

## IL&FS Investment Managers Limited

CMP Rs. 112.55  
BUY

Result Update  
Q4FY09

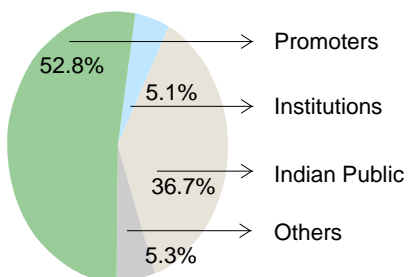
### Stock Data

Bloomberg	: ILFS.IN
Reuters	: ILFS.BO
BSE Code	: 511208
NSE Code	: IVC
BSE Group	: B

### Stock Codes

Benchmark	: BSESMCAP
52 Week H/L	: 324.0/68.0
Float	: 18.78Mn Shares
Mkt Cap	: Rs. 4,478Mn
Face Value	: Rs. 10.0

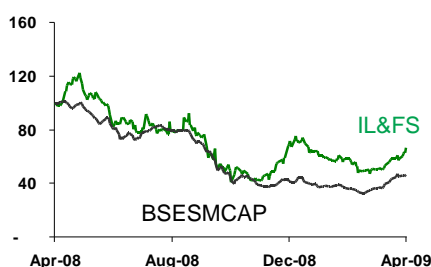
### Shareholding Pattern (as on Mar '09)



### Stock Returns

	1 Mth	3 Mths	6 Mths
IL&FS	33.55	9.05	62.53
BSESC	28.93	24.96	11.10

### Price Comparison



Jigar Valia - jigar@ppfas.com

IL&FS Investment Managers reported above expected results for the last quarter & the entire period of FY09. First the result highlights.

#### Q409

- Revenues increased 15.3% Q-Q and 10% Y-Y to Rs. 454 Mn.
- Operating Profits increased 23.7% Q-Q & 43.1% Y-Y to Rs. 298.6 Mn.
- PAT increased 31% Q-Q and 56% Y-Y to Rs. 197.4 Mn.

#### FY09

- Revenues increased 50% Y-Y to Rs. 1,582 Mn.
- Operating Profits increased 79% Y-Y to Rs. 1,004 Mn.
- PAT increased 95% Y-Y to Rs. 622 Mn.
- Reported DEPS increased from Rs. 8. to Rs. 15.3

The fantastic results have been a direct consequence of the increase in AUM from less than \$ 1 Bn last year to over \$ 2 Bn currently. Overall the profits for the quarter at Rs. 197 Mn. are higher than our expectations of Rs. 145 Mn. The dividend declared has also been correspondingly higher at Rs. 7 per share, while the payout ratio has been maintained at ~45%.

We continue to remain bullish on all perspectives for IL&FS Investment Managers be it in terms of the business model, performance, management and also valuations. Infact it is one company with a significantly high visibility in terms of earnings & balance sheet for the next few years.

Standard Chartered IL&FS Asia Infrastructure Growth Fund, a fund co-sponsored by Infrastructure Leasing & Financial Services Ltd (IL&FS) and Standard Chartered Bank (SCB), has achieved its First Closing and has raised capital commitments of US\$ 568 mn from its investors. The Fund will seek further commitments from other investors and expects to achieve a Final Closing later this year. With this the AMC has now time & again demonstrated capabilities for raising sizable money in difficult times.

We expect such select well managed PE firms to play a very critical role in providing the much needed equity funding to various companies & projects. While the interest rates are clearly coming down and the government pumping liquidity into the system, there is hindrance in terms of proportionate equity funding which may help absorb the otherwise available leveraged liquidity from the banking system.

The scrip has had a decent run up of ~35% since our recommendation last month, thanks to the improving capital market scenario. However, the reported earnings for the fourth quarter has also been better than expected and the scrip still trades cheap at just 7.2x its trailing earnings. The yield on sustainable dividends at the CMP is good at 6.2%. Clearly the valuations are undemanding for a debt-free company generating ROEs of over 60% including cash, which we estimate would be ~25% of the network.

