

# 2007 ANNUAL REPORT



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

[www.iimlindia.com](http://www.iimlindia.com)



*Beyond Borders*

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## BOARD OF DIRECTORS

Mr S M Datta

Chairman

Mr Ravi Parthasarathy

Mr Bansi S Mehta

Mr Rajaraman Viswanathan

Mr Narendra Prasad

Mr Pradip Roy

Mr Arun Saha

Mr Vibhav Kapoor

Mr Shahzaad Dalal

Vice Chairman & Managing Director

Dr Archana Hingorani

Executive Director

## COMPANY SECRETARY

Mr Sanjay Mitra

## BANKERS

HDFC Bank Limited

## AUDITORS

M/s Deloitte Haskins & Sells

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

Aum Plaza

1st Floor, No 76,

3rd Cross, Residency Road

Bangalore 560 025

## REGISTRARS & SHARE TRANSFER AGENTS

Intime Spectrum Registry Limited

C-13, Pannalal Silk Mills Compound,

L.B.S. Marg, Bhandup (West),

Mumbai - 400 078

Tel: +91-22-2596 3838

Fax: +91-22-2594 6969





**T**he onward march continues. A trillion dollar economy, India's future growth has been accepted as here to stay, rather than viewed as a passing phenomenon. During the course of the year, investments by Indian corporates and by global private equity firms continued to make headlines and despite concerns on Infrastructure, Inflation and Interest rates, Corporate India's growth remained on a high trajectory

In harnessing this growth, availability of capital is now largely being seen as an addressable issue. A positive investment climate ensures that an entrepreneur today has a variety of options for raising capital, as long as the matrix of past performance, reputation and project bankability measure up to the risk appetite of the investor

However, certain issues, which have the potential to dampen long-term growth, continue to simmer below the surface. One such issue is the availability of quality human resource to drive India's ambition for growth. India is recognised to be a young nation with a large pool of educated persons, giving us the edge in an ageing world. However a global market place requires higher skills, skills that need to be upgraded at an accelerating pace. In such a market,

being educated may not necessarily translate into being employable. And our competitive edge is only good enough till the next technology or production cycle comes along

We already face severe shortage of skilled manpower across sectors, not only in the IT/ITES domain but also in traditional sectors like textiles. This shortage gets manifested in form of high employee turnover and in higher employment costs. Acquiring talent in a high growth sector like financial services, where our company belongs, has always been challenging and the pressure has increased in the recent past

For us, retaining talent over the life of a fund, which typically varies from 6-10 years, is a challenge, compounded by an environment where a large number of international fund managers are calling on India. Our response has been twofold. On one front we strive towards enriching the work profile of our investment professionals and in the emerging global paradigm with which we are now having to deal, we work towards providing them an investment exposure, which goes beyond Indian shores. The key to retention and, more importantly, skill development, would be this continuous exposure and greater empowerment. Creation of investment verticals and assigning defined responsibilities to our Vertical Heads is part of this empowerment process

On the other front, whilst we historically have had a strong Employee Stock Option Plan in place to reward performance, going forward, we aim to strengthen performance link to remuneration through share of profits, arising from the fund's track record, which would be assignable to the team. This linkage not only rewards performance, it also helps talent retention over the fund's life

The result is a cohesive team; an experienced team, which we believe, will lead the company 'beyond borders'

With best wishes,

S.M. Datta  
May 12, 2007



## From the Vice Chairman & Managing Director's Desk



**A**s we pause to reflect on the year gone by, it is not just to take stock of what we achieved last year – the strong financials echo our team's capability, provide a quantitative benchmark of our performance, and reaffirm our leadership position in the private equity industry – it is also an important part of a continuous process to map out the future and to chart our way through a challenging and increasingly competitive environment

