

UBS Investment Research

Infrastructure Development Finance

Operationally good, dilution announced

■ Net profit up 88% off a low base; operationally sound quarter

Net profit (consolidated) for the quarter Rs 2.3 bn lower than estimated due to higher costs (staff and provisioning); however operationally, quarter was healthy with 1) further margin expansion 2) Strong outlook on disbursements and loan growth 3) fee income and asset quality holding up well. The company approved plans to raise up to Rs 35 bn through fresh equity in next 12 months.

■ Equity issuance necessary to gain scale in infrastructure lending

With infrastructure projects getting bigger in size and scale, net worth of the lender becomes a constraint due to restrictions on single group exposure. Also IDFC's investments in equity (principal/subsidiaries/venture capital ~50% of net worth) restrict the amount of capital available for lending; which in our view necessitates equity raising for growth in core business.

■ Expect strong asset growth ahead while spreads are likely at peak

Momentum in loan book during the quarter and strong sanctions growth suggest pace of loan growth will be strong; we expect 25% in FY11. NIMs have benefited from surplus liquidity at the short end; we expect it to contract with rising cost of funds. Fee income remains healthy with IB and AMC related fees bouncing back. Asset quality remains in good shape and overall loan reserve to loans is at 1.8%.

■ Valuation: Raising estimates, raising PT, Maintain Sell

On back of FY10 actual and higher growth expectations in FY11/12 we are raising our FY11/12 EPS estimate by 9%/8% respectively and raise our PT to 145 (higher standalone valuation). We are currently not factoring the dilution. Maintain SELL

Highlights (Rsm)	03/09	03/10	03/11E	03/12E	03/13E
Revenues	12,432	16,469	17,707	20,206	23,684
Pre-tax profits	9,649	13,172	14,039	15,805	18,476
Net income	7,359	10,129	10,600	11,933	13,949
EPS (UBS, Rs)	5.68	7.79	8.15	9.17	10.73
Net DPS (UBS, Rs)	1.20	1.50	1.57	1.77	2.07

Profitability & Valuation	5-yr hist av.	03/10	03/11E	03/12E	03/13E
ROE %	-	15.8	14.7	14.7	15.3
P/Op x	-	12.4	13.9	12.2	10.4
P/BVPS x	-	2.6	2.8	2.5	2.2
PE (UBS) x	-	17.8	20.2	17.9	15.3
Net dividend yield %	-	1.1	1.0	1.1	1.3

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs164.55 on 27 Apr 2010 23:39 HKT

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Global Equity Research

India

Diversified Financial

12-month rating **Sell**
Unchanged

12m price target **Rs145.00/US\$3.27**
Prior: Rs132.00/US\$2.98

Price **Rs164.55/US\$3.71**

RIC: IDFC.BO BBG: IDFC IB

27 April 2010

Trading data (local/US\$)

52-wk range	Rs177.40-67.80/US\$3.92-1.34
Market cap.	Rs214bn/US\$4.83bn
Shares o/s	1,301m (ORD)
Free float	99%
Avg. daily volume ('000)	2,138
Avg. daily value (Rsm)	352.3

Balance sheet data 03/11E

Common equity	Rs76.4bn
P/BVPS x	2.8
Tier one capital ratio	17.5%

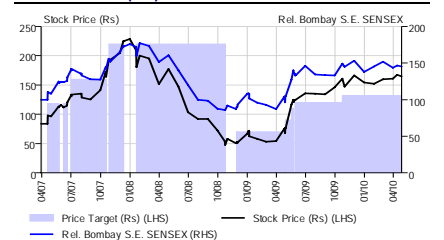
Forecast returns

Forecast price appreciation	-11.9%
Forecast dividend yield	0.7%
Forecast stock return	-11.2%
Market return assumption	12.8%
Forecast excess return	-24.0%

EPS (UBS, Rs)

	03/11E		Cons.	03/10 Actual
	From	To		
Q1E	1.86	2.04	-	1.95
Q2E	1.86	2.04	-	1.95
Q3E	1.86	2.04	-	1.95
Q4E	1.86	2.04	-	1.95
03/11E	7.45	8.15	7.46	
03/12E	8.51	9.17	8.51	

Performance (Rs)

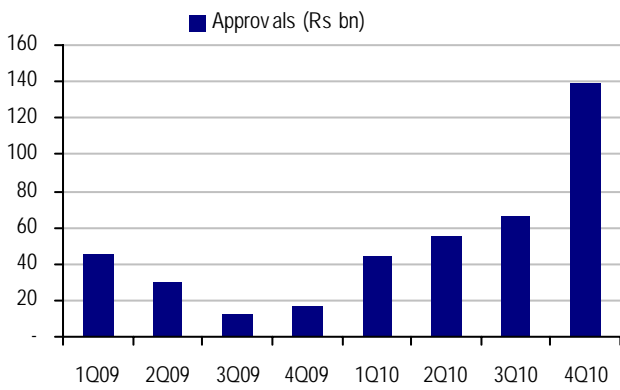


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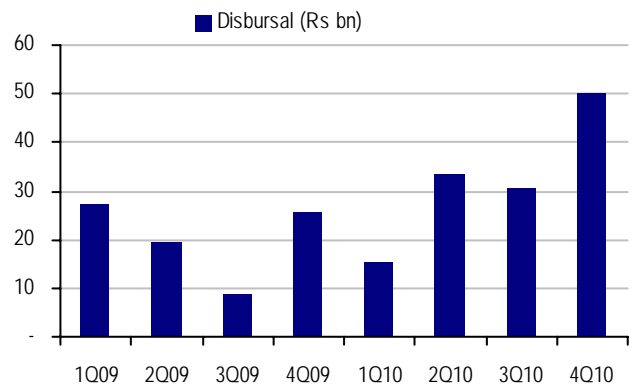
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Chart 1: Approvals have picked up sharply



