



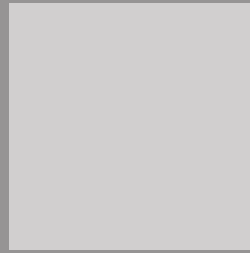
Private Equity

IL&FS Investment Managers Limited

ANNUAL REPORT 2011



FOUNDATIONS OF GROWTH



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CORPORATE INFORMATION

- BOARD OF DIRECTORS**
 - Mr S M Datta**
Chairman
 - Mr Ravi Parthasarathy**
 - Mr Bansi S Mehta**
 - Mr Jitender Balakrishnan**
 - Mr Siddharth Mehta**
 - Mr Arun Saha**
 - Mr Vibhav Kapoor**
 - Mr Ramesh Bawa**
 - Mr Shahzaad Dalal**
Vice Chairman
 - Dr Archana Hingorani**
Chief Executive Officer &
Executive Director

- COMPANY SECRETARY**
 - Mr Sanjay Mitra**

- BANKERS**
 - HDFC Bank Limited**

- AUDITORS**
 - M/s Deloitte Haskins & Sells**
Chartered Accountants

- INTERNAL AUDITORS**
 - M/s Patel & Deodhar**
Chartered Accountants

- REGISTRARS & SHARE TRANSFER AGENTS**
 - Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West), Mumbai 400 078, India
Tel : + 91 22 2596 3838 Fax :+ 91 22 2594 6969

- REGISTERED OFFICE**
 - The IL&FS Financial Centre, Plot No C-22, G Block
Bandra Kurla Complex, Bandra (East), Mumbai 400 051, India
Tel : + 91 22 2659 3531 Fax : + 91 22 2653 3056

- OTHER OFFICES**
 - Al-Latheef Building, 1st Floor, 2, Union Street
Off Infantry Road, Bengaluru 560 001, India
Tel : + 91 80 4034 3333 Fax : + 91 80 4034 3310

COMPANY SNAPSHOTS



72

**Exits & Liquidity
Events**



9.8x

**Profit Growth over
the last 5 years**

56

**Professionals across
General Purpose Private
Equity, Infrastructure
& Real Estate**

143

**Investments since
Inception**



25% p.a.

**Gross Return
across all
Exited Investments**

**IIML invests ₹ 8.27 bn
during FY2011,
a 43% growth
over the previous year**

Saffron Asset Advisors merges with IIML; adds US\$ 400 mn to Assets under Management

US\$3.2bn

Assets under Management



3

Funds Fully Divested

IIML backed Gujarat Pipavav Port, Ramky Infrastructure & Electrosteel Steels list on Stock Exchanges in October 2010

IIML realizes US\$ 221 mn through divestments from 15 investee companies during FY2011



15

Funds Raised & Managed since inception

3

New Funds commence Roadshows during last quarter of FY2011

NOTES FROM THE CHIEF EXECUTIVE



Dear Shareholders

As I begin to pen my thoughts on the year that was and how we visualize the road ahead, my eye catches the stock ticker, which points to the Sensex being down by over 350 points today. A day in the market may not be symptomatic of the state of our economy and markets could tomorrow have recovered as much as they lost today. However, the behavior of the public markets over the last 6-8 months does represent the degree of uncertainty prevalent globally. Mixed economic data from the United States, 'nearly bankrupt' headlines from Europe, and inflation concerns in Asia - the news flow is uncertain at best, a precursor to a double dip at worst

Here in India, we have been able to deliver high growth in the second half of the last decade and even with a scaled down version, we are likely to attain growth north of 7.5-8% this year. However, impressive as it may sound, we will not stand immune to the pain of a global slowdown. Last week, the Reserve Bank of India increased interest rates by 25 basis points, the 10th increase in just over a year. Foreign Direct Investment has also slowed by as much as a third during the first 9 months of FY2011 compared to the previous year. Add to this a persistently high inflation and India's own local issues like the 2G controversy, uncertainty becomes a natural outcome

It is against this backdrop that the robustness of IIML's business model stands out. IIML's business has two unique drivers - on one side management fee from the Funds under management provides revenues akin to an annuity. On the other hand, income by way of Carried Interest arises from investment / fund performance. While Carried Interest does arise episodically, it has the potential of providing additional profits. We expect Carried Interest from one of our 2004 vintage Funds (Leverage India Fund) to start accruing by the end of this financial year. Thus, akin to the investment philosophy of our Funds, your Company's financial performance and its translation into shareholder's rewards also requires patient nurturing and investing

While the team's focus remains with identifying, guiding and growing investee companies, we remain focused on the need to grow our Assets under Management (AUM). Towards this end we initiated roadshows for 3 new Funds during the last quarter of FY2011. Given the prevalent investment climate, we do expect a longer lead time in Fund marketing and Closings. However, backed by our Fund management experience and deep relationships with our Fund investors, we expect these new Fund raises to gain significant traction during the current year, with some of these Funds attaining Closings during FY2012 itself

During the last year, another significant achievement has been our ability to divest from or attain liquidity in many of our investments. We effected 15 divestments during the year, thereby returning US\$ 221 mn capital to our Fund investors. We expect the pace of divestments from the older vintage Funds to continue. This would lead to lower earning AUM. However, this reduction is expected to be largely offset by increased AUM from Closings of new Funds. Thus while the net impact on AUM growth during this year would be neutral, these divestments would bring us closer to the performance upside of Carried Interest

During the last two years, we also undertook two important steps to seed future growth; first, we operationalized our Dubai office in order to capture expansion in non-India jurisdictions. Second, we set an industry trend when Saffron Asset Advisors merged with IIML, providing us with an inorganic AUM growth. Apart from size, the merger also helps us gain competence and enables us to develop a new breed of funds. Going forward, the key to future growth would be to leverage IL&FS skillsets for enhancing the infrastructure focus, by raising a variety of funds catering to each aspect of infrastructure development. These strategic initiatives are expected to show results in the next couple of years

We believe that these initiatives reinforce our ability as a Fund manager and are key building blocks to success. We believe that we have strong foundations for delivering growth woven into our corporate DNA - innovation, integrity and institutional parentage backed by people, partners and processes. We believe that we have been able to leverage off these foundations for delivering performance in the past and that the road ahead is promising. We thank you for being our partner in this journey

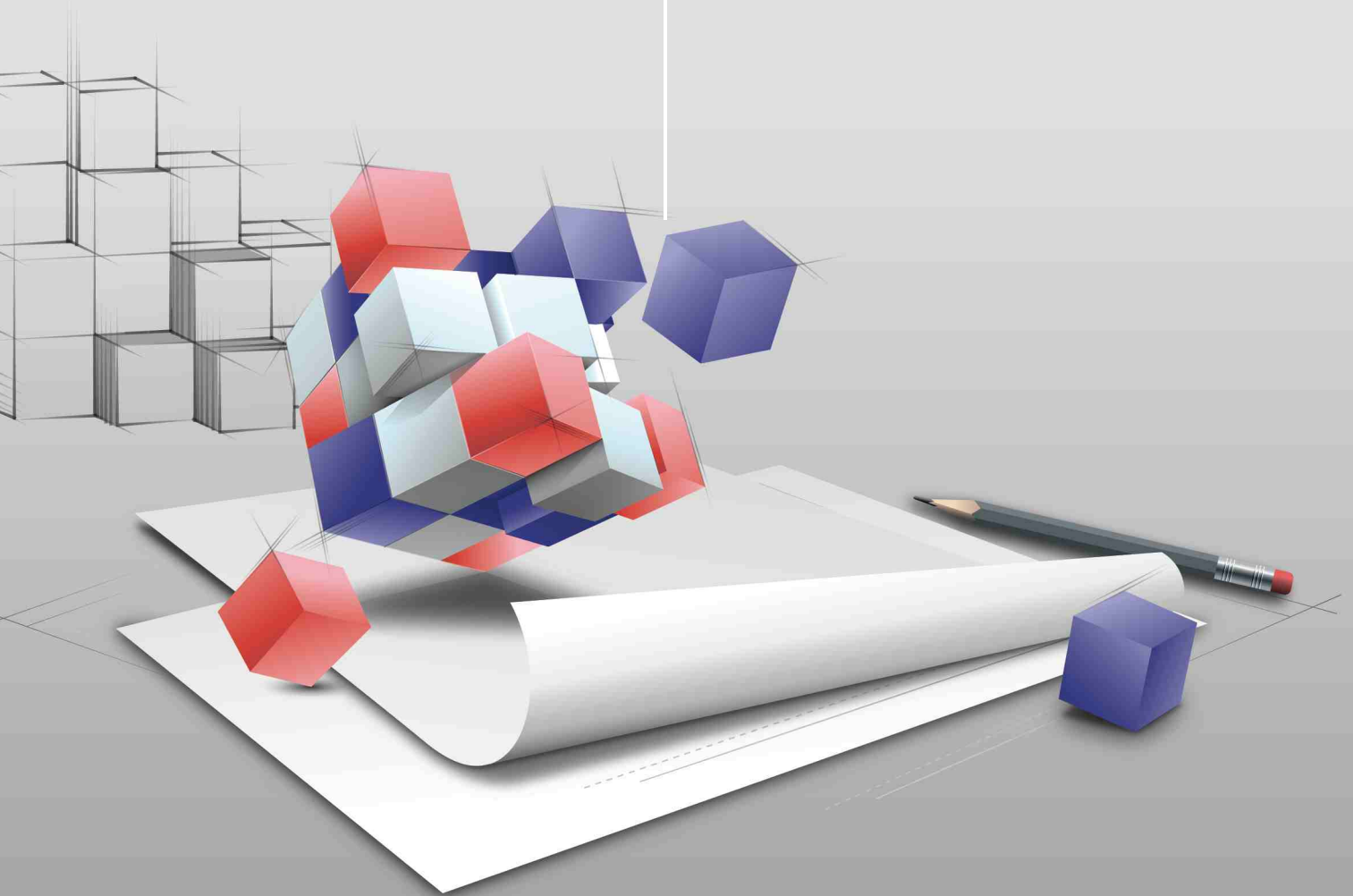
With Best Wishes

Dr. Archana Hingorani
Chief Executive Officer & Executive Director

June 20, 2011

**“...the key to future growth
would be to leverage
IL&FS skillsets for enhancing
the infrastructure focus...”**

Dr. Archana Hingorani
Chief Executive Officer & Executive Director



FINANCIAL HIGHLIGHTS

₹ mn

| Consolidated Financials | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 |
|-------------------------|--------|--------|--------|--------|--------|
| Total Income | 601 | 1,057 | 1,642 | 1,813 | 2,012 |
| Total Operating Cost | 221 | 490 | 578 | 680 | 830 |
| PBT | 273 | 466 | 846 | 957 | 905 |
| PAT | 182 | 320 | 622 | 738 | 690 |
| PAT % | 30 | 30 | 38 | 41 | 34 |
| EPS * | 1.49 | 2.46 | 3.13 | 3.69 | 3.39 |

* Face Value of ₹ 2 per share. Adjusted for 1:2 Bonus Issuances in FY2007 and FY2009

DELIVERING PERFORMANCE OVER THE LAST 10 YEARS

22x

Increase in Assets under Management

The Company has raised, acquired or partnered 12 new funds across the General Purpose Private Equity, Infrastructure and Real Estate space in the last 10 years, making it the largest domestic Fund Manager

19x

Growth in Revenues since FY2001

High quality revenue profile with management fee providing a highly visible annuity revenue stream over the 6-10 years of Fund life and carried interest providing performance upside through profit sharing

19x

Growth in Profits since FY2001

Profit growth locks step with increase in revenues and Assets under Management

₹80

Total Dividend Payout Per Share*

Exceptional profit margins translate into shareholder rewards, with the Company paying dividends consistently for the last 10 years. Equity participation also enhanced through two 1:2 bonus issues and a 5:1 share split

41x

Increase in Stock Price

Growth in the Company's stock price over the last 10 years has been significantly higher compared to public markets, with the Sensex growing 5x during the same period

*on 1 share of ₹10 from 2000

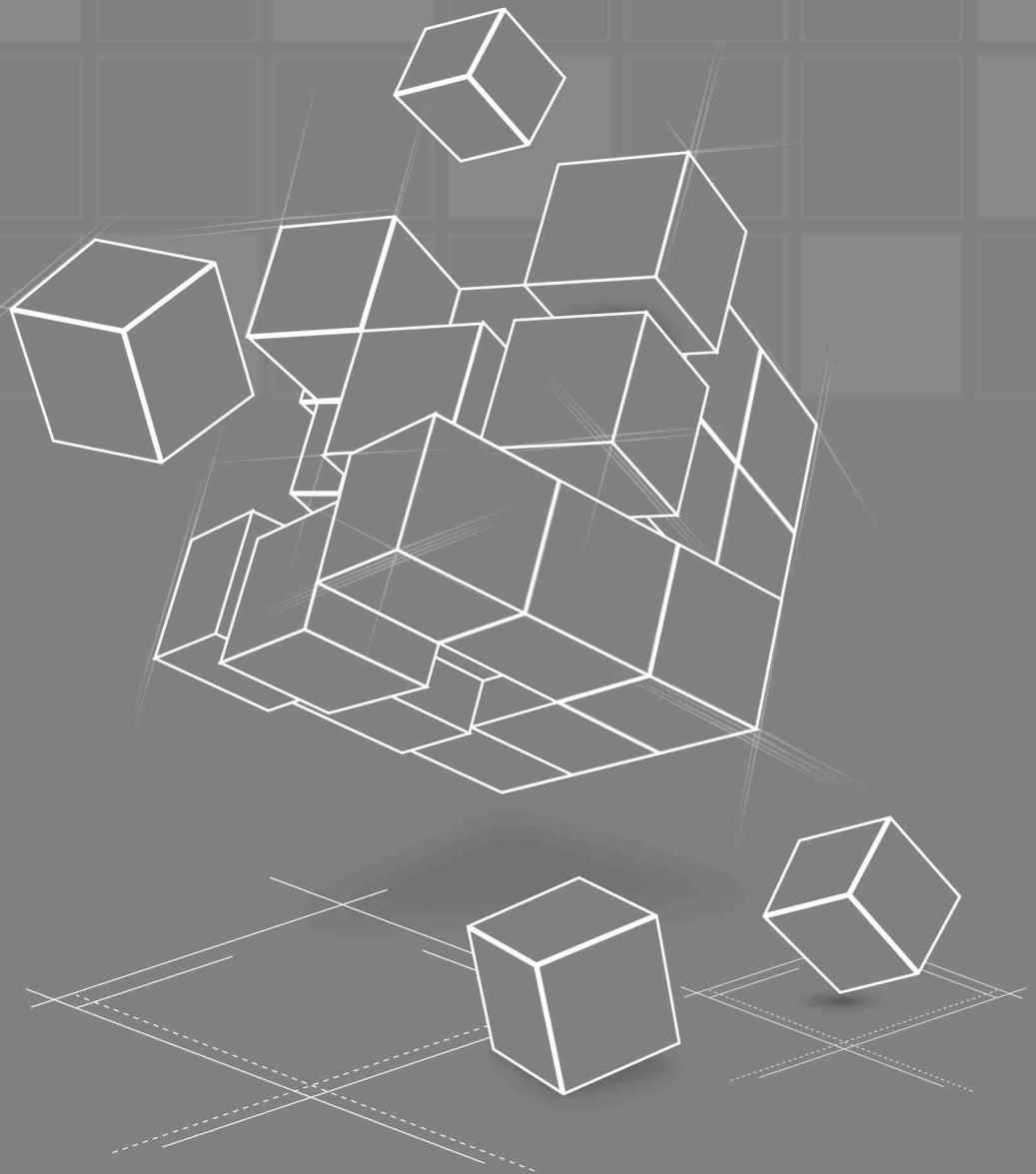
THE BUILDING BLOCKS OF OUR SUCCESS

Constituents of our Corporate DNA

Innovation | Integrity | Institutional Parentage

The Enablers

People | Partners | Processes



ENABLING DEVELOPMENT • DELIVERING PERFORMANCE

LAYING THE FOUNDATION FOR FUTURE GROWTH

CONSTITUENTS OF CORPORATE DNA

Right from 1996, when IL&FS Investment Managers Limited (IIML) began to manage first of its large format Private Equity (PE) Funds, the organization has been guided by three pillars which have become the basic fundamentals of its business. These support pillars have been the guiding force to the way our business is conducted and the base on which we intend to grow the Company

Innovation

At IIML, innovation is about constantly challenging status quo; it is about being better at what we do and creating and enhancing value. The focus of innovation at IIML is aided by our long standing experience across market cycles, and the 'feet on the street' approach which has ensured that IIML has and continues to be a thought leader in the Indian PE market place; an approach which has now made IIML the largest domestic Fund Manager in India

Integrity

The Global Financial crisis in 2008 brought to focus the dynamics of how the financial industry functions and attracted greater scrutiny from stake holders and regulators on ensuring the highest levels of corporate discipline and integrity. At IIML, focusing on transparency, corporate governance and ensuring integrity in practice and process has always been the key focus, right from inception

Integrity is not only just about ensuring that the Company's operations are in compliance with law, it is also about going beyond the stated requirements - having in place strong monitoring systems for a fully transparent reporting for our Fund investors, ensuring that Fund's investee companies follow industry best practices and by undertaking environmentally and socially responsible investing



IIML has been at the forefront of environmentally and socially responsible investing. IIML has adopted an Environmental and Social Policy Framework (ESPF) which is founded on the concept of Sustainable Development

Infrastructure projects funded by IIML managed Funds, for instance, need to ensure sound environmental and social impact assessment as well as ensure that environment management plans are implemented to the satisfaction of the government, lenders and local communities

IIML's ESPF Policy Statement

IIML recognizes Environmental, Health, Safety and Social (E&S) considerations in its business operations to add value and minimize adverse impacts and risks, in order to enhance value of its Fund's investments

To achieve this, IIML will establish and implement mechanisms to encourage, influence or mandate its stakeholders and business partners to conserve natural resources, protect the environment, provide safe and healthy workplace for their employees and contractual staff and restore standards of living for those affected by its project operations, wherever relevant and necessary

A Tradition of Innovation

First Infrastructure Focused Fund
in 1996

First to structure participation of Foreign
Institutions in the PE framework

First to bring Private Equity
to Real Estate in 2005

First Indian Fund manager to advise on
investments across the Asian region

First Indian Fund manager to acquire another manager to build on its sectoral
expertise and to deliver inorganic growth

Leading role in bringing Private Equity
to the then emerging sectors

Telecom: Max Telecom in 1998

City Gas: Indraprastha Gas in 2000

Roads: Noida Toll Bridge in 2000

Retail: Shoppers Stop in 2000

Water: Vizag Industrial Water Supply in 2001

Railways: Pipavav Railway in 2004

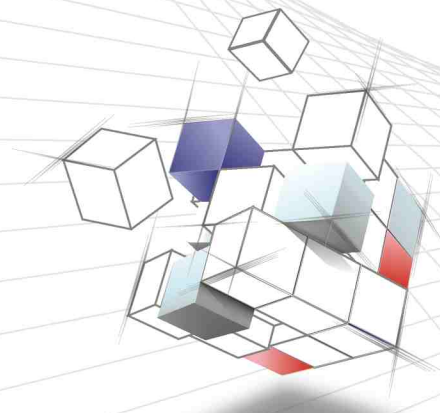
Shipyards: ABG Shipyard in 2005

Media: IBN18 in 2006

Cargo Aviation: Quikjet in 2008

Waste Management: Ramky Enviro Engineers in 2009

Agri-Warehousing: JICS Logistic in 2011



Institutional Parentage

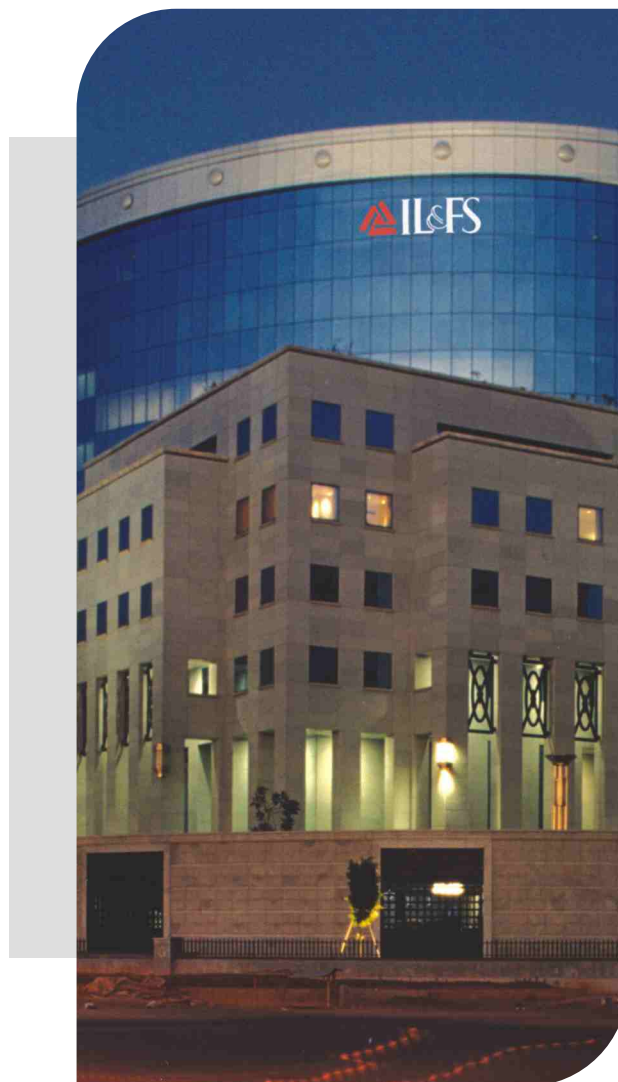
Infrastructure Leasing & Financial Services Limited (IL&FS) has been a pioneer in private sector infrastructure development in India. IL&FS has spearheaded the development of the first private sector toll road, the first water supply project and a substantial nationwide industrial cluster development program. IL&FS also has been an early entrant in niche infrastructure growth areas like waste management, renewable energy and education, with a strong social orientation

Shareholders of IL&FS include leading Indian and International Institutions, such as Life Insurance Corporation of India (LIC), Housing Development Finance Corporation (HDFC), State Bank of India (SBI), ORIX Corporation (Japan), and Abu Dhabi Investment Authority. Earlier shareholders of IL&FS included International Finance Corporation, Government of Singapore, and Credit Commercial de France (HSBC Group)

IL&FS is currently involved in conceptualizing and developing a range of infrastructure projects including industrial parks, special economic zones, power plants and ports, surface transport and urban transportation systems etc. Many of these infrastructure projects are being developed in conjunction with Central and State Governments

Given the cross sectoral presence, IL&FS has developed significant in-house technical, financial, legal and tax skills. IL&FS employs over 1,000 professionals in its key infrastructure development companies. These professionals include engineers, architects, urban planners, geologists, social experts, economists, lawyers, ex-Indian Administrative Service officers and project finance experts

The IL&FS Group ecosystem provides IIML access to a high quality proprietary deal flow. It also enables IIML to assess the investment opportunities critically from a technical and operational standpoint. Expertise housed within the IL&FS Group also enables IIML to leverage the same for handholding and building value in its investee companies. This availability of domain expertise across all infrastructure sub-sectors provides IIML a distinct and unique advantage compared to other PE Fund Managers



Leveraging Relationships

Date of Investment : April 2009

Amount Invested : ₹ 2,000 mn

Ramky Enviro Engineers Limited

IIML recognized that waste management is at an inflection point in India - it represents a large, under-served but rapidly growing sector with urban local bodies outsourcing key functions and increasing private sector participation. This growth is supported by a strong legislative framework and increasingly strict enforcement of waste treatment requirements

Ramky Enviro Engineers Limited (REEL) is a pioneer and has a leadership position in the waste management sector in India. REEL has developed a diverse pan-India portfolio of operating and development projects with concession periods ranging from 8 - 35 years. The Company provides design, engineering, construction, O&M services for

- Hazardous Waste: Treatment, Storage and Disposal
- Municipal Waste: Collection, Transportation, Processing, Composting
- Biomedical Waste: Collection and Incineration
- Emerging Technologies: Waste to Energy, Recyclables

The IL&FS Group and IIML managed Funds have multiple levels of engagement with the Ramky Group - as an equity provider, lender and as a joint venture partner in some of the infrastructure development projects. These relationships have been leveraged by IIML, both for sourcing the transaction as well as for the continual process of guidance and investment monitoring

The IL&FS Ecosystem

Private Equity

IL&FS Investment
Managers

Financial Services

IL&FS Financial Services,
IL&FS Securities Services

Infra Development

IL&FS Infrastructure
Development Corp

Fiduciary Services

IL&FS Trust
Company

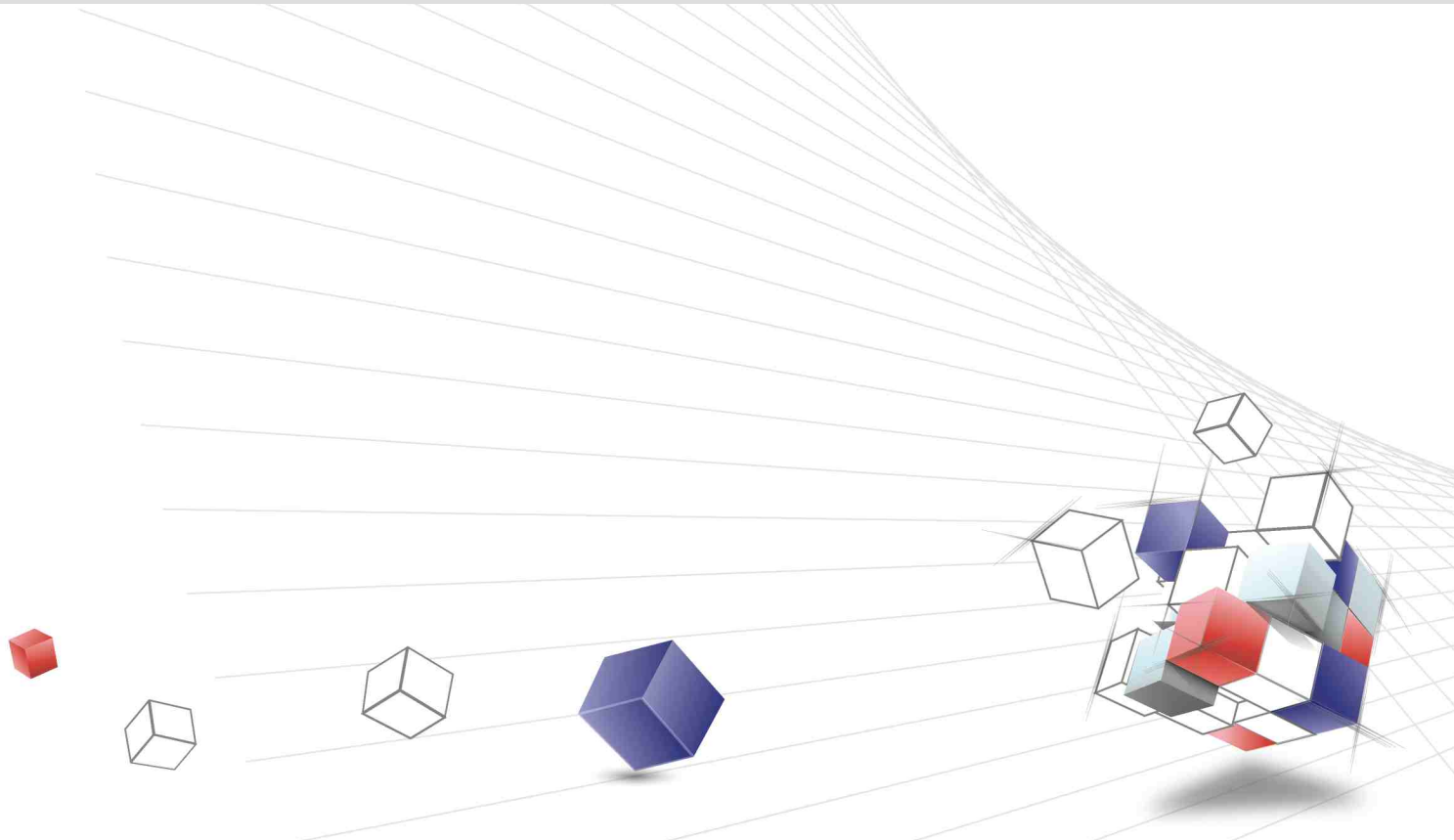


Consultancy Services

IL&FS Education,
IL&FS Technologies,
IL&FS Environment

Infrastructure Project Companies

IL&FS Transportation (Roads), IL&FS Energy (Power), IL&FS Maritime (Ports),
IL&FS Engineering Services (Construction & Engineering), IL&FS Renewable (Clean Energy)



THE ENABLERS

People

IIML has a team of 56 professionals - one of the largest and most experienced private equity groups in India. Many of the senior professionals including the Vice Chairman, CEO and Executive Director, Chief Finance Officer, Head - Legal and Head - Infrastructure have been working together for over ten years at IIML. Other key positions at IIML are staffed by experienced professionals who collectively have over 430 years of industry experience. The investment teams are also a unique blend of youth and experience

The IIML Team has a proven deal sourcing capability driven by its considerable experience in investing in India. IIML utilizes an extremely proactive approach in deal sourcing. Adopting a top down approach to an industry allows the Team to understand the value chain of each industry in-depth and identify the key players. Due to its deep local knowledge and relationships, the Team is able to create and structure proprietary investment opportunities with companies that the Team considers to possess the best potential for growth

Partners

Our Joint Venture Partners

IIML has forged strong relationships with global players as well as those with sectoral expertise. These relationships enhance its capability to deliver differentiated Fund products. For instance, in late 90s, when PE was at its nascent stage in India, IIML partnered with AIG to set-up India's first infrastructure focused fund. Later, in 2007, it partnered with Standard Chartered Bank to establish the first pan Asian fund jointly managed by an Indian Fund house

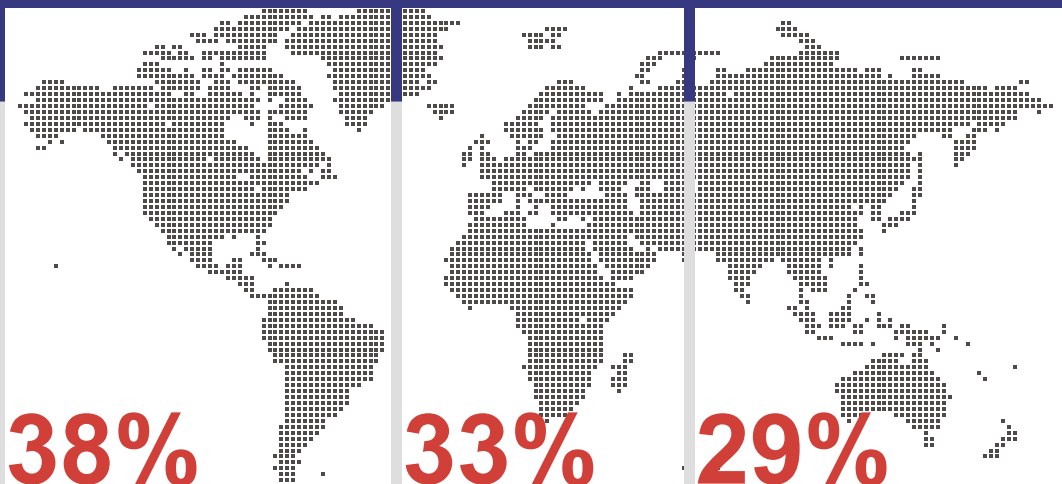
Our Limited Partners

With a track record of raising and managing 15 Funds, IIML has developed strong relationships with a network of global Institutional Investors from the USA, Europe, Middle East and Asia, who have reposed their faith in IIML and its offerings across various verticals. These investors represent a diverse set of long term investors including pension funds, insurance companies, Sovereign Wealth Funds and other institutional investors. The investors have backed IIML across economic cycles - the US\$ 658 mn SCI Asia Fund was, for instance, raised at the height of the Global Finance Crisis

