

IL&FS Investment Managers Limited

CMP ₹ 29.0

BUYQ2FY12
Result Update**Numbers in line, though fund raising challenges persist!**

ILFSVC has reported a decent set of numbers for the quarter ended September 2011 which were as per expectations. For Q212, company reported a consolidated income of ₹ 544Mn v/s ₹ 437Mn for Q211, a 24% Y-Y growth. On a sequential basis also, the company posted 5% Q-Q growth as compared to the June 2011 numbers.

Results Brief:

- On a Y-Y basis, personnel expenses & advisory fees as a % of sales for the current quarter has seen a rise of 63bps (24%) & 551bps (6%) respectively
- Reported PAT for Sep'11 was at ₹ 181Mn as against ₹ 167Mn for Sep'10, a rise of 8% Y-Y, (5% Q-Q growth)
- EPS for the current quarter was ₹ 0.87/- as compared to ₹ 0.82/- for the corresponding quarter of last year

Analyst Conference Call Highlights:

- Fund raising started from January 2011: Tara India Fund 4 (\$40Mn), JV Fund with Milestone (\$50Mn) and PIPE Fund (\$40-50Mn)
- As on H1FY12, the net earning AUM stands \$2.45Bn
- Saffron contribution: H1FY12 top-line at ₹ 172Mn & PAT at ₹ 30Mn
- \$20Mn International Loan taken for the Saffron merger is for a period of 3 years. The repayment process started effective March 2011 and a total of \$4.5Mn have been re-paid till date
- Going forward, the repayment schedule of the loan would be to the tune of ₹ 10Mn per quarter
- 4 partial exits done in Q212 from the Real Estate Fund I & II (name of the companies exited were not disclosed). These exits have resulted in \$20Mn worth of capital + profits being returned to the investors
- "The company is looking at significant deal flow with strong underlying potential yielding good cash flows and returns in the future"

Our Call:

At CMP of ₹ 29.0/-, ILFSVC is trading at 8.5x TTM earnings of ₹ 3.4/- per share. We maintain our BUY recommendation.

Consolidated Quarterly Financials

Earnings Statement								
YE March (₹ Mn)	Q212	Q112	Q-Q(%)	Q211	Y-Y(%)	H1FY12	H1FY11	Y-Y(%)
Net Revenues	523.6	499.0	4.9%	421.5	24.2%	1,022.6	831.9	22.9%
Other Operating Income	20.4	18.0	13.3%	15.8	28.8%	38.4	35.2	9.1%
Total Income	544.0	517.0	5.2%	437.4	24.4%	1,061.0	867.1	22.4%
Employee Costs	130.7	129.7	0.8%	102.3	27.7%	260.4	209.2	24.5%
Sub - Advisory Fees	33.5	33.2	1.1%	2.9	1073.0%	66.7	6.0	1016.8%
Legal & Professional Fees	34.2	34.5	-0.8%	27.5	24.5%	68.7	45.5	51.0%
Other Expenditure	45.3	52.8	-14.3%	49.0	-7.5%	98.1	86.8	13.1%
Total Expenditure	243.7	250.2	-2.6%	181.6	34.2%	493.9	347.4	42.2%
Operating Profit	300.3	266.8	12.6%	255.7	17.4%	567.1	519.7	9.1%
Other Income	1.9	13.9	-86.6%	2.3	-17.7%	15.8	3.7	330.6%
EBITDA	302.2	280.7	7.6%	258.0	17.1%	582.9	523.3	11.4%
Depreciation/Amortisation	55.3	56.8	-2.6%	44.2	25.2%	112.0	87.3	28.3%
EBIT	246.9	223.9	10.3%	213.8	15.5%	470.8	436.0	8.0%
Interest	10.1	9.3	9.0%	-	-	19.3	-	-
PBT	236.8	214.7	10.3%	213.8	10.8%	451.5	436.0	3.6%
Tax	55.4	41.8	32.6%	46.1	20.1%	97.2	90.6	7.3%
PAT Before MI	181.4	172.9	4.9%	167.7	8.2%	354.3	345.4	2.6%
Minority Interest	0.7	0.7	-3.3%	0.8	0.0%	1.4	1.7	-20.0%
Net Profit	180.7	172.2	4.9%	166.9	8.3%	352.9	343.7	2.7%
Equity	414.8	411.3	0.9%	406.1	2.1%	414.8	406.1	2.1%
EPS (₹)	0.87	0.84	4.1%	0.82	6.0%	1.7	1.7	0.5%
Ratio Analysis								
Particulars	Q212	Q112	Q-Q(bps)	Q211	Y-Y(bps)	H1FY12	H1FY11	Y-Y(bps)
OPM (%)	55.2%	51.6%	359.9	58.5%	(326.9)	53.4%	59.9%	(648.5)
EBITDA (%)	55.5%	54.3%	124.6	59.0%	(344.4)	54.9%	60.4%	(541.9)
PBIT (%)	45.4%	43.3%	206.6	48.9%	(350.8)	44.4%	50.3%	(590.9)
PAT (%)	33.2%	33.3%	(9.3)	38.2%	(495.2)	33.3%	39.6%	(637.6)
Operational Parameters								
Particulars	Q212	Q112	Q-Q(bps)	Q211	Y-Y(bps)	H1FY12	H1FY11	Y-Y(bps)
Staff Expenses	24.0%	25.1%	(106.3)	23.4%	62.5	24.5%	24.1%	41.8
Sub - Advisory Fees	6.2%	6.4%	(25.4)	0.7%	551.1	6.3%	0.7%	559.9
Legal & Professional Fees	6.3%	6.7%	(38.5)	6.3%	0.8	6.5%	5.2%	122.9
Other Expenses	8.3%	10.2%	(189.8)	11.2%	(287.5)	9.2%	10.0%	(76.2)
Effective Tax Rate	23.4%	19.5%	394.2	21.6%	183.1	21.5%	20.8%	74.9

