable in three to five years' time.

## Human Resources

People are our most valued assets. Our achievement over the years can be attributed to the extraordinary efforts put by our dedicated and competent people, sometimes in trying circumstances. We realise that it is our last mile delivery that counts towards an exalted customer experience. It has been our endeavour through right fitting resources as well as equipping them with adequate skills and knowledge through our training programs to ensure superior customer experience. Total employee strength of the Company and its subsidiaries as on March 31, 2013 was 14,052, up by 2.2% yoy. Significant numbers of these people have joined us in our lending business.

At the same time, we have remained focused on effectiveness of resources, with only about 8.5% increase in employee cost on a year on year basis despite significant additions in new business lines and growth in existing businesses. The new businesses have also seen us deploy manpower through internal transfers at an optimum level. It has helped the employees utilize their skills to the full extent and realize their true potential. It has also given them opportunity to significantly enhance their knowledge and capability levels.

Establishing and monitoring productivity norms was a key business lever last year. We instituted productivity norms across most of our retail businesses, which yielded rich dividends. It has allowed us to categorize employee performances across various levels based on these norms. The Reward Management system has been developed and implemented with a strong linkage with the Performance Management system to help promote meritocracy.

Besides providing formal classroom training we have adequately utilized e-learning courses with coverage of more than 60% of the employee base to help people

upgrade their skills and knowledge. Behavioural e-Learning courses have been certified through Skill Soft, Singapore. We have also conducted a special customized program for our leadership team in conjunction with IIM Kolkata for the top leaders in our company, which would see them take up bigger responsibilities as the organisation moves forward.

Among all the interventions, entrepreneurial spirit receives due encouragement. The Company has been able to build an employer brand, which stands for open and transparent system with a culture that promotes independent decision making.

## Risk Management

At IIFL, Risk management is integrated seamlessly into business strategy. The objective of our risk management process is to insulate the Company from risks associated with the business while simultaneously creating an environment conducive for its growth. It entails a comprehensive estimation, control and review of risks to protect organizational value. The top management has a "hands on" approach at a strategic level, at the same time delegating and decentralizing 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. The Company's well-defined organizational structure, documented policies and Standard Operating Procedures (SOPs), authority matrix and internal controls ensure efficiency of operations, compliance with internal policies and regulatory requirements.

At the Company, a governance process has been institutionalised, which ensures that risk management concepts and policies are applied to all business and risk types. Decision making levels are based on the Company's objectives and risk tolerance limits. Many of the critical decision levels for investments, major lending, and policy initiatives are institutionalized through appropriate committees consisting of senior officials and experts. Strategies, policies and limits are designed to ensure that risks are prudently diversified. Risk mitigating activities are reviewed periodically by senior management and further by the Board.



Our experienced compliance, audit and risk management team plays a vital role in ensuring that the rules and regulations are strictly followed in all its process, not just in letter but also in spirit. The risk management discipline is centrally initiated but prudently decentralized; percolating to the line managers and helping them mitigate risks at the transactional level, the most effective form of risk management.

### Market Risk

The financial services sector is aligned to a variety of factors linked to the domestic economic development and also global developments. Any economic event happening across the globe can have a direct or indirect impact on your Company. To mitigate this, your company diversified its revenue streams across multiple product lines and businesses involving fund and non fund based, advisory and distribution businesses. Under the fund based business we have a diversified portfolio of mortgage/home loans, gold loans, loans against securities, medical equipment financing and commercial vehicles loans. Similarly in non fund based business we have a diversified offering of equity, currency, commodity broking, wealth management and depository services, asset management for mutual fund, alternate investment funds, domestic and offshore fund management/advisory/distribution of financial products business including insurance policies/bonds etc.

### Reputation Risk

Over the years, your Company has built in systems, processes, checks and balances, which ensures that operating managers say 'No' to poor quality in pursuit of instant results, short cuts, stop-gap alternatives, and unfair / ad hoc policies and cutting corners, among others. Also, it has in place stringent employee code of conduct and trading guidelines, which are to be followed by every employee. The Company's policy ensures monitoring and strict disciplinary actions against those deviating from the same.

The company has institutionalized a number of measures to secure customer interests. Trader terminals provide real-time data and ledger balances of the stocks and funds position enabling customers on their online

positions. The Company transfers client funds/securities to the customers in designated banks/demat accounts. All receipts and payments from/to customers are done through account payee cheques/DDs with Client Ids and no cash acceptance is permitted. Our lending business system provides for day to day customer security vaults, loan balances and interest dues whereby customers can get to know their up-to-date dues instantly through the branches. We have established a strong system of proper custody/safe keeping of securities documents at a centralized vault system and gold jewellery at the respective branches in safe vaults and controls through webcam, access control, alarms, etc. The Company makes a constant and concerted effort to educate customers of the Do's and Don'ts.

### Credit and Finance Risk

For credit and Finance business, we have a multi-level credit & Investment Committee consisting of directors of the board / HODs to consider medium to bigger credit proposals while the smaller proposals are decided at lower levels as per our approval matrix. Proposal formats for each type of loans have been standardized and contain comprehensive information on the proposal. The credit proposals are formally presented in the standard format, which are then evaluated and approved by the committee.

Your Company has in place Risk Management Committee and Asset Liability Management Committee (ALCO) consisting of directors and senior officials, which regularly meet and review the policies, systems, controls and positions of credit and finance business. The risk committee reviews the risk management processes covering credit and underwriting controls, operations, and technology and compliance risks. The ALCO committee reviews the strategic management of interest rate and liquidity risk, review of product pricing for various loans and advances, desired maturity profile and mix of the incremental asset and liabilities. It also reviews the funding policies of your Company in the light of interest rate movements and desired fund mixes particularly fixed / floating rate funds, wholesale / retail funds, money market funding etc. In order to enable frequent reviews and actions, an internal ALCO committee has also been put in place consisting of the business heads, finance and

treasury heads, which meet on a monthly basis, analyse and initiate appropriate actions keeping in view the emerging conditions. The supervisory ALCO Committee of the Board ensures that the business and risk management strategy operates within the limits/parameters set by the Board and reviews the functioning of the internal ALCO Committee. It also reviews the company's funding strategy and implementation of ALCO decisions.

Particulars	Amount (₹)	(%)
A. Gross NPA	458,730,658	0.49
B. Non Standard Asset Provision	300,813,405	0.32
C. Net NPA (A-B)	157,917,253	0.17
D. Standard Asset Provision	233,402,792	
E. Total Provision (B+E)	524,216,197	

## Technology Risk

### 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 the business needs and objectives.

**Software:** The Company's in-house technology team developed and deployed the trader terminal, IIFL's proprietary Trading platform, which is more user-friendly and has rich features that are superior to other trading platforms available in the market. The Company also successfully developed a browser-based trading platform using NET technology, which is light and at the same time provides its users rich experience. Back-office software was developed in-house, and commodity and currency capabilities were also added. Mobile and tablet friendly versions of the trading platform have been launched, and have gained significant adoption.

**Network:** The management invested considerable resources in deploying the latest technologies in the areas of wide area networking using MPLS, video communications, VoIP, automated dialers and other customer relationship management (CRM) tools and software. A consolidated nationwide deal with Airtel has helped us roll out a reliable MPLS network with redundant MPLS clouds and automated failover in most locations. 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.

**Security & Compliance:** The management is aware of the increasing threats in the Information Security domain and has taken substantial steps to ensure the organization is safe guarded against hacking attacks, data leakage and security breaches. The IT & certain business processes have been re-certified for ISO 27001 systems for practicing industry standard security implementations and processes. The management has invested resources in implementing controls and continuously monitors any violations.

## Compliance Risk

Your Company operates primarily under the finance and financial services space. Each of its businesses is carried on under separate division/ companies and is regulated by a different regulator and as such compliance forms a critical part of operations of the group. We are registered and regulated by SEBI for merchant banking, stock broking, depository participants, portfolio management, mutual fund and alternate investment fund businesses. India Infoline Finance Ltd is an NBFC registered with 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 IRDA. Besides, our foreign subsidiaries are registered with respective overseas regulatory authorities. Your Company has a full-fledged compliance department manned



by knowledgeable and experienced professionals in compliance, secretarial, legal and audit fields, which guides the businesses/support functions on all regulatory compliances and monitors implementation of new or changes in regulations/circulars, ensuring all the regulatory compliances and reporting of the group.

At your Company, the compliance and audit discipline extends across the entire transaction cycle: KYC process, term sheet/agreements, vetting transaction execution, transaction settlement involving securities, loan documentations, pre and post disbursement, fund transfer, customer reporting, regulatory information/returns/reports to various regulatory authorities etc. Being in the finance and financial services, the company has put in place adequate systems and controls to ensure compliance with anti-money laundering standards. We have instituted special purpose audits for credit audit, systems audit, portfolio management audit, fund management, audit etc. The compliance requirements across the various service points have been communicated comprehensively to all through compliance manuals and circulars. To ensure complete involvement in the compliance process, heads of the every business/zones/area offices and departments submit quarterly compliance reports, the compilations of which are reviewed by the Audit Committee/Board and also submitted to regulatory bodies periodically.

### Human Resources Risk

Your Company has established over the years several initiatives for development of HR and retention of human capital. The following are some major initiatives:

- Created a professional environment, which is conducive for the overall growth and progress of our employees
- Empowered employees to take decisions. With the fundamental ethos of 'Owner Mindset' people are treated more like 'co-owners' than employees
- Goal setting in consultation with key business executives, enhancing a sense of ownership
- Rolling out an attractive ESOP scheme, where-in 'Owner

Mindset' does not just remain as an esoteric proposition but it actually makes owners out of employees

- Encouraged growth from within as a strategy to plug vacancies.

IIFL encourages its employees to register themselves for UID-ADHAAR program. The Company has instituted a policy encouraging all existing staff and associates to submit their UID-AADHAAR number or UID-AADHAAR enrolment number as part of HR records.

### Internal Controls

The Company has invested in ensuring that its internal audit and control systems are adequate and commensurate with the nature of business and the size of our operations. The internal control system is supplemented by concurrent and internal audits as well as special audits and regular reviews by management. The Company has retained a reputed global firm Ernst & Young as its Group Internal Auditors. The Company also retains a few specialized Audit firms to carry out specific / concurrent audit of some critical functions such as Half yearly internal audit of broking business mandated by SEBI/Exchanges, KYC process, demat transfers, pay-outs, systems audit, branches & sub brokers audits, mutual fund and AIF operations audit, credit audit, loan documentation audits, pre and post disbursement audit etc. The Company also has an internal team of audit professionals at head office in Mumbai, supported by regional teams at zonal offices. The internal team undertakes special situation audits and follows up on implementation of Internal Auditors' recommendations and action taken reports. The Auditors' reports and rectifications / implementations of audit observations are reviewed by the top management and Audit Committee at regular intervals.

The internal processes have been designed to ensure adequate checks and balances at every stage. The processes are reviewed periodically by Internal Auditors as well as Audit Committee and strengthened from time to time. Your Company also has to comply with several

specific audits that are required by regulatory authorities such as SEBI / Exchanges / Depositories and the reports are submitted to the regulators periodically.

## Outlook

**Broking services:** The stock market sentiment continues to be affected by concerns about macro economic situation, rupee depreciation and policy inaction on important economic legislations/reform process. Equities markets have tendency to be unpredictable and can swing in either direction very quickly. However, we do not foresee a dramatic uptick in the equities segment. Commodities volumes will be impacted by introduction of commodities transaction tax. In spite of short term headwinds, long term potential for these businesses are good because of low level of retail participation and overall growth in Indian economy.

**Asset management:** The introduction of domestic pooled fund management business for HNIs/Corporates in the form of VCFs/Private equity/hedge funds under the Alternate Investment Funds (“AIF”) regulations brought into force last year has already attracted large and reputed players including IIFL into this segment. Already few of the funds have launched their schemes including from IIFL last year and many more funds are lined up in the coming years. This pooled fund management business is expected to pick up.

**Financing business:** Demand for home loans, mortgages, and health care equipment loans should continue to register healthy growth, driven by favorable demographics, growth in disposable income and under-penetration of credit. However, the steep fall in gold prices as well as increase in government levies on gold imports and restrictions on finance by banks imposed in the last six months may have an impact on demand for gold loans. We expect interest rates to remain stable or move southward and liquidity to ease in the coming quarters. This should augur well for demand growth in financing and lending business.

**Financial products distribution:** If equities sentiment is muted, retail and HNI investors tend to overweigh their portfolio with other asset classes like fixed income, real estate, structured products, gold etc. We expect this business to grow. Insurance and mutual fund industry have been impacted by regulatory intervention. These interventions are good for the consumer and we expect these changes to benefit the industry in medium to long term.

**To sum up,** notwithstanding global uncertainties, regulatory tightening and cyclical economic downtrend, financial services industry in India on the whole, will continue to march ahead at a healthy pace in the long term. Your Company has a de-risked business model with multiple products and is well placed to participate in the industry growth.



# Report of the Directors on Corporate Governance

## 1. Corporate Philosophy

Corporate governance refers to the set of systems, principles and processes by which a company is governed. They provide the guidelines as to how the company can be directed or controlled such that it can fulfill its goals and objectives in a manner that adds to the value of the company and it also protects the interests of all stakeholders in the long term. The Company believes that adherence to business ethics and commitment to corporate governance will help the Company achieve its goal of maximizing value for all its stakeholders and endeavors to not only match international standards but also strives to set a benchmark for corporate governance initiatives.

We at India Infoline group continue to focus on good corporate governance practices in line with local and global standards. Its primary objective is to create and adhere to a corporate culture of conscience and consciousness, integrity, transparency and accountability for efficient and ethical conduct of business for meeting its obligations towards shareholders and other stakeholders.

The Company has a strong legacy of fair, transparent and ethical governance practices. The Company has adopted a Code of Conduct for its employees including Code of Conduct for Prevention of Insider Trading, as also the Code of Corporate Disclosure Practices. The Company has in place an Information Security Policy that ensures data security and proper usage of IT system.

The Company is in compliance with the requirements of the guidelines on corporate governance stipulated under Clause 49 of the Listing Agreements with the Stock Exchanges. With the implementation of stringent employee code of conduct policy and adoption of a Whistle Blower Policy, the Company has moved ahead in its pursuit of excellence in corporate governance.

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

The Board of Directors ("Board") comprises eight members. There are six non-executive directors. The two executive directors include the Chairman and the Managing Director. Of the six non-executive directors, four are independent directors. The remaining two non-executive directors are nominees of institutions, which have invested in the company. The independent directors have confirmed that they satisfy the criteria prescribed for an independent director as stipulated in Clause 49 I (A) (iii) of the listing agreements. None of the directors of the Company are related to each other.

The Board of the Company has an optimum combination of executive and independent directors, who have in-depth knowledge of business and expertise in their areas of specialization. The Board provides leadership, strategic guidance and an independent view to the Company's management. Brief profiles of the Directors are as follows:

#### **Mr. Nirmal Jain (Chairman)**

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 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 and India Infoline Group has grown into a dominant and diversified player in the financial service space.

#### **Mr. R. Venkataraman (Managing Director)**

Mr. R Venkataraman, Co-Promoter and Managing 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 worked as Assistant Vice President with G E Capital Services India Limited in their private equity division. He has a varied experience of more than 22 years in the financial services sector.

#### **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 Officer of LIC Housing Finance Limited from August 1998 to December 2002 and concurrently as the Managing Director of LIC Housing Finance Care Homes (a wholly-owned subsidiary of LIC Housing Finance Limited). He retired from the permanent cadre of 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, Cineline Ltd and HM Export Ltd.

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

Mr. Nilesh Vikamsey – Board Member since February 2005 - is a practicing Chartered Accountant for 28 years and Senior Partner at Messrs Khimji Kunverji & Co., Chartered Accountants, a member firm of HLB International, a world-wide organization of professional accounting firms and business advisers, ranked amongst the top 12 accounting groups in the world.

Mr. Vikamsey is an elected member of the Central Council of Institute of Chartered Accountants of India (ICAI). Mr. Vikamsey is a member of SEBI Committee on Disclosures and Accounting Standards (SCODA), IRDA-Working Group for developing Indian Specific ACORD Standards for the Indian Insurance Market, Member of LLP Committee of Ministry of Corporate Affairs (MCA). He is also Chairman / member of various committees constituted ICAI. Mr. Vikamsey is also a Director of The Federal Bank Ltd., SBI Life Insurance Company Limited, India Infoline Finance Limited, Rodium Realty Limited, ICAI Accounting Research Foundation and few Private Limited companies and Trustee in Sayagi U Ba Khin Memorial Trust (Vipassana International Academy) and few Trusts focusing on Education.

#### **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 focused private equity fund sponsored by the Piramal Group. He also took over as the Chairman of IL & FS Renewable Energy Limited in March 2008.

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, Member of the Board of Management of Bombay Hospital Trust 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 2002 to May 2006 and held several important and critical positions like Managing Director of State Bank of Patiala, Chief Executive



Officer of 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. Mr. Purwar was the chairman of our NBFC Company, India Infoline Finance Limited till June 27, 2012.

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.

#### **Mr. Sunil Kaul (Non Executive Director)**

Mr. Sunil Kaul is the Managing Director of Carlyle's Asia Buyout fund focused on investments in financial services sector across Asia. He is based in Singapore. Since joining Carlyle, apart from India Infoline Limited, Mr. Kaul has worked on several notable portfolio company investments including HDFC Ltd, India's leading financial services group, TC Bank, a leading mid-sized bank in Taiwan and Caribbean Investment Holdings, one of the largest provider of offshore company incorporation and trust services in Asia.

Prior to joining Carlyle, Mr. Kaul served as the President of Citibank Japan, covering the bank's corporate and retail banking operations. He concurrently served as the Chairman of Citi's credit card and consumer finance companies in Japan. He was also a member of Citi's Global Management Committee and Global Consumer Planning Group.

Mr. Kaul has over 21 years' experience in corporate and consumer banking of which more than 10 years have been in Asia. In his earlier roles, Mr. Kaul served as the Head of Retail Banking for Citi in Asia Pacific. He has also held senior positions in Business Development for Citi's Global Transaction Services based in New York, Transaction Services Head for Citi Japan and Global Cash Business Management Head for ABN Amro, based out of Holland.

Mr. Kaul earned his post graduate degree in management from the Indian Institute of Management, Bangalore and a bachelor's degree in technology from the Indian Institute of Technology, Bombay.

#### **Mr. Chandran Ratnaswami (Non Executive Director)**

Chandran Ratnaswami is a Managing Director of Hamblin Watsa Investment Counsel Limited, a wholly owned investment management company of Fairfax Financial Holdings Limited. Hamblin Watsa provides discretionary investment management to all insurance and reinsurance subsidiary companies of Fairfax and currently manages approximately \$ 33 bn.

Prior to joining Hamblin Watsa, Mr. Ratnaswami was owner/president of an industrial distribution company and a senior executive at a large multinational consumer packaged food company. At Hamblin Watsa, he is responsible for all Fairfax and subsidiary investments in Asia. Mr. Ratnaswami holds a Bachelor's degree in Civil Engineering from I.I.T. Madras, India and an MBA from the University of Toronto, Canada.

Mr. Ratnaswami serves on the Boards of ICICI Lombard General Insurance Company Limited, Ridley Inc. in the United States and Zoomermedia Limited in Toronto, Canada.

#### **Mr. S. Narayan (Independent Director)**

Dr. S Narayan, retired IAS, has been an eminent public administrator for nearly four decades (1965 to 2004). He was in public service in State and Central Governments in development administration. Retired as Economic Advisor to the Prime Minister of India, he has rich experience in implementation of economic policies and monitoring of the special economic agenda of the Cabinet on behalf of the Prime Minister's Office, and is also experienced in formulation of macro-economic policy for Government tariff and taxation policies, as well as initiatives for modernizing the capital markets.

Dr. Narayan hold M.Sc., MBM, M Phil, Ph.D. degrees. He is a director on the board of several leading companies including Apollo Tyres Limited, Dabur India Limited, Seshasayee Paper And Boards Limited, Godrej Properties Limited, Aviva Life Insurance Company India Ltd and Teesta Urja Ltd.

Details of the Board of Directors in terms of their directorships/memberships in committees of public companies (excluding India Infoline Ltd) 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.	10	2	1	Nil
Mr. R. Venkataraman	N.A.	10	1	2	Nil
Mr. Kranti Sinha	N.A.	3	Nil	2	Nil
Mr. Nilesh Vikamsey	N.A.	4	3	3	2
Mr. A. K. Purwar	N.A.	9	6	7	2
Mr. Sunil Kaul	N.A.	1	Nil	1	Nil
Mr. Chandran Ratnaswami	N.A.	3	2	Nil	Nil
Dr. S. Narayan	N.A.	6	Nil	1	Nil

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 companies, 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) Board Meetings

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 four (4) times during the last financial year on May 15, 2012, August 10, 2012, October 26, 2012 and January 30, 2013.

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 August 10, 2012 whether attended
Mr. Nirmal Jain	4	4	Yes
Mr. R. Venkataraman	4	4	Yes
Mr. Kranti Sinha	4	4	Yes
Mr. Nilesh Vikamsey	4	3	Yes
Mr. A. K. Purwar	4	4	Yes
Mr. Sunil Kaul	4	4	Yes
Mr. Chandran Ratnaswami*	4	3	No
Dr. S. Narayan**	3	2	No

\* Appointed as Directors with effect from May 15, 2012 and attended two meetings through video conference.

\*\*Dr. S. Narayan was appointed as Independent Director of the Company with effect from August 01, 2012.

The following information is given to the Board either as part of the meeting agenda 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 subsidiary companies
- Information on appointment of all key managerial personnel below the Board level
- Significant regulatory matters/development
- Detailed risk analysis
- New business initiatives
- Corporate Business Restructuring
- Details of potential acquisitions or disinvestments
- Details of potential joint venture or collaborations
- Details of investments
- 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) Director's remuneration

Details of remuneration paid to Directors during the year ended March 31, 2013 are 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	21,093,600	-	17,280	-	-	5,12,52,000	-
Mr. R. Venkataraman	14,737,500	-	14,640	-	-	1,99,09,432	-
Mr. Kranti Sinha	-	10,00,000	-	1,80,000	50,000	65,000	-
Mr. Nilesh Vikamsey	-	20,00,000	-	1,60,000	1,00,000	65,000	-
Mr. A. K. Purwar	-	10,00,000	-	80,000	1,00,000	65,000	-
Mr. Sunil Kaul	-	-	-	-	-	-	-
Mr. Chandran Ratnaswami	-	-	-	-	-	-	-
Dr. S. Narayan*	-	7,50,000	-	40,000	-	-	-

\* Dr. S. Narayan was appointed as Independent Director of the Company with effect from August 01, 2012.

#### (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 a dedicated team on a regular basis. Your Company obtains report on compliance from all branch managers, heads of departments and businesses on a periodical basis, which is monitored by a dedicated team and further verified through surprise inspections and internal audit. A consolidated compliance certificate based on these inputs along with the compliance status 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. Necessary reports are also submitted to the regulatory authorities as per the requirements from time to time.

### 3. Audit Committee

The Audit Committee of your Company comprises two Independent Directors and one 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 five (5) times during the last financial year on May 07, 2012, May 14, 2012, August 10, 2012, October 26, 2012 and January 29, 2013. 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	05	05
Mr. Kranti Sinha	Member	Independent	Corporate Consultant	05	05
Mr. R Venkataraman	Member	Executive Director	B.Tech and MBA	05	05

The scope of the Audit Committee includes references made under Clause 49 of the Listing Agreements as well as Section 292A of the Companies Act, 1956, besides 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, the 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

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.

The Company Secretary of the Company acts as the Secretary to the Committee.

### 4. Compensation/ Remuneration Committee

The Compensation/ Remuneration Committee comprises of three Independent Directors with Mr. Kranti Sinha as the Chairman of the Committee, Mr. Nilesh Vikamsey and Mr. A K Purwar as members of the Committee. 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 of Mr. Kranti Sinha, Independent Director as the Chairman and Mr. Nirmal Jain and Mr. R. Venkataraman, Executive Directors as members. During 2012-13, the Company received 68 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, 2013. Further, the investor complaints on SEBI scores are also resolved within a specified time period.

The name, designation and address of Compliance Officer of the Company are 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: <a href="mailto:shareholders@indiainfoline.com">shareholders@indiainfoline.com</a>

## 6. Subsidiary Companies

Your Company has one material non-listed Indian subsidiary, India Infoline Finance Limited 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, Independent Director on the Board of India Infoline Limited (holding Company) is also Director on the Board of India Infoline Finance Limited (material non-listed Indian subsidiary).

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/developments of all the unlisted subsidiary companies at the Meeting of Board of Directors.

## 7. Disclosures

### (a) Basis of related party transactions

The statement of transactions with related parties, if any, is duly placed before the Audit Committee on a quarterly basis. During 2012-13, 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. 37 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 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 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 put 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 during the FY 2012-13.

