



IDFC

		CMP: INR129	TP: INR153		Neutral						
BSE SENSEX	S&P CNX	YEAR	NET INCOME	PAT	EPS	EPS	P/E	ABY	API/ABY	ROAA	CORE
18,210	5,488	END	(INR M)	(INR M)	(INR)	GROWTH (%)	(X)	(INR)	(X)	(%)	ROE (%)
Bloomberg	IDFC IN	3/10A	21,091	10,623	8.2	41.1	-	42.1	-	3.4	17.6
Equity Shares (m)	1,460.9	3/11A	25,455	12,817	8.8	7.4	14.7	60.7	1.7	3.2	17.8
52-Week Range (INR)	218/111	3/12E	29,371	14,697	9.7	10.9	13.3	71.6	1.5	2.8	15.3
1,6,12 Rel.Perf.(%)	4/-14/-31	3/13E	34,917	17,678	11.7	20.3	11.0	80.4	1.3	2.8	16.1
M.Cap. (INR b)	188.5										
M.Cap. (USD b)	4.3										

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

IDFC's PAT for 1QFY12 declined 6% YoY to INR3.14b (in line with our estimate), led by a sharp decline in profit on sale of investments. Adjusted for trading gains, PBT grew 40% YoY and 26% QoQ to INR4.53b. Key highlights are:

- Sanctions declined 7% QoQ and 55% YoY to INR58b. Disbursements declined 52% YoY and 30% QoQ to INR29.7b. Due to a challenging economic environment, the management has lowered its loan growth guidance to 15-20%, which is likely to be back-ended.
- Spreads (12-month rolling) were stable QoQ at 2.2%. NII at 3.9% of average assets improved marginally QoQ. NII from infrastructure activity was up 41% YoY (flat QoQ, in-line) and NII from treasury activity was INR550m v/s INR520m in 4QFY11 (INR330m in 1QFY11). Outstanding borrowings increased by INR23.7b, parked in liquid investments as a part of treasury operations.
- Reported fee income (ex trading profits and carry income) declined ~23% YoY and 13% QoQ, led by a sharp decline in all revenue streams of fee income.
- C/I ratio on a rolling 12-month basis fell to 21.7% from 22% a quarter ago and 25.4% a year ago.
- Asset quality remains impeccable, with NNPA ratio at 10bp (stable QoQ). Cumulative standard asset provisioning stands at INR7b (1.9% of standard loans).

**Valuation and view:** IDFC's 1QFY12 numbers were largely in line with our estimates. Higher than expected Treasury NII and lower opex compensated for lower than estimated trading profits. We broadly maintain our earnings estimates. While valuations are attractive, the key trigger for stock performance will be improvement in macroeconomic scenario and pick-up in capital market related business. We maintain **Neutral** with an SOTP-based target price of INR153.

## IDFC: Quarterly Performance

	FY11				FY12E				FY11	FY12
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
<b>III</b>	<b>3,370</b>	<b>3,740</b>	<b>4,600</b>	<b>4,750</b>	<b>4,830</b>	<b>5,189</b>	<b>5,454</b>	<b>5,936</b>	<b>16,460</b>	<b>21,409</b>
% Change (Y-o-Y)	38	35	67	48	43	39	19	25	47	30
- Infra Loans	3,040	3,590	4,130	4,260	4,280	4,689	4,929	5,411	15,020	19,309
- Treasury	330	150	470	490	550	500	525	525	1,440	2,100
<b>Fees</b>	<b>1,492</b>	<b>2,620</b>	<b>1,662</b>	<b>1,930</b>	<b>1,164</b>	<b>1,296</b>	<b>1,609</b>	<b>1,866</b>	<b>7,704</b>	<b>5,936</b>
- Asset management	650	750	630	890	620	770	850	995	2,920	3,235
- IB and Broking	360	740	510	380	190	320	450	665	1,990	1,625
- Loan related/others	482	1,130	522	660	354	206	309	206	2,794	1,075
<b>Principal investments</b>	<b>1,200</b>	<b>120</b>	<b>300</b>	<b>290</b>	<b>(20)</b>	<b>1,000</b>	<b>300</b>	<b>447</b>	<b>1,910</b>	<b>1,727</b>
Other Income	58	24	38	43	66	25	25	184	163	300
<b>Net Income</b>	<b>6,120</b>	<b>6,503</b>	<b>6,600</b>	<b>7,013</b>	<b>6,040</b>	<b>7,510</b>	<b>7,389</b>	<b>8,432</b>	<b>26,237</b>	<b>29,371</b>
% Change (Y-o-Y)	31	25	27	17	(1)	15	12	20	26	12
Operating Expenses	1,232	1,239	1,634	1,945	1,131	1,502	1,478	1,712	6,049	5,823
<b>Operating profit</b>	<b>4,888</b>	<b>5,265</b>	<b>4,966</b>	<b>5,068</b>	<b>4,909</b>	<b>6,008</b>	<b>5,911</b>	<b>6,720</b>	<b>20,188</b>	<b>23,548</b>
% Change (Y-o-Y)	34	28	21	37	0	14	19	33	32	17
Provisions	445	515	487	945	399	400	600	853	2,392	2,252
<b>PBT</b>	<b>4,443</b>	<b>4,750</b>	<b>4,479</b>	<b>4,123</b>	<b>4,510</b>	<b>5,608</b>	<b>5,311</b>	<b>5,867</b>	<b>17,796</b>	<b>21,296</b>
Tax	1,098	1,375	1,272	1,252	1,378	1,710	1,620	1,916	4,998	6,624
<b>PAT</b>	<b>3,345</b>	<b>3,375</b>	<b>3,207</b>	<b>2,871</b>	<b>3,132</b>	<b>3,897</b>	<b>3,691</b>	<b>3,951</b>	<b>12,798</b>	<b>14,672</b>
Less: Consol Adjustments	0	(9)	(8)	(3)	(5)	(6)	(6)	(8)	(19)	(25)
<b>Consol PAT</b>	<b>3,345</b>	<b>3,384</b>	<b>3,215</b>	<b>2,874</b>	<b>3,137</b>	<b>3,903</b>	<b>3,697</b>	<b>3,959</b>	<b>12,817</b>	<b>14,696</b>
% Change (Y-o-Y)	23	16	19	26	(6)	15	15	38	21	15