With so much of fund raising since last year, we may see some increasing focus towards deployment and do not expect major fund-raising news in the coming few quarters. There may not be much growth for these reasons, but with very minimal redemptions due, the earnings are likely to be maintained. The stock remains a value pick with some positive news-flow bias. Even on a steady state basis, we feel there is room for further appreciation, based on the existing financials. We maintain Buy.

### IL&FS : Q409 Performance Snapshot

Earnings Statement								
YE March (Rs. Mn.)	Q409	Q309	Q-Q(%)	Q408	Y-Y(%)	FY09	FY08	Y-Y(%)
Net Revenues	454.2	394.0	15.30%	412.9	10.00%	1,581.6	1,050.9	50.49%
Total Expenditure	155.6	152.5	2.08%	204.3	-23.83%	577.6	489.5	17.99%
Operating Profit	298.6	241.5	23.65%	208.6	43.13%	1,004.0	561.4	78.84%
Other Income	14.7	12.4	18.12%	0.0		60.0	6.4	
EBITDA	313.3	253.9	23.38%	208.6	50.16%	1,064.1	567.8	87.40%
Depn & Ammortization	44.3	51.1	-13.31%	26.7	65.90%	218.0	102.0	113.72%
EBIT	269.0	202.9	32.61%	181.9	47.86%	846.0	465.8	81.63%
Interest	0.0	0.0		0.0		0.0	0.0	
PBT	269.0	202.9	32.61%	181.9	47.86%	846.0	465.8	81.63%
Tax	72.1	51.3	40.62%	54.2	33.04%	222.6	146.4	52.09%
PAT Before MI	196.9	151.6	29.90%	127.7	54.14%	623.4	319.4	95.17%
Minority Interest	(0.5)	1.3		(1.8)		1.5	(0.2)	-732.88%
PAT	197.4	150.3	31.33%	129.5	52.39%	621.9	319.6	94.56%
EPS	4.9	3.7	31.02%	3.2	55.56%	15.3	8.0	91.49%
Ratio Analysis								
YE March (Rs. Mn.)	Q409	Q309	Q-Q(bps)	Q408	Y-Y(bps)	FY09	FY08	Y-Y(bps)
OPM (%)	65.74%	61.30%	443.8	50.52%	1,521.7	63.48%	53.42%	1,006.2
EBITDA (%)	68.97%	64.45%	451.5	50.52%	1,844.6	67.28%	54.03%	1,324.9
PBIT (%)	59.22%	51.49%	773.1	44.06%	1,516.3	53.49%	44.32%	917.1
PAT (%)	43.45%	38.15%	530.5	31.37%	1,208.8	39.32%	30.41%	890.6

## IL&FS : Financials

Earnings Statement					Balance Sheet				
YE March (Rs. Mn.)	FY07	FY08	FY09E	FY10E	YE March (Rs. Mn.)	FY07	FY08	FY09E	FY10E
Revenues from Operations	599.2	1,050.9	1,581.6	1,828.8	Equity Capital	257.1	265.3	397.9	397.9
Operating Expenses	84.1	212.1	260.3	299.4	Stock Options Outstanding	9.9	9.2	9.0	9.0
Employee Costs	137.2	277.4	317.2	384.0	Reserves	151.0	409.8	617.4	931.5
Total Expenditure	220.9	489.5	577.6	683.4	Shareholders Funds	418.0	684.2	1,024.3	1,338.4
Operating Profit	378.3	561.4	1,004.0	1,145.4	Minority Interest	22.6	25.1	26.6	31.6
Other Income	2.0	6.4	60.0	40.0	<b>Total Liabilities</b>	<b>440.5</b>	<b>709.3</b>	<b>1,063.0</b>	<b>1,382.1</b>
EBITDA	380.2	567.8	1,064.1	1,185.4	Fixed Assets incl CWIP	350.3	539.4	723.7	772.9
Depreciation	107.5	102.0	218.0	250.7	Investments	72.0	228.9	228.9	228.9
PBT	272.8	465.8	846.0	934.6	Sundry Debtors	50.8	133.2	195.0	250.5
Tax	94.6	146.4	222.6	266.4	Loans & Advances	342.9	240.5	433.3	551.1
PAT before MI	178.2	319.4	623.4	668.3	Cash & Bank Balance	128.4	211.5	258.1	440.4
Minority Interest	0.1	2.3	1.5	5.0	Other Liabilities & Provisions	518.1	659.5	779.3	865.0
Share of Profit of Associates	4.0	2.5	-	-	Net Current Assets	4.0	(74.3)	107.1	377.0
PAT	182.2	319.6	621.9	663.3	Deferred Tax Assets	14.2	15.3	3.2	3.2
					<b>Total Assets</b>	<b>440.5</b>	<b>709.3</b>	<b>1,063.0</b>	<b>1,382.1</b>