Our Investee Companies

Our investee companies represent not just a financial investment by IIML; they are our partners in growth. We work with our investee partners in a manner which provides them operational freedom whilst also guiding them through strategic issues and decisions, aiding them through the growth phase and helping them get to the next level

global investor reach



Process

IIML manages US\$ 3.2 billion in a fiduciary capacity and it has the onus of managing these funds in a risk mitigated manner whilst also delivering targeted returns. IIML therefore has strong processes and systems which work in the background. IIML's investment processes have been structured in line with global standards. Robust monitoring and information tracking systems ensure that the investment team is equipped to take proactive and informed decisions. These processes are ingrained in each member of investment team and have become a strong foundation of our efficient work ethic. The processes are not just limited to our investee companies but also to the markets as well, enabling the team to recognize emerging business opportunities

Funding and Handholding Growth

Date of Investment : March 2007

Amount Invested : ₹ 4,150 mn

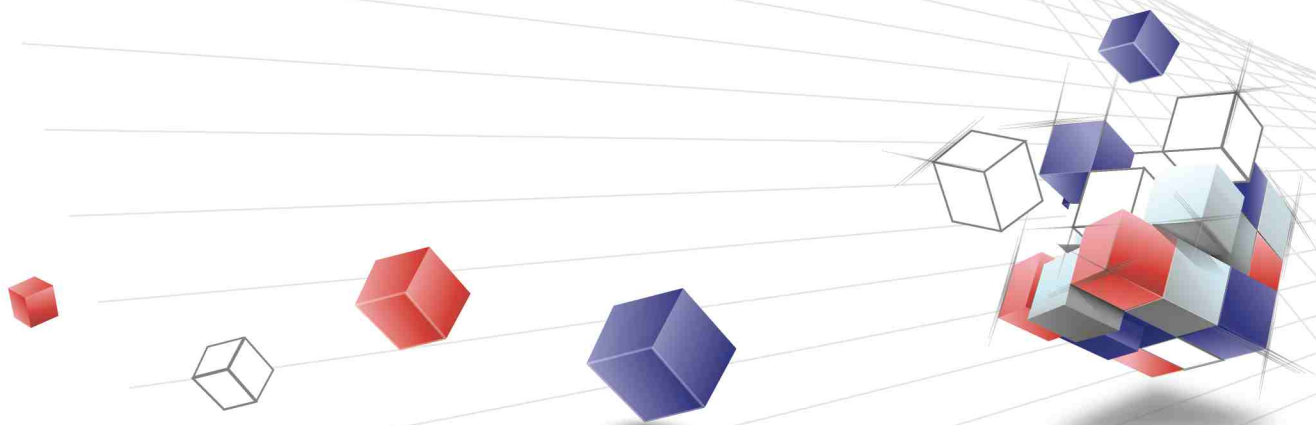
QVC Realty Company Private Limited

Right at the onset of real estate private equity investing in India, IIML, being a front runner in this sector, recognized the need for a professionally owned and managed real estate development company, which could deliver **Quality** and **Value**, with a **Customer** focus. Hence was born QVC Realty, India's first fully private equity funded real estate development start-up. IIML worked not only to capitalize the company but also to staff it with experienced professionals. With IIML's Real Estate Fund being a majority owner, IIML continues to provide guidance, supervisory and decision making support to the QVC team

Over the last 4 years, QVC has worked closely with IIML to develop a well diversified portfolio of assets across the country. During this period, QVC acquired 2 of the 5 township licenses in Gurgaon (near the city of Delhi), a 62 acre land parcel in North Bangalore and a 150 acre land parcel at Chikmangalur (Karnataka). More recently, QVC has successfully launched its Gurgaon township projects - 'G99' with the Uppal Group and 'International City' with Sobha Developers. In aggregate, QVC is developing over 470 acres of real estate across India

Apart from guidance and supervision, IIML has also leveraged its relationships to drive business for the company. A premium waterfront Group Housing Project at Kochi, for instance, being co-developed by QVC was sourced through IIML relationships

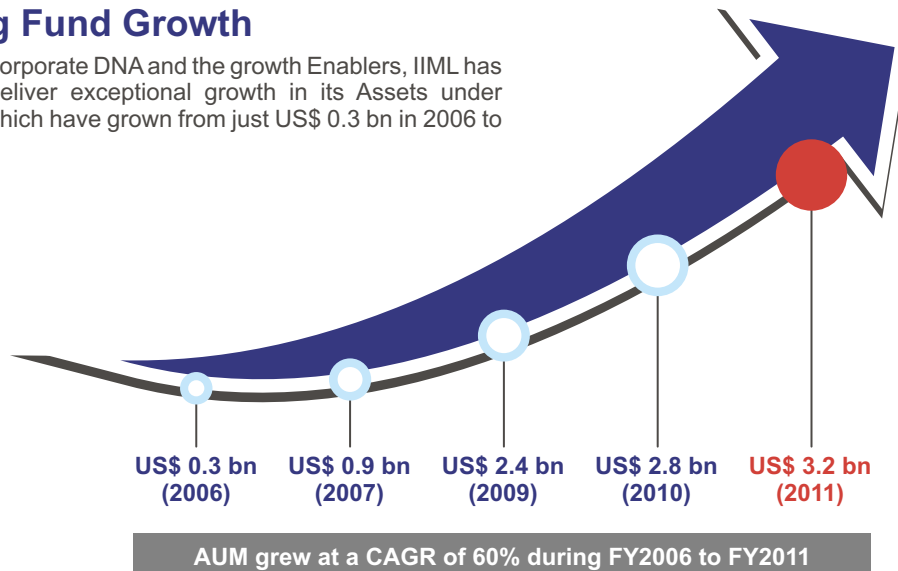
Despite a challenging real estate environment, QVC has been able to demonstrate that sound quality and value propositions attract customers. The G99 project, for instance, has been able to sell over 40% of its inventory within 12 months of launch. With the successful launch of its projects, QVC has been able to generate cashflows for its investors



THE PERFORMANCE

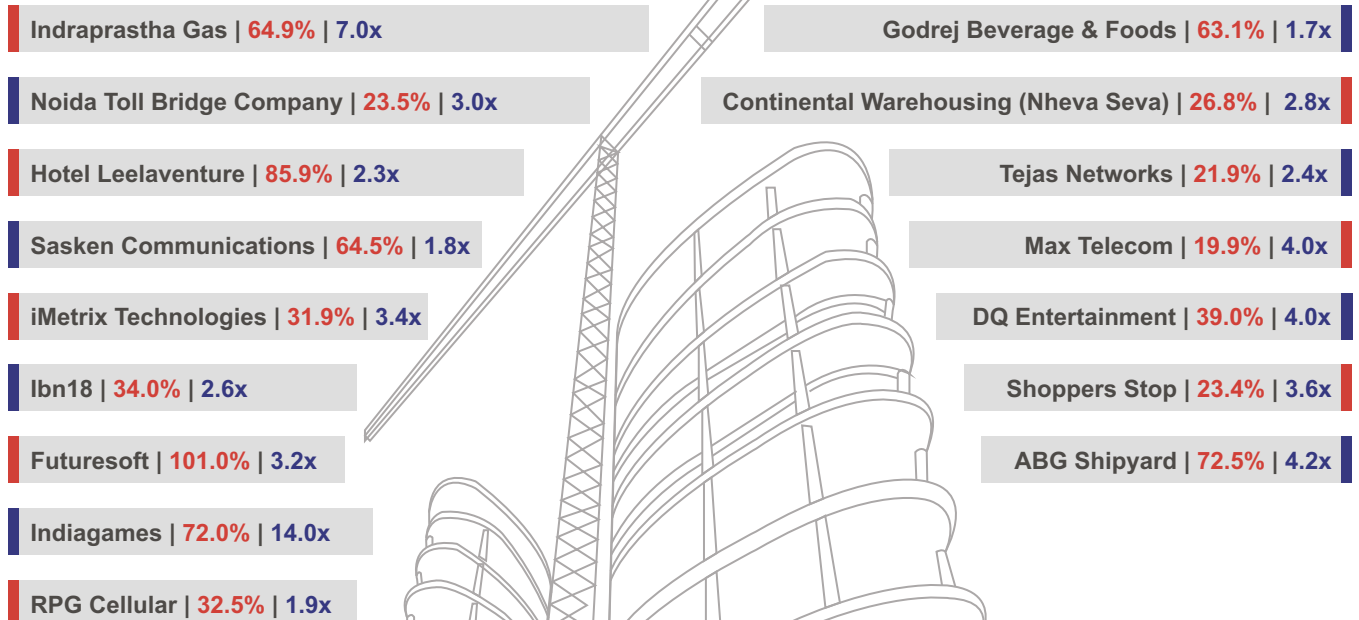
Delivering Fund Growth

Leveraging its Corporate DNA and the growth Enablers, IIML has been able to deliver exceptional growth in its Assets under Management, which have grown from just US\$ 0.3 bn in 2006 to US\$ 3.2 bn now



Delivering Investment Returns

Over the past decade, IIML has been able to craft exits or provide liquidity to 50% of its investments - it has exited from 51 investments, has had partial exit from 9 investments, while 12 others are listed on the Stock Exchanges. In the 51 fully exited investments, IIML has been able to deliver an average return of 25% p.a. for its Fund investors



building **returns**
and multiples

Generating Returns

Date of Investment : April 2006

Amount Invested : ₹ 343 mn

Continental Warehousing Corporation (Nheva Seva) Limited

IIML identified an upcoming Container Freight Station (CFS) in the Jawaharlal Nehru Port Trust (JNPT) region in late-2005. The opportunity was brought to IIML through the IL&FS network. IL&FS had earlier closely worked with the development of a similar CFS in the region. At the time of investment, the Company was still in the process of completing the construction of warehouses and paved open area for containers

At this early stage of the Company, IIML guided the Company to build its systems and processes, undertake effective marketing and drive traffic at the CFS. As a result, profits increased from ₹ 9 mn in FY2007 to ₹ 191 mn in FY2008 and then to ₹ 420 mn in FY2009

With attainment of steady state traffic at the JNPT facility, the Company and IIML jointly worked towards identifying other growth opportunities. This led to the Company establishing CFSs in two other locations, which was funded through a second round of investment by new PE players. The new PE investment also provided an opportunity for the Fund to undertake a partial exit. The Fund sold a part of its investment holding, thereby generating a gross return of 25% p.a. for the Fund

In order to drive further growth and build a larger platform, IIML worked with the promoters to consolidate their other logistics related businesses into the Company. Development of these businesses entailed significant capital expenditure. Given that the revenue growth from these new initiatives would pan out after 1-2 years, coupled with the fact that the Fund had been invested for 5 years in the Company, IIML decided to undertake a full exit from the Company in April 2011 by selling its balance stake to Warburg Pincus, a global PE investor. The second round of divestment resulted in a gross return of 29% p.a., and a cash multiple of 3.6x, for the Fund

beyond financial performance

IIML's Corporate Social Responsibility initiative "Akshata" seeks to forge a relationship with IIML's extended circle of influence like the families of the construction workers as well as mobilize employees and their families to contribute to the lesser privileged communities. IIML has set aside a minimum corpus of Rs 2.5 million each year for the next three years towards Akshata

During FY2011, IIML partnered with three NGOs:

Mumbai Mobile Creches (MMC), which runs day care centers, pre-school and a non-formal primary programme at construction sites. MMC supports 5,000 children in Mumbai

Masoom works for improving the education quality as well as employability of over 650 students of 11 Night Schools in Mumbai

Sunbeam runs booster education classes for over 1,000 children from the slum communities, children of migrant construction workers and domestic workers in Mumbai

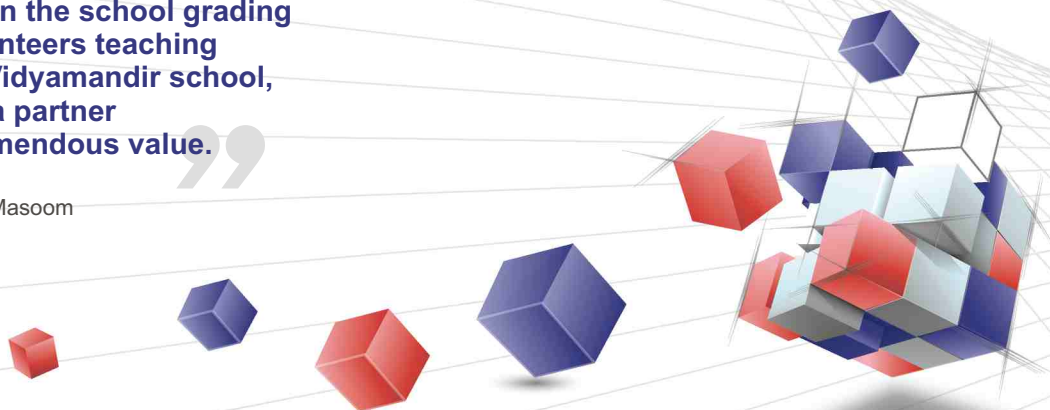


IIML employees interact with children from Mumbai Mobile Creches

“Be it their help in the school grading process or volunteers teaching English at our Vidyamandir school, having IIML as a partner has been of tremendous value.”

Nikita Ketkar

Founder and CEO of Masoom



BUILDING BLOCKS OF FUTURE GROWTH

With the basic ingredients of growth in place, IIML is now piecing together building blocks for future growth:

- IIML has opened its Dubai office with a view to expand its business presence beyond India
- IIML will harvest operational and resource synergies arising from the merger with Saffron Asset Advisors as also leverage Saffron's Euronext listed platform to grow a breed of new funds
- IIML is raising three new funds based on developing trends amongst large institutional investors, and structured in line with their risk appetite and investment requirements
- IIML will leverage its parentage to enhance its infrastructure fund portfolio by offering a variety of funds covering the infrastructure lifecycle

With these building blocks coming into place, IIML will be well positioned to capture a significantly higher share of the fund management business



IL&FS INVESTMENT MANAGERS LIMITED

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DIRECTORS' REPORT

To The Members IL&FS Investment Managers Limited

Your Directors have pleasure in presenting for your consideration and approval the Twenty Fifth Annual Report with the Audited Financials of the Company for the year ended March 31, 2011

FINANCIAL ACHIEVEMENTS AND DIVIDEND

| | For the year ended March 31, 2011 (₹ mn) | For the year ended March 31, 2010 (₹ mn) | For the year ended March 31, 2011 (₹ mn) | For the year ended March 31, 2010 (₹ mn) |
|--------------------------------------|--|--|--|--|
| | Standalone | Standalone | Consolidated | Consolidated |
| Total Income | 949.44 | 957.07 | 2,012.19 | 1,813.37 |
| Profit before Taxation | 554.53 | 588.64 | 905.19 | 956.92 |
| Provision for Taxation | 180.47 | 195.78 | 212.27 | 215.38 |
| Net Profit after Taxation | 374.06 | 392.86 | 690.20* | 738.49* |
| Profit available for appropriation | 501.71 | 522.77 | 1,472.20 | 1,177.12 |
| Appropriations : | | | | |
| General Reserve | 38.00 | 40.00 | 38.00 | 40.00 |
| Dividend (inclusive of dividend tax) | 358.48 | 355.12 | 358.48 | 355.12 |

* after Minority Interest

DIVIDEND

During the year, your Company achieved a net profit after tax of ₹ 374.06 mn. Your Directors recommend a dividend of ₹ 1.50 per share of face value ₹ 2/- each. The total amount of dividend is ₹ 358.48 mn (inclusive of dividend tax of ₹ 50.04 mn)

REVIEW OF OPERATIONS

The year under review has been uncertain, contrary to earlier expectations. India faced headwinds in the form of concerns on inflation, interest rates, and oil price. Lower industrial growth since September 2010 and slowdown in foreign direct investment could translate into lower than expected GDP growth for FY2011 and FY2012. The fragile global and local economic scenarios have reflected on the private equity environment as well. Fund raising continues to be sluggish and PE fund raising by India-focused funds saw a dip of 19% on a year on year basis

In this backdrop, the year has been one of consolidation for the Company. During the year your Company acquired the shares of Saffron Asset Advisors Private Limited (name changed to IIML Asset Advisors Private Limited), thus making it a subsidiary of Company. In addition to the above Saffron Capital Securities Limited and Saffron Capital Advisors Limited, both Mauritius based real estate focused managers, amalgamated with IL&FS Investment Advisors LLC, a Mauritius based wholly owned subsidiary of the Company. As a result of the foregoing, the total Assets Under Management ("AUM") of your Company along with its affiliates stands increased to USD 3.2 bn and your Company alongwith its affiliates also has under its management Yatra Capital Limited which is listed on the Euronext Stock Exchange. Your Company will seek to leverage the listed vehicle for raising fresh listed private equity funds

Your Company invested ₹ 8.27 bn during FY2011, a 43% increase over the previous year. More importantly, your Company was also able to provide significant return of capital to its fund investors, with US\$ 221 mn being realized through divestments from 15 investee companies

Given that the fund raising process is episodic, the increase in revenues of your Company is more a step function, linked to fresh funds closed as also to the investment cycle for the current funds under management. Strategic initiatives including opening of the Dubai office with a view to expand business presence in the region and the Saffron merger are expected to fructify over the next two fiscals. Given the lack of demand and the greater risk aversion of the investment community, investment cycles have elongated, thereby impacting pace of fresh fund raises. Accordingly, the Company initiated fund raising for three new funds only in the latter part of 2011. The enhancement in assets under management of US\$ 400 mn came from the amalgamation of the Saffron platform; however depreciation costs related to the transaction have resulted in a lower Profit After Tax than planned

On a consolidated basis, the Income from Operations of the Company for the financial year 2010-2011 was ₹ 1.9 bn. Inclusive of Income from Investments of ₹ 72.39 mn and Other Income of ₹ 39.45 mn, the Total Income on a consolidated basis for the Financial Year 2010-2011 was ₹ 2.01 bn. The resultant Profit after Tax on consolidated basis for the financial year 2010-2011 was ₹ 690.20 mn

DIRECTORS' REPORT

On a standalone basis, the Income from Operations of the Company for the financial year 2010-2011 was ₹ 852.77 mn. Inclusive of Income from Investments of ₹ 61.64 mn and Other Income of ₹ 35.03 mn, the Total Income of the Company for the Financial Year 2010-2011 was ₹ 949.44 mn. The total Expenses for the year were ₹ 394.90 mn and the resultant Profit after Tax for the financial year 2010-2011 was ₹ 374.06 mn

FUTURE OUTLOOK

The emerging weak and uncertain economic data points to a possible downgrading of the growth forecasts for FY2012. Scaling down of FY2012 growth expectations by 0.5-1.0% is already being sounded out by various agencies, with the Government reaffirming that it would be willing to sacrifice growth in the interest of reigning in inflation

However, notwithstanding the challenging macro-economic environment, India continues to present a compelling investment opportunity. In order to address this opportunity, your Company has started marketing of three new funds. Leveraging its parentage, the Company would in this fiscal launch a variety of funds covering the infrastructure lifecycle. The new Funds collectively target to raise US\$1 bn over the next 12-18 months, with some achieving a First Close during this fiscal. A challenging global investment environment would dictate the Company's ability to raise new Funds within the planned timelines. Despite having a competitive advantage and performance recognition among global investors, the active divestment of older funds coupled with longer lead times for fund raising are expected to keep assets under management flat

DIRECTORS

Mr Arun Saha and Mr Vibhav Kapoor retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for re-appointment. Mr Jitender Balakrishnan was appointed as an Additional Director of the Company at the Board Meeting held on July 30, 2010 and Mr Ramesh Bawa and Mr Siddharth Mehta were appointed as Additional Directors of the Company at the Board Meeting held on February 11, 2011. Since Mr Jitender Balakrishnan, Mr Ramesh Bawa and Mr Siddharth Mehta were appointed as Additional Directors of the Company they hold office upto the date of ensuing Annual General Meeting of the Company and being eligible offers themselves for appointment. The Company has received a notice under Section 257 of the Companies Act, 1956 proposing appointment of Mr Jitender Balakrishnan, Mr Ramesh Bawa and Mr Siddharth Mehta as Directors of the Company. During the year Mr Alok Bhargava resigned and ceased to be a Director and consequently ceased to be an Executive Director of the Company with effect from July 15, 2010. Dr Archana Hingorani was appointed as an Executive Director of the Company for a period of five years with effect from July 17, 2006. With the tenure of Dr Hingorani as an Executive Director coming to an end on July 16, 2011, the Board of Directors of the Company at its meeting held on April 21, 2011 approved the re-appointment of Dr Archana Hingorani as an Executive Director of the Company for a further period of five years with effect from April 21, 2011, subject to the approval of the members. The resolution for re-appointment of Dr Hingorani as an Executive Director of the Company for a further period of five years with effect from April 21, 2011 is being placed before the members in the ensuing Annual General Meeting

STATUTORY AUDITORS

The Statutory Auditors of the Company M/s Deloitte Haskins & Sells, Chartered Accountants, Mumbai, retire at the conclusion of the ensuing Annual General Meeting and have expressed their willingness to continue as Auditors, if re-appointed, at the ensuing Annual General Meeting of the Company

The Company has also received a certificate from M/s Deloitte Haskins & Sells under Section 224(1B) of the Companies Act, 1956 confirming their eligibility for re-appointment. M/s Deloitte Haskins & Sells, Mumbai, have also confirmed to the Company that the firm is subjected to the Peer Review Process of the Institute of Chartered Accountants of India

INCREASE IN SHARE CAPITAL

During the year your Company allotted 2,598,660 Equity Shares of ₹ 2/- each on the exercise of Options issued under the Employee Stock Option Plans 2004 & 2006

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Report on Corporate Governance along with the Management Discussion and Analysis and Auditors' Certificate on compliance with the Corporate Governance requirements have been included in this Annual Report as separate sections

SUBSIDIARY COMPANIES

Your Company has the following subsidiaries IL&FS Asian Infrastructure Managers Limited, IL&FS Urban Infrastructure Managers Limited, IIML Asset Advisors Private Limited and IL&FS Investment Advisors LLC, Mauritius

DIRECTORS' REPORT

The Company had in the past obtained exemption from the Central Government under Section 212 of the Companies Act, 1956, from attaching the Accounts of each of the Subsidiary Companies of the Company to its Balance Sheet. However the Ministry of Corporate Affairs vide General Circular No 2/2011 file no 51/12/2007-CL-III dated February 8, 2011, had issued directions under Section 212(8) of the Companies Act, 1956 to grant a general exemption from attaching the financials along with the Directors' Report and the Auditors' Report of the subsidiary companies to the financials of the holding company on fulfillment of certain conditions. In compliance with the said circular of the Ministry of Corporate Affairs, the Company has attached a summary of the financial statements of each of the Subsidiary Companies

As per Clause 32 of the Listing Agreement the consolidated financial statements of the Company with its Subsidiaries form part of the Annual Report. The copies of the audited annual accounts of the Company's Subsidiaries and other related documents, can also be sought by any member of the Company or its Subsidiaries on making a written request to the Company Secretary in this regard. The Annual Accounts of the Subsidiary Companies are also available for inspection by any member at the Company's and/or the concerned Subsidiaries' registered office

Review of Operations of Subsidiary Companies

IL&FS Asian Infrastructure Managers Limited :

IL&FS Asian Infrastructure Managers Limited (IAIML) has been set up to manage Pan Asia Project Development Fund, India (the Fund). The Fund has been set up in order to support initiatives for development of infrastructure projects in the Asian region. The Fund has a corpus of ₹ 1,125 mn. IAIML is playing an active role in managing and monitoring the investments made by the Fund. The performance of these investments has been satisfactory

The Income from Operations of IAIML for the financial year 2010-2011 was ₹ 20.04 mn. Inclusive of Income from Investments and Other Income of ₹ 3.45 mn, the Total Income for Financial Year 2010-2011 was ₹ 23.49 mn. The total Expenses of IAIML for the year were ₹ 19.05 mn and the resultant Profit after tax for the year was ₹ 3.96 mn

IL&FS Urban Infrastructure Managers Limited :

IL&FS Urban Infrastructure Managers Limited (IUIML) functions as the Asset Manager for the Pooled Municipal Debt Obligations (PMDO) Facility. The objective of the PMDO Facility is to provide long tenure term loans to meet the debt requirements of urban infrastructure projects across cities in India. The total corpus of the PMDO Facility is ₹ 27,500 mn

As part of the efforts of increasing the total corpus available, a new lender Indian Overseas Bank has joined the consortium with a commitment of ₹ 2,500 mn. Further the existing lenders have also increased their commitment amounts. Accordingly, the total corpus is expected to be increased to ₹ 47,775 mn. The Memorandum of Agreement for the revised commitment amount is expected to be signed in the first quarter of FY2012

IUIML's role as an Asset Manager is to identify and appraise the eligible projects and obtain sanctions of the lenders and thereafter assist the lenders to disburse, monitor and administer the loan assets until repayment

By March 31, 2011, projects for a term loan of ₹ 30,783.35 mn have been sanctioned from the PMDO facility and the assets under management amounted to ₹ 8,747 mn

The Income from Operations of IUIML for the financial year 2010-2011 was ₹ 89.21 mn. Inclusive of Income from Investments and Other Income of ₹ 1.79 mn, the Total Income for Financial Year 2010-2011 was ₹ 91 mn. The total Expenses of IUIML for the year were ₹ 64.34 mn and the resultant Profit after Tax for the year was ₹ 17.76 mn

IIML Asset Advisors Private Limited (formerly known as Saffron Asset Advisors Private Limited) :

IIML Asset Advisors Private Limited (IAAPL) is in the business of providing advice on investments, finance, management and consultancy and acts as the India Advisor to two Mauritius based real estate funds

The Income from Operations of IAAPL for the financial year 2010-2011 was ₹ 305.36 mn. Inclusive of Other Income of ₹ 0.89 mn, the Total Income for Financial Year 2010-2011 was ₹ 306.25 mn. The total Expenses of IAAPL for the year were ₹ 255.83 mn and the resultant Profit after Tax for the year was ₹ 32.30 mn

IL&FS Investment Advisors LLC :

IL&FS Investment Advisors LLC, Mauritius (IIAL) acts as the Investment Manager to IL&FS India Realty Fund LLC, IL&FS India Realty Fund II LLC, Tara India Fund III LLC, K2 Property Limited and Saffron India Real Estate Fund I

The Total Income of IIAL for the financial year 2010-2011 was USD 30.90 mn. The total Expenses of IIAL for the year were USD 24.94 mn and the resultant Profit after Tax for the year was USD 5.73 mn

DIRECTORS' REPORT

DEPOSITS

Your Company has not accepted any deposits from the public for the year under consideration

FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars regarding foreign expenditure and earnings appear as Item Nos. 8(ii) and 8(iii) respectively, of Schedule 13B to the Accounts

Since the Company does not own any manufacturing facility, the other particulars in the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable

PERSONNEL

Your Directors wish to place on record their appreciation of the services rendered by the employees of the Company at all levels. The particulars of the employees as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of the Directors' Report for the year ended March 31, 2011. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report and Accounts are being sent to all shareholders of the Company, excluding the statement of particulars of employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company

DETAILS OF EMPLOYEE STOCK OPTION PLANS

The detailed disclosures as per SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 of the ESOP Schemes of the Company are annexed to the Directors' Report

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors wish to state that:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) they had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that year;
- (c) they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they had prepared the annual accounts on a going concern basis

ACKNOWLEDGEMENT

Relationship with Members, Investors of the funds under management, Reserve Bank of India, Securities and Exchange Board of India, other Regulatory authorities, investee companies and our bankers remained excellent during the year under review. Your Directors are grateful for the support extended by them and look forward to receiving their continued support and encouragement

Place : Mumbai
Date : April 21, 2011

For and on behalf of the Board

S M DATTA
Chairman

Annexure to the Directors' Report

Details of Options issued under the Employee Stock Option Plans

The Members of the Company had approved the Employee Stock Option Scheme 2003 ("ESOP 2003") and the Employee Stock Option Scheme 2004 ("ESOP 2004") for granting Options to the Directors and employees of the Company and the Employee Stock Option Scheme 2006 ("ESOP 2006") for granting Options to the Directors and employees of the Company and the Holding and Subsidiary Companies of the Company

During the financial year 2010-2011, the Compensation Committee of the Company did not grant any Options under the above schemes

The particulars of the Options under ESOP 2003, ESOP 2004 and ESOP 2006 are as follows :

| ESOP 2003 | | | |
|-----------|--|---|--|
| (1) | Options granted till date | : | 9,012,550 Options |
| (2) | Pricing Formula | : | The Options have been granted as per the market price on the date of the Grant as defined in the SEBI Guidelines |
| (3) | Options Vested during the year | : | Nil Options |
| (4) | Options exercised during the year | : | Nil Options |
| (5) | Total number of shares arising as a result of exercise of Options | : | Not Applicable |
| (6) | Options lapsed during the year | : | Nil Options |
| (7) | Variation of terms of Options during the year | : | No variations during the year |
| (8) | Money realised by exercise of Options during the year | : | Not Applicable |
| (9) | Options vested but yet to be exercised | : | Nil Options |
| (10) | Options available for Grant in future | : | 25,210 Options |
| (11) | Options Granted during the Financial Year | : | Nil Options |
| (12) | Options granted to Senior Managerial Personnel and employees who received Options amounting to and in excess of 5% of the Options granted under ESOP 2003 during the financial year ended March 31, 2011 | : | Nil Options |

Annexure to the Directors' Report

| ESOP 2004 | | | |
|-----------|--|---|--|
| (1) | Options granted till date | : | 16,875,000 Options |
| (2) | Pricing Formula | : | Market price on the date of the Grant as defined in SEBI Guidelines or such other lower price as per the terms of the scheme |
| (3) | Options Vested during the year | : | Nil Options |
| (4) | Options exercised during the year | : | 654,660 Options |
| (5) | Total number of shares arising as a result of exercise of Options | : | 654,660 Shares |
| (6) | Options lapsed during the year | : | Nil Options |
| (7) | Variation of terms of Options | : | No variations during the year |
| (8) | Money realised by exercise of Options during the year | : | ₹ 3,142,368/- |
| (9) | Options vested but yet to be exercised | : | 326,655 Options |
| (10) | Options available for Grant in future | : | 87,285 Options |
| (11) | Options Granted during the Financial Year | : | Nil Options |
| (12) | Options granted to Senior Managerial Personnel and employees who received Options amounting to and in excess of 5% of the Options granted under ESOP 2004 during the financial year ended March 31, 2011 | : | Nil Options |

| ESOP 2006 | | | |
|-----------|--|---|--|
| (1) | Options granted till date | : | 16,687,500 Options |
| (2) | Pricing Formula | : | The Options have been granted as per the market price on the date of the Grant as defined in the SEBI Guidelines |
| (3) | Options Vested during the year | : | 806,250 Options |
| (4) | Options exercised during the year | : | 1,944,000 Options |
| (5) | Total number of shares arising as a result of exercise of Options | : | 1,944,000 Shares |
| (6) | Options lapsed during the year | : | Nil Options |
| (7) | Variation of terms of Options | : | No variations during the year |
| (8) | Money realised by exercise of Options during the year | : | ₹ 30,547,825/- |
| (9) | Options vested but yet to be exercised | : | 3,683,500 Options |
| (10) | Options available for Grant in future | : | 1,290,000 Options |
| (11) | Options Granted during the Financial Year | : | Nil Options |
| (12) | Options Granted to Senior Managerial Personnel and employees who received Options amounting to and in excess of 5% of the Options granted under ESOP 2006 during the financial year ended March 31, 2011 | : | Nil Options |

Annexure to the Directors' Report

The Diluted Earnings Per Share pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standard 20 is ₹ 1.80

The Company calculates the employee compensation cost using the Intrinsic Value of the Options. In the event the Company had used the Fair Value of Options for calculating the employee compensation cost the difference between the employee compensation cost so computed and the employee compensation cost arising out of the Intrinsic Value method would have been ₹ 343,135/- which would have reduced the Profit before Tax of the Company by ₹ 343,135/- and the Basic and Diluted Earnings Per Share would have remained at ₹ 1.84 and ₹ 1.81 respectively

The Company has not granted any Options under ESOP 2003, ESOP 2004 and ESOP 2006 during the year and hence the Weighted Average Exercise Price and the Weighted Average Fair Value of the Options granted during the year in case of ESOP 2003, ESOP 2004 and ESOP 2006 is Nil

Method and significant assumptions used to estimate the Fair Value of the Options for ESOP 2003, ESOP 2004 and ESOP 2006 :

The Fair Value of Options has been calculated by an independent valuer. The valuation has been done using the Black - Scholes model based on the assumptions, which are as below :

(i) Expected Life of Options :

Expected Life of Options is the period within which the Options are expected to be exercised. The earliest the Options can be exercised is immediately on vesting. All the Options vest at the end of one to three years from the date of Grant. The Options can be exercised at any time upto 4 years from the vesting date

Considering the above, the average Expected Life of Options is 5.5 years

(ii) Risk free interest rate :

This rate has been assumed at 7.5%

(iii) Share Price :

Share Price is the market price on the National Stock Exchange with reference to the Grant Date

(iv) Volatility :

Volatility is calculated based on period which represents a consistent trend in the price movement after adjusting abnormal events, if any

(v) Expected dividend yield has been calculated as follows :

Dividend per share / Market price of the share on the Grant Date

CERTIFICATE

We have reviewed the Employee Stock Option Plan 2003, Employee Stock Option Plan 2004 and the Employee Stock Option Plan 2006 ("the Plans") and the related records of **IL&FS INVESTMENT MANAGERS LIMITED** ("the Company") for the year ended March 31, 2011 in connection with the issuance of the stock options under the plans.

