

PRESS RELEASE**IL&FS Investment Managers Limited reports Q2FY11 and HY11 results**

- **Consolidated Revenue at ₹ 43.96 Crore for Q2 FY11**
- **Profit after Tax (PAT) at ₹ 16.69 Crore for Q2 FY11**
- **Consolidated EPS at ₹ 0.82 for Q2 FY11**

- **Consolidated Revenues at ₹ 87.07 Crore for HY11**
- **Profit after Tax (PAT) at ₹ 34.37 Crore for HY11**
- **Consolidated EPS at ₹ 1.69 for HY11**

Mumbai, October 12, 2010 : IL&FS Investment Managers Limited (BSE : 511208; NSE : IVC) today reported its results for the quarter and half year ended September 30, 2010

Funds under management have increased vis-à-vis corresponding periods in the last fiscal. However on account of repayment of capital to fund investors on exits as well as foreign exchange fluctuations, the consolidated revenue and profits remained largely flat

For the quarter ending September 30, 2010, revenues stood at ₹ 43.96 Crore compared to ₹ 44.16 Crore for the same quarter in FY2010. Consolidated Net Profit After Tax (PAT) stood at ₹ 16.69 Crore compared to ₹ 16.52 Crore for the same quarter in FY2010. Consolidated EPS stood at ₹ 0.82 compared to ₹ 0.83 for the same quarter in FY2010

For the half year ending September 30, 2010, revenues stood at ₹ 87.07 Crore compared to ₹ 87.66 Crore for the same period in FY2010. Consolidated Net Profit After Tax (PAT) stood at ₹ 34.37 Crore compared to ₹ 34.22 Crore for the same period in FY2010. Consolidated EPS stood at ₹ 1.69 compared to ₹ 1.72 for the same period in FY2010

Dr Archana Hingorani, Chief Executive Officer, IL&FS Investment Managers, said, "The half year's performance has been as per plan. The first half has also witnessed greater investment activity as well as visible avenues for effectuating exits for many of our investee companies including listings. With the market visibly improving and India creating its foothold as an emerged market, existing as well as new investors have started to evaluate India keenly for fresh investments. These conditions coincide well with the fund raising plans that the Company is embarking upon during the second half of this fiscal"

INVESTMENTS

In terms of new investments through funds under its management, IIML invested in one company in the growth private equity space during the quarter. In terms of divestments, IIML was also able to achieve liquidity events in three of its portfolio companies through listings as well as three exits through trade sales

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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 a 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 US\$ 2.8 bn (~ ₹ 12,600 Crores), making it one of the largest PE fund managers in India.

The 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 US\$ 2.8bn (~ ₹ 12,600 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's management team receives a part of this Shared Profit and net of this distribution IIML's shareholders receive around 30% of this Shared 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