### **(e) Compensation paid to Non-Executive Directors**

The Non-Executive Directors and Independent Directors are paid ₹ 20,000 (Rupees Twenty Thousand) each towards sitting fees for attending Board Meetings in accordance with the resolution passed in the Meeting of Board of Directors on February 11, 2005 and ₹ 20,000 (Rupees Twenty Thousand) each towards sitting fees for attending the Audit Committee Meetings and ₹ 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 ₹ 50,00,000 (Rupees Fifty Lakhs only) 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 Annual General Meeting held on July 29, 2011. The payment of commission is decided based on the contribution made by the non Whole Time Directors and time spent on the Company affairs.

### **(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) Whistle Blower Policy**

The Company has adopted a Whistle Blower Policy and has established the necessary mechanism for employees to report concerns about unethical behaviour. No person has been denied access to the Audit Committee.

### **(h) 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.

### **(i) 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).

### **(j) 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.

### **(k) 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, Business Standard and Maharashtra Times (Marathi) or Navshakti. 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
August 10, 2012	Royal, Sunville Banquet, 9, Dr. Annie Besant Road, Worli, Mumbai 400018	3
July 29, 2011	Hall of Harmony, Nehru Center, Dr. Annie Besant Road, Worli, Mumbai – 400018	2
July 30, 2010	Hall of Harmony, Nehru Center, Dr. Annie Besant Road, Worli, Mumbai – 400018	1

The special resolution was passed on show of hands.

## 9. General shareholders' information

1.	Annual General Meeting	:	Tuesday, July 23, 2013 at 4 p.m. at Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai - 400018
2.	Financial calendar (2013-2014)	:	Financial Year April 1, 2013 to March 31, 2014. Results for the quarter Ended June 30, 2013 – within 45 days from the end of the quarter Results for the quarter Ended September 30, 2013 – within 45 days from the end of the quarter Results for the quarter Ended December 31, 2013 – within 45 days from the end of the quarter Results for the quarter Ended March 31, 2014 – within 60 days from the end of the quarter
3.	Book closure date	:	July 17, 2013 to July 23, 2013 (both days inclusive)
4.	Interim dividend	:	During 2012-13, your Company has declared and paid interim dividend of ₹ 3 per equity share of ₹ 2 each on February 08, 2013.
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: 022-25963838 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.
10.	Dematerialisation of shares	:	As on March 31, 2013, 99.88% 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.

11	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
12	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
13	Outstanding convertible instruments, conversion date and likely impact on equity	:	The Company has outstanding unexercised ESOPs (vested or Not vested) of 2,89,47,105 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

Categories of Equity Shareholders as on March 31, 2013:

Category	Number of equity shares held	Percentage of holding
Promoters & Promoters Group	9,18,36,432	31.11
Indian Public & others	3,45,23,863	11.69
Mutual Fund	106,90,564	3.62
Corporate Bodies	82,85,719	2.81
Banks, Financial Institutions	21,27,486	0.72
Foreign Institutional Investors	11,61,34,908	39.34
NRIs/OCBs/Foreign Nationals/QFI	3,16,30,911	10.71
<b>Grand Total</b>	<b>29,52,29,883</b>	<b>100.00</b>

## 11. Distribution of shareholding as on March 31, 2013

The distribution of shareholders as on March 31, 2013 is as follows:

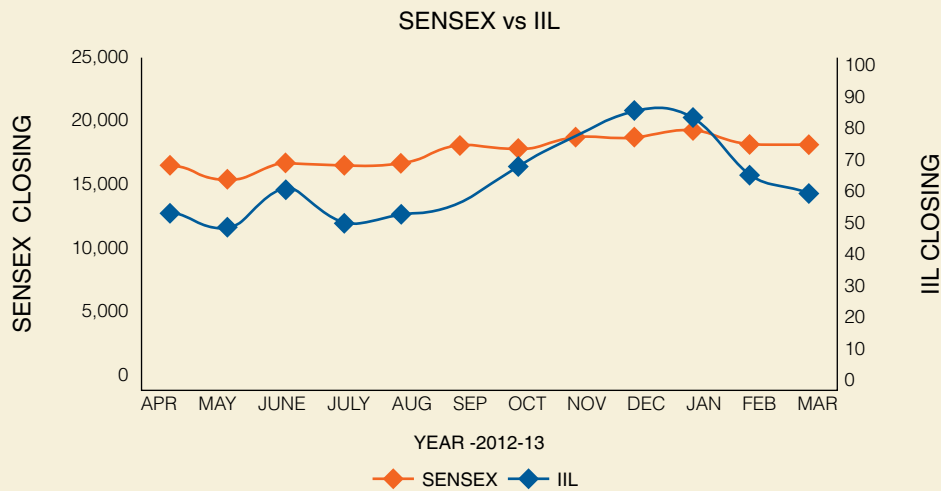
No. of equity shares held (range)	No. of shareholders	% of shareholders	No. of shares	% of share holdings
1 – 1000	30979	87.81	38,14,117	1.29
1001 – 2000	2160	6.12	17,10,580	0.57
2001 – 4000	860	2.44	12,90,943	0.44
4001 - 6000	327	0.93	833333	0.28
6001 - 8000	134	0.38	4,79,769	0.16
8001 - 10000	137	0.39	6,58,811	0.22
10001 – 20000	278	0.79	20,90,635	0.7
20001 and more	404	1.14	28,43,51,695	96.31
<b>Total</b>	<b>35,279</b>	<b>100</b>	<b>29,52,29,883</b>	<b>100</b>

## 12. Stock market data

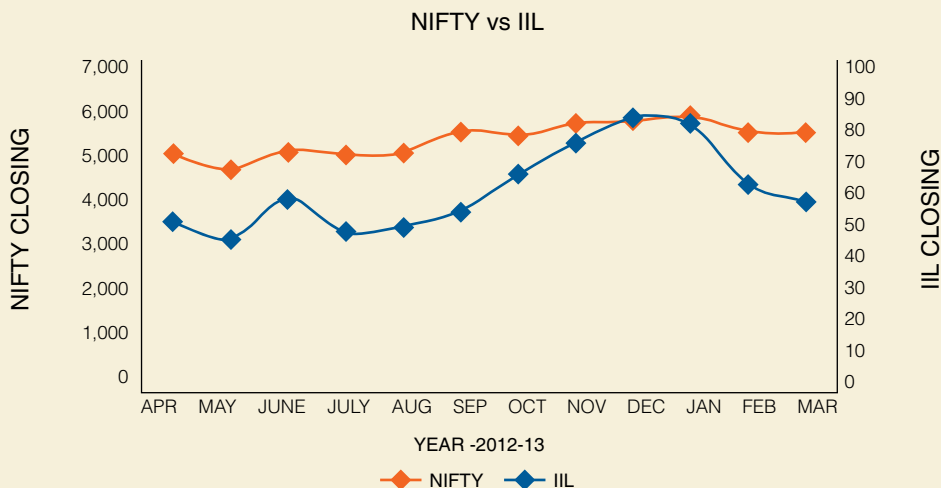
Table below gives the monthly high and low quotations of shares traded at Bombay Stock Exchange Limited and the National Stock Exchange of India Limited for the current year. The chart below plots the monthly closing price of India Infoline Limited versus the BSE - Sensex and NSE - S&P CNX Nifty for the year ended March 31, 2013.

Month	BSE			NSE		
	High	Low	Volume	High	Low	Volume
April, 2012	70.9	52.5	538,400	70.95	52.35	5,180,867
May, 2012	56	44.1	1,107,392	56	40.5	12,304,539
June, 2012	64.8	46.25	1,918,702	64.7	46	8,891,457
July, 2012	64.75	48.25	841,029	64.7	48.2	6,434,857
August, 2012	59.3	51	778,548	59.8	50.2	5,648,482
September, 2012	62.35	52.5	912,618	62.55	52.5	7,272,861
October, 2012	76	58	10,061,063	80.7	57.2	21,329,286
November, 2012	81	66.65	2,109,675	81.3	66.65	7,678,103
December, 2012	93.35	77	5,681,872	93.3	77.35	12,222,166
January, 2013	91.25	74.8	3,242,645	91.3	74.6	8,820,072
February, 2013	85.25	65.05	783,017	85.25	65	2,906,842
March, 2013	69.4	54.75	705,938	69.4	54.6	2,960,281

**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 Dhruv Jain, 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.

Place: Singapore  
Date: May 11, 2013

**Nirmal Jain**  
*Chairman*

**Dhruv Jain**  
*Chief Financial Officer*

## 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, 2013, 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

Place: Singapore  
Date: May 11, 2013

Nirmal Jain  
*Chairman*

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

To the members of  
India Infoline Limited

We have examined the compliance of conditions of corporate governance by India Infoline Limited, for the financial year ended March 31, 2013 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

Place: Singapore  
Date: May 11, 2013

Tirtharaj Khot  
*Partner*  
Membership No.: 37457



Standalone  
**Financial Statement**



# Independent Auditors' Report

To

The Members of

**India Infoline Limited**

## Report on the Financial Statements

We have audited the accompanying financial statements of India Infoline Limited ("the Company") which comprise the balance sheet as at 31<sup>st</sup> March 2013, the statement of profit and loss and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the balance sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2013;
- (ii) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
- (iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

## Emphasis of Matter

We draw attention to note 27 in the financial statements, which states about the Company's proposal to transfer substantial portion of its business to one of its wholly owned subsidiaries as part of Scheme of Arrangement under Sections 391 to 394 of the Companies Act, 1956. It has also decided to continue its remaining business. Accordingly the accounts are prepared on a going concern basis. Our opinion is not qualified in respect of this matter.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - a. 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;
  - b. 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 those books;
  - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956; and
  - e. on the basis of written representations received from the directors as on 31<sup>st</sup> March 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

**For Sharp & Tannan Associates**

Chartered Accountants

ICAI Registration No. 109983W

By the hand of

Tirtharaj Khot

Partner

Place: Singapore

Date: May 11, 2013

Membership No.: (F) 037457

# Annexure to the Auditors' Report

**The Annexure referred to in of our report dated May 11, 2013, to the members of India Infoline Limited ("the Company") for the year ended 31<sup>st</sup> March 2013. We report that:**

1. (a) The Company has maintained adequate records to show full particulars, including quantitative details and situation of the fixed assets. However updation for the current year transactions is in progress.  
(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 three Companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amounts involved during the year were ₹ 215,65,10,319/- and the year end balance of loans granted to such Companies/Party was ₹ 21,84,733/-  
(b) The rate of Interest on loan given is, in our opinion, not prima facie prejudicial to the interest of the Company. There are no other terms and conditions prescribed.  
(c) There are no stipulations as to repayment of principal and interest amounts.  
(d) There is no overdue amount in excess of ₹ 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 taken loan from one Company covered in the register maintained under Section 301 of the Companies Act, 1956. The Maximum amount involved during the year was ₹ 216,00,00,000/- and the year-end balance of the loan taken was NIL.  
(f) The rate of Interest on loan taken is, in our opinion, not prima facie prejudicial to the interest of the Company. There are no other terms and conditions prescribed.  
(g) There are no stipulations as to repayment of principal and interest amounts.
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 31<sup>st</sup> March 2013, which are outstanding for a period exceeding six months from the date they became payable, except profession tax amounting to ₹ 50,38,623/- which has remained outstanding for a period exceeding six months, pending due to complexities in registration of numerous branch offices according to respective state/union territory laws.  
(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 31<sup>st</sup> March, 2013 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 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	563,342	F.Y. 2007-2008	Jt. Comm. Of Sales Tax
Income Tax Act, 1961	Disallowance of Expenses U/S 14 A	607,817	A.Y.2006-2007	CIT (Appeals) of Income Tax has partly decided the appeal in favour of the Company. Order giving effect to CIT appeal order is pending with the assessing officer.
Income Tax Act, 1961	Disallowance of Depreciation, Disallowance U/S 14A and Disallowance of Expenses	7,025,888	A.Y.2007-2008	Order giving effect to ITAT order is pending with the assessing officer.
Income Tax Act, 1961	Disallowance of Expenses U/S 14 A and Esop Expenses	44,378,710	A.Y.2008-2009	CIT (Appeals) of Income Tax has partly decided appeal in favour of the Company. Order giving effect to CIT (A) order is pending. The Company has also filed appeal before ITAT in respect of disallowance of ESOP expenses.
Income Tax Act, 1961	Disallowance of Expenses U/S 14 A and Esop Expenses	96,247,624	A.Y.2009-2010	CIT Appeals of Income Tax
Profession Tax	Profession Tax, Penalty and Interest	1,553,529	A.Y.2007-2008	Dy.Comm of Sales Tax- Appeals

10. At the end of the financial year, the Company has neither accumulated losses nor has incurred any cash loss during the financial year covered by our audit, 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 institutions, banks 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 records.
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 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. The Company has not availed any term loan during the period. Therefore, the provision of clause (xvi) of paragraph 4 of the Order is not applicable to the Company.
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. The Company has not made preferential allotment of shares to parties and companies including those, covered in the Register maintained under section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures during the year. Therefore, the provision of clause (xix) of the paragraph 4 of the Order is not applicable to the Company.
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.

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

Tirtharaj Khot  
Partner

Place: Singapore  
Date: May 11, 2013

Membership No.: (F) 037457

# Standalone Balance Sheet as at March 31, 2013

(Amount in ₹)

Particulars	Notes	As at March 31, 2013	As at March 31, 2012
<b>EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' funds</b>			
(a) Share Capital	3	590,459,766	578,048,406
(b) Reserves and Surplus	4	12,509,838,629	12,194,801,370
<b>Sub total</b>		<b>13,100,298,395</b>	<b>12,772,849,776</b>
<b>(2) Share application money pending allotment</b>			
	-	-	-
<b>(3) Non Current Liabilities</b>			
(a) Long-term borrowings		-	-
(b) Deferred tax liabilities (net)		-	-
(c) Other long-term liabilities	5	3,736,000	3,936,000
(d) Long-term Provision	9	7,761,253	-
<b>Sub total</b>		<b>11,497,253</b>	<b>3,936,000</b>
<b>(4) Current liabilities</b>			
(a) Short-term borrowings	6	-	168,004,696
(b) Trade payables	7	6,167,346,937	7,212,170,622
(c) Other current liabilities	8	1,302,579,007	2,256,550,767
(d) Short-term provisions	9	44,249,649	39,180,224
<b>Sub total</b>		<b>7,514,175,593</b>	<b>9,675,906,309</b>
<b>TOTAL</b>		<b>20,625,971,241</b>	<b>22,452,692,085</b>
<b>ASSETS</b>			
<b>(1) Non-current assets</b>			
<b>(a) Fixed assets</b>			
(i) Tangible assets	10	147,119,574	256,765,680
(ii) Intangible assets		877,874	4,347,920
(iii) Capital work-in-progress		4,343,982	1,057,187
<b>Sub total</b>		<b>152,341,430</b>	<b>262,170,787</b>
(b) Non-current investments	11	12,467,390,219	12,082,559,007
(c) Deferred tax assets (Net)	33	196,371,556	198,108,375
(d) Long-term loans & advances	12	1,176,469,475	1,130,203,785
(e) Other non-current assets	18	14,570,297	-
<b>Sub total</b>		<b>13,854,801,547</b>	<b>13,410,871,167</b>
<b>(2) Current assets</b>			
(a) Current investments	13	452,842,586	10,000,000
(b) Inventories	14	-	395,383,933
(c) Trade receivables	15	1,657,008,523	2,529,028,702
(d) Cash and Bank Balances	16	4,135,470,562	4,578,157,618
(e) Short-term loans & advances	17	11,689,011	99,183,340
(f) Other current assets	18	361,817,582	1,167,896,538
<b>Sub total</b>		<b>6,618,828,264</b>	<b>8,779,650,131</b>
<b>TOTAL</b>		<b>20,625,971,241</b>	<b>22,452,692,085</b>
See accompanying notes Forming Part of the Financial Statements	1 - 39		

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 (F) 037457

Place : Singapore  
Dated: May 11, 2013

For and on behalf of the Board of Directors

Nirmal Jain  
Chairman

Dhruv Jain  
Chief Financial Officer

R.Venkataraman  
Managing Director

Sunil Lotke  
Company Secretary



## Standalone Statement of Profit and Loss for the period ended March 31, 2013

(Amount in ₹)

Particulars	Notes	2012-13	2011-2012
<b>INCOME</b>			
Revenue from operations	19	4,186,075,481	5,485,478,459
Other Income	20	1,318,649,650	760,868,834
<b>Total Revenue</b>		<b>5,504,725,131</b>	<b>6,246,347,293</b>
<b>EXPENDITURE</b>			
Employee benefits expense	21	1,847,215,100	2,070,731,566
Finance cost	22	90,899,285	378,557,511
Depreciation and amortisation expense	23	132,933,841	314,412,688
Other expenses	24	2,364,883,111	2,879,027,605
<b>Total expenditure</b>		<b>4,435,931,337</b>	<b>5,642,729,370</b>
<b>Profit before exceptional items</b>		<b>1,068,793,794</b>	<b>603,617,923</b>
Exceptional items	25	-	143,604,348
<b>Profit before tax</b>		<b>1,068,793,794</b>	<b>747,222,271</b>
<b>Tax expenses</b>			
(a) Current tax expense for current year		108,952,174	142,694,418
(b) Current tax expense relating to prior year		-	666,498
(c) Net current tax expense		108,952,174	143,360,916
(d) Deferred tax		1,736,819	(29,103,882)
<b>Total Tax expenses</b>		<b>110,688,993</b>	<b>114,257,034</b>
<b>Profit (loss) for the year</b>		<b>958,104,801</b>	<b>632,965,237</b>
Earnings per equity share (Face Value ₹ 2)			
Basic	26	3.30	2.19
Diluted	26	3.25	1.95
See accompanying notes Forming Part of the Financial Statements	1 - 39		

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 (F) 037457

Place : Singapore  
Dated: May 11, 2013

For and on behalf of the Board of Directors

**Nirmal Jain**  
Chairman

**Dhruv Jain**  
Chief Financial Officer

**R.Venkataraman**  
Managing Director

**Sunil Lotke**  
Company Secretary

## Standalone Cash Flow Statement for the year ended March 31, 2013

(Amount in ₹)

Particulars	As at March 31, 2013		As at March 31, 2012	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net profit before taxation, and extraordinary item		1,068,793,794		747,222,271
Adjustments for:				
Depreciation & Amortisation	132,933,841		314,412,688	
Provisions for Gratuity	18,403,606		17,728,704	
Dividend Income	776,813,395		36,838,728	
Provisions for Leave Encashment	6,884,255		47,546,966	
Deferred Employee Compensation	(12,238,526)		3,481,224	
Provision for Doubtful Debts	51,651,329		6,165,340	
Loss / (Profit) on Sale of Investments	-		(176,591,625)	
Interest expense	90,899,285	1,065,347,185	378,557,511	628,139,535
Operating Profit before Working Capital Change		<b>2,134,140,979</b>		<b>1,375,361,806</b>
Increase / (Decrease) in Trade Payable	(1,044,823,685)		(1,563,771,221)	
Increase / (Decrease) in Other long-term liabilities	(200,000)		1,400,000	
Increase / (Decrease) in Other current liabilities	(953,971,760)		1,556,985,739	
(Increase) / Decrease in Trade Receivable	820,368,850		1,699,422,435	
(Increase) / Decrease in Short term Loan & Advances	87,494,329		614,408,254	
(Increase) / Decrease in Long term Loan & Advances	(140,137,880)		141,571,710	
Increase / (Decrease) in Short term & Long term Provision	(12,457,183)		-	
(Increase) / Decrease in Other current assets	806,078,956		621,972,501	
(Increase) / Decrease in Other Non current assets	(14,570,297)		-	
(Increase) / Decrease in Trade inventories	395,383,933	(56,834,737)	136,827,644	3,208,817,063
<b>Cash generated from operations</b>		<b>2,077,306,242</b>		<b>4,584,178,869</b>
Tax (Paid) / Refund		(15,079,984)		(290,820,743)
<b>Net cash from operating activities</b>		<b>2,062,226,258</b>		<b>4,293,358,127</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase / Sale of fixed assets (includes intangible assets) (net)		(23,104,485)		(184,760,432)
(Investment) / Sale in subsidiaries(net)		(168,631,576)		(1,310,021,639)
Dividend Income		(776,813,395)		(36,838,728)
Purchases of non current investment		(216,199,636)		(187,500,000)
Proceeds from current investment		(442,842,586)		1,000,500,055
<b>Net cash from investing activities</b>		<b>(1,627,591,677)</b>		<b>(718,620,743)</b>



## Standalone Cash Flow Statement for the year ended March 31, 2013

(Amount in ₹)

Particulars	As at March 31, 2013		As at March 31, 2012	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of share capital		283,537,512		105,663,878
Repayment of short term borrowings		(168,004,696)		(4,487,577,028)
Interest paid		(90,899,285)		(378,557,511)
Dividend Paid (including dividend distribution tax)		(901,955,167)		(503,967,410)
Net cash used in financing activities		(877,321,636)		(5,264,438,072)
<b>Net increase in Cash and Bank Balances</b>		<b>(442,687,056)</b>		<b>(1,689,700,689)</b>
Opening Cash and Bank Balances				
Cash and Bank Balances at beginning of period		4,578,157,618		6,267,858,307
Closing Cash and Bank Balances				
Cash and Bank Balances at end of period (Refer Note no. 16)		4,135,470,562		4,578,157,618
<b>Net increase/Decrease in Cash and Bank Balances</b>		<b>(442,687,056)</b>		<b>(1,689,700,689)</b>

- Cash flow statement has been prepared under the Indirect Method as set out in the Accounting Standard (AS-3) "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.
- 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 (F) 037457

Place : Singapore  
Dated: May 11, 2013

For and on behalf of the Board of Directors

**Nirmal Jain**  
Chairman

**Dhruv Jain**  
Chief Financial Officer

**R.Venkataraman**  
Managing Director

**Sunil Lotke**  
Company Secretary

# Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

## 1. CORPORATE INFORMATION:

India Infoline Limited was incorporated on October 18, 1995 and commenced its operations as an independent provider of information, analysis and research covering Indian businesses, financial markets and economy, to institutional clients. Over a period, India Infoline Ltd expanded its service offerings in the financial services space offering equity / currency broking in NSE / BSE and MCX-SX, Depository Participant services, merchant banking, portfolio management services and distribution of mutual fund, bonds etc. India Infoline Ltd is registered with SEBI for the above services. India Infoline Ltd is one of the leading players in the Indian financial services space. India Infoline Ltd operates through a network of close to 2,000 business locations across India.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES:

### 2.1 Basis of accounting and preparation of financial statements:

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with all material aspects of the applicable Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year by the Company.

### 2.2 Use of Estimates:

The preparation of financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions 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. The management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Difference between the actual result and estimates are recognized in the period in which the results are known / materialized.

### 2.3 Fixed Assets and Depreciation and Amortization:

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 provision of schedule XIV of the Companies Act, 1956, whichever is higher. In 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 for the month in which assets are sold / transferred.

Individual assets / group of similar assets costing up to ₹5,000 has been depreciated in full in the year of purchase.

Estimated useful life of the assets is as under:

Class of assets	Useful life in years
Buildings	20
Computers	3
Electrical & office equipment	5
Furniture and fixtures	5
Vehicles	5
Software	3

### 2.4 Translation of foreign currency items:

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Exchange difference, if any, arising out of transactions settled during the year are recognized in the statement of Profit and Loss. Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing on the Balance Sheet date. The exchange gains or losses, if any, are recognized in the statement of Profit and Loss and related assets and liabilities are accordingly restated in the Balance Sheet.



# Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

## 2.5 Revenue Recognition:

Revenue is recognized to the extent it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

- (a) Brokerage income earned on secondary market operations are accounted on trade dates.
- (b) Income related to depository and investments banking activities are accounted on accrual basis.
- (c) Income from arbitrage comprises profit/loss on sale of securities held as stock-in-trade and profit / loss on equity derivative instruments is accounted as per following;
  - (i) Profit / loss on sale of securities is determined based on the FIFO cost of the securities sold.
  - (ii) Profit / loss on arbitrage transactions is accounted for as explained below:

Initial and additional margin paid over and above initial margin for entering into contracts for Equity Index / Stock Futures / Currency Futures and or Equity Index / Stock Options / Currency Options which are released on final settlement/squaring-up of underlying contracts are disclosed under other current assets. "Mark-to-market margin- Equity Index / Stock Futures / Currency Futures" representing the amounts paid in respect of mark to market margin is disclosed under other current assets.

"Equity Index / Stock Option / Currency Option Premium Account" represents premium paid or received for buying or selling the Options, respectively.

On final settlement or squaring up of contracts for Equity Index / Stock Futures / Currency Future, the realized profit or loss after adjusting the unrealized loss already accounted, if any, is recognized in the Statement of Profit and Loss. On settlement or squaring up of Equity Index / Stock Options / Currency Option before expiry, the premium prevailing in "Equity Index / Stock Option / Currency Option Premium Account" on that date is recognized in the Statement of Profit and Loss.