The last one-year has seen emergence of new paradigms, which have and will continue to chisel a new face for the private equity industry in India. First and foremost has been the quantum of private equity fund flow into India. The India growth story continues to attract pedigreed investors and it is estimated that the year 2007 may see private equity investments crossing the US\$ 10 billion mark. While the significant increase in private equity investments over the last two years is driven by the huge growth capital requirements of the country, intense competition is set to emerge among private equity players. Identifying and then nurturing portfolio companies will be the key differentiator. While domestic fund management companies and 'on-the-ground' fund management teams will continue to have an edge, the ability to undertake larger deals, quickly, will be at a premium. As investment ticket sizes drift upwards in the US\$ 15-20 mn range, the challenge would be to raise capital in sync with market needs

The successful raise of the US\$ 525 million IL&FS India Realty Fund (IIRF) in the first quarter of the financial year 2006, with participation from marquee international investors, was a clear affirmation of our capabilities and firmly placed us in a leadership position. Our endeavor will be to replicate the success of IIRF and launch similar sized funds, thus providing us sufficient mass to move up the investment value line

While IIRF was a landmark event for our company, I suspect that during the next few years, when we look back on the year 2006, we will pick one another defining event for the company – our partnerships with global players which saw our presence expand beyond Indian shores

Starting with the South Asian and the Middle East North African region, we will leverage our fund management expertise to expand on a global scale by establishing linkages with strong regional and trans-national institutions

We have aimed for and have attained a high growth curve – our revenues have grown at 67% p.a. for the last 2 years while Profit before tax has grown at 79% p.a. during the same period. Large sized successor funds and global partnerships would be a cornerstone to maintaining this pace

I believe that a decade of fund management experience, backed by the support of IL&FS and the capability of our team, has prepared us well for the global leap. I look forward to this new dimension with anticipation