Ratio Analysis				
YE March (Rs. Mn.)	FY07	FY08	FY09E	FY10E
OPM (%)	63.1%	53.4%	63.5%	62.6%
EBITDA (%)	63.5%	54.0%	67.3%	64.8%
PBIT (%)	45.5%	44.3%	53.5%	51.1%
PAT (%)	30.4%	30.4%	39.3%	36.3%
EPS (Rs.)	4.7	8.0	15.6	16.7
P/E (x)	23.8	14.0	7.2	6.8
P/BV (x)	10.4	6.5	4.4	3.3
BVPS (Rs.)	10.8	17.2	25.7	33.6
Market Cap (Rs. Mn.)	4,340.7	4,478.4	4,478.3	4,478.3
M Cap/Sales (x)	7.2	4.3	2.8	2.4
EV (Rs. Mn.)	4,340.7	4,478.4	4,478.3	4,478.3
EV/EBITDA (x)	11.4	7.9	4.2	3.8
EV/Sales (x)	7.2	4.3	2.8	2.4
ROCE (%)	61.9%	65.7%	79.6%	67.6%
RONW (%)	43.6%	46.7%	60.7%	49.6%
Debtors T/o Days	30.9	46.3	45.0	50.0
Advances T/o Days	208.9	83.5	100.0	110.0
Creditors T/o Days	123.9	159.2	125.0	120.0
Working Cap T/o Days	2.5	-25.8	24.7	75.2
Fixed Assets T/o (Gross)	1.1	1.3	1.3	1.2
DPS (Rs.)	2.7	3.7	7.0	7.5
Dividend Payout (%)	56.4%	45.6%	44.8%	45.0%
Dividend Yield (%)	2.4%	3.3%	6.2%	6.7%

Cash Flow				
YE March (Rs. Mn.)	FY07	FY08	FY09E	FY10E
Opening Cash & Bank	137.7	128.4	211.5	258.1
Profit After Tax	182.2	319.6	621.9	663.3
Less : Invt Income	(2.0)	(6.4)	(60.0)	(40.0)
Add : Interest Paid	0.0	0.0	0.0	0.0
Depreciation	107.5	102.0	218.0	250.7
Deferred Taxation	(5.1)	(1.1)	12.1	0.0
Others	6.9	(1.6)	11.9	0.0
Change in Working Cap	164.2	161.4	(134.9)	(87.6)
CF - Operating Activities	453.8	573.9	669.0	786.4
Change in Fixed Assets	(427.8)	(290.1)	(402.3)	(300.0)
Advance against Depreciation	0.0	0.0	0.0	0.0
Change in Investments	(24.3)	(156.9)	0.0	0.0
Investment Income	2.0	6.4	60.0	40.0
CF - Investing Activities	(450.2)	(440.6)	(342.3)	(260.0)
Increase in Equity	84.8	118.0	44.2	(0.0)
Changes in Borrowings	0.0	0.0	0.0	0.0
Change in Minority Int	22.6	2.5	1.5	5.0
Interest Paid	0.0	0.0	0.0	0.0
Dividend Paid	(120.3)	(170.7)	(325.9)	(349.1)
CF - Financing Activities	(12.9)	(50.2)	(280.2)	(344.1)
Net Change in Cash	(9.3)	83.1	46.6	182.3
Closing Cash & Bank Bal	128.4	211.5	258.1	440.4

# 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

- YES  
NO  
NO

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