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

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

**Quarterly performance**

Y/E MARCH	1Q FY12E	1Q FY12A	Variance (%)	Comment
<b>NII</b>	<b>4,511</b>	<b>4,830</b>	<b>7</b>	<b>Stable spreads largely inline with estimates, Treasury NII surprises positively</b>
% Change (Y-o-Y)	34	43		
- Infra Loans	4,311	4,280	-1	
- Treasury	200	550	175	
<b>Fees</b>	<b>1,214</b>	<b>1,164</b>	<b>-4</b>	
- Asset management	640	620	-3	
- Institutional broking & IB	250	190	-24	<b>IB and Broking revenue remain under pressure</b>
- Loan related/others	324	354	9	
<b>Principal investments</b>	<b>500</b>	<b>(20)</b>	<b>-104</b>	<b>Significantly lower than estimate</b>
Other Income	25	66		
<b>Net Income</b>	<b>6,250</b>	<b>6,040</b>	<b>-3</b>	
% Change (Y-o-Y)	2	(1)		
Operating Expenses	1,469	1,131	-23	<b>Strong control over opex; TTM C/I down to 21.7%</b>
<b>Operating profit</b>	<b>4,781</b>	<b>4,909</b>	<b>3</b>	
% Change (Y-o-Y)	(2)	0		
Provisions	575	399	-31	Higher MTM losses during the quarter
<b>PBT</b>	<b>4,206</b>	<b>4,510</b>	<b>7</b>	
Tax	1,199	1,378	15	<b>Tax Rate marginally higher than est</b>
<b>PAT</b>	<b>3,007</b>	<b>3,132</b>	<b>4</b>	
Consol Adjustments	(6)	(5)		
Consol PAT	3,013	3,137	4	
% Change (Y-o-Y)	(10)	(6)		

Source: Company/MOSL

**Loans flat QoQ, up 30% YoY; asset pipeline increases QoQ**

In 1QFY12, sanctions declined 7% QoQ (55% YoY) to INR58b; disbursements declined 52% YoY and 29% QoQ to INR29.7b. Asset pipeline has increased to INR190b from INR164.5b in 4QFY11 and INR188b in 1QFY11. Energy and Transportation remain the key segments for the company, contributing ~42% (57% a quarter ago) and ~32% (38% a quarter ago), respectively to its overall asset pipeline. Telecom pipeline has increased to INR39.6b v/s INR1.25b a quarter ago and share of the vertical has increased to 21% from 1% a quarter ago. Loans grew 30% YoY (flat QoQ) to INR375.3b.

**Spreads stable QoQ**

Borrowings during the quarter grew 26% YoY and 6% QoQ to INR395b. During the quarter, incremental loans were nil v/s incremental borrowings at INR23.7b. IDFC parked the money raised during the quarter in treasury investments. Overall NII grew 43% YoY, led by 41% growth in Infra NII. Strong loan growth (30% YoY) helped report strong NII growth. Treasury NII was up at INR550m v/s INR330m in 1QFY11 and INR520m in 4QFY11.

**Non-interest income (ex principal gains and carry) declined ~23% YoY**

Overall non-interest income declined 40% QoQ and 60% YoY. Ex principal gains and carry income, fees declined 13% QoQ and 23% YoY to INR1.12b. Loan-related fees as a percentage of disbursements were at 100bp v/s 65bp a quarter ago. In absolute terms, loan-related fees declined 30% YoY to INR310m (INR270m in 4QFY11). IB fees declined to INR80m v/s INR280m a quarter ago and INR220m a year ago. Broking fees declined 21% YoY but grew 10% QoQ. AMC income dropped 5% YoY and 30% QoQ to INR620m.

Carry income was nil v/s INR250m QoQ. Income from domestic MF fees was INR330m v/s INR340m in 4QFY11 and INR280m in 1QFY11.

### Valuation and view

IDFC's 1QFY12 numbers were largely in line with our estimates. Higher than expected Treasury NII and lower opex compensated for lower than estimated trading profits. We broadly maintain our earnings estimates. RoA is likely to decline from 3.2% in FY11 to 2.8% in FY12/13. While RoA will remain above 2.5%, lower leverage and moderation in growth will keep RoE at ~15% in FY12 and ~16% in FY13.

We believe IDFC will continue to underperform on the back of (1) pressure on fee income revenue streams, (2) concerns over the macro environment, (3) tight liquidity and resultant impact on spreads, and (4) lower return ratios. While valuations are attractive, the key trigger for stock performance will be improvement in macroeconomic scenario and pick-up in capital market related business. We maintain **Neutral** with an SOTP-based target price of INR153.

### SOTP FY13 based

	(INR b)	USD b	Per sh. (INR)	Valuation Rationale
Financing/Investment bus	194.5	4.4	129	1.6x FY13E stand alone core NW. (please see below)
Alternative assets mgt	11.7	0.3	8	10% of AUM of USD2.5b
NSE Stake	10.0	0.2	6	8% stake, base price of last deal
IB and Broking	6.0	0.1	4	12x FY13E PAT
Mutual Fund Business	9.6	0.2	6	3.4% of AUM FY13E
<b>Total Value</b>	<b>231.8</b>	<b>5.2</b>	<b>153</b>	
CMP (INR)			129	
Upside (%)			19	

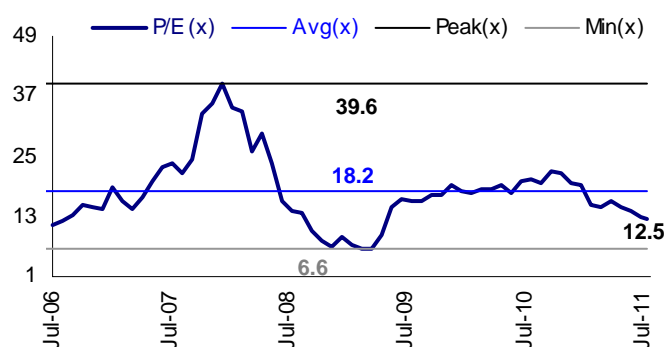
Source: MOSL

### Calculation of Adjusted Network

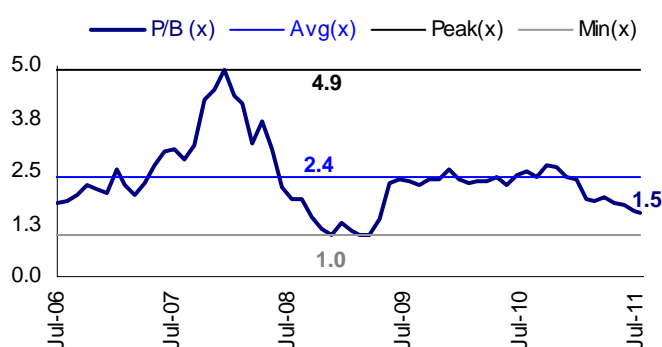
	(INR B)	USDB	Per Share (INR)
FY13E Stand alone network	135.1	3.0	89.4
<b>Less: Investments in</b>			
a) IB and Broking	4.4	0.1	2.9
b) Mutual Fund	8.2	0.2	5.4
c) NSE	0.9	0.0	0.6
<b>Core Net Worth</b>	<b>121.6</b>	<b>2.7</b>	<b>80.4</b>