Based on our review and according to the information and explanations provided to us, we certify that the above Plans have been implemented in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and in accordance with the resolutions of the Company in the general meetings held on July 26, 2003, March 19, 2004 and May 3, 2006.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 117366W)

A. B. JANI
Partner
(Membership No. 46488)

Mumbai, April 21, 2011

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Business Overview

Even three years after the global financial crisis, its impact continues to reverberate across various parts of the globe. The threat of debt default in certain Euro zone economies, for instance, remains as imminent as before. Closer to home, inflation in India and China remains persistent. With oil prices moving up and firmly into three digits, fuel inflation and a higher deficit can be expected as a natural outcome. The resultant upward march of interest rates, unrelenting in the last one year, has therefore the potential of impacting growth

These economic trends have also been interspersed with remarkable news flow from the Middle East, Africa and Japan. Natural and man-made crises have added to the uncertainties. In this dynamic environment, the Indian economy has not remained insulated - it has faced headwinds in the form of concerns on inflation, interest rates, and oil prices. In addition, internal issues like the controversy related to 2G telecom licenses and spectrum allocation, state level political uncertainties etc have also impacted sentiment

A combination of global and local issues have thus reflected negatively on the industrial growth, public markets and the investment climate. During FY2011, the growth eased to 7.2% in June, rebounded to 15.1% in July, and slid to 4.9% in September. Since then, the growth has been subdued, ranging between 2.5% to 3.9%, with a downward bias, thereby clouding the GDP growth expectation for FY2011. Likewise, the Bombay Stock Exchange index registered a near complete recovery to the historic highs and crossed the 21,000 mark during the third quarter of FY2011, before sliding back to sub 18,000 in February 2011

Further, reduced risk and expansion appetite of corporates across the world resulted in India receiving less foreign direct investment during 2010, compared to the previous year. Lower investments and a higher interest regime could have a deleterious impact on growth in the short to medium term. Scaling down of FY2012 growth expectations by 0.5-1.0% is already being sounded out by various agencies, with the Government reaffirming that it would be willing to sacrifice growth in the interest of reigning in inflation

The fragile global and local economic scenarios have reflected on the private equity environment as well. Fund raising continues to be sluggish - in CY2010, PE fund raising by India-focused funds saw a dip of 19% on a year on year basis. The over 30 India focused PE funds launched in 2010 have, till January 2011, managed to raise only US\$ 0.6 bn, against a target of US\$ 8.8 bn - a clear reflection of the challenging fund raising environment. While investment activity has gone up from US\$ 5.6 bn in FY2010 to US\$7.1 bn (between April 2010 - January 2011), a part of higher transaction levels could be attributed to 'capital overhang' from the funds raised during 2008

(II) Analysis of Performance for the year ended March 2011

1. Business Review :

The year under review has been one of consolidation. Earlier during the year, the Company's subsidiary completed its merger with Saffron Asset Advisors, a real estate focused manager, with US\$400 mn of asset under management (AUM). Beyond enhancement of the Company's AUM, there are significant benefits arising from operational and resource synergies with Saffron. Saffron manages the Euronext-listed Euro 220 mn Yatra Capital, a platform which the Company will seek to leverage to grow a breed of new funds

The Company's AUM has now grown to US\$3.2 bn, making it the largest domestic fund manager in India. The Company's AUM size and diversity across the three verticals of general purpose private equity, infrastructure and real estate has ensured that the Company had and continues to have the ability to deploy capital across business cycles. This enabled the Company to continue to undertake investments during the dark days of the global financial crisis, a time when liquidity and fund managers had all but vanished. The trend continues and during FY2011, the Company invested ₹ 8.27 bn as against ₹ 5.78 bn in FY2010

The Company was also able to provide significant return of capital to its investors. The year under review witnessed the first exits from two Funds - Pan Asia Project Development Fund and the SCI Asia Fund. Exits from investments in the Leverage India Fund continue, and the Fund is now closer to full divestment. Despite a tough real estate environment, exits from the first real estate Fund were also undertaken. In aggregate, the Company attained fifteen full exits / partial exits across all the three verticals realizing US\$ 221 mn. Six of these exits were by way of trade / strategic sale, a strong expression of the Company's ability to structure alternate format exits in challenging market conditions, beyond just public listings. The Company's portfolio was also able to take advantage of favorable market conditions in the first half with four investee companies getting listed during October-November 2010

2. Financial Performance :

The Company's financial performance is directly linked to the funds under its management and therefore increase in revenues is driven by fresh fund raising, which by its very nature is episodic, sometimes crossing over financial years, and is also directly linked to completing the investment cycle for the current funds under management

Two strategic initiatives i.e. opening of the Dubai office with a view to expand business presence in the region and the Saffron merger are expected to bear fruit over the next two fiscals. Given the lack of demand and the greater risk aversion of the investment community, investment cycles have elongated, thereby impacting pace of fresh fund raises. Accordingly, the Company initiated fund raising for three new funds only in the latter part of 2011. The revenue impact of these initiatives would thus only be captured in the FY2012 financials. While the Saffron merger did lead to enhanced assets under management, depreciation costs related to the transaction have resulted in a lower PAT than planned

MANAGEMENT DISCUSSION AND ANALYSIS

On a consolidated basis, the Income from Operations of the Company for the financial year 2010-2011 was ₹ 1.9 billion. Inclusive of Income from Investments of ₹ 72.39 mn and Other Income of ₹ 39.45 mn, the Total Income on a consolidated basis for the Financial Year 2010-2011 was ₹ 2.01 billion. The resultant Profit after Tax on a consolidated basis for the financial year 2010-2011 was ₹ 690.20 mn

(III) Outlook for Financial Year 2011-2012 :

A challenging environment notwithstanding, India's economic juggernaut continues to roll, and while growth expectations are being moderated, it is important to note that India is expected to register one of the highest growth rates in the world during 2012. The Company therefore will continue to leverage its leadership position to deploy capital and raise fresh funds. The Company has US\$ 400 mn of deployable capital remaining and expects to put this capital to work in the next 9-12 months

However, the uncertain global macro-economic environment cannot be wished away. If the environment of high input costs, slow investment, and weak sentiment, continues to impinge on the Indian economy without respite, it will eventually impact operational performance of the Company's investee companies, no matter how well managed they are. In such an instance, the underlying divestment timelines and return expectations would be impacted adversely. The Company therefore, more than ever before, is closely monitoring, assessing, and appropriately acting, in close coordination with the managements of the investee companies

In FY2011, the Company has already launched three funds. Of these funds, one is the successor to the general purpose PE fund, Tara IV, another, a new yield based real estate fund and most recently, a fund focused on investment opportunities in the listed space. Leveraging its parentage, the Company would in this fiscal launch a variety of funds covering the infrastructure lifecycle. The new Funds collectively target to raise US\$ 1 bn over the next 12-18 months, with some achieving a First Close during this fiscal

A challenging global investment environment would dictate the Company's ability to raise new Funds within the planned timelines. Despite having a competitive advantage and performance recognition among global investors, the active divestment of older funds coupled with longer lead times for fund raising are expected to keep assets under management flat

(IV) Business Segment and Human Resources :

The Company presently operates in one business segment – fund management and other related services

Post merger with Saffron Advisors, the Company has a robust team in place to manage all aspects of its present business. Cross pollinating best practices from both businesses is one of the important synergies which arise from the merger. Developing and motivating this team to proactively work and adapt to an uncertain environment is a continuing endeavour. The Company would also encourage and incentivise its team to not only deliver best of what it is doing but to venture beyond the existing opportunity set

The Company presently has 56 employees

(V) Internal Control Systems :

The Company has an adequate system of internal controls to ensure accuracy of accounting records, compliance with all laws and regulations and compliance with all rules, processes and guidelines prescribed by the management

An extensive internal audit is carried out by an independent firm of Chartered Accountants. Post audit reviews are also carried out to ensure follow up on the observations made. The scope of the internal audit is determined by the Audit Committee and the internal audit reports are reviewed by the Audit Committee on a regular basis

CORPORATE GOVERNANCE REPORT

(A) COMPANY PHILOSOPHY

The Company has always been practicing sound Corporate Governance practices and the Management is of the view that a good Corporate Governance policy is one which results in the Company being operated in a regulated manner and makes management transparent, ethical, accountable and fair resulting in enhanced shareholder value. The Management is pleased to provide a detailed disclosure of specific matters required under the Listing Agreement entered into by the Company with the Stock Exchanges

(B) BOARD OF DIRECTORS

(1) Composition :

- The Board comprises of 10 Directors including a Non-Executive Chairman, a Non-Executive Vice Chairman, One Executive Director and Seven Non-Executive Directors
- None of the Directors hold chairmanship of more than 5 committees or membership in more than 10 committees of public limited companies as stipulated in Clause 49 of the Listing Agreement
- All the Independent Directors of the Company have furnished a declaration that they satisfy the conditions of being independent as stipulated in Clause 49 of the Listing Agreement

(2) Board Meetings :

- The Board of Directors met five times during the financial year ended March 31, 2011 and the gap between two meetings did not exceed four months. The meetings were held during the year on April 26, 2010, July 15, 2010, July 30, 2010, October 12, 2010 and February 11, 2011
- The category of Directors, attendance record of participating Directors at the Board Meetings during the last financial year and the last Annual General Meeting and also the number of other companies in which they are directors and number of other committee memberships they hold are as follows :

| Name of the Director | Category of Director @ | No of Board Meetings held | No of Board Meetings attended | Attendance at last AGM held on July 16, 2010 | No of other directorships* | No of other Committee Memberships** |
|-----------------------------------|------------------------|---------------------------|-------------------------------|--|----------------------------|--|
| Mr S M Datta (Chairman) | NED | 5 | 5 | Yes | 16 | 5 (Out of the above, 2 are in the capacity of Chairman) |
| Mr Ravi Parthasarathy | NED | 5 | 5 | Yes | 10 | - |
| Mr Bansi S Mehta | NED | 5 | 5 | Yes | 15 | 9 (Out of the above, 4 are in the capacity of Chairman) |
| Mr Arun K Saha | NED | 5 | 4 | Yes | 14 | 10 (Out of the above, 3 are in the capacity of Chairman) |
| Mr Vibhav Kapoor | NED | 5 | 5 | Yes | 7 | 1 |
| Mr Shahzaad Dalal (Vice Chairman) | NED | 5 | 5 | Yes | 17 | 9 (Out of the above, 1 is in the capacity of Chairman) |
| Dr Archana Hingorani | ED | 5 | 5 | Yes | 9 | 2 (Out of the above, 1 is in the capacity of Chairman) |
| Mr Jitender Balakrishnan # | NED | 3 | 2 | N.A. | 12 | 2 (Out of the above, 1 is in the capacity of Chairman) |
| Mr Ramesh Bawa # | NED | 1 | 1 | N.A. | 11 | 4 |
| Mr Siddharth Mehta # | NED | 1 | 1 | N.A. | 1 | - |

Mr Alok Bhargava resigned as Director of the Company with effect from July 15, 2010

Director for part of the year

Mr Jitender Balakrishnan was appointed as a Non Executive Independent Director of the Company with effect from July 30, 2010
Mr Ramesh Bawa was appointed as a Non Executive Director of the Company and Mr Siddharth Mehta was appointed as a Non Executive Independent Director of the Company with effect from February 11, 2011

@ ED Executive Director, NED Non-Executive Director

* The other directorships include alternate directorships and directorships in private companies but exclude directorships in foreign companies

** The other Committee Memberships comprise of only two committees Audit Committee & Shareholders'/Investors' Grievance Committee of public limited companies as per Clause 49 of the Listing Agreement

CORPORATE GOVERNANCE REPORT

(C) AUDIT COMMITTEE

(1) Composition :

The Audit Committee presently comprises of three Non-Executive Directors namely Mr Bansi Mehta, Chairman, Mr SM Datta and Mr Vibhav Kapoor

All members of Audit Committee are financially literate and atleast one member possesses relevant accounting and related financial management expertise

(2) Terms of Reference :

As per the terms of reference specified by the Board, the Audit Committee in addition to acting in accordance with the provisions of Section 292A of the Companies Act, 1956 also oversees the following functions :

- (a) Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible
- (b) Recommending the appointment and removal of the Statutory Auditors and the Internal Auditors and fixing audit fees
- (c) Reviewing with the Management, the Statutory Auditors and the Internal Auditors, the adequacy of internal control systems
- (d) Reviewing the adequacy of internal audit function
- (e) Discussing with the Internal Auditors any significant findings and follow up thereon
- (f) Reviewing with the Management the quarterly unaudited financial statements and annual financial statements before submission to the Board
- (g) Reviewing the management discussion and analysis
- (h) Reviewing the financial and accounting practices and policies
- (i) Compliance with stock exchange and legal requirements concerning financial statements
- (j) Reviewing the related party transactions
- (k) Reviewing the financial statements of unlisted subsidiary companies
- (l) Approval of appointment of the Chief Financial Officer after assessing the qualifications, experience and background etc. of the candidate

(3) Audit Committee Meetings :

The Audit Committee met four times during the financial year ended March 31, 2011 on April 26, 2010, July 15, 2010, October 12, 2010 and February 11, 2011 and the composition and attendance record of the members at the Audit Committee Meetings are as follows :

| Name of the Director | Number of Meetings held | Number of Meetings Attended |
|--------------------------|-------------------------|-----------------------------|
| Mr Bansi Mehta, Chairman | 4 | 4 |
| Mr SM Datta * | 3 | 3 |
| Mr Vibhav Kapoor | 4 | 4 |

* Mr SM Datta has been appointed as a member of the Audit Committee at the Board Meeting held on April 26, 2010

(D) COMPENSATION COMMITTEE

(1) Composition :

The Compensation Committee comprises of three Non-Executive Directors. The Committee functions under the Chairmanship of Mr SM Datta

CORPORATE GOVERNANCE REPORT

(2) Terms of Reference :

The Committee oversees the following functions :

- (a) The criteria and quantum of compensation for Wholetime Directors
- (b) Recruitment of key management employees and their compensation
- (c) Determination of the annual increments and performance related pay of the employees
- (d) Administration of the various Employee Stock Option Plans of the Company
- (e) Such other matters as the Board may from time to time request the Compensation Committee to examine, recommend and approve

(3) Remuneration Policy :

The Company's remuneration policy has been to reward employees based on their level of responsibility, performance and potential. It is aimed at attracting and retaining high caliber management talent by valuing their performance on the basis of their contribution

(4) Compensation Committee Meetings :

The Compensation Committee met once during the financial year ended March 31, 2011 on September 8, 2010 and all the members of the Committee attended the same

(5) Details of Remuneration :

Details of Remuneration paid to the Wholetime Directors during the year 2010-2011:

| Name of the Director | Salary (₹) | Perquisites (₹) | Total (₹) |
|----------------------|------------|-----------------|------------|
| Dr Archana Hingorani | 31,523,500 | 237,287 | 31,760,787 |
| Mr Alok Bhargava * | 9,744,702 | 607,378 | 10,352,080 |

* The above details of the remuneration paid to Mr Alok Bhargava is from April 1, 2010 till the date of his being a Wholetime Director of the Company i.e. upto July 15, 2010

The salary paid to Dr Archana Hingorani and Mr Alok Bhargava are inclusive of their retirement benefits and in case of Dr Archana Hingorani and Mr Alok Bhargava includes ₹ 16,830,000/- and ₹ 3,795,000/- paid to them as Performance Related Pay respectively

The Remuneration paid to the Wholetime Directors consists of a fixed salary and a variable bonus depending on the individual's and the Company's performance and the annual increments and variable bonus are decided by the Compensation Committee

During the financial year 2010-2011, the Company did not grant any stock options

(6) Details of payment made to the Non-Executive Directors :

Details of payment made to the Non-Executive Directors during the financial year 2010-2011 :

The Company does not pay any remuneration to the Non-Executive Directors of the Company except commission and sitting fees for attending the Board meetings and the Committee meetings. The Non-Executive Directors are also granted Stock Options on the basis of their contribution to the Company and based on their tenure as Directors of the Company

During the financial year 2010-2011, the Non-Executive Directors were paid sitting fees of ₹ 20,000/- each for attending the Board Meetings, the Audit Committee Meetings and the Compensation Committee Meetings and ₹ 2,000/- each for attending the Shareholders'/Investors' Grievance Committee Meetings

CORPORATE GOVERNANCE REPORT

Details of Commission for the financial year 2010-2011 to be paid to the Non-Executive Directors of the Company are as below :

| Name of the Non-Executive Director | Commission (₹) |
|------------------------------------|----------------|
| Mr SM Datta | 2,200,000/- |
| Mr Ravi Parthasarathy | 1,000,000/- |
| Mr Bansi Mehta | 620,000/- |
| Mr Arun Saha | 560,000/- |
| Mr Vibhav Kapoor | 560,000/- |
| Mr Jitender Balakrishnan | 280,000/- |
| Mr Ramesh Bawa | 140,000/- |
| Mr Siddharth Mehta | 140,000/- |

Such payment of commission has been approved by the members vide Special Resolution passed at the Annual General Meeting of the Company held on August 30, 2007. Besides sitting fees and commission, no other payments have been made to the Non-Executive Directors of the Company during the year

(7) Details of Options granted :

Details of Options granted to Non-Executive Directors during the year and shares held by them as on March 31, 2011 :

No Options were granted by the Company during the year to Non-Executive Directors

The shareholding of the Non-Executive Directors as on March 31, 2011 :

| Name of the Director | No of Shares |
|-----------------------|--------------|
| Mr SM Datta | 3,037,500 |
| Mr Ravi Parthasarathy | 900,000 |
| Mr Bansi Mehta | 2,262,500 |
| Mr Arun Saha | 150,000 |
| Mr Vibhav Kapoor | 562,500 |
| Mr Shahzaad Dalal | 1,831,855 |
| Mr Ramesh Bawa | 102,700 |

(E) SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

(1) The Shareholders'/Investors' Grievance Committee oversees the following functions :

- Issuance of duplicate certificates and rematerialisation of shares
- Redressing grievances received from the investors
- Allotment of shares upon exercise of options under Employee Stock Option Schemes
- Such other matters as the Board may from time to time request the Committee to examine, recommend and approve

(2) The Committee presently comprises of Mr Vibhav Kapoor (Chairman) and Mr SM Datta (Member). The attendance at the meetings held during the year is given below :

| Name of the Director | Number of Meetings held | Number of Meetings Attended |
|----------------------------|-------------------------|-----------------------------|
| Mr Vibhav Kapoor, Chairman | 7 | 7 |
| Mr SM Datta | 7 | 7 |

CORPORATE GOVERNANCE REPORT

- (3) Mr Sanjay Mitra, Company Secretary, has been designated as the Compliance Officer
- (4) There were no outstanding complaints as on March 31, 2011. All investor grievances were resolved
- (5) The shareholders can also register their complaints by sending an email to investor.relations@iflfsindia.com
- (6) The Board at its meeting held on May 1, 2007 approved the constitution of a Share Transfer Committee consisting of officers of the Company as its members for approving transfers and transmission of shares and also name deletion. The Committee presently comprises of Mr Manoj Borkar (Chairman) and Mr Sanjay Mitra (Member). The attendance at the meetings held during the year are given below :

| Name of the Member | Number of Meetings held | Number of Meetings Attended |
|---------------------------|-------------------------|-----------------------------|
| Mr Manoj Borkar, Chairman | 42 | 42 |
| Mr Sanjay Mitra | 42 | 42 |

(F) GENERAL BODY MEETINGS

- (1) The details of the last three Annual General Meetings are as follows :

| Date | Time | Location / Venue | Special Resolutions passed |
|---------------|----------|---|--|
| July 16, 2010 | 11.00 am | M C Ghia Hall, Mumbai | Remuneration of Dr. Archana Hingorani, Executive Director of the Company with effect from July 17, 2009 for remainder of her tenure i.e. upto July 16, 2011 |
| July 15, 2009 | 3.00 pm | 'The Centrum' World Trade Centre Mumbai | No Special Resolution was passed |
| June 26, 2008 | 11.30 am | Indian Merchants' Chamber, Mumbai | 1. Revision in slab of the Consolidated Salary of Mr Shahzaad Dalal, Vice Chairman & Managing Director of the Company 2. Revision in slab of the Consolidated Salary of Dr Archana Hingorani, Executive Director of the Company 3. Appointment and Remuneration of Mr Alok Bhargava as Executive Director of the Company 4. Issue of Bonus Shares |

- (2) Special Resolutions passed through Postal Ballot :

None of the resolutions approved at the last Annual General Meeting required postal ballot approval. No resolution on matters requiring voting by postal ballot as per Section 192A of the Companies Act, 1956 is placed before the members at the ensuing meeting

(G) DISCLOSURES

- (1) During the year under review, there were no materially significant transactions of the Company with its Directors, Senior Management and their relatives or the management that had a potential conflict with the interests of the Company at large. The transactions between the Company and the related parties are disclosed in the Notes to the Accounts
- (2) None of the Directors of the Company are related to each other except to the extent that Mr Ravi Parthasarathy, Mr Arun K Saha, Mr Vibhav Kapoor and Mr Ramesh Bawa are Directors nominated by Infrastructure Leasing & Financial Services Limited (IL&FS)
- (3) No penalties and/or strictures were imposed on the Company by the Stock Exchange or SEBI or any statutory authority, on any matter related to the capital markets during the last three years
- (4) The Board of Directors of the Company has laid down a Code of Conduct for all its Board Members and senior management of the Company. The Code of Conduct as laid down by the Board is already posted on the Company's website. All the members of the Board of Directors and senior managerial personnel have confirmed compliance with the Code of Conduct of the Company. A declaration to this effect, signed by the Chief Executive Officer forms part of the Annual Report
- (5) The Chief Executive Officer and the Chief Financial Officer of the Company have furnished the requisite certificate to the Board of Directors under Clause 49 (V) of the Listing Agreement

CORPORATE GOVERNANCE REPORT

- (6) For part of the year the composition of the Board of Directors of the Company did not conform to the requirements of the Listing Agreement i.e. the Board composition of the Company did not satisfy the criteria of one third independent directors. With the appointment of Mr Jitender Balakrishnan as Non Executive Independent Director of the Company by the Board of Directors at their meeting held on July 30, 2010, the Board composition of the Company conformed to the requirements of the Listing Agreement. The composition of the Board of Directors of the Company is now in compliance with the Listing Agreement
- (7) During the beginning of the year the composition of the Audit Committee of the Company did not conform to the requirements of Section 292A of the Companies Act, 1956 and the Listing Agreement i.e. the composition of Audit Committee of the Company did not satisfy the criteria of minimum three directors as members and two third of the members as independent directors. Consequently, the quorum at the Audit Committee meeting held on April 26, 2010 did not have a minimum of two independent directors. The Board of Directors of the Company at their meeting held on April 26, 2010 appointed Mr SM Datta as a member of the Audit Committee of the Company. With the appointment of Mr SM Datta as a member of the Audit Committee, the composition of the Audit Committee of the Company is in compliance with Section 292A of the Companies Act, 1956 and the Listing Agreement
- (8) Some of the Independent Directors of the Company have been Directors of the Company in excess of nine years
- (9) The Company does not send any half-yearly report to the members of the Company
- (10) The Company does not have a system of peer group evaluation of the Non-Executive Directors and also does not have a system of training the Board members on the business model of the Company
- (11) The Company does not have a Whistle Blower Policy

(H) MEANS OF COMMUNICATION

The Company publishes its quarterly and annual consolidated results in prominent daily newspapers viz. Economic Times, DNA Mumbai and Maharashtra Times. The standalone and consolidated results are also made available on the website of the Company www.iimindia.com

The Company's website contains a separate section 'Shareholders' which provides the information on Financials, Shareholding Pattern, Code of Conduct, Presentations made to analysts, Press Releases, Analyst Calls, etc. Also the Annual Reports of the Company are available on the website in a downloadable form

(I) GENERAL SHAREHOLDERS' INFORMATION

The Management Discussion & Analysis forms part of the Annual Report

Listing of shares :

The shares of the Company are listed on the following Stock Exchanges :

Bombay Stock Exchange Limited
P J Towers, Dalal Street
Mumbai 400 001

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E), Mumbai 400 051

Listing Fees for the year 2011-2012 has been paid to the Stock Exchanges within the stipulated time

| Stock Code and ISIN Number | | |
|--|---|--------------|
| Bombay Stock Exchange Limited | : | 511208 |
| The National Stock Exchange of India Limited | : | IVC EQ |
| ISIN No. | : | INE050B01023 |

The Company's Identification Number at the Registrar of Companies, Maharashtra, is L65999MH1986PLC147981

CORPORATE GOVERNANCE REPORT

| Shareholding Pattern as on March 31, 2011 | | |
|---|--------------------|---------------|
| Category | No of shares | % of holding |
| Body Corporates | 117,630,854 | 57.21 |
| Foreign Institutional Investors | 934,003 | 0.45 |
| Foreign Mutual Funds | 4,550,000 | 2.21 |
| Mutual Funds | 3,397,510 | 1.65 |
| Government Nominees | 375 | 0.00 |
| Banks | 44,645 | 0.02 |
| Clearing Members | 260,439 | 0.13 |
| Individuals | 78,692,639 | 38.27 |
| Trusts | 115,790 | 0.06 |
| Total | 205,626,255 | 100.00 |

| Stock Market Price Data for the year 2010-2011 on the Bombay Stock Exchange Limited | | |
|---|-------|-------|
| Month | High | Low |
| April 2010 | 47.70 | 40.20 |
| May 2010 | 48.85 | 39.90 |
| June 2010 | 46.50 | 40.80 |
| July 2010 | 49.50 | 42.50 |
| August 2010 | 54.70 | 44.80 |
| September 2010 | 54.40 | 48.65 |
| October 2010 | 52.65 | 47.00 |
| November 2010 | 50.80 | 41.55 |
| December 2010 | 44.95 | 38.20 |
| January 2011 | 42.30 | 33.25 |
| February 2011 | 35.75 | 29.10 |
| March 2011 | 34.85 | 30.50 |

CORPORATE GOVERNANCE REPORT

Registrar and Share Transfer Agents :

Link Intime India Private Limited
(formerly Intime Spectrum Registry Limited)
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (West)
Mumbai 400 078
Tel No: 2596 3838
Fax No: 2594 6969

Address for correspondence :

The Company's registered office is situated at :

The IL&FS Financial Centre
Plot No C-22, G Block
Bandra-Kurla Complex, Bandra (East)
Mumbai 400 051
Tel No: 2659 3531
Fax No: 2653 3056

Members' correspondence should be addressed to :

Link Intime India Private Limited
(formerly Intime Spectrum Registry Limited)
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (West)
Mumbai 400 078
Tel No: 2596 3838
Fax No: 2594 6969

Members holding shares in dematerialised form should address all their correspondence regarding change of address, nomination etc. to their respective Depository Participants

Dematerialisation of shares :

As on March 31, 2011 ninety six percent (96%) of shares were held in dematerialised form

CODE OF CONDUCT CERTIFICATE

I, Archana Hingorani, Chief Executive Officer & Executive Director of the Company, hereby declare that the Board of Directors have laid down a Code of Conduct for the Board Members and Senior Management of the Company and the Board Members and Senior Management have affirmed compliance with the said Code of Conduct

For IL&FS Investment Managers Limited

Archana Hingorani
Chief Executive Officer & Executive Director

Place: Mumbai
Date: April 21, 2011

AUDITORS' CERTIFICATE

**TO THE MEMBERS OF
IL&FS INVESTMENT MANAGERS LIMITED**

1. We have examined the compliance of conditions of corporate governance by **IL&FS INVESTMENT MANAGERS LIMITED** ("the Company") for the year ended March 31, 2011 as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.
2. The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. Attention is invited to paragraph G(6) and (7) of the Corporate Governance Report in respect of non compliance of Listing Agreement and section 292A of the Companies Act, 1956 relating to minimum independent directors on the Board and Audit committee for the part of the year.
4. In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.
5. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Mumbai, April 21, 2011

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 117366W)

A. B. JANI
Partner
(Membership No. 46488)

Auditors' Report

TO THE MEMBERS OF IL&FS INVESTMENT MANAGERS LIMITED

1. We have audited the attached Balance Sheet of **IL&FS INVESTMENT MANAGERS LIMITED** (the "Company") as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to Section 211 (3C) of the Companies Act, 1956.
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2011 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 117366W)

A. B. JANI
Partner
(Membership No. 46488)

Mumbai, April 21, 2011

Annexure to the Auditors' Report

Re: IL&FS INVESTMENT MANAGERS LIMITED

(Referred to in paragraph 3 of our report of even date)

- (i) Having regard to the nature of the Company's activities clauses (ii), (viii), (x), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xix) and (xx) of CARO are not applicable to the Company.
- (ii) In respect of its fixed assets:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
- (a) The Company has placed inter corporate deposits aggregating Rs. 377,303,253 during the year with one such party. At the year-end, the outstanding balance of such deposit was Rs. 313,365,753 and the maximum amount involved during the year was Rs. 373,365,753.
- (b) The rate of interest and other terms and conditions of such loans are, in our opinion, prima facie not prejudicial to the interests of the Company.
- (c) The receipts of principal amounts and interest have been regular.
- (d) There are no overdue amounts over Rs. 100,000 remaining outstanding as at March 31, 2011.

