

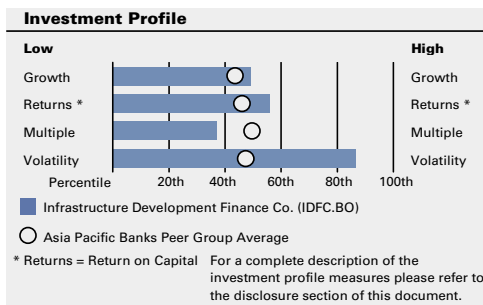
**ACTION**

**Removed from Asia Pacific Conviction Sell List  
Infrastructure Development Finance Co.**

**Off the Conviction Sell List, but remain negative on prospects**

**What happened**

We remove Infrastructure Development Finance Co. (IDFC) from our Conviction Sell list as the stock is trading close to our Target Price of Rs50. IDFC's share price has declined 10% since we added the stock to the Conviction Sell List on November 20, 2008 vs. a 2% increase for the BSE index during the same period. Over the last 12 months, IDFC's share price has dropped 74% vs. a 51% decline for BSE. The stock is trading close to its historical trough valuations; this suggests a significant moderation in its valuation. We maintain Sell on the stock due to lack of growth drivers over the medium term.



**Current view**

We maintain our negative view on the company due to the following reasons: (1) Growth prospects for the infrastructure lending business are constrained by the need to maintain high capitalization ratios. (2) Capital market driven revenues should likely remain depressed (3) Depressed ROA of consolidated entity due to lower contribution from capital market activities. Given its weak earnings growth prospects and also ROE of 11% during 2009E-2010E lower than COE of 15.6% over the medium term, we believe there is further downside potential to the current valuation.

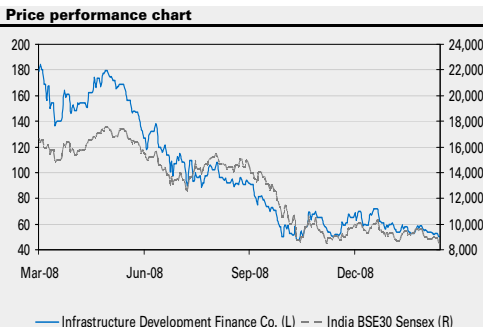
We maintain our Sell rating and 12-m Rs50 TP based on implied 2009E P/B of 1X derived using GS Camelot based 3-stage DDM. Our valuation model discounts 2008E-10E EPS CAGR of 0%, long-term ROE of 18%, and COE of 15.6%.

**Risks:** Lower capitalization requirement for infrastructure lending

Key data	Current
Price (Rs)	50.30
12 month price target (Rs)	50.00
Market cap (Rs mn / US\$ mn)	65,149.4 / 1,254.9
Foreign ownership (%)	39.9

	3/08	3/09E	3/10E	3/11E
EPS (Rs)	5.93	6.41	5.71	6.14
EPS growth (%)	30.7	8.1	(10.9)	7.5
P/B (X)	1.1	1.0	1.0	0.9
P/E (X)	8.5	7.9	8.8	8.2
Dividend yield (%)	2.4	2.4	2.4	2.4
P/POP (X)	6.1	5.5	6.3	5.8
PPOP growth (%)	66.6	11.2	(12.8)	7.7
Preprovision ROA (%)	4.5	4.0	3.4	3.4
Credit cost (%)	0.3	0.3	0.2	0.2
ROA (%)	3.14	2.81	2.41	2.40
ROE (%)	17.4	14.0	11.3	11.2



**INVESTMENT LIST MEMBERSHIP**

Asia Pacific Sell List

**Coverage View:** Neutral

India:  
Banks

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# Infrastructure Development Finance Co.: Summary financials

