



(Possibilities)[∞]

“Imagination is the beginning of creation.

You imagine what you desire, you will what you imagine and at last you create what you will.”





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(Possibilities)[∞]

IL&FS Investment Managers Limited (IIML) is one of India's largest homegrown private equity fund managers. We are visionary in our approach and passionate about our progress. With over US\$ 900 million currently being managed on behalf of leading Indian and International Institutions, we offer success by capitalizing on our Parentage, Performance, Experience and Expertise

We see every opportunity as a call to action. We offer value beyond numbers and experience beyond years. We are proud of our achievements, enthusiastic about the future and committed to supporting our partners every step of the way

With IIML the possibilities
are truly unlimited



CORPORATE INFORMATION

BOARD OF DIRECTORS

S M Datta	Chairman
Ravi Parthasarathy	
Bansi S Mehta	
S Hariharan	
Pradip Roy	
Arun Saha	
Vibhav Kapoor	
Shahzaad Dalal	Vice Chairman & Managing Director

COMPANY SECRETARY

Sanjay Mitra

BANKERS

HDFC Bank

AUDITORS

M/s. S. B. Billimoria & Co. Chartered Accountants

INTERNAL AUDITORS

Patel & Deodhar Chartered Accountants

REGISTERED OFFICE

The IL&FS Financial Centre
Plot No. C-22, G Block
Bandra-Kurla Complex, Bandra (E)
Mumbai – 400 051
Tel: + 91 – 22 – 2659 3531

OTHER OFFICES

HDFC House
51, Kasturba Road
Bangalore – 560 001

REGISTRARS & SHARE TRANSFER AGENTS

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (W)
Mumbai – 400 078
Tel: +91 –22 – 2596 3838
Fax: +91 –22 – 2594 6969

Chairman's Reflections

ambition to grow...



In so far as growth orbitals are concerned, India has powered into the next level. Economists indicate that the domestic savings rate has increased 5.5 percentage points in the last 3 years to touch 29.1%, on the back of which the economy is transiting to a sustainable, higher, growth trajectory. Likewise, development experts speak of increased level of investment in basic infrastructure; social scientists highlight the demographic advantage of being home to 25% of the world's youth, shifting consumer behavior and improving social parameters. Cause or effect, the fact remains that the last few years have witnessed significant and consistent growth, across sectors

However, what we see around us is more than just growth arising from the traditional growth drivers. We see entrepreneurial energy unleashed, we see a burning desire to expand horizons. Earlier generations of Indians went abroad as doctors and engineers and are now the source of the largest remittance in the world. Today, we see Indian businesses venturing overseas, not as salesmen but as entrepreneurs, integrating businesses trans-nationally; maximizing value

We see entrepreneurial energy unleashed... an all pervasive ambition to grow on a global scale

What is truly exciting is not that the fact that we are investing a few billion dollars abroad - that number is still a pittance in comparison to trans-national M&A flows. What excites us most is that the ambition to grow on a global scale permeates, irrespective of size, across verticals

Everyday we hear of Indian players gearing up to take on new challenges in the international arena. The areas of activity are wide-ranging - consolidating markets, gaining entry into regulated markets, developing manufacturing or technological expertise or expanding fresh marketing networks

Private equity (PE) has played a significant role in nurturing businesses and creating value. PE funded companies have benefited from managerial inputs and privileged access to resources through a PE investor's network. Stress on corporate governance and best practices in compliance and disclosure have led to a higher degree of professionalism in such companies

Private equity has played a significant role in nurturing businesses and creating value

Future strategic buyers find it reassuring to deal with a PE funded company, because they know that governance and accounting will be up to standards. Institutional investors also attach significant value to PE funded companies – this leads to a re-rating of the stock, thereby adding value to all stakeholders

PE investment therefore represents one of the most important bridges for funding the ambitions of such companies; companies that are willing to reach out and explore; companies shackled by capital only, not ideas; companies that are eager to try out things, differently

We, at IIML are privileged to be part of this business



From the Vice Chairman's Desk

Value creation through continuous innovation

Last year, we at IIML, set for ourselves a clear mandate – to structure new funds that capture anticipated opportunities, built through our core value of thought leadership, even as we continue pacing investments and focusing on exits. I am extremely pleased with the results



We are now a US\$ 900 mn fund manager, up from US\$ 285 mn last year. This firmly places us among the top three domestic fund managers and puts us within touching distance of the billion-dollar mark, which we endeavor to attain during the present financial year. The impact on the financials of our Company would be significant

The US\$ 153 mn Leverage India Fund (LIF) and the US\$ 502 mn IL&FS India Realty Fund (IIRF) attained closure during the last 12 months. Both funds are distinctly different from our prior funds in terms of size. They are also a reflection of the maturity level attained by our Company in terms of engaging marquee investors, internationally. While we continued to leverage the strong brand value of our parent organization – Infrastructure Leasing & Financial Services Limited (IL&FS) to attract local institutional investors, it was our track record as a fund manager, our experience in fund structuring and our inclination for innovation, which was decisive in participation of investors from the United States, Europe and the Middle East. The list of investors to the IIRF is a veritable who's-who of the US investment community including pension funds and endowments

I am also extremely pleased with the manner in which our team has been able to seamlessly integrate fund raising with fund operations, with each aspect feeding off the other. As a result, we already have a real estate investment team in place comprising experienced professionals who have cherry-picked a healthy pipeline of prospects. Early deployment would enable capturing the expected upsides to a larger extent, directly benefiting our Company in form of Carried Interest in the future

IIML is among the top three domestic fund managers in the country. We have grown from US\$ 285 mn to US\$ 900 mn within a year

Our financials for the year ending March 31, 2006 reflect our focus on growth of funds under management, with a 40% year-on-year increase in top line and a 37% year-on-year increase in profits after tax

More importantly, the financial year 2007 will see a quantum jump in our revenues and profitability, powered by management fees from IIRF

Our financials for the year ending March 31, 2006 reflect our focus on growth of funds under management, with a 40% year-on-year increase in top line and a 37% year-on-year increase in profits after tax

The coming year will see actualization of our new initiatives. Fresh funds being raised, with an aggregate target corpus of US\$ 600-800 mn, are being structured uniquely from an Indian perspective. These initiatives will also be the key drivers of future growth

Managing LIF and IIRF as well as the new initiatives is a challenge. In preparation, we have built a strong network of investors, a robust deal pipeline and have successfully aligned our investment interests from an exit perspective. Most importantly, we are proud of the team we have in place, with skill sets that span the entire gamut of fund raising, investing, planning exits, participating in restructurings and more

Value creation through continuous innovation is our credo, and I believe that we have the right ingredients in place to make it happen

With my best wishes to you all,



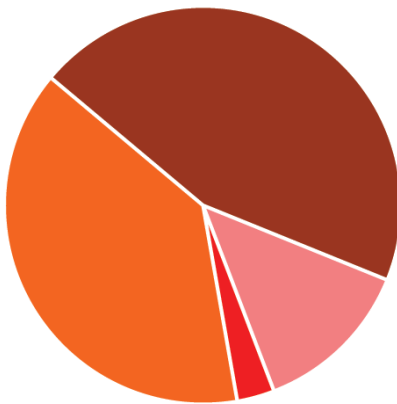
Shahzaad Dalal

May 9, 2006

Our Origins

The origins of IIML date back to 1989, when it was established as Credit Capital Venture Fund (India) Limited by Lazard Brothers as the first private sector venture capital company in India, and managed a number of small sector focused funds apart from investing its proprietary capital. Infrastructure Leasing & Financial Services Limited (IL&FS) acquired the company in 1996, completed an intensive management and financial re-structuring, merged its private equity businesses into the company and renamed it IL&FS Investment Managers Limited

Our Stakeholders



IL&FS	45%
Public	39%
Bank of India	13%
Employees / ESOP	3%

About Our Sponsor

Infrastructure Leasing & Financial Services Limited (IL&FS)

Infrastructure Leasing and Financial Services Limited (IL&FS) was incorporated in 1987 and mandated with the commercialization of infrastructure projects as well as providing a wide range of financial services. The shareholders of IL&FS are leading Indian and international institutions, including Life Insurance Corporation of India, State Bank of India, Housing Development Finance Corporation Limited, ORIX Corporation, Japan, HSBC and GIC of Singapore

IL&FS has built two strong business platforms - infrastructure development financing and financial services. In the infrastructure business, IL&FS enjoys a pre-eminent positioning in India, and has emerged as a leading sponsor, co-developer, advisor and investment bank

IL&FS is amongst the few institutions in the country implementing infrastructure projects on a commercial format. Over the last few years, IL&FS has been actively engaged in creating and developing frameworks to enable such commercialization, and has been actively engaged in a continuous dialogue with relevant authorities in order to develop legislative changes that promote such intent

Over the years, IL&FS has also grown significantly and broadened its businesses to include investment banking, distribution, broking and asset management. IL&FS has engaged in a wide range of Investment Banking activities in both Fund and Non-Fund based areas. These activities are focused on providing value enhancement for corporate customers through diverse financial solutions including asset and structured finance products

Capital Market activities in IL&FS are in the areas of Merchant Banking, Institutional Broking and Debt Placement. Capitalizing on its network, IL&FS has helped corporates across sectors raise equity through private placement. Well ahead of the times, IL&FS married technology to the wholesale debt market, helping customers place debt privately, online, in an intelligent and cost-effective method. IL&FS also offers broking and wealth management services, distribution of financial products, custodial and depository services



IL&FS is currently working on the development of projects of an aggregate cost of US\$ 10 bn. These include development of industrial parks and cluster development, special economic zones, power and ports development projects, surface transport and urban transportation systems. More importantly, IL&FS helps develop and provides legal and financial frameworks for the implementation of such projects

Financial Highlights

Rs mn

	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001
Total Income	253.41	180.83	150.08	155.96	93.17	103.76
Total Operating Costs	121.55	76.63	58.38	77.03	52.26	48.47
PBT	107.61	83.71	66.99	50.09	38.34	39.46
PBT Margin (%)	42.46	46.29	44.64	32.12	41.15	38.03
PAT	71.51	52.21	47.67	31.79	22.74	36.36
PAT Margin (%)	28.22	28.87	31.76	20.38	24.41	35.04
EPS (Basic)	4.63	3.48	3.19	2.17	1.56	2.49
Networth	261.42	229.88	223.84	217.03	210.29	187.72
Dividend	35%	30%	25%	17%	19%	17%

At The Bourses

IIML is actively traded at the National Stock Exchange and at The Bombay Stock Exchange

Market Capitalization

Rs 3.2 billion

Number of Outstanding Shares

15.86 million

Number of Shares traded in FY 2006

11.26 million

Value of Stock transacted at the Exchanges in FY 2006

Rs 1310 million

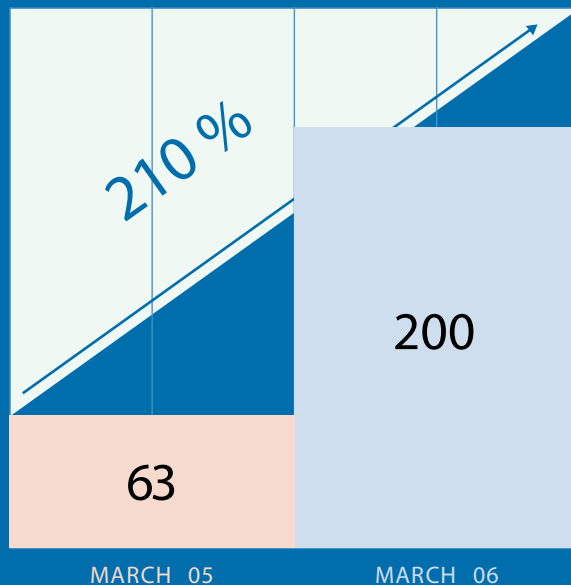
As of March 31, 2006

Returns to our investors

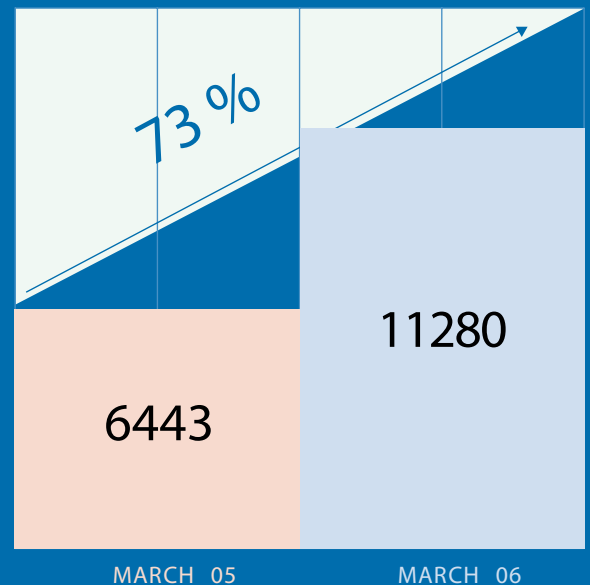
IIML stock has been appreciating in line with our growing stature as a leading fund management house in the country. This has led to significant returns for our stakeholders vis-à-vis the stock indices