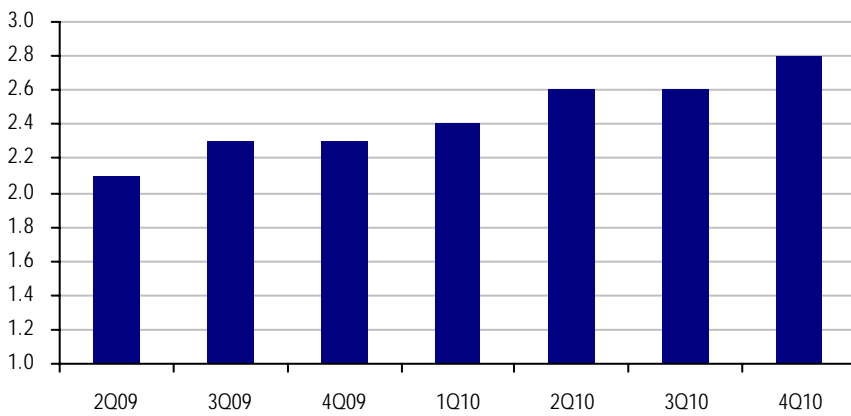
Source: Company

Chart 2: which augurs well for disbursements going forward



Source: Company

Chart 3: 12 month rolling spreads

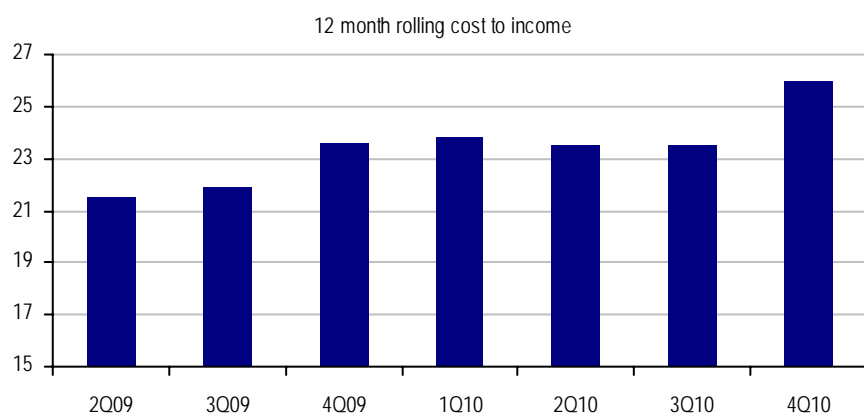


Source: Company

Spreads have benefitted from surplus liquidity at the short end; we believe margins are at peak this quarter and are likely to come under pressure as cost of funds rise

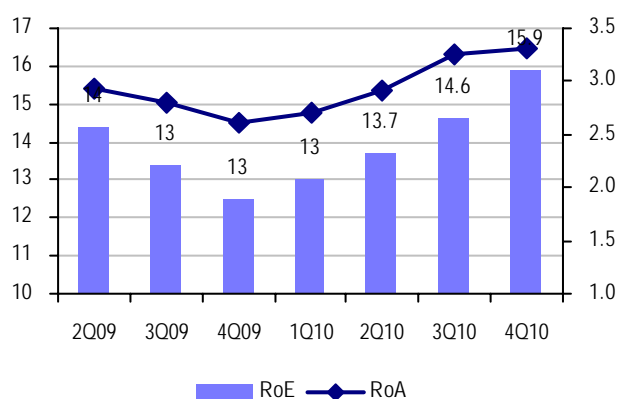
Chart 4: Operating costs spiked on account of higher wages

Cost to income for the quarter alone was 44% due to bunching up of wage/bonus provisions in the last quarter.



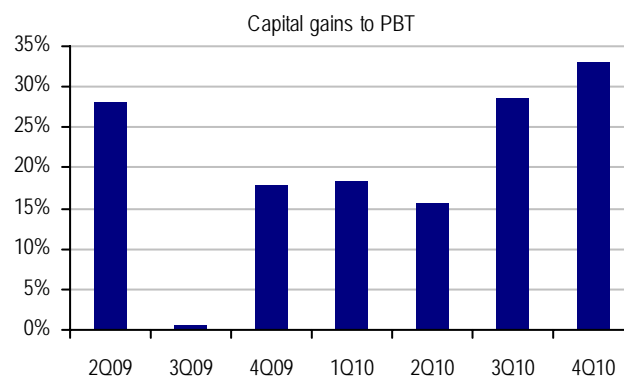
Source: Company

Chart 5: 12 month rolling RoA & RoE



Source: Company

Chart 6: Strong contribution from capital gains



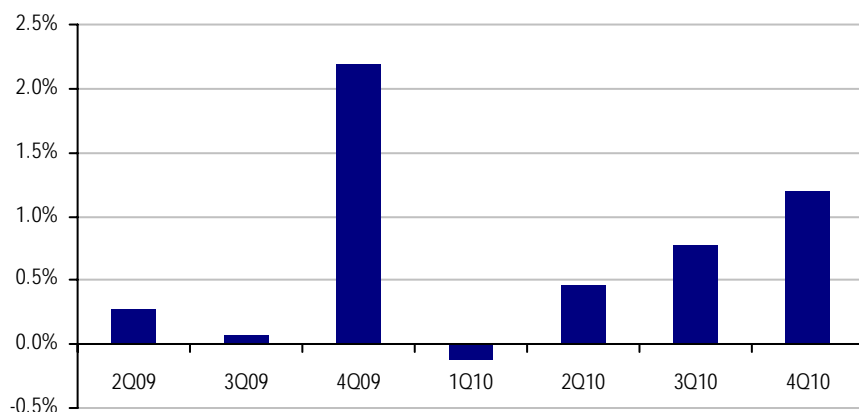
Source: Company

Table 1: Fee income momentum remains strong

(Rs mn)	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Fees and advisory	980	1,310	720	1,270	1,500	1,640	1,330	1,700
Asset management	170	600	480	780	720	690	680	810
IDFC SSKI / Investment banking	360	370	130	290	350	630	340	510
Advisory and other fees	450	340	110	200	430	320	310	380

