

India Infoline Ltd. (IIL) - Analyst Meeting Notes Q4-FY08 Results

April 30, 2008

Price: Rs944.85

52-wk High/Low: 1975/403

MCap: Rs54bn (\$1.3bn)

BSE Sensex: 17287

Rating: Not Rated

India Infoline is a one-stop financial services provider and NBFC registered under RBI.

Key Takeaways

Fee-based vis-à-vis fund based revenues

It derived 81% from fee-based services and rest from fund-based services in FY08.

Results

- Key highlight of Q4-FY08 is the sluggishness in the capital markets which impacted revenues of the broking industry including IIL. On sequential basis, brokerage income was down 11% and market volumes were down by 29%. However, having diversified into other financial services, it managed to de-risk its business model.
- For full year FY08, income from operations grew by 143%, mainly on account of a 450% growth in financing income. This also includes income from funding IPOs of Reliance Power and Future Capital.
- EBITDA margins have risen from 33% in FY07 to 39% in FY08. Market share on NSE increased to 3.4% in FY08 vis-à-vis 2.2% in FY07. This growth is attributable to improved productivity of the branches setup during the year and increased contribution from institutional business. Business locations have risen to 758 (comprising 607 owned branches and 151 franchisees). In institutional business, new products such as 'Front page' were launched.
- Sequentially, PAT growth for the quarter was flat at 0.2%, as interest cost rose from Rs9Cr to Rs67Cr. For full year 08, it was up 111.4% backed by the strong topline growth.

Segment Performance Highlights

Broking

- Institutional broking subsidiary entered into an exclusive partnership with Auerbach Grayson & Company, Inc., a New York-based brokerage firm to offer US investors premium access to investing in Indian capital markets. IIL offers research and trade execution to Auerbach Grayson's institutional clients in the US. This tie-up will enhance IIL's US distribution reach.
- Number of retail clients has grown from 0.15 mn in FY07 to 0.44mn in FY08.
- Average daily turnover on the NSE was Rs24.3bn in FY08 and Rs26.7bn in Q4FY08.

Wealth Management

The newly set up subsidiary, IIL Wealth Management Ltd (IILW) has been capitalized with Rs250mn.

Retail Finance

- It launched consumer finance business under the brand 'Moneyline' in December '07 with a portfolio size of Rs3.29bn. The business achieved break-even in February '08. Moneyline has presence in 30 locations across India and plans to spread to 45 locations by June '08.
- Consumer finance product offerings comprises of mortgages (75%), personal loans (20%) and business loans and loans against shares (5%).

Asset management

It has applied for a license for setting up an AMC.

Other Points

- Stock split approved, ratio: 1 share of Rs10 into 5 shares of Rs2 each. IIL shares had recently been included in 'A' group list by BSE.
- Dividend of Rs 6 per share declared, translating into payout ratio of 24%.
- In Q1-FY09, it plans to make investments in call centres.
- Going forward, the revenue drivers for the business will be Consumer finance, investment banking, Investment Banking, Wealth Management and Institutional Equities.

Summary of Financial Results

(RsCr)

