


IDFC

BSE SENSEX	S&P CNX	CMP:Rs140	TP:Rs175	Neutral
18,998	5,701			
Bloomberg	IDFC IN			
Equity Shares (m)	1,460.9			
52-Week Range (Rs)	218/116			
1,6,12 Rel.Perf.(%)	-10/-25/-26			
M.Cap. (Rs b)	204.5			
M.Cap. (US\$ b)	4.6			

* Adjusted for Goodwill and Investment in subsidiaries , Prices adjusted for other ventures

IDFC's 4QFY11 PAT grew 26% YoY led by strong NII growth of 48% YoY. Key highlights:

- Business growth picked up sequentially with sanctions growing 66% (though they fell 55% YoY on a high base) to Rs62.1b. Disbursements declined 16% YoY and 18% QoQ to Rs42.1b. Loans grew 7% QoQ and 50% YoY. In FY11, sanctions grew 40% and disbursements doubled YoY. During the quarter incremental loans increased by Rs25b and borrowings declined by Rs3.3b.
- Spreads (12-month rolling) were down 20bp QoQ at 2.2% and NII as a percentage to average assets were sequentially stable at 3.8%. NII from infrastructure activity was up 47% YoY (3% QoQ) and NII from treasury activity was Rs490m v/s Rs470m in 3QFY11.
- During the quarter IDFC did not consolidate revenue and expense of affiliate companies for CSR activities as per Section 25, leading to an impact of Rs360m on income and expenses (the full-year impact was taken in the fourth quarter). This accounting adjustment had no impact on profitability.
- Reported fee income (excluding trading profit and carry income) declined ~45% YoY led by a sharp fall in all revenue streams of fee income. However adjusted for accounting treatment, fee income declined 22% YoY.
- Asset quality remains impeccable with NNPA ratio at 10bp as on 4QFY11. The company made 60bp of standard provisions for incremental disbursements. Cumulative standard asset provisions were Rs6.6b (1.8% of standard loans). In 4QFY11 the company booked equity MTM losses of Rs500m.

Valuation and view: Pressure on fee income revenue streams, concerns over the macro environment, tight liquidity and resultant impact on spreads and lower return ratios will continue to lead to under-performance. We maintain **Neutral** with an SOTP-based target price of Rs175.

IDFC: Quarterly Performance

	FY10				FY11				(Rs Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY10	FY11
NII	2,440	2,770	2,750	3,210	3,370	3,740	4,600	4,740	11,170	16,450
% Change (Y-o-Y)	13	37	6	25	38	35	67	48	20	47
- Infra Loans	2,190	2,520	2,600	2,900	3,040	3,590	4,130	4,250	10,210	15,010
- Treasury	250	250	150	310	330	150	470	490	960	1,440
Fees	1,535	1,698	1,390	2,393	1,492	2,620	1,662	1,518	7,016	7,292
- Asset management	720	690	680	1,530	650	750	630	880	3,620	2,910
- IB and Broking	390	590	340	510	360	740	510	380	1,830	1,990
- Loan related/others	425	418	370	353	482	1,130	522	258	1,566	2,392
Principal investments	680	610	1,050	270	1,200	120	300	290	2,610	1,910
Other Income	23	145	5	126	58	24	38	43	299	163
Net Income	4,679	5,223	5,194	5,999	6,120	6,503	6,600	6,591	20,796	25,815
% Change (Y-o-Y)	22	20	55	45	31	25	27	10	34	24
Operating Expenses	1,026	1,097	1,091	2,294	1,232	1,239	1,634	1,530	5,508	5,634
Operating profit	3,653	4,126	4,103	3,705	4,888	5,265	4,966	5,061	15,288	20,181
% Change (Y-o-Y)	19	21	53	30	34	28	21	37	28	32
Provisions	(66)	242	424	702	445	515	487	945	1,303	2,392
PBT	3,718	3,884	3,679	3,003	4,443	4,750	4,479	4,116	14,284	17,788
Tax	973	975	979	738	1,098	1,375	1,272	1,252	3,666	4,998
PAT	2,745	2,908	2,700	2,265	3,345	3,375	3,207	2,864	10,618	12,791
Less: Consol Adjustments	20	(10)	1	(16)	0	(9)	(8)	(3)	(5)	(19)
Consol PAT	2,724	2,918	2,699	2,281	3,345	3,384	3,215	2,867	10,623	12,810
% Change (Y-o-Y)	26	26	46	96	23	16	19	26	42	21

E: MOSL Estimates, * FY11 asset mgmt fees includes carry income which is clubbed in principal investments in FY10

*Quarterly and full year nos may not match due to re-classification

Quarterly performance

Y/E MARCH	4Q FY11E	4Q FY11A	Variance (%)	Comment
NII	4,803	4,740	-1	Spread decline of 20bp marginally higher than estimates though QoQ growth surprised positively
% Change (YoY)	50	48		
-Infra Loans	4,503	4,250	-6	
-Treasury	300	490	63	
Fees	1,877	1,518	-19	
-Asset management	736	880	20	
-Institutional broking & IB	500	380	-24	IB and Broking revenue remain under pressure
-Loan related/others	642	258	-60	A/C adj impacting fees; even adj. is lower than est
Principal investments	485	290	-40	
Other Income	40	43		
Net Income	7,206	6,591	-9	
% Change (YoY)	21	10		
Operating Expenses	2,610	1,530	-41	A/C adj impacting exp; adj. is 40% lower than est
Operating profit	4,595	5,061	10	
% Change (YoY)	24	37		
Provisions	635	945	49	Higher MTM losses during the quarter
PBT	3,960	4,116	4	
Tax	1,076	1,252	16	Tax Rate marginally higher than est
PAT	2,884	2,864	-1	
Consol Adjustments	10	(3)		
Consol PAT	2,874	2,867	0	
% Change (YoY)	26	26		

Source: Company/MOSL

Loans grow 50% YoY; Asset pipeline declines sequentially

In 4QFY11, loans grew 50% YoY and 7% QoQ to Rs375.5b and sanctions grew 66% QoQ (down 55% YoY on a high base) to Rs62.1b. Disbursements declined 16% YoY and 18% QoQ to Rs42.1b. In FY11 sanctions grew 40% YoY and disbursements grew 106% YoY. The company's 4QFY11 asset pipeline declined to Rs164.5b from Rs180b in 3QFY11 and Rs236.4b in 2QFY11.