Profit model (Rs mn)	3/08	3/09E	3/10E	3/11E	Balance sheet (Rs mn)	3/08	3/09E	3/10E	3/11E
Net interest income	5,910.6	7,505.5	7,904.5	8,643.3	Gross loans	251,308.2	258,853.6	269,266.9	303,703.0
Non-interest income	7,325.2	7,864.2	6,634.3	7,521.9	NPLs	338.4	437.3	490.3	536.1
Operating revenue	13,235.8	15,369.8	14,538.8	16,165.2	Loan loss reserves	278.7	437.3	490.3	536.1
Non-interest expense	(2,458.7)	(3,463.7)	(4,156.4)	(4,987.7)	<b>Total interest earning assets</b>	<b>251,308.2</b>	<b>258,853.6</b>	<b>269,266.9</b>	<b>303,703.0</b>
Provision operating profit	10,704.2	11,906.1	10,382.4	11,177.5	Other non-interest earning assets	38,102.8	42,139.0	43,834.1	45,380.9
Total provision charge	(700.4)	(781.3)	(461.8)	(512.6)	<b>Total assets</b>	<b>289,411.0</b>	<b>300,992.5</b>	<b>313,101.0</b>	<b>349,083.9</b>
Associates	0.0	0.0	0.0	0.0	Customer deposits	0.0	0.0	0.0	0.0
Pretax profit	10,003.8	11,124.7	9,920.6	10,664.9	Total interest-bearing liabilities	223,035.4	226,496.9	234,262.2	261,184.6
Tax	(2,480.4)	(2,781.2)	(2,480.1)	(2,666.2)	<b>Total equity</b>	<b>55,933.0</b>	<b>62,413.0</b>	<b>67,990.0</b>	<b>74,122.5</b>
Minorities	--	--	--	--	<b>CAMEL ratios (%)</b>	<b>3/08</b>	<b>3/09E</b>	<b>3/10E</b>	<b>3/11E</b>
<b>Net profit</b>	<b>7,421.5</b>	<b>8,298.5</b>	<b>7,395.5</b>	<b>7,950.9</b>	C: Tier 1 capital ratio	--	--	--	--
Dividends	(1,553.2)	(1,554.3)	(1,554.3)	(1,554.3)	C: Equity/loans	28.1	28.5	27.7	27.7
Dividends payout (%)	20.2	18.7	21.0	19.5	C: Equity/assets	19.3	20.7	21.7	21.2
<b>Earnings growth drivers (%)</b>	<b>3/08</b>	<b>3/09E</b>	<b>3/10E</b>	<b>3/11E</b>	A: NPL ratio	0.1	0.2	0.2	0.2
Net interest margin	2.50	2.54	2.58	2.55	A: Loan loss reserves/NPLs	82.4	100.0	100.0	100.0
Provision charge/total loans	0.35	0.36	0.19	0.19	E: Net interest margin	2.50	2.54	2.58	2.55
<b>YoY Growth (%)</b>					E: Non int inc/oper revenues	55.34	51.17	45.63	46.53
Customer deposits	--	--	--	--	E: Cost-income ratio	18.6	22.5	28.6	30.9
Loans	43.0	9.8	12.1	9.3	E: ROAA	3.14	2.81	2.41	2.40
Net interest income	44.3	27.0	5.3	9.3	L: Loan/deposit ratio	NM	NM	NM	NM
Fee income	144.0	18.8	11.3	18.7	<b>Key CAMELOT assumptions</b>	<b>3/08</b>	<b>3/09E</b>	<b>3/10E</b>	<b>3/11E</b>