As at the Balance Sheet date, the Mark to Market / Unrealised Profit / (Loss) on all outstanding arbitrage portfolio comprising of Securities and Equity/Currency Derivatives positions is determined on scrip basis (e.g. Nifty, SBI, HDFC) with net unrealized losses on scrip basis being recognized in the Statement of Profit and Loss and the net unrealized gains on scrip basis are ignored

## 2.6 Other Income Recognition:

- (a) Interest Income is recognized on accrual basis. Interest income is included under the head "other income" in the Statement of Profit and Loss.
- (b) Dividend income is recognized when the right to receive payment is established on Balance Sheet date.

## 2.7 Employee Benefits:

The company's contribution towards Provident Fund and Family Pension Fund, which are defined contribution, are accounted for on an accrual basis and recognised in the Statement of Profit & loss.

The Company has provided "Compensated Absences" on the basis of actuarial valuation.

Gratuity is post employment benefit and is in the nature of defined benefit plan. The Liability recognized in the Balance Sheet in respect of gratuity is the present value of defined benefit obligation at the Balance Sheet date together with the adjustments for unrecognized actuarial gain or losses and the past service costs. The defined benefit obligation is calculated at or near the Balance Sheet date by an independent actuary using the projected unit credit method.

## 2.8 Deferred Employee Stock Compensation:

The stock options granted by the Company are accounted for as per the accounting treatment prescribed by SEBI (Employee Stock Option Scheme and Employee Stock Purchase) Guidelines, 1999 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 Statement of Profit and Loss 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 and Surplus.

# Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

## 2.9 Provisions, Contingent Liabilities and Contingent Assets:

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent Assets are neither recognized nor disclosed in the financial statements.

## 2.10 Taxes on Income:

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Provision for current tax is computed based on estimated tax liability computed after adjusting for allowance, disallowance and exemptions in accordance with the applicable tax laws.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rate and the tax laws enacted or substantively enacted at the Balance Sheet date. The deferred tax asset is recognised or unrecognised, to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available. At each reporting date, the Company re-assesses unrecognized deferred tax assets. Deferred tax liability is recognised as and when arisen.

## 2.11 Operating Leases:

Lease rentals in respect of operating lease arrangements are charged to the Statement of Profit & loss in accordance with Accounting Standard 19 – Leases, issued by the Institute of Chartered Accountants of India.

## 2.12 Investments:

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other Investments are classified as non – current investments. Current investments are stated at lower of cost or fair value. Non – current investments are carried at cost. Provision for diminution in value of non – current investments is made, if in the opinion of the management such diminution is other than temporary. For investment in mutual funds, the net assets value (NAV) declared by the mutual funds at the Balance Sheet date is considered as the fair value.

## 2.13 Inventories:

Closing stock is valued at cost or market value whichever is lower. Cost is computed on FIFO basis. The comparison of cost and market value for arbitrage portfolio is done separately for each scrip.

## 2.14 Earnings Per Share:

Basic earnings per share for equity shareholders have been calculated by dividing the Net Profit after Tax or loss by the weighted average number of equity shares outstanding during the period.

The diluted earnings per share for equity shareholders have been computed by dividing the Net Profit after Tax or loss by the weighted average number of shares after giving dilutive effect of the outstanding stock options.





## Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

### NOTE 3. SHARE CAPITAL

a. The Authorised, Issued, Subscribed and fully paid up share capital comprises equity shares as follows: (Amount in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
<b>Authorised :</b>		
600,000,000 (Previous Year - 600,000,000) Equity Shares of ₹ 2 each	1,200,000,000	1,200,000,000
<b>Issued , Subscribed and Paid Up :</b>		
295,229,883 ( Previous Year - 289,024,203) Equity Shares of ₹ 2 each fully paid – up	590,459,766	578,048,406
<b>Total</b>	<b>590,459,766</b>	<b>578,048,406</b>

b. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period.

Particulars	As at March 31, 2013		As at March 31, 2012	
	Number of Shares	Amount in ₹	Number of Shares	Amount in ₹
At the beginning of the Period	289,024,203	578,048,406	286,410,823	572,821,646
Add:- Issued during the period on exercise of ESOPs	6,205,680	12,411,360	2,613,380	5,226,760
<b>Outstanding at the end of the year</b>	<b>295,229,883</b>	<b>590,459,766</b>	<b>289,024,203</b>	<b>578,048,406</b>

c. **Terms/rights attached to equity shares**

The Company has only one class of equity shares having a par value of ₹ 2 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees.

During the year ended March 31, 2013, the amount of per share dividend recognised as distribution to equity shareholders was ₹ 3 (Previous Year ₹ 1.50)

d. **Detail of shareholders holding more than 5% shares in the Company**

Particulars	As at March 31, 2013		As at March 31, 2012	
	Number of Shares	% holding in the class	Number of Shares	% holding in the class
<b>Equity shares of ₹ 2 each fully paid</b>				
Nirmal Bhanwarlal Jain	51,252,000	17.36	51,200,000	17.71
Venkataraman Rajamani	19,909,432	6.74	19,862,510	6.87
Madhu N Jain	16,975,000	5.74	16,600,000	5.74
Carlyle Mauritius Investment Advisors Ltd. A/C Carlyle Mauritius III	28,761,409	9.74	28,761,409	9.95
HWIC Asia Fund Class A Shares	27,910,000	9.45	27,910,000	9.66
Deutsche Securities Mauritius Limited	-	-	24,552,574	8.50
Bharat H Parajia	16,221,778	5.49	-	-

e. **Aggregate number of bonus shares issued, share issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:**

Particulars	March 31 2013	March 31 2012	March 31 2011	March 31 2010	March 31 2009
	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares
Equity shares bought back by the company	-	-	12,998,877	-	2,557,915

f. **Shares reserved for issue under options**

For details of shares reserved for issue under the employee stock option (ESOP) plan of the company, please refer note 32.

# Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

## NOTE 4. RESERVE AND SURPLUS

(Amount in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
<b>Capital Reserve</b>		
Opening balance	2,242,711,953	597,700,000
Deduction:- Due to merger of India Infoline Marketing Services Limited (Refer note below )	(1,645,011,953)	1,645,011,953
<b>Closing balance</b>	<b>597,700,000</b>	<b>2,242,711,953</b>
<b>Capital Redemption Reserve</b>		
Opening balance	31,113,584	31,113,584
Addition:- Due to India Infoline Marketing Limited Services Merger (Refer note below )	20,000,000	-
<b>Closing balance</b>	<b>51,113,584</b>	<b>31,113,584</b>
<b>Securities Premium Account</b>		
Opening Balance	7,411,541,771	7,307,825,773
Add : additions on ESOP's exercised	271,126,152	103,715,998
Addition :- Due to India Infoline Marketing Services Limited Merger (Refer note below )	1,574,620,000	-
Add: Transfer from Share Option Outstanding Account	36,134,251	-
<b>Closing balance</b>	<b>9,293,422,174</b>	<b>7,411,541,771</b>
<b>Share Options Outstanding Account</b>		
Gross employee stock compensation for options granted in earlier years	52,264,312	52,264,312
Less:- Written back to Statement of Profit and Loss during the year	16,130,061	3,891,535
Less:-Transferred to Securities premium Account	36,134,251	-
<b>Closing balance</b>	<b>-</b>	<b>48,372,777</b>
<b>General Reserve</b>		
Opening balance	660,000,000	594,841,731
Addition due to transfer during the year from surplus in the Statement of Profit and Loss	96,000,000	65,158,269
<b>Closing balance</b>	<b>756,000,000</b>	<b>660,000,000</b>
<b>Suplus/(deficit) in the Statement of Profit and Loss</b>		
Opening balance	1,801,061,286	1,737,221,728
Addition:- Due to India Infoline Marketing Services Limited Merger (Refer note below )	50,391,951	-
Addition: Profit / (Loss) for the year	958,104,801	632,965,237
<b>Less:- Appropriations</b>		
Interim Dividend	883,094,049	433,622,930
Dividend Distribution Tax	18,861,118	70,344,480
General Reserve	96,000,000	65,158,269
<b>Net Surplus in the Statement of Profit and Loss</b>	<b>1,811,602,871</b>	<b>1,801,061,286</b>
<b>Total Reserve and Surplus</b>	<b>12,509,838,629</b>	<b>12,194,801,370</b>

The Hon'ble High Court, Bombay, vide its order dated March 1, 2013 have approved modification to the earlier scheme of amalgamation between India Infoline Marketing Services Limited, a wholly owned subsidiary, with the Company which was effective from April 1, 2011. In terms of the above order, an appropriate modification has been effected under the head "Reserves & Surplus". As per the modification, there is no change in the balance sheet and statement of profit & loss account other than inter-se treatment within Reserves & Surplus.



## Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

### NOTE 5. OTHER LONG-TERM LIABILITIES

(Amount in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Security Deposits received	3,736,000	3,936,000
<b>Total</b>	<b>3,736,000</b>	<b>3,936,000</b>

### NOTE 6. SHORT-TERM BORROWINGS

(Amount in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
<b>Secured Loan</b>		
Loan from Banks		
- Secured against Hypothecation of Receivables	-	167,573,343
- Secured against Fixed Deposit Receipt	-	431,353
<b>Total</b>	<b>-</b>	<b>168,004,696</b>

### NOTE 7. TRADE PAYABLES

(Amount in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Trade Payables *	6,167,346,937	7,212,170,622
<b>Total</b>	<b>6,167,346,937</b>	<b>7,212,170,622</b>

\*There are no dues to micro and small enterprises (MSEs) outstanding for more than 45 days as per Micro, Small and Medium Enterprises Development Act, 2006.

### NOTE 8. OTHER CURRENT LIABILITIES

(Amount in ₹)

Particulars	As at	
	March 31, 2013	March 31, 2012
Accrued Salaries & Benefits	219,829,141	148,542,544
Unearned Revenue	2,434,550	4,527,199
Unpaid Dividend	6,601,412	4,896,718
Provision For Expenses	174,835,130	242,248,907
Others		
- Statutory Remittances	64,776,321	57,003,617
- Interim Dividend	-	433,622,930
- Dividend Distribution Tax	-	70,344,480
- Other Payables	834,102,453	1,295,364,372
<b>Total</b>	<b>1,302,579,007</b>	<b>2,256,550,767</b>

### NOTE 9. PROVISIONS

(Amount in ₹)

Particulars	As at		As at March 31, 2012
	March 31, 2013		
	Current	Non Current	
Provision for employee benefits :			
Provision for compensated absences	27,117,275	7,761,253	39,180,224
Provision For Gratuity	17,132,374	-	-
<b>Total</b>	<b>44,249,649</b>	<b>7,761,253</b>	<b>39,180,224</b>

# Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

## NOTE 10. FIXED ASSETS

(Amount in ₹)

Particulars	Buildings	Computers	Electrical Equipment	Furniture & Fixture	Office Equipment	Vehicles	Total
<b>Tangible assets</b>							
Cost or Valuation							
At April 1, 2012	14,074,920	334,397,675	166,255,914	438,813,806	255,303,304	7,304,055	1,216,149,674
Addition	-	9,019,532	2,706,927	3,560,153	6,060,684	-	21,347,296
Deductions/Adjustments during the year	-	2,525,353	1,858,363	2,463,655	2,204,726	-	9,052,097
<b>As at 31 March, 2013</b>	<b>14,074,920</b>	<b>340,891,854</b>	<b>167,104,478</b>	<b>439,910,304</b>	<b>259,159,262</b>	<b>7,304,055</b>	<b>1,228,444,873</b>
<b>Depreciation</b>							
At April 1, 2012	3,342,804	267,943,421	113,757,354	365,187,369	207,327,032	1,826,014	959,383,994
Depreciation For the year	703,748	41,124,996	24,067,376	34,607,392	27,499,808	1,460,812	129,464,130
Deductions/Adjustments during the year	-	2,437,801	1,432,861	1,883,730	1,768,435	-	7,522,825
Upto March 31, 2013	4,046,552	306,630,616	136,391,869	397,911,031	233,058,405	3,286,826	1,081,325,299
<b>Net Block</b>							
<b>At March 31, 2013</b>	<b>10,028,368</b>	<b>34,261,238</b>	<b>30,712,609</b>	<b>41,999,273</b>	<b>26,100,857</b>	<b>4,017,229</b>	<b>147,119,574</b>
<b>At March 31, 2012</b>	<b>10,732,118</b>	<b>66,454,255</b>	<b>52,498,548</b>	<b>73,626,445</b>	<b>47,976,273</b>	<b>5,478,041</b>	<b>256,765,680</b>

(Amount in ₹)

Particulars	Software	Non Compete Fees	Total
<b>Intangible assets</b>			
Cost or Valuation			
At April 1, 2012	75,293,770	12,421,958	87,715,728
Addition	-	-	-
Deductions/Adjustments during the year	12,020	-	12,020
<b>As at March 31, 2013</b>	<b>75,281,750</b>	<b>12,421,958</b>	<b>87,703,708</b>
<b>Depreciation</b>			
At April 1, 2012	70,945,850	12,421,958	83,367,808
Depreciation For the year	3,469,711	-	3,469,711
Deductions/Adjustments during the year	11,685	-	11,685
Up to March 31, 2013	74,403,876	12,421,958	86,825,834
<b>Net Block</b>			
<b>At March 31, 2013</b>	<b>877,874</b>	<b>-</b>	<b>877,874</b>
<b>At March 31, 2012</b>	<b>4,347,920</b>	<b>-</b>	<b>4,347,920</b>

## NOTE 11. NON CURRENT INVESTMENT

(Amount in ₹)

Particulars	Face Value	As at March 31, 2013		As at March 31, 2012	
		Number	Amount in ₹	Number	Amount in ₹
<b>Non-Trade</b>					
Units of IIFL Opportunity, scheme launched by India Infoline Venture Capital Fund	₹ 100,000	-	-	536	53,600,000
Moneyvidya Technologies Pvt Ltd	₹ 1	-	-	36,000	3,000,024
IIFL Real Estate Fund (Domestic)- series 1, the scheme launched by India Infoline Venture Capital Fund (Partly paid up @ 50%)	₹ 100	7,500,000	375,000,000	7,500	187,500,000
CL Educate Limited	₹ 10	23,980	9,999,660	-	-
Investment In IIFL Venture Fund Category I – AIF	₹ 10	-	100,000	-	-
Investment In IIFL Venture Fund Category II – AIF	₹ 10	-	100,000	-	-



## Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

### NOTE 11. NON CURRENT INVESTMENT (CONTD.)

(Amount in ₹)

Particulars	Face Value	As at March 31, 2013		As at March 31, 2012	
		Number	Amount in ₹	Number	Amount in ₹
Investment In IIFL Private Equity Fund Category III – AIF	-	-	100,000		-
IIFL Income Opportunities Fund (Partly paid up @ 50%)	₹ 10	15,000,000	75,000,000		-
<b>Sub - Total</b>			<b>460,299,660</b>		<b>244,100,024</b>
<b>Investments in Subsidiaries:</b>					
India Infoline Finance Ltd.	₹ 10	234,467,549	9,723,150,400	234,467,549	9,723,150,400
IIFL Realty Ltd.	₹ 10	9,000,000	605,175,000	9,000,000	605,175,000
India Infoline Commodities Ltd.	₹10	209,000	20,000,000	209,000	20,000,000
IIFL Wealth Management Ltd.	₹ 2	45,000,000	225,000,000	45,000,000	225,000,000
India Infoline Media & Research Services Ltd.	₹ 10	50,000	500,000	50,000	500,000
IIFL Capital Ltd.	₹ 10	3,050,000	120,500,000	3,050,000	120,500,000
India Infoline Trustee Company Ltd.	₹ 10	300,000	3,000,000	300,000	3,000,000
India Infoline Asset Management Company Ltd.	₹ 10	17,500,000	175,000,000	15,000,000	150,000,000
IIFL Alternate Asset Advisors Ltd.	₹ 10	50,000	500,000	50,000	500,000
India Infoline Insurance Brokers Ltd.	₹ 10	500,000	5,000,004	500,000	5,000,004
India Infoline Insurance Services Ltd.	₹ 10	280,630	10,000,008	280,630	10,000,008
India Infoline Distribution Company Ltd.	₹ 10	1,400,100	85,126,000	-	-
IIFL (Asia) Pte Ltd, Singapore	-	25,000,000	794,468,382	25,000,000	794,468,382
IIFL Inc, USA	\$1.40	140	46,885,622	140	35,152,849
IIFL Private Wealth (Mauritius) Ltd.	\$ 1.00	69,975	3,229,076	69,975	3,229,076
IIFL Wealth (UK) Ltd.	£1.00	1,500,000	11,197,657	100,000	7,241,000
IIFL Private Wealth Hong Kong Ltd.	HK\$1	6,476,324	43,607,791	5,000,000	33,276,040
IIFL Securities Ceylon (Pvt) Ltd.	LKR 10,000	7,600	31,899,159	7,600	31,899,159
IIFL Capital Ceylon Ltd.	LKR 10,000	2,166	8,449,463	2,166	8,449,463
IIFL Private Wealth Management (Dubai) Ltd.	AED 3.67	918,442	42,436,895	750,000	33,292,500
India Infoline Commodities DMCC	AED 1,000	950	11,755,102	950	11,755,102
IIFL Private Wealth (Suisse) SA	CHF 1,000	100	5,815,000	-	-
IIFL Capital Inc	\$0.01	31,250,000	17,525,000	-	-
<b>Sub - Total</b>			<b>11,990,220,559</b>		<b>11,821,588,983</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>Sub - Total</b>			<b>16,870,000</b>		<b>16,870,000</b>
<b>Total Investments</b>			<b>12,467,390,219</b>		<b>12,082,559,007</b>
<b>Aggregate Book value</b>					
- Quoted			-		-
- Unquoted			12,467,390,219		12,082,559,007

# Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

## NOTE 11. NON CURRENT INVESTMENT (CONTD.)

Investments in Subsidiary Companies:

During the year the Company has invested in following subsidiaries

No.	Name of Company	Subsidiary	(Amount in ₹)
1	IIFL Private Wealth (Suisse) SA	Wholly owned subsidiary	5,815,000
2	IIFL Capital Inc	Wholly owned subsidiary	17,525,000
3	India Infoline Distribution Company Limited*	Wholly owned subsidiary	85,126,000
4	IIFL Inc USA	Wholly owned subsidiary	11,732,773
5	India Infoline Asset Management Company Limited	Wholly owned subsidiary	25,000,000
6	IIFL Wealth (UK) Limited	Wholly owned subsidiary	3,956,657
7	IIFL Private Wealth Hong Kong Limited	Wholly owned subsidiary	10,331,751
8	IIFL Private Wealth Management (Dubai) Limited	Wholly owned subsidiary	91,44,395
	<b>Total</b>		<b>168,631,576</b>

\* During the year Company has acquired 100% stake of India Infoline Distribution Company Limited from its Subsidiary India Infoline Finance Limited.

## NOTE 12. LONG-TERM LOANS & ADVANCES

(Amount in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
<b>Capital advances</b>		
Unsecured, considered good	844,758	564,229
<b>Security Deposits</b>		
Unsecured, considered good	807,722,651	773,615,300
Advance Income Tax (Net of Provision for income tax ₹ 3,040,156,384 (Previous Year ₹ 2,973,576,972))	194,702,066	288,574,256
<b>Other loans and advances (Unsecured, Considered Good)</b>		
Deposit with stock exchange	173,200,000	67,450,000
<b>Total</b>	<b>1,176,469,475</b>	<b>1,130,203,785</b>

## NOTE 13. CURRENT INVESTMENTS

(Amount in ₹)

Particulars	Face Value in ₹	As at March 31, 2013		As at March 31, 2012	
		Number	Amount in ₹	Number	Amount in ₹
<b>Non Traded (Unquoted)</b>					
<b>Current Investment (valued at lower of cost &amp; fair value)</b>					
Union Kbc Capital Protection Oriented Fund- Series 1 NFO	10	99,990	1,000,000	-	-
HDFC Debt Fund for Cancer Cure	10	1,000,000	10,000,000	1,000,000	10,000,000
Arch Pharmed Labs Ltd	10	73,106	29,244,055	-	-
<b>Total</b>			<b>40,244,055</b>		<b>10,000,000</b>
<b>Traded (Quoted)</b>					
<b>Current Investment (valued at lower of cost &amp; fair value)</b>					
Nirlon Ltd.	10	3,20,166	12,598,531	-	-
8.15 % GOI 2022	100	4,000,000	400,000,000	-	-
<b>Total</b>			<b>412,598,531</b>		
<b>Grand Total</b>			<b>452,842,586</b>		<b>10,000,000</b>



## Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

### NOTE 14. INVENTORIES - (AT LOWER OF COST OR NET REALISABLE VALUE)

(Amount in ₹)

Script Name	As at March 31, 2013			As at March 31, 2012		
	Face Value in ₹	Number	Amount in ₹	Face Value in ₹	Number	Amount in ₹
Apollo Tyres Ltd.	1	-	-	1	60,000	4,779,000
Arvind Ltd.	10	-	-	10	4,000	333,440
Axis Bank Limited	10	-	-	10	1,690	1,937,078
Bharat Heavy Electricals Limited	2	-	-	2	619	159,176
Core Education & Technologies Ltd	2	-	-	2	4,000	1,109,411
Crompton Greaves Ltd.	2	-	-	2	64,000	8,838,400
DLF Ltd.	2	-	-	2	10,751	2,103,841
Escorts Ltd.	10	-	-	10	24,001	1,646,469
Fresenius Kabi Oncology Ltd.	1	-	-	1	100	15,220
Goodyear India Ltd.	10	-	-	10	662	239,379
Grasim Industries Ltd.	10	-	-	10	1,955	5,135,883
Gujarat Fluorochemicals Ltd.	1	-	-	1	1,500	750,914
Hindalco Industries Limited	1	-	-	1	52,000	6,728,800
Honeywell Automation India Ltd.	10	-	-	10	30	80,542
Housing Development Finance Corp	2	-	-	2	566	381,088
IIFL Mutual Fund - IIFL Nifty ETF	10	-	-	10	24,673	12,844,792
Infosys Technologies Limited	5	-	-	5	549	1,573,599
Infrastructure Development Finance Company Limited	10	-	-	10	92,026	12,423,872
IvrcI Assets & Holdings Limited	10	-	-	10	14,522	636,409
IVRCL Ltd	2	-	-	2	48,000	3,175,200
Jaiprakash Associates Limited	2	-	-	2	128,000	10,457,600
Jsw Steel Ltd.	10	-	-	10	1,000	736,242
Kamat Hotels (India) Ltd.	10	-	-	10	9,028	1,138,415
Lic Housing Finance Limited	2	-	-	2	5,000	1,316,750
Maruti Suzuki India Limited	5	-	-	5	2,000	2,566,779
Orchid Chemicals & Pharmaceuticals Ltd	10	-	-	10	68,000	12,566,400
Pantaloon Retail (India) Limited	2	-	-	2	37,000	5,635,207
Power Grid Corporation Of India Limited	10	-	-	10	40,000	4,326,000
Punjab National Bank	10	-	-	10	3,750	3,478,492
Reliance Communications Ltd.	5	-	-	5	65,100	5,612,413
Reliance Industries Limited	10	-	-	10	1,508	1,131,905
Satyam Computer Services Ltd.	2	-	-	2	12,750	977,250
Sesa Goa Ltd.	1	-	-	1	36,956	7,195,333
Standard Chartered Plc	-	-	-	-	7,283	691,521
State Bank Of India	10	-	-	10	542	1,136,222
Sterlite Industries (India) Limited	1	-	-	1	64,000	7,107,200
Tata Coffee Ltd.	10	-	-	10	1,750	1,487,170
Tata Motors Ltd.	2	-	-	2	1,000	275,250
Thomas Cook (India) Ltd.	1	-	-	1	93	5,673
Timken India Ltd.	10	-	-	10	1,294	283,386
TVS Motor Company Limited	1	-	-	1	32,081	1,315,321
Unitech Limited	2	-	-	2	24,000	690,000
Welspun Corp Limited	5	-	-	5	22,000	2,961,200
<b>Total</b>			-			<b>137,984,242</b>
Bonds						
Tata Housing Development Co Ltd	1,000,000	-	-	1,000,000	85	98,402,885
Avantha Holdings Limited NCD 12Sp12	90,000,000	-	-	90,000,000	1	97,439,092

# Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

## NOTE 14. INVENTORIES - (AT LOWER OF COST OR NET REALISABLE VALUE)

(Amount in ₹)

Particulars	As at March 31, 2013			As at March 31, 2012		
	Face Value in ₹	Number	Amount in ₹	Face Value in ₹	Number	Amount in ₹
Vijay Associates (Wadhwa) Constructions P Ltd 16 NCD May 31, 2013	56,680	-	-	56,680	537	31,158,788
Vijay Associates (Wadhwa) Constructions P Ltd Sr-B 16 NCD July 01,2013	56,680	-	-	56,680	129	7,392,926
Barclays Investments & Loans (I)Ltd Sr-120 Br NCD April 22,2013	1,000,000	-	-	1,000,000	20	23,006,000
<b>Total</b>	-	-	-	-	-	<b>257,399,691</b>
<b>Grand Total</b>	-	-	-	-	-	<b>395,383,933</b>
<b>Aggregate Market value</b>	-	-	-	-	-	<b>395,910,378</b>

## NOTE 15. TRADE RECEIVABLE

(Amount in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
<b>Unsecured, considered good unless stated otherwise</b>		
Outstanding for a period exceeding six months from date they are due for payment		
- Considered good	28,323,928	69,181,311
- Considered doubtful	37,921,487	26,908,649
<b>Sub- Total</b>	<b>66,245,415</b>	<b>96,089,960</b>
<b>Other</b>		
- Considered good	1,628,684,595	2,459,847,391
Provision for doubtful receivables	(37,921,487)	(26,908,649)
<b>Total</b>	<b>1,657,008,523</b>	<b>2,529,028,702</b>

## NOTE 16. CASH AND BANK BALANCES

(Amount in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
<b>Cash on hand</b>	<b>6,177,877</b>	<b>6,617,385</b>
<b>Balances with banks</b>		
- In Current Account	1,264,460,009	2,301,643,347
- In Earmarked Accounts		
Balances held as margin money deposit against guarantees*	2,864,832,676	2,269,896,886
<b>Total</b>	<b>4,135,470,562</b>	<b>4,578,157,618</b>

\*Company has pledged fixed deposits to the extent of ₹ 2,813,401,042/-(previous year ₹ 2,268,623,790/-) with banks for bank guarantees/overdraft facilities and with the stock exchanges.