Source: Company

Chart 7: Provisioning to BOP loans



The company utilized the strong revenue generation to make standard provisions. Loan reserve ratio stands at 1.8% or 6x of current gross NPAs

Source: Company, UBS estimates

Table 2: IDFC (Standalone) quarterly income statement (Rs Mn)

	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	YoY growth (%)
Total Income	8,115	8,420	7,944	8,680	8,779	8,968	8,812	9,413	8
Operating Income	8,097	8,352	7,913	8,702	8,756	8,825	8,808	9,311	7
Other Income	18	68	31	(23)	23	142	5	102	(546)
Interest and Other Charges	4,863	5,215	5,298	5,420	5,265	5,117	4,783	4,337	(20)
Net operating income	3,253	3,273	2,646	3,260	3,514	3,850	4,030	5,076	56
Net operating inc excl cap gains	2,613	2,383	2,636	2,960	2,834	3,240	2,980	4,086	38
Infr + treasury income	2,130	1,990	2,580	2,520	2,440	2,770	2,790	3,170	26
Net interest income on infr	1,770	1,790	2,070	1,950	2,190	2,520	2,600	2,900	49
Treasury	360	200	510	570	250	250	190	270	(53)
Fees and advisory	450	340	110	200	430	320	310	380	90
Dividend/other income	33	53	(54)	240	(36)	150	(120)	536	124
Profit on sale of equity	640	890	10	300	680	610	1,050	990	230
Total Expenditure	554	445	161	1,420	202	504	746	1,518	7
Staff Expenses	195	195	113	150	164	150	169	556	272
Other Expenses	161	106	66	101	98	114	154	260	159
Provisions and Contingencies	198	143	(17)	1,170	(61)	240	423	702	(40)
PBDT	2,699	2,828	2,485	1,839	3,312	3,347	3,283	3,558	93
Depreciation	45	50	51	56	77	79	87	85	51
Profit before Tax	2,654	2,778	2,434	1,783	3,235	3,267	3,197	3,473	95
Provision for Tax	607	674	707	303	800	760	795	688	127
Profit after Tax	2,047	2,104	1,727	1,481	2,435	2,507	2,402	2,785	88
YoY (%)	22	17	(13)	20	19	19	39	88	

Source: Company data

Table 3: IDFC (Consolidated) quarterly income statement (Rs Mn)

	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	YoY growth (%)
Total Income	8,705	9,465	8,653	9,545	9,946	10,344	9,979	10,333	8
Operating Income	8,686	9,397	8,620	9,561	9,923	10,198	9,974	10,238	7
Other Income	19	68	33	(16)	23	145	5	95	(701)
Interest and Other Charges	4,867	5,219	5,306	5,420	5,267	5,121	4,785	4,362	(20)
Net operating income	3,839	4,246	3,346	4,125	4,679	5,223	5,194	5,971	45
Total Expenditure	918	1,019	638	2,383	865	1,241	1,409	2,860	20
Staff Expenses	467	488	328	489	494	576	557	1,446	196
Other Expenses	252	383	277	743	437	423	427	717	(3)
Provisions and Contingencies	199	148	34	1,151	(66)	242	424	697	(39)
PBDT	2,920	3,226	2,708	1,743	3,814	3,982	3,785	3,112	79
Depreciation	49	58	58	73	95	98	107	105	43
Profit before Tax	2,871	3,169	2,650	1,669	3,718	3,884	3,679	3,007	80
Provision for Tax	685	833	810	454	973	975	979	738	63
Profit after Tax	2,186	2,336	1,840	1,216	2,745	2,908	2,700	2,269	87
YoY(%)	19	18	(17)	(18)	26	24	47	87	
Profit after Tax (incl minorities share/ after minority share)	2,160	2,323	1,846	1,162	2,724	2,918	2,699	2,264	95

	1Q09	2Q09	3QFY09	4Q09	1Q10	2Q10	3Q10	4Q10	YoY growth (%)
Other key details									
Gross approvals (Rs bn)	45	29	12	17	44	55	66	139	735
Gross disbursements (Rs bn)	27	19	9	26	15	34	31	50	95
YoY(%)	12	(21)	(76)	(29)	(44)	75	257	95	
Loan book (Rs bn)	215	214	210	210	211	220	235	250	19
YoY(%)	46	27	9	(2)	(2)	3	12	19	
Borrowings - o/s (Rs bn)	238	229	238	236	243	252	242	265	12
Capital adequacy									
CAR (%)	20.4	22.1	22.1	23.8	NA	21.7	NA	20.5	
Tier I	17.7	18.9	18.9	20.0	NA	NA	NA	18.5	
Tier II	2.7	2.7	3.2	3.7	NA	NA	NA	2.0	

Source: Company data

Table 4: Earnings estimate change (Rs Mn)