Energy and transport remain IDFC's key segments, contributing ~57% and ~38% respectively to the asset pipeline. 4QFY11 borrowings increased 40% YoY but were sequentially flat at Rs371.4b. In 4QFY11 incremental loans were Rs25.3b while borrowings decline by Rs3.3b.

Asset book pipeline of Rs165b by asset class (Rs b)

	Total exposure	Disb. and O/S	Pipeline
Loans and Debentures	534.3	378.9	155.4
- Project Loans	360.1	223.1	136.9
- Corporate Loans	167.5	149.1	18.5
- LAS	6.7	6.7	0.0
Mezzanine Products	3.3	3.3	0.0
Equity	27.2	20.4	6.8
Non Funded	18.0	15.7	2.3
Total	582.7	418.2	164.5

Source: Company/MOSL

Spreads decline 20bp QoQ

Overall NII grew 48% YoY to Rs4.7b, led by 46% YoY growth in infrastructure NII. Strong loan growth (up 50% YoY) helped IDFC to report strong NII growth. 4QFY11 treasury NII was Rs490m v/s Rs470m in 3QFY11 (Rs310m in 4QFY10). A large part of the disbursements in 4QFY11 was done at the end of the quarter. The full impact on income from the loans will result in strong NII growth going forward. Overall spreads declined 20bp sequentially to 2.2% in March 2011 (12-month trailing).

Non-interest income (ex principal gains, carry) declines ~45% YoY

Non-interest income declined 45% YoY. Excluding principal gains and carry income and adjusted for accounting treatment it declined ~22% YoY. Loan-related fees as a percentage of disbursement were 65bp v/s 1% a quarter earlier, and in absolute terms, loan-related fees declined 30% YoY to Rs270m (down from Rs520m in 3QFY11 as disbursement declined sequentially and fees declined).

IB fees declined 20% YoY (down 24% QoQ) and broking fees declined 37% YoY (down 30% QoQ). Asset management fees dropped 58% YoY but rose 40% QoQ to Rs880m. In 4QFY11 carry income declined sharply to Rs730m from Rs230m a year earlier. Income from domestic mutual fund fees was Rs360m against Rs440m in 4QFY10 (Rs300m in 3QFY11).

Valuation and view: Maintaining estimates

In 4QFY11 results were largely in line with estimates, with lower fees and higher provisions being compensated for by lower opex. We largely maintain our earnings estimates. RoAs are likely to decline from 3.2% in FY11 to 2.9% in FY12 and ~2.7% in FY13 as growth picks up. In our view, while growth is likely to be strong over the next few years, excess capital and a fall in RoA will keep ROEs under 15% in FY12 and ~16% in FY13.

Pressure on fee income revenue streams, concerns over the macro environment, tight liquidity and the resultant impact on spreads and lower return ratios will continue to lead to under-performance. We maintain **Neutral** with an SOTP based target price of Rs175.

SOTP FY13 based

	(Rs b)	US\$b	Per sh. (Rs)	Valuation Rationale
Financing/Investment bus	223.1	5.0	147.6	1.8x FY13E stand alone core NW. (please see below)
Alternative assets mgt	11.7	0.3	7.7	10% of AUM of USD2.5b
NSE Stake	10.0	0.2	6.6	8% stake, base price of last deal
IB and Broking	9.6	0.2	6.4	12x FY13E PAT
Mutual Fund Business	9.6	0.2	6.3	3.4% of AUM FY13E
Total Value	263.9	5.9	175	
CMP (Rs)			147	
Upside (%)			19	

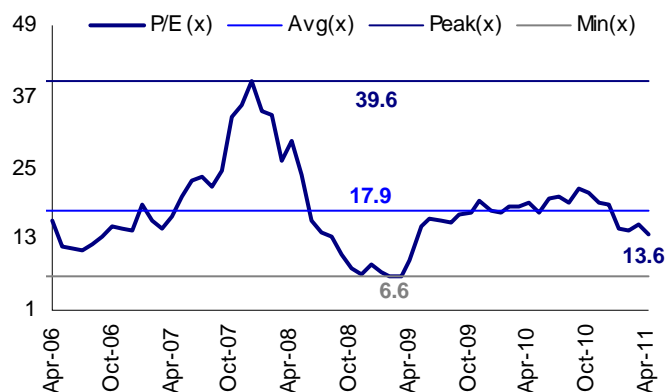
Source: MOSL

Calculation of Adjusted Network

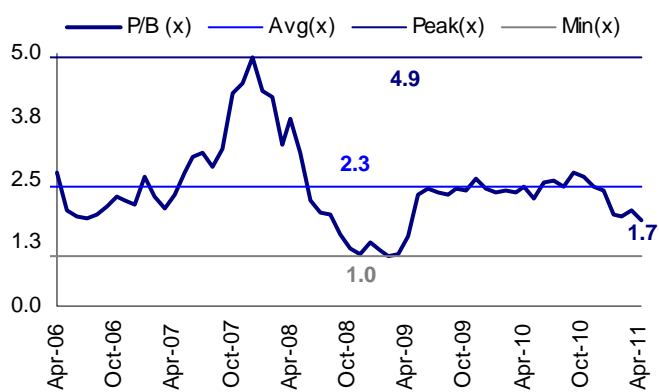
	(Rs B)	US\$ B	Per Share (Rs)
FY13E Stand alone network	137.3	3.1	90.9
Less: Investments in			
(a) IB and Broking	4.3	0.1	2.8
(b) Mutual Fund	8.2	0.2	5.4
(c) NSE	0.9	0.0	0.6
Core Network	123.9	2.8	82.0