LAST 1 YEAR

IIML SHARE PRICE

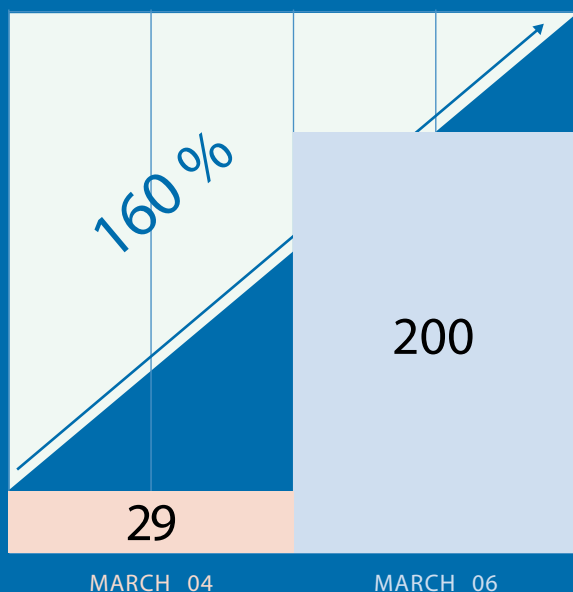


BOMBAY STOCK EXCHANGE SENSEX

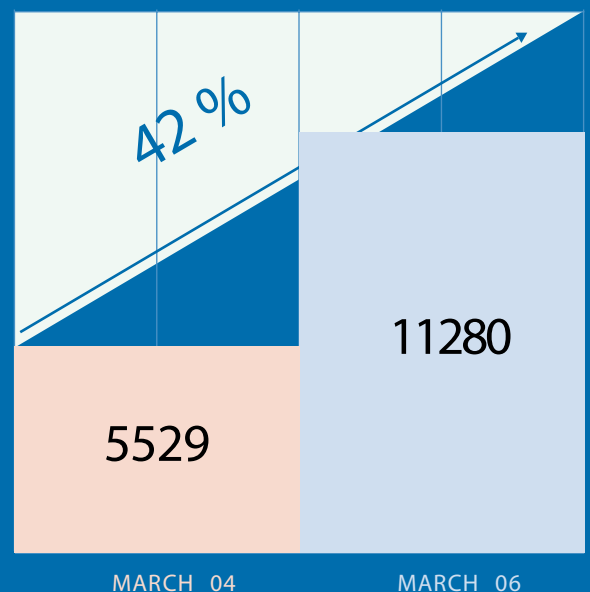


LAST 2 YEARS

IIML SHARE PRICE



BOMBAY STOCK EXCHANGE SENSEX





Thought Leadership

A Tradition of Innovation

At IIML, we believe that great business opportunities seldom come on a platter. We also believe that we know what it takes to convert an opportunity into a successful venture. We not only capitalize on trends, but also predict them

Our vision is our blueprint for venture

- In 1996, IIML became the first in the country to bring in international private equity investors
- Where others invest only in Infrastructure Projects, we also invest in Infrastructure Project Development
- Today, we are one of the first to have ventured into the Indian real estate market with mature international investors
- We will also be the first in the country to invest in mezzanine debt funds



Passionate About Progress

Excitement and commitment lie at the heart of everything we do at IIML

We identify and fund unique opportunities, invest in quality companies with attractive growth prospects and partner talented management teams to help them realize innate potential

Our investment philosophy is predicated on nurturing potential opportunities and helping build successful organizations around them



Our funds under management have grown from less than US\$ 40 million in 1996 to over US\$ 900 million - a 37% year-on-year growth for the last 10 years

Leadership Team



Shahzaad Dalal

Vice Chairman & Managing Director

Mr. Dalal has 25 years experience in investment management and operations. He has the overall responsibility for fund oversight, strategic inputs to investments and investee companies and crafting exit strategies. He has significant prior experience as an investment banker in infrastructure projects, structured financial products, marketing and credit evaluation. At IIML, Mr. Dalal has been responsible for private equity transactions with an aggregate capitalization value in excess of US\$ 5 billion. Mr. Dalal received a Bachelors degree in Commerce from the University of Mumbai (India) and a Masters degree in Business Administration from Northeast Louisiana University (United States). Mr. Dalal maintains membership on a number of boards, including that of Indraprastha Gas, ABG Shipyards, Shoppers' Stop, Datamatics Technologies, Arch Pharmalabs, ETL Infrastructure, iMetrix Technologies and Tejas Networks



Dr. Archana Hingorani

Chief Operating Officer

Dr. Hingorani has 21 years experience in private equity, investment management, teaching and research. She is one of the founding members of the IL&FS private equity business and has overseen investments with an aggregate capitalization value in excess of US\$ 4.5 billion. She has also been actively involved in some of the early pioneering transactions in the infrastructure space. Dr. Hingorani received her Bachelors degree in Economics from the University of Mumbai (India). She received a Masters in Business Administration and PhD. in Corporate Finance from the Katz Graduate School of Business, University of Pittsburgh (United States). Dr. Hingorani represents IIML on the boards of a number of companies, including Petronet India, Pipavav Rail Corporation, Bharat Fritz Werner, Gokaldas Images and Rewas Ports



Manoj Borkar

Chief Financial Officer

Mr. Borkar has been associated with IIML since 1996 and was closely involved in restructuring of the operations of IIML when it was taken over by the IL&FS Group in 1996. Mr. Borkar heads the finance and compliance function at IIML and is instrumental in fund structuring. Mr. Borkar is involved in setting up the MIS systems and corporate governance procedures for investee companies. Prior to that, he was with IL&FS as a member of the Financial Management team since 1991. Mr. Borkar started his career in 1988 in the Business Audit area with S.B. Billimoria & Co. Mr. Borkar has overall work experience of 18 years and is a Chartered Accountant by profession

Guhan Subramaniam

Managing Partner

Mr. Subramaniam is responsible for the technology vertical at IIML and has made significant contribution to evaluating investment opportunities in the technology space and supporting select investee companies in their strategic initiatives and directions. Mr. Subramaniam has over 27 years of multi-functional, multi-industry operations experience. His experience has predominantly been in operations in Information Technology, Telecom, Software Solutions & Services, both in Indian and overseas markets. He has held senior management positions with leading Corporations in India such as Wipro Infotech, Modi Xerox, HCL, etc. Mr. Subramaniam is a Management Graduate from the Symbiosis Institute of Management, Poona University (India)



Rahul Shah

Managing Partner

Mr. Shah, heads the Retail, Media and Consumer Services vertical at IIML. He has evaluated various investment opportunities across sectors and provides management inputs to investee companies. He also represents IIML on the Board of various companies. Mr. Shah was earlier associated with IL&FS in its Securities Management Group, where he was involved in broking, research, secondary markets and fund management. He has worked with leading firms of Chartered Accountants and a Management Consultancy Organization in areas of business strategy and finance. He is a Chartered Accountant with an aggregate work experience of 20 years in Private Equity, Capital Markets and Management Consultancy



Sunil Diwakar

Managing Partner

Mr. Diwakar heads the manufacturing vertical at IIML. He has a multi-sectoral experience of over 14 years in the Indian private equity industry and 4 years experience in the aeronautical engineering industry. Prior to joining IIML, he was with IndAsia Fund Advisors and before that, he headed the Mumbai office of ICICI Venture. Mr. Diwakar holds a Masters degree in Production Technology from IIT, Madras and holds a diploma in International Management from IMI, New Delhi





Our Approach

CREATE

Investment Opportunities

Identify trends and seek capital deficient avenues; create a proprietary funnel of opportunities rather than waiting for them; network and leverage the corporate relationships and brand name of the IL&FS Group to become the first port of call for entrepreneurs seeking private capital

SEEK

An Edge

Identify superior market opportunities by evaluating potential competitive advantages and their sustainability, driven by product, technology or cost

INVEST

In People

Identify management teams who either have a track record or exhibit abilities to successfully lead and build dominant companies; who are able to demonstrate sound business practices over time and structure an incentive structure for its key members

STRUCTURE

Risk Management and Value Extraction

Innovate, create and deploy a range of financial structures and instruments - mitigate risks and build an intrinsic capability for extracting and sharing upsides in the transaction structure

ENFORCE

Transparency and Governance

Aid the transformation from family oriented to professionally run businesses with governance embedded in the corporate DNA

ENABLE

Value Creation

Work with management teams through multi-level relationships to supplement strategic and operational planning; provide access to the IIML network

OPEN

Exit Possibilities

Evolve a clear exit strategy for each investment, starting from the initial stages of investment analysis. Leverage in-house experience in taking companies through the IPO process and arranging strategic buyouts



Funds Under Management: A Snapshot

The funds under management with IIML represent our history as an investment manager. We are one of the oldest in the country. Our funds have

- Varied investment mandates, from seed capital / early stage to growth/ expansion stage funds with transaction size ranging from US\$ 2 mn to US\$ 20 mn and investment interest ranging from minority holding to a buyout

Value Creation - 3 Experiences

An early stage investment

Noida Toll Bridge Company Limited (NTBCL) was the first private sector Build-Own-Operate-Transfer road project in India. The project, conceptualized to meet the growing traffic needs between Delhi and its satellite township NOIDA, was also one of the largest toll road projects implemented in the Public Private Partnership (PPP) format in India. IIML managed funds invested US\$ 4.5 mn in the project at its development stage

NTBCL faced initial gestation issues and IIML provided proactive management on the Board in terms of giving strategic direction to its debt restructuring and turnaround strategy

Today, NTBCL is the only listed toll road in the country – listed on both the local stock exchanges as well as the AIM Exchange, London. IIML attained exit from NTBCL, post its listing, generating a 23.5% return for its investors



An expansion stage funding

Shopper's Stop Limited was among the pioneers in setting up a nation-wide chain of large format department stores with professional management. The Company, promoted by a leading group in the business of real estate development and hotels in India, has now established itself as one of India's leading retailers and has become the benchmark for the Indian retail industry

IIML's participation in the Company funded its store expansion plans. Shopper's Stop is now present across 20 stores, spread over nearly a million sq. ft. of retail space. During the term of our investment the Company developed an expansion strategy contoured around factors such as store location and size, customer profile and catchment areas. Parallely, the company implemented a financial restructuring program to lower cost of funds and instituted stringent budgetary and cost control measures. Mr Dalal, VC & MD at IIML led the company's initial public offering effort, serving as Chairman of the IPO committee

The company was able to successfully close its public offering within 5 years of IIML's investment with the issue being oversubscribed 17 times. With liquidity now available, IIML expects a significant return on its investment in the company