The Company has not taken any loans from companies firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly, clauses (f) and (g) of the paragraph 4(iii) of CARO are not applicable to the Company.

- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and the sale of services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) To the best of our knowledge and belief and according to the information and explanations given to us, there were no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that needed to be entered in the register maintained under the said section (excluding deposit reported under paragraph (iii) above). Accordingly sub clause (b) of clause (v) is not applicable.
- (vi) According to the information and explanation given to us, the Company has not accepted any deposits from the public covered under the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under, during the year.
- (vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) According to information and explanation given to us in respect of statutory dues:
- (a) The Company has generally been regular in depositing Service Tax and income tax and regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Cess and other material statutory dues applicable to it with the appropriate authorities during the year.
- (b) There were no undisputed amounts payable in respect of Income-tax, Cess and other material statutory dues in arrears, outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.
- (c) Details of disputed Income-tax dues which have not been deposited as on March 31, 2011 on account of any dispute are given below:

| Name of statute | Nature of the dues | Forum where dispute is pending | Period of which the amount relates | Amount (₹) |
|----------------------|----------------------|--------------------------------|------------------------------------|------------|
| Income Tax Act, 1961 | Income Tax in demand | CIT (A) and ITAT (Appeals) | 2003 - 2007 | 12,187,094 |

- (ix) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (x) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 117366W)

A. B. JANI
Partner
(Membership No. 46488)

Mumbai, April 21, 2011

BALANCE SHEET

AS AT MARCH 31, 2011

| | Schedules | As at March 31, 2011 (₹) | As at March 31, 2010 (₹) |
|---|-----------|--------------------------------|--------------------------------|
| SOURCES OF FUNDS : | | | |
| Shareholders' Funds : | | | |
| Share Capital | 1 | 411,272,510 | 406,075,190 |
| Stock Options Outstanding | | 3,048,780 | 9,158,940 |
| Reserves and Surplus | 2 | 370,995,770 | 320,806,964 |
| | | 785,317,060 | 736,041,094 |
| APPLICATION OF FUNDS | | | |
| Fixed Assets | | | |
| Gross Block | 3 | 145,159,841 | 143,117,187 |
| Less: Depreciation | | 131,930,041 | 126,204,347 |
| Net Block | | 13,229,800 | 16,912,840 |
| Investments | | | |
| | 4 | 240,411,757 | 353,849,852 |
| Deferred Tax Asset (net) (Refer note 4 of Schedule 13) | | 8,730,000 | 5,071,000 |
| Current Assets, Loans and Advances | | | |
| Sundry Debtors | 5 | 376,210,125 | 158,701,943 |
| Cash and Bank Balances | 6 | 80,757,099 | 114,325,143 |
| Loans and Advances | 7 | 642,706,768 | 646,973,032 |
| | | 1,099,673,992 | 920,000,118 |
| Less: Current Liabilities and Provisions | | | |
| Current Liabilities | 8 | 124,616,770 | 137,381,306 |
| Provisions | | 452,111,719 | 422,411,410 |
| | | 576,728,489 | 559,792,716 |
| Net Current Assets | | | |
| | | 522,945,503 | 360,207,402 |
| | | 785,317,060 | 736,041,094 |
| Significant Accounting Policies and Notes to the Accounts | 13 | | |

Schedules 1 to 13 annexed hereto form part of the Balance Sheet and Profit and Loss Account

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

A. B. JANI
Partner

Place : Mumbai
Date : April 21, 2011

For and on behalf of the Board

S M Datta
Chairman

Archana Hingorani
CEO & Executive Director

Manoj Borkar
Chief Financial Officer

Sanjay Mitra
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

| | Schedules | For the year ended March 31, 2011 (₹) | For the year ended March 31, 2010 (₹) |
|--|-----------|--|--|
| INCOME | | | |
| Income from Fund Management and Advisory Services | 9 | 852,767,743 | 845,929,265 |
| Income from Investments/Loans | 10 | 61,638,522 | 57,358,656 |
| Other Income (Refer note 8(v) of Schedule 13) | | 35,028,770 | 53,779,038 |
| | | 949,435,035 | 957,066,959 |
| EXPENSES | | | |
| Staff Expenses | 11 | 255,070,714 | 249,755,093 |
| Operating Expenses | 12 | 132,654,505 | 113,053,542 |
| Depreciation | | 7,177,081 | 5,614,382 |
| | | 394,902,300 | 368,423,017 |
| Profit before Tax | | 554,532,735 | 588,643,942 |
| Provision for Tax | | | |
| - Current Tax | | 184,130,000 | 196,000,000 |
| - Deferred Tax (Asset) / Liability (net) (Refer note 4 of Schedule 13) | | (3,659,000) | (214,000) |
| | | 180,471,000 | 195,786,000 |
| Profit after Tax | | 374,061,735 | 392,857,942 |
| Balance brought forward from previous year | | 127,649,856 | 129,913,826 |
| | | 501,711,591 | 522,771,768 |
| Less: Appropriations : | | | |
| Transferred to General Reserve | | 38,000,000 | 40,000,000 |
| Proposed Dividend | | 308,439,383 | 304,541,393 |
| Tax on Dividend | | 50,036,579 | 50,580,519 |
| | | 396,475,962 | 395,121,912 |
| Balance carried to Balance Sheet | | 105,235,629 | 127,649,856 |
| Earnings Per Share (EPS) (₹) (Refer note 9 of Schedule 13) (Equity shares of the Face value ₹ 2/- each) | | | |
| Basic | | 1.84 | 1.96 |
| Diluted | | 1.80 | 1.92 |
| Significant Accounting Policies and Notes to the Accounts | 13 | | |

Schedules 1 to 13 annexed hereto form part of the Balance Sheet and Profit and Loss Account

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

A. B. JANI
Partner

Place : Mumbai
Date : April 21, 2011

For and on behalf of the Board

S M Datta
Chairman

Manoj Borkar
Chief Financial Officer

Archana Hingorani
CEO & Executive Director

Sanjay Mitra
Company Secretary

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2011

| Particulars | | March 31, 2011 (₹) | | March 31, 2010 (₹) |
|-------------|--|-----------------------|---------------|-----------------------|
| A | CASH FLOW FROM OPERATING ACTIVITIES | | | |
| | PROFIT BEFORE TAX | 554,532,735 | | 588,643,942 |
| | Adjustment for: | | | |
| | Depreciation | 7,177,081 | 5,614,382 | |
| | Leave Encashment | 11,150,954 | (2,783,484) | |
| | Debts / Advances written off | - | 259,245 | |
| | Reversal of excess cost over fair value | - | (2,664,440) | |
| | Unrealised Exchange Gain | (8,118,481) | (8,552,057) | |
| | Interest Income | (45,540,653) | (40,343,315) | |
| | Profit on sale of Long Term Investments (Subsidiary) | (151,960) | - | |
| | Profit on sale of Long term Investments | (596,155) | (382,500) | |
| | Profit on sale of Fixed Assets | (91,687) | (111,814) | |
| | | (36,170,901) | | (48,963,983) |
| | OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | 518,361,834 | | 539,679,959 |
| | Decrease / (Increase) in trade and other receivables | (217,508,182) | 4,600,493 | |
| | Decrease in Current Investments | 148,822,656 | 54,880,789 | |
| | (Increase) / Decrease in Advances | 9,064,473 | 13,417,368 | |
| | (Decrease) in trade and other payables | (23,809,887) | (26,135,498) | |
| | Cash Flow after Working Capital Changes | 434,930,894 | | 586,443,111 |
| | Income Tax Paid (Net) | (161,319,170) | (180,295,442) | |
| | NET CASH GENERATED FROM OPERATING ACTIVITIES | 273,611,724 | | 406,147,669 |
| B | CASH FLOW FROM INVESTING ACTIVITIES | | | |
| | Purchase of Fixed Assets | (3,791,376) | (14,739,420) | |
| | Proceeds from sale of Fixed Assets | 389,022 | 209,966 | |
| | Purchase of share in subsidiary | (41,464,117) | - | |
| | Investment in Jointly Controlled Entity | (2,218,500) | - | |
| | Proceeds from sale of Subsidiary | 1,228,672 | - | |
| | Proceeds from sale of Long term Investments | 7,817,500 | 5,015,000 | |
| | Inter Corporate Deposits given | (377,303,253) | (320,000,000) | |
| | Inter Corporate Deposits refunded | 383,937,500 | 200,000,000 | |
| | Loans given | (23,000,000) | (26,475,000) | |
| | Loans refunded | 28,100,000 | - | |
| | Interest received | 37,126,681 | 20,340,596 | |
| | NET CASH GENERATED FROM / (USED IN) INVESTING ACTIVITIES | 10,822,129 | | (135,648,858) |
| C | CASH FLOW FROM FINANCING ACTIVITIES | | | |
| | Proceeds from issue of Equity Shares at premium | 33,690,193 | 63,517,594 | |
| | Dividend paid (Including tax thereon) | (351,692,090) | (322,208,607) | |
| | NET CASH USED IN FINANCING ACTIVITIES | (318,001,897) | | (258,691,013) |
| D | NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS | (33,568,044) | | 11,807,798 |
| | Cash and cash equivalents at the beginning of the year as per Schedule 6 | 114,325,143 | | 102,517,345 |
| | Cash and cash equivalents at the end of the year as per Schedule 6 | 80,757,099 | | 114,325,143 |

Note: Cash and cash equivalents include amounts of Unclaimed Dividend aggregating to ₹ 14,477,207 (previous year ₹ 11,047,386) in designated accounts with banks which are not available for use by the Company

Significant Accounting Policies and Notes to the Accounts Schedule 13

Schedules 1 to 13 annexed hereto form part of the Balance Sheet and Profit and Loss Account

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

A. B. JANI - Partner

Place : Mumbai
Date : April 21, 2011

For and on behalf of the Board

S M Datta
Chairman

Archana Hingorani
CEO & Executive Director

Manoj Borkar
Chief Financial Officer

Sanjay Mitra
Company Secretary

**SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2011**

| | As at March 31, 2011 (₹) | As at March 31, 2010 (₹) |
|---|--------------------------------|--------------------------------|
| SCHEDULE 1 : SHARE CAPITAL | | |
| Authorised : | | |
| 250,000,000 Equity shares of ₹ 2/- each (Previous year 250,000,000 Equity shares of ₹ 2/- each) | 500,000,000 | 500,000,000 |
| Issued, Subscribed and Paid-up | | |
| 205,626,255 Equity shares of ₹ 2/- each fully paid-up (Previous year 203,027,595 Equity shares of ₹ 2/- each fully paid-up) | 411,252,510 | 406,055,190 |
| Of the above Equity shares (a) 105,055,435 Equity shares of ₹ 2/- each fully paid-up are held by Infrastructure Leasing & Financial Services Limited, the Holding Company (b) 66,312,035 Equity shares of ₹ 2/- each, corresponding to 13,262,407 Equity shares of ₹ 10/- each were allotted during an earlier year as fully paid-up Bonus shares by capitalisation of Securities Premium Account (c) 39,652,245 Equity shares of ₹ 2/- each, corresponding to 7,930,449 Equity shares of ₹ 10/- each were allotted during an earlier year as fully paid-up Bonus Shares by way of capitalisation of General Reserve, Profit and Loss Account and Securities Premium Account | | |
| Add : Forfeited shares | 20,000 | 20,000 |
| | 411,272,510 | 406,075,190 |
| Note: The shareholders of the Company have by way of a Postal Ballot, results of which were declared on September 3, 2009, approved the sub-division of 1 Equity share of face value of ₹10/- into 5 Equity shares of face value of ₹ 2/- each. | | |
| SCHEDULE 2 : RESERVES AND SURPLUS | | |
| Securities Premium Account | | |
| Balance as per previous Balance Sheet | 61,157,108 | 5,822,494 |
| Add: Received upon issuance of shares | 34,603,033 | 55,334,614 |
| | 95,760,141 | 61,157,108 |
| General Reserve | | |
| Balance as per previous Balance Sheet | 132,000,000 | 92,000,000 |
| Add: Transferred from Profit and Loss Account | 38,000,000 | 40,000,000 |
| | 170,000,000 | 132,000,000 |
| Balance in Profit and Loss Account | | |
| | 105,235,629 | 127,649,856 |
| | 370,995,770 | 320,806,964 |

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

SCHEDULE 3 : FIXED ASSETS

(Amount in ₹)

| Description of Assets | GROSS BLOCK (AT COST) | | | DEPRECIATION / AMORTISATION | | | | NET BLOCK | | |
|--|-----------------------|---------------------------|----------------------------|-----------------------------|---------------------|-----------------|----------------------------|---------------------|---------------------|---------------------|
| | As on 01.04.2010 | Additions/ Adjustments | Deductions/ Adjustments | As on 31.03.2011 | Up to 31.03.2010 | For the Year | Deductions/ Adjustments | Up to 31.03.2011 | As at 31.03.2011 | As at 31.03.2010 |
| Tangible Assets | | | | | | | | | | |
| Furniture and Fixtures | 8,414,838 | 1,051,018 | (426,360) | 9,039,496 | 3,669,681 | 1,446,089 | (267,468) | 4,848,302 | 4,191,194 | 4,745,157 |
| Office Equipments | 2,286,462 | 513,925 | (565,311) | 2,235,076 | 1,606,896 | 700,572 | (555,808) | 1,751,660 | 483,416 | 679,566 |
| Vehicles | 25,660 | 1,021,978 | - | 1,047,638 | 10,317 | 100,638 | - | 110,955 | 936,683 | 15,343 |
| Computers | 6,244,697 | 1,163,853 | (757,051) | 6,651,499 | 3,682,086 | 1,473,765 | (628,111) | 4,527,740 | 2,123,759 | 2,562,611 |
| Lease Improvements | 7,911,833 | 40,602 | - | 7,952,435 | 1,001,263 | 2,297,119 | - | 3,298,382 | 4,654,053 | 6,910,570 |
| Total (A) | 24,883,490 | 3,791,376 | (1,748,722) | 26,926,144 | 9,970,243 | 6,018,183 | (1,451,387) | 14,537,039 | 12,389,105 | 14,913,247 |
| Intangible Assets (Acquired) | | | | | | | | | | |
| Computer Software | 5,134,186 | - | - | 5,134,186 | 3,134,593 | 1,158,898 | - | 4,293,491 | 840,695 | 1,999,593 |
| Business Know-how, Management and Advisory Contracts | 113,099,511 | - | - | 113,099,511 | 113,099,511 | - | - | 113,099,511 | - | - |
| Total (B) | 118,233,697 | - | - | 118,233,697 | 116,234,104 | 1,158,898 | - | 117,393,002 | 840,695 | 1,999,593 |
| Total (A+B) | 143,117,187 | 3,791,376 | (1,748,722) | 145,159,841 | 126,204,347 | 7,177,081 | (1,451,387) | 131,930,041 | 13,229,800 | 16,912,840 |
| Previous Year | 130,748,795 | 14,739,420 | (2,371,028) | 143,117,187 | 122,862,842 | 5,614,382 | (2,272,877) | 126,204,347 | 16,912,840 | |

**SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2011**

| | Number* | Face Value | As at March 31, 2011 (₹) | As at March 31, 2010 (₹) |
|---|--------------------------|------------|--------------------------|--------------------------|
| SCHEDULE 4 : INVESTMENTS | | | | |
| LONG-TERM INVESTMENTS | | | | |
| - TRADE (at cost) | | | | |
| - Unquoted Equity Shares (Fully Paid-up) | | | | |
| - In Subsidiaries | | | | |
| IL&FS Asian Infrastructure Managers Ltd | 2,341,837 (2,341,837) | 10 | 23,418,370 | 23,418,370 |
| IL&FS Urban Infrastructure Managers Ltd | 1,000,000 (1,000,000) | 10 | 10,000,000 | 10,000,000 |
| IL&FS Investment Advisors LLC | 56,997 (56,997) | USD 1 | 855,190 | 855,190 |
| IL&FS Singapore Asset Management Company Pte. Ltd | Nil (25,500) | USD 1 | - | 1,035,300 |
| Saffron Asset Advisors Private Limited (Class A equity shares) | 224,762 (Nil) | 100 | 41,464,117 | - |
| - Joint Ventures | | | | |
| IL&FS Milestone Realty Advisors Private Ltd | 400,000 (400,000) | 10 | 800,000 | 800,000 |
| Standard Chartered IL&FS Management (Singapore) Pte Ltd | 50,000 (Nil) | USD 1 | 2,218,500 | - |
| - Others | | | | |
| Avantika Gas Ltd | 8,250 (8,250) | 10 | 82,500 | 82,500 |
| Sub Total (A) | | | 78,838,677 | 36,191,360 |
| - Unquoted Redeemable Participating Shares (Fully Paid-up) | | | | |
| - In Subsidiaries | | | | |
| IL&FS Investment Advisors LLC | 100,000 (100,000) | USD 0.01 | 45,010 | 45,010 |
| Sub Total (B) | | | 45,010 | 45,010 |
| - Unquoted Preference Shares (Fully Paid-up) | | | | |
| - In Subsidiaries | | | | |
| IL&FS Singapore Asset Management Company Pte. Ltd | Nil (1,020) | USD 1 | - | 41,412 |
| Sub Total (C) | | | - | 41,412 |
| - Units of Venture Fund (Unquoted) | | | | |
| South Asian Regional Apex Fund (1,298 units redeemed during the half year) | 1,033 (2,596) | 5,000 | 4,768,656 | 11,990,000 |
| Leverage India Fund | 100 (100) | 1,000 | 100,000 | 100,000 |
| Infrastructure Leasing & Financial Services Realty Fund | 500 (500) | 100 | 50,000 | 50,000 |

**SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2011**

| | Number* | Face Value | As at March 31, 2011 (₹) | As at March 31, 2010 (₹) |
|--|-------------|------------|--------------------------|--------------------------|
| SCHEDULE 4 (contd.) | | | | |
| IFIN Realty Trust | 10 | 10,000 | 100,000 | 100,000 |
| | (10) | | | |
| TARA India Fund III Trust | 50 | 10,000 | 500,000 | 500,000 |
| | (50) | | | |
| TARA India Fund III Domestic Trust | 500 | 1,000 | 500,000 | 500,000 |
| | (500) | | | |
| Urjankur Nidhi Trust | 1,000 | 100 | 100,000 | 100,000 |
| | (1,000) | | | |
| Sub Total (D) | | | 6,118,656 | 13,340,000 |
| - Interest in Partnership (Unquoted) | | | | |
| AMCF India Participations, L.P. # | | | 20,266,516 | 20,266,516 |
| Sub Total (E) | | | 20,266,516 | 20,266,516 |
| | | | | |
| Total Long Term Trade Investments (F) = (A+B+C+D+E) | | | 105,268,859 | 69,884,298 |
| CURRENT INVESTMENTS ## | | | | |
| - NON-TRADE (at lower of cost and fair value) | | | | |
| - Units of Mutual Fund (Unquoted unless otherwise stated) | | | | |
| LICMF Savings Plus Fund - Daily Dividend Plan | Nil | 10 | - | 55,100,652 |
| | (5,510,065) | | | |
| LICMF Floating Rate Fund - Short Term Plan - Daily Dividend Plan | Nil | 10 | - | 56,861,319 |
| | (5,686,132) | | | |
| LICMF Income Plus Fund - Daily Dividend Plan - Reinvestment | Nil | 10 | - | 57,045,397 |
| | (5,704,540) | | | |
| Kotak Flexi Debt Scheme - Institutional Daily Dividend-Reinvestment | 3,551,912 | 10 | 35,687,833 | 50,885,659 |
| | (5,064,509) | | | |
| Taurus Ultra Short Term Bond | 2,067 | 1,000 | 2,070,287 | 50,072,527 |
| | (50,005) | | | |
| ICICI Prudential Flexible Income Plan - Daily Dividend | 163,277 | 100 | 17,264,117 | 14,000,000 |
| | (132,406) | | | |
| Baroda Pioneer Treasury Advantage Fund - Institutional Daily Dividend Plan | 55,030 | 10 | 55,080,207 | - |
| | (Nil) | | | |
| DWS Ultra Short Term Fund - Institutional Daily dividend - Reinvest | 2,499,571 | 10 | 25,040,454 | - |
| | (Nil) | | | |
| Total Current Investments (G) | | | 135,142,898 | 283,965,554 |
| TOTAL INVESTMENTS (F + G) | | | 240,411,757 | 353,849,852 |
| Aggregate book value of quoted investments | | | - | - |
| Aggregate market value of quoted investments | | | - | - |
| Aggregate book value of unquoted investments | | | 240,411,757 | 353,849,852 |

* Figures in brackets indicate that of previous year

Represents the Company's 100% Share in the Limited Partners Capital, where Asia Mezzanine Capital Partners LP have 100% voting rights. Also refer Schedule 8

Also refer Note 10 of Schedule 13

**SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2011**

| | As at March 31, 2011 (₹) | As at March 31, 2010 (₹) |
|--|--------------------------------|--------------------------------|
| SCHEDULE 5 : SUNDRY DEBTORS (Unsecured, considered good) | | |
| Outstanding for more than six months | 24,899,564 | - |
| Other Debts | 351,310,561 | 158,701,943 |
| | 376,210,125 | 158,701,943 |
| SCHEDULE 6 : CASH AND BANK BALANCES | | |
| Cash in hand | 27,427 | 21,111 |
| Cheques on Hand | 24,902 | 1,057,410 |
| Balance with Scheduled Banks | | |
| - in Current Accounts (including ₹ 14,477,207/- (previous year ₹ 11,047,386/-) in unclaimed dividend accounts) | 64,704,770 | 62,246,622 |
| - in Fixed Deposit Accounts | 16,000,000 | 51,000,000 |
| Note: Balance in Current Account include balance in EEFC account of ₹ 21,351,701/- (equivalent of USD 478,201) (Previous year ₹ 43,138,492/- (equivalent to USD 955,660)) | | |
| | 80,757,099 | 114,325,143 |
| SCHEDULE 7 : LOANS AND ADVANCES (Unsecured, considered good) | | |
| Inter-Corporate Deposits with Holding Company | 313,365,753 | 320,000,000 |
| Interest Accrued but not due | 41,677,492 | 33,263,519 |
| Advance Tax (net of provision) | 39,381,794 | 39,381,792 |
| Advances Recoverable in cash or in kind or for value to be received (Secured to the extent of ₹ 944,831/-, Previous year ₹ 1,660,225/-) | 234,971,722 | 234,880,654 |
| Other Current Assets (Refer policy A (k) of Schedule 13) | 13,310,007 | 19,447,067 |
| | 642,706,768 | 646,973,032 |
| SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS | | |
| A. Current Liabilities | | |
| Sundry Creditors:- (Refer Note 15 of Schedule 13) | | |
| Total Outstanding dues of Micro Enterprises and Small Enterprises | - | - |
| Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises | 91,953,669 | 124,564,927 |
| Unclaimed Dividend (Refer note 5 of Schedule 13) | 14,477,207 | 11,047,386 |
| Other Liabilities | 18,185,894 | 1,768,993 |
| Total (A) | 124,616,770 | 137,381,306 |
| B. Provisions | | |
| For Tax (net of advance tax) | 49,810,937 | 27,000,102 |
| For share in loss in partnership firm (Refer Schedule 4) | 20,266,516 | 20,266,516 |
| For Proposed Dividend | 308,439,383 | 304,541,393 |
| For Tax on Proposed Dividend | 50,036,579 | 50,580,519 |
| For Leave Encashment | 23,558,304 | 20,022,880 |
| Total (B) | 452,111,719 | 422,411,410 |
| Total (A+B) | 576,728,489 | 559,792,716 |

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

| | As at March 31, 2011 (₹) | As at March 31, 2010 (₹) |
|---|--------------------------------|--------------------------------|
| SCHEDULE 9 : INCOME FROM FUND MANAGEMENT AND ADVISORY SERVICES | | |
| Fees from Fund Management and Advisory Services | 852,767,743 | 845,929,265 |
| | 852,767,743 | 845,929,265 |
| SCHEDULE 10: INCOME FROM INVESTMENTS/ LOANS | | |
| Dividend Income | | |
| - Long-term trade Investments (Subsidiary) | 1,879,426 | - |
| - On Current Investments (non-trade) | 13,463,888 | 12,358,976 |
| Profit on sale of Long-term trade Investments (Subsidiary) | 151,960 | - |
| Profit on sale of Long-term Investments (trade) | 596,155 | 382,500 |
| Profit on sale of current Investments (non-trade) | 6,440 | 4,273,865 |
| Interest Income | | |
| - On Fixed Deposits with Banks | 986,291 | 2,814,897 |
| - On Other Deposits / Loans | 44,554,362 | 37,528,418 |
| (Tax deducted at source ₹ 4,546,706/-, Previous year ₹ 4,070,308/-) | | |
| | 61,638,522 | 57,358,656 |
| SCHEDULE 11: STAFF EXPENSES | | |
| Salaries and Allowances (net of recovery of deputation cost of ₹ 7,213,630/- (Previous year ₹ 4,175,566/-)) (Refer policy A (f) of Schedule 13) | 214,878,606 | 227,156,859 |
| Contribution to Provident Fund and other Funds | 38,071,543 | 20,411,936 |
| Staff Welfare Expenses | 2,120,565 | 2,186,298 |
| | 255,070,714 | 249,755,093 |
| SCHEDULE 12: OPERATING EXPENSES | | |
| Rent (net of recovery of ₹ 759,937/- (Previous year ₹ Nil)) | 36,109,280 | 38,267,404 |
| Rates and Taxes | 2,550,180 | 1,656,059 |
| Electricity and Water Charges | 907,007 | 1,015,164 |
| Postage and Telecommunication | 3,972,248 | 3,259,746 |
| Printing and Stationery | 2,121,584 | 2,057,929 |
| Travelling and Conveyance | 19,167,446 | 14,349,329 |
| Debts/Advances Written Off | - | 259,245 |
| Insurance | 3,969,251 | 3,489,412 |
| Repairs and Maintenance-Others | 3,166,890 | 3,706,166 |
| Legal and Professional Expenses | 21,195,560 | 18,034,497 |
| Brand Subscription Fees | 11,963,336 | - |
| Directors Sitting Fees | 968,000 | 796,000 |
| Underwriting and Placement Fees | - | 164,157 |
| Miscellaneous Expenses (Refer note 8(iv) of Schedule 13) | 26,563,723 | 25,998,434 |
| | 132,654,505 | 113,053,542 |

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

SCHEDULE 13: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. Significant Accounting Policies

a) Basis for preparation of Financial Statements

The financial statements are prepared under the historical cost convention in accordance with the applicable Accounting Standards pursuant to Companies (Accounting Standard) Rules, 2006. All income and expenditure having material bearing on the financial statements are recognised on an accrual basis

The preparation of financial statements requires the Management to make certain estimates and assumptions in the reported amounts of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates

b) Revenue Recognition

- i) Management fee income on funds under management and advisory fee income are recognised based on contractual arrangements
- ii) Income from Investment in Units of Private Equity Funds (PEF) is recognised on the basis of income distributed by the respective PEFs
- iii) Dividend income is recognised once the unconditional right to receive dividend is established
- iv) Interest income on fixed deposits is accrued proportionately based on period for which the same is placed

c) Fixed Assets (Tangible and Intangible)

Fixed Assets are stated at cost of acquisition and other incidental expenses

Depreciation on fixed asset is provided pro-rata from the date on which asset is ready to be put to use for its intended purpose on Straight-Line Method based on the estimated useful life of the assets, which are as follows :

| Category of Asset | Estimated Useful Life (in years) |
|--|----------------------------------|
| Tangible Fixed Assets : | |
| Furniture and Fixtures | 5 |
| Computers | 3 |
| Office Equipments | 4 |
| Vehicles | 4 |
| Lease hold improvement | Over the lease period |
| Intangible Fixed Assets : | |
| Computer Software | 3 |
| Business Know-how, management and advisory contracts | 5 |

All categories of assets costing ₹ 5,000/- or less each and mobile phones are written off in the year of capitalization

d) Investments

- i) Investments are capitalised at actual cost including costs incidental to acquisition
- ii) Investments are classified as long term or current at the time of making such investments
- iii) Long term investments are individually valued at cost less provision for diminution, other than temporary
- iv) Current investments are valued at lower of cost or fair value, computed scrip-wise

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

e) Foreign Currency Transactions

- i) Foreign currency transactions are recorded at the rate prevailing on the date of transaction. Foreign currency monetary items outstanding as at the Balance Sheet date are restated at the closing rate. The premium or discount arising at the inception of a Forward Contract is amortised as income or expense over the life of such Contract
- ii) Non-Monetary items which are carried in terms of historical cost denominated in foreign currency at the Balance Sheet date are reported using the exchange rate at the date of the transaction

f) Employee Benefits

- i) Contributions to Provident Fund and Superannuation Fund are charged to the Profit and Loss Account as per applicable law/rules
- ii) The Company has taken group gratuity cum life assurance scheme with Life Insurance Corporation of India for gratuity payable to the employees. Incremental liability based on actuarial valuation as per the projected unit credit method as at the reporting date, is charged to the Profit and Loss Account
- iii) The leave balance is classified as short term and long term based on the best estimates after considering the past trends. The short term leave encashment liability for the expected leave to be encashed has been measured on actual components eligible for leave encashment and expected short term leave to be availed is valued based on the total cost to the Company and Long term leave have been valued on actuarial basis

g) Taxation

Income tax comprises of Current Tax and net changes in Deferred Tax Assets or Liability during the year. Current Tax is determined at the amount of tax payable in respect of taxable income for the year as per the Income tax Act, 1961

Deferred Tax Assets and Liabilities are recognised for the future tax consequences of timing differences arising from differences in accounting policies as per the accounts drawn up under the Companies Act and the Income-tax Act. Deferred Tax Assets and Liabilities other than on carry forward losses and unabsorbed depreciation under tax laws are recognised when it is reasonably certain that there will be future taxable income. Deferred Tax Asset on carry forward losses and unabsorbed depreciation, if any, are recognised when it is virtually certain that there will be future taxable profit. Deferred tax assets and liabilities are measured using substantively enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Profit and Loss Account in the period of substantive enactment of the change

h) Cash and Cash equivalent

Cash and Cash equivalent comprises cash on hand, demand deposits with banks

i) Earnings Per Share

In determining earnings per share, the Company considers the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless issued at a later date

j) Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when the Company has a present obligation as a result of a past event and it is probable that the outflow of resources would be required to settle the obligation, and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimates at the balance sheet date required to settle the obligation. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimation. A contingent liability is disclosed unless the possibility of an outflow of resources embodying the economic benefits is remote. Contingent Assets are neither recognised nor disclosed in the financial statements

k) Placement Fees Expense

Placement Fees paid to the Arranger of Fund are recognized over the life of the managed scheme

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

B. Notes to Accounts

1) Outstanding Commitments on Capital Account

(Amount in ₹)

| | March 31, 2011 | March 31, 2010 |
|--|----------------|----------------|
| Estimated amount of contracts remaining to be executed on capital account not provided for | Nil | 39,423 |

2) Contingent Liabilities :

a) Claims against the Company not acknowledged as debts :

(Amount in ₹)

| Particulars | March 31, 2011 | March 31, 2010 |
|---|----------------|----------------|
| <u>Income-tax Demands</u> The Company has preferred appeals against the income tax demands and the same are pending with CIT(A) and ITAT (Appeals). The Company is hopeful of succeeding in the appeals. | 12,187,094 | 5,138,137 |

b) Contingent Liability of ₹ 21,331,380/- (previous year NIL) towards estimated project development cost

