

PRESS RELEASE

IL&FS Investment Managers Limited reports Q1FY2011

- **Consolidated Revenue at Rs 43.11 Crores for Q1 FY2011**
- **Profit after Tax (PAT) at Rs 17.68 Crores for Q1 FY2011**
- **Consolidated EPS at Rs 0.87 for Q1 FY2011**

Mumbai, July 16, 2010 : IL&FS Investment Managers Limited (BSE : 511208; NSE : IVC) reported its results for the quarter ended June 30, 2010

For Quarter ending June 30, 2010

Consolidated revenue and profits remained flat despite net increase in funds under management, mainly on account of foreign exchange fluctuations. Revenues stood at Rs 43.11 Crores compared to Rs 43.51 Crores for the same quarter in FY2010. Consolidated net profit after tax (PAT) stood at Rs 17.68 Crores compared to Rs 17.70 Crores for the same quarter in FY2010. Consolidated EPS stood at Rs 0.87 compared to Rs 0.89 for the same quarter in FY2010

Dr Archana Hingorani, Chief Executive Officer, IL&FS Investment Managers, said, “The first quarter performance has been on track and as per expectations. The quarter has shown greater visibility for creating liquidity for many of our investee companies this year. Creating liquidity for past investments puts IIML in a good position to enhance funds under management. With the market improving and India continuing to show sustainable growth, many global investors have once again started evaluating investments in emerging markets including India. We are capitalizing on this opportunity to enhance funds under management during this fiscal”

INVESTMENTS

In terms of new investments through funds under its management, IIML invested in four companies across its verticals. In terms of divestments, IIML was able to achieve a partial exit in a pre-Initial Public Offer (IPO) trade sale during Q1 FY11. In addition three of the portfolio companies of IIML are in the mode of achieving listing in public markets. This reaffirms IIML’s ability to leverage relationships to make investments and to undertake multiple exit strategies

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About IL&FS Investment Managers Limited

IL&FS Investment Managers Limited (IIML) is India's first and only listed Private Equity firm. IIML has been a pioneer in managing and advising private equity investments, ranging from Real Estate, Infrastructure to sector agnostic Private Equity Funds. IIML has, to date, invested in over 100 investments and managed over 50 exits/liquidity events. IIML manages assets of around US\$ 2.8 bn across sectors and has delivered a gross internal rate of return of over 25% (in US\$ terms)

Some of the representative transactions of IL&FS Investment Managers Limited are Shoppers Stop, Noida Toll Bridge Company, Gujarat Pipavav Port, ibn18 Broadcast, Indraprastha Gas, Godrej Beverage & Foods, Spicejet, ABG Shipyard, Tejas Networks, Bharat Serums & Vaccines, Indiagames, DQ Entertainment, Ramky Infrastructure, Den Networks, DB Realty, Electrosteel Integrated, Orbit Highcity and QVC Realty

IL&FS Investment Managers Limited is publicly traded on Bombay Stock Exchange (BSE Symbol : 511208) and the National Stock Exchange (NSE Symbol : IVC). More on www.iimlindia.com

SAFE HARBOUR

Certain statements included in this press release may constitute "forward-looking statements" in respect of the Company's operations, performance, prospects and/or financial condition. By their nature, forward looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. Accordingly, no assurance can be given that any particular expectation will be met and reliance should not be placed on any forward-looking statement. Additionally, forward looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. No responsibility or obligation is accepted to update or revise any forward looking statement resulting from new information, future events or otherwise. Nothing in this presentation should be construed as a profit forecast

This press release does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase any shares in the Company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares of the Company. Past performance cannot be relied upon as a guide to future performance. Information in this press release reflects the knowledge and information available at the time of its preparation

IL&FS Investment Managers Ltd (IIML)

Business Model

IIML is private equity asset management company undertaking investments on behalf of third party investors. IIML attracts global institutional private equity (PE) investors to pool capital for investments. These investments are largely focused on unlisted / privately managed companies

Each such pool of capital forming a PE Fund has a life of 8-10 years. IIML acts as a manager to these funds – undertaking investments on behalf of the fund investors. IIML presently manages PE funds aggregating \$2.8 billion (~Rs 12,600 cr), making it one of the largest PE fund managers in India.

Funds managed by IIML invest across a range of sectors. For instance, the general purpose PE funds managed by IIML undertake investments across manufacturing, IT, pharmaceutical and consumer services companies. IIML also has sector focused funds in infrastructure and real estate

Since incorporation, IIML has made over 100 investments and successfully exited over 50 of these investments, generating an internal rate of return (IRR) of >25% on capital invested for its stakeholders

IIML's business activity is a three stage process

- raise private equity (PE) funds,
- invest these funds across a range of investment mandates, and
- realize these investments through a mix of exit options.

IIML's revenues accrue through

(a) Management fee earned from managing funds

The fee earned is a percentage of funds managed, usually 1.25-2%. IIML currently manages PE funds aggregating \$2.8bn (~Rs12,600 Crores)

Given that PE funds have relatively long and defined life, this component of revenue provides a stable and predictable revenue profile akin to an annuity flow. As IIML leverages its past experience and raises fresh funds, this revenue line is expected to increase proportionately

(b) Shared profit from sale of investments in a fund

IIML receives a shared profit when all investments in a fund are sold. Shared profits are calculated after providing for a committed rate of return (hurdle rate) to IIML's PE investors. IIML receives 20% of the profits in excess of the hurdle rate as Shared Profit which is also referred to as "Carry". IIML management team receives a part of this Shared Profit and net of this distribution IIML's shareholders receive around 30% of this Share Profit. Hurdle rates for our funds have been in the range of 7-11% per annum.

Highlights of IIML's business model

- One of the few Indian funds to experience 'investment cycle'
- Long term committed institutional investor base
- High level of investor 'stickiness' with the PE manager, with investor 're-ups' in follow-on funds
- Predictable and stable fee income
- Proprietary deals result in entry at 'lower than market' comparables
- No redemption pressure
- No need to 'manage' NAVs
- Significant proven ability to guide investee companies and control outcomes
- Shared profit provides upside to investors