With best wishes,

Shahzaad Dalal

May 9, 2007



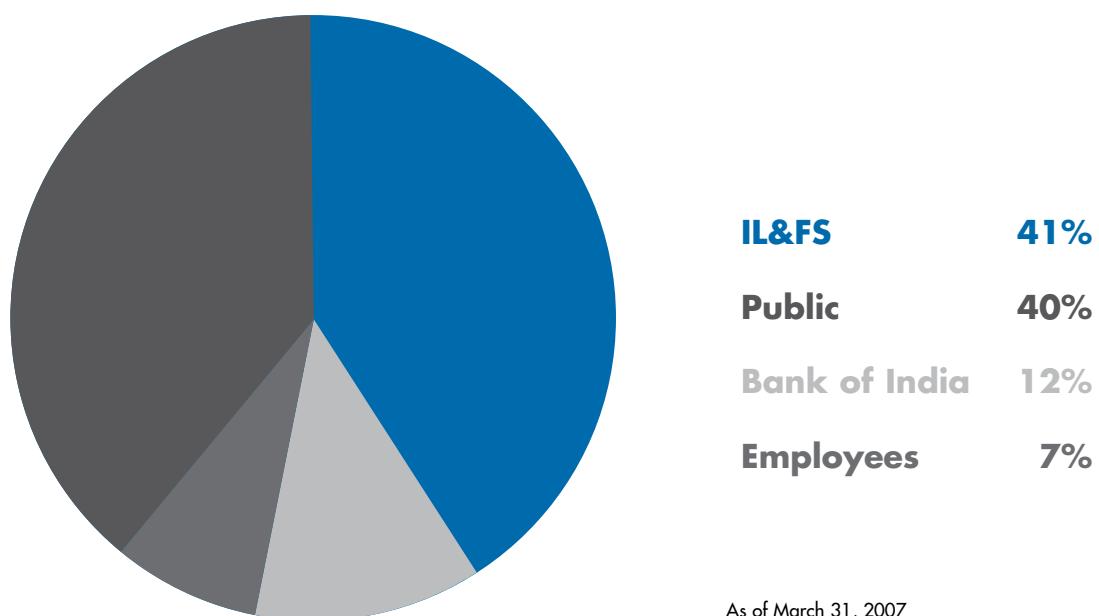
# Key Financial Parameters

## Financial Highlights

	Rs. million					
	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002
Total Income	502.93	253.41	180.83	150.08	155.96	93.17
Total Operating Costs	211.12	121.55	76.63	58.38	77.03	52.26
PBT	267.23	107.61	83.71	66.99	50.09	38.34
PBT Margin (%)	53.13	42.46	46.29	44.64	32.12	41.15
PAT	173.01	71.51	52.21	47.67	31.79	22.74
PAT Margin (%)	34.40	28.22	28.87	31.76	20.38	24.41
EPS (Basic) Rs	7.11*	4.63	3.48	3.19	2.17	1.56
Networth	398.39	261.42	229.88	223.84	217.03	210.29
Dividend	40%	35%	30%	25%	17%	19%

\* Post Bonus Issuance

## Our Stakeholders



## At the Bourses

IL&FS Investment Managers Ltd (IIML) is actively traded at the National Stock Exchange (Symbol : IVC) and at The Bombay Stock Exchange (Scrip Code : 511208)

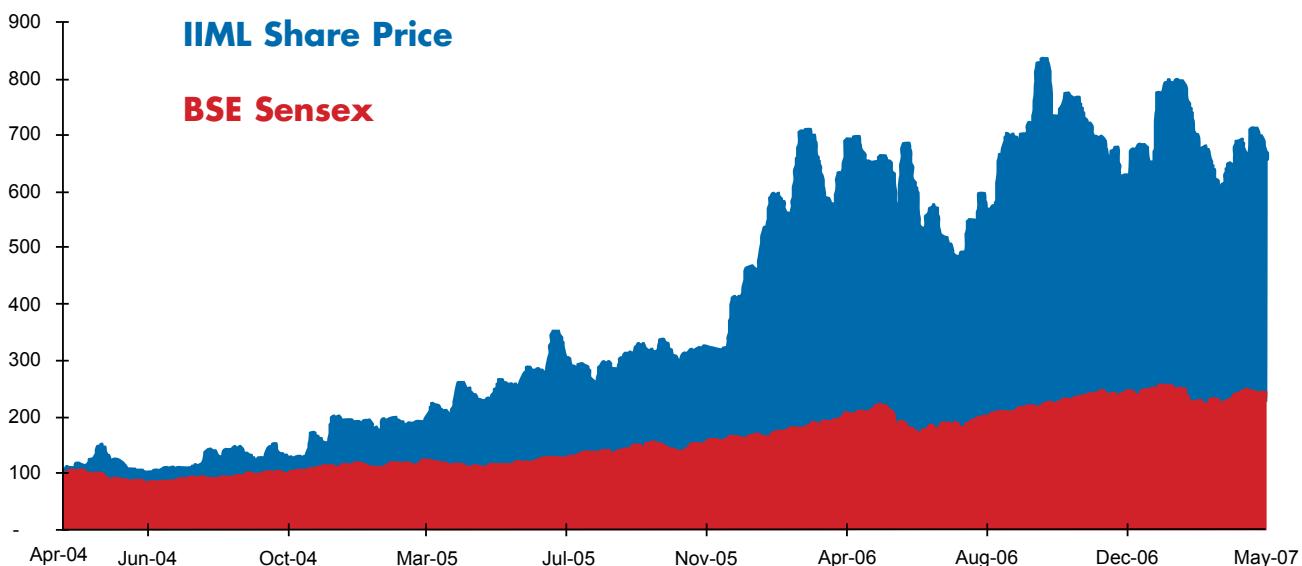
Market Capitalization	<b>Rs 3377 million</b>
Number of Outstanding shares	<b>25.71 million</b>
No of shares traded in FY2007	<b>8.99 million</b>
Value of Stock transacted at the Exchanges in FY2007	<b>Rs 1549 million</b>