Source: MOSL

### IDFC: One year forward P/E

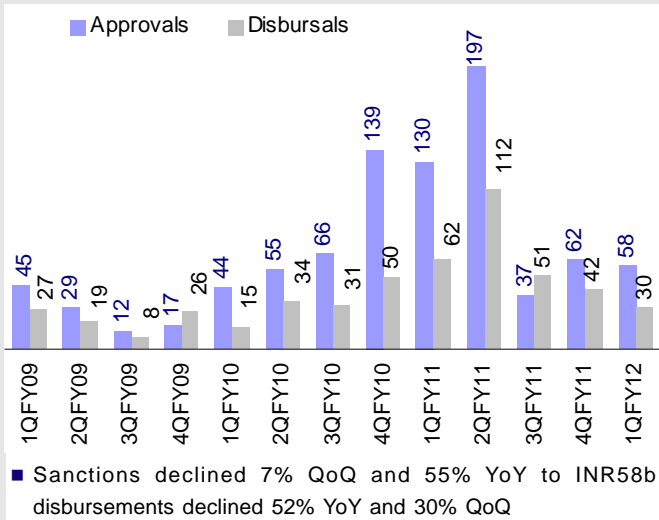


### IDFC: One year forward P/BV

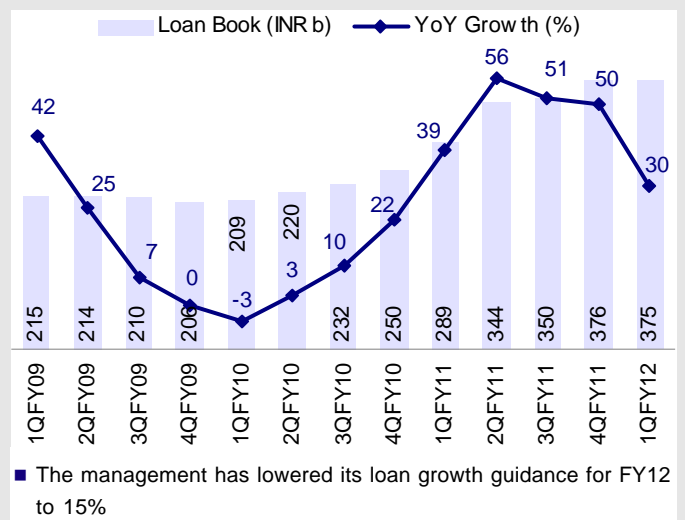


Quarterly trends

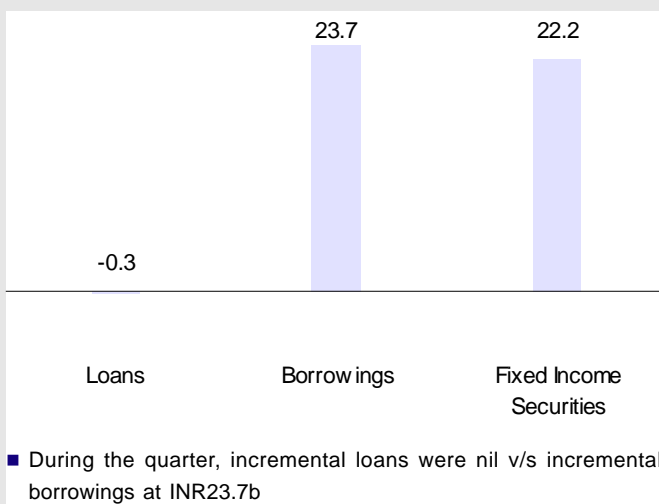
Moderation in approvals and disbursements (INR b)



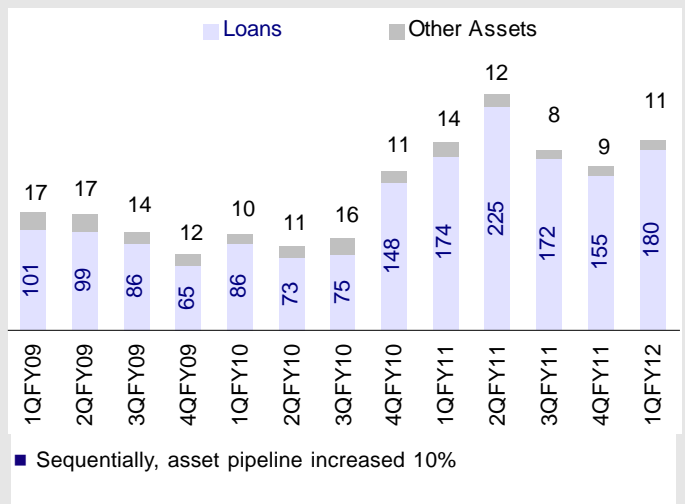
Loan growth flat QoQ



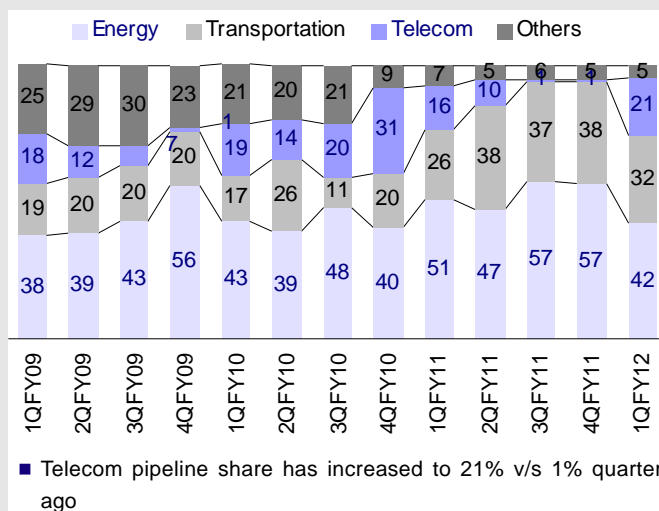
Borrowings up 6% QoQ; loans flat (INR b)



Asset growth pipeline (INR b) increases QoQ



Energy and Transportation key contributors to pipeline

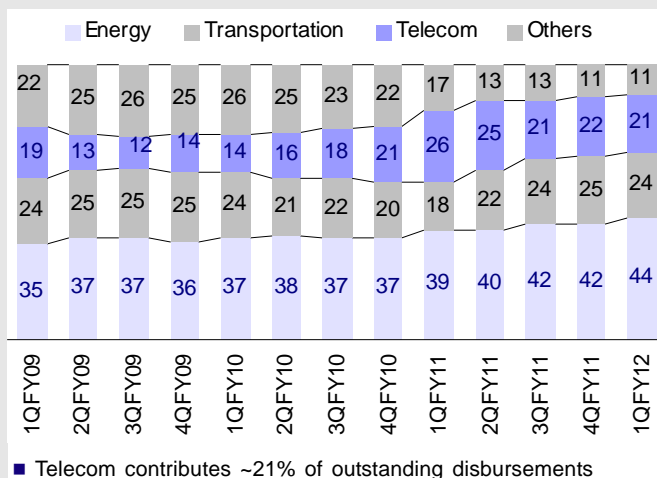


Asset book pipeline of INR191b by Asset class (INR b)