A buyout investment with extensive management involvement

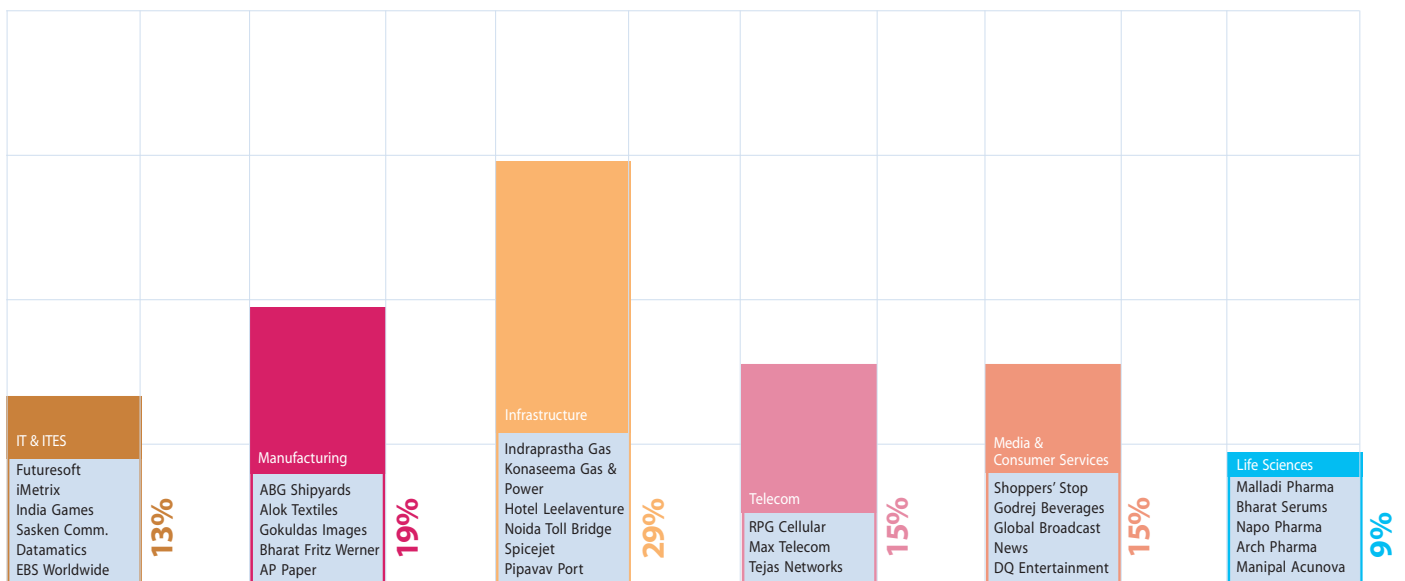
EBS Worldwide Services (EBS) is a niche, non-voice-based business process outsourcing service provider, which assists companies in the retail, telecom, aviation and banking sector, in their customer relationship management (CRM) and direct marketing (DM) processes. Taking advantage of the cost differential, EBS was looking at entering the US markets. IIML assisted EBS in identifying a US-based company as an acquisition target and then funded the acquisition

Merging of the two companies is expected to unlock value, with EBS providing back office execution support and the US counterpart providing client interface and access to potential customers, thereby reducing the time to market

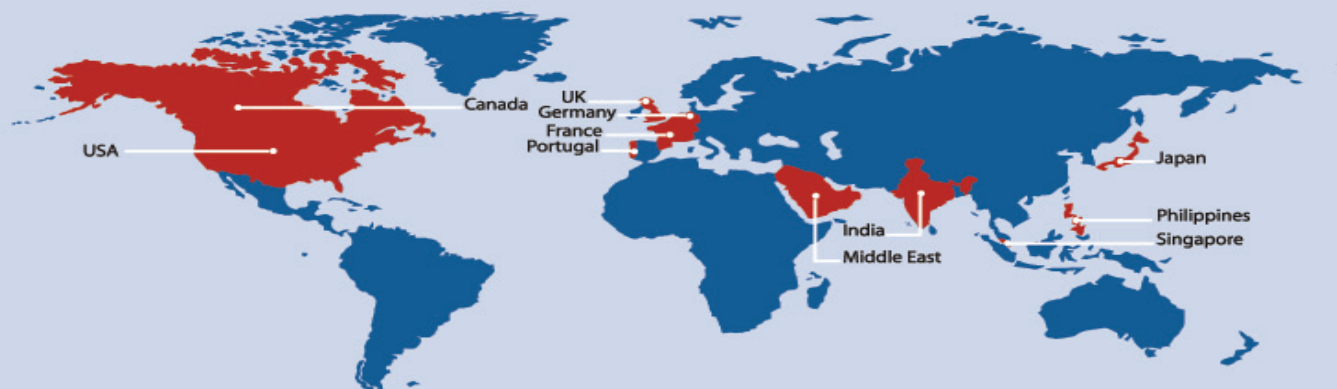
IIML invested US\$ 5.7 mn in EBS to take a controlling interest. Post acquisition, handholding is critical during the transition phase and IIML is closely working with entrepreneurs of both companies in integrating operations and processes

Once operations are integrated, the company is expected to rapidly scale-up operations and become a key player in the CRM and DM space in India

➤ Diverse sectoral exposure, from infrastructure project development to real estate, from manufacturing to IT, from Media and Consumer Services to Life Sciences



- ↳ An assorted set of contributors, from corporates to financial institutions, banks and insurance companies, pension funds and endowments



Key Funds Under Management

Fund Name	South Asian Regional Apex Fund	AIG Indian Sectoral Equity Fund	India Auto Ancillary Fund	India Project Development Fund	Leverage India Fund	IL&FS Realty Fund
Launch Year	1995	1997	1998	2000	2004	2006
Sector Focus	Growth	Infrastructure & Growth	Auto Components & Growth	Infrastructure	Opportunistic	Real Estate
Corpus (US\$ mn)	25*	78	15	22	153	502
Amount Invested (US\$ mn)	33	63	13	16	139	-
No. of Investments	25	10	8	7	25	-
No. of Divestments	7	5	4	4	-	-

* Evergreen Fund until 2007

Apart from the above funds raised through the participation of various Indian and International financial institutions, banks, insurance companies, pension funds, endowments and corporates, IIML also manages a US\$ 56 mn proprietary fund of IL&FS

Recent Developments

Leverage India Fund (LIF)

IIML completed the final closing of LIF in October 2005 at US\$ 153 mn. LIF is a private equity fund that primarily focuses on late stage funding for profitable, cash generating companies needing funds for expansion. Target companies are essentially those with a stable, consistent cash flow history and the potential to generate significant upside following the completion of expansion

The fund has committed to investments across Airlines, Ports, Hotels, Textiles, Life Science, Engineering and Information Technology and has invested in private equity transactions, pre-IPO placements and private investments of listed companies (PIPEs). Pre-IPO and PIPE transactions have the potential to enable the fund to achieve early exits and the present boom in the Indian stock market has enabled the fund to clock returns of 2-3x on such transactions

With 91% of the fund invested within 18 months of the first close and the present value of the fund being 1.3x of its original investment, the fund is likely to return capital to the investors within 3-4 years

IL&FS India Realty Fund - A Cut Above

The IL&FS India Realty Fund (IIRF) is the largest and the most recent fund managed by IIML. With over US\$ 502 mn as its corpus, it is also one of the largest real estate focused funds in India. The fund was closed in April 2006 after an exhaustive due diligence process, spanning over 6 months, undertaken by marquee international investors. The fund contributors now include reputed limited partners including financial institutions, pension funds and endowments

IIRF intends to assemble a diverse portfolio of real estate investments that comprise of income producing assets, redevelopment opportunities and ground-up development projects. Opportunities arise from the expansion of the organized retail centre, commercial



space requirement for IT/ IT Enabled Services, adaptive re-use of industrial land, development of integrated townships and special economic zones

The fund attracted high quality investors as well as large commitments, with individual investors committing US\$ 100 mn in certain instances. The size, quality of investors and quantum of individual commitments received sets this fund apart from all previous funds of IIML. Its success provides IIML recognition in the international markets and opens avenues for it to play a larger role in the private equity space in India



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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 Twentieth Annual Report with the Audited Financials of the Company for the year ended March 31, 2006

Financial Achievements and Dividend

Rs Million

	For the year ended March 31, 2006	For the year ended March 31, 2005
Total Income	253.41	180.83
Profit before Taxation	107.61	83.71
Provision for Taxation	36.10	31.50
Net Profit after Taxation	71.51	52.21
Balance of Profit brought forward	18.92	23.91
Profit available for appropriation	90.43	76.12
<u>Appropriations:</u>		
General Reserve	7.17	5.23
Dividend (inclusive of dividend tax)	63.30	51.97
Balance carried to Balance Sheet	19.96	18.92

Dividend

During the year, your Company achieved a net profit after tax of Rs 71.51 million. Your Directors recommend a dividend of Rs 3.50 per share. The total amount of dividend is Rs 63.30 million (inclusive of dividend tax of Rs 7.79 million)

Review of Operations

Income:

The Income from Fund Management for this year was Rs 219.24 million as compared to Rs 155.95 million in the previous year

Inclusive of Income from Investments of Rs 24.54 million and Other Income of Rs 9.63 million, the Gross Income for Financial Year 2005-06 was Rs 253.41 million against Rs 180.83 million in the previous year

Operating Expenses:

The total Operating Expenses for the year were Rs 121.55 million against Rs 76.63 million in the previous year

Profits:

The Profit after tax for the year was Rs 71.51 million as against Rs 52.21 million in the previous year

Directors

Mr Pradip Roy 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 S Hariharan who was appointed as a Director in the casual vacancy caused by the resignation of Mr G Narayanan holds office upto the date of the ensuing Annual General Meeting of the Company and being eligible offers himself for re-appointment

Statutory Auditors

The Statutory Auditors of the Company M/s S. B. Billimoria & Co., Chartered Accountants, have expressed their unwillingness for being re-appointed as the Statutory Auditors of the Company for the financial year ending March 31, 2007

In view of the above, your Directors have appointed M/s Deloitte Haskins & Sells, Chartered Accountants, as the Statutory Auditors of the Company to conduct the audit for the year ending March 31, 2007, subject to the approval of the members in the ensuing Annual General Meeting of the Company

Increase in Share Capital

Your Company allotted 6,95,928 equity shares during the year on the exercise of Options issued under the Employee Stock Option Plans

Corporate Governance

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

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 appears as Item Nos. 8(ii) and 8(iii) respectively, of Schedule 13 to the Notes 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 are set out in the annexure to the Directors' Report

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 is 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 and loss 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

Relationships 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

For and on behalf of the Board

Place : Mumbai
Date : April 17, 2006

S M DATTA
Chairman

Annexure to the Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the Financial Year 2005-2006

SL	Name	Age (Yrs)	Designation	Remuneration Received (Rs)	Qualification	Experience (Yrs)	Date of Commencement of employment	Last Employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Employees employed throughout the Financial Year and in receipt of remuneration of not less than Rs 24,00,000 for the Financial Year 2005-2006								
1	Shahzaad Dalal	47	Vice Chairman & Managing Director	8,428,071	B.Com., MBA	25	01.04.2002	Infrastructure Leasing & Financial Services Ltd
2	Archana Hingorani	40	Chief Operating Officer	5,921,076	B.A. (Economics), MBA, Ph.D. (Corporate Finance)	21	01.12.2002	Infrastructure Leasing & Financial Services Ltd
3	Manoj Borkar	41	Chief Financial Officer	4,521,966	B.Com., ACA	18	01.04.2000	Infrastructure Leasing & Financial Services Ltd
4	Rahul Shah	43	Senior Vice President	3,995,584	B.Com., ACA	20	26.11.1996	Self Employed
5	Guhan Subramaniam	52	Senior Vice President	5,039,150	B.A. (Economics), MBA	27	01.12.2000	BPL Telecom Limited
6	Sunil Diwakar	43	Vice President	3,523,902	B.E. (Mechanical), MT, PGDIM	21	16.09.2004	Self Employed
7	Deepa Sankaran	37	Asst. Vice President	2,539,482	B.Com.	12	08.12.1997	Corporate Database (India) Pvt Ltd
Employed for part of the year and was in receipt of remuneration of not less than Rs 2,00,000/- p.m. for the Financial Year 2005-2006								
8	Aanand Sunderajan*	38	Asst. Vice President	812,272	B.Com., MBA, M.S. Real Estate	16	13.05.2005	Vornado Realty Trust

* Resigned w.e.f. September 9, 2005

Note: 1 None of the employees is a relative of any Director

2 Remuneration includes Salary, Company's Contributions to Provident Fund and Superannuation Fund, Performance Related Pay, House Rent Allowance, Other Allowances, Medical Expenses, Leave Travel Assistance, Leave Encashment, Group Term Insurance, and other perquisites as valued for Income Tax Rules, 1962