Details of bank balance with non schedule banks are:

(Amount in ₹)

Name of Bank	Closing Balance	Maximum balance During the year
Bank of Baroda, Dubai	100,962	111,472
Mashreq Bank, Dubai	150,355	3,058,585
Standard Chartered, Srilanka	630,190	700,401





## Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

### NOTE 17. SHORT-TERM LOANS & ADVANCES

(Amount in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Loans & advances to related parties - Unsecured, considered good	2,184,733	89,682,847
<b>Balances with government authorities</b>		
Service Tax credit receivable - Unsecured, considered good	9,504,278	9,500,493
<b>Total</b>	<b>11,689,011</b>	<b>99,183,340</b>

### NOTE 18. OTHER CURRENT ASSETS

(Amount in ₹)

Particulars	As at March 31, 2013		As at March 31, 2012
	Current	Non Current	Current
Unsecured, considered good			
Margin with exchanges	133,225,000	-	146,155,794
Deposit with others	2,299,569	-	2,299,569
Prepaid expenses	72,421,834	14,570,297	57,723,261
Margin /Premium on forward contracts	-	-	750,027,128
Others	153,871,179	-	211,690,786
<b>Total</b>	<b>361,817,582</b>	<b>14,570,297</b>	<b>1,167,896,538</b>

### NOTE 19. REVENUE FROM OPERATIONS

(Amount in ₹)

Particulars	2012-2013	2011-2012
Revenue from operations		
Equity brokerage & related income	4,066,462,461	4,856,781,962
Mutual fund distribution Income	106,063,020	59,938,206
Distribution Income	-	554,073,604
Merchant Banking income	13,550,000	14,684,687
<b>Total</b>	<b>4,186,075,481</b>	<b>5,485,478,459</b>

### NOTE 20. OTHER INCOME

(Amount in ₹)

Particulars	2012-2013	2011-2012
(a) Interest income comprises :		
Interest on bank deposits	242,834,563	227,202,811
Interest on loans and advances	149,360,327	202,194,544
Interest on income tax refund	-	8,124,386
Other interest	26,070,715	209,319
Interest Income From Real Estate Fund (Domestic) Series - 1	19,012,865	-
(b) Dividend Income		
From Mutual Fund Investments	9,869,274	36,838,728
From Investment in Subsidiaries	766,944,121	-
(c) Net gain on sale of current investments (Mutual Funds)	88,951,818	104,896,326
(d) Net gain/loss on sale of investment (Others)	-	176,591,625
(e) Net gain on foreign currency transactions	5,650,211	-
(f) Other non operating Income		
Profit / (Loss) on sale of fixed assets (other than slump sale)	-	(1,148,132)
Miscellaneous income	9,955,756	5,959,227
<b>Total</b>	<b>1,318,649,650</b>	<b>760,868,834</b>

# Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

## NOTE 21. EMPLOYEE BENEFITS EXPENSE

(Amount in ₹)

Particulars	2012-2013	2011-2012
Salaries & Wages	1,767,289,618	1,949,183,471
Contributions to provident and other funds**	23,607,697	29,240,915
Gratuity expenses*	18,403,606	17,728,704
Expense on employee stock option (ESOP) scheme (Note no.32)	(12,238,526)	3,481,224
Staff welfare expenses	50,152,705	71,097,252
<b>Total</b>	<b>1,847,215,100</b>	<b>2,070,731,566</b>

\*The Company is recognising and accruing the employee benefit as per accounting standard (AS) – 15 on “Employee Benefits” the disclosures of which are as under.

(Amount in ₹)

Particulars	2012-2013	2011-2012
<b>Assumptions</b>		
Discount rate previous year	8.50%	8.00%
Salary Escalation previous year	5.00%	5.00%
Discount rate current year	8.00%	8.50%
Salary Escalation Current year	5.00%	5.00%

Particulars	2012-2013	2011-2012
<b>Change in Benefit Obligation</b>		
Liability at the beginning of the year	90,080,272	65,314,522
Interest Cost	7,656,823	5,225,162
Current Service Cost	19,345,619	21,817,965
Benefit paid	(9,244,248)	(5,747,434)
Actuarial (gain)/ Loss on obligations	(8,625,607)	3,470,057
<b>Liability at the end of the year</b>	<b>99,212,859</b>	<b>90,080,272</b>

Particulars	2012-2013	2011-2012
<b>Amount Recognised in the Balance Sheet</b>		
Liability at the end of the year	(1,244,462)	90,080,272
Fair value of plan Assets at the end of the year	18,376,836	91,324,734
Differences	17,132,374	(1,244,462)
<b>Amount of liability Recognised in the Balance Sheet</b>	<b>17,132,374</b>	<b>(1,244,462)</b>

Particulars	2012-2013	2011-2012
<b>Expenses Recognised in the Income statement</b>		
Current Service cost	17,728,704	21,817,965
Interest Cost	7,656,823	5,225,162
Expected return on plan assets	(7,853,927)	(12,096,887)
Actuarial Gain or Loss	872,006	2,782,464
<b>Expense Recognised in P&amp;L</b>	<b>18,403,606</b>	<b>17,728,704</b>

Particulars	2012-2013	2011-2012
<b>Balance Sheet reconciliation</b>		
Opening Net liability	(1,244,462)	(18,055,836)
Expense as above	18,376,836	17,728,704
Net Transfer in	-	(911,347)
Employers contribution	-	(5,983)
<b>Amount Recognised in Balance Sheet</b>	<b>17,132,374</b>	<b>(1,244,462)</b>

\*\*Defined Contribution Plans :

The Company has also recognised the following amounts as an expense and included in Note 21- Employee Benefit Expense

(Amount in ₹)

Particulars	2012-2013	2011-2012
Contribution to provident & other fund	16,209,973	16,962,061



## Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

### NOTE 22. FINANCE COSTS

(Amount in ₹)

Particulars	2012-2013	2011-2012
a) Interest Expenses on		
(i) Borrowings	15,201,554	203,204,063
(ii) Others (Inter Company loans and Advances)	75,697,731	167,544,573
b) Net (gain) / loss on foreign currency transactions and translation (Considered as finance Cost)	-	7,808,875
<b>Total</b>	<b>90,899,285</b>	<b>378,557,511</b>

### NOTE 23. DEPRECIATION AND AMORTISATION EXPENSE

(Amount in ₹)

Particulars	2012-2013	2011-2012
Depreciation of tangible assets	129,464,130	303,472,300
Amotization of intangible assets	3,469,711	10,940,388
<b>Total</b>	<b>132,933,841</b>	<b>314,412,688</b>

### NOTE 24. OTHER EXPENSES

(Amount in ₹)

Particulars	2012-2013	2011-2012
Advertisement	33,031,008	118,755,232
Bank Charges	38,237,961	42,027,771
Brokerage rebate and remisier expenses	1,090,161,171	1,309,778,296
Communication	118,074,703	230,862,674
Exchange and statutory charges	95,118,062	90,956,177
Electricity	89,478,729	97,098,531
Insurance	3,516,905	6,036,495
Loss on investment	86,733,898	-
Legal and professional charges	80,659,243	124,863,432
Miscellaneous expenses	30,802	144,011
Office expenses	73,778,974	110,580,546
Postage and courier	19,850,648	39,259,741
Power & Fuel	58,555	1,175,054
Printing and stationery	21,575,054	34,279,372
Provision for doubtful debts and bad debts	51,651,329	6,165,340
Rent	313,536,934	433,728,142
Rates & taxes	7,402,221	4,339,119
Repairs and maintenance	25,320,181	30,261,223
Payments to the auditor		
- Statutory audit	2,010,000	2,010,000
- Certification work and other matters	144,500	170,000
- Out of pocket expenses	135,962	95,414
Software charges	98,456,597	62,813,118
Travelling and conveyance	115,919,674	133,627,917
<b>Total</b>	<b>2,364,883,111</b>	<b>2,879,027,605</b>

**NOTE 25.** During the Previous Financial year 2011-12 the Company had sold its marketing and distribution business (including all its assets and liabilities of marketing and distribution business) of India Infoline Marketing services Ltd. by way of slump sale on a going concern basis to India Infoline Media and Research Ltd. a subsidiary of the company, for a lump sum consideration of ₹ 469,822,400/- vide agreement dated January 16, 2012. The profit earned by Company by virtue of this slump sale was ₹ 143,604,348/-.

# Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

## NOTE 26. EARNINGS PER SHARE

(Amount in ₹)

Particulars		2012-2013	2011-2012
<b>Basic EPS :</b>			
Profit/(Loss) after tax as per Statement of Profit and Loss	A	958,104,801	632,965,237
Weighted Average Number of Shares Subscribed (Basic)	B	290,430,555	288,433,564
Basic EPS	A/B	3.30	2.19
<b>Diluted EPS :</b>			
Profit/(Loss) after tax as per Statement of Profit and Loss	A	958,104,801	632,965,237
Weighted Average Number of Shares Subscribed		290,430,555	288,433,564
Add : Potential Equity Shares on account of conversion of Employee Stock Option		4,803,896	36,477,112
Weighted Average Number of Shares Outstanding	B	295,234,451	324,910,676
Diluted EPS	A/B	3.25	1.95

**NOTE 27.** In order to achieve simplified business structure, focused management, strengthen core competencies and enhance value creation for the group, the Board of Directors of your Company have approved transfer of Company's broking, Depository Participant, Portfolio Management, Mutual Fund Distribution and Investment Banking businesses ("Financial Services Undertaking") to a wholly owned subsidiary, India Infoline Distribution Company Limited ("IIDCL"), through a scheme of arrangement in terms of Section 391 to 394 of the Companies Act, 1956. As the said transfer is to a wholly owned subsidiary, it does not involve issue of new shares by the Company. The Appointed Date of the Scheme is April 1, 2013. The Scheme is subject to necessary approvals of regulatory authorities, shareholders, creditors and High Court. The Company has already initiated the process to seek the various requisite approvals. The Company continues with its remaining business and accordingly the accounts for the financial year have been prepared on a going concern basis.

**NOTE 28.** The claim against the Company not acknowledged as debt were ₹ 16,939,813/- (previous year ₹ 11,389,141/-), As of March 31, 2013, we had certain contingent liabilities not provided for, including the following:

Particulars		(Amount in ₹)	
Sr. No.	Name of the Statute	March 31, 2013	March 31, 2012
(i)	In respect of Income tax demands	118,232,751	74,473,591
(ii)	In respect of MVAT demands	563,342	563,342

## NOTE 29. CAPITAL AND OTHER COMMITMENTS AT BALANCE SHEET DATE

There were outstanding commitments for capital expenditure (net of advances) to the tune of ₹ 19,738,682/- (previous year ₹ 54,189,295/-) and Other Commitment to the tune of ₹ 450,000,000/- (previous year ₹ 562,500,000/-) of the total contractual obligation entered during the year.

**NOTE 30.** The Company has taken office premises on operating lease at various locations. Lease rents in respect of the same have been charged to Statement of Profit and Loss. 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 after giving a prior notice period between 30 to 90 days. The Company has also taken some other assets under operating lease. The minimum future Lease rentals outstanding as at March 31, 2013, are as under:

The Company has taken office premises on operating lease at various locations. Lease rents in respect of the same have been charged to Statement of Profit and Loss. 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 after giving a prior notice period between 30 to 90 days. The Company has also taken some other assets under operating lease. The minimum future Lease rentals outstanding as at March 31, 2013, are as under:

Minimum Lease Rentals	2012-2013	2011-2012
Due for:		
- Up to one year	42,321,650	52,769,816
- One to five years	82,464,798	NIL
- Over five years	62,191,787	NIL
Total	186,978,235	52,769,816



## Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

### NOTE 31. THE COMPANY HAS PROVIDED CORPORATE GUARANTEE ON BEHALF OF THE FOLLOWING SUBSIDIARIES

Sr. No.	Name of the subsidiary	(Amount in ₹)
1	India Infoline Commodities Limited	₹ 1350,000,000 (₹ 129,000,000)
2	India Infoline Finance Limited (Formerly Known as India Infoline Investment Services Ltd.)	₹ 54,450,000,000 (₹ 34,648,300,000)
3	India Infoline Housing Finance Ltd	₹ 1,600,000,000 (₹ 1,600,000,000)
4	IIFL Realty Ltd	₹ 2,060,000,000 (₹ 1,700,000,000)
5	IIFL Inc	\$ 141,414 (\$ 141,414)
6	IIFL Securities Pte Limited	- (\$ 10,000,000)

(Figure in bracket represents previous year figures)

**NOTE 32.** The Company has implemented Employee Stock Option Scheme 2005, 2007, 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 the grants made by the Remuneration and Compensation Committee and ESOP Schemes.

a) The details of various Employee Stock Option Schemes are as under:

Particulars	ESOP 2005**	ESOP 2007	ESOP 2008
No. of options as on March 31, 2013	32,375	4,288,330	24,626,400
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	Seven years from the date of grant
Grant Dates	May 4, 2006 and April 2, 2007	October 17, 2008, December 18, 2008, January 1, 2009 and March 5, 2012	December 18, 2008, January 1, 2009, May 27, 2009, December 10, 2009, September 20, 2010, May 7, 2011, May 15, 2012, August 10, 2012 and October 29, 2012
Grant Price (₹ Per Share)	₹ 30.00 and ₹ 51.00 *	₹ 63.75, ₹ 45.30, ₹ 50.90 and ₹ 70.00	₹ 45.30, ₹ 50.90, ₹ 100.00, ₹ 136.00, ₹ 105.00, ₹ 72.40, ₹ 45.90, ₹ 56.60 and ₹ 68.15
Market Price on the date of Grant of Option (₹)	₹ 36.45* and ₹ 67.00 *	₹ 63.75, ₹ 45.30, ₹ 50.90 and ₹ 69.90	₹ 45.30, ₹ 50.90, ₹ 129.30, ₹ 135.15, ₹ 104.55, ₹ 72.40, ₹ 45.90, ₹ 56.60 and ₹ 68.15

\* adjusted prices due to sub-division of face value from ₹ 10 to ₹ 2 per share, with effect from August 18, 2008.

\*\*Maximum exercise period for the options granted under the scheme is over.

# Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

## b) Movement of options granted:

Particulars	ESOP 2005**	ESOP 2007	ESOP 2008
Options outstanding at the beginning of the year	38,625	4,575,310	34,414,500
Granted during the year	-	-	3,300,000
Exercised during the year	-	238,380	5,967,300
Lapsed during the year	6,250	48,600	7,120,800
Options outstanding at the end of the year	32,375	4,288,330	24,626,400

**NOTE 33.** The Company recognized deferred tax assets for the year ended on March 31, 2013, 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 ₹)	
Particulars	2012-2013	2011-2012	
On Gratuity/Leave Encashment	5,558,599	-	
Depreciation	143,432,428	155,642,509	
Provision for doubtful debts	8,730,511	6,928,689	
On Capital Gains	38,650,018	35,537,177	
<b>Total</b>	<b>196,371,556</b>	<b>198,108,375</b>	

## NOTE 34. DISCLOSURE OF LOANS/ADVANCES IN ITS SUBSIDIARIES AND ASSOCIATES ETC. AS REQUIRED UNDER CLAUSE 32 OF THE LISTING AGREEMENT

(Amount in ₹)				
No	Name	Particulars	2012-13	2011-12
1	IIFL Energy Ltd.	Outstanding at year end	-	-
		Maximum Amount Outstanding	-	1,959,568
2	IIFL(Asia) Pte. Ltd.	Outstanding at year end	-	52,431,868
		Maximum Amount Outstanding	-	736,788,293
3	IIF Private Wealth Management Hong Kong Ltd	Outstanding at year end	-	9,847,081
		Maximum Amount Outstanding	-	9,847,081
4	India Infoline Commodities DMCC. Dubai	Outstanding at year end	2,184,733	2,184,733
		Maximum Amount Outstanding	2,184,733	56,782,300
5	IIFL Inc	Outstanding at year end	-	11,732,773
		Maximum Amount Outstanding	-	11,732,773
6	IIFL Pvt Wealth Management (Dubai) Ltd	Outstanding at year end	-	10,478,659
		Maximum Amount Outstanding	-	10,478,659
7	IIFL Wealth (Uk) Ltd	Outstanding at year end	-	3,939,200
		Maximum Amount Outstanding	-	3,939,200

**NOTE 35.** 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.

**NOTE 36.** The Company provides for the use by its subsidiaries certain facilities like use of premises, infrastructure and other facilities/services and the same are termed as 'Shared Services'. The cost of such Shared Services are recovered from subsidiaries either on actual basis or on reasonable management estimates, which are constantly refined in the light of additional knowledge gained relevant to such estimation



## Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

### NOTE 37. RELATED PARTY DISCLOSURES AS ON MARCH 31, 2013

Nature of relationship	Name of party
<b>a) Related parties where control exists</b>	
<b>Subsidiaries including step down subsidiaries</b>	India Infoline Commodities Limited
	India Infoline Finance Limited
	India Infoline Media & Research Services Limited
	India Infoline Commodities DMCC
	IIFL Wealth Management Limited
	IIFL Capital Limited
	India Infoline Distribution Company Limited
	India Infoline Insurance Services Limited
	India Infoline Insurance Brokers Limited
	India Infoline Housing Finance Limited
	India Infoline Trustee Company Limited
	India Infoline Asset Management Company Limited
	IIFL Distribution Services Private Limited (Formerly Finest Wealth Managers Private Limited)
	IIFL Trustee Services Limited
	IIFL Realty Limited
	IIFL Alternate Asset Advisors Limited
	IIFL (Asia) Pte Limited
	IIFL Securities Pte Limited
	IIFL Capital Pte. Limited formerly known as IIFL Wealth Pte. Limited
	IIFL Securities Ceylon (Pvt) Limited
	IIFL Capital Ceylon Limited
	IIFL Private Wealth Management (Dubai) Limited
	IIFL Wealth (UK) Limited
	IIFL Inc.
	IIFL (Thane) Private Limited (*)
	IIFL Energy Limited (**)
	IIFL Private Wealth (Suisse) SA
	IIFL Capital Inc.
	IIFL Private Wealth Hong Kong Limited
	IIFL Private Wealth (Mauritius) Limited
<b>(b) Key Management Personnel</b>	Mr. Nirmal Jain
	Mr. R Venkataraman
<b>(c) Other related parties</b>	Mrs. Madhu Jain (wife of Mr. Nirmal Jain)
	Mrs. Aditi Venkataraman (wife of Mr. R Venkataraman)
	India Infoline Venture Capital Fund

(\*) With effect from 1st April 2012 The Company has been merged with its holding Company IIFL Realty Limited.

(\*\*) IIFL Energy Limited was Related Party up to 25th March, 2013.

# Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

## NOTE 37. RELATED PARTY DISCLOSURES AS ON MARCH 31, 2013 (Contd.)

### (d) Significant Transactions with Related Parties

(Amount in ₹)

Nature of Transaction	Subsidiaries	Key Managerial Personnel	Other Related Parties	Total
Investment (refer notes 11)	168,631,576	-	-	168,631,576
	(203,634,166)	-	-	(203,634,166)
Sale of Fixed Assets ( Net Block)	452,542	-	-	452,542
	-	-	-	-
Brokerage Income	292,810	402,389	272,948	968,147
	(493,624)	(13,778)	(57,782)	(565,184)
Remuneration	-	35,863,020	-	35,863,020
	-	(29,680,110)	-	(29,680,110)
Interest Income	103,280,171	-	-	103,280,171
	(202,187,317)	-	(7,227)	(202,194,544)
Interest Income ICD/NCD	46,550,456	-	-	46,550,456
	-	-	-	-
Dividend Income	766,944,121	-	-	766,944,121
	-	-	-	-
Marketing Support/Arranger Fees Income	7,506,261	-	-	7,506,261
	-	-	-	-
Management fees Income	-	-	25,000	25,000
	-	-	(1,149,504)	(1,149,504)
Interest Expenses	70,699,156	-	-	70,699,156
	(166,476,079)	-	-	(166,476,079)
Interest Expenses - ICD	4,998,575	-	-	4,998,575
	-	-	-	-
Rent Expenses	600,000,000	-	2,256,000	602,256,000
	(452,414,800)	-	(384,000)	(452,798,800)
Rent Deposit	-	-	50,000,000	50,000,000
	-	-	-	-
Referral Fees / Authorised Person / Marketing Expenses /SMS Expenses/ Arrange Fees	495,997,751	-	-	495,997,751
	(487,183,868)	-	-	(487,183,868)
Corporate Guarantee - (refer Note 31)	23,950,000,000	-	-	23,950,000,000
	(17,250,000,000)	-	-	(17,250,000,000)
ICD taken/received	3,310,000,000	-	-	3,310,000,000
	-	-	-	-
ICD repaid/issued	2,000,000,000	-	-	2,000,000,000
	(1,505,200,000)	-	-	(1,505,200,000)
Sale of Stock (OCD)	21,664,754	-	-	21,664,754
	-	-	-	-
Advances given / Reimbursement of Expenses	31,358,829,982	-	-	31,358,829,982
	(71,614,038,488)	-	-	(71,614,038,488)
Advances taken / allocation of Expenses	31,446,328,095	-	-	31,446,328,095
	(72,167,158,526)	-	-	(72,167,158,526)

### (e) Outstanding as on March 31, 2013

(Amount in ₹)

Nature of Transaction	Subsidiaries	Key Managerial Personnel	Other Related Parties	Total
Sundry Payables	391,149,921	16,440	23,734	391,190,095
	(917,000)	(30,284)	(10,891)	(958,175)
Sundry Receivables	2,184,733	-	-	2,184,733
	(90,599,846)	-	-	(90,599,846)
Investments	11,990,220,559	-	-	11,990,220,559
	(11,821,588,983)	-	-	(11,821,588,983)
Corporate Guarantees (in US\$)	141,414	-	-	141,414
	(10,141,414)	-	-	(10,141,414)
Corporate Guarantee	59,460,000,000	-	-	59,460,000,000
	(38,077,300,000)	-	-	(38,077,300,000)





## Standalone Financial Statement of India Infoline Limited

Notes forming part of the Financial Statements for the year ended March 31, 2013

### NOTE 38. EARNINGS AND EXPENSES IN FOREIGN CURRENCY

(Amount in ₹)

Particulars	2012-2013	2011-2012
<b>Earnings in Foreign Currency</b>		
Investment Banking & Research Income	-	10,008,132
<b>Expenses in Foreign Currency</b>		
Advertisement Expenses	-	-
Business Promotion	-	10,603,827
Communication Expenses	5,153,266	2,692,733
Marketing Expenses	210,486,127	138,315,262
Membership & Subscription	1,610,383	831,186
Office Expenses	639,736	4,298,369
Professional Fees	1,012,666	3,687,462
Postage & Courier Expenses	23,812	969,872
Printing & Stationery Expenses	51,635	1,575,245
Rent Expenses	491,811	965,240
Software Charges	11,662,193	18,029,171
Salaries	2,332,150	17,850,697
Staff Welfare Expenses	-	105,686
Travelling Expenses	919,969	2,479,406
Wire Services	10,005,794	8,491,938
<b>Total Expenses</b>	<b>244,389,542</b>	<b>210,896,094</b>

During the year the company remitted the dividend in foreign currency for F.Y 2012-13. The details are under. (Amount in ₹)

Particulars	2012-2013		2011-2012	
	Interim Dividend		Interim Dividend	
Type of Dividend	F.Y 2011-12	F.Y 2012-13		
Number of Non-resident shareholder	8	5	-	-
Number of shares held by them	2,582,030	450,730	-	-
Gross amount of dividend	3,873,045	1,352,190	-	-