3) Employee Stock Option Plan

a) The particulars of the Options distributed under ESOP 2004 and ESOP 2006 schemes are as follows :

| Particulars | ESOP 2004 | ESOP 2006 |
|--|---|---|
| Eligibility | Directors and Employees | Directors and employees of the Company and Subsidiary Companies |
| Vesting period for options granted during the year | One year from date of grant | One year to Three year from date of grant |
| Exercise Period | Four years beginning from date of vesting | Four years beginning from date of vesting |
| Method of Settlement | Equity | Equity |

b) The number and weighted average Exercise Price of Stock Options under the ESOP 2004 and ESOP 2006 schemes is as follows:

| Particulars | ESOP 2004 | | ESOP 2006 | |
|--|----------------|--|----------------|--|
| | No. of Options | Weighted Average Exercise Price * (₹) | No. of Options | Weighted Average Exercise Price * (₹) |
| Authorised to be Granted | 16,875,000 | - | 16,687,500 | - |
| Granted and outstanding at the beginning of the year | 981,315 | 4.80 | 5,627,500 | 16.31 |
| Granted during the year | Nil | - | Nil | - |
| Forfeited during the year | Nil | - | Nil | - |
| Exercised during the year | 654,660 | 4.80 | 1,944,000 | 15.71 |
| Lapsed during the year | Nil | | Nil | |
| Granted and outstanding at the end of the year | 326,655 | 4.80 | 3,683,500 | 16.62 |
| Vested and Exercisable at the end of the year | 326,655 | 4.80 | 3,683,500 | 16.62 |

* Determined at the time of grant

c) The effect of subdivision of each Equity share of ₹ 10/- into Equity shares of ₹ 2/- each and issue of bonus shares is considered in calculating the number of Options

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

- d) The Company calculates the employee compensation cost using the Intrinsic Value of the Options. The Exercise Price of the Options granted is generally based on the Market Price as on the date of the Grant. The Company had issued 1,148,290 Options at an exercise price lower than the market price and accordingly, the Intrinsic Value of those Options was ₹ 11,496,590/-, which has been already amortised over the vesting period in previous years
- e) No Options were granted during the year and hence calculation of the weighted average Fair Value of Options granted during the year (based on the calculation of external valuers using Black Scholes Model) is not applicable
- f) In the event the Company had used the Fair Value of Options for calculating the employee compensation cost, the employee compensation cost of the Options granted would have been ₹ 343,135/- which would have reduced the Profit before Tax of the Company by ₹ 343,135/- and the Basic and Diluted EPS would have reduced to ₹ 1.84/- and ₹ 1.81/- respectively
- g) The weighted average market price at the dates of exercise for options during the year was ₹ 39.15
- h) The range of Exercise Price for Stock Options outstanding as at March 31, 2011 is ₹ 4.80/- to ₹ 19.20/- and the weighted average remaining contractual life is 1.13 years

Method and significant assumptions used to estimate the Fair Value of the Option for the ESOP 2004 and ESOP 2006 schemes :

The Fair Value of Options has been calculated by an independent valuer. The valuation has been done using the Black-Scholes model based on the assumptions, which are as below :

- a) Expected Life of Options is the period within which the Options are expected to be exercised. The Options can be exercised immediately on vesting. All the Options vest at the end of one to three years from the date of Grant. The Options can be exercised at any time upto 4 years from the vesting date
- b) Considering the above the average life of option period has been assumed as expected life of Options
- c) Risk free interest rate has been assumed at 7.5%
- d) Share Price is the market price on the National Stock Exchange with reference to the Grant date
- e) Volatility is calculated based on period to represent a consistent trend in the price movement after adjusting abnormal events, if any
- f) Expected dividend yield has been calculated as follows:
- Dividend per share / Market price of the share on the Grant Date
- 4) Deferred tax provision has been made in accordance with the requirements under the Accounting Standard - 22 "Accounting for Taxes on Income"
- a) During the current year ended March 31, 2011 the timing difference has resulted in a net deferred tax asset of ₹ 3,659,000/-
- b) The deferred tax asset recognized in the accounts as of March 31, 2011 are as follows:

| Nature of Timing Differences | March 31, 2010 Asset/(Liability) (₹) | Adjusted/Added during the year (₹) | March 31, 2011 Asset/(Liability) (₹) |
|------------------------------|--|--|--|
| Net Depreciation | 5,799,000 | (240,000) | 5,559,000 |
| Retirement Benefits | 5,882,000 | 1,607,000 | 7,489,000 |
| Placement Fees | (6,610,000) | 2,292,000 | (4,318,000) |
| Total | 5,071,000 | 3,659,000 | 8,730,000 |

- 5) Unclaimed dividend of ₹ 14,477,207/- (Previous Year ₹ 11,047,386/-) relates to the period from the year ended March 31, 2004 to the year ended March 31, 2010. During the year an amount of ₹ 517,111/- (Previous Year ₹ 529,527/-) has been transferred to the Investor Education and Protection Fund relating to amounts for the year ended March 31, 2003
- 6) Derivative Instruments
- a) The Company has following derivative instruments outstanding:

| | March 31, 2011 | March 31, 2010 |
|-----------------------------|-----------------------|-----------------------|
| Forward Exchange Contracts: | US\$ 4,500,000 (Sell) | US\$ 2,000,000 (Sell) |
| | ₹ 210,070,000 (Buy) | ₹ 98,940,000 (Buy) |

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

b) The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

| Particulars | Amount in Foreign Currency | Amount in INR |
|----------------------|------------------------------------|--------------------------------|
| Receivables | US\$ 1,780,667 (US\$ 1,157,000) | ₹ 79,506,782 (₹ 52,226,965) |
| EEFC Account Balance | US\$ 478,201 (US\$ 955,660) | ₹ 21,351,701 (₹ 43,138,492) |

(Figures in brackets represent figures of the previous year)

7) Related Party Transactions

(a) As per the Accounting Standard on 'Related Party Disclosure' (AS-18), the related parties are as follows:

| Sr.No. | Holding Company | March 31, 2011 | March 31, 2010 |
|--------|---|----------------|----------------|
| 1 | Infrastructure Leasing & Financial Services Limited | ✓ | ✓ |

| Sr.No. | Subsidiaries | March 31, 2011 | March 31, 2010 |
|--------|---|----------------|----------------|
| 1 | IL&FS Urban Infrastructure Managers Limited | ✓ | ✓ |
| 2 | IL&FS Asian Infrastructure Managers Limited | ✓ | ✓ |
| 3 | IL&FS Investment Advisors LLC | ✓ | ✓ |
| 4 | IL&FS Singapore Asset Management Company Pte Limited (upto September 12, 2010) | ✓ | ✓ |
| 5 | Saffron Asset Advisors Private Limited (from October 29, 2010) | ✓ | - |

| Sr.No. | Fellow Subsidiaries* | March 31, 2011 | March 31, 2010 |
|--------|--|----------------|----------------|
| 1 | IL&FS Ecosmart Limited (upto March 29, 2011) | ✓ | ✓ |
| 2 | IL&FS Education & Technology Services Limited | ✓ | ✓ |
| 3 | IL&FS Financial Services Limited | ✓ | ✓ |
| 4 | IL&FS Property Management & Services Limited (upto October 1, 2010) | ✓ | ✓ |
| 5 | IL&FS Securities Services Limited | ✓ | ✓ |
| 6 | IL&FS Transportation Networks Limited | ✓ | ✓ |
| 7 | IL&FS Environmental Infrastructure & Services Limited (formerly IL&FS Waste Management & Urban Services Limited) | ✓ | ✓ |
| 8 | IFIN Realty Trust | ✓ | ✓ |
| 9 | IL&FS IIDC Fund | ✓ | ✓ |

* As certified by holding company and with whom transactions are done during the year

| Sr.No. | Joint Ventures | March 31, 2011 | March 31, 2010 |
|--------|--|----------------|----------------|
| 1 | IL&FS Milestone Realty Advisors Pvt. Ltd | ✓ | ✓ |
| 2 | Standard Chartered IL&FS Management (Singapore) Pte Limited (from 30th December 2010) | ✓ | - |

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

b) The nature and volume of transactions during the year with the above related parties were as follows:

i) Transactions with holding company

(Amount in ₹)

| Name of the Entity | Nature of Transaction | Amount of Transaction | Outstanding Balance As on March 31, 2011 |
|---|---|-----------------------|--|
| Infrastructure Leasing & Financial Services Limited | Rent | 31,248,913 | Nil |
| | | (29,884,872) | (81,358) |
| | Repairs & Maintenance Expenses - Others | 602,400 | Nil |
| | | (877,962) | (Nil) |
| | Service Charges | Nil | Nil |
| | | (1,462,515) | (134,644) |
| | Electricity Charges | 413,000 | 162,929 |
| | | (852,721) | (68,822) |
| | Brand Subscription fees | 11,963,336 | 3,232,912 |
| | | (Nil) | (Nil) |
| | Sundry Creditors | | 564,997 |
| | | | (328,078) |
| | Advisory Fee Income | 10,700,000 | Nil |
| | | (Nil) | (Nil) |
| | Salary Deputation Cost recovery | 792,464 | 255,149 |
| | | (674,877) | (Nil) |
| | Sale / Transfer of Asset | 104,488 | Nil |
| | | (Nil) | (Nil) |
| | Sundry Debtors | | 99,408 |
| | | | (Nil) |
| Term Deposits placed | 377,303,253 | 313,365,753 | |
| | (320,000,000) | (320,000,000) | |
| Interest income on Term Deposits | 28,857,645 | 9,243,225 | |
| | (23,193,733) | (8,248,715) | |
| Sundry Advances | | 1,502 | |
| | | (394,971) | |
| Repayment of Term Deposits | 383,937,500 | | |
| | (200,000,000) | | |

(Figures in brackets represent figures of the previous year)

ii) Transactions with subsidiaries

(Amount in ₹)

| Name of the Entity | Nature of Transaction | Amount of Transaction | Outstanding Balance As on March 31, 2011 |
|---|-----------------------|-----------------------|--|
| IL&FS Urban Infrastructure Managers Limited | Advances | | Nil |
| | | | (1,000) |
| IL&FS Asian Infrastructure Managers Limited | Fund Management Fee | 11,137,500 | Nil |
| | | (12,656,250) | (Nil) |
| IL&FS Investment Advisors LLC | Fund Management Fee | 568,337,599 | 280,431,782 |
| | | (589,534,863) | (141,754,630) |
| | Advances | | Nil |
| | | | (730) |

**SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2011**

(Amount in ₹)

| Name of the Entity | Nature of Transaction | Amount of Transaction | Outstanding Balance As on March 31, 2011 |
|--|-----------------------|-----------------------|--|
| IL&FS Singapore Asset Management Pte Limited | Fund Management Fee | 5,685,000 | Nil |
| | | (5,866,562) | (Nil) |

(Figures in brackets represent figures of the previous year)

iii) Transactions with fellow subsidiaries

(Amount in ₹)

| Name of the Entity | Nature of Transaction | Amount of Transaction | Outstanding Balance As on March 31, 2011 |
|--|---------------------------------|-----------------------|--|
| IL&FS Property Management & Services Limited | Repairs & Maintenance Expenses | 166,160 | 214,197 |
| | | (874,725) | (124,895) |
| IL&FS Education & Technology Services Limited | Repairs & Maintenance Expenses | 100,000 | Nil |
| | | (114,560) | (498,744) |
| | Sundry Advances | | 16,048 |
| | | | (13,552) |
| IL&FS Financial Services Limited | Underwriting Fees | Nil | Nil |
| | | (164,157) | (Nil) |
| | Salary Deputation Cost recovery | (Nil) | Nil |
| | | (3,500,689) | (Nil) |
| | Creditors | | 9,181 |
| | | (42,892) | |
| IL&FS Securities Services Limited | Custody Charges | 24,097 | 12,973 |
| | | (22,100) | (10,894) |
| IL&FS Ecosmart Limited | Advances | | Nil |
| | | | (119,214) |
| IL&FS Transportation Networks Limited | Advances | | Nil |
| | | | (5,995) |
| IL&FS Environmental Infrastructure & Services Limited (formerly IL&FS Waste Management & Urban Services Ltd) | Advances | | Nil |
| | | | (263,804) |
| IFIN Realty Trust | Fund Management Fee | 17,500,000 | Nil |
| | | (17,500,000) | (Nil) |
| IL&FS IIDC Fund | Fund Management Fee | 1,000,000 | Nil |
| | | (1,000,000) | (Nil) |

(Figures in brackets represent figures of the previous year)

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

c) Transactions with Key Management Personnel

Key Management Personnel:

Dr Archana Hingorani CEO & Executive Director

Mr Alok Bhargava Executive Director (Upto July 15, 2010)

| | For the year ended | March 31, 2011 (₹) | March 31, 2010 (₹) |
|-----|--------------------|-----------------------|-----------------------|
| (i) | Remuneration | 42,112,867 | 52,714,503 |

d) Transaction with IVC Employee Welfare Trust

| Nature of Transaction | Amount in ₹ |
|---|---------------|
| Interest Income | 15,638,006 |
| | (14,282,535) |
| Repayment of Loan | 28,100,000 |
| | (Nil) |
| Payment of Interest | 8,025,742 |
| | (1,428,253) |
| Disbursement of Loan | 23,000,000 |
| | (26,475,000) |
| Balance Loan Recoverable (including interest) | 213,768,205 |
| | (211,255,942) |

(Figures in brackets represent figures of the previous year)

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

8) Other information as required pursuant to the provisions in Part II of Schedule VI to the Companies Act 1956, to the extent applicable

| | Particulars | For the year ended | |
|-------|---|-----------------------|-----------------------|
| | | March 31, 2011 (₹) | March 31, 2010 (₹) |
| (i) | Managerial Remuneration*: | | |
| | (a) Remuneration to Whole Time Directors: | | |
| | Salary including performance related pay | 36,432,365 | 47,330,842 |
| | Perquisites | 844,665 | 1,900,661 |
| | Contribution to Provident Fund and other fund | 4,835,837 | 3,483,000 |
| | | 42,112,867 | 52,714,503 |
| | (b) Remuneration to Non-Whole Time Director: | | |
| | Sitting fee | 968,000 | 796,000 |
| | Commission | 5,500,000 | 6,000,000 |
| | (c) Computation of net profit in accordance with Section 349 and other Sections of the Companies Act, 1956 in respect of Remuneration payable to Directors (including Whole Time Directors) | | |
| | Profit before Tax | 554,532,735 | 588,643,942 |
| | Add: Managerial Remuneration * | 42,112,867 | 52,714,503 |
| | Directors' sitting fee | 968,000 | 796,000 |
| | Commission to Non-Whole Time Directors | 5,500,000 | 6,000,000 |
| | (Profit) / loss on sale of the Long term investment | (748,115) | (382,500) |
| | (Profit) / loss on sale of assets | (91,687) | (111,814) |
| | Total Addition | 47,741,065 | 59,016,189 |
| | Net Profit as per Section 198 | 603,273,800 | 647,660,131 |
| | Maximum permissible remuneration computed @ 10% of Net Profit payable to Whole Time Directors | 60,327,380 | 64,766,013 |
| | Commission payable to Non-Whole Time Directors | | |
| | Maximum Commission payable to Non-Whole Time Directors computed @ 1% of Net Profit | 6,032,738 | 6,476,601 |
| | Commission payable restricted to | 5,500,000 | 6,000,000 |
| (ii) | Expenditure in foreign currency (on accrual basis) on: | | |
| | (a) Travelling | 1,701,857 | 7,047,591 |
| | (b) Conference and Seminar | 3,457,236 | 2,549,685 |
| | (c) Books and Periodicals | 201,874 | 314,802 |
| | (d) Legal and Professional fees | 118,950 | 333,859 |
| | (e) Subscription to Clubs and Association | 1,517,837 | - |
| | (f) Business Promotion expenses | - | 323,180 |
| | (g) Training | 27,066 | - |
| (iii) | Earnings in Foreign Currency (on accrual basis) on: | | |
| | Income from Fund Management | 576,448,933 | 598,530,274 |

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

| | Particulars | For the year ended | |
|------|--|-----------------------|-----------------------|
| | | March 31, 2011 (₹) | March 31, 2010 (₹) |
| (iv) | Miscellaneous Expenses includes commission to non whole time directors, advertisement expenses, service promotion expenses, subscription to clubs/association, general office expenses, payment to auditors | | |
| | (a) Amounts paid/payable to the Auditors: | | |
| | As Auditor | 1,750,000 | 1,600,000 |
| | For audit of consolidated accounts | 400,000 | 300,000 |
| | For Tax Audit | 250,000 | 250,000 |
| | In any other capacity | | |
| | For taxation matters | 350,000 | 1,175,000 |
| | For other services, certification etc | 855,000 | 305,000 |
| | Out of Pocket Expenses | 20,045 | 2,387 |
| | The above mentioned fees is excluding Service tax of ₹ 186,020/- (Previous Year ₹ 197,760/-) | | |
| (v) | Other Income includes ₹ 11,844,730/- (Previous Year ₹ 13,310,956/-) on account of foreign exchange gain, ₹ 91,687/- (Previous Year ₹ 111,814/-) profit on sale of fixed assets, ₹ 23,040,870/- (Previous Year ₹ 36,620,942/-) reversal of Performance Related Pay provision, ₹ Nil (Previous Year ₹ 2,664,440/-) reversal of excess of cost over fair value of current investments. | | |

*Note :

- 1 The above includes Performance related pay (PRP) to Whole-time Directors on payment basis as the provision for PRP for the year is on aggregate basis for all employees and individual amounts are yet to be determined by the compensation committee of the Board
- 2 The above payment does not include contribution to gratuity funds as the same is determined on an actuarial basis for the company and the amount is not determinable on an individual basis
- 3 The current year column above includes gratuity paid on final settlement to the retiring Executive Director

9) Earnings Per Share

In accordance with the Accounting Standard on 'Earnings Per Share' (AS-20), the Basic Earnings Per Share and Diluted Earnings Per Share has been computed by dividing the Profit After Tax by the number of equity shares for the respective years as under:

| | Particulars | March 31, 2011 | March 31, 2010 |
|-------|---|--------------------|----------------|
| (a) | Profit After Tax (₹) | 374,061,735 | 392,857,942 |
| (b) | Weighted Average Number of Equity Shares in calculating Basic EPS | 203,562,537 | 200,093,374 |
| | Add: Potential Equity Shares on conversion of ESOPs outstanding at the end of the year (weighted average from date of grant for options issued during the year) | 4,232,041 | 4,392,524 |
| | Weighted Average Number of Equity Shares in calculating Diluted EPS | 207,794,578 | 204,485,898 |
| (i) | Nominal Value per share (₹) | 2.00 | 2.00 |
| (ii) | Basic Earnings per share (₹) | 1.84 | 1.96 |
| (iii) | Diluted Earnings per share (₹) | 1.80 | 1.92 |

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

10) Details of current investments (non-trade) purchased and sold during the year:

| Sr No | Scheme Name | Opening Balance | Purchased (including Dividend) | Sold | Closing Balance |
|-------|---|-----------------|--------------------------------|---------------|-----------------|
| 1 | Birla Sun Life Savings Fund - Institutional - Daily Dividend - Reinvestment | - | 5,555,239.25 | 5,555,239.25 | - |
| 2 | ICICI Prudential Flexible Income Plan Premium - Daily Dividend | 132,406.49 | 1,086,900.21 | 1,056,029.48 | 163,277.22 |
| 3 | Kotak Flexi Debt Scheme Institutional - Daily Dividend - Reinvestment | 5,064,509.48 | 6,757,111.79 | 8,269,709.57 | 3,551,911.70 |
| 4 | Kotak Floater Long Term - Daily Dividend | - | 5,813,242.43 | 5,813,242.43 | - |
| 5 | LICMF Income Plus Fund - Daily Dividend Plan - Reinvestment | 5,704,539.75 | 78,639.46 | 5,783,179.21 | - |
| 6 | LIC MF Savings Plus - Daily Dividend - Reinvestment | 5,510,065.23 | 5,564,148.88 | 11,074,214.11 | - |
| 7 | LIC Floating Rate Fund - Short Term Plan - Daily Dividend Plan | 5,686,131.93 | 1,077,922.60 | 6,764,054.53 | - |
| 8 | Reliance Money Manager Fund - Institutional Option - Daily Dividend Plan | - | 57,362.09 | 57,362.09 | - |
| 9 | Principal Floating Rate Fund FMP - Inst. Option - Daily Dividend Reinvestment | - | 5,498,528.13 | 5,498,528.13 | - |
| 10 | Taurus Ultra Short Term Bond Fund | 50,005.02 | 20,143.87 | 68,082.19 | 2,066.69 |
| 11 | Baroda Pioneer Treasury Advantage Fund - Institutional Daily Dividend Plan | - | 10,284,502.28 | 10,229,472.15 | 55,030.13 |
| 12 | DWS Ultra Short Term Fund - Institutional Daily dividend - Reinvest | - | 2,499,571.25 | - | 2,499,571.25 |
| 13 | Kotak Liquid (Inst. Premium) - Daily Dividend - Reinvestment | - | 4,111,002.79 | 4,111,002.79 | - |
| 14 | ICICI Prudential Liquid Super Inst. - Daily Dividend Reinvestment | - | 502,584.57 | 502,584.57 | - |
| 15 | LICMF Liquid Fund | - | 4,122,282.86 | 4,122,282.86 | - |
| 16 | HDFC Floating Rate Income Fund Short Term Plan | - | 4,523,839.13 | 4,523,839.13 | - |
| 17 | Birla Sunlife Ultra Short Term Fund Inst. - Daily Dividend Reinvestment | - | 6,023,836.37 | 6,023,836.37 | - |
| 18 | Birla Sunlife Cash Manager - IP - Daily Dividend Reinvestment | - | 6,337,576.47 | 6,337,576.47 | - |
| 19 | Baroda Pioneer Liquid Fund - Inst - Daily Dividend Reinvestment | - | 5,966,482.48 | 5,966,482.48 | - |
| 20 | Sundaram Ultra ST Fund - Inst. Div. Rein. Daily | - | 2,016,523.08 | 2,016,523.08 | - |
| 21 | JP Morgan India Treasury Fund - Super Inst.- Daily Dividend Reinvestment | - | 2,726,166.08 | 2,726,166.08 | - |

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

| Sr No | Scheme Name | Opening Balance | Purchased (including Dividend) | Sold | Closing Balance |
|-------|---|-----------------|--------------------------------|--------------|-----------------|
| 22 | IDFC Money Manager Fund - TP Super Inst. Plan -C- Daily Dividend Reinvestment | - | 5,559,397.86 | 5,559,397.86 | - |
| 23 | TATA Liquid Super High Investment Fund - Daily Dividend - Reinvestment | - | 44,881.99 | 44,881.99 | - |
| 24 | Reliance Medium Term Fund - Daily Dividend - Reinvestment | - | 2,641,148.71 | 2,641,148.71 | - |

11) Segment Reporting

The Company is in the business of providing asset management and other related service. As such, there are no separate reportable business segment or geographical segment as per Accounting Standard 17 on "Segment Reporting" and the Company operates in a single segment i.e. "Asset Management and other related service"

12) Disclosure as required under Accounting Standard - 15 on "Employee Benefits" is as under :

a) The Company has recognised ₹ 9,044,138/- (Previous Year - ₹ 8,038,080/-) in the Profit and Loss Account as Company's Contribution to Provident Fund, which is maintained with the office of Regional Provident Fund Commissioner

b) The Company operates funded post retirement defined benefit plans for gratuity, details of which are as follows: (Amount in ₹)

| I. Assumptions: | March 31, 2011 | March 31, 2010 |
|--|----------------|----------------|
| Discount Rate | 8.25% | 8.25% |
| Rate of Return on Plan Assets | 8.00% | 8.00% |
| Salary Escalation | 6.00% | 4.00% |
| Mortality Table | LIC (1994-96) | LIC (1994-96) |
| II. Table Showing Change in Benefit Obligation: | March 31, 2011 | March 31, 2010 |
| Liability at the beginning of the year | 34,870,344 | 30,572,656 |
| Interest Cost | 2,876,803 | 2,575,611 |
| Current Service Cost | 3,872,842 | 3,768,818 |
| Liability Transfer In | 148,436 | - |
| Liability Transfer Out | (5,640,865) | - |
| Benefit Paid | (2,180,769) | - |
| Actuarial (gain)/loss on obligations | 13,286,800 | (2,046,741) |
| Liability at the end of the year | 47,233,591 | 34,870,344 |
| III. Tables of Fair value of Plan Assets: | March 31, 2011 | March 31, 2010 |
| Fair Value of Plan Assets at the beginning of the year | 33,276,043 | 27,763,511 |
| Expected Return on Plan Assets | 2,662,083 | 2,445,812 |
| Contributions | 10,427,056 | 2,809,145 |
| Transfer from other Company | 148,436 | - |
| Transfer to other Company | (5,640,865) | - |
| Benefit Paid | (2,180,769) | - |
| Actuarial gain/(loss) on Plan Assets | 378,444 | 257,575 |
| Fair Value of Plan Assets at the end of the year | 39,070,428 | 33,276,043 |
| Total Actuarial Gain/(Loss) to be recognised | (12,908,356) | 2,304,315 |
| IV. Actual Return on Plan Assets: | March 31, 2011 | March 31, 2010 |
| Expected Return on Plan Assets | 2,662,083 | 2,445,812 |
| Actuarial gain/(loss) on Plan Assets | 378,444 | 257,575 |
| Actual Return on Plan Assets | 3,040,527 | 2,703,387 |

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(Amount in ₹)

| V. Amount Recognised in the Balance Sheet: | March 31, 2011 | March 31, 2010 | March 31, 2009 |
|--|------------------------------|------------------------------|----------------|
| Liability at the end of the year | 47,233,591 | 34,870,344 | 30,572,656 |
| Fair Value of Plan Assets at the end of the year | 39,070,428 | 33,276,043 | 27,763,511 |
| Difference | (8,163,153) | (1,594,301) | (2,809,145) |
| Unrecognised Past Service Cost | - | - | - |
| Amount Recognised in the Balance Sheet | (8,163,153) | (1,594,301) | (2,809,145) |
| VI. Expenses Recognised in the Income Statement: | March 31, 2011 | March 31, 2010 | |
| Current Service Cost | 3,872,842 | 3,768,818 | |
| Interest Cost | 2,876,803 | 2,575,611 | |
| Expected Return on Plan Assets | (2,662,083) | (2,445,812) | |
| Net Actuarial (Gain)/Loss To Be Recognised | 12,908,356 | (2,304,315) | |
| Past Service Cost (Non Vested Benefit) Recognised | - | - | |
| Past Service Cost (Vested Benefit) Recognised | - | - | |
| Expense Recognised in P & L | 16,995,918 | 1,594,301 | |
| VII. Balance Sheet Reconciliation | March 31, 2011 | March 31, 2010 | |
| Opening Net Liability | 1,594,301 | 2,809,145 | |
| Expense as above | 16,995,918 | 1,594,301 | |
| Employers Contribution | 10,427,056 | 2,809,145 | |
| Amount Recognised in Balance Sheet | 8,163,153 | 1,594,301 | |
| VIII. Description of Plan Assets | March 31, 2011 % Invested | March 31, 2010 % Invested | |
| Insurer Managed Funds | 100% | 100% | |
| IX. Experience Adjustment | March 31, 2011 | March 31, 2010 | |
| Experience Adjustment on Liability | (629,195) | (1,293,138) | |
| Experience Adjustment on Asset | 378,444 | 257,575 | |
| X. Other Details | | | |
| The Employer's best estimate of the contributions expected to be paid to the plan during the next year - ₹ 5,083,198/- | | | |
| The estimates of future salary increase considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors. The above information is certified by the actuary and relied upon by the Auditors | | | |

- 13) The Company has entered into Operating Lease arrangements towards provision for vehicles and Business Centre arrangement towards use of office facility. The minimum future payments during non-cancellable periods under the foregoing arrangements in the aggregate for each of the following periods is as follows :

- (i) Not later than one year - ₹ 24,132,204/-
- (ii) Later than one year and not later than five years - ₹ 27,362,158/-
- (iii) Later than five years - ₹ Nil

During the current year ended March 31, 2011 the lease payments recognised in the Profit and Loss account for the aforesaid arrangement amounts to ₹ 25,194,690/-

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

- 14) The Company has joint control over the following entities as per Accounting Standard 27 on 'Financial Reporting of Interests in Joint Ventures'(AS-27)

| Jointly Controlled Entity | Percentage of ownership interest | |
|--|----------------------------------|----------------|
| | March 31, 2011 | March 31, 2010 |
| IL&FS Milestone Realty Advisors Private Limited (Incorporated in India) | 40.00% | 40.00% |
| Standard Chartered IL&FS Management (Singapore) Pte Limited (From 30th December 2010) (Incorporated in Singapore) | 50.00% | - |

The aggregate amount of assets, liabilities, income and expenditure of the jointly controlled entities, based on audited accounts of the respective entities is as follows:

| As at the end of the year | March 31, 2011 (₹) | March 31, 2010 (₹) |
|---------------------------|-----------------------|-----------------------|
| Assets | 434,912,349 | 71,320,001 |
| Liabilities | 346,411,744 | 55,631,980 |

| For the year ended | March 31, 2011 (₹) | March 31, 2010 (₹) |
|--------------------------|-----------------------|-----------------------|
| Income | 136,371,204 | 64,061,216 |
| Expenses (including tax) | 114,960,512 | 55,017,340 |

- 15) On the basis of the information available with the Company there are no suppliers registered under the Micro, Small, Medium Enterprises Development Act, 2006. The disclosure under Schedule 8 is done accordingly
- 16) Figures for the previous year have been regrouped and rearranged wherever considered necessary to conform with those of the current year

Schedules 1 to 13 annexed hereto form part of the Balance Sheet and Profit and Loss Account

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

A. B. JANI
Partner

Place : Mumbai
Date : April 21, 2011

For and on behalf of the Board

S M Datta
Chairman

Archana Hingorani
CEO & Executive Director

Manoj Borkar
Chief Financial Officer

Sanjay Mitra
Company Secretary

**INFORMATION PURSUANT TO PART IV TO THE COMPANIES ACT, 1956 AS AMENDED
TO THE EXTENT APPLICABLE FURNISHED BELOW**

(Previous year figures in brackets)

| | | | | | |
|---|---|--------------------------|---------------------------|---|----------------------|
| I. Registration Details | | | | | |
| Registration No | : | L65999MH1986PLC147981 | | | |
| State Code | : | 11 | | | |
| Balance Sheet Date | : | 31.03.2011 | | | |
| II. Capital raised during the year (Amount in ₹ Thousand) | | | | | |
| Public Issue | : | Nil (Nil) | Right Issue | : | Nil (Nil) |
| Bonus Issue | : | Nil (Nil) | Private Placement | : | 5,197 (8,182) |
| III. Position of Mobilisation and Deployment of Funds (Amount in ₹ Thousands) | | | | | |
| Total Liabilities | : | 785,317 (736,041) | Assets | : | 785,317 (736,041) |
| Sources of Funds | | | | | |
| Paid up Capital | : | 411,273 (406,075) | Reserves & Surplus | : | 374,044 (329,966) |
| Secured Loans | : | Nil (Nil) | Unsecured Loans | : | Nil (Nil) |
| Application of Funds | | | | | |
| Net Fixed Assets | : | 13,230 (16,913) | Investments | : | 240,412 (353,850) |
| Net Current Assets | : | 531,675 (365,278) | Miscellaneous Expenditure | : | Nil (Nil) |
| Accumulated Losses | : | Nil (Nil) | | | |
| IV. Performance of company (Amount in ₹ Thousands) | | | | | |
| Turnover | : | 949,435 (957,067) | Expenditure | : | 394,902 (368,423) |
| Profit/Loss Before Tax | : | 554,533 (588,644) | Profit/Loss after tax | : | 374,062 (392,858) |
| Basic Earning per Shares | : | 1.84 (1.96) | Dividend rate % | : | 75% (75%) |
| V. Generic names of three principal products/services of company (as per monetary terms) | | | | | |
| Item Code No. (ITC Code) | : | Not Applicable | | | |
| Product Description | : | Fund Management Business | | | |