Source: MOSL

IDFC: One year forward P/E

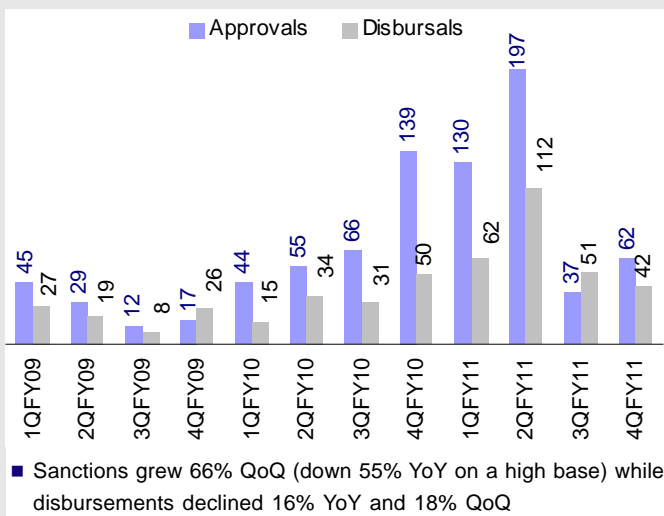


IDFC: One year forward P/BV

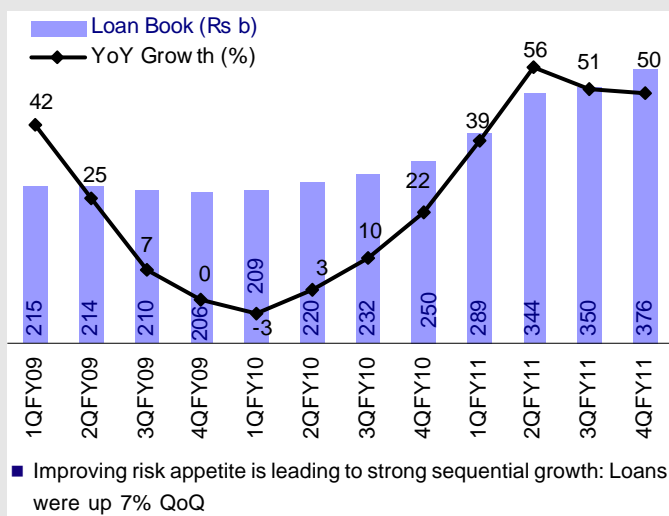


Quarterly trends

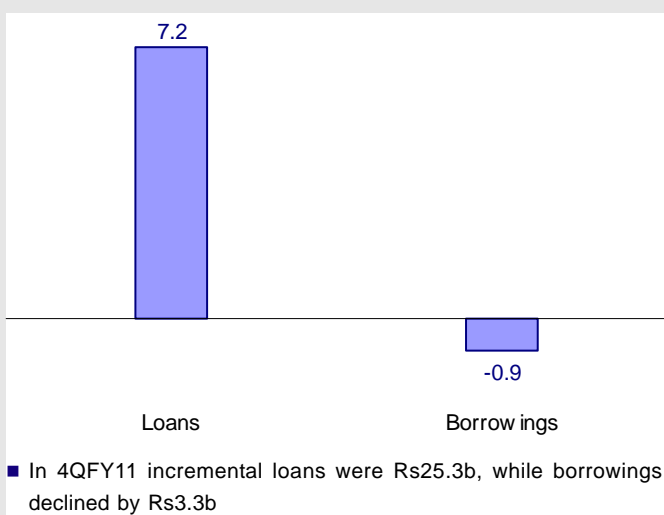
Approvals, disbursals pick up QoQ (Rs b)



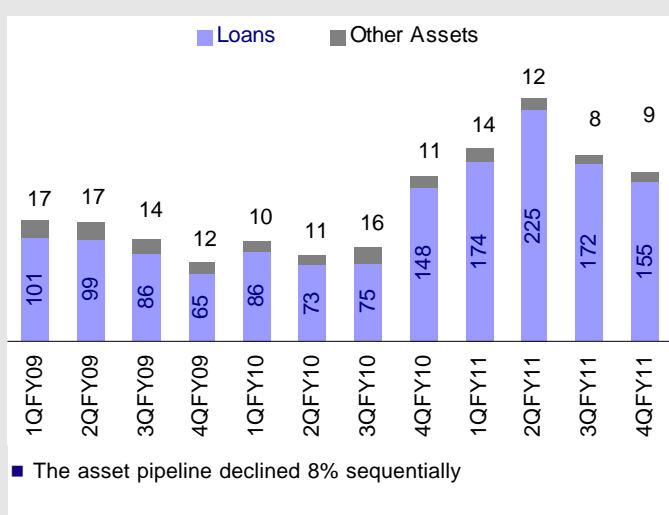
Loan growth strong YoY



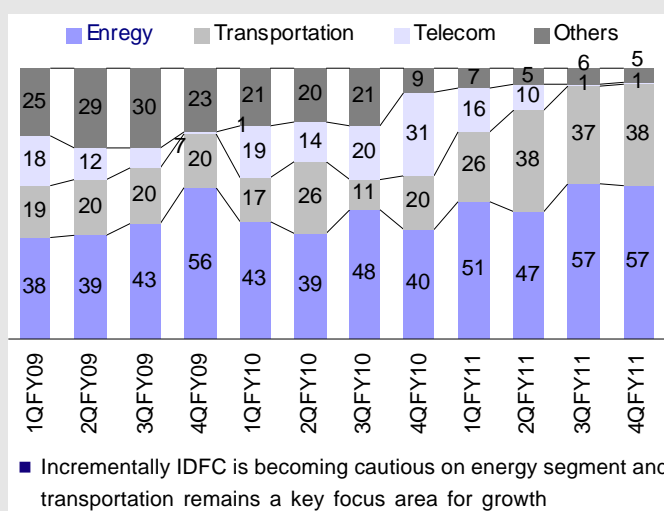
Borrowings fall QoQ; loans up (%)