	FY2010E (Standalone)			FY2011E (Standalone)			FY2012E (Standalone)			YoY growth (%)		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)	FY10E	FY11E	FY12E
Net interest income	10,476	11,427	9.1	10,932	12,466	14.0	12,940	14,505	12.1	42	9	16
NIM (%)	3.37	3.63		3.02	3.41		3.06	3.30				
Infrastructure loans	242,994	250,270	3.0	294,381	312,187	6.0	355,069	381,742	7.5	22	25	22
Loan loss provisions	556	1,304	134.5	1,051	1,406	33.8	1,576	1,735	10.1	(13)	8	23
Other income	4,459	4,770	7.0	4,715	4,969	5.4	5,435	5,429	(0.1)	14	4	9
Fee income	1,446	1,440	(0.4)	1,972	1,969	(0.2)	2,365	2,429	2.7	40	37	23
Treasury income	2,000	3,330	66.5	2,700	3,000	11.1	3,000	3,000	-	5	(10)	-
Operating expenses	1,613	1,994	23.6	1,875	2,261	20.6	2,226	2,666	19.7	55	13	18
Employee expenses	754	1,039	37.8	888	1,179	32.9	1,091	1,424	30.5	59	14	21
PBT	11,877	13,172	10.9	12,789	14,039	9.8	14,600	15,805	8.3	37	7	13
Tax	2,910	3,043	4.6	3,133	3,440	9.8	3,577	3,872	8.3	33	13	13
Net profit	8,967	10,129	13.0	9,656	10,600	9.8	11,023	11,933	8.3	38	5	13
PBT-treasury+provisions	10,648	10,874	2.1	11,408	12,174	6.7	13,620	14,268	4.8	39	12	17
EPS	6.90	7.79	12.87	7.45	8.15	9.39	8.50	9.17	7.94	37.1	4.6	12.6
BVPS	52	52	1.4	57	59	2.5	64	66	3.3	13	12	12

Source: UBS estimates

Table 5: IDFC (fair value estimate using sum of the parts)

	AUM (Rs mn)	Valuation (Rs mn)	Value per share (Rs)	Comments
IDFC (standalone)		133,070	102.8	Residual income model, 2.1X PBR
IDFC (India Development fund)	8,440	2,532	2.0	30% of US\$200 mn
IDFC (Private equity II)	19,880	2,982	2.3	15% of AUM
IDFC (Private equity III)	31,600	4,740	3.7	15% of AUM
IDFC (Project equity)	38,370	5,756	4.4	15% of AUM
IDFC investment advisors (PMS)	2,970	446	0.3	15% of AUM
IDFC MF	265,000	13,250	10.2	5% of AUM
IDFC SSKI		15,761	12.2	20X FY2011E PAT
IDFC's investment in NSE		7,781	6.0	25% discount to the last transacted value
Total		186,317	144	

