

PRESS RELEASE

IL&FS Investment Managers Limited reports Q3FY11 results

- **Consolidated Revenue at ₹57.87 crore for Q3 FY11, up 36% as compared to ₹42.42 crore for Q3 FY10;**
- **Profit after Tax (PAT) at ₹16.40 crore for Q3 FY11, marginally higher as compared to ₹16.22 crore for Q3 FY10;**
- **Consolidated Diluted EPS at ₹0.79 for Q3 FY11 which was same for Q3 FY10;**

Mumbai, February 11, 2011: IL&FS Investment Managers Limited (BSE : 511208; NSE : IVC) today reported its results for the quarter ended December 31, 2010

For the quarter ending December 31, 2010, revenues stood at ₹57.87 crore compared to ₹42.42 crore for the same quarter in FY10 reporting a growth of 36%. Consolidated Profit After Tax (PAT) stood at ₹16.40 crore compared to ₹16.22 crore for the same quarter in FY10 reporting a marginal increase in profits. Consolidated EPS stood at ₹0.79 which was same for the quarter in FY10

The abovementioned numbers include the impact of the amalgamation of the Saffron entities effective August 1, 2010, being the effective date of the amalgamation. The impact of the growth in AUM is reflected in the enhanced revenue numbers for the quarter. However, the same is yet to translate into a growth in profits primarily due to amortisation of the consideration paid for the amalgamation. The amortisation in the financials for this quarter includes an amortisation of ₹ 5.54 crore

Dr Archana Hingorani, Chief Executive Officer, IL&FS Investment Managers, said:

“The performance of the quarter has been as per plan. The Saffron merger was completed during the quarter. This is an important milestone in the Company’s ongoing strategy to enhance and diversify its asset base and investors. The integration process is underway and we expect in the coming months this merger will provide significant synergies. Our endeavour would be to use this combined larger platform to raise additional funds with a quicker turnaround time

We continue to make investments across all our verticals. We also achieved seven exits during the quarter

We have commenced road shows for two of our funds this quarter. The initial feedback both from existing and new investors has been encouraging. Though the capital markets have been negative since the beginning of CY 2011 we expect to see growth opportunities linked to continued growth in the GDP. Our focus during this quarter would be continue to augment the funds under our management, closely monitor our portfolio, ensure value protection of our portfolio and also strengthen our risk and control frameworks”

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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\$3.2 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

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IIL&FS Investment Managers Ltd (IIML)

Business Model

IIML is an asset management company undertaking investments on behalf of fund 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 \$3.2 billion (~Rs 14,700 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 real estate and infrastructure.

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 1-2%. IIML currently manages PE funds aggregating \$3.2bn (~Rs14,700 cr)
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's shareholders receive 6% of profits that accrue over the hurdle rate. Hurdle rates for our funds have been 9-11% per annum.

Highlights of IIML's business model

- One of the few Indian funds to witness '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 regular upside to investors