3 Policy with Life Insurance Corporation of India has been taken to cover the liability of payment of Gratuity to employees

For and on behalf of the Board

S M DATTA
Chairman

Place : Mumbai
Date : April 17, 2006

Annexure to the Directors' Report

Details of Options issued under the Employee Stock Option Plans

The Members approved the Employee Stock Option Scheme 2003 ("ESOP 2003") consisting of 8,01,115 Options at the Annual General Meeting of the Company held on July 26, 2003. The Members also approved the Employee Stock Option Scheme 2004 ("ESOP 2004") consisting of 15,00,000 Options at the Extraordinary General Meeting of the Company held on March 19, 2004

Further the Board of Directors of the Company at its meeting held on April 4, 2006 approved the Employees Stock Option Plan 2006 consisting of 15,00,000 Options subject to the approval of members at the Extraordinary General Meeting of the Company scheduled on May 3, 2006

The Compensation Committee has been distributing Options to the directors and employees from time to time

During the Financial Year ended March 31, 2006, the Compensation Committee distributed Options both under the ESOP 2003 and ESOP 2004

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

ESOP 2003

- | | |
|---|--|
| (i) Options granted till date | : 8,01,115 Options |
| (ii) Pricing Formula | : The Options have been granted as per the market price on the date of the Grant as defined in the SEBI Guidelines |
| (iii) Options Vested till date | : 3,87,000 Options |
| (iv) Options exercised till date | : 3,54,000 Options |
| (v) Total number of shares arising as a result of exercise of Options | : 3,54,000 Shares |
| (vi) Options lapsed during the year | : 24,750 Options |
| (vii) Variation of terms of Options | : Variations were carried out at the Extraordinary General Meeting held on March 19, 2004. The variations were: <ul style="list-style-type: none"> • The limit of Options to be granted per employee/director has been revised to upto 1% of the paid up equity share capital of the Company in the aggregate per annum • The Exercise formula has been revised and it is now based on the Market Price on the date of the Grant as defined in the SEBI Guidelines • The Compensation Committee has been given the power to reprice the options |
| (viii) Money realised by exercise of Options | : Rs 99,12,000 |
| (ix) Options vested but yet to be exercised | : 33,000 Options |
| (x) Options available for Grant in future | : Nil Options |
| (xi) Options granted during the Financial Year | : 4,38,865 Options |

- (xii) Options granted to senior management personnel, directors 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, 2006 are as follows:

Mr Shahzaad Dalal	: 70,808 Options
Dr Archana Hingorani	: 35,964 Options

- (xiii) Diluted EPS pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standard 20 is Rs 4.42

ESOP 2004

- (i) Options granted till date : 13,82,750 Options
- (ii) Pricing Formula : The Options have been granted as per the market price on the date of the Grant as defined in the SEBI Guidelines
- (iii) Options Vested till date : 9,18,000 Options
- (iv) Options exercised till date : 5,49,000 Options
- (v) Total number of shares arising as a result of exercise of Options : 5,49,000 Shares
- (vi) Options lapsed during the year : 30,250 Options
- (vii) Variation of terms of Options : No variations till date
- (viii) Money realised by exercise of Options : Rs 1,92,15,000
- (ix) Options vested but yet to be exercised : 3,69,000 Options
- (x) Options available for Grant in future : 1,17,250 Options
- (xi) Options Granted during the Financial Year : 4,95,000 Options
- (xii) Options granted to senior management personnel, directors 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, 2006 are as follows:
- | | |
|----------------------|------------------|
| Mr Shahzaad Dalal | : 66,000 Options |
| Dr Archana Hingorani | : 33,000 Options |
- (xiii) Diluted EPS pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standard 20 is Rs 4.42

The Company calculates the employee compensation cost using the Intrinsic Value of the Options. As the Exercise Price of the Options granted till date is based on the Market price as on the date of the Grant, the Intrinsic Value of the Options is Rs Nil. The weighted average exercise price for Options exercised till date in case of ESOP 2003 is Rs 28/- and in case of ESOP 2004 is Rs 35/-. The weighted average Fair Value of the Options granted during the year is Rs 25.97. In the event the Company had used the Fair Value of Options (calculated by external valuers using Black Scholes Model) for calculating the employee compensation cost, the employee compensation cost of the Options granted would have been Rs 1,90,81,729/- which would have reduced the Profit before Tax of the Company by Rs 1,90,81,729/- and the Basic and Diluted EPS would have reduced to Rs 3.39 and Rs 3.24 respectively

The weighted average Market Price at the date of exercise, for Options exercised during the year, is Rs 132.70

The range of Exercise Price for Stock Options outstanding as at March 31, 2006 is Rs 28/- to Rs 176/- and the weighted average remaining contractual life is 3 years and 9 months

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

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:

Expected Life of the Options:

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 year from the date of Grant. The Options can be exercised at any time upto 4 years from the vesting date

Considering the above on an average 3 years has been assumed as the expected life of Options

Risk free interest rate:

This rate has been assumed at 7.5%

Share price:

It is the market price on the National Stock Exchange (exchange on which highest volume for the Company's shares is recorded) with reference to the Grant date

Volatility:

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

Expected dividend yield:

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

Certificate

We have reviewed the Employee Stock Option Plan 2003 and the Employee Stock Option Scheme 2004 ("the Plans") and the related records of **IL&FS Investment Managers Limited** ("the Company") as at March 31, 2006 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 and March 19, 2004

For **S. B. BILLIMORIA & Co.**
Chartered Accountants

Udayan Sen
Partner

Place : Mumbai
Date : April 17, 2006

Membership No. 31220

Management Discussion And Analysis

BUSINESS OVERVIEW

The Company is one of the largest domestic private equity fund managers in India, managing funds, which are sector agnostic as well as sector and state focused. The Company's Funds are focused on making investments across Indian corporates in various identified sectors. The Company has established a good track record in raising private equity funds, identifying good investment opportunities across sectors, assisting in the growth of such companies and then divesting at the appropriate time through public offerings or strategic sales resulting in market superior returns to the investors of the funds

INCOME PROFILE

For a Fund Management Company, the operating income is of two types :

- Management Fees linked to the Funds under Management
- "Carry" or a profit sharing with Fund Investors

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 and is directly co-related to the size of the funds under management

Additionally, the Company is also entitled to a share in the profits of the funds on divestments. This share in profit defined as 'Carry' typically accrues to the Company and the Investment Team at the end of the tenor of the funds and represents the potential upside for the Company

In addition to the foregoing, there could be additional income arising from deployment of retained cash flows. The Company has adopted a policy of investing such surpluses generally in high quality fixed income securities and units of mutual funds

INDUSTRY TRENDS

The last year has proved to be a very fulfilling year for the private equity industry as a whole. The Indian private equity market continues to attract interest from an ever-growing set of investors given the number of diversified set of investment opportunities and the improved economic environment. The improved capital market environment also resulted in a number of exits for the private equity players through the capital markets, thereby reaffirming the faith reposed by investors in Indian corporates. In view of the sustained performance of both the manufacturing and services sectors India is now the preferred destination for investments by a number of foreign private equity funds with over US\$ 823 mn (US\$ 260 mn in CY2003) having been raised for private equity funds in CY2004 and another US\$ 512 mn in the first half of CY2005

ANALYSIS OF PERFORMANCE FOR YEAR ENDED MARCH 2006

Business Review: The Company has consistently adopted a reasonably conservative approach with respect to investments, with investments centered on realistic revenue models and reasonable entry valuations. The Company believes that capital growth opportunities are a function of timing and situation. As a result, the portfolios of Funds managed by the Company have weathered the difficult environment, and a number of its earlier investments are now valued at significant premia to investment cost

The Company's team is among the most experienced private equity groups in the region with a deep understanding of Indian business and investment environment and have an established network of relationships with corporates, investment banks and other fund managers. Consequently, the Company has been able to deploy nearly 89% of its latest Fund i.e. the Leverage India Fund across 19 transactions over the past 15 months

The Company believes that the Realty sector in the country has tremendous opportunities. Accordingly, once SEBI allowed private equity funds to invest in the sector, the Company launched a Fund targeted at this sector. Consequently, the Company was able to achieve a first close with Indian and International investors

FINANCIAL PERFORMANCE

Income: The income from Fund Management for this year was Rs 219.24 mn as compared to Rs 155.95 mn in the previous year

Inclusive of Income from Investments of Rs 24.54 mn and Other Income of Rs 9.63 mn, the Gross Income for Financial Year 2005-06 was Rs 253.41 mn against Rs 180.83 mn in the previous year

Operating Expenses: The total Operating Expenses for the year were Rs 121.55 mn, against Rs 76.63 mn in the previous year

Profits: The Profit after tax for the year was Rs 71.51 mn as against Rs 52.21 mn in the previous year

OUTLOOK FOR YEAR 2006-2007

While the capital markets remain buoyant, it is expected that investment environment for private equity would also be conducive. The management believes the Company is positioned very competitively, and retains a positive outlook on business prospects. The Company's focus for the year will be three-fold :

- Raising newer funds in addition to the IL&FS Realty Fund
- Making Investments
- Monitoring existing investments

While the Company continues to face competition from other larger foreign private equity players it is currently in the process of building size, which will enable it, to hold its own versus larger funds. The Company is pursuing various opportunities for setting up new funds in various sectors and is in an advanced stage in a couple of them. The Company expects that some of these initiatives will result in setting up new funds during the financial year

However the key to success will continue to include entry at reasonable valuations, which have spiraled upwards given the buoyancy in the capital markets. The management also continues to focus on building and realizing value in the existing portfolio and targets to achieve a few profitable exits during the year assuming the capital markets remain conducive for primary issues

Given that the Company is in the business of fund management, the income of the Company depends significantly on the size of funds under its management. As the various Funds under its management are close ended, the Company needs to set up new Funds at regular intervals. The setting up of new Funds in turn is not only dependent on the performance of the portfolio of investments under the Company's management but it is also dependant on the overall economic environment and the capital markets

The Company has completed the first close for domestic and international investors for its Realty Fund and is at an advanced stage of fund raising for the balance fund. With newer funds coming under management, it is expected to result in a significant improvement in profits and enhanced shareholder value

BUSINESS SEGMENT & HUMAN RESOURCES

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

The Company has been taking a number of steps on the Human Resources front. The Company has been improving the skill sets of its employees through various training programmes. The Company believes in rewarding its employees based on performance and potential and hence the Company has been distributing stock options to its employees not only to reward good performers but also to ensure commitment through ownership and financial motivation. The Company presently has 27 employees

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, procedures 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 control of the Company in a regulated manner, which 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 by Securities and Exchange Board of India

(B) Board of Directors

(1) Composition:

- (a) The Board comprises of 8 Directors including a Non-Executive Chairman, Vice Chairman & Managing Director and Six Non-Executive Directors. More than one third of the Directors are independent
- (b) None of the directors hold Chairmanship of more than 5 committees or membership in more than 10 committees of public limited companies

(2) Board Meetings:

- (a) The Board of Directors met four times during the financial year ended March 31, 2006. The Meetings were held during the year on April 18, 2005, July 14, 2005, October 15, 2005 and January 16, 2006
- (b) 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 companies in which they are directors are as follows:

Name of the Director	Category of Directors @	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM	No. of other directorships^
S M Datta (Chairman)	NED	4	4	Yes	16
Ravi Parthasarathy	NED	4	4	Yes	15
Bansi S Mehta	NED	4	4	Yes	17
S Hariharan#	NED	2	—	N.A.	—
Pradip Roy	NED	4	3	No	4
Arun K Saha	NED	4	4	No	14
Vibhav Kapoor	NED	4	3	No	5
Shahzaad Dalal	VC MD	4	4	Yes	23

Director for part of the year

Mr G Narayanan resigned and ceased to be a Director of the Company with effect from October 14, 2005

Mr S Hariharan was appointed as a Director with effect from October 14, 2005

Mr SA Bhat resigned and ceased to be a Director of the Company with effect from March 21, 2006

@ NED – Non-Executive Director, VC MD – Vice Chairman and Managing Director

^ The other directorships includes alternate directorships and directorships in private companies and foreign companies