Source: UBS estimates

Table 6: Regional valuation summary

Company	Rating	Price 27-Apr-10	PT 12 m PT	Upside (%)	UBSe EPS 2010E	UBSe EPS 2011E	UBSe EPS growth 2010E	2011E	PE 2010E	2011E	PIBV 2009E	ROE(%) 2010E	Div. yield (%) 2010E	Div. Payout(%) 2010E	LLR/Loan (%) 2009E	2009E	Tier 1 Ratio (%) 2009E	Market cap (US\$)	Avg. vol. (USm)	
China(Banks)																				
ICBC-H	B	5.8	8.0	38	0.49	0.51	28%	4%	10.4	10.0	2.5	22.5	4.1	43	1.5	2.5	9.9	249.1	232	
CCB-H	B	6.3	8.1	28	0.55	0.61	20%	12%	10.1	9.1	2.3	21.5	3.9	40.0	1.5	2.6	9.3	189.9	292	
BOC-H	B	4.0	5.6	39	0.39	0.44	27%	13%	9.2	8.1	1.8	18.1	4.6	42.8	1.8	2.1	8.7	132.3	188	
BCOM	R	9.2	n.a.	n.a.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	57.9	63
CMB-H	N	18.9	22	16.2	1.15	1.39	21%	21%	14.5	12.0	3.4	21.9	1.7	25.0	0.8	2.0	6.6	52.6	87	
Citic Bank	N	5.3	6.9	30	0.43	0.51	25%	18%	10.9	9.2	1.8	16.7	2.5	26.9	1.0	1.5	8.8	26.6	33	
Minsheng - H	B	8.3	11	32	0.66	0.88	22%	33%	11.0	8.3	1.8	15.5	1.4	15.0	0.8	1.7	8.9	23.8	24	
ICBC-A	B	4.5	9.4	111	0.49	0.51	28%	4%	9.1	8.7	2.2	22.5	4.7	43.0	1.5	2.5	9.9	218.3	93	
CCB-A	B	5.1	9.6	88	0.55	0.61	20%	12%	9.3	8.3	2.1	21.5	4.3	40.0	1.5	2.6	9.3	174.6	68	
BOC-A	B	4.0	5.5	36	0.40	0.46	27%	13%	10.0	8.8	2.0	18.8	4.4	43.5	1.8	2.7	8.7	150.4	36	
BCOM - A	R	7.0	n.a.	n.a.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50.2	66
CMB-A	B	13.8	24.5	78	1.15	1.39	21%	21%	12.0	9.9	2.8	21.9	2.1	25.0	0.8	2.0	6.6	43.7	218	
CITIC Bank - A	S	5.9	6.8	15	0.43	0.51	25%	18%	13.7	11.6	2.3	16.7	2.0	26.9	1.0	1.5	9.5	33.7	44	
CN Minsheng	B	6.7	10.4	54	0.66	0.88	22%	33%	10.2	7.7	1.7	15.5	1.5	15.0	0.8	1.7	8.9	18.6	152	
Industrial Bank	R	28.9	n.a.	n.a.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21.1	160
SPDB	B	20.1	25.0	24	1.84	2.15	23%	17%	11.0	9.3	2.6	21.6	0.9	10.0	0.9	1.9	6.8	26.0	178	
SZDB	B	19.9	39.4	98	1.73	2.34	10%	36%	11.5	8.5	2.9	21.8	1.7	20.0	0.7	1.0	5.2	9.0	120	
Hua Xia Bank	S	12.7	10.1	-21	0.63	0.76	-7%	21%	20.3	16.8	2.1	10.9	1.0	20.0	1.5	2.5	6.2	9.3	68	
Hong Kong(Foreign)																				
HSBC Holdings	B	81.5	91	12	5.39	7.98	-5%	48%	15.1	10.2	1.3	10.3	3.7	56.4	4.9	2.9	10.8	181.6	246	
Standard Chart.	N	210	232	10	16.7	19.80	21%	19%	12.6	10.6	2.0	15.0	2.2	32.3	2.0	1.4	11.5	54.5	12	
Hong Kong(Local)																				
Hang Seng Bank	S	107	99	-8	7.57	8.59	12%	13%	14.2	12.5	3.8	25.7	4.9	68.7	0.7	0.6	12.8	26.4	29	
BOCHK	N	19.2	19.8	3	1.47	1.62	25%	11%	13.1	11.9	2.0	14.7	5.0	66.2	0.3	0.4	11.6	26.2	35	
BEA	N	28.5	30	5	1.54	1.69	25%	10%	18.5	16.8	1.7	9.1	3.2	58.3	0.9	0.5	9.4	7.4	10	
Dah Sing Financials	B	44.9	47	5	3.65	3.77	143%	3%	12.3	11.9	1.1	8.8	0.0	0.0	0.8	1.1	10.2	1.5	2	
Wing Hang	N	78.6	78.5	0	5.86	6.19	55%	6%	13.4	12.7	2.1	14.5	1.4	18.8	0.5	0.3	10.7	3.0	6	
Taiwan																				
Cathay FHC	B	52.0	72.4	39	2.02	2.10	49%	4%	25.7	24.7	3.2	12.2	1.9	50.0	0.6	0.5	9.6	16.2	32	
Fubon FHC	N	38.6	41.6	8	2.33	2.46	-3%	6%	16.5	15.7	1.6	9.8	4.0	66.0	0.6	0.4	10.0	9.5	17	
Mega FHC	N	18.4	19.8	8	1.32	1.40	3%	6%	13.9	13.2	1.1	8.0	5.4	75.0	1.0	0.9	9.4	6.5	10	
Chinatrust	N	18.0	19.9	11	1.04	1.28	605%	23%	17.3	14.0	1.5	9.1	2.9	50.0	1.6	1.5	10.4	4.8	16	
First FHC	N	17.9	17.6	-1	1.13	1.26	152%	11%	15.8	14.1	1.1	6.9	3.2	50.0	1.3	1.1	7.5	3.5	9	
SinoPac FHC	S	11.1	11	-1	0.44	0.71	240%	60%	25.1	15.7	0.9	3.7	2.0	50.0	0.9	0.8	9.2	2.5	8	
Taishin FHC	S	12.6	12.04	-4	0.64	0.63	-50%	-2%	19.5	20.0	1.1	4.9	2.6	50.0	1.3	1.3	6.8	2.3	8	
F. Sun FHC	N	13.9	14.0	1	0.66	0.90	32%	35%	21.0	15.5	1.0	5.1	2.5	53.2	0.7	0.6	7.8	1.6	4	
Korea(Bank)																				
KB FG	B	56500	73000	29	5689.44	6556.39	282%	15%	9.9	8.6	1.1	10.8	3.0	30.0	1.7	1.8	10.8	19.7	96	
Shinhan FG	B	48750	53000	9	4566.00	5368.64	104%	18%	10.7	9.1	1.4	12.6	1.4	15.0	1.0	2.1	7.9	20.8	78	
Woori FG	B	18000	23000	28	2751.16	3529.09	116%	28%	6.5	5.1	1.1	15.0	0.7	4.6	1.4	2.0	8.2	13.1	131	
Hana FG	B	35700	45000	26	4653.09	5091.74	219%	9%	7.7	7.0	0.8	9.2	0.8	6.3	1.1	1.6	8.6	6.8	49	
KEB	B	14000	17000	21	1338.43	1453.42	-3%	9%	10.5	9.6	1.1	10.4	2.0	20.7	1.0	1.6	11.0	8.1	27	
IBK	B	15800	20000	27	2572.42	2866.68	119%	11%	6.1	5.5	1.0	15.8	1.9	11.4	1.2	1.9	8.5	7.7	25	
Daegu Bank	B	15450	24000	55	2222.04	2572.62	72%	16%	7.0	6.0	1.2	15.4	4.3	30.0	1.2	1.8	10.7	1.8	8	
Busan Bank	B	12100	18000	49	1737.61	1769.04	32%	2%	7.0	6.8	1.1	14.3	4.3	30.0	1.1	1.5	10.4	2.0	16	
Japan(Banks)																				
Mitsubishi UFJ	N	509	510	0	31.5	33.42	43%	6%	16.2	15.2	0.9	5.2	2.4	38.1	2.6	1.3	7.8	77.6	438	
Mizuho FG	N	184	200	9	11.38	13.39	-8%	18%	16.2	13.7	0.9	6.3	3.3	52.7	2.7	1.2	6.4	32.2	261	
Sumitomo Mitsui	-	3235	3700	14	237.3	259.7	12%	9%	13.6	12.5	1.0	6.9	2.8	37.9	3.4	1.7	8.2	48.7	462	
Sumitomo Trust	B	590	630	7	36.8	43.76	10%	19%	16.0	13.5	1.0	5.9	2.0	32.6	2.3	1.5	7.6	11.2	55	
Chuo Mitsui Trust	B	369	430	17	22.0	29.19	10%	33%	16.8	12.6	1.0	5.6	1.9	31.9	1.6	0.7	8.7	6.5	21	
Singapore																				
DBS	B	15.6	18.5	19	1.28	1.46	43%	14%	12.2	10.7	1.5	11.1	3.9	47.0	3.0	2.2	13.2	25.9	61	
UOB	N	20.1	21.5	7	1.63	1.85	37%	13%	12.3	10.9	1.8	14.0	3.3	41.0	2.7	2.9	14.0	23.1	39	
OCBC	B	8.81	10.2	16	0.69	0.74	13%	7%	12.7	11.9	1.7	12.4	3.7	46.4	1.8	1.8	16.0	20.1	27	
Malaysia																				
Malayan Banking	B	7.49	8.40	12	0.58	0.70	380%	22%	13.0	10.6	2.1	13.0	3.2	50.0	3.5	3.9	11.0	16.6	18	
Public Bank	B	12.0	14.3	19	0.84	1.05	14%	25%	14.3	11.5	3.8	24.3	3.1	45.0	1.0	1.7	10.5	13.3	7	
CIMB	N	14.3	15.3	7	1.04	1.23	30%	19%	13.8	11.6	2.5	16.8	1.4	19.3	5.0	4.5	13.1	15.1	29	
Hong Leong Bank	S	8.74	7.50	-14	0.63	0.68	0%	9%	13.9	12.8	2.4	15.0	2.1	28.7	2.2	2.4	15.9	4.3	2	
AMMB Holdings	S	5.04	4.90	-3	0.35	0.39	9%	13%	14.6	12.9	1.8	11.6	1.5	21.4	4.1	3.1	9.7	4.3	6	
RHB Capital	B	6.1	6.60	8	0.57	0.62	2%	10%	10.8	9.8	1.5	13.6	2.8	30.2	3.8	3.2	10.6	4.1	4	
Alliance Fin.	N	3.05	2.95	-3	0.16	0.23	8%	44%	19.0	13.2	1.7	8.8	1.7	32.8	4.5	4.5	10.4	1.5	2	
Thailand																				
Bangkok Bank	B	117.5	167	42	12.8	14.16	17%	11%	9.2	8.3	1.1	11.8	3.4	31.3	4.9	5.7	12.6	7.0	31	
SCB	B	82.0	115	40	7.20	8.24	18%	14%	11.4	10.0	2.0	16.3	3.0	34.7	4.8	4.2	12.3	8.6	36	
Kasikornbank	B	90.8	117	29	8.20	9.97	31%	22%	11.1	9.1	1.6	14.8	2.8	30.5	3.9	3.6	10.3	6.7	39	
Krung Thai Bank	B	12.6	12.3	-3	1.34	1.52	23%	13%	9.4	8.3	1.3	12.8	3.2	29.8	7.9	3.8	10.0	4.4	33	
Siam City Bank	Sp	32.0	n.a.	n.a.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.1	9
BAY	N	19.4	22.3	15	1.62	2.00	48%	23%	12.0	9.7	1.3	10.2	1.7	20.3	8.6	6.3	11.6	3.7	15	
TISCO	B	25.5	34	33	3.45	3.32	25%	-4%	7.4	7.7	1.5	18.9	4.9	35.9	2.5	1.9	12.5	0.6	2	
Indonesia																				
BCA	S	5700	500																	