Non-interest income	132.4	7.4	(15.6)	13.4	GS CAMELOT implied P/B (X)	--	0.9	--	--
Operating revenue	82.6	16.1	(5.4)	11.2	GS CAMELOT implied P/E (X)	--	5.2	--	--
Operating expenses	(208.2)	(36.8)	(20.0)	(20.0)	Risk-free rate (%)	8.1	8.1	8.1	8.1
<b>Provision operating profit</b>	<b>66.6</b>	<b>11.2</b>	<b>(12.8)</b>	<b>7.7</b>	Equity risk premium (%)	6.0	6.0	6.0	6.0
Provision charges	300.2	11.6	(40.9)	11.0	CAMELOT beta (X)	--	1.1	--	--
Pretax profit	60.0	11.2	(10.8)	7.5	Risk-adjusted cost of equity (%)	--	14.7	--	--
Net profit	44.7	11.8	(10.9)	7.5	3-yr adjusted DPS CAGR (%)	--	0.0	--	--
EPS	30.7	8.1	(10.9)	7.5	Sustainable ROE estimate (%)	--	18.0	--	--
DPS	19.9	0.1	0.0	0.0	LT dividend payout estimate (%)	--	74.5	--	--
<b>Market dimensions</b>	<b>3/08</b>	<b>3/09E</b>	<b>3/10E</b>	<b>3/11E</b>	Ex-growth bond-equivalent P/B (X)	--	1.2	--	--
No of branches	--	--	--	--	<b>Loan portfolio (%)</b>	<b>3/08</b>	<b>3/09E</b>	<b>3/10E</b>	<b>3/11E</b>
No of staff (000)	--	--	--	--	Commercial & corporate	NM	NM	NM	NM
Revenues/staff (US\$)	NM	NM	NM	NM	Mortgages/home loans	NM	NM	NM	NM
Net profit/staff (US\$)	NM	NM	NM	NM	Consumer	NM	NM	NM	NM
<b>DuPont analysis (%)</b>	<b>3/08</b>	<b>3/09E</b>	<b>3/10E</b>	<b>3/11E</b>	<b>Valuation (current price)</b>	<b>3/08</b>	<b>3/09E</b>	<b>3/10E</b>	<b>3/11E</b>
ROE	17.4	14.0	11.3	11.2	P/E basic (X)	8.5	7.9	8.8	8.2
x leverage	18.0	20.0	21.2	21.5	P/B (X)	1.12	1.04	0.96	0.88
=ROA	3.14	2.81	2.41	2.40	P/PPOP (X)	6.1	5.5	6.3	5.8
<b>% of assets</b>	<b>3/08</b>	<b>3/09E</b>	<b>3/10E</b>	<b>3/11E</b>	Dividend yield (%)	2.4	2.4	2.4	2.4
Net interest income	2.50	2.54	2.57	2.61	EPS, basic (Rs)	5.95	6.41	5.71	6.14
Fee income	1.28	1.22	1.30	1.43	EPS, fully-diluted (Rs)	5.93	6.41	5.71	6.14
Non-interest income	3.10	2.66	2.16	2.27	EPS, basic growth (%)	30.4	7.7	(10.9)	7.5
Operating revenue	5.59	5.21	4.74	4.88	EPS, fully diluted growth (%)	30.7	8.1	(10.9)	7.5
Operating expenses	1.07	1.17	1.35	1.51	BVPS (Rs)	44.82	48.19	52.49	57.23
Provision operating profit	4.52	4.03	3.38	3.38	DPS (Rs)	1.20	1.20	1.20	1.20
Loan loss provisions	0.30	0.26	0.15	0.15					
Pretax profits	4.23	3.77	3.23	3.22					
Taxes	1.05	0.94	0.81	0.81					