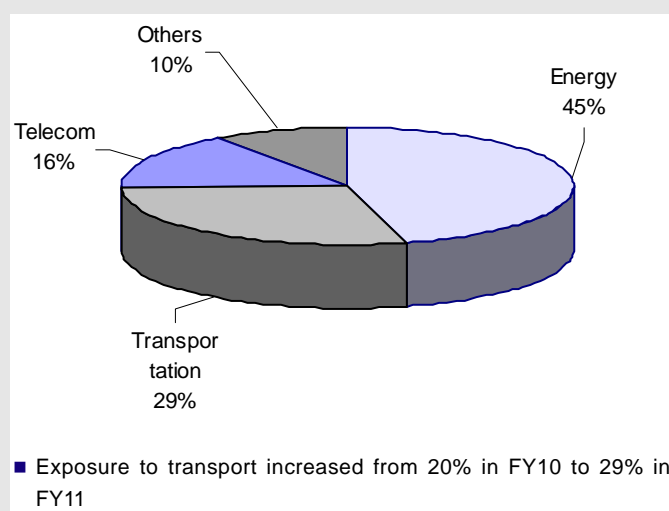
Asset growth pipeline dips QoQ (Rs b)



Energy, transport key pipeline contributors

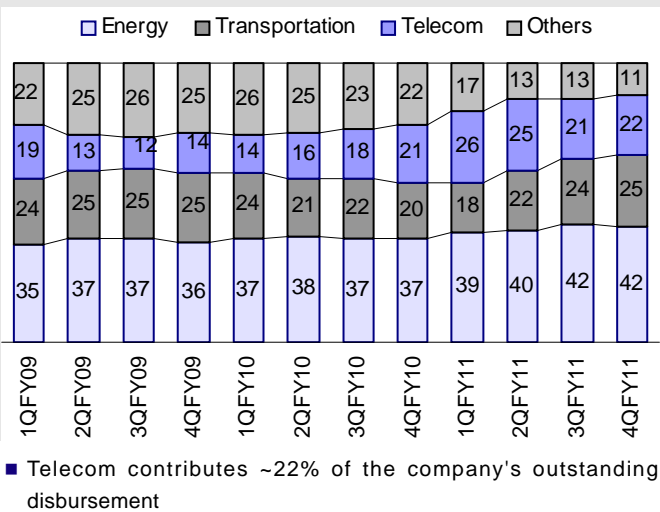


Outstanding exposure (Rs582b)

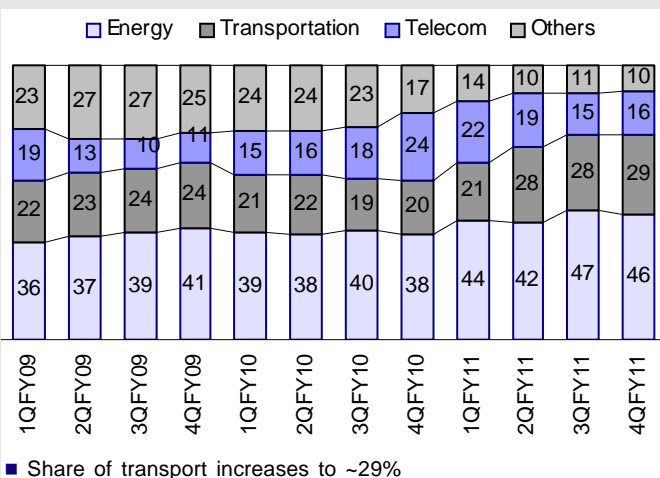


Quarterly trends

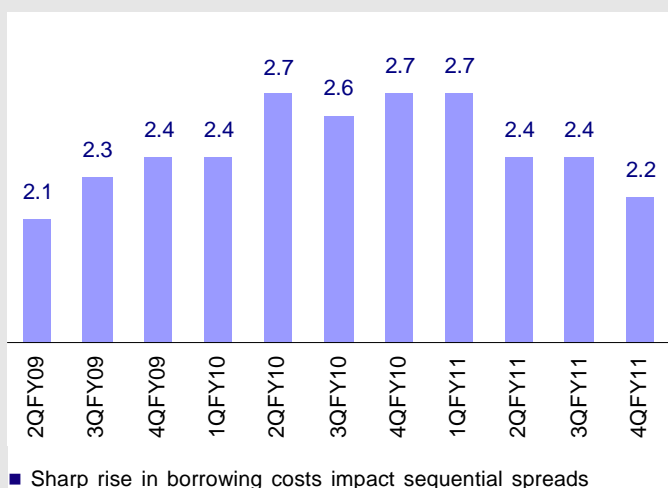
O/S disbursement (sector wise)



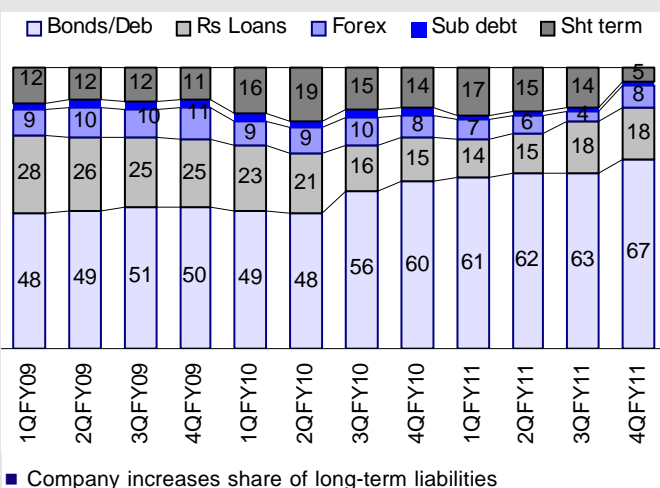
O/S exposure (sector wise)