(C) Audit Committee

- (1) The Audit Committee presently comprises of three Non-Executive Directors. The constitution of the Audit Committee also meets the requirements under Section 292A of the Companies Act, 1956
- (2) 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 shall also oversee the following functions:
 - (a) Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible
 - (b) Recommending the appointment and removal of Statutory Auditors and the Internal Auditors
 - (c) Reviewing with the Management, Statutory and Internal Auditors, the adequacy of internal control systems
 - (d) Reviewing the adequacy of internal audit function
 - (e) Discussing with 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) Financial and accounting practices and policies
 - (h) Compliance with stock exchange and legal requirements concerning financial statements
 - (i) Reviewing the related party transactions
 - (j) Reviewing the Company's financial and risk management policies
- (3) The Audit Committee met four times during the financial year on April 18, 2005, July 14, 2005, October 14, 2005 and January 16, 2006 and the composition and attendance record of the members at the Audit Committee Meetings is as follows:

Name of the Director	Number of Meetings held	Number of Meetings Attended
Bansi Mehta, Chairman	4	4
SA Bhat**	4	1 *
Vibhav Kapoor	4	4
Pradip Roy#	NA	NA

* Absent with prior intimation for the meetings not attended

Appointed as the Member of the Committee at the Board Meeting held on January 16, 2006

** Ceased to be a Member of the Committee during the year consequent upon his ceasing to be a Director of the Company

(D) Compensation Committee

- (1) The Compensation Committee comprises of three Non-Executive Directors. The Committee functions under the Chairmanship of Mr S M Datta. The Committee oversees the following functions:
 - The method, criteria and quantum of compensation for Whole-time Directors
 - Recruitment of key management employees and their compensation
 - Determination of the performance related pay of the employees
 - Administration of the various Employee Stock Option Plans of the Company

- (2) The Company's remuneration policy has been to reward employees based on their level of responsibility, performance and potential. The Company does not pay any remuneration to the Non-Executive Directors of the Company except commission to the Chairman. They are distributed Stock Options on the basis of their contribution to the Company and based on their tenure as directors of the Company
- (3) The Compensation Committee met five times during the financial year on April 14, 2005, April 21, 2005, June 9, 2005, October 15, 2005 and March 23, 2006
- (4) Mr S M Datta, Chairman of the Company is eligible for a commission upto 1% of the net profits of the Company amounting to Rs 11,50,000/-. Such commission has been approved by the members vide Special Resolution passed at the Annual General Meeting held on July 15, 2002
- (5) Details of Remuneration paid to the Whole-time Director during the year 2005-2006:

Name of the Director	Salary	Perquisites	Total
Mr Shahzaad Dalal, Vice Chairman & Managing Director	76,47,520	7,80,551	84,28,071

The salary paid to Mr Shahzaad Dalal is inclusive of his retirement benefits and includes Rs 34,60,000/- paid to him as Performance Related Pay. The remuneration to the Whole-time Director in excess of the limits specified in Section 198 and Section 349 of the Companies Act, 1956, is subject to the approval of the Central Government

Under the Employee Stock Option Schemes, Mr Shahzaad Dalal, Vice Chairman & Managing Director had received 50,000 Options convertible into 50,000 shares at a grant price of Rs 28/- per share and 99,000 Options convertible into 99,000 shares at a grant price of Rs 35/- per share, during the financial year 2003-2004, which have now vested in him. Till date, Mr Dalal has exercised 50,000 Options at Rs 28/- per Option

During this financial year, Mr Shahzaad Dalal was granted 1,20,000 Options at Rs 70/- per share and 16,808 Options at Rs 176/- per share, which are yet to vest in him. The Options granted to Mr Dalal have been granted at the market price as per the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

- (6) The Remuneration payable to the Whole-time Director was approved by the members at the General Meeting of the Company. The Remuneration consists of a fixed salary and a variable bonus depending on the individual and the Company's performance and the annual increments and variable bonus is decided by the Compensation Committee from year to year. Besides dividend on equity shares held, sitting fees and commission (paid to the Non-Executive Chairman upto 1% of the net profits of the Company), no other payments have been made to the Non-Executive Directors of the Company during the year
- (7) Non-executive Directors are paid sitting fees of Rs 10,000/- for each Board Meeting, Audit Committee Meeting and Compensation Committee Meeting. The Non-Executive Directors are paid sitting fees of Rs 2,000/- for each Shareholders'/Investors' Grievance Committee Meeting

(8) Details of the Options granted/shares held by Non-Executive Directors are as follows:

Name	Options Granted under ESOP 2003	Options Granted under ESOP 2004	Options Exercised under ESOP 2003	Options Exercised under ESOP 2004	Shareholding as on March 31, 2006
S M Datta	68,000	1,21,000	50,000	99,000	1,49,000
Ravi Parthasarathy	63,000	1,22,000	45,000	1,00,000	1,45,000
Bansi S Mehta	38,000	1,22,000	20,000	1,00,000	1,20,000
Arun K Saha	18,000	22,000	—	—	—
Vibhav Kapoor	18,000	72,000	—	50,000	50,000

(E) Shareholders'/Investors' Grievance Committee

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

- Approving the transfer and transmission of securities
- Issuance of duplicate certificates
- Redressing grievances received from the investors
- Suggesting measures to improve investor satisfaction
- Allotment of shares upon exercise of options under Employee Stock Option Schemes

(2) The Committee presently comprises of Mr Vibhav Kapoor (Chairman) and Mr S M Datta. 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	23	23
Mr S M Datta	23	23

(3) Mr Sanjay Mitra, Company Secretary, has been designated as the Compliance Officer

(F) General Body Meetings

(1) The last three Annual General Meetings were held on the following dates:

Date	Time	Location
June 24, 2005	11.00 a.m.	World Trade Centre, Mumbai
September 23, 2004	11.00 a.m.	World Trade Centre, Mumbai
July 26, 2003	11.00 a.m.	The Capitol Hotel, Bangalore

(2) 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
- (2) There were no instances of non-compliance by the Company on any matter related to the capital markets during the last three years
- (3) 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. A declaration of compliance with the Code of Conduct, signed by the Vice Chairman & Managing Director forms part of the Annual Report
- (4) The Vice Chairman & Managing Director 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
- (5) Some of the Independent Directors of the Company have been Directors of the Company in excess of nine years
- (6) The Company does not send any half-yearly report to the members
- (7) 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
- (8) The Company does not have a Whistle Blower Policy

(H) Means of Communication

The Company has been publishing the quarterly results in newspapers viz. Economic Times, Business Standard and Maharashtra Times. These results are also made available on the website of the Company www.iimlindia.com

(I) Shareholders' Information

The Management Discussion & Analysis forms part of the Annual Report

Stock Code and ISIN Number

Bangalore Stock Exchange	: IL&FS VENT
Bombay Stock Exchange	: 511208
The National Stock Exchange	: IVC EQ
ISIN No.	: INE050B01015

Listing of shares: The shares of the Company are listed on the following stock exchanges

Bangalore Stock Exchange Limited
Stock Exchange Towers
No. 51, 1st Cross, J.C. Road
Bangalore 560 027

Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers, Dalal Street
Mumbai 400 001

National Stock Exchange of India Limited
 Exchange Plaza
 Plot No. C/1, G Block
 Bandra-Kurla Complex, Bandra (E)
 Mumbai 400 051

Shareholding Pattern as on March 31, 2006

Category	No. of shares	% of holding
Body Corporates	76,77,325	48.40
Foreign Financial Institutions	9,98,689	6.30
Foreign Institutional Investors	70,000	0.44
Banks	21,00,460	13.24
Individuals	50,03,278	31.55
Others	11,146	0.07
Total	1,58,60,898	100.00

Stock Market Price Data for the year 2005-2006 on the National Stock Exchange

Month	High	Low
April 2005	95.00	66.00
May 2005	89.00	67.50
June 2005	113.25	81.00
July 2005	118.70	88.50
August 2005	98.00	81.55
September 2005	114.95	92.10
October 2005	111.30	83.05
November 2005	105.90	95.50
December 2005	149.75	98.05
January 2006	199.60	133.05
February 2006	237.70	165.00
March 2006	228.95	167.15

Registrar and Share Transfer Agents:

Intime Spectrum Registry Limited
 C-13, Pannalal Silk Mills Compound
 L.B.S. 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

Members' correspondence should be addressed to:

Intime Spectrum Registry Limited
 C-13, Pannalal Silk Mills Compound
 L.B.S. 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 31st March, 2006 Ninety one percent (91%) of shares were held in dematerialised form

Auditors' Certificate

To The Members of **IL&FS Investment Managers Limited**

We have examined the compliance of conditions of corporate governance by **IL&FS INVESTMENT MANAGERS LIMITED** for the year ended March 31, 2006 as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

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.

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.

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.

For **S.B. Billimoria & Co.**
 Chartered Accountants

Place: Mumbai
 Date: April 17, 2006

Udayan Sen
 Partner
 (Membership No. 31220)

Code of Conduct Certificate

I, Shahzaad Dalal, Vice Chairman & Managing Director of the Company, hereby declare that the Board of Directors has laid down a Code of Conduct for its 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**

Place: Mumbai
 Date: April 17, 2006

Shahzaad Dalal
 Vice Chairman & Managing Director

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** as at March 31, 2006, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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. These 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, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to in paragraph 3 above:
 - 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 and the Profit and Loss Account 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 in 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, 2006;
 - ii. in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. According to the information and explanations given to us and on the basis of the written representations from the directors as on March 31, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 from being appointed as a director under Section 274 (1)(g) of the Companies Act, 1956.

For **S.B. Billimoria & Co.**
Chartered Accountants

Udayan Sen
Partner

(Membership No. 31220)

Place: Mumbai
Date: April 17, 2006

Annexure to the Auditors' Report

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

1. The nature of the Company's business/activities during the year is such that clauses (ii), (iii)(a) to (f), (vi), (viii), (ix)(b), (x), (xi), (xii), (xiii), (xv), (xvi), (xvii), (xviii), (xix) and (xx) of Companies (Auditor's Report) Order, 2003 (CARO), are not applicable for the current year.
2. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b. Fixed assets were physically verified during the year by the management in accordance with a 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.
3. According to the information and explanations given to us, the Company has not granted or taken loan to/ from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to the purchase of fixed assets and sale of services and we have not observed any continuing failure to correct major weaknesses in such internal controls.
5. In respect of contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - a. The particulars of contracts or arrangements referred to Section 301 that needed to be entered into the register, maintained under the said section have been so entered.
 - b. Where each of such transactions is in excess of Rs 5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposit from the public.
7. 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.
8. According to the information and explanations given to us, the Company has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Cess and any other material statutory dues with the appropriate authorities during the year.
9. Based on our examination of the records and evaluation of the related internal controls, the Company has maintained proper records of transactions and contracts in respect of its dealing in shares, securities and other investments and timely entries have been made therein. The aforesaid securities have been held by the Company in its own name.
10. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **S.B. Billimoria & Co.**
Chartered Accountants

Udayan Sen
Partner

(Membership No. 31220)

Place: Mumbai
Date: April 17, 2006

Balance Sheet

as at March 31, 2006

	Schedules	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	158,628,980	151,669,700
Reserves & Surplus	2	102,787,227	78,211,779
		261,416,207	229,881,479
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	122,696,571	120,655,690
Less: Depreciation		94,985,775	72,637,866
Net Block		27,710,796	48,017,824
Capital Advances		1,604,280	—
		29,315,076	48,017,824
Investments	4	47,691,191	81,595,777
Deferred Tax Asset (net)		6,868,000	2,847,502
Current Assets, Loans & Advances			
Sundry Debtors	5	27,896,767	935,033
Cash & Bank Balances	6	137,708,470	147,456,458
Loans & Advances	7	196,394,187	81,670,323
		361,999,424	230,061,814
Less: Current Liabilities & Provisions	8		
Current Liabilities		34,502,223	35,940,102
Provisions		149,955,261	96,701,336
		184,457,484	132,641,438
Net Current Assets		177,541,940	97,420,376
		261,416,207	229,881,479
Significant Accounting Policies/Notes to the Accounts	13		
Schedules 1 to 13 annexed hereto form part of the Financial Statements			
As per our Report of even date attached. For and on behalf of S. B. Billimoria & Co. Chartered Accountants		For and on behalf of the Board S M Datta Chairman	
Udayan Sen Partner		Shahzaad Dalal Vice Chairman & Managing Director	
Place : Mumbai Date: April 17, 2006		Sanjay Mitra Company Secretary	