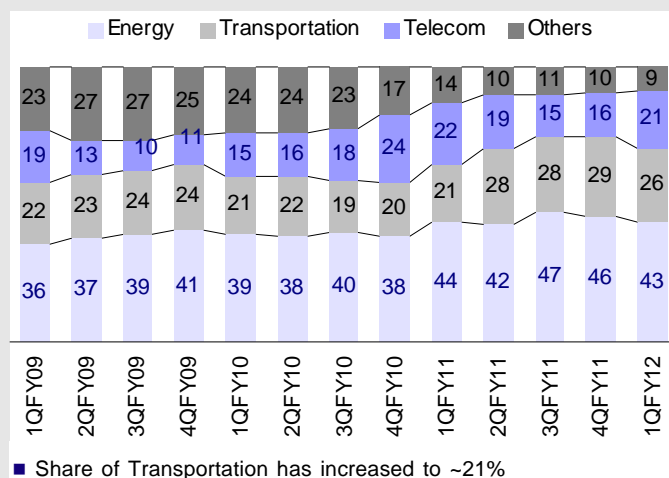
	Total exposure	Disb. and O/S	Pipe-line
<b>Loans and Debentures</b>	<b>559.0</b>	<b>377.9</b>	<b>181.1</b>
- Project Loans	360.8	223.8	137.0
- Corporate Loans	188.4	144.8	43.6
- LAS	9.8	9.3	0.5
Mezzanine Products	3.3	3.3	0.0
Equity	27.3	20.7	6.6
Non Funded	27.2	23.9	3.3
<b>Total</b>	<b>616.7</b>	<b>425.7</b>	<b>191.0</b>

### Quarterly trends

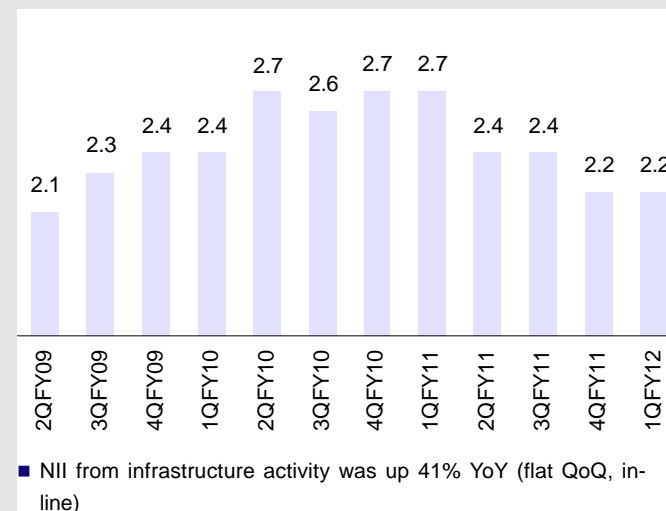
**Outstanding disbursements - sector-wise (INR426b)**



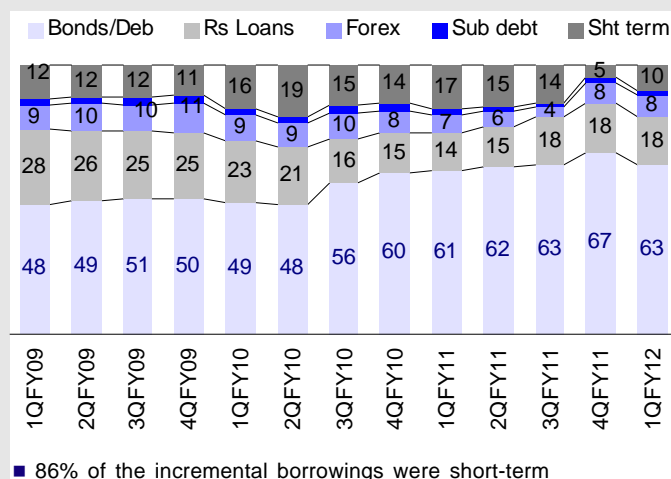
**Outstanding exposure - sector-wise (INR617b)**



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



**Proportion of short-term loans has increased (%)**



**Dupont Analysis (12m rolling) (Reported)**

	FY09				FY10				FY11				FY12
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
<b>NII</b>	<b>2.9</b>	<b>2.7</b>	<b>2.9</b>	<b>3.1</b>	<b>3.2</b>	<b>3.5</b>	<b>3.5</b>	<b>3.6</b>	<b>3.7</b>	<b>3.6</b>	<b>3.8</b>	<b>3.8</b>	<b>3.9</b>
Infrastructure NII	2.4	2.3	2.5	2.6	2.7	2.9	3.1	3.3	3.4	3.4	3.5	3.5	3.5
Treasury NII	0.5	0.4	0.5	0.6	0.5	0.6	0.4	0.3	0.4	0.3	0.3	0.3	0.4
<b>Non Interest Income</b>	<b>2.3</b>	<b>2.5</b>	<b>2.0</b>	<b>2.1</b>	<b>2.2</b>	<b>2.2</b>	<b>2.8</b>	<b>3.1</b>	<b>3.0</b>	<b>2.8</b>	<b>2.5</b>	<b>2.1</b>	<b>1.6</b>
Principal Investments	0.8	0.8	0.6	0.6	0.6	0.5	0.9	1.1	0.9	0.7	0.5	0.4	0.1
<b>Asset Management</b>	<b>0.2</b>	<b>0.4</b>	<b>0.5</b>	<b>0.7</b>	<b>0.9</b>	<b>0.9</b>	<b>1.0</b>	<b>0.9</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>	<b>0.7</b>	<b>0.6</b>
Investment Banking	0.7	0.7	0.5	0.4	0.3	0.4	0.5	0.6	0.5	0.5	0.5	0.5	0.4
Loan related and other Fees	0.6	0.6	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.6	0.6	0.5	0.4
Miscellaneous Income	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
<b>Operating Income</b>	<b>5.3</b>	<b>5.3</b>	<b>5.0</b>	<b>5.2</b>	<b>5.5</b>	<b>5.8</b>	<b>6.4</b>	<b>6.8</b>	<b>6.8</b>	<b>6.6</b>	<b>6.4</b>	<b>5.9</b>	<b>5.5</b>
Operating Expenses	1.1	1.1	1.1	1.2	1.3	1.4	1.5	1.8	1.8	1.6	1.6	1.2	1.1
<b>Operating Profits</b>	<b>4.2</b>	<b>4.2</b>	<b>3.9</b>	<b>4.0</b>	<b>4.2</b>	<b>4.5</b>	<b>4.9</b>	<b>5.0</b>	<b>5.1</b>	<b>5.0</b>	<b>4.8</b>	<b>4.7</b>	<b>4.4</b>
Provisions	0.3	0.3	0.3	0.5	0.4	0.5	0.6	0.4	0.6	0.6	0.5	0.5	0.5
<b>PBT</b>	<b>3.9</b>	<b>3.8</b>	<b>3.6</b>	<b>3.5</b>	<b>3.8</b>	<b>4.0</b>	<b>4.3</b>	<b>4.6</b>	<b>4.5</b>	<b>4.4</b>	<b>4.3</b>	<b>4.2</b>	<b>3.9</b>
Taxes and Minority Interest	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.2	1.1	1.2	1.2	1.2	1.1
<b>PAT</b>	<b>2.9</b>	<b>2.8</b>	<b>2.6</b>	<b>2.5</b>	<b>2.7</b>	<b>2.9</b>	<b>3.2</b>	<b>3.4</b>	<b>3.4</b>	<b>3.2</b>	<b>3.1</b>	<b>3.0</b>	<b>2.8</b>