As of March 31, 2007

## Returns to Our Investors

### Comparative Performance of IIML Share Price and Bombay Stock Exchange Sensex

Considered from a common base of 100



In Last 3 Years*	Growth	Return p.a.
IIML Share Price	6.4 times	85%
BSE Sensex	2.3 times	32%

\* April 2004 to March 2007

## **Ramky Infrastructure Limited**

IML believes that urban infrastructure development will be a significant economic driver in India over the next 5-10 years. The Government has identified 60 key cities and has embarked on the Rs 1,000 billion Jawaharlal Nehru National Urban Renewal Mission to fund infrastructure projects. IIML therefore seeks to focus on businesses likely to benefit from the significant quantum of investments anticipated in this sector

One such investment opportunity identified by IIML is Ramky Infrastructure Limited, a Hyderabad based construction company focused in the areas of civil, environmental and urban infrastructure. Ramky has executed orders in excess of Rs 15 billion in the past and has developed necessary skill sets to deliver on projects of high technical complexity and varying scale. Ramky has built significant in-house skills and experience in water supply, waste water / effluent treatment

and disposal, sewage treatment plants and underground drainage systems, roads, buildings and in the power sector. The Company is executing over 150 projects across 13 states and its order book is in excess of Rs 24 billion

Apart from developing a strong track record in the contracting space, the company has also been focussing on infrastructure project development, including development and management of industrial parks, public utilities, housing development projects and annuity based road projects. Ramky is, for instance, developing an integrated 2,300 acre pharma city near Vizag (Andhra Pradesh)

IIML, through one of its new funds, has invested Rs 500 million in Ramky and is presently working with the Company in expanding its scale and scope of services



*India's first Inter State Bus Terminal at Dehradun built on a Public Private Partnership by Ramky Infrastructure*

## Godrej Beverages & Foods Limited

The Indian FMCG industry is growing significantly, driven by trends such as organized retailing, favourable demographics, lifestyle changes and more importantly an eight percent plus GDP growth. Within the FMCG sector, IIML identified the processed foods segment as being at an inflection point with exponential growth driven by rising income levels, higher consumption trends, increasing health consciousness and growth of modern retail

Godrej Beverages & Foods Limited (GBFL) is one of the emerging processed foods companies in India with three main areas of focus viz. confectionery, juices and fruit based drinks, and branded tea

IIML managed funds invested a total of Rs 1120 million in GBFL, spread over two stages. The first stage funding was

used to acquire and consolidate identified foods businesses of the Godrej group into GBFL so as to build a wide portfolio of products

Recognizing the opportunity to scale up business inorganically, IIML worked with GBFL and jointly funded the acquisition of Nutrine Confectionary Company, one of the largest confectionery companies in India. The acquisition provided GBFL with significant distribution synergies as well as a highly profitable and complementary product line

In March 2007, IIML managed funds sold their stake in GBFL to the Hershey Company, which is a leading US based confectionery company, at a significant premium, providing a return of over 50% to its investors





Chennai IT Special Economic Zone (Phase I) – built by ETL Infrastructure

## ETL Infrastructure Services Limited

ETL Infrastructure Services Limited (EISL) is engaged in developing state of the art infrastructure to support the sunrise industries in South India. The Company has developed a 1.2 mn sq. ft. IT Special Economic Zone (SEZ) in Chennai. This SEZ has won Gold rating under the Leadership in Energy & Environmental Design (LEED) Green Rating System, an internationally recognized framework developed by the US Green Building Council. The Chennai SEZ has already been rented out to marquee clients. Work on the second phase of the project, consisting of approximately 2.4 mn sq. ft. of IT space has begun. The Company targets to complete the development by mid 2008