Particulars	Q4-FY07	Q3-FY08	Q4-FY08	%change (y-o-y)	%change (q-o-q)	FY07	FY08	%change (y-o-y)
Income from operations	142.27	307.26	383.31	169.4%	24.8%	420.26	1020.12	142.7%
Expenditure								
Direct Cost	33.09	68.14	78.54	137.3%	15.3%	91.78	216.98	136.4%
Employee Cost	37.87	77.20	80.60	112.8%	4.4%	106.31	242.57	128.2%
Administration Expenses	26.72	42.28	57.38	114.7%	35.7%	86.40	161.82	87.3%
Expenditure	97.68	187.62	216.51	121.7%	15.4%	284.49	621.37	118.4%
EBITDA	44.59	119.64	166.80	274.1%	39.4%	135.76	398.75	193.7%
Other Income	1.31	3.41	0.90	-31.4%	-73.6%	5.47	3.47	-36.6%
Interest	4.49	9.24	66.87	1387.9%	623.7%	11.71	91.26	679.2%
PBDT	41.40	113.81	100.82	143.5%	-11.4%	129.52	310.96	140.1%
Depreciation & Amortization	4.58	11.80	8.09	76.6%	-31.4%	14.92	28.20	89.0%
PBT before tax and EO	36.82	102.01	92.73	151.8%	-9.1%	114.60	282.75	146.7%
Tax Expenses	12.21	35.99	23.69	94.0%	-34.2%	38.99	89.80	130.3%
Minority Interest	0.00	0.00	3.16			0.00	4.04	
PBT before EO	24.61	66.02	65.89	167.7%	-0.2%	75.62	188.92	149.8%
EO	0.00	0.00	0.00			0.00	29.04	
Net Profit after tax	24.61	66.02	65.89	167.7%	-0.2%	75.62	159.88	111.4%
Operating Profit	31.3%	38.9%	43.5%			32.3%	39.1%	
EPS (Rs)	4.91	12.37	11.54			15.07	28.00	
Paid up Equity Share Capital	50.17	53.39	57.10			50.17	57.10	

Results analysis

Q4-FY08 (q-o-q)

- Income from operations up by 24.8%. In spite of poor conditions in the capital markets, broking income constituted 59.4% of revenues. However, having diversified into other financial services viz., consumer finance, asset management; it has managed to de-risk its business model.
- PAT growth flat at 0.2%, due to the rise in interest expenses.

FY08 (y-o-y)

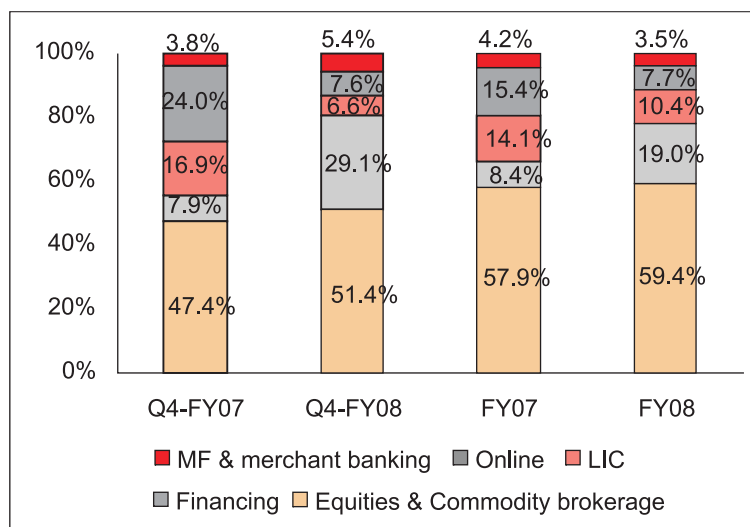
- Income from operations grew by 143%, as explained on page 1.
- EBITDA margin expansion is attributable to improved productivity of the branches set up during the year and increased contribution from institutional business.
- PAT reported an increase of 111.4% backed by strong topline growth of 143% in spite of huge interest expenditure of 679%.

Revenue-Mix

(RsCr)

	Q4-FY07	Q4-FY08	% change (y-o-y)	FY07	FY08	% change (y-o-y)
Equities brokerage	63.77	192.21	201.4%	231.35	589.66	154.9%
Financing income	11.28	111.37	887.2%	35.24	193.75	449.8%
Life Insurance Commission	23.99	25.35	5.7%	59.29	106.55	79.7%
Online & other media	34.17	29.07	-14.9%	64.51	78.29	21.4%
Commodities brokerage	3.72	4.77	28.3%	12.03	16.64	38.3%
Mutual funds etc distribution	4.34	7.13	64.4%	15.01	19.09	27.2%
Merchant Banking	1.00	13.41	1240.8%	2.82	16.15	472.5%
Income from operations	142.27	383.31	169.4%	420.26	1020.12	142.7%

Dominance of Broking income continues...



Valuation

EPS FY08 (Rs)	28
EPS FY09E (Rs)	51.23*
P/e FY08 (x)	33.9
P/e FY09E (x)	28

* Consensus estimate

Keynote Capitals Ltd.

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