## Quarterly Snapshot

	FY10				FY11				FY12	Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	QoQ	YoY
<b>Profit and Loss (INR m)</b>											
<b>Net Interest Income</b>	<b>2,440</b>	<b>2,770</b>	<b>2,750</b>	<b>3,210</b>	<b>3,370</b>	<b>3,740</b>	<b>4,600</b>	<b>4,750</b>	<b>4,830</b>	<b>2</b>	<b>43</b>
Infrastructure	2,190	2,520	2,600	2,900	3,040	3,590	4,130	4,260	4,280	0	41
Treasury	250	250	150	310	330	150	470	490	550	12	67
<b>Principal Investments</b>	<b>680</b>	<b>610</b>	<b>1,050</b>	<b>270</b>	<b>1,200</b>	<b>120</b>	<b>300</b>	<b>290</b>	<b>-20</b>	<b>-107</b>	<b>-102</b>
<b>Asset Management</b>	<b>720</b>	<b>690</b>	<b>680</b>	<b>1,530</b>	<b>650</b>	<b>750</b>	<b>630</b>	<b>890</b>	<b>620</b>	<b>-30</b>	<b>-5</b>
Mutual funds	290	310	280	440	280	170	300	340	330	-3	18
Alternative assets	430	370	410	360	370	380	340	300	290	-3	-22
Capital gains & carry	0	10	-10	730	0	200	-10	250	0	N.A.	N.A.
<b>Fee Income</b>	<b>815</b>	<b>1,008</b>	<b>710</b>	<b>863</b>	<b>842</b>	<b>1,870</b>	<b>1,032</b>	<b>1,030</b>	<b>894</b>	<b>-13</b>	<b>6</b>
Investment Banking	180	470	110	350	220	590	370	280	80	-71	-64
Institutional Broking	210	120	230	160	140	150	140	100	110	10	-21
Loan related and other Fees	425	418	370	353	482	1,130	522	650	704	8	46
<b>Miscellaneous Income</b>	<b>23</b>	<b>145</b>	<b>5</b>	<b>126</b>	<b>58</b>	<b>24</b>	<b>38</b>	<b>43</b>	<b>66</b>	<b>54</b>	<b>14</b>
<b>Net Income</b>	<b>4,679</b>	<b>5,223</b>	<b>5,194</b>	<b>5,999</b>	<b>6,120</b>	<b>6,503</b>	<b>6,600</b>	<b>7,003</b>	<b>6,390</b>	<b>-9</b>	<b>4</b>
<b>Operating Expenses</b>	<b>1,026</b>	<b>1,097</b>	<b>1,091</b>	<b>2,294</b>	<b>1,232</b>	<b>1,239</b>	<b>1,634</b>	<b>1,935</b>	<b>1,481</b>	<b>-23</b>	<b>20</b>
Employees	494	576	557	1,451	590	645	874	960	649	-32	10
Depreciation	95	98	107	105	97	103	103	99	95	-4	-2
Other Expenses	437	423	427	738	544	490	657	876	737	-16	35
<b>Operating Profits</b>	<b>3,653</b>	<b>4,126</b>	<b>4,103</b>	<b>3,705</b>	<b>4,888</b>	<b>5,265</b>	<b>4,966</b>	<b>5,068</b>	<b>4,909</b>	<b>-3</b>	<b>0</b>
Provisions	-66	242	424	702	445	515	487	945	399	-58	-10
<b>PBT</b>	<b>3,718</b>	<b>3,884</b>	<b>3,679</b>	<b>3,003</b>	<b>4,443</b>	<b>4,750</b>	<b>4,479</b>	<b>4,123</b>	<b>4,510</b>	<b>9</b>	<b>2</b>
Taxation	973	975	979	738	1,098	1,375	1,272	1,252	1,378	10	25
<b>PAT</b>	<b>2,745</b>	<b>2,908</b>	<b>2,700</b>	<b>2,265</b>	<b>3,345</b>	<b>3,375</b>	<b>3,207</b>	<b>2,871</b>	<b>3,132</b>	<b>9</b>	<b>-6</b>
Add: Profits from Associates	-9	10	-1	7	3	6	5	8	5	-37	85
Less: Minority Interest	11	0	0	-9	3	-3	-2	5	0	N.A.	N.A.
<b>PAT (Adj for MI)</b>	<b>2,724</b>	<b>2,918</b>	<b>2,699</b>	<b>2,281</b>	<b>3,345</b>	<b>3,384</b>	<b>3,215</b>	<b>2,874</b>	<b>3,137</b>	<b>9</b>	<b>-6</b>
<b>Ratios (%)</b>											
Spreads (12m rolling)	2.40	2.70	2.60	2.70	2.70	2.40	2.40	2.20	2.20	0	-50
Loan loss ratio	1.80	1.80	1.80	1.80	1.70	1.60	1.70	1.60	1.70	10	0
Leverage	4.80	4.70	4.50	4.80	5.30	4.20	4.20	4.20	4.30	10	-100
ROE	13.0	13.7	14.6	15.9	16.2	14.9	13.7	12.9	11.5	-140	-470
C/I Ratio (12m rolling)	23.9	23.5	23.5	26.1	25.4	24.6	25.4	22.0	21.7		
Tax Rate	26.2	25.1	26.6	24.6	24.7	28.9	28.4	30.4	30.6		
<b>Asset quality (Stand.)</b>											
GNPA	781	776	776	797	797	797	797	797	779	-2	-2
NNPA	455	451	451	429	429	429	389	389	365	-6	-15
PCR (%)	42	42	42	46	46	46	51	51	53	194	690
GNPA Ratio (%)	0.37	0.35	0.33	0.31	0.27	0.23	0.22	0.21	0.20	-1	-7
NNPA Ratio (%)	0.21	0.20	0.19	0.17	0.15	0.12	0.11	0.10	0.10	0	-5