For and on behalf of the Board

S M Datta
Chairman

Archana Hingorani
CEO & Executive Director

Manoj Borkar
Chief Financial Officer

Sanjay Mitra
Company Secretary

Place : Mumbai
Date : April 21, 2011

**STATEMENT PURSUANT TO GENERAL CIRCULAR NO. 2/2011 FILE NO. 51/12/2007-CL-III
DATED FEBRUARY 8, 2011 ISSUED BY THE MINISTRY OF CORPORATE AFFAIRS
UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956**

| Sr. No. | Name of the Subsidiary Company | IL&FS Investment Advisors LLC | IL&FS Asian Infrastructure Managers Limited | IL&FS Urban Infrastructure Managers Limited | Saffron Asset Advisors Private Limited |
|---------|--|-------------------------------|---|---|--|
| | Financial year ended on | 31-Mar-11 | 31-Mar-11 | 31-Mar-11 | 31-Mar-11 |
| 1 | Reporting Currency | USD | INR | INR | INR |
| 2 | Exchange Rate | 44.65 | 1.00 | 1.00 | 1.00 |
| 3 | Capital | 2,589,700 | 45,918,370 | 10,000,000 | 44,071,000 |
| 4 | Reserves | 851,592,170 | 12,789,394 | 27,011,275 | 84,212,299 |
| 5 | Total Assets | 2,491,457,900 | 59,438,251 | 54,123,426 | 145,595,969 |
| 6 | Total Liabilities | 1,637,276,029 | 730,487 | 17,112,151 | 17,312,670 |
| 7 | Investment Other than Investment in Subsidiary | 89,479 | 55,076,286 | - | 4,056,864 |
| 8 | Turnover | 1,379,884,630 | 23,491,678 | 91,001,946 | 77,969,616 |
| 9 | Profit before Taxation | 266,206,426 | 4,443,947 | 26,665,191 | 12,733,936 |
| 10 | Provision for Taxation | 10,278,296 | 486,080 | 8,907,253 | 5,532,000 |
| 11 | Profit after Taxation | 255,928,129 | 3,957,867 | 17,757,938 | 7,201,936 |
| 12 | Proposed Dividend | - | - | - | - |
| 13 | Country | Mauritius | India | India | India |

Notes :

The Ministry of Corporate Affairs, Government of India vide General Circular No 2/2011 file no 51/12/2007-CL-III dated February 8, 2011, had issued directions under Section 212(8) of the Companies Act, 1956 to grant a general exemption from attaching the financials along with the Directors' Report and the Auditors' Report of the subsidiary companies to the financials of the holding company on fulfillment of certain conditions. The above statement has been prepared for each of the Company's Subsidiaries under the terms of the aforesaid circular ('Subsidiary Company' as defined under Section 4 of the Companies Act, 1956)

For and on behalf of the Board

S M Datta
Chairman

Archana Hingorani
CEO & Executive Director

Place : Mumbai
Date : April 21, 2011

Manoj Borkar
Chief Financial Officer

Sanjay Mitra
Company Secretary

CONSOLIDATED FINANCIAL STATEMENTS

Auditors' Report

TO THE BOARD OF DIRECTORS OF IL&FS INVESTMENT MANAGERS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF IL&FS INVESTMENT MANAGERS LIMITED AND ITS SUBSIDIARIES

1. We have audited the attached Consolidated Balance Sheet of **IL&FS INVESTMENT MANAGERS LIMITED** (the Company, its subsidiaries and jointly controlled entity constitute the "Company") its subsidiaries and a Joint venture (the "Group") as at March 31, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, annexed thereto. The Consolidated Financial Statements include investments in the jointly controlled entities accounted for in accordance with Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures) as notified under the Companies (Accounting Standards) Rules, 2006. The Consolidated Financial Statements is the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of Rs. 2,082,321,824 as at March 31, 2011, total revenue of Rs. 1,387,460,698 and net cash outflows amounting to Rs. 33,002,615 for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion insofar as it relates to the amounts included in respect of these two subsidiaries, is based solely on the reports of the other auditors.
4. The Consolidated Financial Statements includes total revenue of Rs.8,417,895 for the period April 1, 2010 to September 12, 2010 (being date of disposal), as considered in the Consolidated Financial Statements, relating to one subsidiary which have been consolidated on the basis of unaudited financial information available with the Company's Management. The Consolidated Financial Statements also includes total assets Rs.355,465,638 as at March 31, 2011, total revenues for the period from December 30, 2010 (being date of investment) to March 31, 2011 of Rs.46,196,060 and net cash inflows amounting to Rs.191,986,249 for the period ended on that date, being the Group's proportionate share in one jointly controlled entity, which has been consolidated on the basis of unaudited financial information available with the Company's Management.
5. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 on Consolidated Financial Statements and Accounting Standard 27 on Financial Reporting of Interests in Joint Ventures as notified under the Companies (Accounting Standards) Rules, 2006.
6. Based on our audit and on consideration of the separate audit reports on individual financial statements of the Company, its aforesaid subsidiaries and joint venture, to the best of our information and according to the explanations given to us and in our opinion, the Consolidated Financial Statements, subject to paragraph 4 regarding unaudited financial information and read with paragraph 3 above, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2011;
 - (b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date and
 - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Mumbai, April 21, 2011

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 117366W)

A. B. JANI
Partner
(Membership No. 46488)

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2011

| | Schedules | As at March 31, 2011 (₹) | As at March 31, 2010 (₹) |
|---|-----------|--------------------------------|--------------------------------|
| SOURCES OF FUNDS : | | | |
| Shareholders' Funds : | | | |
| Share Capital | 1 | 411,272,510 | 406,075,190 |
| Stock Options Outstanding | | 3,048,780 | 9,158,940 |
| Reserves and Surplus | 2 | 1,359,210,588 | 923,433,466 |
| Minority Interest | | 50,361,636 | 29,725,772 |
| Deferred Tax Liability (net) (Refer note 3 of Schedule 13) | | 17,088,359 | 4,140,400 |
| Secured Loan (Refer note 14 of Schedule 13) | | 848,350,000 | - |
| | | 2,689,331,873 | 1,372,533,768 |
| APPLICATION OF FUNDS : | | | |
| Fixed Assets | | | |
| Gross Block | 3 | 2,612,554,938 | 961,210,658 |
| Less: Depreciation and Amortisation | | 950,575,526 | 692,670,312 |
| Net Block | | 1,661,979,412 | 268,540,346 |
| Capital Work-in-Progress | | 300,000 | 162,500 |
| | | 1,662,279,412 | 268,702,846 |
| Investments | 4 | 266,795,477 | 365,743,046 |
| Deferred Tax Asset (net) (Refer note 3 of Schedule 13) | | 10,904,763 | 5,604,516 |
| Current Assets, Loans and Advances | | | |
| Sundry Debtors | 5 | 223,097,908 | 275,035,985 |
| Cash and Bank Balances | 6 | 559,653,287 | 428,654,371 |
| Loans and Advances | 7 | 870,412,743 | 738,000,304 |
| | | 1,653,163,938 | 1,441,690,660 |
| Less: Current Liabilities and Provisions | 8 | | |
| Current Liabilities | | 449,213,447 | 281,414,502 |
| Provisions | | 454,598,270 | 427,792,798 |
| | | 903,811,717 | 709,207,300 |
| Net Current Assets | | 749,352,221 | 732,483,360 |
| | | 2,689,331,873 | 1,372,533,768 |

Schedules 1 to 13 annexed hereto form part of the Balance Sheet and Profit and Loss Account

In terms of our report attached
For Deloitte Haskins & Sells
 Chartered Accountants

A. B. JANI
 Partner

Place : Mumbai
 Date : April 21, 2011

For and on behalf of the Board

S M Datta
 Chairman

Archana Hingorani
 CEO & Executive Director

Manoj Borkar
 Chief Financial Officer

Sanjay Mitra
 Company Secretary

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

| | Schedules | For the year ended March 31, 2011 (₹) | For the year ended March 31, 2010 (₹) |
|--|-----------|---|---|
| INCOME | | | |
| Income from Fund Management and Advisory Services | 9 | 1,900,353,793 | 1,698,393,126 |
| Income from Investments / Loans | 10 | 72,386,563 | 61,113,852 |
| Other Income (Refer note 6 of Schedule 13) | | 39,454,080 | 53,861,211 |
| | | 2,012,194,436 | 1,813,368,189 |
| EXPENSES | | | |
| Staff Expenses | 11 | 465,289,688 | 427,968,090 |
| Operating Expenses | 12 | 364,952,662 | 252,162,635 |
| Depreciation and Amortisation | | 260,442,710 | 176,315,665 |
| | | 1,090,685,060 | 856,446,390 |
| Profit before Interest & Tax | | 921,509,376 | 956,921,799 |
| Interest Expense | | 16,317,474 | - |
| Profit before Taxation | | 905,191,902 | 956,921,799 |
| Provision for Tax | | | |
| - Current Tax | | 216,040,105 | 213,597,747 |
| - Deferred Tax Liability/(Asset) (net) (Refer note 3 of Schedule 13) | | (3,773,847) | 1,782,159 |
| Profit after Tax | | 692,925,644 | 741,541,893 |
| Less: Minority Interest | | 2,725,340 | 3,055,913 |
| Profit after Tax after Minority Interest | | 690,200,304 | 738,485,979 |
| Balance brought forward from previous year | | 782,000,574 | 438,636,506 |
| Profit Available for Appropriations | | 1,472,200,878 | 1,177,122,486 |
| Less : Appropriations : | | | |
| Transferred to General Reserve | | 38,000,000 | 40,000,000 |
| Proposed Dividend | | 308,439,383 | 304,541,393 |
| Tax on Dividend | | 50,036,579 | 50,580,519 |
| | | 396,475,962 | 395,121,912 |
| Balance carried to Balance Sheet | | 1,075,724,916 | 782,000,574 |
| Earnings Per Share (EPS) (Equity shares, of face value Rs. 2 each) | | | |
| Basic | | 3.39 | 3.69 |
| Diluted | | 3.32 | 3.61 |

Schedules 1 to 13 annexed hereto form part of the Balance Sheet and Profit and Loss Account

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

A. B. JANI
Partner

Place : Mumbai
Date : April 21, 2011

For and on behalf of the Board

S M Datta
Chairman

Manoj Borkar
Chief Financial Officer

Archana Hingorani
CEO & Executive Director

Sanjay Mitra
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2011

| | | March 31, 2011 (₹) | March 31, 2010 (₹) |
|----------|---|------------------------|-----------------------|
| A | CASH FLOW FROM OPERATING ACTIVITIES | | |
| | PROFIT BEFORE TAX | 905,191,902 | 956,921,799 |
| | Adjustment for: | | |
| | Depreciation and Amortisation | 260,442,710 | 176,315,665 |
| | Leave Encashment | 15,642,602 | (3,047,202) |
| | Debts / Advances written off | - | 1,025,152 |
| | Reversal of excess Cost over fair value | - | (2,664,440) |
| | Interest Income | (47,756,354) | (42,163,580) |
| | Interest Expense | 16,317,474 | - |
| | Foreign Exchange (gain) / loss | (21,517,946) | (17,972,787) |
| | Loss on sale of Subsidiary | 646,620 | - |
| | Profit on sale of Long Term Investments | (596,155) | (382,500) |
| | Profit on sale of Fixed Assets | (91,687) | (111,814) |
| | | 223,087,264 | 110,998,494 |
| | OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | 1,128,279,166 | 1,067,920,293 |
| | Decrease / (Increase) in trade and other receivables | 222,786,209 | (270,689,770) |
| | Decrease / (Increase) in Current Investments | 137,687,521 | 52,709,564 |
| | Decrease / (Increase) in Advances | (2,489,735) | (10,103,495) |
| | (Decrease) / Increase in trade and other payables | (485,954,180) | (67,504,647) |
| | Cash Flow after Working Capital Changes | 1,000,308,981 | 772,331,945 |
| | Income Tax Paid (Net) | (208,404,649) | (201,910,198) |
| | NET CASH GENERATED FROM OPERATING ACTIVITIES (A) | 791,904,332 | 570,421,747 |
| B | CASH FLOW FROM INVESTING ACTIVITIES | | |
| | Purchase of Fixed Assets | (27,202,974) | (36,436,345) |
| | Proceeds from sale of Fixed Assets | 1,148,102 | 209,966 |
| | Purchase of Long Term Investments | (200,000) | - |
| | Investment in Jointly Controlled Entity | (2,218,500) | - |
| | Purchase consideration paid on acquisition by Merger | (1,706,339,310) | - |
| | Purchase of share in a Subsidiary | (41,464,117) | - |
| | Proceeds from sale of a Subsidiary | 1,228,672 | - |
| | Proceeds from sale of Long Term Investments | 7,817,500 | 5,015,000.00 |
| | Inter Corporate Deposits given | (377,303,253) | (320,000,000) |
| | Inter Corporate Deposits refunded | 383,937,500 | 200,000,000 |
| | Loans given | (23,000,000) | (26,475,000) |
| | Loans refunded | 28,100,000 | - |
| | Dividend Received from a Subsidiary | 1,879,426 | - |
| | Interest received | 38,776,582 | 21,913,658 |
| | NET CASH GENERATED FROM / (USED IN) INVESTING ACTIVITIES (B) | (1,714,840,372) | (155,772,720) |
| C | CASH FLOW FROM FINANCING ACTIVITIES | | |
| | Proceeds from Issuance of Share Capital at premium | 33,690,193 | 63,517,594 |
| | Interest Paid | (16,317,474) | - |
| | Borrowings taken | 893,000,000 | - |
| | Borrowing repaid | (44,650,000) | - |
| | Dividend paid to Minority | (1,805,723) | - |
| | Dividend paid (Including tax thereon) | (351,692,090) | (322,208,607) |
| | NET CASH GENERATED / USED IN FINANCING ACTIVITIES (C) | 512,224,906 | (258,691,013) |

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

| | | March 31, 2011 (₹) | March 31, 2010 (₹) |
|----------|--|-----------------------|-----------------------|
| D | NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C) | (410,711,134) | 155,958,013 |
| | Cash and cash equivalents at the beginning of the year as per Schedule 6 | 428,654,371 | 272,696,358 |
| | Adjustments on accounts of : | | |
| | a) New Joint Venture | 219,422,446 | - |
| | b) Acquisition through Merger | 258,278,148 | - |
| | c) New Subsidiary | 68,723,835 | - |
| | d) Cessation of a subsidiary | (4,714,379) | - |
| | Cash and cash equivalents at the end of the year as per Schedule 6 | 559,653,287 | 428,654,371 |
| | | 559,653,287 | 428,654,371 |
| | Note: Cash and cash equivalent include amount of unclaimed Dividend aggregating to ₹ 14,477,207 (previous year ₹ 11,047,386) in designated accounts with banks which are not available for use by the Company. | | |

Schedules 1 to 13 annexed hereto form part of the Balance Sheet and Profit and Loss Account

In terms of our report attached
For Deloitte Haskins & Sells
Chartered Accountants

A. B. JANI
Partner

Place : Mumbai
Date : April 21, 2011

For and on behalf of the Board

S M Datta
Chairman

Archana Hingorani
CEO & Executive Director

Manoj Borkar
Chief Financial Officer

Sanjay Mitra
Company Secretary

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET
AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2011**

| | As at March 31, 2011 (₹) | As at March 31, 2010 (₹) |
|---|--------------------------------|--------------------------------|
| SCHEDULE 1 : SHARE CAPITAL | | |
| Authorised : | | |
| 250,000,000 Equity shares of ₹ 2/-each (Previous year 250,000,000 Equity shares of ₹ 2/-each) | 500,000,000 | 500,000,000 |
| Issued, Subscribed and Paid-up : | | |
| 205,626,255 Equity shares of ₹ 2/-each fully paid-up (Previous year 203,027,595 Equity shares of ₹ 2/- each fully paid-up) | 411,252,510 | 406,055,190 |
| Of the above Equity shares (a) 105,055,435 Equity shares of ₹ 2/- each fully paid-up are held by Infrastructure Leasing & Financial Services Limited, the Holding Company (b) 66,312,035 Equity shares of ₹ 2/- each, corresponding to 13,262,407 Equity shares of ₹ 10/- each were allotted during an earlier years as fully paid-up Bonus shares by capitalisation of Securities Premium Account (c) 39,652,245 Equity shares of ₹ 2/- each, corresponding to 7,930,449 Equity shares of ₹ 10/- each were allotted during an earlier years as fully paid-up Bonus Shares by way of capitalisation of General Reserve, Profit and Loss Account and Securities Premium Account | | |
| Add : Forfeited shares | 20,000 | 20,000 |
| | 411,272,510 | 406,075,190 |
| Note: The shareholders of the Company have by way of a Postal Ballot, results of which were declared on September 3, 2009, approved the sub-division of 1 Equity share of face value of ₹ 10/- into 5 Equity shares of face value of ₹ 2/- each. | | |
| SCHEDULE 2 : RESERVES AND SURPLUS | | |
| Securities Premium Account | | |
| Balance as per previous Balance Sheet | 61,157,108 | 5,822,494 |
| Add: Received upon issuance of shares | 34,603,033 | 55,334,614 |
| | 95,760,141 | 61,157,108 |
| General Reserve | | |
| Balance as per previous Balance Sheet | 132,000,000 | 92,000,000 |
| Add: Transferred from Profit and Loss Account | 38,000,000 | 40,000,000 |
| | 170,000,000 | 132,000,000 |
| Balance in Profit and Loss Account | 1,075,724,916 | 782,000,574 |
| Capital Reserve on Consolidation | 49,169,392 | - |
| Foreign Currency Translation Reserve during the year | (31,443,861) | (51,724,216) |
| | 1,359,210,588 | 923,433,466 |

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET
AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2011**

SCHEDULE 3 : FIXED ASSETS

(Amount in ₹)

| Description of Assets | GROSS BLOCK (AT COST) | | | DEPRECIATION / AMORTISATION | | | NET BLOCK | | | |
|--|-----------------------|---------------------------|----------------------------|-----------------------------|---------------------|-----------------|----------------------------|---------------------|---------------------|---------------------|
| | As at 01.04.2010 | Additions/ Adjustments | Deductions/ Adjustments | As at 31.03.2011 | Up to 31.03.2010 | For the Year | Deductions/ Adjustments | Up to 31.03.2011 | As at 31.03.2011 | As at 31.03.2010 |
| Tangible Assets | | | | | | | | | | |
| Office Premises | - | 15,195,288 | - | 15,195,288 | - | 258,509 | (5,254) | 253,255 | 14,942,033 | - |
| Furniture and Fixtures | 9,799,861 | 2,336,409 | (1,116,798) | 11,019,472 | 4,763,089 | 2,475,764 | (699,421) | 6,539,432 | 4,480,040 | 5,036,772 |
| Office Equipments | 5,514,703 | 1,792,469 | (630,420) | 6,676,752 | 3,584,742 | 1,591,098 | (623,205) | 4,552,635 | 2,124,117 | 1,929,961 |
| Vehicles | 7,506,120 | 2,845,305 | (436,387) | 9,915,038 | 1,735,931 | 1,880,529 | (136,841) | 3,479,619 | 6,435,419 | 5,770,189 |
| Computers | 8,897,868 | 3,168,686 | (980,992) | 11,085,462 | 4,897,176 | 2,669,528 | (786,323) | 6,780,381 | 4,305,081 | 4,000,692 |
| Improvement to Leasehold Property | 18,715,936 | 1,482,283 | (429,314) | 19,768,905 | 4,751,001 | 6,103,194 | (221,154) | 10,633,041 | 9,135,864 | 13,964,935 |
| Total (A) | 50,434,488 | 26,820,340 | (3,593,911) | 73,660,917 | 19,731,939 | 14,978,622 | (2,472,198) | 32,238,363 | 41,422,554 | 30,702,549 |
| Intangible Assets (Acquired) | | | | | | | | | | |
| Goodwill | - | 23,474,746 | - | 23,474,746 | - | 3,190,520 | (64,844) | 3,125,676 | 20,349,070 | - |
| Computer Software | 5,983,292 | 327,405 | - | 6,310,697 | 3,369,322 | 1,482,815 | (454) | 4,851,683 | 1,459,014 | 2,613,970 |
| Business Know-how, Management and Advisory Contracts | 113,099,511 | 1,571,656,735 | - | 1,684,756,246 | 113,099,511 | 84,815,015 | - | 197,914,526 | 1,486,841,720 | - |
| Placement Fees | 791,693,367 | | 32,658,965 | 824,352,332 | 556,469,540 | 155,975,738 | - | 712,445,278 | 111,907,054 | 235,223,827 |
| Total (B) | 910,776,170 | 1,595,458,886 | 32,658,965 | 2,538,894,021 | 672,938,373 | 245,464,088 | (65,298) | 918,337,163 | 1,620,556,858 | 237,837,797 |
| Total (A+B) | 961,210,658 | 1,622,279,226 | 29,065,054 | 2,612,554,938 | 692,670,312 | 260,442,710 | (2,537,496) | 950,575,526 | 1,661,979,412 | 268,540,346 |
| Capital Work-in-Progress | | | | | | | | | 300,000 | 162,500 |
| Previous Year | 927,081,986 | 36,499,700 | (2,371,028) | 961,210,658 | 518,627,523 | 176,315,665 | (2,272,876) | 692,670,312 | 268,702,846 | 268,702,846 |

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET
AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2011**

| | Number* | Face Value | As at March 31, 2011 (₹) | As at March 31, 2010 (₹) |
|---|-----------|------------|--------------------------------|--------------------------------|
| SCHEDULE 4 : INVESTMENTS | | | | |
| LONG TERM INVESTMENTS | | | | |
| TRADE (at cost) | | | | |
| - Unquoted Equity Shares (Fully Paid) | | | | |
| Avantika Gas Limited | 8,250 | 10 | 82,500 | 82,500 |
| | (8,250) | | | |
| IL&FS India Realty Fund LLC | 100 | USD 10 | 44,650 | 45,140 |
| | (100) | | | |
| IL&FS India Realty Fund II LLC | 100,000 | USD 0.01 | 44,650 | 45,140 |
| | (100,000) | | | |
| TARA India Fund III LLC | 2 | USD 1 | 89 | 90 |
| | (2) | | | |
| TARA Feeder Fund Limited | 2 | USD 1 | 89 | 90 |
| | (2) | | | |
| Class A - SIREF | 10,500 | USD 0.01 | 45,672,976 | - |
| | (Nil) | (Nil) | | |
| Class C - SIREF | 75,000 | USD 0.01 | 33,488 | - |
| | (Nil) | (Nil) | | |
| Class C - K2 Property | 25,000 | USD 0.01 | 11,163 | - |
| | (Nil) | (Nil) | | |
| Class D - SIREF | 25,000 | USD 0.01 | 33,488 | - |
| | (Nil) | (Nil) | | |
| Class D - K2 | 25,000 | USD 0.01 | 11,163 | - |
| | (Nil) | (Nil) | | |
| Sub Total (A) | | | 45,934,256 | 172,960 |
| - Units of Venture Fund (Unquoted) | | | | |
| South Asian Regional Apex Fund | 1,033 | 5,000 | 4,768,656 | 11,990,000 |
| (1,563 units redeemed during the year) | (2,596) | | | |
| Leverage India Fund | 100 | 1,000 | 100,000 | 100,000 |
| | (100) | | | |
| Infrastructure Leasing & Financial Services Realty Fund | 500 | 100 | 50,000 | 50,000 |
| | (500) | | | |
| Urjankur Nidhi Trust | 1,000 | 100 | 100,000 | 100,000 |
| | (1,000) | | | |
| TARA India Fund III Trust | 50 | 10,000 | 500,000 | 500,000 |
| | (50) | | | |
| IFIN Realty Trust | 10 | 10,000 | 100,000 | 100,000 |
| | (10) | | | |
| TARA India Fund III Domestic Trust | 500 | 1,000 | 500,000 | 500,000 |
| | (500) | | | |
| PAN Asia Project Development Fund | 1,000 | 100 | 100,000 | 100,000 |
| | (1,000) | | | |
| Milestone Real Estate Fund - IL&FS Milestone Fund I | 200 | 1,000 | 200,000 | - |
| | (Nil) | | | |
| Sub Total (B) | | | 6,418,656 | 13,440,000 |

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET
AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2011**

| | Number* | Face Value | As at March 31, 2011 (₹) | As at March 31, 2010 (₹) |
|---|--------------|------------|--------------------------------|--------------------------------|
| SCHEDULE 4 (contd.) | | | | |
| - Interest in Partnership (Unquoted) | | | | |
| AMCF India Participations, L.P. ## | | | 20,266,516 | 20,266,516 |
| Sub Total (C) | | | 20,266,516 | 20,266,516 |
| | | | | |
| Total Long Term Trade Investments (D) = (A+B+C) | | | 72,619,428 | 33,879,476 |
| CURRENT INVESTMENTS | | | | |
| NON TRADE (at lower of cost or fair value) | | | | |
| - Units of Mutual Fund (Unquoted unless otherwise stated) | | | | |
| Baroda Pioneer Liquid Fund - Institutional Daily Dividend Plan | 55,030 | 10 | 55,080,207 | - |
| | (Nil) | | | |
| DWS Ultra Short Term Fund - Institutional Daily dividend - Reinvest | 2,499,571 | 10 | 25,040,455 | - |
| | (Nil) | | | |
| Birla Sunlife Cash Manager - IP- Daily Dividend -Reinvestment | 7,814,959 | 10 | 18,080,950 | - |
| | (Nil) | | | |
| UTI Floating Rate Fund - Daily Dividend Plan | 36,867 | 1,000 | 36,895,336 | - |
| LICMF Floating Rate Fund - Daily Dividend Plan | Nil | 10 | - | 100,759,335 |
| | (10,075,933) | | | |
| LICMF Income Plus Fund - Daily Dividend Plan - Reinvestment | Nil | 10 | - | 57,045,397 |
| | (5,704,540) | | | |
| LICMF Savings Plus Fund - Daily Dividend Plan | Nil | 10 | - | 55,100,652 |
| | (5,510,065) | | | |
| Kotak Flexi Debt Scheme - Institutional Daily Dividend-Reinvestment | 3,551,912 | 10 | 35,687,833 | 50,885,659 |
| | (5,064,509) | | | |
| Taurus Ultra Short Term Bond | 6,117 | 1,000 | 6,127,151 | 50,072,527 |
| | (50,005) | | | |
| ICICI Prudential Flexible Income Plan - Daily Dividend | 163,277 | 100 | 17,264,117 | 18,000,000 |
| | (170,237) | | | |
| Total Current Investments (E) | | | 194,176,049 | 331,863,570 |
| TOTAL (D+E) | | | 266,795,477 | 365,743,046 |
| Aggregate book value of unquoted investments | | | 266,795,477 | 365,743,046 |

* Figures in brackets indicate that of previous year

Represents the Company's 100% Share in the Limited Partners Capital, where Asia Mezzanine Capital Partners LP have 100% voting rights, also refer schedule 8

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET
AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2011**

| | As at March 31, 2011 (₹) | As at March 31, 2010 (₹) |
|---|--------------------------------|--------------------------------|
| SCHEDULE 5 : SUNDRY DEBTORS (Unsecured, considered good) | | |
| Outstanding for more than six months | 28,992,456 | - |
| Outstanding for more than six months - doubtful | 160,651 | 160,651 |
| Other Debts | 194,105,452 | 275,035,985 |
| Less provision for doubtful debts | (160,651) | (160,651) |
| | 223,097,908 | 275,035,985 |
| SCHEDULE 6 : CASH AND BANK BALANCES | | |
| Cash in hand | 62,223 | 35,369 |
| Cheques on Hand | 203,339 | 1,057,410 |
| Balance with Scheduled Banks - in Current Accounts (including ₹ 14,477,207/- (previous year ₹ 11,047,386/-) in unclaimed dividend accounts) | 435,323,118 | 86,990,275 |
| - in Deposit Accounts | 124,064,607 | 340,571,317 |
| Note: Balance in Current Account include balance in EEFC account of ₹ 21,351,701/- (equivalent of USD 478,201) (Previous year ₹ 43,138,492/- (equivalent to USD 955,660)) | 559,653,287 | 428,654,371 |
| SCHEDULE 7 : LOANS AND ADVANCES (Unsecured unless otherwise stated, considered good) | | |
| Inter-Corporate Deposit to holding company | 313,365,753 | 320,000,000 |
| Interest Accrued but not due | 42,503,140 | 33,523,367 |
| Advance Tax (net of provision) | 58,186,120 | 57,642,440 |
| Advances Recoverable in cash or in kind or for value to be received (secured to the extent of ₹ 944,831/-, Previous year ₹ 1,660,225/-) | 294,808,460 | 250,846,285 |
| Other Current Assets (Refer policy A(n) of Schedule 13) | 161,549,270 | 75,988,212 |
| | 870,412,743 | 738,000,304 |
| SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS | | |
| A. Current Liabilities | | |
| Sundry Creditors | 277,409,694 | 224,725,498 |
| Fees Received in advance | 107,499,856 | 3,035,550 |
| Deferred Income | 24,888,730 | 39,306,345 |
| Unclaimed Dividend | 14,477,207 | 11,047,386 |
| Other Liabilities | 24,937,960 | 3,299,723 |
| Total (A) | 449,213,447 | 281,414,502 |
| B. Provisions | | |
| For Tax (net of advance tax) | 50,021,725 | 31,345,549 |
| For share in loss in a partnership firm (refer schedule 4) | 20,266,516 | 20,266,516 |
| For Proposed Dividend | 308,439,383 | 304,541,393 |
| For Tax on Proposed Dividend | 50,036,579 | 50,580,519 |
| For Leave Encashment | 25,834,067 | 21,058,821 |
| Total (B) | 454,598,270 | 427,792,798 |
| Total (A+B) | 903,811,717 | 709,207,300 |

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET
AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2011**

| | For the year ended March 31, 2011 (₹) | For the year ended March 31, 2010 (₹) |
|---|---|---|
| SCHEDULE 9 : INCOME FROM FUND MANAGEMENT AND ADVISORY SERVICES | | |
| Fees from Fund Management and Advisory Services | 1,900,353,793 | 1,698,393,126 |
| | 1,900,353,793 | 1,698,393,126 |
| SCHEDULE 10 : INCOME FROM INVESTMENTS/ LOANS | | |
| Dividend Income | | |
| - Current Investments (non-trade) | 23,978,569 | 14,293,907 |
| Profit on sale of Long-term trade Investments (trade) | 596,155 | 382,500 |
| Profit on sale of Current Investments (non-trade) | 55,485 | 4,273,865 |
| Interest from | | |
| - Fixed Deposits with Banks | 3,201,992 | 4,635,162 |
| - Other Deposits / Loans | 44,554,362 | 37,528,418 |
| | 72,386,563 | 61,113,852 |
| SCHEDULE 11 : STAFF EXPENSES | | |
| Salaries and Allowances (net of recovery) Refer A(i) of Schedule 13) | 421,507,895 | 399,059,783 |
| Contribution to Provident Fund & other Funds | 39,359,435 | 21,617,731 |
| Staff Welfare Expenses | 4,422,358 | 7,290,576 |
| | 465,289,688 | 427,968,090 |
| SCHEDULE 12 : OPERATING EXPENSES | | |
| Rent (net of recovery) | 56,801,833 | 56,474,016 |
| Rates and Taxes | 3,562,960 | 2,313,054 |
| Electricity and Water Charges | 1,846,880 | 1,454,369 |
| Postage and Telecommunication | 4,858,064 | 4,740,106 |
| Printing and Stationery | 4,058,740 | 3,115,995 |
| Travelling and Conveyance | 25,537,710 | 24,685,003 |
| Debts/Advances Written Off | - | 1,025,152 |
| Loss on sale of subsidiary | 646,620 | - |
| Insurance | 4,054,557 | 4,219,069 |
| Repairs and Maintenance - Others | 9,048,891 | 6,278,391 |
| Advisory Fees | 41,180,090 | 12,958,264 |
| Legal and Professional Expenses | 130,776,193 | 89,531,884 |
| Brand Subscription Fees | 14,283,642 | - |
| Directors Sitting Fees | 1,213,042 | 1,066,248 |
| Provision for doubtful debts | - | 160,651 |
| Underwriting and Placement Fees | - | 164,157 |
| Miscellaneous Expenses (Refer note 7 of Schedule 13) | 67,083,440 | 43,976,276 |
| | 364,952,662 | 252,162,635 |