**NOTE 39.** 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 (F) 037457

Place : Singapore  
Dated: May 11, 2013

For and on behalf of the Board of Directors

Nirmal Jain  
Chairman

Dhruv Jain  
Chief Financial Officer

R.Venkataraman  
Managing Director

Sunil Lotke  
Company Secretary

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

*Figures are in millions*

	India Infoline Finance Ltd	IIFL Realty Ltd	India Infoline Media and Research Services Limited	IIFL Wealth Management Ltd	India Infoline Insurance Services Ltd	India Infoline Commo -dities Ltd	India Infoline Distribution Company Ltd	India Infoline Housing Finance Limited	India Infoline Insurance Brokers Ltd	India Infoline Trustee Company Limited	IIFL Capital Ltd	IIFL Distribution Services Ltd	India Infoline Asset Management Company Ltd	IIFL Alternate Asset Advisors Limited	IIFL Trustee Services Limited
1 Share Capital	2,371.54	90.00	0.50	109.18	2.81	2.09	14.00	309.00	5.00	3.00	30.50	0.13	175.00	0.50	0.50
2 Reserves	13,011.79	465.87	139.82	705.31	198.20	225.65	65.41	1,254.79	124.72	(2.47)	98.85	35.53	(57.47)	8.65	1.87
3 Total Assets	109,540.48	3,960.07	368.68	1,048.37	208.28	2,190.58	83.19	3,814.60	512.74	0.57	130.24	41.60	128.75	25.76	4.91
4 Total Liabilities	109,540.48	3,960.07	368.68	1,048.37	208.28	2,190.58	83.19	3,814.60	512.74	0.57	130.24	41.60	128.75	25.76	4.91
5 Investments (other than investment in subsidiaries)	8,133.33	0.55	-	155.60	26.45	500.00	60.13	130.00	206.73	-	125.14	12.62	85.00	-	2.56
6 Total Turnover	16,939.82	917.52	1,110.34	1,602.61	31.67	1,044.91	33.47	451.97	903.74	0.17	9.94	34.40	15.27	135.72	5.53
7 Profit/(Loss) before taxation	2,541.26	214.74	26.92	418.73	7.33	130.30	30.35	196.37	35.31	(0.48)	6.51	29.48	(24.23)	12.60	2.58
8 Provision for taxation (including deferred tax)	793.77	21.14	8.77	135.85	2.92	40.27	23.40	56.71	8.52	-	2.00	9.61	-	4.09	0.86
9 Profit after taxation	1,747.49	193.60	18.15	282.89	4.42	90.03	6.96	139.67	26.79	(0.58)	4.42	19.87	(24.23)	8.51	1.72
10 Details of Interest in subsidiaries	98.87%	100.00%	100.00%	82.44%	100.00%	100.00%	100.00%	98.87%	100.00%	100.00%	100.00%	82.44%	100.00%	100.00%	82.44%



Figures are in millions

	IIFL (Asia) Pte. Ltd		IIFL Securities Pte. Ltd		IIFL Capital Pte. Ltd		IIFL Inc		IIFL Capital Inc		India Infoline Commodities DMCC		IIFL Private Wealth Management (Dubai) Ltd		IIFL Wealth (UK) Ltd		IIFL Securities Ceylon (Pvt) Ltd		IIFL Capital Ceylon Ltd		IIFL Private Wealth Hong Kong Ltd		IIFL Private Wealth (Mauritius) Ltd		IIFL Private Wealth (Suisse) SA	
	INR	S \$	INR	S \$	INR	S \$	INR	USD	INR	USD	INR	AED	INR	AED	INR	£	INR	LKR	INR	LKR	INR	HKD	INR	USD	INR	CHF
1 Share Capital	1,094.31	25.00	482.81	11.03	223.18	5.30	46.89	1.03	17.53	0.31	0.95	42.44	3.37	11.20	0.15	41.55	100.00	11.20	28.50	43.61	6.48	3.23	0.07	5.82	0.10	
2 Reserves	(170.69)	(3.90)	(53.95)	(1.23)	(193.67)	(4.60)	1.84	(0.14)	(0.56)	(0.00)	2.49	(20.21)	(1.87)	(1.66)	(0.04)	(1.46)	(6.86)	(6.30)	(17.12)	(5.83)	(1.08)	46.64	0.85	(2.13)	0.04	
3 Total Assets	1,972.41	45.06	428.86	9.80	29.50	0.70	49.08	0.91	17.10	0.31	3.44	23.81	1.61	9.84	0.11	69.59	161.68	4.95	11.51	37.99	5.43	87.65	1.61	3.76	0.07	
4 Total Liabilities	1,972.41	45.06	428.86	9.80	29.50	0.70	49.08	0.91	17.10	0.31	3.44	23.81	1.61	9.84	0.11	69.59	161.68	4.95	11.51	37.99	5.43	87.65	1.61	3.76	0.07	
5 Investments (other than investment in subsidiaries)	450.66	10.30	-	-	-	-	-	-	-	-	-	-	-	-	-	25.87	1.75	2.68	6.22	-	-	-	-	-	-	-
6 Total Turnover	25.01	0.59	321.67	7.64	54.58	1.30	89.09	1.69	-	-	-	29.48	2.06	32.52	0.39	33.60	81.20	0.67	1.62	13.72	2.02	284.64	5.40	-	-	-
7 Profit / (Loss) before taxation	(3.14)	(0.07)	160.44	3.81	9.50	0.23	(3.92)	(0.07)	(0.00)	(0.00)	(0.54)	(20.56)	(1.44)	0.20	0.00	(10.96)	(26.49)	(4.77)	(11.52)	1.11	0.16	46.02	0.87	(0.56)	(0.01)	
8 Provision for taxation (including deferred tax)	-	-	-	-	-	-	0.67	0.01	-	-	-	-	-	-	-	0.86	2.07	(0.00)	(0.01)	-	-	(1.38)	(0.03)	-	-	
9 Profit after taxation	(3.14)	(0.17)	160.44	3.81	9.50	0.23	(4.59)	(0.09)	(0.00)	(0.00)	(0.54)	(20.56)	(1.44)	0.20	0.00	(11.82)	(24.41)	(4.77)	(11.53)	1.11	0.16	44.64	0.85	(0.56)	(0.01)	
10 Details of Interest in subsidiaries	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	76.00%	(4.77)	(11.53)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Note : All subsidiaries have common year end of March 31, 2013 hence no additional information U/S 212(5) has been disclosed



Consolidated  
**Financial Statement**



## Independent Consolidated Auditor's Report

To  
The Members of  
India Infoline Limited

We have audited the accompanying consolidated financial statements of India Infoline Limited ("the Company") and its subsidiaries, which comprise the consolidated balance sheet as at 31<sup>st</sup> March 2013, the consolidated statement of profit and loss and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting

estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the consolidated balance sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2013;
- (ii) in the case of the consolidated statement of profit and loss, of the profit for the year ended on that date; and
- (iii) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

### Other Matter

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets (net) of ₹2,747,934,510/- as at March 31, 2013, total revenues of ₹884,964,540/- and net cash outflow amounting to ₹183,679,602/- for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to by the Management and our opinion is based solely on the report of the other auditor. Our opinion is not qualified in respect of this matter.

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

Tirtharaj Khot  
Partner

Place: Singapore  
Date: May 11, 2013

Membership No.: (F) 037457

# Consolidated Balance Sheet as at March 31, 2013

(Amount in ₹)

Particulars	Notes	As at March 31, 2013	As at March 31, 2012
<b>EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' funds</b>			
(a) Share Capital	3	590,459,766	578,048,406
(b) Reserves and Surplus	4	18,996,310,876	16,963,939,708
(c) Money received against share warrants		-	-
<b>Sub Total</b>		<b>19,586,770,642</b>	<b>17,541,988,114</b>
<b>(2) Share application money pending allotment</b>			
		-	-
<b>(3) Minority Interest</b>			
		337,602,155	317,512,819
<b>(4) Non Current Liabilities</b>			
(a) Long-term borrowings	5	44,004,007,991	32,502,361,941
(b) Deferred tax liabilities		-	-
(c) Other long-term liabilities	6	584,223,327	3,936,000
(d) Long-term provisions	7	251,956,442	-
<b>Sub Total</b>		<b>44,840,187,759</b>	<b>32,716,721,107</b>
<b>(5) Current liabilities</b>			
(a) Short-term borrowings	8	37,346,681,081	20,507,366,871
(b) Trade payables	9	8,031,903,122	9,288,888,357
(c) Other current liabilities	6		
-Borrowings		14,400,192,272	6,807,741,851
-Others		5,911,931,980	7,175,137,698
(d) Short-term provisions	7	591,781,211	636,421,018
<b>Sub Total</b>		<b>66,282,489,667</b>	<b>44,415,555,795</b>
<b>TOTAL</b>		<b>131,047,050,224</b>	<b>94,991,777,835</b>
<b>ASSETS</b>			
<b>(1) Non-current assets</b>			
<b>(a) Fixed assets</b>			
(i) Tangible assets	10	4,316,021,424	4,780,687,406
(ii) Intangible assets	11	1,066,433	5,291,075
(iii) Capital work-in-progress		141,363,614	114,514,275
(iv) Goodwill		332,198,489	332,198,489
(v) Intangible assets under development		-	-
(vi) Fixed assets held for sale		-	-
<b>Sub Total</b>		<b>4,790,649,960</b>	<b>5,232,691,245</b>
(b) Non-current investments	12	5,287,612,222	2,998,968,430
(c) Deferred tax assets (Net)	13	7,29,048,102	492,197,640
(d) Long-term loans & advances	14		
-Loans		31,762,570,891	22,492,742,411
-Others		2,184,982,702	1,384,399,471
(e) Other non-current assets	15	608,682,004	525,457,151
<b>Sub Total</b>		<b>40,572,895,922</b>	<b>27,893,765,103</b>
<b>(2) Current assets</b>			
(a) Current investments	16	5,998,225,136	3,846,471,884
(b) Inventories	17	694,068,438	2,243,323,289
(c) Trade receivables	18	2,994,828,167	3,746,843,160
(d) Cash and Bank balances	19	13,571,026,537	8,205,455,898
(e) Short-term loans & advances	14		
-Loans		56,151,805,672	39,644,339,571
-Others		4,831,061,610	2,288,711,446
(f) Other current assets	15	1,442,488,783	1,890,176,239
<b>Sub Total</b>		<b>85,683,504,342</b>	<b>61,865,321,487</b>
<b>TOTAL</b>		<b>131,047,050,224</b>	<b>94,991,777,835</b>
See accompanying notes Forming Part of Financial Statements		1-36	

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 (F) 037457

Place : Singapore  
Dated: May 11, 2013

For and on behalf of the Board of Directors

Nirmal Jain  
Chairman

Dhruv Jain  
Chief Financial Officer

R.Venkataraman  
Managing Director

Sunil Lotke  
Company Secretary



## Statement of Consolidated Profit and Loss for the period ended March 31, 2013

(Amount in ₹)

Particulars	Notes	2012-13	2011-2012
<b>INCOME</b>			
Revenue from operations			
Equity brokerage and related income		5,525,320,623	5,457,597,390
Financing and investing income		18,166,955,124	10,904,535,979
Marketing and distribution income		2,888,825,372	2,430,673,826
Other Income	20	71,505,566	71,863,217
<b>Total Revenue</b>		<b>26,652,606,686</b>	<b>18,864,670,412</b>
<b>EXPENDITURE</b>			
a. Employee benefits expense	21	5,335,298,460	4,917,428,946
b. Finance cost	22	8,692,490,460	5,043,126,479
c. Depreciation and amortisation expense	23	839,268,679	802,173,617
d. Other expenses	24	7,455,061,852	5,789,918,048
e. Provisions and Write off	25	326,226,052	316,822,711
<b>Total expenses</b>		<b>22,648,345,503</b>	<b>16,869,469,801</b>
<b>Profit before exceptional items</b>		<b>4,004,261,183</b>	<b>1,995,200,611</b>
Exceptional items			
<b>Profit before tax</b>		<b>4,004,261,183</b>	<b>1,995,200,611</b>
<b>Tax expenses</b>			
(a) Current tax expense for current year		1,429,957,228	835,238,597
(b) Current tax expense relating to prior year		17,803,592	7,159,194
(c) Net current tax expense		1,447,760,820	842,397,792
(d) Deferred tax		(236,850,462)	(207,932,567)
<b>Sub Total</b>		<b>1,210,910,358</b>	<b>634,465,225</b>
<b>Profit (loss) for the year</b>		<b>2,793,350,825</b>	<b>1,360,735,386</b>
Earnings per equity share (Face Value ₹2 )			
(1) Basic	26	9.37	4.58
(2) Diluted	26	9.22	4.06
See accompanying notes Forming Part of Financial Statements	1-36		

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 (F) 037457

Place : Singapore  
Dated: May 11, 2013

For and on behalf of the Board of Directors

Nirmal Jain  
Chairman

Dhruv Jain  
Chief Financial Officer

R.Venkataraman  
Managing Director

Sunil Lotke  
Company Secretary

## Consolidated Cash Flow Statement for the year ended March 31, 2013

(Amount in ₹)

Particulars	As at March 31, 2013		As at March 31, 2012	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net profit before taxation, and exceptional items		4,004,261,183		1,995,200,611
Adjustments for:				
Depreciation & Amortisation	839,268,679		802,173,617	
Provisions for gratuity	31,107,565		52,509,766	
Provisions for leave encashment	(768,652)		85,798,481	
Provision for doubtful debts	70,898,227		-	
Provision for doubtful loans	194,752,763		79,172,268	
Contingent Provision against standard assets	60,667,950		90,368,379	
Deferred employee compensation	(12,238,526)		3,481,224	
Interest expense	8,692,490,460	9,876,178,467	5,043,126,479	6,156,630,214
<b>Operating profit before working capital changes</b>		<b>13,880,439,650</b>		<b>8,151,830,825</b>
(Increase) / Decrease in trade receivables	681,116,766		3,393,701,425	
(Increase) / Decrease in Long term and Short term Loans & Advances	(28,756,244,491)		(30,591,118,670)	
Increase / (Decrease) in Long term and Short term Provisions	(62,998,625)		324,999,324	
Increase / (Decrease) in Long term and Short term Current Liabilities	(1,972,346,105)	(30,110,472,455)	1,211,248,426	(25,661,169,495)
<b>Cash generated from operations</b>		<b>(16,230,032,805)</b>		<b>(17,509,338,670)</b>
Tax (Paid) / Refund		(1,482,736,095)		(1,023,836,406)
Net cash from operating activities		(17,712,768,900)		(18,533,175,076)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
(Purchase)/Sale of fixed assets (includes intangible assets)		(397,227,394)		(1,284,650,921)
(Purchase)/Sale of Non-current Investments		(2,288,643,792)		(2,734,443,151)
(Purchase)/Sale of Current Investments		(2,151,753,252)		(689,172,976)
(Purchase)/Sale of Inventories		1,549,254,851		(1,487,278,450)
Net cash from investing activities		<b>(3,288,369,588)</b>		<b>(6,195,545,498)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of share capital (includes minority share capital)		283,537,512		142,742,801
Buy back of equity shares/Purchase of Minority stake in subsidiary		-		(200,000,000)
Foreign exchange fluctuation		(27,964,714)		102,145,169
(Repayment) / Proceeds of Long term borrowings		19,094,096,471		23,612,787,888
(Repayment) / Proceeds of Short term borrowings		16,839,314,211		6,919,676,035
Dividend (Incl dividend distribution tax)		(1,077,848,732)		(503,967,409)
Interest paid		(8,692,490,460)		(5,043,126,479)
<b>Net cash used in financing activities</b>		<b>26,418,644,287</b>		<b>25,030,258,005</b>
<b>Net increase in cash and cash equivalents</b>		<b>5,417,505,801</b>		<b>301,537,431</b>
Cash and cash equivalents at beginning of period		8,607,544,119		8,306,006,688
Cash and cash equivalents at end of period		14,025,049,920		8,607,544,119
<b>Net increase in cash and cash equivalents</b>		<b>5,417,505,801</b>		<b>301,537,431</b>
<b>Cash and cash equivalents include :</b>				
Cash on hand	1,291,690,524		273,410,980	
Bank balances	7,226,318,613		4,624,253,069	
Fixed deposits	5,053,017,400		3,307,791,849	
Fixed deposit shown under Other Current assets	454,023,383		402,088,221	
<b>Total</b>		<b>14,025,049,920</b>		<b>8,607,544,119</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 ₹ 5,150,913,148 ( Previous Year ₹ 3,217,533,114) 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 & Tannan Associates  
Chartered Accountants  
ICAI Registration No. 109983W

By the hand of  
Tirtharaj Khot  
Partner  
Membership No (F) 037457

Place : Singapore  
Dated: May 11, 2013

For and on behalf of the Board of Directors

Nirmal Jain  
Chairman

Dhruv Jain  
Chief Financial Officer

R.Venkataraman  
Managing Director

Sunil Lotke  
Company Secretary





## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 1. CORPORATE INFORMATION

India Infoline Limited was incorporated on October 18, 1995 and commenced its operations as an independent provider of information, analysis and research covering Indian businesses, financial markets and economy, to institutional clients. Over a period, India Infoline Ltd expanded its service offerings in the financial services space offering equity / currency broking in NSE / BSE and MCX-SX, Depository Participant services, merchant banking, portfolio management services and distribution of mutual fund, bonds etc. India Infoline Ltd is registered with SEBI for the above services. India Infoline Ltd is one of the leading players in the Indian financial services space. India Infoline Ltd operates through a network of 3,820 business locations across India.

### Note: 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of Consolidation:

##### a) Basis of Preparation:

The individual Balance Sheet as at March 31, 2013 and Statement of Profit and Loss for the year ended March 31, 2013 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 have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with all material aspects of the applicable Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The effects of all inter-group transactions and balances have been eliminated on consolidation. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year by the Company.

c) The list of subsidiaries that have been consolidated are given in note no 27

#### 2.2 Use of Estimates:

The preparation of financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions 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. The management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Difference between the actual result and estimates are recognized in the period in which the results are known / materialized.

#### 2.3 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 charged for the month in which assets are sold

Individual assets / group of similar assets costing up to ₹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:

Class of assets	Useful life in years
Buildings	20
Computers	3
Non Compete Fees	5
Electrical & Office equipment	5
Furniture and fixtures	5
Vehicles	5
Software	3

## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### 2.4 Translation of foreign currency items :

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Exchange difference, if any, arising out of transactions settled during the year are recognized in the Statement of Profit and Loss. Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing on the Balance Sheet date. The exchange gains or losses, if any, are recognized in the Statement of Profit and Loss and related assets and liabilities are accordingly restated in the Balance Sheet.

### 2.5 Revenue Recognition::

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

- a. Brokerage income earned on secondary market operations is accounted on trade dates.
- b. Interest Income is recognized on accrual basis.
- c. Dividend income is recognized when the right to receive payment is established on balance sheet date.
- d. Depository related, Investment banking related and Income in respect of other heads is accounted on accrual basis.
- e. Income from arbitrage comprises profit/loss on sale of securities held as stock-in-trade and profit / loss on equity derivative instruments is accounted as per following;
  - i) Profit / loss on sale of securities is determined based on the FIFO cost of the securities sold.
  - ii) Profit / loss on arbitrage transactions is accounted for as explained below:

Initial and additional margin paid over and above initial margin for entering into contracts for Equity Index / Stock Futures / Currency Futures and or Equity Index / Stock Options / Currency Options which are released on final settlement/ squaring-up of underlying contracts are disclosed under other current assets. "Mark-to-market margin- Equity Index / Stock Futures / Currency Futures" representing the amounts paid in respect of mark to market margin is disclosed under other current assets.

"Equity Index / Stock Option / Currency Option Premium Account" represents premium paid or received for buying or selling the Options, respectively.

On final settlement or squaring up of contracts for Equity Index / Stock Futures / Currency Future, the realized profit or loss after adjusting the unrealized loss already accounted, if any, is recognized in the Statement of Profit and Loss. On settlement or squaring up of Equity Index / Stock Options / Currency Option before expiry, the premium prevailing in "Equity Index / Stock Option / Currency Option Premium Account" on that date is recognized in the Statement of Profit and Loss.

As at the Balance Sheet date, the Mark to Market / Unrealised Profit / (Loss) on all outstanding arbitrage portfolio comprising of Securities and Equity/Currency Derivatives positions is determined on scrip basis (e.g. Nifty, SBI, HDFC) with net unrealized losses on scrip basis being recognized in the Statement of Profit and Loss and the net unrealized gains on scrip basis are ignored.

- a) Brokerage income from commodities trading is accounted for on the dates of respective trades.
- b) Commission income on first year premium on insurance policies is recognized, 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.
- c) Investment banking related income is accounted on accrual basis.
- d) Wealth and advisory income is accounted on accrual basis.
- e) 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.

Dealer / agent commission paid or payable is recognised as expense as and when it is incurred.

- f) Revenue from Online Media is recognized pro-rata, over the contractual /subscription period.

### 2.6 Employee Benefits:

The company's contribution towards Provident Fund and Family Pension Fund, which are defined contribution, are accounted for on an accrual basis and recognised in the Statement of Profit & loss.

The Company has provided "Compensated Absences" on the basis of actuarial valuation.

Gratuity is post employment benefit and is in the nature of defined benefit plan. The Liability recognized in the Balance



## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

Sheet in respect of gratuity is the present value of defined benefit obligation at the Balance Sheet date together with the adjustments for unrecognized actuarial gain or losses and the past service costs. The defined benefit obligation is calculated at or near the Balance Sheet date by an independent actuary using the projected unit credit method.

### 2.7 Deferred Employee Stock Compensation:

The stock options granted by the Company are accounted for as per the accounting treatment prescribed by SEBI (Employee Stock Option Scheme and Employee Stock Purchase) Guidelines, 1999 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 Statement of Profit and Loss on a straight line basis over the vesting period of the options.

### 2.8 Provisions, Contingent Liabilities and Contingent Assets:

Non-performing loans are written off / provided for, as per management estimates, subject to the minimum provision required as per Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. Provision on standard assets is made as per notification dated January 17, 2011 issued by RBI.

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent Assets are neither recognized nor disclosed in the financial statements.

### 2.9 Taxes on Income:

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Provision for current tax is computed based on estimated tax liability computed after adjusting for allowance, disallowance and exemptions in accordance with the applicable tax laws.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rate and the tax laws enacted or substantively enacted at the Balance Sheet date. The deferred tax asset is recognised or unrecognised, to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available. At each reporting date, the Company re-assesses unrecognized deferred tax assets. Deferred tax liability is recognised as and when arisen.

### 2.10 Operating Leases:

Lease rentals in respect of operating lease arrangements are charged to the Statement of Profit & Loss in accordance with Accounting Standard 19 – Leases, issued by the Institute of Chartered Accountants of India.

### 2.11 Investments:

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other Investments are classified as non – current investments. Current investments are stated at lower of cost or market / fair value. Non – current investments are carried at cost. Provision for diminution in value of non – current investments is made, if in the opinion of the management such diminution is other than temporary. For investment in Mutual funds, the net Assets value (NAV) declare by the Mutual Funds at the balance sheet date is considered as the fair value..

### 2.12 Inventories:

Closing stock is valued at cost or market value whichever is lower. Cost is computed on FIFO basis. The comparison of cost and market value for arbitrage portfolio is done separately for each scrip.

### 2.13 Earnings Per Share:

Basic earnings per share for equity shareholders have been calculated by dividing the Net Profit after Tax or loss by the weighted average number of equity shares outstanding during the period.

The diluted earnings per share for equity shareholders have been computed by dividing the Net Profit after Tax or loss by the weighted average number of shares after giving dilutive effect of the outstanding stock options.

### 2.14 Preliminary Expenses

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

## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 3. SHARE CAPITAL

- a. The Authorised, Issued, Subscribed and fully paid up share capital comprises of equity shares having a par value of ₹2 as follows:

(Amount in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
<b>Authorised:</b>		
600,000,000 (Previous Year - 600,000,000) Equity Shares of ₹2 each	1,200,000,000	1,200,000,000
<b>Issued, Subscribed and Paid-up:</b>		
295,229,883 ( Previous Year - 289,024,203) Equity Shares of ₹2 each fully paid – up	590,459,766	578,048,406
<b>Total</b>	<b>590,459,766</b>	<b>578,048,406</b>

- b. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period.

Reconciliation of equity shares :	As at March 31, 2013		As at March 31, 2012	
	No of Shares	Amount in ₹	No of Shares	Amount in ₹
At the beginning of the Period	289,024,203	578,048,406	286,410,823	572,821,646
Add:- Issued during the period on exercise of ESOPs	6,205,680	12,411,360	2,613,380	5,226,760
Outstanding at the end of the year	295,229,883	590,459,766	289,024,203	578,048,406

- c. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 2 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees.