Other SEZ projects of the Company include, a Services SEZ and a Textile SEZ in Tamil Nadu. The Textile SEZ is expected to benefit from the vibrant textile industry of Tirupur and neighbouring areas. The SEZ projects offer fiscal incentives to the Company as well as the tenants. EISL is also developing a 1.4 mn sq. ft. IT Park

at Coimbatore. Work on the first phase is in progress. Given the rapid growth of Coimbatore as an IT destination, the development is expected to attract premium rentals. EISL also plans to develop a 1,000 acre integrated township at Kochi, the commercial capital of Kerala and an IT park cum Disaster Recovery Center at Bangalore

EISL also operates premium hotel properties through a subsidiary. The old Kochadi Club of Maduari, for instance, has been refurbished as a heritage hotel and is expected to commence operations by October 2007. Likewise, an old palace at Pudukottai is being refurbished as a heritage hotel. EISL has tied-up with a reputed international operator for these properties

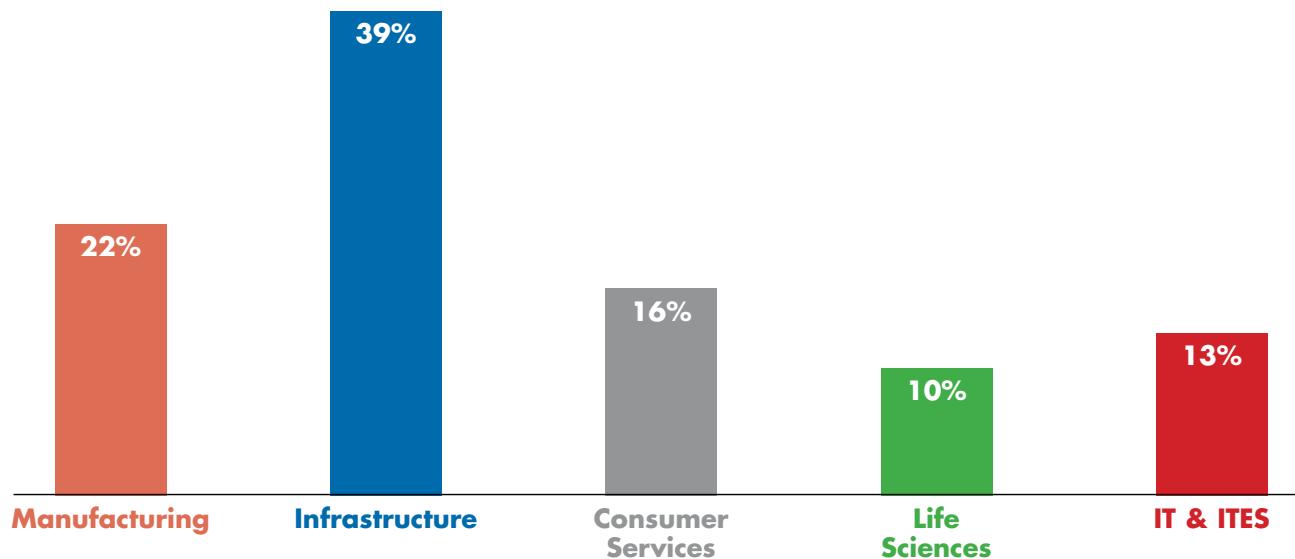
IIML managed IL&FS India Realty Fund has invested Rs 1050 million in EISL. Given the scale attained by the Company and its future growth plans, IIML and EISL are working towards raising further capital through public listing in Indian and International markets

## Key Funds Under Management

Fund Name	South Asian Regional Apex Fund	India Auto Ancillary Fund	India Project Development Fund	Leverage India Fund (LIF)	IL&FS India Realty Fund (IIRF)
Launch Year	1995	1998	2000	2004	2006
Corpus (US\$ mn)	25	15	16	153	525
No. of Investments *	26	8	7	28	13
No. of Divestments	13	7	7**	5	-

\* Includes 1 investment commitment in LIF and 2 in IIRF during the year    \*\* One investment in the final stage of divestment