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

SCHEDULE 13: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. Significant Accounting Policies

a) Basis for preparation of Financial Statements

The Consolidated Financial Statement (CFS) relates to IL&FS Investment Managers Limited (IIML) ("the Holding Company"), its subsidiaries and a jointly controlled entity, which constitute the "Group"

The financial statements are prepared under the historical cost convention in accordance with the applicable Accounting Standards pursuant to Companies (Accounting Standard) Rules, 2006. All income and expenditure having material bearing on the financial statements are recognised on an accrual basis

The preparation of financial statements requires the Management to make certain estimates and assumptions in the reported amounts of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates

b) Principles of consolidation

The financial statement of the subsidiary companies used in the consolidation are drawn upto the same reporting date as of the Holding Company. For the purpose of CFS uniform accounting policies are adopted by the Group

The Consolidated Financial Statements have been prepared on the following basis :

- i) The financial statements of the Group have been consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions and unrealised profits or losses have been fully eliminated. For translation of the non-integral foreign operations, both monetary and non-monetary assets and liabilities are translated using closing rate as on the balance sheet date. The income and expenses are translated using the average rate during the year. The resulting exchange difference is accumulated in the foreign currency translation reserve until the disposal of the net investment
 - ii) The financial statements / information of the jointly controlled entity has been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra group transactions resulting in unrealised profits or loss as per Accounting Standard 27 on 'Financial Reporting of Interest in Joint Venture' using the "proportionate consolidation" method
 - iii) Minority interest in the net assets of consolidating subsidiaries consists of the amount of equity attributable to the minority shareholders and share of profit attributable to them
- c) The Consolidated Financial Statements present the consolidated accounts of IIML, which consists of the accounts of the Holding Company and of the following subsidiaries and a jointly controlled entity

| Name of the Entity | Country of Incorporation and Residence | Amount of Investment (₹) | Percentage of Voting power As at March 31, 2011 |
|--|--|--------------------------|---|
| Subsidiaries | | | |
| IL&FS Asian Infrastructure Managers Limited | India | 23,418,370 | 51.00 |
| IL&FS Urban Infrastructure Managers Limited | India | 10,000,000 | 100.00 |
| IL&FS Investment Advisors LLC | Mauritius | 900,200 | 100.00 |
| Saffron Investment Trust (w.e.f. August 01, 2010) | Mauritius | 162,610,000 | 100.00 |
| IL&FS Singapore Asset Management Company Pte Limited (Upto September 12, 2010) | Singapore | 1,076,712 | Nil |
| Saffron Asset Advisors Private Limited (w.e.f. August 01, 2010) | India | 41,464,117 | 100.00 |
| Jointly Controlled Entity | | | |
| IL&FS Milestone Realty Advisors Private Limited | India | 800,000 | 40.00 |
| Standard Chartered IL&FS Management (Singapore) Pte Ltd (from December 30, 2010) | Singapore | 2,218,500 | 50.00 |

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

d) Revenue Recognition

- i) Management fee income on funds under management and advisory fee income are recognised based on contractual arrangements
- ii) Mobilisation Fees / Upfront Fees are recognised over the life of the managed scheme
- iii) Income from Investment in Units of Private Equity Funds (PEF) is recognised on the basis of income distributed by the respective PEFs
- iv) Dividend income is recognised once the unconditional right to receive dividend is established
- v) Interest income on fixed deposits is accrued proportionately based on period for which the same is placed

e) Fixed Assets (Tangible and Intangible)

Fixed Assets are stated at cost of acquisition and other incidental expenses

Depreciation on fixed asset is provided pro-rata from the date on which asset is ready to be put to use for its intended purpose on Straight-Line Method based on the estimated useful life of the assets, which are as follows:

| Category of Asset | Estimated Useful Life (in years) |
|--|----------------------------------|
| Fixed Assets Tangible : | |
| Building / Premises | 15 |
| Furniture and Fixtures | 5 |
| Computers | 3 |
| Office Equipments | 4 |
| Vehicles | 4 |
| Lease hold improvement | Over the lease period |
| Fixed Assets Intangible : (Acquired) | |
| Computer Software | 3 |
| Goodwill | 5 |
| Business know-how, Management & Advisory Contracts | 5 |
| Placement Fees | Over the life of the Fund |

All categories of assets costing ₹ 5,000/- or less each and mobile phones are written off in the year of capitalisation

f) Intangible Assets

Intangible Assets include business know how, value of Management and Advisory Contracts and related intangible assets acquired. These Intangible Assets are amortised over the estimated useful life of 5 years on Straight-Line Method

Placement Fees incurred in the establishment of the Fund are carried as Intangible Assets and are amortised over five years from the commencement date of the Fund to which the placement fee relate

Goodwill acquired represents excess of consideration paid over assets taken over on amalgamation of the companies with the Group. Such Goodwill is amortised over 5 years on accordance with AS-14 "Accounting for Amalgamations"

g) Investments

- i) Investments are capitalised at actual cost including costs incidental to acquisition
- ii) Investments are classified as long term or current at the time of making such investments
- iii) Long term investments are individually valued at cost less provision for diminution, other than temporary
- iv) Current investments are valued at lower of cost or fair value, computed scrip-wise

h) Foreign Currency Transactions

- i) Foreign currency transactions are recorded at the rate prevailing on the date of transaction. Foreign currency monetary items outstanding as at the Balance Sheet date are restated at the closing rate. The premium or discount arising at the inception of a Forward Contract is amortised as income or expense over the life of such Contract
- ii) Non-Monetary items which are carried in terms of historical cost denominated in foreign currency at the Balance Sheet date are reported using the exchange rate at the date of the transaction

i) Employee Benefits

- i) Contributions to Provident Fund and Superannuation Fund are charged to the Profit and Loss Account as per applicable law/rules
- ii) The Group has taken group gratuity cum life assurance scheme with Life Insurance Corporation of India for gratuity payable to the employees. Incremental liability based on actuarial valuation as per the projected unit credit method as at the reporting date, is charged to the Profit and Loss Account

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

iii) The leave balances are classified as short term and long term based on the best estimates after considering the past trends. The short term leave encashment liability for the expected leave to be encashed has been measured on actual components eligible for leave encashment and expected short term leave to be availed is valued based on the total cost to the Company and Long term leave have been valued on actuarial basis

j) Taxation

Income tax comprises of Current Tax and net changes in Deferred Tax Assets or Liability during the year. Current Tax is determined at the amount of tax payable in respect of taxable income for the year as per the Income tax Act, 1961

Deferred Tax Assets and Liabilities are recognised for the future tax consequences of timing differences arising from differences in accounting policies as per the accounts drawn up under the Companies Act and the Income tax Act. Deferred Tax Assets and Liabilities other than on carry forward losses and unabsorbed depreciation under tax laws are recognised when it is reasonably certain that there will be future taxable income. Deferred Tax Asset on carry forward losses and unabsorbed depreciation, if any, are recognised when it is virtually certain that there will be future taxable profit. Deferred tax assets and liabilities are measured using substantively enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Profit and Loss Account in the period of substantive enactment of the change

k) Cash and Cash equivalent

Cash and Cash equivalent comprises cash on hand, demand deposits with banks

l) Earnings Per Share

In determining earnings per share, the net profit after tax is considered. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless issued at a later date

m) Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when there is a present obligation as a result of a past event and it is probable that the outflow of resources would be required to settle the obligation, and in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimates at the balance sheet date required to settle the obligation. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimation. A contingent liability is disclosed unless the possibility of an outflow of resources embodying the economic benefits is remote. Contingent Assets are neither recognised nor disclosed in the financial statements

n) Other Placement Fees

Placement fees paid to the Arranger of Fund are recognised over the life of the managed scheme

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

B. Notes To Accounts

- 1) Outstanding Commitments on Capital Account (Amount in ₹)

| | March 31, 2011 | March 31, 2010 |
|--|----------------|----------------|
| Estimated amount of contracts remaining to be executed on capital account (intangible asset - software) not provided for | 90,000 | 218,661 |

- 2) Contingent Liabilities

- a) Claims against the Group not acknowledged as debts:

(Amount in ₹)

| Particulars | March 31, 2011 | March 31, 2010 |
|---|----------------|----------------|
| <u>Income Tax Demands</u> The Group has preferred appeals against the income tax demands and the same is pending with ITAT(Appeals) and CIT(Appeals). The Company is hopeful of succeeding in the appeals | 12,187,094 | 5,138,137 |

- b) Contingent Liability

(Amount in ₹)

| Particulars | March 31, 2011 | March 31, 2010 |
|------------------------------------|----------------|----------------|
| Estimated Project Development Cost | 21,331,380 | Nil |
| Banker's letter of guarantee | 201,759 | Nil |

- 3) Deferred Tax provision has been made in accordance with the requirements under the Accounting Standard - 22 "Accounting for Taxes on Income"

- a) During the current year ended March 31, 2011 the timing difference has resulted in a net deferred tax asset of ₹ 3,773,847/-

- b) The deferred tax asset recognised in the accounts as of March 31, 2011 are as follows:

(Amount in ₹)

| Nature of Timing Differences | March 31, 2010 | Adjusted during the year * | March 31, 2011 |
|------------------------------|------------------|----------------------------|-------------------|
| Net Depreciation | 5,912,972 | 82,073 | 5,995,045 |
| Preliminary Expenses | 12,483 | (10,861) | 1,622 |
| Employee Benefits | 6,127,925 | 2,990,804 | 9,118,729 |
| Provision for Baddebts | 53,368 | (1,241) | 52,127 |
| Placement Fees | (6,610,000) | 2,292,000 | (4,318,000) |
| Deferred Rent | 107,768 | (52,528) | 55,240 |
| Total | 5,604,516 | 5,300,247 | 10,904,763 |

- c) The deferred tax liability recognised in the accounts as of March 31, 2011 are as follows:

(Amount in ₹)

| Nature of Timing Differences | March 31, 2010 | Adjusted during the year * | March 31, 2011 |
|------------------------------|--------------------|----------------------------|---------------------|
| Net Depreciation | 3,240 | 3,200 | 6,440 |
| Employee Benefits | 98,400 | 13,600 | 112,000 |
| Placement Fees | - | (13,163,959) | (13,163,959) |
| Mobilisation Fee Expense | (18,781,600) | 6,281,600 | (12,500,000) |
| Deferred Income | 13,056,520 | (4,981,200) | 8,075,320 |
| Bonus | 1,037,440 | (655,600) | 381,840 |
| Others | 445,600 | (445,600) | - |
| Total | (4,140,400) | (12,947,959) | (17,088,359) |

* The net amount credited to profit and loss account is ₹ 3,773,847/- and balance is on account of acquisitions made during the year

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

4) Derivative Instruments

a) The Group has entered into the following derivative instruments outstanding:

| | March 31, 2011 | March 31, 2010 |
|-----------------------------|------------------------------|-----------------------|
| Forward Exchange Contracts: | US\$ 4,500,000 (Sell) | US\$ 2,000,000 (Sell) |
| | ₹ 210,070,000 (Buy) | ₹ 98,940,000 (Buy) |

b) The year-end foreign currency expenses that have not been hedged by a derivative instrument or otherwise are given below:

| Particulars | Amount in Foreign Currency | Amount in INR |
|----------------------|----------------------------|----------------|
| EEFC Account Balance | USD 478,201 | ₹ 21 351,701 |
| | (USD 955,660) | (₹ 43,138,992) |

(Figures in brackets represent of the previous year)

5) Related Party Transactions

a) As per the Accounting Standard on 'Related Party Disclosure' (AS-18), the related parties are as follows:

| Sr.No. | Holding Company | March 31, 2011 | March 31, 2010 |
|--------|---|----------------|----------------|
| 1 | Infrastructure Leasing & Financial Services Limited | ✓ | ✓ |

| Sr.No. | Fellow Subsidiaries* | March 31, 2011 | March 31, 2010 |
|--------|--|----------------|----------------|
| 1 | IL&FS Cluster Development Initiative Company Limited | ✓ | ✓ |
| 2 | IL&FS Ecosmart Limited (upto March 29, 2011) | ✓ | ✓ |
| 3 | IL&FS Education & Technology Services Limited | ✓ | ✓ |
| 4 | IL&FS Financial Services Limited | ✓ | ✓ |
| 5 | IL&FS Property Management & Services Limited (upto October 1, 2010) | ✓ | ✓ |
| 6 | IL&FS Securities Services Limited | ✓ | ✓ |
| 7 | IL&FS Transportation Networks Limited | ✓ | ✓ |
| 8 | IL&FS Environmental Infrastructure & Services Limited (formerly IL&FS Waste Management & Urban Services Limited) | ✓ | ✓ |
| 9 | Integrated Waste Management & Urban Services Company (Tamil Nadu) Private Limited | ✓ | ✓ |
| 10 | Vanch Nimay Infraproject Private Limited | ✓ | ✓ |
| 11 | IL&FS Infrastructure Development Corporation Limited | ✓ | ✓ |
| 12 | IL&FS Trust Company Limited | ✓ | ✓ |
| 13 | IL&FS Global Financial Services (UK) Limited | ✓ | ✓ |
| 14 | IFIN Realty Trust | ✓ | ✓ |
| 15 | IL&FS IIDC Fund | ✓ | ✓ |

*As certified by holding Company and with whom transactions done during the year

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET
AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2011**

b) The nature and volume of transactions during the year with the above related parties were as follows:

i) Transactions with holding company

(Amount in ₹)

| Name of the Entity | Nature of Transaction | Amount of Transaction | Outstanding Balance As on March 31, 2011 |
|---|---------------------------------|-----------------------|--|
| Infrastructure Leasing & Financial Services Limited | Rent | 36,412,848 | Nil |
| | | (32,407,250) | (Nil) |
| | Salary Deputation Cost recovery | 792,464 | 255,149 |
| | | (674,877) | (Nil) |
| | Electricity Charges | 413,000 | 8,977 |
| | | (852,721) | (Nil) |
| | Service Charges | 240,070 | 162,929 |
| | | (2,213,515) | (Nil) |
| | Training Expenses | 24,234 | - |
| | | (Nil) | |
| | Repairs & Maintenance Expenses | 602,400 | - |
| | | (877,962) | |
| | Brand Subscription fees | 14,283,642 | 3,232,912 |
| | | (Nil) | (Nil) |
| | Sale/Transfer of Asset | 324,565 | 3,080 |
| | | (Nil) | (Nil) |
| | Sundry Debtors | | 99,408 |
| | | | (Nil) |
| | Advances | | 1,502 |
| | | | (394,971) |
| | Purchase of Asset | Nil | - |
| | | (2,063,492) | |
| | Advisory Fee Income | 10,700,000 | - |
| | | (Nil) | |
| | Deputation Cost | 9,372,637 | - |
| | | (8,064,838) | |
| | Term Deposits placed | 377,303,253 | 313,365,753 |
| | | (120,000,000) | (320,000,000) |
| Repayment of Term Deposits | 383,937,500 | - | |
| | (200,000,000) | | |
| Interest Income on Term Deposits | 28,857,645 | 9,243,225 | |
| | (23,193,733) | (8,248,715) | |
| Sundry Creditors | | 564,997 | |
| | | (3,172,744) | |

(Figures in brackets represent figures of the previous year)

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET
AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2011**

ii) Transactions with fellow subsidiaries

(Amount in ₹)

| Name of the Entity | Nature of Transaction | Amount of Transaction | Outstanding Balance As on March 31, 2011 |
|--|------------------------|-----------------------|--|
| IL&FS Property Management Services Limited | Operating Expenses | 166,160 | 214,197 |
| | | (874,275) | (124,895) |
| IL&FS Financial Services Limited | Underwriting Fees | Nil | Nil |
| | | (164,157) | (42,892) |
| | Salary deputation cost | Nil | - |
| | | (3,500,689) | |
| | Sundry Creditors | | 9,181 |
| | | | (Nil) |
| Advances | | Nil | |
| | | (115,577) | |
| IL&FS Education & Technologies Limited | Operating Expenses | 100,000 | Nil |
| | | (114,560) | (498,744) |
| | Sundry Debtors | | 85,978 |
| | | (51,622) | |
| IL&FS Securities Services Limited | Custody Charges | 24,097 | 12,973 |
| | | (22,100) | (10,894) |
| IL&FS Ecosmart Limited | Advances | | Nil |
| | | | (119,214) |
| IL&FS Transportation Networks Limited | Advances | | Nil |
| | | | (5,995) |
| | Operating Expense | 1,500 | - |
| | (Nil) | | |
| Integrated Waste Management & Urban Services Company (Tamil Nadu) Private Limited | Fund Management Fee | 3,310,011 | - |
| | | (1,384,935) | |
| | Consultancy Fees Paid | 7,000,000 | - |
| | (7,600,000) | | |
| IL&FS Environmental Infrastructure & Services Limited (formerly IL&FS Waste Management & Urban Services Limited) | Fund Management Fee | 2,932,261 | 1,133,491 |
| | | (Nil) | (Nil) |
| | Advances | | Nil |
| | | (263,804) | |
| Vanch Nimay Infraproject Private Limited | Fee Income | 3,173,171 | Nil |
| | | (1,805,413) | (25,023) |
| | Creditors | | 68,170 |
| | | | (Nil) |
| IL&FS Trust Company Limited | Professional Fees | 100,000 | 99,270 |
| | | (Nil) | (Nil) |
| IL&FS Infrastructure Development Corporation Limited | Service Charges | 3,970,515 | Nil |
| | | (8,397,962) | (1,599,852) |
| IL&FS Global Financial Services (UK) Limited | Professional Fees | 1,184,762 | - |
| | | (Nil) | |
| | Advances | | 7,196,234 |
| | | (Nil) | |

(Figures in brackets represent figures of the previous year)

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET
AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2011**

(Amount in ₹)

| Name of the Entity | Nature of Transaction | Amount of Transaction | Outstanding Balance As on March 31, 2011 |
|--------------------|-----------------------|-----------------------|--|
| IFIN Realty Trust | Fee Income | 17,500,000 | - |
| | | (17,500,000) | |
| IL&FS IIDC Fund | Fee Income | 1,000,000 | - |
| | | (1,000,000) | |

(Figures in brackets represent figures of the previous year)

c) Transactions with Key Management Personnel together with Relatives of such Personnel:

| Key Management Personnel: | |
|--|--|
| Dr Archana Hingorani | CEO & Executive Director |
| Mr Alok Bhargava (Upto July 15, 2010) | Executive Director |
| Mr Shahzaad Dalal | Director, IL&FS Investment Advisors LLC |
| Mrs Nafisa Dalal | Spouse of Mr Shahzaad Dalal |
| Mr Mohan Roy | Director, IL&FS Investment Advisors LLC |
| Mr Ved Prakash Arya | Director and Chief Investment Officer, IL&FS Milestone Realty Advisors Private Limited |
| Mr Ajoy Veer Kapoor (Upto February 28, 2011) | Managing Director, IIML Asset Advisors Private Limited |
| Mr Ritesh Vohra (Upto February 28, 2011) | Executive Director, IIML Asset Advisors Private Limited |
| Ms Sunita Manwani | Executive Director, IIML Asset Advisors Private Limited |

| For the year ended | March 31, 2011 (₹) | March 31, 2010 (₹) |
|--------------------|-----------------------|-----------------------|
| Remuneration | 297,117,063 | 154,414,520 |

d) Transaction with IVC Welfare Trust

| Nature of Transaction | Amount in ₹ |
|--|---------------|
| Interest Income | 15,638,006 |
| | (14,282,535) |
| Repayment of Loan | 28,100,000 |
| | (Nil) |
| Payment of Interest | 8,025,742 |
| | (1,428,253) |
| Disbursement of Loan | 23,000,000 |
| | (26,475,000) |
| Balance Loan Recoverable (including interest) | 213,768,205 |
| | (211,255,942) |

(Figures in brackets represent figures of the previous year)

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

- 6) Other Income includes ₹ 15,371,171/- (Previous Year: ₹ 13,310,956/-) on account of foreign exchange gain, ₹ 91,687/- (Previous Year ₹ 111,814 /-) profit on sale of fixed assets, ₹ 23,040,870 /- (Previous Year ₹ 36,620,942/-) reversal of Performance Related Pay provision, ₹ Nil (Previous Year ₹ 2,664,440/-) reversal of excess of cost over fair value of current investments
- 7) Miscellaneous Expenses includes commission to non whole time directors, advertisement expenses, service promotion expenses, subscription to clubs/association, general office expenses and payment to auditors
- 8) Earnings Per Share (EPS)

In accordance with the Accounting Standard on 'Earnings Per Share' (AS-20), the Basic Earnings Per Share and Diluted Earnings Per Share has been computed by dividing the Profit After Tax by the number of equity shares for the respective years as under :

| | Particulars | March 31, 2011 | March 31, 2010 |
|----|---|--------------------|----------------|
| a) | Profit After Tax (₹) | 690,200,304 | 738,485,980 |
| b) | Weighted Average Number of Equity Shares in calculating Basic EPS | 203,562,537 | 200,093,374 |
| | Add: Potential Equity Shares on conversion of ESOPs outstanding at the end of the year (weighted average from date of grant for options issued during the year) | 4,232,041 | 4,392,524 |
| | Weighted Average Number of Equity Shares in calculating Diluted EPS | 207,794,578 | 204,485,898 |
| | (i) Nominal Value per share (₹) | 2.00 | 2.00 |
| | (ii) Basic Earnings per share (₹) | 3.39 | 3.69 |
| | (iii) Diluted Earnings per share (₹) | 3.32 | 3.61 |

- 9) Segment Reporting

The Group is in the business of providing asset management and other related service. As such, there are no separate reportable business segment or geographical segment as per Accounting Standard 17 on "Segment Reporting" and the Company operates in single segment ie "Asset Management and Other related services"

- 10) Disclosure as required under Accounting Standard - 15 on "Employee Benefits" is as under:

- a) The Group has recognised ₹ 9,458,407/- (Previous Year - ₹ 8,009,587/-) in the Profit and Loss Account as Company's Contribution to Provident Fund, which is maintained with the office of Regional Provident Fund Commissioner
- b) The Group operates funded post retirement defined benefit plans for gratuity, details of which are as follows :

| I. Assumptions: | March 31, 2011 | March 31, 2010 |
|-------------------------------|----------------------|----------------|
| Discount Rate | 7.75% - 8.25% | 7.75% - 8.25% |
| Rate of Return on Plan Assets | 8.00% - 9.00% | 7.75% - 8.00% |
| Salary Escalation | 5.00% - 6.00% | 4.00% - 5.00% |
| Mortality Table | LIC (1994-96) | LIC (1994-96) |

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET
AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2011**

(Amount in ₹)

| II. Table Showing Change in Benefit Obligation: | March 31, 2011 | March 31, 2010 | |
|---|-----------------------|----------------|----------------|
| Liability at the beginning of the year | 35,625,074 | 30,868,588 | |
| Interest Cost | 3,298,230 | 2,598,546 | |
| Current Service Cost | 5,072,798 | 4,177,006 | |
| Past Service Cost (Non Vested Benefit) | - | - | |
| Past Service Cost (Vested Benefit) | - | - | |
| Liability Transfer In | 4,978,090 | - | |
| Liability Transfer Out | (5,640,865) | - | |
| Benefit Paid | (2,180,769) | - | |
| Actuarial (gain)/loss on obligations | 10,368,570 | (2,019,066) | |
| Liability at the end of the year | 51,521,128 | 35,625,074 | |
| III. Tables of Fair value of Plan Assets: | March 31, 2011 | March 31, 2010 | |
| Fair Value of Plan Assets at the beginning of the year | 33,675,602 | 28,070,713 | |
| Expected Return on Plan Assets | 2,740,097 | 2,474,011 | |
| Contributions | 10,848,774 | 2,901,502 | |
| Transfer from other Company | 148,436 | - | |
| Transfer to other Company | (5,640,865) | - | |
| Benefit Paid | (2,180,769) | - | |
| Actuarial gain/(loss) on Plan Assets | 321,976 | 229,376 | |
| Fair Value of Plan Assets at the end of the year | 39,913,251 | 33,675,602 | |
| Total Actuarial Gain/(Loss) to be Recognised | (10,046,594) | 2,248,442 | |
| IV. Actual Return on Plan Assets: | March 31, 2011 | March 31, 2010 | |
| Expected Return on Plan Assets | 2,740,097 | 2,474,011 | |
| Actuarial gain/(loss) on Plan Assets | 321,976 | 229,376 | |
| Actual Return on Plan Assets | 3,062,073 | 2,703,387 | |
| V. Amount Recognised in the Balance Sheet: | March 31, 2011 | March 31, 2010 | March 31, 2009 |
| Liability at the end of the year | 51,521,128 | 35,625,074 | 30,868,588 |
| Fair Value of Plan Assets at the end of the year | 39,913,251 | 33,675,602 | 28,070,713 |
| Difference | (11,607,877) | (1,949,472) | (2,797,875) |
| Unrecognised Past Service Cost | - | - | - |
| Amount Recognised in the Balance Sheet | (11,607,877) | (1,949,472) | (2,797,875) |
| VI. Expenses Recognised in the Income Statement: | March 31, 2011 | March 31, 2010 | |
| Current Service Cost | 5,072,798 | 4,177,006 | |
| Interest Cost | 3,298,230 | 2,598,546 | |
| Expected Return on Plan Assets | (2,740,097) | (2,474,011) | |
| Net Actuarial (Gain)/Loss To Be Recognised | 10,046,594 | (2,248,442) | |
| Past Service Cost (Non Vested Benefit) Recognised | - | - | |
| Past Service Cost (Vested Benefit) Recognised | - | - | |
| Expense Recognised in P&L | 15,677,525 | 2,053,099 | |

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET
AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2011**

(Amount in ₹)

| VII. Balance Sheet Reconciliation | March 31, 2011 | March 31, 2010 |
|--|--|----------------|
| Opening Net Liability | 1,949,472 | 2,797,875 |
| Expense as above | 15,677,525 | 2,053,099 |
| Transfer from other Company | 4,829,664 | - |
| Employers Contribution | 10,848,774 | 2,901,502 |
| Amount Recognised in Balance Sheet | 1,948,569 | 1,949,472 |
| VIII. Description of Plan Assets | % Invested | % Invested |
| Insurer Managed Funds | 100% | 100% |
| IX. Experience Adjustment | March 31, 2011 | March 31, 2010 |
| Experience Adjustment on Liability | (2,731,448) | (1,293,138) |
| Experience Adjustment on Asset | 321,976 | 229,376 |
| X. Other Details | The Employer's best estimate of the contributions expected to be paid to the plan during the next year ₹ 9,592,691/-. The estimates of future salary increase considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors. The above information is certified by the actuary and relied upon by the Auditors | |

- 11) The Holding Company has entered into Operating Lease arrangements towards provision for vehicles and Business Centre arrangement towards use of office facility. The minimum future payments during non-cancellable periods under the foregoing arrangements in the aggregate for each of the following periods is as follows:

- (i) Not later than one year - ₹ 27,213,060/-
(ii) Later than one year and not later than five years - ₹ 42,248,004/-
(iii) Later than five years - ₹ Nil

During the current year ended March 31, 2011 the lease payments recognised in the Profit and Loss account for the aforesaid arrangement amounts to ₹ 27,428,087/-

- 12) The Group has joint control over the following entity as per Accounting Standard 27 (AS-27) on "Financial Reporting of Interest in Joint Ventures"

| Jointly Controlled Entity | Percentage of ownership interest | |
|--|---|----------------|
| | March 31, 2011 | March 31, 2010 |
| IL&FS Milestone Realty Advisors Private Limited (Incorporated in India) | 40.00% | 40.00% |
| Standard Chartered IL&FS Management (Singapore) Pte Limited (From 30th December 2010) (Incorporated outside India) | 50.00% | - |

The aggregate amount of assets, liabilities, income and expenditure of the jointly controlled entities, based on audited/management accounts of the respective entities is as follows :

| As at the end of the year | March 31, 2011 (₹) | March 31, 2010 (₹) |
|----------------------------------|------------------------------|-----------------------|
| Assets | 434,912,349 | 71,320,000 |
| Liabilities | 346,411,744 | 55,631,980 |
| For the year ended | March 31, 2011 (₹) | March 31, 2010 (₹) |
| Income | 136,371,204 | 64,061,216 |
| Expenses (including tax) | 114,960,512 | 55,017,340 |

- 13) During the financial year, Saffron Capital Advisors Limited ("SCAL") and Saffron Capital Securities Limited ("SCSL"), both incorporated under the Mauritius Companies Act 2001 and holding a Category 1 Global Business Licence have amalgamated with IL&FS Investment Advisors LLC ("IIAL"), Mauritius (100% subsidiary of the Company). Following the amalgamation IIAL became the surviving entity. The assets and liabilities of both SCAL and SCSL were taken over on 1 August 2010, being the Appointed Date, and the amalgamation was approved by the Registrar of Companies, Mauritius vide its order dated 15 November 2010

As a result of the amalgamation, IIAL is now providing Investment Management/Advisory Services to K2 Property Limited and Saffron India Real Estate Fund which were previously managed by SCAL

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

The Amalgamation of SCAL and SCSL with IIAL has been accounted using the Purchase Method and in accordance with Accounting Standard 14 - "Accounting for Amalgamations". At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration paid over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. The Goodwill of ₹ 23,474,746/- arising on account of the amalgamation is being amortised using a straight line method over a period of five years

As per the terms of the amalgamation, the consideration against the acquisition of business of both SCAL and SCSL was payable in two installments such that USD 38.22 million was paid upon the amalgamation and the outstanding amount of USD 10 million would be payable within a period of one year subject to achievement of certain milestones, which are yet to be achieved as at March 31, 2011.