Profit & Loss Account

for the year ended March 31, 2006

	Schedules	For the Year ended March 31, 2006 Rupees	For the Year ended March 31, 2005 Rupees
INCOME			
Income from Fund Management	9	219,245,970	155,946,999
Income from Investments/Loans	10	24,537,979	22,276,116
Other Income (Tax deducted at source Rs. 158,453/- Previous year Rs. 123,000/-) (Refer Note 6 on Schedule 13)		9,627,351	2,602,368
		253,411,300	180,825,483
EXPENSES			
Staff Expenses	11	67,284,732	47,200,351
Operating Expenses	12	54,262,409	29,432,758
		121,547,141	76,633,109
Profit before Depreciation and Tax		131,864,159	104,192,374
Depreciation		24,329,213	24,036,074
Operating Profit for the year		107,534,946	80,156,300
Profit/(Loss) on assets sold/written off (net)		74,161	(9,151)
Depreciation in Investments written back		—	3,569,651
Profit before Taxation		107,609,107	83,716,800
Income Tax			
– Current Tax		37,000,000	30,800,000
– Fringe Benefit Tax		3,125,000	—
– Deferred Tax (Asset)/Liability (net)		(4,020,498)	145,290
– Earlier Years Tax (net)		—	553,141
Net Profit after Taxation		71,504,605	52,218,369
Balance brought forward from previous year		18,924,891	23,908,185
		90,429,496	76,126,554
Less: Appropriations			
Transferred to General Reserve		7,175,000	5,230,270
Proposed Dividend		55,513,143	45,494,910
Tax on Dividend		7,785,718	6,476,483
Profit and Loss Balance carried forward to Balance Sheet		19,955,635	18,924,891
Earnings Per Share (EPS) (Equity shares, Face value Rs. 10 each)			
Basic		4.63	3.48
Diluted		4.42	3.48
Weighted Average Number of shares used in computing earnings per share			
Basic		15,450,840	14,999,581
Diluted		16,175,123	14,999,581
Significant Accounting Policies/Notes to the Accounts	13		

Schedules 1 to 13 annexed hereto form part of the Financial Statements

As per our Report of even date attached.

For and on behalf of

S. B. Billimoria & Co.

Chartered Accountants

Udayan Sen

Partner

Place : Mumbai

Date: April 17, 2006

For and on behalf of the Board

S M Datta

Chairman

Shahzaad Dalal

Vice Chairman & Managing Director

Sanjay Mitra

Company Secretary

Cash Flow Statement

for the year ended March 31, 2006

Particulars		March 31, 2006 Rupees		March 31, 2005 Rupees
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit as per Profit & Loss Account		107,609,107		83,716,800
Adjustment for:				
Depreciation	24,329,213		24,036,074	
Leave Encashment	1,705,636		1,613,775	
Debts/Advances written off	202,892		12,851	
Diminution in value of Investments	—		(3,569,651)	
Dividend from Long Term Investments	(10,236,778)		(4,665,000)	
Interest Income	(9,025,403)		(5,765,783)	
(Profit) on sale of Long Term Investments	(3,623,500)		(10,589,335)	
(Profit)/Loss on sale of Fixed Assets	(74,161)		9,151	
		3,277,899		1,082,082
Net Profit before Working Capital Changes		110,887,006		84,798,882
Adjustments for:				
Decrease/(Increase) in Trade & Other Receivables		(26,961,734)		196,620
Decrease/(Increase) in Current Investments		9,081,726		(10,620,875)
Decrease/(Increase) in Advances		(46,948,781)		13,142,003
Increase/(Decrease) in Trade and Other Payables		(2,334,700)		351,049
Cash Flow after Working Capital Changes		43,723,517		87,867,679
Income Tax Paid (Net)		(40,289,886)		(32,373,617)
Net cash generated from operating activities (A)		3,433,631		55,494,062
B CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets/Capital Advances		(5,838,306)		(1,453,660)
Proceeds from sale of Fixed Assets		286,002		732,284
Purchase of Investments		(100,000)		(2,350,000)
Proceeds from sale of Investments		28,546,360		19,021,382
Decrease/(Increase) in Deposits/Loans		42,200,000		(60,600,000)
Dividend Income		10,236,778		4,665,000
Interest received		9,137,313		5,577,844
Net cash generated from/(used in) investing activities (B)		84,468,147		(34,407,150)
C CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Issuance of Share Capital		23,328,984		5,798,016
Dividend paid		(50,978,750)		(41,620,098)
Net cash (used in) financing activities (C)		(27,649,766)		(35,822,082)
Net Increase in cash & cash equivalents (A)+(B)+(C)		60,252,012		(14,735,170)
Cash & cash equivalents at the beginning of the year		77,456,458		92,191,628
Cash & cash equivalents at the end of the year		137,708,470		77,456,458
Cash & Cash equivalents				
Cash & Bank balance as per schedule 6		137,708,470		147,456,458
Less: Bank deposits for more than 90 days		—		70,000,000
Cash & cash equivalents at the end of the year		137,708,470		77,456,458

Schedules 1 to 13 annexed hereto form part of the Financial Statements

As per our Report of even date attached.

For and on behalf of

S. B. Billimoria & Co.

Chartered Accountants

Udayan Sen

Partner

Place : Mumbai

Date: April 17, 2006

For and on behalf of the Board

S M Datta

Chairman

Shahzaad Dalal

Vice Chairman & Managing Director

Sanjay Mitra

Company Secretary

Schedules

	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
SCHEDULE 1 : SHARE CAPITAL		
Authorised 30,000,000 Equity shares of Rs.10/- each	300,000,000	300,000,000
Issued, Subscribed & Paid-up (Refer Note 3 on Schedule 13) 15,860,898 Equity shares of Rs. 10/- each fully paid-up (Previous year 15,164,970 Equity shares of Rs. 10/- each fully paid-up) Add : Forfeited shares	158,608,980 20,000 158,628,980	151,649,700 20,000 151,669,700
SCHEDULE 2 : RESERVES & SURPLUS		
Share Premium Balance as per previous Balance Sheet Add: Received upon issuance of shares	12,686,888 16,369,704 29,056,592	8,959,592 3,727,296 12,686,888
General Reserve Balance as per previous Balance Sheet Add: Transferred from Profit & Loss Account	46,600,000 7,175,000 53,775,000	41,369,730 5,230,270 46,600,000
Profit and Loss Account Balance	19,955,635 102,787,227	18,924,891 78,211,779

Schedules

contd.

(Rupees)

SCHEDULE 3 : FIXED ASSETS
(Refer note 1(a) and (b) on Schedule 13)

Description of Assets	GROSS BLOCK (AT COST)					DEPRECIATION			NET BLOCK	
	Cost as on 01.04.2005	Additions/ Adjustments	Deductions/ Adjustments	Cost as on 31.03.2006	Up to 31.03.2005	For the year	Adjustments/ Disposals	Up to 31.03.2006	As At 31.03.2006	As At 31.03.2005
Tangible Assets										
Furniture & Fixtures	2,238,251	1,247,880	—	3,486,131	986,131	579,399	—	1,565,530	1,920,601	1,252,120
Office Equipments	1,181,579	297,184	(485,412)	993,351	921,467	159,381	(439,899)	640,949	352,402	260,112
Vehicles	260,285	33,188	(214,946)	78,527	30,992	69,675	(73,317)	27,350	51,177	229,293
Computers	3,876,064	1,407,774	(1,492,787)	3,791,051	2,839,570	865,528	(1,468,088)	2,237,010	1,554,041	1,036,494
Total (A)	7,556,179	2,986,026	(2,193,145)	8,349,060	4,778,160	1,673,983	(1,981,304)	4,470,839	3,878,221	2,778,019
Intangible Assets										
Computer Software	—	1,248,000	—	1,248,000	—	35,328	—	35,328	1,212,672	—
Business Know-how, Management & Advisory Contracts	113,099,511	—	—	113,099,511	67,859,706	22,619,902	—	90,479,608	22,619,903	45,239,805
Total (B)	113,099,511	1,248,000	—	114,347,511	67,859,706	22,655,230	—	90,514,936	23,832,575	45,239,805
Total (A+B)	120,655,690	4,234,026	(2,193,145)	122,696,571	72,637,866	24,329,213	(1,981,304)	94,985,775	27,710,796	48,017,824
Previous Year	123,044,143	1,453,660	(3,842,113)	120,655,690	51,702,472	24,036,074	(3,100,680)	72,637,866	48,017,824	—

Schedules

contd.

	Number *	Face Value	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
SCHEDULE 4 : INVESTMENTS (Refer note 1(c) & 1(d) on Schedule 13)				
LONG TERM TRADE INVESTMENTS (at cost)				
Quoted Shares (Fully paid)				
Spentex Industries Limited (Refer Note below) (164,828 shares sold during the year)	65,957 (429,200)	10	1,319,140	4,292,000
Sub Total (A)			1,319,140	4,292,000
Unquoted Shares (Fully Paid)				
IL&FS Trust Company Limited	1,425 (1,425)	100	712,500	712,500
Green Gas Limited (10,000 Shares purchased during the year)	10,000 (Nil)	10	100,000	—
Sub Total (B)			812,500	712,500
Units of Venture Fund (Unquoted)				
Auto Ancillary Fund (990 Units redeemed during the year)	Nil (990)	5,000	—	4,950,000
Information Technology Fund (3,400 Units redeemed during the year)	Nil (3,400)	5,000	—	17,000,000
South Asian Regional Apex Fund	5,900 (5,900)	5,000	27,250,000	27,250,000
Leverage India Fund	100 (100)	1,000	100,000	100,000
Sub Total (C)			27,350,000	49,300,000
Total Long Term Trade Investments (D) = (A+B+C)			29,481,640	54,304,500
CURRENT NON TRADE INVESTMENTS (Refer note 9 on Schedule 13)				
Units of Mutual Fund (Quoted)				
Units of Morgan Stanley Mutual Fund – Growth Plan	378,515 (378,515)	10	3,198,452	3,198,452
Units of Prudential ICICI Floating Rate Plan – Dividend	Nil (1,387,320.752)	10	—	13,931,052
Units of Templeton Floating Rate Income Fund Short Term Plan	Nil (1,017,924.754)	10	—	10,161,773
Units of Kotak Liquid (Institutional) - Daily Dividend	1,227,590.456 (Nil)	10	15,011,099	—
Total Current Investments (E)			18,209,551	27,291,277
TOTAL (D+E)			47,691,191	81,595,777
Aggregate book value of quoted investments			19,528,691	31,583,277
Aggregate market value of quoted investments			33,364,711	40,090,893
Aggregate book value of unquoted investments			28,162,500	50,012,500
Note: Number of Shares have been adjusted consequent to the reduction in capital of Spentex Industries Limited				
* Figures in brackets indicate that of Previous year				

Schedules

contd.

	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
SCHEDULE 5 : SUNDRY DEBTORS (Unsecured, considered good)		
Outstanding for more than six months	2,118,750	—
Other Debts	25,778,017	935,033
	27,896,767	935,033
SCHEDULE 6 : CASH & BANK BALANCES		
Cash in hand	29,547	58,266
Balance with Scheduled Banks		
– in Current Accounts (including in unclaimed dividend account Rs. 3,740,731/- Previous year Rs. 2,843,909/-)	12,678,953	3,598,192
– in Fixed Deposits	124,999,970	143,800,000
	137,708,470	147,456,458
SCHEDULE 7 : LOANS AND ADVANCES (Unsecured unless otherwise stated, considered good)		
Interest Accrued but not due	3,701,485	3,813,395
Advance Tax	89,132,557	48,842,672
Advances Recoverable in cash or in kind or for value to be received (Secured to the extent of Rs. 737,355/- Previous year Rs. 391,509/-) (Refer Note 7 (iii) & 12 on Schedule 13)	103,560,145	29,014,256
	196,394,187	81,670,323
SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities		
Sundry Creditors – Other than Small Scale Industrial Undertakings	26,095,301	15,398,989
Fees Received in advance	2,550,361	16,492,189
Amounts to be Credited to Investor Education and Protection Fund		
– Unclaimed Dividend (Refer Note 5 on Schedule 13)	3,740,731	2,843,909
Other Liabilities	2,115,830	1,205,015
Total (A)	34,502,223	35,940,102
B. Provisions		
Provision for Tax	81,825,000	41,700,000
Leave Encashment	4,831,400	3,125,764
Proposed Dividend	55,513,143	45,494,910
Tax on Proposed Dividend	7,785,718	6,380,662
Total (B)	149,955,261	96,701,336
Total (A+B)	184,457,484	132,641,438

Schedules

contd.