Table 7: Recent publications

	Recent Reports	Analyst
26-Apr	ICICI Bank: Stable quarter (Buy)	Vishal Goyal, CFA
26-Apr	HDFC Bank: Predictably stable and sound (Neutral)	Vishal Goyal, CFA
23-Apr	Samsung Card: Q110 earnings were in line (Neutral)	Scott Lee
22-Apr	Thai Banks: ROE recovery on track to meet 14%	Butsakon Khoosuwan
21-Apr	Busan Bank: Q110 results were mixed (Buy)	Scott Lee
21-Apr	India Banking & Finance Sector: Looking beyond Q1	Vishal Goyal, CFA
21-Apr	Taiwanese Financials: It's dividend time	Pandora Lee
20-Apr	AXIS Bank: A strong quarter (Buy)	Vishal Goyal, CFA
20-Apr	Bursa Malaysia: Uninspiring performance: reiterate Sell (Sell)	Khairul Rifaie
20-Apr	TISCO Financial Group: Sustainable ROE expansion not priced in (Buy)	Butsakon Khoosuwan
20-Apr	China Insurance Sector: '20/20' life premium growth potential intact	Kenneth Lo
19-Apr	Ping An Insurance: Robust FY09 aided by accounting changes (Neutral)	Kenneth Lo
16-Apr	Hana Financial group: Q110 results were encouraging (Buy)	Scott Lee
16-Apr	Singapore Exchange: Q3 earnings 4% below our forecast (Buy)	Jaj Singh
15-Apr	Public Bank: Delivering superior ROE (Buy)	Khairul Rifaie
15-Apr	Taiwanese Financials: Is tax cut simply a positive? Probably not	Pandora Lee
14-Apr	IGB Corporation: Limited upside in the near term (Neutral)	Khairul Rifaie
14-Apr	Chinatrust Financial Holding: Fully valued on a diluted basis (Neutral)	Pandora Lee
13-Apr	Global Insurance: Catching the Global Insurance M&A Waves	Kenneth Lo
13-Apr	AXIS Bank: Well placed (Buy)	Vishal Goyal, CFA
12-Apr	Korea Banks: We switch our top pick from Woori to IBK	Scott Lee
8-Apr	KGI Securities: Market volatility weighed on earnings (Buy)	Noel Chan
8-Apr	China Life Insurance: FY09 inline amidst accounting changes (Buy)	Kenneth Lo
7-Apr	Bank Danamon Indonesia: Fully valued for an M&A (Sell)	Joshua Tanja, CFA
7-Apr	Bank of India: Taking stock (Buy)	Ajitesh Nair
6-Apr	Thai Banks: Revisiting positive impact from rate hikes	Butsakon Khoosuwan
5-Apr	Korea Banks: It's already the third round of restructuring	Scott Lee
5-Apr	Hong Leong Bank: Acquisition likely to be completed (Sell)	Khairul Rifaie
1-Apr	Bank Rakyat Indonesia: Our top pick (Buy)	Joshua Tanja, CFA
1-Apr	Singapore Banks: Downgrade UOB to Neutral	Jaj Singh
1-Apr	Wing Hang Bank: Active balance sheet management (Neutral)	Stephen Andrews, CFA
31-Mar	SinoPac Financial Holding: Not out of the woods yet (Sell)	Noel Chan
31-Mar	Korea Banks: Banks should gain from Samsung Life IPO	Scott Lee
31-Mar	Bank of Communications: Big step up in Q4 net interest margin (Neutral)	Stephen Andrews, CFA
29-Mar	China Construction Bank: Solid progress (Buy)	Stephen Andrews, CFA
26-Mar	Korea Banks: We see no signs pointing to poor Q110E earnings yet	Scott Lee
26-Mar	Dah Sing Finan'l: Turnaround story that is yet to turn around (Buy)	Stephen Andrews, CFA
25-Apr	ICBC: Solid FY09 & more details on capital plans (Buy)	Stephen Andrews, CFA
24-Mar	DBS Group Holdings Ltd: A new Chairman, a new license? (Buy)	Jaj Singh
24-Mar	Bank of China (Hong Kong): Normalised EPS Vs 2010E EPS (Neutral)	Stephen Andrews, CFA
24-Mar	Bank of China: Strong 2009 results on investment securities write-backs & low credit costs (Buy)	Steve Ho
23-Mar	Cathay FHC: Should we worry about low reported yield? (Buy)	Pandora Lee
22-Mar	India Banking & Finance Sector: RBI hikes repo, reverse repo by 25 bps	Vishal Goyal, CFA
18-Mar	Woori Finance Holdings: A block sale and a buyback might come together at the same time (Buy)	Scott Lee
17-Mar	Taiwan Financial: Who is qualified to invest in China?	Pandora Lee
16-Mar	Taishin FHC: Looks fully valued (Sell)	Pandora Lee