14) The Loan is secured by a first charge in favour of the Security Trustee in respect of the receivables of the subsidiaries for the management fees earned by it

15) The financial position and results of the Companies which became subsidiaries / ceased to be subsidiary during the period are as follows :

a) Companies became subsidiary during the year :

(Amount in ₹)

| Financial Position | Saffron Asset Advisors Private Limited As on March 31, 2011 |
|---|--|
| Sources of Funds | |
| Share Holders Funds | 128,283,299 |
| Minority Interest | - |
| Application of Funds | |
| Fixed Assets | 2,444,616 |
| Investments | 4,056,864 |
| Net Current Assets/ (Current Liabilities) | 120,625,819 |
| Net Deferred Tax Assets | 1,156,000 |
| Unallocated Preoperative Expenses | - |
| Profit & Loss Account | - |

| Financial Results | Saffron Asset Advisors Private Limited For the period from August 01,2010 to March 31, 2011 |
|--------------------------------------|---|
| Income | |
| Income from Operations | 77,848,162 |
| Other Income | 121,454 |
| Expenses | |
| Staff Expenses | 50,586,026 |
| Operation and Other expenses | 14,302,561 |
| Depreciation | 347,093 |
| Profit/(Loss) before Taxation | 12,733,936 |
| Current Tax | 4,500,000 |
| Deferred Tax | 1,032,000 |
| Profit/(Loss) after Taxation | 7,201,936 |

| Financial Position | Saffron Investment Trust As on March 31, 2011 |
|--|--|
| Sources of Funds | |
| Capital Contribution and Reserve & Surplus | 155,164,158 |
| Application of Funds | |
| Investments | 45,762,276 |
| Net Current Assets / (Current Liabilities) | 108,924,906 |
| Profit & Loss Account | 476,976 |

**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET
AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2011**

(Amount in ₹)

| Financial Results | Saffron Investment Trust For the period August 1, 2010 to March 31, 2011 |
|--------------------------------------|---|
| Expenses | |
| Professional Fees | 382,893 |
| License Fees | 43,949 |
| Other expenses | 50,134 |
| Profit/(Loss) before Taxation | 476,976 |
| Tax | - |
| Profit/(Loss) after Taxation | 476,976 |

b) Company ceases to be subsidiary during the period

| Financial Position | IL&FS Singapore Asset Management Company Pte Limited | |
|--|---|---------------------------------|
| | As on September 12, 2010 | As on March 31, 2010 |
| Sources of Funds | | |
| Share Holders Funds | 3,899,115 | 3,223,804 |
| Application of Funds | | |
| Net Current Assets / (Current Liabilities) | 3,899,115 | 3,223,804 |

c) Financial Results for the period from April 1, 2010 up to the date of cessation

| Financial Results | IL&FS Singapore Asset Management Company Pte Limited | |
|--|--|--|
| | For the period from April 1, 2010 upto September 12, 2010 | For the year ended March 31, 2010 |
| Income | | |
| Income from Operations | 8,417,895 | 19,156,108 |
| Other Income | - | - |
| Expenses | | |
| Operation and Other expenses | 6,813,842 | 15,830,341 |
| Depreciation | - | - |
| Minority Interest | 785,986 | 1,502,861 |
| Share of Profit / (Loss) of Subsidiary / Associate | - | - |
| Profit/(Loss) before Taxation | 818,067 | 1,822,907 |
| Current Tax | - | 258,705 |
| Deferred Tax | - | - |
| Profit/(Loss) after Taxation | 818,067 | 1,564,202 |

16) Figures for the previous period/year have been regrouped and rearranged wherever considered necessary to confirm with those of the current period

Schedules 1 to 13 annexed hereto form part of the Balance Sheet and Profit and Loss Account

For and on behalf of the Board

S M Datta
Chairman

Archana Hingorani
CEO & Executive Director

Place : Mumbai
Date : April 21, 2011

Manoj Borkar
Chief Financial Officer

Sanjay Mitra
Company Secretary

NOTICE

Notice is hereby given that the Twenty Fifth Annual General Meeting of the Members of the Company will be held on Wednesday, July 27, 2011 at 11.30 a.m. at The Walchand Hirachand Hall, Indian Merchants' Chamber, IMC Building, IMC Marg, Churchgate, Mumbai 400 020 to transact the following business :

ORDINARY BUSINESS

- (1) To receive and adopt the Audited Balance Sheet as at March 31, 2011 and the Profit & Loss Account for the year ended as on that date and the Reports of Auditors and Directors thereon
- (2) To declare dividend on Equity Shares for the year ended March 31, 2011
- (3) To appoint a Director in place of Mr Arun Saha who retires by rotation and being eligible, has offered himself for re-appointment
- (4) To appoint a Director in place of Mr Vibhav Kapoor who retires by rotation and being eligible, has offered himself for re-appointment
- (5) To appoint M/s Deloitte Haskins & Sells, Chartered Accountants, as the Statutory Auditors of the Company who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration

SPECIAL BUSINESS

- (6) To consider and if thought fit to pass, with or without modifications, the following resolution as an Ordinary Resolution :
“**RESOLVED THAT** Mr Jitender Balakrishnan, who was appointed as an Additional Director of the Company and who holds office upto the date of the ensuing Annual General Meeting and being eligible offers himself for appointment, be and is hereby appointed as a Director of the Company, liable to retire by rotation”
- (7) To consider and if thought fit to pass, with or without modifications, the following resolution as an Ordinary Resolution :
“**RESOLVED THAT** Mr Ramesh Bawa, who was appointed as an Additional Director of the Company and who holds office upto the date of the ensuing Annual General Meeting and being eligible offers himself for appointment, be and is hereby appointed as a Director of the Company, liable to retire by rotation”
- (8) To consider and if thought fit to pass, with or without modifications, the following resolution as an Ordinary Resolution :
“**RESOLVED THAT** Mr Siddharth Mehta, who was appointed as an Additional Director of the Company and who holds office upto the date of the ensuing Annual General Meeting and being eligible offers himself for appointment, be and is hereby appointed as a Director of the Company, liable to retire by rotation”
- (9) To consider and if thought fit to pass, with or without modifications, the following resolution as a Special Resolution :
“**RESOLVED THAT** in accordance with the provisions of Sections 198, 269, 309, Schedule XIII to the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956 or any modifications thereof and subject to the approval of the Central Government, if required, the Company approves the re-appointment and remuneration of Dr Archana Hingorani as a Wholetime Director (designated as the Chief Executive Officer and Executive Director) of the Company for a period of five years with effect from April 21, 2011 on the following terms and conditions :
 - (a) **Consolidated Salary:** Within the limits of ₹ 450,000/- per month to ₹ 1,500,000/- per month, to be determined by the Compensation Committee from time to time
 - (b) **Perquisites:** In addition to the Consolidated Salary, she shall also be entitled to perquisites which would include accommodation (furnished or otherwise) or house rent allowance in lieu thereof, medical reimbursement for self and family, mediclaim insurance for self and family, personal accident insurance, gas, electricity, soft furnishings, telephone & fax, leave travel allowance for self and family, club fees upto two clubs, use of Company's cars, contribution to provident fund, superannuation fund and gratuity fund, leave encashment and other benefits, amenities and facilities in accordance with the Rules of the Company or as may be approved from time to time by the Compensation Committee
 - (c) **Performance Related Pay:** Such remuneration by way of commission or performance based rewards/incentives, in addition to the above salary and perquisites as may be decided by the Compensation Committee from time to time
 - (d) **General Conditions:**
 - (i) The total remuneration payable to the Wholetime Director shall not exceed such limits as may be prescribed by the Central Government
 - (ii) The Wholetime Director shall be entitled to such other privileges, facilities and amenities in accordance with the Company's Rules as may be applicable to other employees of the Company within the overall limits prescribed under the Companies Act, 1956

NOTICE

- (iii) The terms and conditions of re-appointment may be varied, altered, increased or enhanced from time to time by the Compensation Committee as it may in its discretion deem fit subject to the limits laid down under applicable provisions of the Companies Act, 1956 and subject to the requisite approvals, if any, being obtained
- (e) **Minimum Remuneration:** Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the Wholtime Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration for a period not exceeding three years by way of salary, commission and perquisites as provided above or the maximum remuneration payable as per the limits set out in Section II of Part II of Schedule XIII to the Companies Act, 1956, whichever is lower, unless otherwise determined by the Board of Directors or the Compensation Committee, subject to approval of the Central Government, if required

“**RESOLVED FURTHER THAT** for the purpose of giving effect to the Resolution, any Director or the Company Secretary of the Company be and are hereby severally authorised to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, usual, expedient and proper”

Registered Office:

The IL&FS Financial Centre
Plot No. C-22, G Block
Bandra-Kurla Complex
Bandra (East), Mumbai 400 051

Place : Mumbai
Date : April 21, 2011

By Order of the Board of Directors

SANJAY MITRA
Company Secretary

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY, TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER

Proxies in order to be effective must be delivered at the Registered Office of the Company at least 48 hours before the time appointed for the meeting

2. The Register of Members and Share Transfer Books of the Company will remain closed from July 15, 2011 to July 27, 2011 (both days inclusive). The Dividend as recommended by the Directors if approved by the shareholders will be payable on or after July 27, 2011 and will be paid to those members whose names appear in the Company's Register of Members on July 14, 2011. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited. Kotak Mahindra Bank Limited has been appointed as the banker for the payment of dividend to the shareholders
3. Members desiring any information on the business to be transacted at the Annual General Meeting are requested to write to the Company at least 10 days in advance to enable the Management to keep the information, as far as possible, ready at the Meeting
4. Members are requested to bring their copy of the Annual Report to the Annual General Meeting. Members/proxies should bring the attendance slip duly filled in for attending the Meeting
5. Members holding shares in physical form are requested to forward all applications for transfers and all other correspondence related to their shareholding, including intimation for change of address, if any, to the Registrar and Transfer Agents of the Company. Members holding shares in dematerialised mode should intimate their respective Depository Participants of their change in address, updation of bank account details in which they wish to receive dividend, etc.
6. **Your Company has implemented the Green Initiative as per the Ministry of Corporate Affairs (“MCA”) Circular Nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011, respectively, which allows the Company to serve all notices/ documents and annual reports to its shareholders through an electronic mode. Henceforth, the email addresses registered by the shareholders : (a) in respect of shareholding in demat mode - with the respective Depository Participant which will be periodically downloaded from NSDL / CDSL, and (b) in respect of physical holding - through a written request letter to the Registrar and Transfer Agent of the Company M/s. Link Intime India Private Limited; will be deemed to be the registered email address for serving all notices / documents including those covered under Section 219 read with Section 53 of the Companies Act. Members are therefore requested to keep their email addresses updated in case of electronic holding with their respective Depository Participant and in case of physical holding with the Registrar and Transfer Agent of the Company. The Annual Report of your Company for the Financial Year 2010-11 will also be displayed on the website of the Company i.e. www.iimindia.com. As a member of the Company you will be entitled to be furnished, free of cost, an Annual Report of the Company upon receipt of a written request from you at any time**

NOTES

7. As per Section 205C of the Companies Act, 1956 the Company will be obliged to transfer any money lying in the Unpaid Dividend Account, which remains unpaid or unclaimed for a period of seven years, to the credit of the Investor Education and Protection Fund. No claims shall lie against the Company or the Investor Education and Protection Fund in respect of amounts which were unclaimed or unpaid for a period of seven years from the dates that they became due for payment and no payment shall be made in respect of any such claims. Hence, members who have not encashed their dividend should contact the Registrar and Transfer Agent of the Company for the same. Please note that the dividend paid for 2003-2004 is due for transfer to the Investor Education and Protection Fund in November 2011 and the dividend paid for 2004-2005 is due for transfer to the Investor Education and Protection Fund next year
8. The resolutions regarding the appointment of Mr Jitender Balakrishnan, Mr Ramesh Bawa and Mr Siddharth Mehta and re-appointment of Mr Arun Saha and Mr Vibhav Kapoor as Directors of the Company and re-appointment of Dr Archana Hingorani as Wholetime Director of the Company are placed before the shareholders. As per Clause 49 of the Listing Agreement with the Stock Exchanges the following particulars of Mr Arun Saha, Mr Vibhav Kapoor, Mr Jitender Balakrishnan, Mr Ramesh Bawa, Mr Siddharth Mehta and Dr Archana Hingorani are being provided :

Mr Arun Saha : Mr Arun Saha, is the Joint Managing Director & CEO of Infrastructure Leasing & Financial Services Limited (IL&FS). Mr Saha has been with IL&FS since its inception in 1988 and is presently a member of the Committee of Directors responsible for overseeing the operations and growth of IL&FS. He is also a member of the IL&FS Management Board which supervises the entire IL&FS Group operations. He is also the functional head of Finance, Operations, Legal, Compliance and Risk Management for the IL&FS Group. Mr Saha is a member of the Institute of Chartered Accountants of India, the Institute of Company Secretaries of India and has also completed an Advanced Management Programme at the Wharton Business School

Mr Saha is not related to any Director of the Company except to the extent of his serving as the nominee director of Infrastructure Leasing & Financial Services Limited (IL&FS) on the Board of the Company along with other nominee directors of IL&FS. As on March 31, 2011, Mr Saha holds 150,000 Equity Shares of the Company

Other Directorships :

| Name of the Company | Position held | Membership of Committees* |
|---|-------------------------------|---|
| IL&FS Securities Services Limited | Executive Chairman | - |
| Maytas Properties Limited | Chairman | Member - Audit Committee |
| Infrastructure Leasing & Financial Services Limited | Joint Managing Director & CEO | - |
| IL&FS Engineering & Construction Company Limited | Director | Member - Audit Committee |
| IL&FS Financial Services Limited | Director | Chairman - Audit Committee |
| IL&FS Infrastructure Development Corporation Limited | Director | Member - Audit Committee |
| IL&FS Technologies Limited | Director | Chairman - Audit Committee |
| IL&FS Transportation Networks Limited | Director | Chairman - Investor Grievance Committee Member - Audit Committee |
| IL&FS Trust Company Limited | Director | Member - Audit Committee |
| ISSL Settlement and Transaction Services Limited | Director | - |
| ORIX Auto Infrastructure Services Limited | Director | Member - Audit Committee |
| Noida Toll Bridge Company Limited | Director | Member - Audit Committee |
| GVK Gautami Power Limited | Director | - |
| For-she Travels & Logistics Private Limited | Director | - |
| IL&FS Maritime Offshore Pte Limited | Director | - |
| Elsamex SA | Director | - |
| Instituto Tecnico de la Vialidad y del Transporte, S.A. | Director | - |
| ITNL International Pte Ltd | Director | - |
| Se7en Factor Corporation | Director | - |
| IL&FS India Realty Fund II LLC | Director | - |

* The Membership of Committees includes only two committees i.e. Audit Committee & Shareholders'/Investors' Grievance Committee of public limited companies as per Clause 49 of the Listing Agreement

NOTES

Mr Vibhav Kapoor : Mr Vibhav Kapoor is an MBA. He is currently the Group Chief Investment Officer of Infrastructure Leasing & Financial Services Limited (IL&FS) and is primarily responsible for looking after the overall investment decisions of IL&FS including managing the proprietary Equity Portfolio of IL&FS and guiding the treasury team in various transactions relating to foreign exchange & money management of IL&FS and monitoring the mutual fund investments of IL&FS. He is also actively involved in strategic investment decisions of the IL&FS Group

Mr Vibhav Kapoor started his career with Unit Trust of India and was incharge of Corporate Finance and Equity Research. He then worked as Portfolio Manager in the Merchant Banking Division of ANZ Grindlays Bank. He then joined IL&FS leading the investment team of USD 510 mn NYSE listed fund acting as Advisor to the Fund and was subsequently promoted as the Managing Director of IL&FS Asset Management Company Limited

Mr Kapoor is also a Member of the Audit Committee and the Chairman of the Shareholders'/Investors' Grievance Committee of the Company. As on March 31, 2011 he holds 562,500 shares of the Company

Mr Vibhav Kapoor is not related to any Director of the Company except to the extent of his serving as the nominee director of Infrastructure Leasing & Financial Services Limited (IL&FS) on the Board of the Company along with other nominee directors of IL&FS

Other Directorships :

| Name of the Company | Position held | Membership of Committees* |
|---|---------------|---------------------------|
| IL&FS Financial Services Limited | Director | Member - Audit Committee |
| SARA Fund Trustee Company Private Limited | Director | - |
| ORIX Auto Infrastructure Services Limited | Director | - |
| Free Trade Warehousing Private Limited | Director | - |
| IL&FS Securities Services Limited | Director | - |
| IL&FS Portfolio Management Services Limited | Director | - |
| IL&FS Transportation Networks Limited | Director | - |

* The Membership of Committees includes only two committees i.e. Audit Committee & Shareholders'/Investors' Grievance Committee of public limited companies as per Clause 49 of the Listing Agreement

Mr Jitender Balakrishnan : Mr Jitender Balakrishnan is a Bachelor in Mechanical Engineering from National Institute of Technology (NIT), Madras University and a Post Graduate Diploma holder in Industrial Management from Bombay University

Mr Balakrishnan is a former Deputy Managing Director of IDBI Bank and was Group Head Corporate of "IDBI Bank Limited". During Mr Balakrishnan's tenure in IDBI Bank he played a varied role. He was responsible for complete credit advances of USD 25 Billion, asset growth of bank in Corporate Banking (Project & Infrastructure Lending), Investments, Sourcing and debt syndication. He was also in-charge of Information Technology, Corporate Accounts and Transaction Banking and has served as a member of IDBI's Credit Committee, Asset Liability Management Committee and Investment Committee. Mr Balakrishnan also has had varied experience in sectors like Oil and Gas, Refineries, Power, Telecom, Airports, Roads, Ports, Steel, Cement, Fertilizers, Petrochemicals, Hotels, Pharmaceuticals & Paper and has also served on the Board of Directors of various corporates in the areas of Telecom, Steel, Textile, Fertilizer, Infrastructure, Housing Finance and Asset Reconstruction

Mr Balakrishnan is not related to any Director of the Company and as on March 31, 2011 he does not hold any share in the Company

Other Directorships :

| Name of the Company | Position held | Membership of Committees* |
|--|---------------|----------------------------|
| Bharti AXA Life Insurance Company Limited | Director | - |
| Bharti AXA General Insurance Company Limited | Director | - |
| Usha Martin Limited | Director | Chairman - Audit Committee |
| Bhoruka Power Corporation Limited | Director | - |
| Aditya Birla Finance Limited | Director | - |
| Polyplex Corporation Limited | Director | - |
| Binani Industries Limited | Director | - |
| S Kumar Nationwide Limited | Director | - |
| Sarda Energy & Minerals Limited | Director | - |

NOTES

| Name of the Company | Position held | Membership of Committees* |
|--------------------------------|---------------|---------------------------|
| India Glycols Limited | Director | - |
| Essar Steel Limited | Director | - |
| Magus Estates & Hotels Limited | Director | Member - Audit Committee |

* The Membership of Committees includes only two committees i.e. Audit Committee & Shareholders'/Investors' Grievance Committee of public limited companies as per Clause 49 of the Listing Agreement

Mr Ramesh Bawa : Mr Ramesh Bawa, presently is the Managing Director & Chief Executive Officer of IL&FS Financial Services Limited. Mr Bawa is a Post Graduate in Personnel Management & Industrial Relationships and also a Post Graduate in Political Science

Mr Bawa in the preliminary phase of his career has served organisations like Syndicate Bank and National Housing Bank. During 1995 he joined IL&FS Group. He has been instrumental for a number of initiatives of the IL&FS Group with the Banking Sector / Insurance Companies and Financial Institutions at the domestic & international level. He is also a member of IL&FS Management Board and is also responsible for the entire financial business of the IL&FS Group

Mr Bawa is not related to any Director of the Company except to the extent of his serving as the nominee director of Infrastructure Leasing & Financial Services Limited (IL&FS) on the Board of the Company along with other nominee directors of IL&FS. As on March 31, 2011, Mr Bawa holds 102,700 Equity Shares of the Company

Other Directorships :

| Name of the Company | Position held | Membership of Committees* |
|--|-------------------------|---------------------------|
| IL&FS Financial Services Limited | Managing Director & CEO | Member - Audit Committee |
| IL&FS Asian Infrastructure Managers Limited | Director | - |
| IL&FS Cluster Development Initiative Limited | Director | Member - Audit Committee |
| Gujarat Finance City Development Company Limited | Director | Member - Audit Committee |
| IL&FS Maritime Infrastructure Company Limited | Director | - |
| IL&FS Water Limited | Director | Member - Audit Committee |
| IL&FS Tamil Nadu Power Company Limited | Director | - |
| Tamilnadu Water Investment Company Limited | Director | - |
| Maytas Infra Assets Limited | Director | - |
| Maytas Properties Limited | Director | - |
| ORIX Auto Infrastructure Services Limited | Director | - |
| IL&FS Global Financial Services Pte Ltd | Director | - |
| IL&FS Global Financial Services (UK) Limited | Director | - |
| IL&FS Global Financial Services (ME) Limited | Director | - |

* The Membership of Committees includes only two committees i.e. Audit Committee & Shareholders'/Investors' Grievance Committee of public limited companies as per Clause 49 of the Listing Agreement

Mr Siddharth Mehta : Mr Siddharth Mehta holds a B.Sc. in Business Management and Finance from King's College, University of London

Mr Mehta is the founder of Bay Capital Partners. He has had a career spanning over 10 years in asset management. He was responsible for building Kotak's international institutional asset management business in Europe. Previously, Mr Mehta had also established the "WM India Fund", one of the first India-focused hedge funds, together with the Kotak Mahindra group. He also held various positions in fixed income division with Schroders Investment Management and Barings Asset Management

Mr Mehta is not related to any Director of the Company and as on March 31, 2011 he does not hold any share in the Company

Other Directorships :

| Name of the Company | Position held | Membership of Committees |
|---|---------------|--------------------------|
| Sterling Holiday Resort (India) Limited | Director | - |

NOTES

Dr Archana Hingorani : Dr Archana Hingorani is a Bachelor of Arts (Economics) with post-graduate qualifications in Management (MBA) as well as a Ph.D. in Corporate Finance from the University of Pittsburgh, USA

Dr Hingorani has over 25 years of experience in the financial services business, teaching and research. She has been with the IL&FS Group for 17 years and has performed a multitude of roles starting off as an economist and moving on to project finance and asset management. She is one of the founding members of the IL&FS private equity business. She has been associated with the Company since 2002 and her focus has been on private equity, project finance and financial structuring, with a specialization in infrastructure, manufacturing and recently in real estate projects

Dr Hingorani is not related to any Director of the Company and as on March 31, 2011, she holds 2,231,625 Equity Shares in the Company

Other Directorships :

| Name of the Company | Position held | Membership of Committees* |
|---|---------------|-------------------------------|
| Ramky Infrastructure Limited | Director | Member - Audit Committee |
| IL&FS Urban Infrastructure Managers Limited | Director | - |
| IL&FS Trust Company Limited | Director | - |
| IL&FS Portfolio Management Services Limited | Director | - |
| Ramky Enviro Engineers Limited | Director | Chairperson - Audit Committee |
| A2Z Infraservices Limited | Director | - |
| IIML Asset Advisors Private Limited | Director | - |
| QVC Realty Private Limited | Director | - |
| Pan India Motors Private Limited | Director | - |
| PineBridge Indian Equity Advisors LLC | Director | - |

* The Membership of Committees includes only two committees i.e. Audit Committee & Shareholders'/Investors' Grievance Committee of public limited companies as per Clause 49 of the Listing Agreement

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No 6

Mr Jitender Balakrishnan was appointed as an Additional Director of the Company by the Board of Directors of the Company at their meeting held on July 30, 2010. Since Mr Balakrishnan was appointed as an Additional Director he holds office upto the date of the ensuing Annual General Meeting as per the provisions of Section 260 of the Companies Act, 1956 and Article 137 of the Articles of Association of the Company

The Company has received a notice in writing from a Member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director

It is proposed to appoint Mr Jitender Balakrishnan as a Director of the Company liable to retire by rotation

The Board of Directors recommend passing of this resolution

None of the Directors of the Company except Mr Jitender Balakrishnan are concerned or interested in the resolution

Item No 7

Mr Ramesh Bawa was appointed as an Additional Director of the Company by the Board of Directors of the Company at their meeting held on February 11, 2011. Since Mr Bawa was appointed as an Additional Director he holds office upto the date of the ensuing Annual General Meeting as per the provisions of Section 260 of the Companies Act, 1956 and Article 137 of the Articles of Association of the Company

The Company has received a notice in writing from a Member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director

It is proposed to appoint Mr Ramesh Bawa as a Director of the Company liable to retire by rotation

The Board of Directors recommend passing of this resolution

None of the Directors of the Company except Mr Ramesh Bawa are concerned or interested in the resolution

NOTES

Item No 8

Mr Siddharth Mehta was appointed as an Additional Director of the Company by the Board of Directors of the Company at their meeting held on February 11, 2011. Since Mr Mehta was appointed as an Additional Director he holds office upto the date of the ensuing Annual General Meeting as per the provisions of Section 260 of the Companies Act, 1956 and Article 137 of the Articles of Association of the Company

The Company has received a notice in writing from a Member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director

It is proposed to appoint Mr Siddharth Mehta as a Director of the Company liable to retire by rotation

The Board of Directors recommend passing of this resolution

None of the Directors of the Company except Mr Siddharth Mehta are concerned or interested in the resolution

Item No 9

The Board of Directors of the Company at its meeting held on July 17, 2006 had approved the appointment and remuneration of Dr Archana Hingorani as an Executive Director of the Company for a period of five years with effect from July 17, 2006, subject to the approval of the members. At the Annual General Meeting of the Company held on August 30, 2007, the members of the Company had approved the appointment and remuneration of Dr Archana Hingorani, Executive Director of the Company, for a period of five years with effect from July 17, 2006

With the tenure of Dr Archana Hingorani as Executive Director of the Company coming to an end on July 16, 2011, the Board of Directors of the Company at its meeting held on April 21, 2011 approved the re-appointment of Dr Archana Hingorani as Wholetime Director (designated as the Chief Executive Officer & Executive Director) of the Company for a further period of five years with effect from April 21, 2011, subject to the approval of the members. The Compensation Committee of the Board of Directors of the Company at their meeting held on April 16, 2011 had recommended the re-appointment and approved the remuneration payable to Dr Hingorani. Accordingly, the approval of the members is sought by way of this resolution for the re-appointment and remuneration of Dr Hingorani as a Wholetime Director (designated as the Chief Executive Officer & Executive Director) for a period of five years with effect from April 21, 2011

Copies of the Letter indicating the terms of her re-appointment and remuneration are available for inspection at the Registered Office of the Company during business hours on all working days till the date of the ensuing Annual General Meeting

The Board of Directors recommend passing of this resolution

None of the Directors of the Company except Dr Archana Hingorani are concerned or interested in the resolution

Schedule XIII to the Companies Act, 1956 provides for the conditions for payment of remuneration in case of inadequacy of profits. It is expected that the Company would make sufficient profits. However, as a matter of abundant caution the following information as prescribed in the Schedule XIII to the Companies Act, 1956 is being provided. However, in the event the remuneration exceeds the limits under Schedule XIII, the Company will apply to the Central Government for necessary approval

I. General Information :

The Company is in the business of fund management for private equity funds. The Company was incorporated on 10th February 1986 and commenced business on 6th March 1986. The Company is not a new Company so the date of commencement of activities as per prospectus does not apply. The financial performance of the Company for the year ended March 31, 2011 is as follows:

| | |
|-----------------------|------------------|
| Total Income | ₹ 949.44 million |
| Net Profit before Tax | ₹ 554.53 million |
| Networth | ₹ 785.32 million |

The Company does not export any product of the Company. The Company has foreign exchange earnings of ₹ 576.45 million for the services rendered during the year ended March 31, 2011. The foreign investments made by the Company were by way of investments made in the subsidiaries of the Company and in a joint venture entity

II. Information about the appointee :

Dr Hingorani has over 25 years of experience in the financial services business, teaching and research. She has been with the IL&FS Group for 17 years and has performed a multitude of roles starting off as an economist and moving on to project finance and asset management. Dr Hingorani has worked on some of the pioneering private finance transactions in India and has participated in negotiating and structuring project contracts and agreements to meet international benchmarks. Her focus over the last 15 years has been on private equity fund management. She is one of the founding members of the IL&FS private equity business

NOTES

Dr Archana Hingorani is a Bachelor of Arts (Economics) with post-graduate qualifications in Management (MBA) as well as a Ph.D. in Corporate Finance from the University of Pittsburgh, USA

During the financial year 2009-10 and 2010-11, Dr Archana Hingorani was paid a gross remuneration including contribution to provident fund and superannuation fund of ₹ 38,901,886/- and ₹ 31,760,787/- respectively

In view of her qualifications, experience and expertise Dr Hingorani is best suited to her present responsibilities

The proposed remuneration for Dr Archana Hingorani is given in Resolution No 9 placed before the members :

- (a) Consolidated Salary within the limits of ₹ 450,000/- per month to ₹ 1,500,000/- per month
- (b) Perquisites & allowance including Housing, Medical Reimbursement, Leave Travel Allowance, Insurance etc
- (c) Performance related pay as may be decided by the Compensation Committee from time to time
- (d) Retirement benefits including provident fund, superannuation and gratuity

Taking into consideration the profile of Dr Hingorani, the industry benchmarks, responsibilities, the size of the funds being managed by the Company, the diverse business sectors in which the funds managed by the Company operate in, the remuneration being paid is similar to other persons at similar levels in other companies

Dr Archana Hingorani does not have any other pecuniary relationship directly or indirectly with the Company other than to the extent of her shareholding in the Company and the remuneration being paid to her

III. Other Information:

The main income stream for the Company is from management fees received from the funds under its management. The management fee provides a fixed annuity to the Company over the life of the funds and helps to cover its overheads during the normal course of business. The Company has been taking steps to augment the funds under its management in order to improve the profitability of the Company. In the past the Company had set up new funds, which resulted in significant increase in income and profits for the Company. The Company is also in the process of setting up other new Funds to enhance the funds under its management. On completion of these initiatives the Company expects to improve its income and profits in the coming years

The 'Abstract' containing details of remuneration of Dr Hingorani under Section 302 of the Companies Act, 1956 has already been circulated to all the members and is also contained in the Resolution No. 9 above

All the relevant disclosures pertaining to the Directors of the Company and which are required to be disclosed in the Report of the Board of Directors under the heading "Corporate Governance" attached to the annual report has been disclosed therewith

Registered Office:

The IL&FS Financial Centre
Plot No. C-22, G Block
Bandra-Kurla Complex
Bandra (East), Mumbai 400 051

Place : Mumbai
Date : April 21, 2011

By Order of the Board of Directors

SANJAY MITRA
Company Secretary

PROXY

IL&FS Investment Managers Limited

Regd Office: The IL&FS Financial Centre, Plot No. C-22, G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai 400 051

Folio No. _____

Client ID No. _____

DP Name _____

DP ID No. _____

I/We _____

of _____

being a member / members of **IL&FS Investment Managers Limited** hereby appoint _____

or failing him/her _____

of _____

as my / our proxy to vote for me/us on my / our behalf at the 25th Annual General Meeting of the Company to be held on July 27, 2011 at 11.30 a.m. at The Walchand Hirachand Hall, Indian Merchants' Chamber, IMC Building, IMC Marg, Churchgate, Mumbai 400 020 and at any adjournment thereof

Signed this _____ day of _____ 2011,

by the said _____

Re.1/-
Revenue
Stamp

Signature

Note: This proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting. The proxy need not be a member of the Company

ATTENDANCE SLIP

IL&FS Investment Managers Limited

Regd Office: The IL&FS Financial Centre, Plot No. C-22, G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai 400 051

Please complete this Attendance Slip Form and hand it over at the entrance of the place of the meeting

Folio No. _____

Client ID No. _____

DP ID No. _____

Name of the Shareholder / Proxy _____

Address _____

No. of shares held _____

I hereby record my presence at the 25th Annual General Meeting of the Company held on July 27, 2011 at 11.30 a.m. at The Walchand Hirachand Hall, Indian Merchants' Chamber, IMC Building, IMC Marg, Churchgate, Mumbai 400 020

Signature of the Shareholder / Proxy

IL&FS Investment Managers Limited
The IL&FS Financial Centre
Plot No. C-22, G-Block
Bandra-Kurla Complex, Bandra (East)
Mumbai 400 051, India

www.iimlindia.com