Note: Last actual year may include reported and estimated data.  
Source: Company data, Goldman Sachs Research estimates.

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**Exhibit 1: Share Price performance versus peer group**

Prices as of the close on March 2, 2009

Company	Ticker	Primary analyst	Price currency	Price as of 03/02/09	Price performance since 11/20/08	3 month price performance	6 month price performance	12 month price performance
<b>Asia Pacific Banks Peer Group</b>								
Infrastructure Development Finance	IDFC.BO	Sampath S.K. Kumar	Rs	50.80	-10.2%	-2.6%	-47.0%	-74.0%
Axis Bank	AXBK.BO	Sampath S.K. Kumar	Rs	323.05	-20.4%	-24.7%	-57.5%	-68.3%
Bank Central Asia	BBCA.JK	Vincent Chang	Rp	2,300.00	-14.8%	-14.0%	-31.9%	-35.7%
Bank Danamon	BDMN.JK	Vincent Chang	Rp	2,525.00	27.8%	-1.0%	-54.1%	-67.0%
Bank Mandiri	BMRI.JK	Vincent Chang	Rp	1,700.00	26.9%	18.9%	-41.9%	-48.1%
Bank of Baroda	BOB.BO	Sampath S.K. Kumar	Rs	217.35	-16.3%	-10.8%	-27.5%	-40.6%
Bank of Beijing	601169.SS	Richard Xu, CFA	Rmb	10.19	9.7%	24.3%	8.9%	-38.7%
Bank of China (A)	601988.SS	Ning Ma	Rmb	3.21	-5.3%	2.6%	-10.1%	-42.2%
Bank of China (H)	3988.HK	Ning Ma	HK\$	2.09	3.5%	-10.7%	-37.2%	-37.4%
Bank of Communications (A)	601328.SS	Ning Ma	Rmb	5.37	7.0%	16.7%	-25.4%	-54.4%
Bank of Communications(H)	3328.HK	Ning Ma	HK\$	4.50	8.7%	-6.8%	-49.4%	-52.9%
Bank of East Asia	0023.HK	Roy Ramos	HK\$	15.00	7.9%	-4.5%	-51.5%	-64.9%
Bank Of Nanjing	601009.SS	Richard Xu, CFA	Rmb	11.36	21.5%	32.2%	20.2%	-30.5%
Bank of Ningbo	002142.SZ	Ning Ma	Rmb	8.69	20.0%	23.8%	8.6%	-52.4%
Bank Rakyat Indonesia	BBRI.JK	Vincent Chang	Rp	3,625.00	39.4%	16.9%	-42.0%	-49.7%
BOC Hong Kong (Holdings)	2388.HK	Roy Ramos	HK\$	7.60	-1.2%	-7.9%	-56.7%	-61.0%
Busan Bank	005280.KS	Philippa Rogers, CFA	W	4,985.00	-11.1%	-9.5%	-54.0%	-58.7%
Cathay Financial Holding Company	2882.TW	Vincent Chang	NT\$	26.10	-13.0%	-21.9%	-55.2%	-65.7%
Chang Hwa Commercial Bank	2801.TW	Vincent Chang	NT\$	9.63	-12.5%	-21.7%	-46.4%	-51.2%
China CITIC Bank (A)	601998.SS	Richard Xu, CFA	Rmb	4.32	0.2%	7.7%	-19.4%	-51.2%
China CITIC Bank (H)	0998.HK	Richard Xu, CFA	HK\$	2.69	15.9%	6.7%	-36.4%	-37.7%
China Construction Bank (A)	601939.SS	Ning Ma	Rmb	4.04	-7.8%	0.0%	-22.2%	-48.9%
China Construction Bank (H)	0939.HK	Ning Ma	HK\$	3.76	4.7%	-8.3%	-39.8%	-37.9%
China Everbright	0165.HK	Richard Xu, CFA	HK\$	8.50	19.4%	6.8%	-39.5%	-53.8%
China Merchants Bank (A)	600036.SS	Ning Ma	Rmb	14.62	9.6%	24.6%	-30.0%	-54.3%
China Merchants Bank (H)	3968.HK	Ning Ma	HK\$	11.06	-0.7%	-12.5%	-56.4%	-60.2%
China Minsheng Banking	600016.SS	Richard Xu, CFA	Rmb	4.66	0.9%	15.3%	-18.8%	-55.8%
Chinatrust Financial Holdings	2891.TW	Vincent Chang	NT\$	9.92	1.5%	-13.7%	-47.1%	-62.1%
Chong Hing Bank	1111.HK	Roy Ramos	HK\$	8.15	-13.1%	-12.5%	-57.1%	-51.0%
CITIC Securities	600030.SS	Richard Xu, CFA	Rmb	21.40	8.3%	5.9%	11.7%	-31.9%
Daegu Bank	005270.KS	Philippa Rogers, CFA	W	5,620.00	-10.1%	-14.1%	-55.0%	-56.8%
Dah Sing Banking Group	2356.HK	Roy Ramos	HK\$	4.62	-1.3%	-2.9%	-58.2%	-66.0%
Dah Sing Financial Holdings	0440.HK	Roy Ramos	HK\$	18.50	31.2%	15.6%	-61.3%	-67.9%
DBS Group Holdings	DBSM.SI	Roy Ramos	S\$	7.41	-6.2%	-6.4%	-52.5%	-50.4%
First Financial Holdings	2892.TW	Vincent Chang	NT\$	13.10	-5.1%	-13.5%	-43.2%	-53.2%
