

April 28, 2008

Rating	Market Performer
Price	Rs990
Target Price	Rs957
Implied Upside	-3.4%
Sensex	17,016

(Prices as on April 28, 2008)

Trading Data

Market Cap. (Rs bn)	67.3
Shares o/s (m)	67.9
Free Float	66.5%
Avg. Daily Vol ('000)	377.4
Avg. Daily Value (Rs m)	351.5

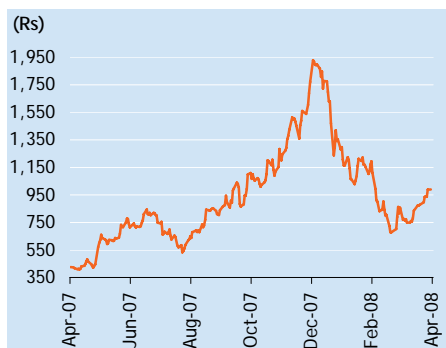
Major Shareholders

Promoters	33.5%
Foreign	27.5%
Domestic Inst.	6.9%
Public & Others	32.1%

Stock Performance

(%)	1M	6M	12M
Absolute	15.5	(10.0)	133.6
Relative	11.6	1.6	111.3

Price Performance (RIC: IIFL.BO, BB: IIFL IN)



Source: Bloomberg

India Infoline

Rolling with the punches

- **Good results:** India Infoline (IIFL) results were slightly better than our expectations. Revenues grew by 171.8% YoY and 24.8% QoQ, while PAT grew by 168.7% YoY and 1.1% QoQ. EBITDA margins at 43.5% were significantly better than our forecast of 35.3%.
- **Consumer Finance and Investment Banking lead:** Revenue growth was largely led by the financing business (256% QoQ) and Investment Banking (Rs 134m in Q4 vs. Rs5m in Q3FY08). IIFL had a margin funding book of Rs6.6bn and consumer loan book of Rs3.29bn at the end of Q4. In Investment Banking the company closed three deals during the quarter. We expect both these businesses to provide the main thrust to growth in FY09 and FY10.
- **Broking is bruised not battered:** IIFL showed its ability to roll with the punches during a quarter of unprecedented volatility. While the market volumes declined by nearly 30% QoQ, the company's broking revenues declined by just 11% QoQ. This was possible due to higher institutional broking revenues and mix change in favour of cash vs. F&O. Cash volumes account for 46% of the company's volumes and at 11.6bps its broking yield is the best amongst leading players.
- **Balance sheet remains under-leveraged:** IIFL's networth stood at Rs18.1bn at the end of the quarter while its Net Debt was below zero at about (Rs3.5bn). Going forward we expect the Net Debt to be Rs5bn and Rs15bn in FY09 and FY10 respectively.
- **Fully priced:** While we like IIFL's diversified business model, growth prospects and highly liquid balance sheet, at 28.7x FY09 and 21.7x FY10 earnings the stock is fully valued in our opinion. Maintain Market Performer.

Key financials (Rs m)	FY07	FY08	FY09E	FY10E
Net interest income	4,161	10,200	13,011	18,650
<i>Growth (%)</i>	<i>95.0</i>	<i>145.2</i>	<i>27.6</i>	<i>43.3</i>
Operating profit	1,316	3,987	4,861	7,147
PAT	756	1,638	2,511	3,393
EPS (Rs)	15.2	33.0	34.5	45.6
<i>Growth (%)</i>	<i>40.0</i>	<i>117.1</i>	<i>4.5</i>	<i>32.2</i>
Net DPS (Rs)	3.0	3.5	4.0	4.5

Source: Company Data; PL Research

Profitability & valuation	FY07	FY08	FY09E	FY10E
EBIDTA Margin (%)	31.6	39.1	37.4	38.3
RoE (%)	29.1	15.0	10.7	11.4
RoCE (%)	18.9	15.4	10.0	10.0
EV/Sales (x)	16.3	6.2	5.6	4.4
EV/EBIDTA (x)	51.5	15.9	14.9	11.5
PE (x)	65.2	30.0	28.7	21.7
Net dividend yield (%)	0.3	0.4	0.4	0.5

Source: Company Data; PL Research

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Q4FY08 result overview

(Rs m)

Y/e March	Q4FY08	Q4FY07	YoY gr. (%)	Q3FY08	FY07	FY08	YoY gr. (%)
Online & Media Income	291	342	(14.9)	182	645	783	21.3
Equities Brokerage	1,922	641	199.8	2,152	2,314	5,897	154.9
Distribution Commission	71	43	65.1	55	150	190	26.6
Commodities Brokerage	48	37	29.7	43	120	166	38.3
Life Insurance Commission	253	240	5.4	295	593	1,065	79.7
Financing & Investing Act	1,114	86	NM	313	282	1,937	NM
Home loan	-	11	NM	27	29	-	NM
Merchant banking	134	10	NM	5	28	161	NM
Total Operating Income	3,833	1,410	171.8	3,072	4,161	10,200	145.2
Expenditure							
Direct cost	785	331	137.2	681	918	2,170	136.4
<i>% of total Income</i>	<i>20.5</i>	<i>23.5</i>		<i>22.2</i>	<i>22.1</i>	<i>21.3</i>	
Employee cost	806	379	112.7	772	1,063	2,426	128.2
<i>% of total Income</i>	<i>21.0</i>	<i>26.9</i>		<i>25.1</i>	<i>25.6</i>	<i>23.8</i>	
Admin cost	574	267	115.0	423	864	1,618	87.3
<i>% of total Income</i>	<i>15.0</i>	<i>18.9</i>		<i>13.8</i>	<i>20.8</i>	<i>15.9</i>	
Total Expenditure	2,165	977	121.6	1,876	2,845	6,214	118.4
EBIDTA	1,668	433	285.2	1,196	1,316	3,987	203.0
<i>EBIDTA margin (%)</i>	<i>43.5</i>	<i>30.7</i>		<i>38.9</i>	<i>31.6</i>	<i>39.1</i>	
Interest	669	45	NM	92	117	913	NM
Depreciation	81	46	76.1	118	149	282	89.0
Other Income	9	26	(65.4)	34	96	35	(64.0)
PBT	927	368	151.9	1,020	1,146	2,827	146.7
Tax	237	123	92.7	360	390	898	130.5
<i>Effective tax rate (%)</i>	<i>25.6</i>	<i>33.4</i>		<i>35.3</i>	<i>34.0</i>	<i>31.8</i>	
PAT	690	245	181.6	660	756	1,638	116.6
Minority Interest	32	-		9	-	40	
Adjusted PAT	658	245	168.7	651	756	1,598	111.3



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PL's Recommendation Nomenclature

BUY	: > 15% Outperformance to BSE Sensex	Outperformer (OP)	: 5 to 15% Outperformance to Sensex
Market Performer (MP)	: -5 to 5% of Sensex Movement	Underperformer (UP)	: -5 to -15% of Underperformance to Sensex
Sell	: <-15% Relative to Sensex		
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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