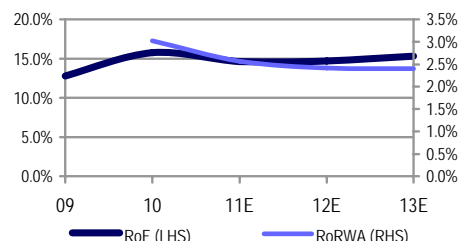
Source: UBS

Infrastructure Development Finance

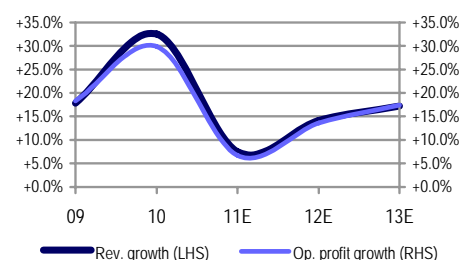
Per share (Rs)	3/09	3/10	3/11E	3/12E	3/13E
EPS (stated)	5.68	7.79	8.15	9.17	10.73
EPS (UBS adjusted)	5.68	7.79	8.15	9.17	10.73
GOPS	8.60	11.13	11.88	13.49	15.83
DPS	1.20	1.50	1.57	1.77	2.07
BVPS (stated)	46.55	52.46	58.78	65.88	74.19
BVPS (adjusted)	37.49	43.44	49.75	56.86	65.17
Profit & Loss (Rsm)					
Net interest income	8,051	11,427	12,466	14,505	17,680
Other income	4,381	5,042	5,241	5,701	6,004
Total revenues	12,432	16,469	17,707	20,206	23,684
Expenses	(1,288)	(1,994)	(2,261)	(2,666)	(3,098)
Operating profit	11,144	14,476	15,446	17,540	20,586
Provisions and other items	(1,495)	(1,304)	(1,406)	(1,735)	(2,110)
Profit before tax	9,649	13,172	14,039	15,805	18,476
Pre-exceptional net income	7,359	10,129	10,600	11,933	13,949
Capital dynamics (Rsm)					
Risk-weighted assets	297,174	372,831	451,524	534,081	629,169
Tier one capital	59,554	68,974	78,914	90,434	103,355
Total capital	66,306	75,726	85,666	97,187	110,108
Tier one ratio	20.0%	18.5%	17.5%	16.9%	16.4%
Total capital ratio	22.3%	20.3%	19.0%	18.2%	17.5%
Net profit after tax	7,359	10,129	10,600	11,933	13,949
<i>Tier 1 requirement</i>					
Less: Working capital requirement					
Less: Dividends	1,752	2,281	2,387	2,687	3,141
Surplus capital generated					
Surplus capital generation ratio					
Balance sheet (Rsm)					
Assets	304,526	333,460	405,820	480,994	567,665
Customer loans	205,918	250,270	312,187	381,742	462,361
Customer deposits	0	0	0	0	0
Funds under management					
Loans : assets	67.6%	75.1%	76.9%	79.4%	81.4%
Deposits : assets	0.0%	0.0%	0.0%	0.0%	0.0%
Loans : deposits					
Shareholders funds : assets	19.80%	20.46%	18.84%	17.82%	17.00%
Asset quality (Rsm)					
Non-performing assets	825	797	1,530	1,948	2,265
Total risk reserves	825	797	1,530	1,948	2,265
NPLs : loans	0.40%	0.32%	0.49%	0.51%	0.49%
NPL coverage	100%	100%	100%	100%	100%
Provision charge : average loans	0.74%	0.57%	0.50%	0.50%	0.50%
Net NPLs : shareholders' funds	0.0%	0.0%	0.0%	0.0%	0.0%
Profitability					
Net interest margin (avg assets)	2.73%	3.58%	3.37%	3.27%	3.37%
Provisions : operating profit	13.4%	9.0%	9.1%	9.9%	10.3%
RoE	12.8%	15.8%	14.7%	14.7%	15.3%
RoAdjE					
RoRWA		3.02%	2.57%	2.42%	2.40%
RoA	2.49%	3.18%	2.87%	2.69%	2.66%
Productivity					
Cost : income ratio	10.4%	12.1%	12.8%	13.2%	13.1%
Costs : average assets	0.4%	0.6%	0.6%	0.6%	0.6%
Compensation expense ratio	5.5%	6.7%	7.1%	7.5%	7.5%
Momentum					
Revenue growth	+17.8%	+32.5%	+7.5%	+14.1%	+17.2%
Operating profit growth	+18.3%	+29.9%	+6.7%	+13.6%	+17.4%
Net profit growth	+10.0%	+37.6%	+4.6%	+12.6%	+16.9%
Dividend growth	-0.1%	+24.9%	+4.6%	+12.6%	+16.9%
Value*					
UBS bank valuation					
Leveraged P/E					
Risk tendency P/E					
Merger P/E					
Market capitalisation (Rsm)	100,727	155,507	220,281	220,281	220,281
Conventional valuation					
Market cap./Revenues	8.1x	9.4x	12.4x	10.9x	9.3x
Market cap./Operating profit	9.0x	10.7x	14.3x	12.6x	10.7x
P/E (stated)	15.8x	17.7x	20.2x	17.9x	15.3x
P/E (UBS adjusted)	15.8x	17.7x	20.2x	17.9x	15.3x
Dividend yield (net)	1.33%	1.09%	0.95%	1.07%	1.26%
P/BV (stated)	1.9x	2.6x	2.8x	2.5x	2.2x
P/BV (adjusted)	2.4x	3.2x	3.3x	2.9x	2.5x