Trend in spreads (reported 12-month rolling basis) (%)



Focus on garnering long term borrowings (%)



Dupont Analysis (12m rolling) (Reported)

	2007			2008			2009				2010			2011		
	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar
NII	2.7	2.9	2.9	2.9	2.9	2.7	2.9	3.1	3.2	3.5	3.5	3.6	3.7	3.6	3.8	3.8
Infrastructure NII	2.4	2.4	2.3	2.4	2.4	2.3	2.5	2.6	2.7	2.9	3.1	3.3	3.4	3.4	3.5	3.5
Treasury NII	0.4	0.5	0.5	0.5	0.5	0.4	0.5	0.6	0.5	0.6	0.4	0.3	0.4	0.3	0.3	0.3
Non Interest Income	2.2	2.3	2.6	2.6	2.3	2.5	2.0	2.1	2.2	2.2	2.8	3.1	3.0	2.8	2.5	2.1
Principal Investments	1.0	0.9	1.0	0.9	0.8	0.8	0.6	0.6	0.6	0.5	0.9	1.1	0.9	0.7	0.5	0.4
Asset Management	0.4	0.3	0.2	0.2	0.2	0.4	0.5	0.7	0.9	0.9	1.0	0.9	1.1	1.0	0.9	0.7
Investment Banking	0.2	0.4	0.6	0.8	0.7	0.7	0.5	0.4	0.3	0.4	0.5	0.6	0.5	0.5	0.5	0.5
Loan rel. & other Fees	0.6	0.7	0.8	0.7	0.6	0.6	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.6	0.6	0.5
Miscellaneous Income	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Operating Income	4.9	5.2	5.5	5.6	5.3	5.3	5.0	5.2	5.5	5.8	6.4	6.8	6.8	6.6	6.4	5.9
Operating Expenses	0.7	0.8	0.9	1.1	1.1	1.1	1.1	1.2	1.3	1.4	1.5	1.8	1.8	1.6	1.6	1.2
Operating Profits	4.2	4.4	4.6	4.5	4.2	4.2	3.9	4.0	4.2	4.5	4.9	5.0	5.1	5.0	4.8	4.7
Provisions	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.5	0.4	0.5	0.6	0.4	0.6	0.6	0.5	0.5
PBT	4.1	4.2	4.3	4.2	3.9	3.8	3.6	3.5	3.8	4.0	4.3	4.6	4.5	4.4	4.3	4.2
Taxes & Minority Interest	0.9	1.0	1.1	1.1	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.2	1.1	1.2	1.2	1.2
PAT	3.2	3.2	3.2	3.1	2.9	2.8	2.6	2.5	2.7	2.9	3.2	3.4	3.4	3.2	3.1	3.0

Quarterly Snapshot

	FY10				FY11				Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY	FY10	FY11	YoY Gr (%)
Profit and Loss (Rs m)													
Net Interest Income	2,440	2,770	2,750	3,210	3,370	3,740	4,600	4,740	3	48	11,170	16,450	47
Infrastructure	2,190	2,520	2,600	2,900	3,040	3,590	4,130	4,250	3	47	10,210	15,010	47
Treasury	250	250	150	310	330	150	470	490	4	58	960	1,440	50
Principal Investments	680	610	1,050	270	1,200	120	300	290	-3	7	2,610	1,910	-27
Asset Management	720	690	680	1,530	650	750	630	880	40	-42	3,620	2,910	-20
Mutual funds	290	310	280	440	280	170	300	360	20	-18	1,320	1,110	-16
Alternative assets	430	370	410	360	370	380	340	290	-15	-19	1,570	1,380	-12
Capital gains & carry	0	10	-10	730	0	200	-10	230	N.A.	-68	730	420	-42
Fee Income	815	1,008	710	863	842	1,870	1,032	628	-39	-27	3,396	4,372	29
Investment Banking	180	470	110	350	220	590	370	280	-24	-20	1,110	1,460	32
Institutional Broking	210	120	230	160	140	150	140	100	-29	-38	720	530	-26
Loan related & other Fees	425	418	370	353	482	1,130	522	248	-52	-30	1,566	2,382	52
Miscellaneous Income	23	145	5	126	58	24	38	43	15	-66	299	163	-45
Net Income	4,679	5,223	5,194	5,999	6,120	6,503	6,600	6,581	0	10	21,095	25,805	22
Operating Expenses	1,026	1,097	1,091	2,294	1,232	1,239	1,634	1,520	-7	-34	5,508	5,624	2
Employees	494	576	557	1,451	590	645	874	842	-4	-42	3,078	2,951	-4
Depreciation	95	98	107	105	97	103	103	99	-4	-6	406	402	-1
Other Expenses	437	423	427	738	544	490	657	580	-12	-21	2,025	2,272	12
Operating Profits	3,653	4,126	4,103	3,705	4,888	5,265	4,966	5,061	2	37	15,587	20,181	29
Provisions	-66	242	424	702	445	515	487	945	94	35	1,303	2,392	84
PBT	3,718	3,884	3,679	3,003	4,443	4,750	4,479	4,116	-8	37	14,284	17,788	25
Taxation	973	975	979	738	1,098	1,375	1,272	1,252	-2	70	3,666	4,998	36
PAT	2,745	2,908	2,700	2,265	3,345	3,375	3,207	2,864	-11	26	10,618	12,791	20
Add: Profits from Associates	-9	10	-1	7	3	6	5	8	59	11	7	22	200
Less: Minority Interest	11	0	0	-9	3	-3	-2	5	N.A.	N.A.	2	3	34
PAT (Adj for MI)	2,724	2,918	2,699	2,281	3,345	3,384	3,215	2,867	-11	26	10,623	12,810	21
Ratios (%)													
Spreads (12m rolling)	2.40	2.70	2.60	2.70	2.70	2.40	2.40	2.20	-20	-50	2.70	2.20	-50
Loan loss ratio	1.80	1.80	1.80	1.80	1.70	1.60	1.70	1.60	-10	-20	1.80	1.60	-20
Leverage	4.80	4.70	4.50	4.80	5.30	4.20	4.20	4.20	0	-60			
ROE	13.0	13.7	14.6	15.9	16.2	14.9	13.7	12.9	-80	-300			
C/I Ratio (12m rolling)	23.9	23.5	23.5	26.1	25.4	24.6	25.4	20.7					
Tax Rate	26.2	25.1	26.6	24.6	24.7	28.9	28.4	30.4					
Asset quality (Stand.)													
GNPA (Rs m)	781	776	776	797	797	797	797	797	0	0			
NNPA (Rs m)	455	451	451	429	429	429	389	389	0	-9			
PCR (%)	42	42	42	46	46	46	51	51	0	496			
GNPA Ratio (%)	0.37	0.35	0.33	0.31	0.27	0.23	0.22	0.21	-1	-10			
NNPA Ratio (%)	0.21	0.20	0.19	0.17	0.15	0.12	0.11	0.10	-1	-7			