## Private Equity Portfolio Structure



The Investment Management team has developed an expertise to handle transactions across a wide variety of sectors and in an increasingly competitive environment. Having gone up the value curve, the team is now focusing on raising fresh resources and is working towards closing a growth-oriented private equity fund

## 14 Recent Developments

### IL&FS India Realty Fund

IL&FS India Realty Fund (IIRF), a US\$ 525 million real estate focussed fund, is among the largest funds in its genre. The Fund attained its final close in June 2006. IIRF is distinctly different from IIML's prior funds in terms of size and is a reflection of the maturity level attained by IIML in terms of engaging marquee investors, internationally

The Fund has committed investments across a diverse portfolio of real estate assets including retail, commercial, hospitality and residential projects. The Fund would be participating in opportunities arising from adaptive re-use of industrial land, development of integrated townships and special economic zones

IIML has leveraged its local presence and unique access to transactions to identify opportunities in primarily off-market

and limited-bid situations. This has resulted in commitments across more than 13 transactions in a span of a little over 12 months

For instance, IIRF committed investment of US\$ 100 million in QVC Realty Private Limited, which is the first venture capital backed start-up in the real estate industry in India. An early stage investment in QVC provides a unique opportunity to invest in a platform that will create enhanced value through development projects across various Tier I and Tier II cities

Going forward, IIML will continue to work with developers and real estate operating companies to create significant value in the projects under the overall framework of enforcing and maintaining rigorous codes of corporate governance, accountability and transparency

## ADIC-IL&FS Infrastructure Fund

With a view to expand its presence beyond Indian shores, IIML has sought to tie-up with leading global players to take advantage of opportunities in other regions of the World. One such partnership is with Abu Dhabi Investment Company (ADIC) to establish an infrastructure fund focussed at the Middle East North Africa (MENA) region. ADIC and IIML will jointly manage this infrastructure Fund

The MENA region has experienced significant growth over the last 3 years, with nominal GDP growth in some Gulf Co-operation Council (GCC) countries exceeding 20% p.a. Large foreign exchange reserves, low inflation and budget surpluses in many countries has led to economic stability and growth

Foreign direct investment into the GCC countries, rose from just under \$2 bn in 2001 to more than \$20 bn in 2005 - a

trend that will further help integrate the GCC economies into the global economy

Regional growth has led to opportunities across infrastructure sub-sectors. A World Bank report has estimated \$1 trillion infrastructure investments in the pipeline. These include capacity additions in the power sector, investments in improving and expanding potable water supply, urban metro projects, airport expansion projects etc. The Fund will seek to identify and develop such opportunities

The Fund will be sponsored by ADIC and IIML. IL&FS would provide its technical and operational expertise for the development and management of the assets acquired by the Fund

# Financial Section



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To The Members  
IL&FS Investment Managers Limited

Your Directors have pleasure in presenting for your consideration and approval the Twenty First Annual Report with the Audited Financials of the Company for the year ended March 31, 2007

FINANCIAL ACHIEVEMENTS AND DIVIDEND		
	For the year ended	
	March 31, 2007 (Rs Million)	March 31, 2006 (Rs Million)
Total Income	502.93	253.41
Profit before Taxation	267.23	107.61
Provision for Taxation	94.22	36.10
Net Profit after Taxation	173.01	71.51
Balance of Profit brought forward	16.31*	18.92
Profit available for appropriation	189.32	90.43
Appropriations :		
General Reserve	22.29	7.17
Dividend (inclusive of dividend tax)	120.31	63.30
Balance carried to Balance Sheet	46.72	19.96

\* Adjusted for an amount of Rs 3.65 million due to capitalization done for Issue of Bonus Shares

**DIVIDEND**

During the year, your Company achieved a net profit after tax of Rs 173.01 million. Your Directors recommend a dividend of Rs 4/- per share. The total amount of dividend is Rs 120.31 million (inclusive of dividend tax of Rs 17.48 million)