Fubon Bank (Hong Kong)	0636.HK	Vincent Chang	HK\$	1.78	-5.3%	-6.3%	-57.4%	-68.4%
Fubon Financial Holdings	2881.TW	Vincent Chang	NT\$	17.60	-1.9%	-9.3%	-32.4%	-49.2%
Haitong Securities	600837.SS	Richard Xu, CFA	Rmb	11.23	-15.6%	28.8%	-30.0%	-47.2%
Hana Financial Group	086790.KS	Philippa Rogers, CFA	W	17,500.00	25.9%	3.6%	-52.7%	-58.3%
Hang Seng Bank	0011.HK	Roy Ramos	HK\$	84.25	-2.8%	-16.0%	-44.9%	-43.9%
HDFC Bank	HDBK.BO	Sampath S.K. Kumar	Rs	845.65	2.8%	-4.5%	-37.0%	-41.8%
Hong Yuan Securities	000562.SZ	Richard Xu, CFA	Rmb	14.04	2.5%	-0.8%	3.8%	-52.5%
Housing Development Finance Corporation	HDFC.BO	Sampath S.K. Kumar	Rs	1,236.95	-4.1%	-11.1%	-49.4%	-55.9%
HSBC Holdings	0005.HK	Roy Ramos	HK\$	56.95	-24.7%	-27.9%	-53.7%	-52.8%
Hua Xia Bank	600015.SS	Ning Ma	Rmb	9.19	4.9%	23.2%	-11.2%	-46.3%
ICBC (Asia)	0349.HK	Roy Ramos	HK\$	7.29	9.1%	3.1%	-57.2%	-57.4%
ICICI Bank	ICBK.BO	Sampath S.K. Kumar	Rs	304.20	-5.0%	-6.0%	-57.4%	-72.1%
Indiabulls Financial Services	IBUL.BO	Sampath S.K. Kumar	Rs	92.20	1.9%	0.4%	-65.7%	-85.0%
Indian Overseas Bank	IOBK.BO	Sampath S.K. Kumar	Rs	44.05	-30.6%	-31.9%	-55.0%	-73.3%
Industrial and Commercial Bank of China	601398.SS	Ning Ma	Rmb	3.70	-9.3%	-1.6%	-21.1%	-43.3%
Industrial and Commercial Bank of China	1398.HK	Ning Ma	HK\$	3.08	-6.1%	-18.9%	-42.4%	-44.4%
Industrial Bank	601166.SS	Richard Xu, CFA	Rmb	18.12	16.9%	30.9%	-10.4%	-59.1%
Industrial Bank of Korea	024110.KS	Philippa Rogers, CFA	W	5,600.00	3.7%	-21.7%	-63.4%	-63.5%
KB Financial Group	105560.KS	Philippa Rogers, CFA	W	28,100.00	14.5%	0.4%	-49.7%	-52.3%
Korea Exchange Bank	004940.KS	Philippa Rogers, CFA	W	5,340.00	-0.9%	-24.4%	-61.4%	-59.7%
Kotak Mahindra Bank	KTKM.BO	Sampath S.K. Kumar	Rs	245.95	-15.6%	-24.9%	-62.2%	-69.3%
Mega Financial Holdings	2886.TW	Vincent Chang	NT\$	8.94	-0.1%	-17.6%	-52.9%	-60.0%
Oversea-Chinese Banking Corp.	OCBC.SI	Roy Ramos	S\$	4.16	-7.6%	-15.4%	-49.0%	-45.7%
Polaris Securities	2854.TW	Vincent Chang	NT\$	9.64	6.1%	-2.6%	-31.4%	-44.0%
Punjab National Bank	PNBK.BO	Sampath S.K. Kumar	Rs	324.85	-24.3%	-21.0%	-36.9%	-46.2%
Samsung Card	029780.KS	Philippa Rogers, CFA	W	24,600.00	-14.9%	-26.8%	-31.4%	-51.4%
Shanghai Pudong Development Bank	600000.SS	Ning Ma	Rmb	17.62	19.4%	46.0%	-12.2%	-45.6%
Shenzhen Development Bank	000001.SZ	Ning Ma	Rmb	14.00	33.1%	53.5%	-2.7%	-45.1%
Shin Kong Financial Holdings	2888.TW	Vincent Chang	NT\$	6.70	-10.9%	-21.2%	-59.1%	-69.5%
Shinhan Financial Group	055550.KS	Philippa Rogers, CFA	W	22,000.00	-13.8%	-24.1%	-52.1%	-55.8%
SinoPac Holdings	2890.TW	Vincent Chang	NT\$	5.49	-8.0%	-18.4%	-47.5%	-59.8%
Standard Chartered Bank	2888.HK	Roy Ramos	HK\$	71.50	-8.7%	-20.1%	-60.9%	-68.7%
State Bank of India	SBI.BO	Sampath S.K. Kumar	Rs	995.25	-8.9%	-4.3%	-34.6%	-52.8%
Taishin Financial Holdings	2887.TW	Vincent Chang	NT\$	4.61	3.8%	-17.4%	-51.2%	-68.6%
United Overseas Bank	UOBH.SI	Roy Ramos	S\$	9.25	-18.9%	-22.9%	-51.6%	-48.7%
Wing Hang Bank	0302.HK	Roy Ramos	HK\$	40.50	20.9%	7.1%	-51.8%	-64.8%
Woori Finance Holdings	053000.KS	Philippa Rogers, CFA	W	5,880.00	16.4%	-10.2%	-53.3%	-65.5%
Yuantia FHC	2885.TW	Vincent Chang	NT\$	11.90	3.9%	-7.0%	-32.8%	-57.7%
<b>India BSE30 Sensex</b>				<b>8,607</b>	<b>1.8%</b>	<b>-1.5%</b>	<b>-42.8%</b>	<b>-51.0%</b>