*Incl. Securitization

Source: Company/MOSL, For %age change QoQ and YoY is bp

Quarterly Snapshot (continued)

Rs b	FY10				FY11				Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
Balance Sheet										
Equity Share Capital	13	13	13	13	13	15	15	15	0	13
Reserves and surplus	52	54	57	57	60	88	91	89	-2	57
Networth	65	67	70	70	73	103	106	104	-1	48
Loan funds	244	252	243	265	313	361	375	371	-1	40
Minority Interest	0	0	0	0	0	0	0	0		
Total Liabilities	309	320	313	336	386	464	480	476	-1	42
Goodwill	12	12	12	12	12	12	12	12	0	0
Fixed Assets	5	4	4	4	4	4	5	4	-1	1
Infrastructure loans	209	220	232	250	289	344	350	376	7	50
Investments	67	70	48	50	61	82	88	83	-6	65
of which Equity	15	13	16	20	17	21	22	21	-4	6
Deferred Tax Assets	1	1	2	2	2	2	2	3	12	41
Net Current Assets	0	-1	0	-3	1	-1	1	-2	N.A.	-45
Total Assets	309	320	313	336	386	464	480	476	-1	42
Business Update										
Sanctions Quarterly	44	55	66	139	130	197	37	62	66	-55
Disbursements Quarterly	15	34	31	50	62	112	51	42	-18	-16
Sanctions Cumulative	44	99	166	304	130	328	365	427	17	40
Disbursements Cumulative	15	49	80	130	62	174	225	267	19	106
O/S Exposure	328	324	348	438	510	622	576	583	1	33
Energy	127	124	139	168	222	264	270	267	-1	59
Transportation	71	72	65	87	106	174	159	167	5	93
Telecom	50	52	64	107	113	121	86	92	8	-14
Others	80	77	80	77	69	64	62	56	-9	-27
O/S Disbursements	232	241	256	279	322	385	396	418	6	50
Energy	85	91	95	103	127	153	167	174	4	68
Transportation	55	50	55	55	57	84	93	105	13	90
Telecom	32	40	46	57	82	98	85	91	8	59
Others	60	60	60	63	55	51	51	48	-7	-24
Loan Pipeline	97	84	92	160	188	236	180	165	-8	3
Energy	42	33	44	65	96	111	103	93	-9	44
Transportation	16	22	10	31	48	90	66	62	-6	98
Telecom	19	12	18	50	31	23	1	1	37	-97
Others	20	17	20	14	14	13	10	8	-18	-40
Borrowing Profile										
Long term	205	205	206	228	261	299	315	346	10	52
Bonds/Deb	120	122	136	159	190	220	230	245	7	54
Rupee Loans	56	54	39	40	43	52	66	67	2	66
Forex Loans	22	22	24	22	21	20	13	28	114	27
Sub debt	7	7	7	7	7	7	7	7	0	0
Short term	39	48	36	38	52	54	51	17	-67	-55
Duration in years										
Assets	1.6	1.6	1.7	2.0	2.2	2.1	2.1	2.1	0	6
Liabilities	1.5	1.6	1.7	1.8	2.2	2.4	2.4	2.7	17	57
AUM	318	440	359	364	321	286	264	326	23	-10
IDFC Private Equity										
Fund I	8	8	8	8	8	3	3	3	-15	-66
Fund II	20	20	20	20	20	13	13	13	0	-36
Fund III	32	32	32	32	32	31	29	29	1	-8
IDFC Project Equity	38	38	38	38	38	38	38	38	0	0
IDFC Invt Advisors	3	0	0	0	8	9	8	6	-26	N.A.
IDFC Mutual Funds	217	342	261	265	215	191	173	237	37	-11

Source: Company/MOSL

Stock Info

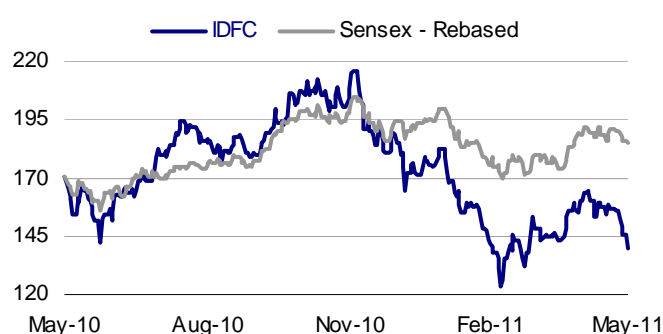
EPS: MOSL forecast v/s consensus (Rs)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY12	10.1	10.8	-6.7
FY13	11.9	13.1	-9.0