	For the Year ended March 31, 2006 Rupees	For the Year ended March 31, 2005 Rupees
SCHEDULE 9 : INCOME FROM FUND MANAGEMENT		
Fees from Fund Management (Tax deducted at source Rs. 9,740,948/- Previous year Rs. 6,521,949/-)	219,245,970	155,946,999
	219,245,970	155,946,999
SCHEDULE 10 : INCOME FROM INVESTMENTS/ LOANS		
Dividend Income		
– Long term trade investments	10,236,778	4,665,000
– Current non trade Investments	1,567,923	1,255,998
Profit on sale of Investments		
– Long term trade investments	3,623,500	10,589,335
– Current non trade Investments	84,375	—
Interest Income on Deposits/ Loans (Tax deducted at source Rs. 1,092,671/- Previous year Rs. 739,984/-)	9,025,403	5,765,783
	24,537,979	22,276,116
SCHEDULE 11: STAFF EXPENSES		
Salaries and Allowances	56,409,306	38,949,652
Contribution to Provident Fund & Other Funds	7,841,366	6,035,335
Staff Welfare Expenses	3,034,060	2,215,364
	67,284,732	47,200,351
SCHEDULE 12 : OPERATING EXPENSES		
Rent	10,650,682	9,750,199
Rates & Taxes	155,188	189,966
Electricity & Water Charges	298,647	131,474
Postage & Telecommunication	1,725,730	1,546,810
Printing & Stationery	677,074	521,156
Travelling & Conveyance	12,044,823	5,665,947
Motor Car Expenses	1,194,435	979,037
Debts/Advances Written Off	202,892	12,851
Insurance	732,627	476,630
Repairs and Maintenance – Others	1,145,256	1,279,817
Legal & Professional Expenses	5,415,718	2,990,191
Directors' Sitting Fees	554,000	535,000
Loss on sale of current investments	—	46,524
Underwriting and Placement Fees	10,000,000	—
Other Expenses (Refer Note 6 on Schedule 13)	9,465,337	5,307,156
	54,262,409	29,432,758

Schedules

contd.

SCHEDULE 13 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. Significant Accounting Policies

The financial statements are prepared under the historical cost convention, in accordance with the Generally Accepted Accounting Principles, and the provisions of the Companies Act, 1956, as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognised on the accrual basis

(a) Fixed Assets

Fixed Assets are stated at cost of acquisition

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)
Furniture & Fixtures	5
Computer Equipment	3
Office Equipment	4
Office Vehicles	4
Software	3

(b) Other Intangible Assets represents business know how, value of Management & Advisory Contracts and related intangible assets acquired by the Company. These Intangible Assets are amortised over the estimated useful life of 5 years on straight-line method. As on March 31, 2006, the unamortised life of the other intangible assets is 1 year

(c) Long Term Investments

Long term investments have been stated at cost net of diminution in the value of investments, to the extent it represents, in the opinion of the management, a permanent impairment in the values

(d) Current Investments

Current Investments is valued at lower of cost or market/fair value, computed scrip-wise

(e) Revenue

Management fee income on funds under management and advisory fee income are recognised based on contractual arrangements. Dividend income from units of Mutual Funds is recognised on distribution by the fund and dividend from companies is accrued when such dividend has been declared and unconditional right to receive is established

(f) Foreign Currency Transactions

(i) Foreign Currency transactions are accounted at the rates prevailing on the date of the transaction. Assets/Liabilities related to foreign currency transactions are restated at the year end rates

(ii) The exchange difference on settlement/restatement of foreign currency transactions, other than those relating to acquisition of fixed assets, are charged to Profit & Loss Account. In case the exchange difference relates to acquisition of fixed assets acquired from outside India, it is adjusted to the cost of the asset

(g) Retirement Benefits

(i) The Company has retirement benefits schemes, such as Provident Fund, Superannuation Fund and Gratuity Fund, which are recognised by the Income Tax Authorities and are administered under Trusts. The Company's contributions to these funds are charged to the Profit and Loss Account every year. The contribution to the Gratuity Fund is made, based on the actuarial valuation determined at the end of each year

(ii) The Company's liability in respect of accumulated leave salary is provided for in the Profit and Loss Account, based on an actuarial valuation

(h) Income Tax

Income Tax comprises the current tax, fringe benefit tax and the net change in the deferred tax asset or liability in the year. Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences between the carrying values of the assets and liabilities and their respective tax bases. Deferred tax assets which are not in the nature of unabsorbed depreciation or carry forward losses under tax laws, are recognised subject to management's judgment that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the income statement in the period of substantial enactment of the change

2. Capital Commitments (net of Advances) not provided for Rs 1,400,000/- (Previous year Rs Nil)

Schedules

contd.

3. Employee Stock Option Plan

(a) The particulars of the Options distributed under ESOP 2003 and ESOP 2004 are as follows:

Particulars	ESOP 2003	ESOP 2004
Eligibility	Directors & Employees	Directors & Employees
Vesting period for options granted during the year	One year from date of grant	One 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 for ESOP 2003 and ESOP 2004 is as follows:

Particulars	ESOP 2003		ESOP 2004	
	Quantity	Weighted Average Exercise Price *	Quantity	Weighted Average Exercise Price *
No. of Options authorised to be Granted	801,115	—	1,500,000	—
Options Granted and outstanding at the beginning of the year	179,928	28.00	918,000	35.00
Options Granted during the year	438,865	78.51	495,000	70.36
Options Forfeited during the year	Nil	—	Nil	—
Options Exercised during the year	146,928	28.00	549,000	35.00
Options Lapsed during the year	24,750	70.00	30,250	70.00
Options Granted and outstanding at the end of the year	447,115	75.26	833,750	54.72
Options Vested and Exercisable at the end of the year	33,000	28.00	369,000	35.00

* determined at the time of grant

(c) The Company calculates the employee compensation cost using the Intrinsic Value of the Options. As the Exercise Price of the Options granted is based on the Market Price as on the date of the Grant, the Intrinsic Value of the Options is Rs Nil. The weighted average Fair Value of the Options granted during the year is Rs 25.97. In the event the Company had used the Fair Value of Options (calculated by external valuers using Black Scholes Model) for calculating the employee compensation cost, the employee compensation cost of the Options granted would have been Rs 19,081,729/- which would have reduced the Profit before Tax of the Company by Rs 19,081,729/- and the Basic and Diluted EPS would have reduced to Rs 3.39 and Rs 3.24 respectively

(d) The weighted average Market Price at the date of exercise, for Options exercised during the year is Rs 132.70

(e) The range of Exercise Price for Stock Options outstanding as at March 31, 2006 is Rs 28/- to Rs 176/- and the weighted average remaining contractual life is 3 years and 9 months

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

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 given by the management, which is as below:

(i) 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 year from the date of Grant. The Option can be exercised at any time upto 4 years from the vesting date

Considering above on an average 3 years has been assumed as expected life of options

(ii) Risk free interest rate has been assumed at 7.5%

Schedules

contd.

- (iii) Share Price is the market price on the National Stock Exchange (exchange on which highest volume for the Company's shares is recorded) with reference to the Grant Date
- (iv) Volatility is calculated based on period to represent 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
- 4. 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, 2006 the timing difference has resulted in a net deferred tax asset of Rs 4,020,498/-
 - (b) The deferred tax asset recognized in the accounts as of March 31, 2006 are as follows:

Timing Differences	2005 Asset/(Liability) Rs.	Adjusted during the year Rs.	2006 Asset/(Liability) Rs.
Net Depreciation	2,091,633	3,439,883	5,531,516
Other deferrals (Net)	755,869	580,615	1,336,484
Total	2,847,502	4,020,498	6,868,000

- 5. Unclaimed dividend of Rs 3,740,731/- relates to the period from 1999-2000 to 2004-2005. Since no part thereof has remained unpaid or unclaimed for a period of 7 years from the date they became due for payment, there is no amount due for transfer to the Investor Education and Protection Fund during the year
- 6. Other Income includes gain on foreign exchange fluctuation aggregating Rs 348,733/- (Previous Year Rs. Nil), Other expenses includes loss on foreign exchange fluctuation aggregating Rs Nil (Previous Year Rs 20,014/-)
- 7. **Related Party Disclosures**
 - (i) Transactions with Shareholders of the Company having more than 20% Shareholding :

(Amount Rupees)

Name of the Entity	Nature of Transaction	Amount of Transaction	Outstanding Balance As on March 31, 2006
Infrastructure Leasing & Financial Services Ltd.	Expense		
	Reimbursement of administrative expenses	2,370,860 (621,586)	1,625,091 (Dr. 35,874)
	Rent	7,907,910 (7,286,910)	Nil (Nil)
	Underwriting Fees	10,000,000 (Nil)	Nil (Nil)
	Income		
	Advisory Fees	5,000,000 (Nil)	Dr. 5,510,000 (Nil)
	Interest Received	Nil (133,743)	Nil (Nil)

(Figures in brackets represent previous year transactions)

Schedules

contd.

(ii) Transactions with the Associates in which the Company is having more than 20% Shareholding:

(Amount Rupees)

Name of the Entity	Nature of Transaction	Amount of Transaction	Outstanding Balance As on March 31, 2006
IL&FS Trust Company Ltd.	Dividend Income	855,000 (570,000)	Nil (Nil)
	Investment	Nil (Nil)	712,500 (712,500)

(Figures in brackets represent previous year transactions)

(iii) Transactions with Key Management Personnel together with Relatives of such Personnel

Key Management Personnel	Relative
Mr Shahzaad Dalal Vice Chairman & Managing Director	Mrs Nafisa Dalal Spouse of Mr Shahzaad Dalal

Nature of Transactions	Amount (Rs)
Premises Deposit paid	10,000,000 (Nil)
Premises Deposit refunded	Nil (4,000,000)
Rent for Premises occupied	582,500 (950,000)
Balance Premises Deposit (Maximum amount outstanding during the year is Rs. 12,500,000/- Previous Year Rs. 6,500,000/-)	12,500,000 (2,500,000)

(Figures in brackets represent previous year transactions)

The details of payment to the Whole-Time Directors are available under the heading 'Managerial Remuneration'

(iv) Employee Welfare Trust

Nature of Transactions	Amount (Rs)
Repayment of Loan	1,945,132 (2,824,731)
Disbursement of Loan	27,800,000 (21,735,181)
Interest Income	2,333,002 (138,441)
Balance Loan recoverable	51,707,723 (23,519,853)

(Figures in brackets represent previous year transactions)

Schedules

contd.