Disclaimer

Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

IL&FS Investment Managers Ltd.

YES
YES
YES

This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Parag Parikh Financial Services Ltd. (PPFAS). PPFAS is disseminated and available primarily electronically, and, in some cases, in printed form. Additional information on recommended securities is available on request.

PPFAS is a Stock Broker registered with Securities and Exchange Board of India Limited (SEBI) and so it is regulated by SEBI. This report is not and should not be construed as an investment advice to any client to acquire, subscribe, purchase, sell, dispose of, retain any securities or an offer to sell or the solicitation of an offer to purchase or subscribe for any investment or as an official endorsement of any investment.

If 'Buy', 'Sell', or 'Hold' recommendation is made in this report such recommendation or view or opinion expressed on investments in this report is not intended to constitute investment advice and should not be intended or treated as a substitute for necessary review or validation or any professional advice. The views expressed in this report are those of the analyst which are subject to change and do not represent to be an authority on the subject. PPFAS may or may not subscribe to any and/ or all the views expressed herein.

PPFAS makes best endeavour to ensure that the analyst(s) use current, reliable, comprehensive information and obtain such information from sources, which the analyst(s) believes to be reliable. However, such information has not been independently verified by PPFAS or the analyst(s).

The information, opinions and views contained within this report are based upon publicly available information and rates of taxation at the time of publication, which are subject to change from time to time without any prior notice. reports may be updated anytime without any prior notice to any and/ or all client(s).

PPFAS makes no guarantee, representation or warranty, express or implied; and accepts no responsibility or liability as to the accuracy or completeness or currentness of the information in this report.

Please note that past performance is not necessarily a guide to evaluate future performance.

PPFAS and its affiliates and their respective officers directors and employees may hold positions in any securities mentioned in this report (or in any related investment) and may from time to time add to or dispose of any such securities (or investment).

This report should be read and relied upon at the sole discretion and risk of the client.

The value of any investment made at your discretion based on this report or income therefrom may be affected by changes in economic, financial and/ or political factors and may go down as well as up and you may not get back the full or the expected amount invested. Some securities and/ or investments involve substantial risk and are not suitable for all investors.

This report is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied in whole or in part, for any purpose. Neither this report nor any copy of it may be taken or transmitted or distributed, directly or indirectly within India or into any other countries or to any resident thereof. The distribution of this report in other jurisdictions may be strictly restricted and/ or prohibited by law, and persons into whose possession this report comes should inform themselves about such restriction and/ or prohibition, and observe any such restrictions and/ or prohibition.

Neither PPFAS nor its affiliates or their directors, employees, agents or representatives, shall be responsible or liable in any manner, directly or indirectly, for views or opinions expressed in this report or the contents or any errors or discrepancies herein or for any decisions or actions taken in reliance on the report or inability to use or access our service or this report or for any loss or damages whether direct or indirect, incidental, special or consequential including without limitation loss of revenue or profits or any loss or damage that may arise from or in connection with the use of or reliance on this report or inability to use or access our service or this report.

Contact

Anuj Anandwala

Analyst - Investment Research

anuj@ppfas.com

91 22 6140 6525

Now access PPFAS Reports on Bloomberg

<PPFS> <Go>

Parag Parikh Financial Advisory Services Limited

130/132, Great Western Building, 1st Floor, S. B. Marg, Near Lion Gate, Fort, Mumbai - 400 001.

Tel : 91-22-6140 6555 Fax : 91-22-2284 6553, e-mail : researchcall@ppfas.com

www.ppfas.com