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

## Quarterly Snapshot (continued)

(INR b)	FY10				FY11				FY12	Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	QoQ	YoY
<b>Balance Sheet</b>											
Equity Share Capital	13	13	13	13	13	15	15	15	15	0	13
Reserves and surplus	52	54	57	57	60	88	91	89	93	4	54
<b>Networth</b>	<b>65</b>	<b>67</b>	<b>70</b>	<b>70</b>	<b>73</b>	<b>103</b>	<b>106</b>	<b>104</b>	<b>107</b>	<b>3</b>	<b>46</b>
<b>Loan funds</b>	<b>244</b>	<b>252</b>	<b>243</b>	<b>265</b>	<b>313</b>	<b>361</b>	<b>375</b>	<b>371</b>	<b>395</b>	<b>6</b>	<b>26</b>
Minority Interest	0	0	0	0	0	0	0	0	0	N.A.	N.A.
<b>Total Liabilities</b>	<b>309</b>	<b>320</b>	<b>313</b>	<b>336</b>	<b>386</b>	<b>464</b>	<b>480</b>	<b>476</b>	<b>502</b>	<b>6</b>	<b>30</b>
Goodwill	12	12	12	12	12	12	12	12	12	0	0
Fixed Assets	5	4	4	4	4	4	5	4	4	0	0
<b>Infrastructure loans</b>	<b>209</b>	<b>220</b>	<b>232</b>	<b>250</b>	<b>289</b>	<b>344</b>	<b>350</b>	<b>376</b>	<b>375</b>	<b>0</b>	<b>30</b>
<b>Investments</b>	<b>67</b>	<b>70</b>	<b>48</b>	<b>50</b>	<b>61</b>	<b>82</b>	<b>88</b>	<b>64</b>	<b>87</b>	<b>34</b>	<b>42</b>
of which Equity	15	13	16	20	17	21	22	19	19	1	12
Deferred Tax Assets	1	1	2	2	2	2	2	3	3	0	26
Net Current Assets	0	-1	0	-3	1	-1	1	-2	2	-202	207
<b>Total Assets</b>	<b>309</b>	<b>320</b>	<b>313</b>	<b>336</b>	<b>386</b>	<b>464</b>	<b>480</b>	<b>476</b>	<b>502</b>	<b>6</b>	<b>30</b>
<b>Business Update</b>											
Sanctions Quarterly	44	55	66	139	130	197	37	62	58	-7	-56
Disbursements Quarterly	15	34	31	50	62	112	51	42	30	-29	-52
Sanctions Cumulative	44	99	166	304	130	328	365	427	58	-86	-56
Disbursements Cumulative	15	49	80	130	62	174	225	267	30	-89	-52
<b>O/S Exposure</b>	<b>328</b>	<b>324</b>	<b>348</b>	<b>438</b>	<b>510</b>	<b>622</b>	<b>576</b>	<b>583</b>	<b>617</b>	<b>6</b>	<b>21</b>
Energy	127	124	139	168	222	264	270	267	268	0	21
Transportation	71	72	65	87	106	174	159	167	162	-3	54
Telecom	50	52	64	107	113	121	86	92	129	40	14
Others	80	77	80	77	69	64	62	56	57	2	-17
<b>O/S Disbursements</b>	<b>232</b>	<b>241</b>	<b>256</b>	<b>279</b>	<b>322</b>	<b>385</b>	<b>396</b>	<b>418</b>	<b>426</b>	<b>2</b>	<b>32</b>
Energy	85	91	95	103	127	153	167	174	188	8	48
Transportation	55	50	55	55	57	84	93	105	101	-4	76
Telecom	32	40	46	57	82	98	85	91	90	-2	9
Others	60	60	60	63	55	51	51	48	48	0	-13
<b>Loan Pipeline</b>	<b>97</b>	<b>84</b>	<b>92</b>	<b>160</b>	<b>188</b>	<b>236</b>	<b>180</b>	<b>165</b>	<b>191</b>	<b>16</b>	<b>2</b>
Energy	42	33	44	65	96	111	103	93	80	-14	-16
Transportation	16	22	10	31	48	90	66	62	62	0	28
Telecom	19	12	18	50	31	23	1	1	40	N.A.	29
Others	20	17	20	14	14	13	10	8	9	11	-32
<b>Borrowing Profile</b>											
<b>Long term</b>	<b>205</b>	<b>205</b>	<b>206</b>	<b>228</b>	<b>261</b>	<b>299</b>	<b>315</b>	<b>346</b>	<b>349</b>	<b>1</b>	<b>34</b>
Bonds/Deb	120	122	136	159	190	220	230	245	243	-1	28
Rupee Loans	56	54	39	40	43	52	66	67	69	4	62
Forex Loans	22	22	24	22	21	20	13	28	31	11	45
Sub debt	7	7	7	7	7	7	7	7	7	0	0
<b>Short term</b>	<b>39</b>	<b>48</b>	<b>36</b>	<b>38</b>	<b>52</b>	<b>54</b>	<b>51</b>	<b>17</b>	<b>37</b>	<b>121</b>	<b>-28</b>
<b>Duration in years</b>											
Assets	1.6	1.6	1.7	2.0	2.2	2.1	2.1	2.2	2.0		
Liabilities	1.5	1.6	1.7	1.8	2.2	2.4	2.4	2.7	2.6		
<b>AUM</b>	<b>318</b>	<b>440</b>	<b>359</b>	<b>364</b>	<b>321</b>	<b>286</b>	<b>264</b>	<b>326</b>	<b>388</b>		
<b>IDFC Private Equity</b>											
Fund I	8	8	8	8	8	3	3	3	3	0	-66
Fund II	20	20	20	20	20	13	13	13	13	0	-36
Fund III	32	32	32	32	32	31	29	29	29	0	-8
<b>IDFC Project Equity</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>0</b>	<b>0</b>
<b>IDFC Invt Advisors</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>9</b>	<b>8</b>	<b>6</b>	<b>7</b>	<b>13</b>	<b>-10</b>
<b>IDFC Mutual Funds</b>	<b>217</b>	<b>342</b>	<b>261</b>	<b>265</b>	<b>215</b>	<b>191</b>	<b>173</b>	<b>237</b>	<b>299</b>	<b>26</b>	<b>39</b>