During the year ended March 31, 2013, the amount of per share dividend recognised as distributions to equity shareholders was ₹ 3 (Previous Year ₹1.50)

- d. Detail of shareholders holding more than 5% shares in the Company

Particulars	As at March 31, 2013		As at March 31, 2012	
	No of Shares	% holding in the class	No of Shares	% holding in the class
<b>Equity shares of ₹2 each fully paid</b>				
Nirmal Bhanwarlal Jain	51,252,000	17.36	51,200,000	17.71
Venkataraman Rajamani	19,909,432	6.74	19,862,510	6.87
Madhu N Jain	16,975,000	5.74	16,600,000	5.74
Carlyle Mauritius Investment Advisors Ltd. A/C Carlyle Mauritius III	28,761,409	9.74	28,761,409	9.95
HWIC Asia Fund Class A Shares	27,910,000	9.45	27,910,000	9.66
Deutsche Securities Mauritius Limited	-	-	24,552,574	8.50
Bharat H Parajia	16,221,778	5.49	-	-

- e. Aggregate number of bonus shares issued, share issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

Particulars	As at March 31 2013	As at March 31 2012	As at March 31 2011	As at March 31 2010	As at March 31 2009
	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares
Equity shares bought back by the company	-	-	12,998,877	-	2,557,915

- f. Shares reserved for issue under options

For details of shares reserved for issue under the employee stock option (ESOP) plan of the company, please refer note 31.



## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 4. RESERVE AND SURPLUS

(Amount in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
<b>Securities Premium Account</b>		
Opening balance	9,567,537,109	11,058,441,111
Add : Additions on ESOP's exercised	271,126,152	103,715,998
Addition :- Due to India Infoline Marketing Services Limited Merger (Refer note below)	1,574,620,000	-
Add: Transfer from Share Option Outstanding Account	36,134,250	-
Transfer to Capital Reserve	-	1,594,620,000
<b>Closing balance</b>	<b>11,449,417,511</b>	<b>9,567,537,109</b>
<b>General Reserve</b>		
Opening balance	743,000,000	677,841,731
Add : Adjustments arising out of reorganisation/ closure of funds	153,127,324	-
Add: Transferred from surplus in Statement of Profit and Loss	306,000,000	65,158,269
<b>Closing balance</b>	<b>1,202,127,324</b>	<b>743,000,000</b>
<b>Special Reserve***</b>		
Opening balance	725,000,000	508,681,186
Addition during the year	378,000,000	216,318,814
<b>Closing balance</b>	<b>1,103,000,000</b>	<b>725,000,000</b>
*** Pursuant to Section 45 IC of Reserve Bank of India Act, 1934 and section 29C of National Housing Bank Act, 1987)		
<b>Share Options outstanding account</b>		
Gross employee stock compensation for options granted in earlier years	52,264,311	52,264,311
Less:- Written back to Statement of Profit and Loss during the year	(16,130,061)	-
Less:-Transferred to Securities premium account	(36,134,250)	-
Less : Deferred Employee Compensation Expenses	-	(3,891,534)
<b>Closing balance</b>	<b>-</b>	<b>48,372,777</b>
<b>Foreign Exchange Fluctuation Reserve</b>		
Opening balance	246,637,589	144,492,420
Add / (Less): Effect of foreign exchange rate variations during the year	(27,964,714)	102,145,169
<b>Closing balance</b>	<b>218,672,875</b>	<b>246,637,589</b>
<b>Capital Reserve</b>		
Opening balance	1,992,320,000	597,700,000
Addition during the year	-	1,594,620,000
Add: Reorganization of Subsidiary	35,998,701	-
Less: Utilised during the year*	(1,594,620,000)	(200,000,000)
<b>Closing balance</b>	<b>433,698,701</b>	<b>1,992,320,000</b>
<b>Capital Redemption Reserve</b>		
Opening balance	31,113,584	31,113,584
Add: Additions Due to India Infoline Marketing Services Limited Merger (Refer note below)	20,000,000	-
<b>Closing balance</b>	<b>51,113,584</b>	<b>31,113,584</b>
<b>Debenture Redemption Reserve</b>		
Opening balance	630,000,000	-
Add: Additions during the year :	220,000,000	-
Transferred from surplus in Statement of Profit and Loss	-	630,000,000
<b>Closing balance</b>	<b>850,000,000</b>	<b>630,000,000</b>

## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 4. RESERVE AND SURPLUS (CONTD.)

(Amount in ₹)

Particulars	As at	As at
	March 31, 2013	March 31, 2012
<b>Surplus / (Deficit) in Statement of Profit and Loss</b>		
Balance as per last financial statements	2,979,958,649	3,004,938,804
Profit for the year	2,793,350,825	1,360,735,387
<b>Less:- Appropriations</b>		
Interim Dividend	927,385,003	433,622,930
Dividend Distribution Tax	150,463,729	70,344,480
Less : Minority Interest	71,354,612	39,990,042
Transferred to:		
Adjustments for Minority Interest and fair value	31,825,249	(69,718,990)
Special Reserve	378,000,000	216,318,812
General reserve	306,000,000	65,158,269
Debenture Redemption Reserve	220,000,000	630,000,000
<b>Net Surplus in the statement of profit and loss</b>	<b>3,688,280,881</b>	<b>2,979,958,649</b>
<b>Total</b>	<b>18,996,310,876</b>	<b>16,963,939,708</b>

\* The Hon'ble High Court, Bombay, vide its order dated March 1, 2013 have approved modification to the earlier scheme of amalgamation between India Infoline Marketing Services Limited, a wholly owned subsidiary, with the Company which was effective from April 1, 2011. In terms of the above order, an appropriate modification has been effected under the head "Reserves & Surplus". As per the modification, there is no change in the balance sheet and statement of profit & loss account other than inter-se treatment within Reserves & Surplus.

### Note: 5. LONG TERM BORROWINGS

(Amount in ₹)

Particulars	Non-current portion		Current maturities	
	As at	As at	As at	As at
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
<b>Secured Loans</b>				
Loan from Banks (Secured against receivables) – Refer Note 5.1 below	26,641,392,959	21,929,166,627	13,421,592,272	5,478,741,851
Non Convertible Debentures (Secured Against Immovable Property, Stock and Book Debts) – Refer Note 5.2 below	9,756,120,000	8,768,886,000	978,600,000	1,329,000,000
<b>Sub Total</b>	<b>36,397,512,959</b>	<b>30,698,052,627</b>	<b>14,400,192,272</b>	<b>6,807,741,851</b>
<b>Unsecured Loans</b>				
Non Convertible Debentures – Refer Note 5.3 below	7,606,495,032	1,804,309,314	-	-
Amount disclosed under the head "Other current liabilities"	-	-	(14,400,192,272)	(6,807,741,851)
<b>Sub Total</b>	<b>7,606,495,032</b>	<b>1,804,309,314</b>	<b>(14,400,192,272)</b>	<b>(6,807,741,851)</b>
<b>Total</b>	<b>44,004,007,991</b>	<b>32,502,361,941</b>	<b>-</b>	<b>-</b>

During the year, the Company has raised Secured Term Loans aggregating ₹ 18,250,000,000/- (Previous Year ₹ 18,250,000,000/-) from various banks.

The Company has also raised ₹ 2,367,100,000/- (P.Y. ₹ 8,384,900,000/-) by issue of Secured Non Convertible Debentures.



## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 5.1. TERM LOANS FROM BANKS - SECURED:

(Amount in ₹)

Maturities Term Loan	Non current					
	As at March 31, 2013			As at March 31, 2012		
	1-3 years	3 years & above	Total	1-3 years	3 years & above	Total
Rate of interest*						
10.01 % to 11.00 %				-	-	-
11.01 % to 12.00 %	11,882,334,988	3,948,373,950	15,830,708,938	-	-	-
12.01 % to 13.00 %	7,349,241,321	3,461,442,700	10,810,684,021	17,679,166,667	4,250,000,000	21,929,166,667
<b>Total</b>	<b>19,231,576,309</b>	<b>7,409,816,650</b>	<b>26,641,392,959</b>	<b>17,679,166,667</b>	<b>4,250,000,000</b>	<b>21,929,166,667</b>

\*The rate of interest for the above term loans are linked to the base rates of the banks and are subject to change from time to time. The above categorisation of loans has been based on the interest rates, prevalent as on the respective reporting dates. The above loans are secured by way of first pari passu charge over the current assets in the form of receivables, book debts, bills, outstanding monies receivables including future movable assets, other than those specifically charged. The above loans are also guaranteed by India Infoline Limited, holding company.

### Note: 5.2. NON CONVERTIBLE DEBENTURES – SECURED

(Amount in ₹)

Secured NCD Particulars	Non Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
11.50 % Non-Convertible Debentures of Face value ₹10,000 Each Redeemable on 2-Mar-2017	300,000,000	300,000,000	-	-
11.70 % Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 18-Aug-2016	201,055,000	202,408,000	-	-
11.90 % Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 18-Aug-2016	2,665,918,000	2,896,847,000	-	-
11.50 % Non-Convertible Debentures of Face value ₹10,000 Each Redeemable on 30-Jan-15	225,000,000	225,000,000	-	-
11.70 % Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 18-Dec-14	299,690,000	330,974,000	-	-
Equity Linked Non-Convertible Debentures Series I-018 of Face value ₹100,000 Each Redeemable on 18-Oct-14	77,500,000	77,500,000	-	-
Equity Linked Non-Convertible Debentures Series I-019 of Face value ₹100,000 Each Redeemable on 18-Oct-14	41,000,000	41,000,000	-	-
Equity Linked Non-Convertible Debentures Series I-014 of Face value ₹100,000 Each Redeemable on 13-Oct-14	32,000,000	32,000,000	-	-
Equity Linked Non-Convertible Debentures Series I-015 of Face value ₹100,000 Each Redeemable on 13-Oct-14	15,400,000	15,400,000	-	-
Equity Linked Non-Convertible Debentures Series I-016 of Face value ₹100,000 Each Redeemable on 13-Oct-14	38,500,000	38,500,000	-	-
11.70 % Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 18-Aug-14	3,417,457,000	3,417,457,000	-	-

## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 5.2. NON CONVERTIBLE DEBENTURES – SECURED (CONTD.)

(Amount in ₹)

Secured NCD Particulars	Non Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
Equity Linked Non-Convertible Debentures Series I-017 of Face value ₹100,000 Each Redeemable on 13-May-14	75,500,000	75,500,000	-	-
Equity Linked Non-Convertible Debentures Series I-012 of Face value ₹100,000 Each Redeemable on 29-Jul-13	-	56,500,000	51,500,000	-
Equity Linked Non-Convertible Debentures Series I-003 of Face value ₹100,000 Each Redeemable on 9-May-13	-	30,000,000	30,000,000	-
Equity Linked Non-Convertible Debentures Series I-001 of Face value ₹100,000 Each Redeemable on 5-May-13	-	92,600,000	37,100,000	-
Equity Linked Non-Convertible Debentures Series I-002 of Face value ₹100,000 Each Redeemable on 5-May-13	-	52,200,000	35,000,000	-
Equity Linked Non-Convertible Debentures Series I-009 of Face value ₹100,000 Each Redeemable on 30-Apr-13	-	50,000,000	-	-
Equity Linked Non-Convertible Debentures Series I-006 of Face value ₹100,000 Each Redeemable on 29-Apr-13	-	11,000,000	11,000,000	-
8.00 % Non-Convertible Debentures of Face value ₹ 1,000,000 Each Redeemable on 20-Apr-13	-	734,000,000	734,000,000	-
Equity Linked Non-Convertible Debentures Series I-010 of Face value ₹100,000 Each Redeemable on 19-Apr-13	-	10,000,000	-	-
12.20 % Non-Convertible Debentures of Face value ₹1,000,000 Each Redeemable on 16-Apr-13	-	80,000,000	80,000,000	-
Equity Linked Non-Convertible Debentures Series I-007 of Face value ₹100,000 Each Redeemable on 30-Mar-13	-	-	-	20,000,000
Equity Linked Non-Convertible Debentures Series I-008 of Face value ₹100,000 Each Redeemable on 30-Mar-13	-	-	-	4,000,000
Equity Linked Non-Convertible Debentures Series I-005 of Face value ₹100,000 Each Redeemable on 29-Mar-13	-	-	-	25,300,000
Equity Linked Non-Convertible Debentures Series I-013 of Face value ₹100,000 Each Redeemable on 4-Oct-12	-	-	-	86,200,000
Equity Linked Non-Convertible Debentures Series I-011 of Face value ₹100,000 Each Redeemable on 28-Jul-12	-	-	-	30,500,000
8.25 % Non-Convertible Debentures of Face value ₹1,000,000 Each Redeemable on 10-May-12	-	-	-	400,000,000





## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 5.2. NON CONVERTIBLE DEBENTURES – SECURED (CONTD.)

(Amount in ₹)

Secured NCD Particulars	Non Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
8.00 % Non-Convertible Debentures of Face value ₹1,000,000 Each Redeemable on 21-Apr-12	-	-	-	733,000,000
Equity Linked Non-Convertible Debentures Series I-004 of Face value ₹100,000 Each Redeemable on 10-Sep-12	-	-	-	30,000,000
11.35% Non-Convertible Debentures of Face value ₹1,000,000 Each Redeemable on 28-Nov-14	150,000,000	-	-	-
11.70% Non-Convertible Debentures of Face value ₹1,000,000 Each Redeemable on 27-Jul-15	100,000,000	-	-	-
11.70% Non-Convertible Debentures of Face value ₹1,000,000 Each Redeemable on 27-Jul-15	150,000,000	-	-	-
12.25% Non-Convertible Debentures of Face value ₹1,000,000 Each Redeemable on 15-Oct-14	300,000,000	-	-	-
Equity Linked Non Convertible Debentures - Series I 20 of Face value ₹100,000 Each Redeemable on 18-Jun-16	318,700,000	-	-	-
Equity Linked Non Convertible Debentures - Series I 21 of Face value ₹100,000 Each Redeemable on 21-Jun-16	88,900,000	-	-	-
Equity Linked Non Convertible Debentures - Series I 22 of Face value ₹100,000 Each Redeemable on 27-Jun-16	216,500,000	-	-	-
Equity Linked Non Convertible Debentures - Series I 23 of Face value ₹100,000 Each Redeemable on 1-Jul-16	28,500,000	-	-	-
Equity Linked Non Convertible Debentures - Series I 24 of Face value ₹100,000 Each Redeemable on 4-Jul-16	439,000,000	-	-	-
Equity Linked Non Convertible Debentures - Series I 25 of Face value ₹100,000 Each Redeemable on 7-Jul-16	155,500,000	-	-	-
Equity Linked Non Convertible Debentures - Series I 26 of Face value ₹100,000 Each Redeemable on 18-Jul-16	148,400,000	-	-	-
Equity Linked Non Convertible Debentures - Series I 27 of Face value ₹100,000 Each Redeemable on 25-Jul-16	85,200,000	-	-	-
Equity Linked Non Convertible Debentures - Series I 28 of Face value ₹100,000 Each Redeemable on 1-Aug-16	26,700,000	-	-	-
Equity Linked Non Convertible Debentures - Series I 29 of Face value ₹100,000 Each Redeemable on 10-Aug-16	52,700,000	-	-	-

## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 5.2. NON CONVERTIBLE DEBENTURES – SECURED (CONTD.)

(Amount in ₹)

Secured NCD Particulars	Non Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
Equity Linked Non Convertible Debentures - Series I 30 of Face value ₹100,000 Each Redeemable on 15-Aug-16	35,000,000	-	-	-
Equity Linked Non Convertible Debentures - Series I 31 of Face value ₹100,000 Each Redeemable on 2-Sep-16	13,000,000	-	-	-
Equity Linked Non Convertible Debentures - Series I 32 of Face value ₹100,000 Each Redeemable on 3-Sep-16	59,000,000	-	-	-
<b>Total</b>	<b>9,756,120,000</b>	<b>8,768,886,000</b>	<b>978,600,000</b>	<b>1,329,000,000</b>

The above debentures are secured by way of charge over immoveable property and/or current assets, book debts, receivables (both present and future) and other assets of the Company. Debentures outstanding as on March 31, 2013, amounting to ₹734,000,000/- (Previous year ₹ 1,467,000,000/-) are secured by way of exclusive charge on certain receivables of the Company. Secured non convertible debentures aggregating to ₹10,734,720,000/- (Previous year ₹ 2,365,300,000/-) are also guaranteed by India Infoline Ltd., the holding Company. During the year under review, Company extinguished 263,566 Secured Redeemable Non-Convertible debentures aggregating to ₹263,566,000/-.

Pursuant to Section 117C of the Companies Act, 1956 read with circular issued by the Ministry of Company Affairs ("MCA"), the Company being an NBFC was required to create Debenture Redemption Reserve of a value equivalent to 25% of the debentures offered through a public issue. Accordingly, ₹220,000,000/- (previous year ₹630,000,000/-) has been transferred to Debenture Redemption Reserve Account for the financial year ended March 31, 2013.

### Note: 5.3. NON CONVERTIBLE DEBENTURES – UNSECURED

(Amount in ₹)

Non Convertible Unsecured Particulars	Non Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
12.75% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 30-Mar-2019 (SBMIB VII – 7 years)	350,000	350,000	-	-
12.75% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 30-Mar-2019 (SBMIB VI - 7 years)	50,000	50,000	-	-
12.00 % Non-Convertible Debentures of Face value ₹1,000,000 Each Redeemable on 28-Mar-2019 *	250,000,000	250,000,000	-	-
12.75% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 2-Mar-2019 (SBMIB V – 7 years)	88,000	88,000	-	-
12.00 % Non-Convertible Debentures of Face value ₹1,000,000 Each Redeemable on 27-Feb-2019 *	750,000,000	750,000,000	-	-
12.75% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 23-Feb-2019 (SBMIB IV – 7 years)	474,000	474,000	-	-
11.50% Non-Convertible Debentures of Face value ₹1,000,000 Each Redeemable on 20-Feb-2019 *	500,000,000	500,000,000	-	-



## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 5.3. NON CONVERTIBLE DEBENTURES – UNSECURED (CONTD.)

(Amount in ₹)

Non Convertible Unsecured Particulars	Non Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
12.75% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 7-Feb-2019 (SBMIB III – 7 years)	250,000	250,000	-	-
12.75% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 7-Feb-2019 (SBMIB II – 7 years)	30,000	30,000	-	-
12.75% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 18-Jan-2019 (SBMIB I – 7 years)	1,160,000	1,160,000	-	-
12.25% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 30-Mar-2018 (SBDB V – 6 years)	1,788,000	1,788,000	-	-
12.25% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 30-Mar-2018 (SBDB IV – 6 years)	1,440,000	1,440,000	-	-
12.25% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 1-Mar-2018 (SBDB III – 6 years)	2,406,000	2,406,000	-	-
12.25% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 7-Feb-2018 (SBDB II – 6 years)	2,540,000	2,540,000	-	-
12.25% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 23-Jan-2018 (SBDB I – 6 years)	3,755,000	3,755,000	-	-
12.75% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 30-Mar-2017 (SBMIB VII – 5 years)	2,330,056	2,330,056	-	-
12.75% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 30-Mar-2017 (SBMIB VI – 5 years)	3,234,000	3,234,000	-	-
12.75% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 2-Mar-2017 (SBMIB V – 5 years)	3,129,000	3,129,000	-	-
12.75% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 23-Feb-2017 (SBMIB IV – 5 years)	3,789,000	3,789,000	-	-
12.75% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 7-Feb-2017 (SBMIB III – 5 years)	4,769,000	4,769,000	-	-
12.75% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 7-Feb-2017 (SBMIB II – 5 years)	3,297,000	3,297,000	-	-
12.75% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 18-Jan-2017 (SBMIB I – 5 years)	4,270,000	4,270,000	-	-

## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 5.3. NON CONVERTIBLE DEBENTURES – UNSECURED (CONTD.)

(Amount in ₹)

Non Convertible Unsecured Particulars	Non Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
Zero coupon Non-Convertible Debentures of Face value USD 100 Each	635,580,976	265,160,258	-	-
12.25% Non-Convertible Debentures of Face value ₹1,000 Each Redeemable on 04-Apr-2018 (SBDB VI – 6 years)	1,765,000	-	-	-
12.75% Non-Convertible Debentures series N5 of Face value ₹1,000 Each Redeemable on 17-Sep-18	3,948,525,000	-	-	-
12.75% Non-Convertible Debentures series N6 of Face value ₹1,000 Each Redeemable on 17-Sep-18	600,381,000	-	-	-
12.75% Non-Convertible Debentures series N7 of Face value ₹1,000 Each Redeemable on 17-Sep-18	451,094,000	-	-	-
12.15% Non-Convertible Debentures of Face value ₹1,000,000 Each Redeemable on 31-Aug-22	50,000,000	-	-	-
12.15% Non-Convertible Debentures of Face value ₹1,000,000 Each Redeemable on 31-Aug-22	150,000,000	-	-	-
12.20% Non-Convertible Debentures of Face value ₹1,000,000 Each Redeemable on 4-Nov-22	230,000,000	-	-	-
<b>Total</b>	<b>7,606,495,032</b>	<b>1,804,309,314</b>	<b>-</b>	<b>-</b>

\*For these Non Convertible Debentures, the company has a call option, after 5 years from the date of allotment subject to prior approval from the Reserve Bank of India for redemption. The Non Convertible Debentures does not have any put option. During the year under review, Company successfully completed its public issue of unsecured Redeemable Non-Convertible Debentures (“NCDs”) aggregating to ₹5,000,000,000/-. The Company has utilized the entire proceeds of NCD public issue for the stated purposes mentioned in the Final Prospectus dated August 27, 2012.

### Note: 6. OTHER LIABILITIES

(Amount in ₹)

Particulars	Non Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
Current maturities of long term borrowings	-	-	14,400,192,272	6,807,741,851
<b>Sub Total</b>	<b>-</b>	<b>-</b>	<b>14,400,192,272</b>	<b>6,807,741,851</b>
Security Deposit Received	583,923,327	36,378,479	721,624	122,680,573
Deposit Others	300,000	-	-	-
Temporary overdrawn bank balance as per books	-	-	276,527,173	3,803,607,696
Interest accrued but not due on borrowings	-	-	1,337,558,438	875,339,427
Advances from customers	-	-	487,830,866	486,295,858
Proposed Dividend	-	-	-	433,622,930
Accrued Salaries & Benefits	-	-	219,829,141	285,257,514
Margin payable/Option Premium	-	-	-	207,033,543
Payables on account of assignment	-	-	374,553,773	189,334,616
Payables to Vendors for health care Loans	-	-	800,652,224	182,560,942
Contractually reimbursable expenses	-	-	255,810,908	167,270,824



## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 6. OTHER LIABILITIES (CONTD.)

(Amount in ₹)

Particulars	Non Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
Statutory remittances (Contributions to PF and ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax, etc.)	-	-	203,190,980	96,077,128
Dividend Distribution tax payable	-	-	-	70,344,480
Income received in advance	-	-	40,755,750	39,365,846
Unpaid Dividend	-	-	6,601,412	4,896,718
Debenture application money received pending allotment	-	-	-	2,060,000
Other payables	-	-	1,907,899,691	209,389,603
<b>Sub Total</b>	<b>584,223,327</b>	<b>36,378,479</b>	<b>5,911,931,980</b>	<b>7,175,137,698</b>
<b>Total</b>	<b>584,223,327</b>	<b>36,378,479</b>	<b>20,312,124,253</b>	<b>13,982,879,549</b>

### Note: 7. PROVISIONS

(Amount in ₹)

Particulars	Short-term		Long-term	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
Provision for employee benefits				
Provision for Leave encashment	58,475,868	73,988,573	16,206,320	1,462,267
Provision for Gratuity	56,945,415	23,073,893	1,019,621	3,783,578
<b>Sub Total</b>	<b>115,421,283</b>	<b>97,062,466</b>	<b>17,225,941</b>	<b>5,245,845</b>
<b>Provision for others</b>				
Contingent Provision against standard assets	-	-	233,402,793	172,734,842
Provision for Expenses	457,659,302	536,929,407	-	-
Provision for Tax	18,700,626	2,429,145	-	-
Provision for doubtful assets	-	-	1,327,708	-
<b>Sub Total</b>	<b>476,359,928</b>	<b>539,358,552</b>	<b>234,730,501</b>	<b>172,734,842</b>
<b>Total</b>	<b>591,781,211</b>	<b>636,421,018</b>	<b>251,956,442</b>	<b>177,980,687</b>

### Note: 8. SHORT – TERM BORROWINGS

(Amount in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
<b>Secured Loans*</b>		
Cash credit from banks	2,501,681,081	1,657,366,871
Loan from financial Institution	-	1,000,000,000
<b>Sub Total</b>	<b>2,501,681,081</b>	<b>2,657,366,871</b>
<b>Unsecured Loans</b>		
Loan from banks	-	400,000,000
Commercial Paper	34,845,000,000	17,450,000,000
Non Convertible Debentures	-	-
<b>Sub Total</b>	<b>34,845,000,000</b>	<b>17,850,000,000</b>
<b>Total</b>	<b>37,346,681,081</b>	<b>20,507,366,871</b>

\*The above secured borrowings are secured by way of first pari passu charge over the current assets in the form of receivables, book debts, bills outstanding, monies receivable including future movable assets, other than those specifically charged. The above loans are also guaranteed by India Infoline Limited, holding Company.

## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 8. SHORT – TERM BORROWINGS (CONTD.)