Shareholding pattern (%)

	Mar-11	Dec-10	Mar-10
Promoter	0.0	0.0	0.0
Domestic Inst	35.8	35.7	42.1
Foreign	51.4	51.6	45.4
Others	12.8	12.7	12.5

1-year Sensex rebased



Banking: Valuation Matrix

	Rating	CMP (Rs)	Mkt. Cap (US\$b)	TP (Rs)	Upside (%)	EPS (Rs)		P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
						FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
						75		16.2	13.4	2.3	2.1				
ICICI*	Buy	1,098	27.7	1,360	23.8	58	69	15.3	12.4	2.2	1.9	1.5	1.6	14.5	15.7
HDFCB	Neutral	2,291	23.4	2,578	12.6	111	139	20.7	16.5	3.6	3.1	1.7	1.7	18.8	20.3
Axis	Buy	1,276	11.5	1,638	28.4	99	117	12.9	10.9	2.3	1.9	1.5	1.4	19.1	19.3
Kotak	Neutral	415	3.3	510	22.9	23	28	16.7	13.8	2.2	1.9	2.1	2.0	14.8	15.3
Yes	Buy	299	2.3	406	35.6	27	34	11.0	8.8	2.3	1.8	1.4	1.3	22.6	23.1
Indusind	Buy	254	2.6	335	32.0	16	20	15.7	12.4	2.7	2.3	1.5	1.5	18.3	19.7
ING Vysya	Buy	342	0.9	493	44.1	33	41	10.3	8.3	1.4	1.2	0.9	1.0	14.9	16.2
Federal	Buy	412	1.5	546	32.5	38	44	10.8	9.4	1.3	1.1	1.2	1.2	12.1	12.6
J&K Bk	Buy	782	0.8	960	22.7	154	175	5.1	4.5	0.9	0.8	1.4	1.3	19.9	19.5
SIB	Buy	22	0.6	26	15.7	3	4	7.4	6.1	1.2	1.0	0.9	0.9	17.4	18.4
Private Aggregate			75					16.2	13.4	2.3	2.1				
SBI (cons)*	Buy	2,692	37.4	3,552	31.9	260	317	9.9	8.1	1.6	1.3	1.1	1.1	17.4	18.0
PNB	Buy	1,151	8.0	1,385	20.4	168	203	6.8	5.7	1.5	1.2	1.3	1.3	24.2	24.2
BOI	Neutral	422	5.1	514	21.9	63	78	6.7	5.4	1.3	1.1	0.9	0.9	20.5	21.4
BoB	Neutral	890	7.7	1,065	19.6	117	134	7.6	6.6	1.5	1.3	1.2	1.1	21.0	20.4
Canara	Buy	598	5.8	821	37.2	104	123	5.7	4.9	1.2	1.0	1.3	1.3	23.5	22.9
Union	Buy	307	3.5	425	38.2	52	63	5.9	4.9	1.2	1.0	1.1	1.1	22.3	22.7
IOB	UR	161	2.2	188	16.6	19	24	8.3	6.6	1.1	1.0	0.7	0.7	14.4	16.3
OBC	Buy	338	2.2	488	44.4	57	69	5.9	4.9	0.9	0.8	0.9	0.9	15.4	16.5
Indian Bk Corporation	Buy	245	2.3	312	27.2	47	54	5.2	4.5	1.1	0.9	1.5	1.4	22.7	22.1
Andhra Bk	Buy	136	1.7	191	41.0	27	32	5.0	4.3	1.0	0.9	1.3	1.3	21.4	21.4
IDBI *	Neutral	140	3.0	172	22.9	20	22	5.9	5.3	0.8	0.7	0.7	0.7	14.5	14.3
Dena Bank	Buy	102	0.7	141	38.8	20	24	5.0	4.3	0.8	0.7	0.9	0.8	18.1	17.9
Public Aggregate			81					8.3	7.0	1.4	1.2				
HDFC*	Neutral	699	22.4	745	6.6	28	33	17.4	14.3	4.4	3.8	2.8	2.8	25.6	26.5
LICHF	Buy	217	2.3	301	38.5	25	30	8.7	7.3	2.0	1.7	2.1	1.9	25.6	25.0
DHFL	Buy	242	0.6	370	52.9	32	41	7.3	5.6	1.3	1.1	1.9	1.8	19.8	21.7
IDFC	Neutral	140	4.5	175	24.7	10	12	11.4	9.5	1.6	1.4	2.8	2.7	13.4	13.6
REC	Buy	232	5.0	337	45.4	30	36	7.7	6.5	1.6	1.4	3.4	3.4	21.8	22.7
STF	Buy	737	3.6	932	26.5	66	78	11.1	9.5	2.7	2.2	3.3	3.2	27.3	25.9
MMFSL	Neutral	717	1.6	845	17.8	57	68	12.6	10.5	2.5	2.1	4.3	4.2	21.5	22.0
NBFC Aggregate			46					13.4	11.3	3.3	2.7				

* Multiples adjusted for value of key ventures/investments; For ICICI Bank, HDFC Ltd BV is adjusted for investments in subsidiaries