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

## Stock Info

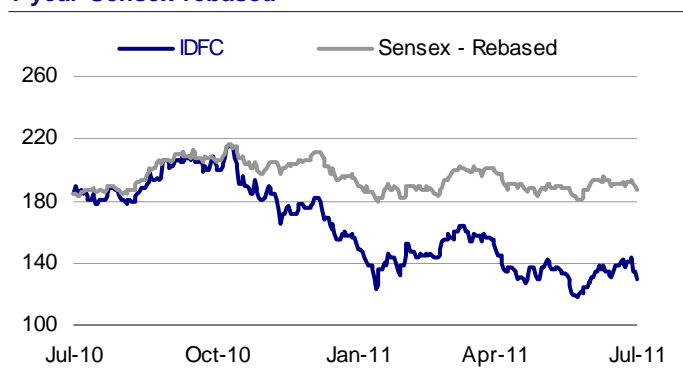
### EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY12	9.7	10.5	-7.6
FY13	11.7	12.7	-7.6

### Shareholding pattern (%)

	Mar-11	Dec-10	Mar-10
Promoter	0.0	0.0	0.0
Domestic Inst	36.9	35.8	41.2
Foreign	47.1	51.4	45.8
Others	16.0	12.8	13.0

### 1-year Sensex rebased



### Banking: Valuation Matrix

	Rating	CMP (INR)	Mkt. Cap (USDb)	TP (INR)	Upside (%)	EPS (INR)		P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
						FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13
ICICI*	Buy	1,018	26.3	1,360	33.7	56	67	14.4	11.7	2.0	1.8	1.5	1.5	14.0	15.2
HDFCB	Neutral	488	5.1	515	5.7	22	28	22.0	17.7	3.9	3.3	1.7	1.7	18.9	20.2
Axis	Buy	1,298	12.0	1,596	23.0	99	115	13.1	11.3	2.4	2.0	1.5	1.5	19.7	19.5
Kotak	Neutral	459	3.8	436	-5.1	23	27	18.8	15.9	2.5	2.2	2.2	2.1	15.5	15.7
Yes	Buy	310	2.4	400	28.8	27	33	11.6	9.4	2.4	1.9	1.4	1.3	22.2	22.6
Indusind	Buy	275	2.9	333	21.0	16	20	17.0	13.6	2.9	2.5	1.5	1.5	18.2	19.6
ING Vysya	Buy	347	0.9	487	40.5	28	34	12.3	10.1	1.3	1.2	1.0	1.0	13.3	12.6
Federal	Buy	433	1.7	537	24.1	40	46	10.7	9.3	1.3	1.2	1.2	1.2	12.9	13.5
J&K Bk	Buy	880	1.0	977	11.0	160	175	5.5	5.0	1.0	0.9	1.4	1.3	20.5	19.2
SIB	Buy	24	0.6	28	20.7	3	4	7.7	6.3	1.4	1.2	0.9	0.9	18.7	19.8
<b>Private Aggregate</b>			<b>57</b>					<b>12.1</b>	<b>10.1</b>	<b>1.7</b>	<b>1.5</b>				
SBI (cons)*	Buy	2,356	33.6	3,000	27.3	242	302	9.3	7.5	1.5	1.3	0.9	1.0	16.9	19.5
PNB	Buy	1,103	7.9	1,500	36.0	168	203	6.5	5.4	1.4	1.2	1.3	1.3	24.0	23.8
BOI	Neutral	398	4.9	461	15.9	52	65	7.7	6.1	1.2	1.0	0.7	0.8	16.6	18.2
BoB	Neutral	870	7.7	1,059	21.7	113	134	7.7	6.5	1.5	1.2	1.1	1.1	20.4	20.5
Canara	Buy	478	4.8	596	24.6	85	100	5.6	4.8	1.0	0.8	1.0	1.0	19.2	19.3
Union	Buy	290	3.4	390	34.7	52	63	5.6	4.6	1.2	1.0	1.1	1.1	22.4	22.7
OBC	Buy	353	2.3	533	50.9	54	69	6.5	5.1	0.9	0.8	0.9	1.0	14.6	16.4
Indian Bk Corporation	Buy	227	2.2	309	36.2	45	52	5.0	4.3	1.0	0.9	1.4	1.4	21.9	21.6
Andhra Bk	Neutral	515	1.7	647	25.6	103	116	5.0	4.4	0.9	0.8	0.9	0.9	19.7	19.3
IDBI *	Buy	137	1.7	189	38.2	28	30	4.9	4.5	1.0	0.9	1.3	1.2	22.0	20.5
IDBI *	Neutral	130	2.9	172	32.4	20	22	5.3	4.8	0.7	0.7	0.7	0.7	14.5	14.3
Dena Bank	Buy	81	0.6	141	74.7	20	24	4.0	3.4	0.7	0.6	0.9	0.8	18.1	17.9
<b>Public Aggregate</b>			<b>76</b>					<b>8.1</b>	<b>6.6</b>	<b>1.3</b>	<b>1.2</b>				
HDFC*	Neutral	688	22.7	700	1.7	28	33	17.7	14.6	4.7	4.1	2.8	2.8	26.2	27.4
LICHF	Buy	212	2.3	257	21.1	24	29	8.8	7.3	2.0	1.7	2.0	1.9	24.9	24.8
DHFL	Buy	238	0.6	322	35.3	27	34	6.5	5.1	1.7	1.3	1.5	1.5	16.7	18.2
IDFC	Neutral	129	4.2	153	18.7	9.7	11.7	13.3	11.0	1.5	1.3	2.8	2.8	12.9	13.7
REC	Buy	211	4.7	310	46.9	30	35	7.1	6.0	1.4	1.2	3.2	3.1	21.3	21.7
PFC	Buy	186	4.8	291	56.7	24	28	7.8	6.6	1.2	1.0	2.8	2.7	17.1	16.6
STF	Buy	663	3.4	938	41.5	65	73	10.2	9.0	2.4	2.0	3.2	3.1	26.5	24.1
MMFSL	Neutral	667	1.5	845	26.6	57	68	11.7	9.7	2.3	2.0	4.3	4.2	21.5	22.0
<b>NBFC Aggregate</b>			<b>44</b>					<b>13.0</b>	<b>10.9</b>	<b>3.1</b>	<b>2.6</b>				