During the year under review, Company successfully completed its public issue of unsecured Redeemable Non-Convertible Debentures (“NCDs”) aggregating to ₹ 5,000,000,000/-. The Company has utilized the entire proceeds of NCD public issue for the stated purposes mentioned in the Final Prospectus dated August 27, 2012.

### Note: 9. TRADE PAYABLE

(Amount in ₹)

Particulars	As at March 31, 2013	As at March 31, 2012
Outstanding dues of micro & small enterprises*	-	-
Outstanding dues of creditors other than micro & small enterprises	8,031,903,122	9,288,888,357
<b>Total</b>	<b>8,031,903,122</b>	<b>9,288,888,357</b>

\*There are no dues to micro & small enterprises (MSEs) outstanding for more than 45 days as per Micro, Small and Medium Enterprises Development Act, 2006.

### Note: 10. TANGIBLE ASSETS

(Amount in ₹)

Particulars	Land/ Leasehold Land	Buildings (In- cluding Land)	Computers	Electrical Equipment	Furniture & Fixture	Office Equip- ment	Vehicles	Total
Cost or valuation as at April 1, 2012	1,828,773,493	1,480,171,285	607,837,369	659,215,838	1,731,549,007	698,371,304	7,304,055	7,013,222,351
Additions	15,009,192	171,165,434	55,394,176	151,363,261	403,293,064	133,129,568	-	929,354,695
Deductions / Adjust- ments during the year	15,009,192	220,665,434	37,567,490	121,369,357	289,456,209	70,493,941	-	754,561,623
As at March 31, 2013	1,828,773,493	1,430,671,285	625,664,055	689,209,742	1,845,385,862	761,006,931	7,304,055	7,188,015,423
Depreciation								
As at April 1, 2012	2,800,512	137,227,906	454,984,474	301,528,656	949,734,577	384,432,807	1,826,014	2,232,534,945
Depreciation For the year	1,084,069	71,114,716	90,755,213	148,427,330	358,747,230	142,483,765	1,460,811	814,073,134
Deductions / Adjust- ments during / the year	-	-	13,534,898	39,772,422	95,280,400	26,026,361	-	174,614,081
Up to March 31, 2013	3,884,581	208,342,622	532,204,789	410,183,564	1,213,201,407	500,890,211	3,286,825	2,871,993,998
Net Block as at March 31, 2013	1,824,888,912	1,222,328,663	93,459,267	279,026,178	632,184,455	260,116,720	4,017,230	4,316,021,424
Net Block as at March 31, 2012	1,825,972,981	1,342,943,379	152,852,895	357,687,182	781,814,430	313,938,497	5,478,041	4,780,687,406

### Note: 11. INTANGIBLE ASSETS

(Amount in ₹)

Particulars	Software	Database
Cost or valuation as at April 1, 2012	84,319,577	-
Additions	-	21,000,000
Deductions / Adjustments during the year	46,368	-
As at March 31, 2013	84,273,209	21,000,000
Depreciation		
As at April 1, 2012	79,028,502	-
Depreciation For the year	4,195,544	21,000,000
Deductions/Adjustments during the year	17,270	-
Up to March 31, 2013	83,206,777	21,000,000
<b>Net Block as at March 31, 2013</b>	<b>1,066,433</b>	<b>-</b>
Net Block as at March 31, 2012	5,291,075	-



## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 12. NON-CURRENT INVESTMENTS

(Amount in ₹)

Particulars	Face Value in ₹	As at March 31, 2013		As at March 31, 2012	
		Number	Amount	Number	Amount
Unquoted, Non-Trade, Long Term (Valued at cost)					
India Infoline Private Equity Fund (Trust)	-	-	-	-	100,200,000
IIFL Real Estate Fund (Domestic) - series 1, the scheme launched by India Infoline Venture Capital Fund (Partly paid up @50%)	100	7,500,000	375,000,000	-	187,500,000
Moneyvidya Technologies Pvt Ltd	1	-	-	36,000	3,000,024
CL Educate Limited (Converted to equity shares)	10	23,980	9,999,660	50,000	10,000,000
Investment in Units of Blume PMS	10,000	1,750	10,500,000	-	7,000,000
Investment in HDFC Mutual Fund	10	-	-	12,983	130,047
Investment in IIFL Venture Fund – Category I AIF	-	-	100,000	-	-
Investment in IIFL Private Equity Fund Category II – AIF	-	-	100,000	-	-
Investment in IIFL Opportunities Fund Category III – AIF	-	-	100,000	-	-
Investment in IIFL Income Opportunities Fund	10	15,000,000	75,000,000	-	-
Investment in Fineworthy Software Solutions	-	-	100,000	-	-
Investment In Reliance Mutual Fund	1,000	1,044	2,559,983	-	-
Arch Pharma Ltd.	10	263,028	105,211,200	336,134	134,455,255
Lombard International unit-linked insurance plan	-	-	432,120,920	-	-
Investment in Credit Suisse Singapore	-	-	45,671,282	-	-
Investment in JP Morgan International	-	-	425,935,339	-	-
<b>Sub Total</b>			<b>1,482,398,384</b>		<b>442,285,326</b>
Debentures and Bonds - for Financing Real Estate Projects					
Add Albatross Properties Pvt Ltd	100,000	1,250	124,800,000	2,500	249,800,000
Ankur Energy Resources Private Limited	100,000	-	-	780	78,000,000
Galleria Mall Developers Pvt Ltd	100,000	1,300	130,000,000	800	80,000,000
Kumar Housing Corporation Limited	100,000	-	-	4,000	400,000,000
Lily Realty Pvt Ltd (17%)	100,000	-	-	2,770	277,000,000
Lily Realty Pvt Ltd (18%)	100,000	-	-	2,540	254,000,000
Neptune Developers Ltd	100,000	1,200	120,000,000	900	90,000,000
Prince Foundation Ltd	100,000	-	-	985	98,516,858
Sahyog Homes Limited	100,000	-	-	3,650	365,000,000
K.R. Mali Bulider & Developers Private Limited	100,000	1,000	99,743,838	-	-
Shambhavi Realty Private Limited	100,000	8,114	811,400,000	-	-
Series B Add Albatross Properties Private Limited	100,000	1,250	125,000,000	-	-
Sankalp Siddhi Developers Private Limited	100,000	7,600	760,000,000	-	-
Sumit Realty Private Limited	100,000	3,675	367,500,000	-	-

## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 12. NON-CURRENT INVESTMENTS (CONTD.)

(Amount in ₹)

Particulars	Face Value in ₹	As at March 31, 2013		As at March 31, 2012	
		Number	Amount	Number	Amount
Transcon Properties Private Limited	100,000	8,500	850,000,000	-	-
Sheth Buildwell Private Limited	100,000	51	5,100,000	-	-
Shanders Properties Private Limited	100,000	3,500	350,000,000	-	-
Satra Properties (India) Limited	100,000	-	-	3,158	315,760,000
Sheth Developers Pvt Ltd	100,000	-	-	1,200	120,000,000
Vijay Associates (Wadhwa) Construction Pvt Ltd	53,360	-	-	3,968	211,736,246
<b>Sub Total</b>	-	-	<b>3,743,543,838</b>		<b>2,539,813,104</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
Reliance Capital Limited (Market Linked Debenture)	100,000	448	44,800,000		
<b>Total</b>	-	-	<b>5,287,612,222</b>	-	<b>2,998,968,430</b>
<b>Aggregate Book value</b>					
- Quoted	-	-	-	-	-
- Unquoted	-	-	<b>5,287,612,222</b>	-	<b>2,998,968,430</b>

### Note: 13.

The Company recognized deferred tax assets for the year ended on 31st March 2013 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 Asset

(Amount in ₹)

Particulars	2012-2013	2011-2012
Depreciation	273,425,842	217,475,667
On Gratuity/Leave Encashment	17,270,426	124,414
Provision for doubtful debts	140,333,715	56,494,410
Provision for Standard assets	72,107,805	56,043,819
Preliminary Expenses	4,828	-
Short term/Long Term Capital losses	62,030,778	-
Others	163,874,708	162,059,330
<b>Total</b>	<b>729,048,102</b>	<b>492,197,640</b>





## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 14. LOANS & ADVANCES

(Amount in ₹)

Particulars	Non Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
Loans				
-Secured	31,812,080,012	22,530,974,442	56,388,936,154	39,615,823,654
-Unsecured	5,386,063	18,330,849	7,460,032	78,013,680
Less: Provision for doubtful loans	(54,895,184)	(56,562,880)	(244,590,514)	(49,497,763)
<b>Sub Total</b>	<b>31,762,570,891</b>	<b>22,492,742,411</b>	<b>56,151,805,672</b>	<b>39,644,339,571</b>
Dues from customers				
-Secured	-	-	4,250,384,501	2,039,798,354
-Unsecured	-	-	7,175,974	44,688,197
Advances recoverable in cash or in kind or for value to be received – Unsecured	-	-	48,316,004	10,939,241
Deposits – Unsecured	1,138,858,521	670,856,836	155,908,903	163,937,232
Capital Advances – Secured	282,081,048	-	-	-
Capital Advances – Unsecured	17,473,916	23,350,635	-	-
Others – Secured	-	-	240,100,000	-
Others – Unsecured	25,207,372	3,805,429	124,367,509	29,348,422
Advance income tax (net of provisions ₹4,645,895,601) (previous year ₹4,924,470,034) – Unsecured	721,361,845	686,386,571	-	-
Prepaid expenses	-	-	4,808,719	-
<b>Sub Total</b>	<b>2,184,982,702</b>	<b>1,384,399,471</b>	<b>4,831,061,610</b>	<b>2,288,711,446</b>
<b>Total</b>	<b>33,947,553,593</b>	<b>23,877,141,882</b>	<b>60,982,867,282</b>	<b>41,933,051,017</b>

### Note: 15. OTHER ASSETS

(Amount in ₹)

Particulars	Non Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
Unamortised debenture issue expenses	121,589,401	111,863,067	72,640,523	54,128,088
Fixed deposits	454,023,383	402,088,221	-	-
Margin with exchanges	-	-	139,818,831	146,155,794
Unamortized premium on forward contract	-	-	-	750,027,128
Prepaid expenses	-	-	861,006,102	825,037,512
Others	33,069,220	11,505,863	369,023,327	114,827,717
<b>Total</b>	<b>608,682,004</b>	<b>525,457,151</b>	<b>1,442,488,783</b>	<b>1,890,176,239</b>

## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 16. CURRENT INVESTMENTS

(Amount in ₹)

Particulars	Face Value in ₹	As at March 31, 2013		As at March 31, 2012	
		Number	Amount	Number	Amount
Quoted , Non - Trade , Current (valued At cost or market value whichever is lower)					
Equity Shares					
<b>INVESTMENTS IN SHORT TERM SECURITIES</b>		-	-		
Infinite Computer Solutions(India) Limited	10	-	-	75,000	5,808,750
DQ Entertainment (International) Limited	10	-	-	125,000	2,956,250
Persistent Systems Limited	10	-	-	10,000	3,100,000
Nirlon Limited	10	320,166	12,598,531	700,000	32,830,000
Tilaknagar Industries Limited	10	-	-	150,000	8,400,000
Parabolic Drugs Limited	10	-	-	2,500,000	72,750,000
<b>Sub Total</b>	-	-	<b>12,598,531</b>		<b>125,845,000</b>
Unquoted , Non - Trade , Current (valued at cost or market whichever is less)	-	-	-	-	-
<b>Mutual Funds</b>					
Axis Mutual Fund	1,000	385,046	500,000,000	-	-
Birla Sunlife Mutual Fund	100	251,090	46,505,534	-	-
Canara Robeco Mutual Fund	1,000	105,271	150,000,000	-	-
DSP Black Rock Mutual Fund	1,000	29,816	50,000,000	-	-
DWS Mutual Fund	10	-	-	36,000,000	360,000,000
HDFC Mutual fund	10	11,822,511	260,000,000	1,000,000	10,000,000
ICICI Prudential Mutual fund	100	4,907,129	872,520,315	-	-
JM Capital Mutual Fund	10	7,825,706	250,000,000	-	-
Kotak Mutual Fund	1,000	105,166	250,000,000	-	-
Principal Mutual Fund	1,000	43,890	50,000,000	-	-
Reliance Mutual Fund	1,000	145,579	371,953,834	6,327,623	63,308,501
Union KBC Mutual Fund	1,000	142,589	50,000,000	-	-
Union KBC Mutual Fund	10	99,990	1,000,000		
<b>Sub Total</b>			<b>2,851,979,683</b>		<b>433,308,501</b>
Investment in Fineworthy Software Solutions	-	-	100,000	-	-
Investment in Repo Placement	-	-	-	-	36,042,601
Lombard International unit-linked insurance plan	-	-	-	-	569,349,838
Investment - KD Lite Developers Private Ltd	-	-	553,595	-	-
Investments In Short term Securities	-	-	2,677,521	-	-
Investment in Nomura	-	-	11,298,701	-	-
Arch Pharma Ltd	10	73,106	29,244,055	-	-
<b>Sub Total</b>	-	-	<b>43,873,872</b>		<b>605,392,439</b>



## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 16. CURRENT INVESTMENTS (CONTD.)

(Amount in ₹)

Particulars	Face Value in ₹	As at March 31, 2013		As at March 31, 2012	
		Number	Amount	Number	Amount
<b>Debentures and Bonds - for Financing Real Estate Projects</b>					
Add Albatross Properties Pvt Ltd	100,000	1,250	125,000,000	-	-
Ankur Energy Resources Private Limited	100,000	-	44,386	3,750	375,000,000
Galleria Mall Developers Pvt Ltd	100,000	7,101	682,269,452	1,607	160,700,000
Grand View Estates Private Limited	10,000,000	-	-	70	694,470,000
Kumar Housing Corporation Limited	100,000	-	-	1,000	100,000,000
Lily Realty Pvt Ltd (17%)	100,000	-	-	2,772	275,210,247
Neptune Developers Ltd	100,000	800	80,000,000	600	60,000,000
Prince Foundation Ltd	100,000	-	-	750	74,983,143
Sahyog Homes Limited	100,000	-	-	3,650	365,000,000
Satra Properties (India) Limited	100,000	5164	516,400,000	4,705	470,540,000
Vijay Associates (Wadhwa) Construction Pvt Ltd	53,360	5331	47,765,759	1,987	106,022,554
Sheth Developers Pvt Ltd		-	715,124		-
Galleria Mall Developers Pvt Ltd- Series C	100,000	600	60,000,000	-	-
K.R.Mali Builder & Developers Private Limited	100,000	2,000	200,000,000	-	-
Series B Add Albatross Properties Pvt Ltd	100,000	250	25,000,000	-	-
Sankalp Siddhi Developers Pvt Ltd	100,000	1,900	190,000,000	-	-
Sumit Realty Private Limited	100,000	525	52,500,000	-	-
<b>Subtotal</b>			<b>1,979,694,722</b>		<b>2,681,925,944</b>
Secured Redeemable- Option I: 11.7% p.a.(*)		-	109,996,129	-	-
Secured Redeemable-Option III – Reserved & Un Reserved: 11.9% p.a.(*)		-	82,199	-	-
<b>Subtotal</b>			<b>110,078,328</b>		<b>-</b>
<b>Quoted, Traded, Long Term (Valued at cost)</b>					
<b>Investments in Government Securities</b>					
8.15% - 2022	100	10,000,000	1,000,000,000	-	-
<b>Total</b>			<b>5,998,225,136</b>		<b>3,846,471,884</b>
Aggregate book value – Quoted			1,012,598,532		125,845,000
Unquoted			4,985,626,604		3,720,626,884

(\*) These debentures are under extinguishment process on the balance sheet date

## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

Note: 17. INVENTORIES - (AT LOWER OF COST OR NET REALISABLE VALUE)

(Amount in ₹)

Particulars	Face Value	As at March 31, 2013		As at March 31, 2012	
		Number	Amount	Number	Amount
Arbitrage position (Hedged)					
Equity Shares					
Apollo Tyres Ltd.	1	-	-	60,000	4,779,000
Arvind Ltd.	10	-	-	4,000	333,440
Axis Bank Limited	10	-	-	1,690	1,937,078
Bharat Heavy Electricals Limited	2	-	-	619	159,176
Core Education & Technologies Ltd	2	-	-	4,000	1,109,411
Crompton Greaves Ltd.	2	-	-	64,000	8,838,400
DLF Ltd.	2	-	-	10,751	2,103,841
Escorts Ltd.	10	-	-	24,001	1,646,469
Fresenius Kabi Oncology Ltd.	1	-	-	100	15,220
Goodyear India Ltd.	10	-	-	662	239,379
Grasim Industries Ltd.	10	-	-	1,955	5,135,883
Gujarat Fluorochemicals Ltd.	1	-	-	1,500	750,914
Hindalco Industries Limited	1	-	-	52,000	6,728,800
Honeywell Automation India Ltd.	10	-	-	30	80,542
Housing Development Finance Corp	2	-	-	566	381,088
IIFL Mutual Fund - IIFL Nifty ETF	10	-	-	24,673	12,844,792
Infosys Technologies Limited	5	-	-	549	1,573,599
Infrastructure Development Finance Company Limited	10	-	-	92,026	12,423,872
IVRCL Assets & Holdings Limited	10	-	-	14,522	636,409
IVRCL Ltd	2	-	-	48,000	3,175,200
Jaiprakash Associates Limited	2	-	-	128,000	10,457,600
Jsw Steel Ltd.	10	-	-	1,000	736,242
Kamat Hotels (India) Ltd.	10	-	-	9,028	1,138,415
LIC Housing Finance Limited	2	-	-	5,000	1,316,750
Maruti Suzuki India Limited	5	-	-	2,000	2,566,779
Orchid Chemicals & Pharmaceuticals Ltd	10	-	-	68,000	12,566,400
Pantaloon Retail (India) Limited	2	-	-	37,000	5,635,207
Power Grid Corporation Of India Limited	10	-	-	40,000	4,326,000
Punjab National Bank	10	-	-	3,750	3,478,492
Reliance Communications Ltd.	5	-	-	65,100	5,612,413
Reliance Industries Limited	10	-	-	1,508	1,131,905
Satyam Computer Services Ltd.	2	-	-	12,750	977,250
Sesa Goa Ltd.	1	-	-	36,956	7,195,333
Standard Chartered Plc	-	-	-	7,283	691,521
State Bank Of India	10	-	-	542	1,136,222
Sterlite Industries (India) Limited	1	-	-	64,000	7,107,200
Tata Coffee Ltd.	10	-	-	1,750	1,487,170
Tata Motors Ltd.	2	-	-	1,000	275,250
Thomas Cook (India) Ltd.	1	-	-	93	5,673
Timken India Ltd.	10	-	-	1,294	283,386



## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 17. INVENTORIES - (AT LOWER OF COST OR NET REALISABLE VALUE) (CONTD.)

(Amount in ₹)

Particulars	Face Value	As at March 31, 2013		As at March 31, 2012	
		Number	Amount	Number	Amount
TVS Motor Company Limited	1	-	-	32,081	1,315,321
Unitech Limited	2	-	-	24,000	690,000
Welspun Corp Limited	5	-	-	22,000	2,961,200
Commodities					
Basmati Paddy	Kg.	-	-	6,555,000	155,225,250
Castor Oil	Kg.	-	-	790,000	59,650,000
Castor Seed	Kg.	3,820,429	137,815,674	2,325,000	86,025,000
Chilies	Kg.	284,864	19,102,736	97,185	4,948,106
Cottonseed Wash Oil	Kg.	-	-	2,110,000	128,765,000
Crude Soyabean Oil	Kg.	-	-	20,000	2,660,000
Gold	Kg.	-	-	25	67,688,600
Jeera	Kg.	180,108	23,545,241	54,000	6,402,200
Mustard Oil	Kg.	-	-	630,000	49,140,000
Refined Soybean Oil	Kg.	-	-	1,870,000	124,605,000
Refined Sunflower Oil	Kg.	-	-	2,000,000	133,040,000
Silver	Kg.	-	-	15,909	883,969,573
Steel TMT	Kg.	-	-	370,000	18,270,600
Turmeric	Kg.	-	-	130,000	5,939,438
Cotton	Kg.	339,126	39,626,500	-	-
Cotton Seed Oil Cake	Kg.	8,991,675	140,017,600	-	-
<b>Sub Total</b>			<b>360,107,751</b>		<b>1,864,313,009</b>
<b>Non Convertible Debentures</b>					
8.20% HUDCO 2027	1,000	36,500	38,393,250	-	-
18% Galleria Mall Developers Pvt Ltd	44,450	1,404	62,674,520	-	-
20% Prince Foundation Ltd	62,500	327	20,837,501	-	-
IIFL Real Estate Fund Domestic Series 1	100	25,000	1,259,584	25,000	625,000
16% Vijay Associates (Wadhwa) Construction Pvt Ltd NCD June 2013	13,440	75	672,000	-	-
Vijay Associates (Wadhwa) Constructions P Ltd 16 NCD May 2013	56,680	-	-	537	31,158,788
Vijay Associates (Wadhwa) Constructions P Ltd Sr-B 16 NCD Jul 2013	56,680	-	-	129	7,392,926
10.85% Cholamandalam Investment & Fin. Co. Ltd.	1,000,000	10	10,253,900	-	-
12.75% IIFL Sept 2018	1,000	5,818	5,834,870	-	-
8% Fineworthy Software Solutions OCD	100	844,408	84,440,800	-	-
19% Sheth Buildwell Private Ltd .	100,000	300	30,000,000	-	-
Ankur Energy Resources Private Limited	100,000	-	-	100	10,224,010
Avantha Holdings Limited NCD Sept 12 Fv. ₹ 9Cr	90,000,000	-	-	1	97,439,092
Barclays Investments & Loans (I)Ltd Sr-120 Br NCD April 13 Fv ₹10 Lac	1,000,000	-	-	20	23,006,000
Tata Housing Development Co Ltd	1,000,000	-	-	85	98,402,885

## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 17. INVENTORIES - (AT LOWER OF COST OR NET REALISABLE VALUE) (CONTD.)

(Amount in ₹)

Particulars	Face Value	As at March 31, 2013		As at March 31, 2012	
		Number	Amount	Number	Amount
Equity linked Non convertible* Debentures of Macquarie Finance (India) Private Limited	100,000	473	47,300,000	473	46,725,775
<b>Sub Total</b>			<b>301,666,425</b>		<b>314,349,476</b>
Equity Shares					
Arch Pharma Ltd	10	20,000	8,375,000	7,500	3,375,000
Fineworthy Software Solutions	10	127,450	1,274,500		
<b>Sub Total</b>			<b>9,649,500</b>		<b>3,375,000</b>
Options*					
Nifty Call 28-06-2012	4100	-	-	6,900	9,936,000
Nifty Call 28-06-2013	5100	-	-	(5,100)	(4,287,621)
Nifty Call 28-06-2012	5200	-	-	1,200	383,400
Nifty Call 27-12-2012	5000	-	-	14,900	10,195,325
Nifty Call 27-12-2012	5100	-	-	6,500	2,925,000
Nifty Call 27-12-2012	5200	-	-	10,650	4,473,000
Nifty Call 27-12-2012	5300	-	-	5,750	2,765,750
Nifty Call 27-06-2013	5200	12,950	5,180,000	12,950	11,085,200
Nifty Call 26-06-2014	4500	13,550	15,514,750	13,550	15,514,750
Nifty Call 26-06-2014	4600	9,000	4,900,013	9,000	10,620,000
Nifty Call 26-06-2014	6500	(10,000)	(2,950,000)	(10,000)	(2,950,000)
<b>Sub Total</b>			<b>22,644,763</b>		<b>60,660,804</b>
<b>Total</b>			<b>694,068,438</b>		<b>2,243,323,289</b>
Aggregate market value- stock on hand – Quoted			694,068,438		2,290,069,347

\* Held to cover possible payout in respect of certain Equity Linked Non-Convertible Debentures issued by the Company.

### Note: 18. TRADE RECEIVABLE

(Amount in ₹)

Particulars	As at	As at
	March 31, 2013	March 31, 2012
Trade receivables outstanding for a period exceeding six months from the date they were due for payment	-	-
– Considered good	776,439,125	73,577,844
– Considered doubtful	37,921,487	28,408,649
<b>Sub Total</b>	<b>814,360,612</b>	<b>101,986,493</b>
Other		
Considered good	2,218,389,042	3,673,265,316
Provision for doubtful receivables	(37,921,487)	(28,408,649)
<b>Sub Total</b>	<b>2,180,467,555</b>	<b>3,644,856,667</b>
<b>Total</b>	<b>2,994,828,167</b>	<b>3,746,843,160</b>



## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 19. CASH AND BANK BALANCES

(Amount in ₹)

Particulars-Non Convertible Unsecured	Non Current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
Cash on hand	-	-	1,291,690,524	273,410,980
Balances with banks				
In current account	-	-	7,226,318,613	4,624,128,029
In earmarked accounts				
- Unpaid dividend accounts	-	-	-	125,040
Fixed deposits	454,023,383	402,088,221	5,053,017,400	3,307,791,849
Amount disclosed under non-current assets	(454,023,383)	(402,088,221)		-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>13,571,026,537</b>	<b>8,205,455,898</b>

\*Company has pledged fixed deposits to the extent of ₹ 5,150,913,148 /- (previous year ₹ 3,217,533,114/-) with banks for bank guarantees/overdraft facilities and with the stock exchanges.

