



INVESTOR'S DELIGHT

4TH FEBRUARY, 2011

COMPANY	IDFC LTD.
NSE Code	IDFC
BSE Code	532659
FV	Rs. 10
Equity Capital (Rs in mn)	1,461
Market Capitalization (Rs in mn)	20,940
CMP	Rs. 139
Target Price	Rs. 175
Upside	26%

ABOUT THE COMPANY

IDFC has evolved into a composite financial services platform operating a full range of business lines, from project and corporate finance to asset management (mutual funds and alternatives) and investment banking. Being a NBFC, it provides services especially to the infrastructure sector.

As on 9MFY11, its loan portfolio stood at Rs. 350 bn with major exposures in sectors like power (35%), telecom (19%), transportation (24%) and other sectors accounting for the balance 22%.

Q3FY11 and 9MFY11 Performance

- 1) Healthy growth in disbursements:** IDFC has seen a multiplier effect of 2.2 times in its approvals which stood at Rs. 365 bn. On the disbursements front, it witnessed growth of 2.8 times to touch Rs. 225 bn on a yoy basis in Q3FY11.
- 2) Strong loan book, good asset quality:** The company's loan book went up by 51% from Rs 231.9 bn to Rs 350.2 bn in Q3FY11. Its asset quality has remained strong despite the robust growth in balance sheet. The net NPAs stood at 0.1%, no new NPA during 9MFY2011 and its networth at the end of December is in excess of Rs 110 bn.
- 3) Robust NII growth:** Net Interest Income (NII) increased by 47% to Rs. 11.7bn in 9M FY2011 which was mainly contributed by Treasury division and infrastructure segment. Net Interest Income from treasury operations increased by 46% to Rs. 950mn in 9M FY 2011. Good loan demand from the infrastructure sector resulted in yoy growth of 47% to touch Rs.10.7bn during 9MFY11.
- 4) Highlights of 9MFY11**
 - a) Balance sheet size as on December 2010 – Rs.480.3 bn : an increase of 53%
 - b) Non Interest Income of Rs. 7.29 bn: an increase of 7%
 - c) Assets under management: USD 6.1 bn



FINANCIAL SUMMARY (Rs in mn)

Particulars	FY09A	FY10A	9MFY11A	FY11E	FY12E
Operating profit	11,891	15,585	15,120	20,355	25,175
Net Profit	7,577	10,620	9,950	13,553	16,913
EPS	5.19	7.27	9.16**	9.28	11.58
Book Value	42	48	75	79	89
NIM (%)	2.8	3.2	-	4.1	3.9
CAR (%)	21.9	20.5	24.9	-	-
Gross NPA (%)	0.37	0.31	0.22#	-	-
Net NPA (%)	0.22	0.17	0.11#	-	-
P/E	26.8	19.1	15.2	15.0	12.0
P/BV	3.3	2.9	-	1.8	1.6

Note: *Future projections are based on consensus/street estimates, ** annualized EPS, # on a standalone basis

OUTLOOK AND VALUATION

At CMP, the stock trades at a P/E of 12x on FY12E EPS and P/BV of 1.6x at estimated FY12 book value. With due consideration to factors like a) strong loan book, b) healthy and improving asset quality, c) attractive valuations, post correction, d) expected increased budgetary allocation in the Union Budget towards the infrastructure sector to act as key trigger to the stock, we recommend a 'BUY' with a target price of **Rs.175** (1.9x FY12E Book Value) for investors with a six - nine months horizon.



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