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

## Financials and Valuation

<b>INCOME STATEMENT (CONSOLIDATED)</b>					<b>(INR MILLION)</b>
<b>Y/E MARCH</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>
Interest Income*	30,092	30,797	39,754	56,186	71,223
Interest Expended	20,812	19,535	23,875	34,733	45,382
<b>Net Interest Income</b>	<b>9,280</b>	<b>11,262</b>	<b>15,878</b>	<b>21,453</b>	<b>25,841</b>
<i>Change (%)</i>	31.8	21.4	41.0	35.1	20.5
<b>Other Income</b>	<b>6,275</b>	<b>9,829</b>	<b>9,577</b>	<b>7,918</b>	<b>9,076</b>
Fees Based income	4,287	6,182	6,413	5,392	6,207
Principal Inv't (Incl Carry Inc)**	1,840	3,330	2,790	2,227	2,569
Miscellaneous Income	149	317	374	300	300
<b>Net Income</b>	<b>15,556</b>	<b>21,091</b>	<b>25,455</b>	<b>29,371</b>	<b>34,917</b>
<i>Change (%)</i>	17.5	35.6	20.7	15.4	18.9
Operating Expenses	3,666	5,526	5,321	5,823	6,857
<b>Operating Income</b>	<b>11,890</b>	<b>15,566</b>	<b>20,135</b>	<b>23,548</b>	<b>28,060</b>
<i>Change (%)</i>	11.1	30.9	29.4	17.0	19.2
Other Provisions	1,532	1,283	2,346	2,252	2,733
<b>PBT</b>	<b>10,358</b>	<b>14,283</b>	<b>17,788</b>	<b>21,296</b>	<b>25,328</b>
Tax	2,782	3,666	4,998	6,624	7,675
<i>Tax Rate (%)</i>	26.9	25.7	28.1	31.1	30.3
<b>PAT</b>	<b>7,576</b>	<b>10,617</b>	<b>12,791</b>	<b>14,672</b>	<b>17,653</b>
<i>Change (%)</i>	0.7	40.1	20.5	14.7	20.3
(Ml)/Associate profit	79.0	-5.2	-25.7	-25.0	-25.0
<b>Consolidated PAT</b>	<b>7,497</b>	<b>10,623</b>	<b>12,817</b>	<b>14,697</b>	<b>17,678</b>
<i>Change (%)</i>	1.0	41.7	20.7	14.7	20.3
Proposed Dividend	1,555	1,951	2,925	3,674	4,419

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

<b>BALANCE SHEET</b>					<b>(INR MILLION)</b>
<b>Y/E MARCH</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>
Capital	12,953	13,006	14,609	15,111	15,111
Reserves & Surplus	48,806	57,097	89,475	108,050	120,557
<b>Net Worth</b>	<b>61,759</b>	<b>70,103</b>	<b>104,084</b>	<b>123,162</b>	<b>135,669</b>
Minority Interest	281	63	2	2	2
<b>Borrowings</b>	<b>235,481</b>	<b>265,439</b>	<b>371,439</b>	<b>437,636</b>	<b>554,195</b>
<i>Change (%)</i>	5.6	12.7	39.9	17.8	26.6
<b>Total Liabilities</b>	<b>297,521</b>	<b>335,605</b>	<b>475,526</b>	<b>560,799</b>	<b>689,865</b>
<b>Investments</b>	<b>65,000</b>	<b>46,554</b>	<b>69,611</b>	<b>98,640</b>	<b>122,397</b>
<i>Change (%)</i>	24.4	-28.4	49.5	41.7	24.1
<b>Loans</b>	<b>205,962</b>	<b>250,311</b>	<b>376,523</b>	<b>436,767</b>	<b>545,959</b>
<i>Change (%)</i>	3.5	21.5	50.4	16.0	25.0
<b>Goodwill</b>	<b>10,790</b>	<b>11,596</b>	<b>11,638</b>	<b>11,638</b>	<b>11,638</b>
Net Fixed Assets	4,543	4,415	4,469	4,561	4,509
Deferred Tax Assets	1,421	1,755	2,480	2,499	2,549
Net current Assets	20,594	32,570	22,442	18,332	14,451
<b>Total Assets</b>	<b>297,521</b>	<b>335,605</b>	<b>475,526</b>	<b>560,799</b>	<b>689,865</b>

<b>ASSUMPTIONS</b>					<b>(%)</b>
Borrowings Growth	5.6	12.7	39.9	17.8	26.6
Loans Growth	3.5	21.5	50.4	16.0	25.0
Investments Growth	24.4	-28.4	49.5	41.7	24.1
Total Assets/Equity(x)	4.8	4.8	4.6	4.6	5.1
Debt/Equity (x)	3.8	3.8	3.6	3.6	4.1
Dividend	12.0	15.0	20.0	24.3	29.2

E: MOSL Estimates

## Financials and Valuation

**RATIOS**

<b>Y/E MARCH</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>
<b>Spreads Analysis (%)</b>					
Avg. Yield - Infrastructure loans	11.9	11.3	11.0	11.9	12.4
Avg. Yield - Earning Assets	11.0	10.7	10.8	11.5	11.9
Avg. Cost-Int. Bear. Liab.	9.1	7.8	7.5	8.4	9.0
Interest Spread	1.9	2.9	3.3	3.1	2.9
Net Interest Margin	3.0	3.6	4.3	4.3	4.2
<b>Profitability Ratios (%)</b>					
RoE	12.7	16.1	14.7	12.9	13.7
Core RoE		17.6	17.8	15.3	16.1
RoA	2.6	3.4	3.2	2.8	2.8
Int. Expended/Int. Earned	69.2	63.4	60.1	61.8	63.7
Other Income./Net Income	40.3	46.6	37.6	27.0	26.0
<b>Efficiency Ratios (%)</b>					
Fee income/Net Income	27.6	29.3	25.2	18.4	17.8
Op. Exps./Net Income	23.6	26.2	20.9	19.8	19.6
Empl. Cost/Op. Exps.	48.4	55.8	55.6	56.7	58.6

**VALUATION**

Book Value (INR)	47.7	53.9	71.2	81.5	89.8
Price-BV (x)	2.7	2.4	1.8	1.6	1.4
Adjusted BV (INR)*	38.9	42.1	60.7	71.6	80.4
Price-ABV (x)	2.6	2.4	1.7	1.5	1.3
EPS (INR)	5.8	8.2	8.8	9.7	11.7
EPS Growth (%)	0.9	41.1	7.4	10.9	20.3
Price-Earnings (x)	22.3	15.8	14.7	13.3	11.0
OPS (Rs)	9.2	12.0	13.8	15.6	18.6
OPS Growth (%)	11.0	30.4	15.2	13.1	19.2
Price-OP (x)	14.1	10.8	9.4	8.3	6.9
Dividend per Share (INR)	1.2	1.5	2.0	2.4	2.9
Dividend Yield (%)	0.9	1.2	1.6	1.9	2.3

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

**N O T E S**

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