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

	(Rupees)	For the year ended March 31, 2006 (Rupees)	For the year ended March 31, 2005 (Rupees)
(i) Managerial Remuneration:			
(a) Remuneration to Whole Time Directors			
Salary including Performance Related Pay (PRP)		6,869,920	5,365,866
Perquisites		780,551	1,273,554
Contribution to Provident Fund and Other Fund		777,600	583,200
		8,428,071	7,222,620
(b) Remuneration to Non Whole Time Director			
Sitting Fees		554,000	535,000
Commission		1,150,000	875,000
(c) Computation of net profit in accordance with Section 198 and other Sections of the Companies Act, 1956 in respect of remuneration payable to Directors (including Whole Time Directors)			
Profit before Tax		107,609,107	83,716,800
Add: Managerial Remuneration	8,428,071		
Directors' Sitting Fees	554,000		
Commission to Non Whole Time Directors	1,150,000	10,132,071	8,641,771
Less: Depreciation in Investments written back		—	3,569,651
Net Profit as per Section 198		117,741,178	88,788,920
Maximum permissible remuneration computed @ 5% of Net Profit payable to Whole Time Directors		5,887,059	4,439,446
Maximum Commission payable to Non Whole Time Directors computed @ 1% of Net Profit		1,177,412	887,889
Commission payable to Non Whole-Time Chairman			
Maximum allowed as per Companies Act, 1956 at 1%		1,177,412	887,889
Commission payable restricted to		1,150,000	875,000
The above includes PRP to Whole Time Director provided in aggregate, which have been disclosed as remuneration on cash basis.			
The remuneration to the Whole Time Director Rs. 2,541,012/- (Previous Year Rs. 2,783,174/-) in excess of the limits specified in Section 198 and Section 349 of the Companies Act, 1956, is subject to the approval of the Central Government			
(ii) Expenditure in foreign currency (on accrual basis) on			
(a) Travelling		5,302,555	1,303,695
(b) Conference & Seminar		1,353,690	92,881
(c) Books & Periodicals		110,845	20,136
(d) Legal & Professional fees		1,523,859	910,000
(e) Communication expenses		27,468	Nil
(f) Business Promotion expenses		100,177	Nil

Schedules

contd.

	(Rupees)	For the year ended March 31, 2006 (Rupees)	For the year ended March 31, 2005 (Rupees)
(iii) Earnings in Foreign Currency (on accrual basis) on Income from Fund Management		22,026,649	30,533,150
(iv) Legal and Professional expenses include amounts paid/payable to the auditors towards			
Audit Fee		375,000	375,000
Tax Audit Fee		40,000	40,000
Other services including Company law matters		187,500	185,000
Out of Pocket Expenses		15,742	26,033
Service tax of Rs. 70,941/- (Previous year Rs. 59,670/-) has not been debited to the Profit & Loss Account but has been adjusted against service tax payable on output services.			
(v) Particulars of Dividend paid to non-resident shareholders			
– Year to which dividend relates		2004-2005	2003-2004
– Number of non-resident shareholders (nos)		2	2
– Number of shares held by them (nos)		1,864,144	1,864,144
– Gross amount of dividend (Rs.)		5,592,432	4,660,360

9. The quantitative details of current investment which is treated as stock in trade are:

Particulars	Opening Balance	Purchased during the year	Sold during the year	Closing Balance
	(Quantity in Units)			
Morgan Stanley Mutual Fund	378,515	Nil	Nil	378,515
Prudential ICICI Floating Rate Plan (Dividend)	1,387,320.752	41,637.864	1,428,958.616	Nil
Templeton Floating Rate Income Fund Short Term Plan (Dividend)	1,017,924.754	19,660.846	1,037,585.600	Nil
UTI Floating Rate Fund – Short Term Plan (Dividend)	Nil	5,011,398.407	5,011,398.407	Nil
UTI Liquid Cash Plan Institutional – Daily Income	Nil	17,159.398	17,159.398	Nil
SBI Magnum Institutional Income – Savings – Dividend	Nil	2,894,836.682	2,894,836.682	Nil
Kotak Liquid (Institutional) – Daily Dividend	Nil	5,229,478.634	4,001,888.178	1,227,590.456

10. Segment Reporting

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

11. 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 – Rs 11,092,332/-
- (ii) later than one year and not later than five years – Rs 9,030,270/-
- (iii) later than five years – Rs Nil

Schedules

contd.

During the current year ended March 31, 2006 the lease payments recognised in the Profit and Loss account for the aforesaid arrangement amounts to Rs 7,191,175/-

12. Advances recoverable in cash or in kind or value to be received includes amount due from Companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956

Particulars	Balance as at March 31, 2006 (Rs.)	Maximum Amount Outstanding at any time during the year (Rs.)
Tamil Nadu Road Development Company Limited	25,165 (16,028)	25,165 (16,028)
Gujarat Toll Road Investment Company Limited	Nil (25,612)	25,612 (25,612)
IL&FS Investsmart Limited	Not Applicable (Nil)	Not Applicable (468,500)

(Figures in brackets represent previous year transactions)

13. Figures for the previous year have been regrouped and rearranged wherever considered necessary

Schedules 1 to 13 annexed hereto form part of the Financial Statements

As per our Report of even date attached.

For and on behalf of

S. B. Billimoria & Co.

Chartered Accountants

Udayan Sen

Partner

Place : Mumbai

Date: April 17, 2006

For and on behalf of the Board

S M Datta

Chairman

Shahzaad Dalal

Vice Chairman & Managing Director

Sanjay Mitra

Company Secretary

Balance Sheet Abstract

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.	:	147981	State Code
Balance Sheet Date	:	31.03.2006	:
II. Capital raised during the year (Amount in Rs. Thousands)			
Public Issue	:	Nil (Nil)	Right Issue
			:
Bonus Issue	:	Nil (Nil)	Private Placement
			:
			6,959 (2,070)
III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)			
Total Liabilities	:	261,416 (229,882)	Total Assets
			:
			261,416 (229,882)
Sources of Funds			
Paid up Capital	:	158,629 (151,670)	Reserves & Surplus
			:
			102,787 (78,212)
Secured Loans	:	Nil (Nil)	Unsecured Loans
			:
			Nil (Nil)
Application of Funds			
Net Fixed Assets	:	29,315 (48,018)	Investments
			:
			47,691 (81,596)
Net Current Assets	:	184,410 (100,268)	Miscellaneous Expenditure
			:
			Nil (Nil)
Accumulated Losses	:	Nil (Nil)	
IV. Performance of company (Amount in Rs. Thousands)			
Turnover	:	253,411 (180,825)	Expenditure
			:
			145,802 (97,109)
Profit/Loss Before Tax	:	107,609 (83,716)	Profit/Loss after tax
			:
			71,505 (52,218)
Basic Earnings per Share	:	4.63 (3.48)	Dividend rate %
			:
			35% (30%)
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

Shahzaad Dalal
Vice Chairman & Managing Director

Sanjay Mitra
Company Secretary

Place : Mumbai
Date: April 17, 2006

Notice

Notice is hereby given that the Twentieth Annual General Meeting of the Members of the Company will be held on Thursday, July 6, 2006 at 10.00 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, 2006, the Profit & Loss Account for the year ended as on that date and the Reports of the Auditors and Directors thereon
- (2) To declare dividend on Equity Shares for the year ended March 31, 2006
- (3) To appoint a Director in place of Mr Pradip Roy 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

Special Business

- (5) To consider and if thought fit to pass the following resolution, with or without modifications, as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of the Companies Act, 1956, M/s Deloitte Haskins & Sells, Chartered Accountants, Mumbai be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, in place of M/s S. B. Billimoria & Co., Chartered Accountants who have expressed their unwillingness for being re-appointed as the Auditors of the Company, at a remuneration to be fixed by the Board of Directors of the Company"

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds, matters and things as may be necessary to implement this resolution"

- (6) To consider and if thought fit to pass the following resolution, with or without modifications, as an Ordinary Resolution:

"RESOLVED THAT Mr S Hariharan, Director, who was appointed in the casual vacancy caused by the resignation of Mr G Narayanan and who holds office upto the date of the ensuing Annual General Meeting and being eligible offers himself for re-appointment, be and is hereby re-appointed as a Director of the Company, liable to retire by rotation"

By Order of the Board of Directors

SANJAY MITRA
Company Secretary

Registered Office:

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

Dated : April 17, 2006

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 atleast 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 June 27, 2006 to July 6, 2006 (both days inclusive). The Dividend as recommended by the Directors if approved by the shareholders will be payable on or after July 6, 2006

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 the same set of names under different Ledger Folios are requested to apply for consolidation of such folios along with relevant share certificates to the Company's Registrars. Members are also requested to intimate the Registrar and Transfer Agents of the Company of any change in their registered address. Members holding shares in dematerialised mode should intimate their respective Depository Participants of their change in address
6. 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 send the same to the Registrar and Transfer Agents of the Company. Please note that the dividend paid for 1999-2000 is due for transfer next year
7. The Company has introduced the Electronic Clearing Service for payment of dividend to the members. The members are requested to avail of the facility
8. The resolutions regarding the re-appointment of Mr Pradip Roy, Mr Vibhav Kapoor and Mr S Hariharan as Directors of the Company are placed before the members. As per Clause 49 of the Listing Agreement with the Stock Exchanges the following particulars of Mr Pradip Roy, Mr Vibhav Kapoor and Mr S Hariharan are being provided:

Mr Pradip Roy:

Mr Roy is a Science Graduate in Petroleum Engineering, a MBA, a CAIIB and also holds a Certificate in Investment Appraisal & Management from Harvard University. He is presently Chief General Manager, Large Corporate Branch, Industrial Development Bank of India

Mr Roy has worked with Indo-Burma Petroleum Co. Ltd. and Bank of India. He has vast experience in project finance across sectors, restructuring of companies, merchant banking and corporate advisory services. He was also a member of the task force set up for drawing the business plan of IDFC. He is also a member of the Audit Committee of the Company. He does not hold any shares in the Company as of March 31, 2006

Other Directorships:

Name of Company	Position held	Member of Committee
J K Corporation Ltd	Director	Audit Committee
CESC Limited	Director	Remuneration Committee
Sara Fund Trustee Company Private Limited	Director	—
Vadinar Oil Terminal Limited	Director	—

Mr Vibhav Kapoor:

Mr Vibhav Kapoor is a M.B.A. from Shimla. 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 monitoring, executing trades relating to equity investments and guiding the treasury team in various transactions relating to foreign exchange & money management. 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 as the Managing Director of IL&FS Asset Management Company Limited. He is also a member of the Audit Committee, Compensation Committee and the Shareholders'/Investors' Grievance Committee of the Company. He holds 50,000 shares in the Company as of March 31, 2006

Other Directorships :

Name of Company	Position held	Member of Committee
IL&FS Finvest Limited	Director	Audit Committee
IL&FS Investsmart Limited	Director	—
Sara Fund Trustee Company Private Limited	Director	—
ORIX Auto & Business Solutions Limited	Director	Compensation Committee Share Transfer & Allotment Committee
IL&FS Transportation Networks Limited	Director	—

Mr S Hariharan:

Mr S Hariharan is a CAIIB. He is currently the General Manager (Corporate Services) of Bank of India and has significant experience in the banking industry in various capacities with the bank. He does not hold directorships in other companies and as on March 31, 2006, he also does not hold any shares in the Company

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item No. 5

M/s S. B. Billimoria & Co., Statutory Auditors of the Company, have expressed their unwillingness for being re-appointed as the Statutory Auditors of the Company at the ensuing Annual General Meeting

In view of the above, the Board of Directors of the Company have appointed M/s Deloitte Haskins & Sells, Chartered Accountants, Mumbai, as the Statutory Auditors of the Company, subject to the approval of members. M/s Deloitte Haskins & Sells have signified their consent to act as the Statutory Auditors of the Company, if appointed, to hold office as such from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting

The Company has also received a notice under the provisions of the Companies Act, 1956, proposing the appointment of M/s Deloitte Haskins & Sells, Chartered Accountants, as Statutory Auditors of the Company

The Board of Directors recommend passing of this resolution

None of the Directors of the Company are concerned or interested in this resolution

Item No. 6

Mr S Hariharan was appointed as a Nominee Director of Bank of India on the Board of the Company in the casual vacancy caused by the resignation of Mr G Narayanan with effect from October 14, 2005. Since Mr Hariharan was appointed as a Nominee Director in a casual vacancy he holds office upto the date of the ensuing Annual General Meeting as per the provisions of Section 262 of the Companies Act, 1956 and Article 136 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

The Board of Directors recommend passing of this resolution

None of the Directors of the Company except Mr S Hariharan are concerned or interested in this resolution

By Order of the Board of Directors

SANJAY MITRA
Company Secretary

Registered Office:

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

Dated : April 17, 2006

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 on my/our behalf at the 20th Annual General Meeting of the Company to be held on July 6, 2006 at 10.00 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 _____ 2006,

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 20th Annual General Meeting of the Company held on July 6, 2006 at 10.00 a.m. at The Walchand Hirachand Hall, Indian Merchants' Chamber, IMC Building, IMC Marg, Churchgate, Mumbai 400 020

Signature of the Shareholder/Proxy