Infrastructure Development Finance was established in 1997 as a specialised finance company that would focus on the infrastructure sector. As of 30 September 2009, the company had a loan book of Rs220bn and an asset base of Rs320bn.

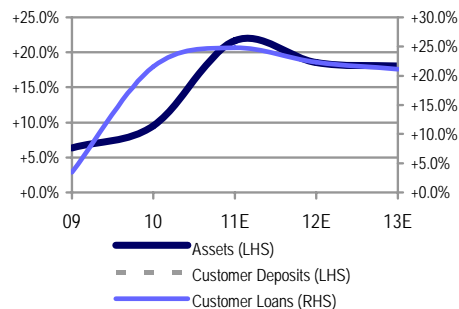
Profitability (RoE & RoRWA)



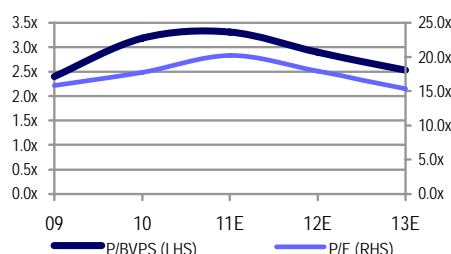
Momentum (Revenue & Operating profit growth)



Balance Sheet Growth



Value (P/Adj. BVPS & P/Adj. EPS)



Source: UBS estimates, * Historical valuations are based on an 'average for the year' share price. Current & future valuations are based on a share price of Rs164.55 on 27/04/2010

■ Infrastructure Development Finance

Infrastructure Development Finance was established in 1997 as a specialised finance company that would focus on the infrastructure sector. As of 30 September 2009, the company had a loan book of Rs220bn and an asset base of Rs320bn.

■ Statement of Risk

A sharp rise in interest rates and unfavourable changes in government policy remain the key risks to infrastructure sector investment growth. A sharp rise in interest rates can also adversely affect asset quality. High interest volatility and tight liquidity can negatively affect lending margins for a wholesale borrower such as IDFC. A significant portion of non-interest income is contributed by gains on equity investments. Stronger than expected economic uptick could act as an upside risk to our growth estimate.

■ Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	50%	39%
Neutral	Hold/Neutral	40%	33%
Sell	Sell	11%	24%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	29%
Sell	Sell	less than 1%	0%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 March 2010.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

Equity Price Targets have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES

UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Sell: Negative on factors such as structure, management, performance record, discount.

Core Banding Exceptions (CBE): Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

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UBS Securities India Private Ltd: Ajitesh Nair; Vishal Goyal, CFA. **UBS Securities Asia Limited:** Andy Brown, CFA.

Company Disclosures

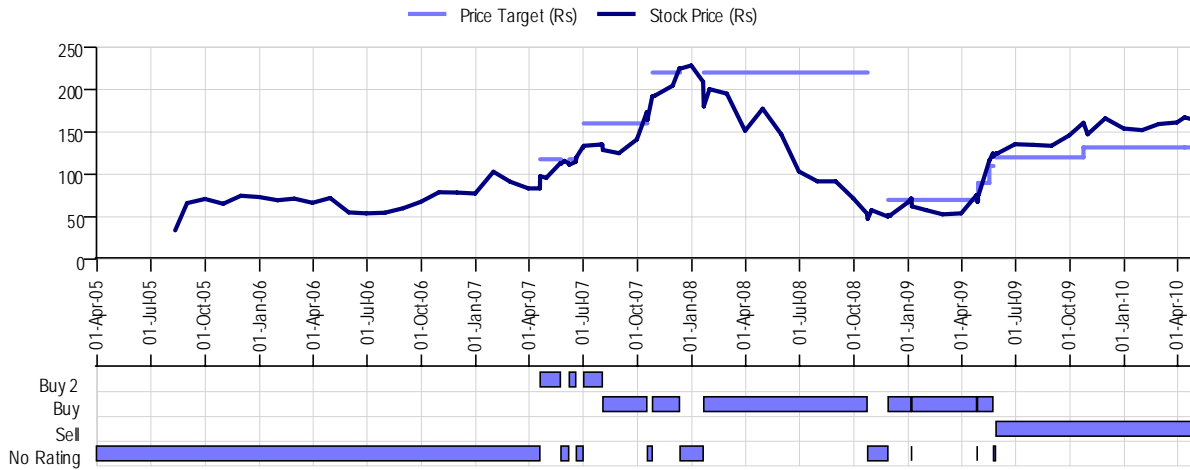
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Infrastructure Development Finance	IDFC.BO	Sell	N/A	Rs164.55	27 Apr 2010

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Infrastructure Development Finance (Rs)



Source: UBS; as of 27 Apr 2010

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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