### Note: 20. OTHER INCOME

(Amount in ₹)

	2012-2013	2011-2012
Miscellaneous income	71,773,599	54,626,662
Profit/(loss) on Sale of Assets	(268,033)	(1,177,265)
Share of profit in partnership firm	-	18,413,820
<b>Total</b>	<b>71,505,566</b>	<b>71,863,217</b>

### Note: 21. EMPLOYEE BENEFIT EXPENSES

(Amount in ₹)

	2012-2013	2011-2012
Salaries and bonus	5,039,581,660	4,646,791,338
Contribution to provident and other funds	93,916,892	92,155,559
Gratuity expenses	34,075,425	51,161,602
Staff welfare expenses	179,963,009	123,839,223
Deferred employee compensation expenses	(12,238,526)	3,481,224
<b>Total</b>	<b>5,335,298,460</b>	<b>4,917,428,946</b>

The company is recognising and accruing the employee benefits as per Accounting Standard (AS) -15 "Employee Benefit details are given below

(Amount in ₹)

Assumptions	2012-2013	2011-2012
Discount rate previous year	8.50%	8.00%
Salary Escalation previous year	5.00%	5.00%
Discount rate current year	8.00%	8.00%
Salary Escalation Current year	5.00%	5.00%

Change in Benefit Obligation	2012-2013	2011-2012
Liability at the beginning of the year	140,916,566	91,426,026
Interest Cost	11,977,240	7,314,082
Current Service Cost	40,685,215	31,254,528
Liability Transfer In	-	1,329,633
Benefit paid	(10,238,274)	(6,883,475)
Actuarial gain on obligations	(19,513,848)	16,475,772
<b>Liability at the end of the year</b>	<b>163,826,899</b>	<b>140,916,566</b>

## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 21. EMPLOYEE BENEFIT EXPENSES (CONTD.)

(Amount in ₹)

Assumptions	2012-2013	2011-2012
<b>Amount Recognised in the balance sheet</b>		
Liability at the end of the year	109,267,452	140,916,566
Fair value of plan assets at the end of the year	163,826,899	114,059,095
Differences	54,559,447	26,857,471
Amount of liability Recognised in the balance sheet	54,559,447	26,857,471
<b>Expenses Recognised in the Income statement</b>		
Current Service cost	40,685,215	31,254,528
Interest Cost	11,977,240	7,314,082
Expected return on plan assets	(9,809,082)	(9,395,611)
Actuarial Gain or Loss	(8,777,948)	23,336,767
Expense Recognised in P &L	34,075,425	52,509,766
<b>Balance sheet reconciliation</b>		
Opening net liability	26,849,608	(26,019,107)
Expense as above	34,075,425	52,509,766
Net Transfer in	(6,365,586)	382,965
Employers contribution	-	(16,153)
Amount Recognised in Balance sheet	54,559,447	26,857,471

#### Defined Contribution Plans:

The Company has recognised the following amounts as an expense and included in the Note 21- Employee Benefit Expenses

(Amount in ₹)

Particulars	2012-2013	2011-2012
Contribution to Employee Provident Fund	54,081,634	55,898,373

### Note: 22. FINANCE COST

(Amount in ₹)

Particulars	2012-2013	2011-2012
Interest expenses	8,302,889,809	4,928,971,856
Other borrowing cost	389,600,651	114,154,623
<b>Total</b>	<b>8,692,490,460</b>	<b>5,043,126,479</b>

### Note: 23. DEPRECIATION AND AMORTISATION EXPENSES

(Amount in ₹)

Particulars	2012-2013	2011-2012
Depreciation of tangible assets	814,073,135	789,843,159
Depreciation of intangible assets	25,195,544	12,330,458
<b>Total</b>	<b>839,268,679</b>	<b>802,173,617</b>





## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 24. OTHER EXPENSES

(Amount in ₹)

Particulars	2012-2013	2011-2012
Advertisement	131,166,001	257,285,088
Bank Charges	130,160,047	111,837,606
Brokerage related Expenses	1,492,564,777	897,278,127
Communication	415,530,243	403,451,311
Donation	899,897	-
Electricity	298,557,670	218,154,745
Exchange and statutory Charges	106,529,611	129,705,351
Investment and financing related cost	1,179,697,567	269,209,997
Direct operating expenses	307,079,037	69,232,583
Legal & Professional Fees	418,823,611	412,172,884
Marketing and commission expenses	313,672,396	913,155,151
Miscellaneous Expenses	88,021,582	48,847,927
Office expenses	693,275,677	513,603,040
Postage & Courier	54,761,138	72,296,550
Printing & Stationary	97,381,232	109,858,982
Provision for doubtful debts and bad debts	53,051,942	-
Rent	835,465,111	685,620,101
Insurance	5,594,323	-
Rates and Taxes	9,782,763	-
Sundry balances written off	18,746,119	-
Profit/loss on sale of assets	135,046	-
<b>Repairs &amp; Maintenance</b>		
- Computer	215,650	503,800
- Others	108,221,729	103,777,826
<b>Remuneration to Auditors :</b>		
- Audit Fees	6,253,469	5,709,283
- Certification Expenses	197,610	359,000
- Out Of Pocket Expenses	224,316	873,534
Reimbursement of expenses	532,149	-
Software Charges	221,355,223	208,608,830
Subscription	5,008,414	-
Travelling & Conveyance	462,157,504	358,376,332
<b>Total</b>	<b>7,455,061,852</b>	<b>5,789,918,046</b>

### Note: 25. PROVISIONS AND WRITE OFF

(Amount in ₹)

Particulars	2012-2013	2011-2012
Bad debts written off	17,846,285	40,001,530
Provision for Contingencies	55,714,137	46,707,807
Provision for diminution in value of investments	2,325,419	43,472,581
Provision for Doubtful Loans	194,752,763	79,302,268
Provision for doubtful debts and bad debts	-	12,019,644
Provision for Standard Loans	55,587,448	95,318,881
<b>Total</b>	<b>326,226,052</b>	<b>316,822,711</b>

## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

**Note: 26. BASIC AND DILUTED EARNINGS PER SHARE ["EPS"] COMPUTED IN ACCORDANCE WITH ACCOUNTING STANDARD (AS) 20 'EARNINGS PER SHARE'**

(Amount in ₹)

Particulars		2012-2013	2011-2012
<b>BASIC</b>			
Profit after tax as per Statement of Profit and Loss	A	2,721,996,213	1,320,745,345
Weighted Average Number of Shares Subscribed	B	290,430,555	288,433,564
Basic EPS(Rupees)	A/B	9.37	4.58
<b>DILUTED</b>			
Profit after tax as per Statement of Profit and Loss	A	2,721,996,213	1,320,745,345
Weighted Average Number of Shares Subscribed		290,430,555	288,433,564
Add: Potential Equity Shares on Account conversion of Employees Stock Options.		4,803,896	36,477,112
Weighted Average Number of shares Outstanding	B	295,234,451	324,910,676
Diluted EPS (Rupees)	A/B	9.22	4.06

**Note: 27. 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	
	As at March 31, 2013	As at March 31, 2012
India Infoline Commodities Limited	100%	100%
India Infoline Media and Research Services Limited	100%	100%
IIFL Capital Limited	100%	100%
India Infoline Trustee Company Limited	100%	100%
India Infoline Asset Management Company Limited	100%	100%
India Infoline Finance Limited	98.87%	98.87%
India Infoline Housing Finance Limited	98.87%	98.87%
India Infoline Distribution Company Limited	100%	98.87%
India Infoline Insurance Services Limited	100%	100%
India Infoline Insurance Brokers Limited	100%	100%
IIFL Wealth Management Limited	82.44%	82.44%
IIFL Distribution services Limited (Formerly Finest Wealth Managers Private Limited)	82.44%	82.44%
IIFL Trustee Services Limited	82.44%	82.44%
IIFL Realty Limited	100%	100%
IIFL Alternate Asset Advisors Limited	100%	100%
IIFL (Asia) Pte. Limited	100%	100%
IIFL Securities Pte. Limited	100%	100%
IIFL Capital Pte. Limited	100%	100%
IIFL Capital Ceylon Limited	76%	76%
IIFL Securities Ceylon (Pvt) Limited	76%	76%
IIFL Private Wealth Hong Kong Limited	100%	100%
IIFL Private Wealth (Mauritius) Limited	100%	100%
IIFL Private Wealth Management (Dubai) Limited	100%	100%
India Infoline Commodities DMCC	100%	100%
IIFL Inc.	100%	100%
IIFL Capital Inc.	100%	-
IIFL Private Wealth (Suisse) SA	100%	-
IIFL Wealth (UK) Limited	100%	100%



## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

**Note: 28.** Capital and Other Commitments at Balance Sheet date. There were outstanding commitments for capital expenditure (net of advances) to the tune of ₹ 125,173,188/- (previous year ₹ 119,112,494/-) and Other Commitment to the tune of ₹ 450,000,000/- (previous year ₹ 564,375,000) of the total contractual obligation entered during the year.

**Note: 29.** The claim against the company not acknowledged as debt were ₹16,939,813/- (previous year ₹12,823,968/-). As of March 31, 2013, we had certain contingent liabilities not provided for, including the following:

Sr. No.	Name of the Statute	(Amount in ₹)	
		As at March 31, 2013	As at March 31, 2012
(i)	In respect of Income tax demands	163,613,813	96,460,045
(ii)	In respect of Service tax demands	13,807,000	15,324,272
(iii)	In respect of MVAT demands	563,342	563,342
(iv)	In respect of Profession tax demands	1,553,529	-
(iii)	Guarantees and Counter Guarantees	245,271,036	99,880,250
<b>Total</b>		<b>424,808,720</b>	<b>212,227,909</b>

The company has filed appeals with the Income Tax Appellate Tribunal/Service tax department against the said demands.

**Note: 30.** The Company has taken office premises on operating lease at various locations. Lease rent in respect of the same has been charged to Statement of Profit and Loss. 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 2013 areas under

Minimum Lease Rentals	(Amount in ₹)	
	2012-2013	2011-2012
Due for		
- Up to one year	114,925,181	114,013,078
- One to five years	84,374,783	1,771,900
- Above five years	62,191,787	-
<b>Total</b>	<b>261,491,751</b>	<b>115,784,978</b>

**Note: 31.** 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:

Particulars	ESOP 2005**	ESOP 2007	ESOP 2008
No. of options as on March 31, 2013	32,375	4,288,330	24,626,400
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	Seven years from the date of grant

## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

(A) The details of various Employee Stock Option Schemes are as under (Contd.):

Particulars	ESOP 2005**	ESOP 2007	ESOP 2008
Grant Dates	May 4, 2006 and April 2, 2007	October 17, 2008, December 18, 2008, January 1, 2009 and March 5, 2012	December 18, 2008, January 1, 2009, May 27, 2009, December 10, 2009, September 20, 2010, May 7, 2011, May 15, 2012, August 10, 2012 and October 29, 2012
Grant Price ₹ Per Share)	₹30.00 and ₹51.00	₹63.75 , ₹45.30, ₹50.90 and ₹70.00	₹45.30, ₹50.90, ₹100.00, ₹136.00, ₹105.00, ₹ 72.40, ₹45.90, ₹56.60 and ₹68.15
Market Price on the date of Grant of Option (₹)	₹36.45* and ₹67.00 *	₹63.75, ₹45.30, ₹50.90 and ₹69.90	₹45.30, ₹50.90, ₹129.30, ₹135.15, ₹104.55, ₹72.40, ₹45.90, ₹56.60 and ₹68.15

\* adjusted prices due to sub-division of face value from ₹10 to ₹2 per share, with effect from August 18, 2008.

\*\*Maximum exercise period for the options granted under the scheme is over.

(B) Movement of options granted:

Particulars	ESOP 2005**	ESOP 2007	ESOP 2008
Options outstanding at the beginning of the year	38,625	45,75,310	3,44,14,500
Granted during the year	-	-	33,00,000
Exercised during the year	-	2,38,380	59,67,300
Lapsed during the year	6,250	48,600	7,120,800
Options outstanding at the end of the year	32,375	4,288,330	24,626,400

\*\*Maximum exercise period for the options granted under the scheme is over.

### Note: 32. SEGMENT REPORTING:

Segment information for the year ended March 31 2013. Primary segment information (by Business segment)

Sr No	Particulars	Equities Brokerage & related	Financing and Investment	Marketing and Distribution	Others	Total
I.	Segment revenue					
	External	55,253,206,279	181,669,551,243	28,888,253,722	715,055,664	266,526,066,908
		(5,457,597,390)	(10,904,535,979)	(2,430,673,826)	(71,863,217)	(18,864,670,412)
	Inter-segment	-	-	-	-	-
	Total revenue	55,253,206,279	181,669,551,243	28,888,253,722	715,055,664	266,526,066,908
		(5,457,597,390)	(10,904,535,979)	(2,430,673,826)	(71,863,217)	(18,864,670,412)
II.	Segment result	966,878,646	2,811,041,675	660,432,425	67,105,485	4,505,458,231
		(869,304,843)	(1,557,997,607)	(221,280,712)	(55,854,457)	(2,704,437,619)
	Less: unallocated expenses	-	-	-	-	491,190,695
		-	-	-	-	(697,502,447)



## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

### Note: 32. SEGMENT REPORTING (CONTD.):

Segment information for the year ended March 31 2013. Primary segment information (by Business segment)

Sr No	Particulars	Equities Brokerage & related	Financing and Investment	Marketing and Distribution	Others	Total
	Operating Profit	966,878,646	2,811,041,675	660,432,425	671,054,485	4,014,267,536
		(869,304,843)	(1,557,997,607)	(221,280,712)	(55,854,457)	(2,006,935,172)
	Interest Expense	-	-	-	-	99,915,016
		-	-	-	-	(11,734,561)
	Profit before Tax	-	-	-	-	4,004,276,034
		-	-	-	-	(1,995,200,611)
	Less: Current Tax	-	-	-	-	1,210,910,358
		-	-	-	-	(634,465,224)
	Net Profit after Tax	-	-	-	-	2,793,350,825
		-	-	-	-	(1,360,735,387)
III.	Segment Assets	22,632,987,034	10,224,873,544	1,884,070,019	-	34,741,930,597
		(23,766,898,164)	(8,531,670,146)	(2,267,726,888)	-	(34,566,295,198)
	Unallocated	-	-	-	-	1,450,409,947
	Corporate assets	-	-	-	-	(1,176,603,217)
	Total Assets	-	-	-	-	36,192,340,544
		-	-	-	-	(35,742,898,414)
IV.	Segment Liabilities	9,802,348,382	5,056,146,314	1,390,772,425	-	16,249,267,121
		(11,986,511,818)	(3,966,431,010)	(1,928,096,882)	-	(17,881,039,710)
	Unallocated Corporate	-	-	-	-	18,700,626
		-	-	-	-	(2,357,772)
	Total Liabilities	-	-	-	-	16,267,967,747
		-	-	-	-	(17,883,397,482)
V.	Capital	87,131,142	623,262,661	10,131,040	-	720,524,843
	Expenditure	(192,869,247)	(735,307,844)	(24,864,294)	-	(953,041,385)
	Unallocated	-	-	-	-	350,193,467
	Capital	-	-	-	-	(718,444,082)
	Expenditure	-	-	-	-	-
	Total Capital	-	-	-	-	1,043,868,971
	Expenditure	-	-	-	-	(1,671,485,467)
VI.	Depreciation	244,129,340	292,345,954	350,303,619	-	839,268,681
		(558,481,021)	(149,597,434)	(86,250,080)	(7,845,082)	(802,173,617)
	Unallocated	-	-	-	-	-
	Depreciation	-	-	-	-	-
	Total Depreciation	-	-	-	-	839,268,681
		-	-	-	-	(802,173,617)
VII.	Non-Cash expenditure	-	-	-	-	-
	Other than depreciation	-	-	-	-	-

### Note: 33. RELATED PARTY DISCLOSURES FOR THE YEAR ENDED MARCH 31, 2013

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

(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)

## Consolidated Financial Statements of India Infoline Limited

Notes forming part of financial statement for the year ended March 31, 2013

Note: 33. RELATED PARTY DISCLOSURES FOR THE YEAR ENDED MARCH 31, 2013 (CONTD.)

Disclosure of Transactions with related parties

Nature of Transaction	Key Managerial Personnel	Other Related Parties	Total
Brokerage Income	402,389	272,948	675,336
	(13,778)	(57,782)	(71,560)
Remuneration	35,863,020	-	35,863,020
	(29,680,110)	-	(29,680,110)
Rent Deposit	-	50,000,000	50,000,000
Rent Expenses	-	2,256,000	2,256,000
	-	(384,000)	(384,000)

Outstanding as on March 31,2013

Nature of Transaction	Key Managerial Personnel	Other Related Parties	Total
Sundry Payables	16,440	23,734	40,174
	(30,284)	(10,891)	(41,175)

Note: Figures in brackets indicate previous year figures.

**Note 34.** Interest Expenses include the interest on debentures ₹ 1,613,910,719/- (Previous year ₹ 766,598,675/-), discount in commercial paper ₹ 3,072,040,203/- (Previous year ₹ 1,979,839,899/-) and interest on banks term loans ₹ 3,727,988,957/- (Previous year ₹ 2,133,688,886/-).

**Note 35.** There are no dues to micro & small enterprises (MSEs) outstanding for more than 45 days.

**Note 36.** 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 (F) 037457

Place : Singapore

Dated: May 11, 2013

For and on behalf of the Board of Directors

Nirmal Jain

Chairman

Dhruv Jain

Chief Financial Officer

R.Venkataraman

Managing Director

Sunil Lotke

Company Secretary

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr. Nirmal Jain - *Chairman*  
Mr. R. Venkataraman - *Managing Director*  
Mr. A.K. Purwar - *Independent Director*  
Dr. S Narayan - *Independent Director*  
Mr. Nilesh Vikamsey - *Independent Director*  
Mr. Kranti Sinha - *Independent Director*  
Mr. Sunil Kaul - *Non Executive Director*  
Mr. Chandran Ratnaswami - *Non Executive Director*

## COMMITTEE OF BOARD

### Audit Committee

Mr. Nilesh Vikamsey - *Chairman, Independent Director*  
Mr. R. Venkataraman  
Mr. Kranti Sinha

### Compensation/Remuneration Committee

Mr. Kranti Sinha - *Chairman, Independent Director*  
Mr. Nilesh Vikamsey  
Mr. A.K. Purwar

### Share Transfer and Investor Grievance Committee

Mr. Kranti Sinha - *Chairman, Independent Director*  
Mr. Nirmal Jain  
Mr. R. Venkataraman

## CHIEF FINANCIAL OFFICER

Mr. Dhruv Jain

## COMPANY SECRETARY

Mr. Sunil Lotke

## CORE MANAGEMENT TEAM

Mr. Bharat Parajia - *MD, IIFL (Asia) Pte Ltd.*  
Mr. Mukesh Kumar Singh - *Executive Director, NBFC*  
Mr. Karan Bhagat - *MD, IIFL Wealth Management Ltd.*  
Mr. Yatin Shah - *ED, IIFL Wealth Management Ltd.*  
Mr. Amit Shah - *CEO, IIFL Inc.*  
Mr. H. Nemkumar - *President, Institutional Equities*  
Mr. Nipun Goel - *President, Investment Banking*  
Mr. Prasanth Prabhakaran - *President, Retail Broking*  
Mr. Balaji Raghavan - *Head – Real Estate Services*  
Mr. Gopinath Natarajan - *CEO, IIFL Asset Management*  
Mr. Mohammad Kantawala - *Head, Insurance Broking*  
Mr. R. Mohan - *Chief Compliance Officer*  
Mr. Narendra Jain - *Chief Operating Officer*  
Mr. Pallab Mukherji - *President, Human Resource*  
Mr. Tejas Mehta - *Vice President, Technology*  
Mr. Upendra Jaiswal - *Vice President, Internal Audit – Financial Services*  
Mr. Kamal Ahuja - *Vice President, Internal Audit - NBFC*

## AUDITORS

M/s Sharp & Tannan Associates, Chartered Accountants

## INTERNAL AUDITORS

M/s Ernst & Young

## REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Pvt. Ltd, C-13, Pannalal Silk Mills compound,  
L.B.S. Marg, Bhandup (West),  
Mumbai – 400078

## REGISTERED OFFICE

IIFL House, Sun Infotech Park, Road no. 16, Plot no. B-23,  
MIDC, Thane Industrial Estate, Wagle Estate, Thane – 400604

## CORPORATE OFFICE

IIFL Centre, Kamala City, Lower Parel (West),  
Mumbai – 400013

## BANKERS

Allahabad Bank  
Andhra Bank  
Axis Bank Ltd  
Bank of Baroda  
Bank of India  
Bank of Maharashtra  
Central Bank of India  
Citibank N.A.  
Commercial Bank of Ceylon PLC  
Corporation Bank  
Credit Suisse  
Dena Bank  
Development Credit Bank Ltd  
HDFC Bank Ltd  
HSBC  
ICICI Bank Ltd  
IDBI Bank Ltd  
Indian Overseas Bank  
Indusind Bank Ltd.  
ING Vysya Bank Ltd  
Karur Vysya Bank  
Kotak Mahindra Bank Ltd  
Mashreq Bank  
Nomura International PLC  
Oriental Bank of Commerce  
Punjab & Sind Bank  
Punjab National Bank  
Ratnakar Bank Ltd  
Saraswat Cooperative Bank Ltd.  
Small Industries Development Bank of India  
South Indian Bank  
Standard Chartered Bank  
State Bank of India  
State Bank of Mauritius  
Syndicate Bank Ltd  
The Federal Bank Ltd.  
Union Bank of India  
Vijaya Bank  
Yes Bank Ltd

## Cautionary Statement

This document contains forward-looking statement and information. Such statements are based on our current expectations and certain assumptions, and are, therefore, subject to certain risk and uncertainties. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary. India Infoline does not intend to assume any obligation to update or revise these forward-looking statements in light of developments, which differs from those anticipated.



When it's about money..



**INDIA INFOLINE LIMITED**

IIFL House, Sun Infotech Park,  
Road No. 16V, Plot No. B-23, MIDC,  
Thane Industrial Area, Wagle Estate,  
Thane - 400604  
[www.indiainfo.com](http://www.indiainfo.com)





**India Infoline Limited**

Registered Office: IIFL House, Sun Infotech Park, Road No. 16V,  
Plot No.B-23, Thane Industrial Area, Wagle Estate, Thane - 400604

ATTENDANCE SLIP

PLEASE FILL IN ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

Joint shareholders may obtain additional attendance slip on request

NAME AND ADDRESS OF THE SHAREHOLDER: .....

Master Folio No.: ..... No. of Shares held: .....

I hereby record my presence at the 18th ANNUAL GENERAL MEETING of the Company held on Tuesday, July 23, 2013 at 4.00 P.M. at Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai – 400018.

SIGNATURE OF THE SHAREHOLDER OR PROXY\*: .....

\*Strike out whichever is not applicable



**India Infoline Limited**

Registered Office: IIFL House, Sun Infotech Park, Road No. 16V,  
Plot No.B-23, Thane Industrial Area, Wagle Estate, Thane - 400604

PROXY FORM

Master Folio No. : ..... No. of shares held: .....

I/We ..... of.....

being a member/members of INDIA INFOLINE LIMITED hereby appoint.....

of..... or failing him .....

of..... as my/our proxy to vote for me/us and on my/our behalf at the 18th Annual General Meeting to be held on Tuesday, July 23, 2013 at 4.00 P.M. at Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai – 400018 or at any adjournment thereof.

Signed this ..... day of ..... 2013

**NOTE:** The Proxy Form must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time of holding the aforesaid meeting. The Proxy need not be a member of the Company.

FORM A

Format of covering letter of the annual audit report to be filed with the stock exchanges

1.	Name of the Company:	India Infoline Limited
2.	Annual financial statements for the year ended	March 31, 2013
3.	Type of Audit observation	Matter of Emphasis as per the Auditors Report:  We draw attention to note 27 in the financial statements, which states about the Company's proposal to transfer substantial portion of its business to one of its wholly owned subsidiaries as part of Scheme of Arrangement under Sections 391 to 394 of the Companies Act, 1956. It has also decided to continue its remaining business. Accordingly the accounts are prepared on a going concern basis. Our opinion is not qualified in respect of this matter.
4.	Frequency of observation	Observation is appearing for the first time
5.	To be signed by-	
	CEO/Managing Director	<i>R. Venkataraman</i>
	CFO	<i>Ashwini Jain</i>
	Auditor of the company	For Sharp & Tannan Associates Chartered Accountants (ICAI Firm Reg. No. 109983W) by the hand of <i>A. P. Khot</i> (CA Tirtharaj Khot) Partner (Membership No. 37457)
	Audit Committee Chairman	<i>N. S. Khanna</i>

*stam*