Financials and Valuation

INCOME STATEMENT (CONSOLIDATED)					(RS MILLION)
Y/E MARCH	2009	2010	2011	2012E	2013E
Interest Income*	30,092	30,801	40,426	55,479	71,681
Interest Expended	20,812	19,535	23,875	35,568	48,047
Net Interest Income	9,280	11,266	16,551	19,911	23,634
<i>Change (%)</i>	31.8	21.4	46.9	20.3	18.7
Other Income	6,275	9,825	8,904	10,498	12,276
Fees Based income	4,287	6,200	6,275	7,173	8,327
Principal Inv't (Incl Carry Inc)**	1,840	3,330	2,414	3,225	3,809
Miscellaneous Income	149	295	215	100	140
Net Income	15,556	21,091	25,455	30,409	35,909
<i>Change (%)</i>	17.5	35.6	20.7	19.5	18.1
Operating Expenses	3,666	5,511	5,321	6,560	7,864
Operating Income	11,890	15,581	20,135	23,849	28,045
<i>Change (%)</i>	11.1	31.0	29.2	18.4	17.6
Other Provisions	1,532	1,298	2,346	2,653	3,153
PBT	10,358	14,283	17,788	21,196	24,892
Tax	2,782	3,666	4,998	5,933	7,009
<i>Tax Rate (%)</i>	26.9	25.7	28.1	28.0	28.2
PAT	7,576	10,617	12,791	15,263	17,883
<i>Change (%)</i>	0.7	40.1	20.5	19.3	17.2
(Ml)/Associate profit	79.0	-5.2	-25.7	-25.0	-25.0
Consolidated PAT	7,497	10,623	12,817	15,288	17,908
<i>Change (%)</i>	1.0	41.7	20.7	19.3	17.1
Proposed Dividend	1,555	1,951	2,902	3,002	3,753

* Includes debt trading gains; ** Excludes debt trading gains

BALANCE SHEET					(RS MILLION)
Y/E MARCH	2009	2010	2011	2012E	2013E
Capital	12,953	13,006	14,609	15,111	15,111
Reserves & Surplus	48,806	57,097	89,475	109,428	122,945
Net Worth	61,759	70,103	104,084	124,539	138,056
Minority Interest	281	63	2	2	2
Borrowings	235,481	265,439	371,439	477,445	608,207
<i>Change (%)</i>	5.6	12.7	39.9	28.5	27.4
Total Liabilities	297,521	335,605	475,526	601,986	746,266
Investments	65,000	46,554	69,611	84,703	104,904
<i>Change (%)</i>	24.4	-28.4	49.5	21.7	23.8
Loans	205,962	250,311	376,523	489,480	611,850
<i>Change (%)</i>	3.5	21.5	50.4	30.0	25.0
Goodwill	10,790	11,596	11,638	11,638	11,638
Net Fixed Assets	4,543	4,415	4,469	4,517	4,466
Deferred Tax Assets	1,421	1,755	2,480	2,499	2,549
Net current Assets	20,594	32,570	22,442	20,786	22,497
Total Assets	297,521	335,605	475,526	601,986	746,266

ASSUMPTIONS	(%)				
Borrowings Growth	5.6	12.7	39.9	28.5	27.4
Loans Growth	3.5	21.5	50.4	30.0	25.0
Investments Growth	24.4	-28.4	49.5	21.7	23.8
Total Assets/Equity(x)	4.8	4.8	4.6	4.8	5.4
Debt/Equity (x)	3.8	3.8	3.6	3.8	4.4
Dividend	12.0	15.0	20.0	20.0	25.0

E: MOSL Estimates

Financials and Valuation

RATIOS

Y/E MARCH	2009	2010	2011	2012E	2013E
Spreads Analysis (%)					
Avg. Yield - Infrastructure loans	11.9	11.3	11.1	11.2	11.5
Avg. Yield - Earning Assets	11.0	10.7	10.9	11.0	11.3
Avg. Cost-Int. Bear. Liab.	9.1	7.8	7.4	8.3	8.8
Interest Spread	1.9	2.9	3.5	2.8	2.5
Net Interest Margin	3.0	3.6	4.2	3.8	3.6
Profitability Ratios (%)					
RoE	12.7	16.1	14.7	13.4	13.6
Core RoE		17.6	17.8	15.8	16.0
RoA	2.6	3.4	3.2	2.8	2.7
Int. Expended/Int. Earned	69.2	63.4	59.1	64.1	67.0
Other Income./Net Income	40.3	46.6	35.0	34.5	34.2
Efficiency Ratios (%)					
Fee income/Net Income	27.6	29.4	24.6	23.6	23.2
Op. Exps./Net Income	23.6	26.1	20.9	21.6	21.9
Empl. Cost/Op. Exps.	48.4	56.0	55.6	56.8	57.1
VALUATION					
Book Value (Rs)	47.7	53.9	71.2	82.4	91.4
Price-BV (x)	3.1	2.7	2.1	1.8	1.6
Adjusted BV (Rs)*	38.9	42.2	60.8	72.6	82.0
Price-ABV (x)	3.1	2.8	2.0	1.7	1.5
EPS (Rs)	5.8	8.2	8.8	10.1	11.9
EPS Growth (%)	0.9	41.1	7.4	15.3	17.1
Price-Earnings (x)	25.4	18.0	16.8	14.5	12.4
OPS (Rs)	9.2	12.0	13.8	15.8	18.6
OPS Growth (%)	11.0	30.5	15.0	14.5	17.6
Price-OP (x)	16.0	12.3	10.7	9.3	7.9
Dividend per Share (Rs)	1.2	1.5	2.0	2.0	2.5
Dividend Yield (%)	0.8	1.0	1.4	1.4	1.7

E: MOSL Estimates; * Adj. for Goodwill and Investment in subsidiaries, Prices adjusted for other ventures



For more copies or other information, contact

Institutional: Navin Agarwal. **Retail:** Manish Shah

Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: reports@motiloswal.com

Motilal Oswal Securities Ltd, 3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Motilal Oswal Securities Limited (*hereinafter referred as MOST*) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any other person in any form.

The report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon such. MOST or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MOST or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

MOST and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. To enhance transparency, MOST has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement

	IDFC
1. Analyst ownership of the stock	No
2. Group/Directors ownership of the stock	Yes
3. Broking relationship with company covered	No
4. Investment Banking relationship with company covered	No

This information is subject to change without any prior notice. MOST reserves the right to make modifications and alternations to this statement as may be required from time to time. Nevertheless, MOST is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.