Note: Prices as of most recent available close, which could vary from the price date indicated above.

This table shows movement in absolute share price and not total shareholder return. Results presented should not and cannot be viewed as an indicator of future performance.

Source: Factset, Quantum database.

## Reg AC

I, Sampath S.K. Kumar, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

## Investment profile

The Goldman Sachs Investment Profile provides investment context for a security by comparing key attributes of that security to its peer group and market. The four key attributes depicted are: growth, returns, multiple and volatility. Growth, returns and multiple are indexed based on composites of several methodologies to determine the stocks percentile ranking within the region's coverage universe.

The precise calculation of each metric may vary depending on the fiscal year, industry and region but the standard approach is as follows:

**Growth** is a composite of next year's estimate over current year's estimate, e.g. EPS, EBITDA, Revenue. **Return** is a year one prospective aggregate of various return on capital measures, e.g. CROCI, ROACE, and ROE. **Multiple** is a composite of one-year forward valuation ratios, e.g. P/E, dividend yield, EV/FCF, EV/EBITDA, EV/DACF, Price/Book. **Volatility** is measured as trailing twelve-month volatility adjusted for dividends.

## Quantum

Quantum is Goldman Sachs' proprietary database providing access to detailed financial statement histories, forecasts and ratios. It can be used for in-depth analysis of a single company, or to make comparisons between companies in different sectors and markets.

## Disclosures

### Coverage group(s) of stocks by primary analyst(s)

Sampath S.K. Kumar: Asia Pacific Financials.

Asia Pacific Financials: Axis Bank, Bank Central Asia, Bank Danamon, Bank Mandiri, Bank of Baroda, Bank of China (A), Bank of China (H), Bank of Communications (A), Bank of Communications(H), Bank of East Asia, Bank of Ningbo, Bank Rakyat Indonesia, BOC Hong Kong (Holdings), Busan Bank, Cathay Financial, Chang Hwa Commercial Bank, China Construction Bank (A), China Construction Bank (H), China Merchants Bank (A), China Merchants Bank (H), Chinatrust Financial Holdings, Chong Hing Bank, Daegu Bank, Dah Sing Banking Group, Dah Sing Financial Holdings, DBS Group Holdings, First Financial Holdings, Fubon Bank (Hong Kong), Fubon Financial Holdings, Hana Financial Group, Hang Seng Bank, HDFC Bank, Housing Development Finance Corporation, HSBC Holdings, Hua Xia Bank, ICBC (Asia), ICICI Bank, Indiabulls Financial Services, Indian Overseas Bank, Industrial and Commercial Bank of China (A), Industrial and Commercial Bank of China (H), Industrial Bank of Korea, Infrastructure Development Finance Co., KB Financial Group, Korea Exchange Bank, Kotak Mahindra Bank, Mega Financial Holdings, Oversea-Chinese Banking Corp., Polaris Securities, Punjab National Bank, Samsung Card, Shanghai Pudong Development Bank, Shenzhen Development Bank, Shin Kong Financial Holdings, Shinhan Financial Group, SinoPac Holdings, Standard Chartered Bank, State Bank of India, Taishin Financial Holdings, United Overseas Bank, Wing Hang Bank, Woori Finance Holdings, Yuanta FHC.

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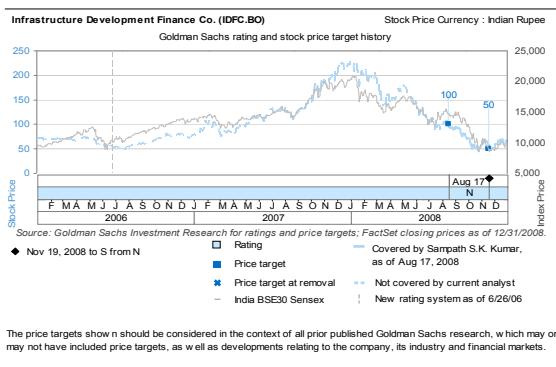
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Goldman Sachs Investment Research global coverage universe

	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	23%	56%	21%	54%	48%	40%

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### Price target and rating history chart(s)



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