**REVIEW OF OPERATIONS**

**Income:** The income from operations for this year was Rs 465.14 million as compared to Rs 227.08 million in the previous year

Inclusive of Income from Investments of Rs 35.83 million and Other Income of Rs 1.96 million, the Gross Income for Financial Year 2006-07 was Rs 502.93 million against Rs 253.41 million in the previous year

**Operating Expenses:** The total Operating Expenses for the year were Rs 211.12 million against Rs 121.55 million in the previous year

**Profits:** The Profit after tax for the year was Rs 173.01 million against Rs 71.51 million in the previous year

**DIRECTORS**

Mr S M Datta, Mr Bansi Mehta and Mr Ravi Parthasarathy retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for re-appointment. Mr Rajaraman Viswanathan who was appointed as a Director in the casual vacancy caused by the resignation of Mr S A Bhat holds office upto the date of the ensuing Annual General Meeting of the Company and being eligible offers himself for appointment. During the year Dr Archana Hingorani was appointed as an Executive Director of the Company at the Board Meeting held on July 17, 2006. Since Dr Hingorani was appointed as an Additional Director of the Company she holds office upto the date of the ensuing Annual General Meeting of the Company and being eligible offers herself for appointment. During the year Mr S Hariharan resigned and ceased to be a Director of the Company and Mr Narendra Prasad was appointed as a Director in the casual vacancy caused by the resignation of Mr S Hariharan with effect from October 12, 2006

**STATUTORY AUDITORS**

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

**INCREASE IN SHARE CAPITAL**

During the year the members of the Company had approved the increase in the authorised share capital of the Company from Rs 300 million to Rs 500 million

During the year your Company allotted 7,930,449 Equity Shares as Bonus Shares in the ratio of one Bonus Share for every two existing Equity Shares held by the members of the Company

Further your Company also allotted 1,917,937 Equity Shares during the year on the exercise of Options issued under the Employee Stock Option Plans 2003 & 2004

## 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

## SUBSIDIARY COMPANIES

During the year 2006-2007 your Company had invested in the following subsidiaries i.e. IL&FS Asian Infrastructure Managers Limited, IL&FS Urban Infrastructure Managers Limited and IL&FS Investment Advisors LLC

The requisite disclosures of the above subsidiaries of the Company form a part of the Annual Report. As per Clause 32 of the Listing Agreement the consolidated financial statements of the Company with its Subsidiaries form part of the Annual Report

## DEPOSITS

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

## FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars regarding foreign expenditure and earnings appear as Item Nos 10(ii) and 10(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 are annexed to the Directors' Report

## DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors wish to state that:

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

## ACKNOWLEDGEMENT

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

For and on behalf of the Board

**S M DATTA**  
Chairman

Place: Mumbai  
Date : May 1, 2007

## 20 Annexure to the Directors' Report

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)
<b>Employees employed throughout the Financial Year and in receipt of remuneration of not less than Rs 2,400,000 for the Financial Year 2006-2007</b>								
1	Shahzaad Dalal	48	Vice Chairman & Managing Director	12,389,005	B.Com, MBA	26	01.04.2002	Infrastructure Leasing & Financial Services Limited
2	Archana Hingorani	41	Executive Director	8,508,807	B.A.(Economics), MBA,	22	01.12.2002	Infrastructure Leasing & Financial Services Limited
3	Manoj Borkar	42	Chief Financial Officer	6,382,169	B.Com, ACA	19	01.04.2000	Infrastructure Leasing & Financial Services Limited
4	Rahul Shah	44	Senior Vice President	4,926,027	B.Com, ACA	21	26.11.1996	Self Employed
5	Guhan Subramanium	53	Senior Vice President	5,681,757	B.A.(Economics), MBA	28	01.12.2000	BPL Telecom Limited
6	Sunil Diwakar	44	Senior Vice President	4,415,277	B.E. (Mechanical), MT, PGDIM	22	16.09.2004	Self Employed
7	Krishna Kumar	35	Vice President	3,174,521	B.Com, MMM	15	01.04.2002	Infrastructure Leasing & Financial Services Limited
8	Sanjeev Rastogi	38	Vice President	3,068,152	MBA(Finance), BS-Civil Eng	12	01.06.2005	Bellagio Realty Pvt. Limited
9	Sanjay Mitra	34	Asst. Vice President	2,706,895	M.Com, ACS, ICWA	11	01.05.2001	Larsen & Toubro Limited
<b>Employed for part of the year and in receipt of remuneration of not less than Rs 200,000/- p.m. for the Financial Year 2006-2007</b>								
10	Mark Silgardo	49	Chief Operating Officer	4,084,951	B.A., MBA, PGDBA	25	03.07.2006	Indus Ind Bank
11	Rajnish Rastogi	35	Asst. Vice President	1,830,342	CFA, PGDBA, MBA (Finance), B. Tech (Electrical Eng.)	11	24.07.2006	CRISIL
12	Rajesh Adhikary	37	Asst. Vice President	1,142,767	CFA, PGDBA, B.E. (Civil)	13	01.11.2006	Bennett Coleman & Co. Limited
13	Jaydeep Bakshi	36	Asst. Vice President	877,683	MMS (Finance), B.E. (Construction)	13	29.11.2006	Shringar Cinemas Limited
14	Yashodhan Sath* <sup>3</sup>	34	Asst. Vice President	1,196,107	B.A., PGPM&S, MBA	11	01.04.2002	Infrastructure Leasing & Financial Services Limited
15	Anant Kulkarni*	40	Asst. Vice President	1,649,258	B.E. (Mechanical)	12	27.12.1999	UTI Securities Exchange Limited
16	Deepa Sankaran*	38	Asst. Vice President	2,925,686	B.Com	12	08.12.1997	Corporate Database (India) Pvt Limited
17	Apurv Muthalia*	32	Asst. Vice President	2,462,426	B.Com, MMS	10	01.04.2002	Infrastructure Leasing & Financial Services Limited

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

2 Remuneration includes Salary, Company's Contribution to Provident Fund and Superannuation Fund, Performance Related Pay, House Rent Allowance, Other Allowances, Medical Expenses, 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

Place: Mumbai  
Date : May 1, 2007

\* Resigned during the year

For and on behalf of the Board

**S. M. DATTÀ**  
Chairman

## Details of Options issued under the Employee Stock Option Plans

The Members of the Company had approved the Employee Stock Option Scheme 2003 ("ESOP 2003") consisting of 801,115 Options at the Annual General Meeting of the Company held on July 26, 2003, the Employee Stock Option Scheme 2004 ("ESOP 2004") consisting of 1,500,000 Options at the Extraordinary General Meeting of the Company held on March 19, 2004 and the Employee Stock Option Scheme 2006 ("ESOP 2006") consisting of 1,500,000 Options at the Extraordinary General Meeting of the Company held on May 3, 2006

During the year the Company had a Bonus issue of one Bonus Share for every two existing Equity Shares held by the members.

Accordingly the unexercised Options from the above Options were adjusted so that the total value of the Options remain the same. The disclosures given below are after taking into consideration the enhanced Options under all the schemes

During the financial year 2006-2007, the Compensation Committee of the Company had distributed Options to the Directors of the Company and its Subsidiary Companies and to the employees of the Company

The particulars of the Options distributed under ESOP 2003, ESOP 2004 and ESOP 2006 during the year based on the enhanced Options are as follows:

### ESOP 2003

(1)	Options granted till date	:	1,201,673 Options
(2)	Pricing Formula	:	The Options have been granted as per the market price on the date of the Grant as defined in the SEBI Guidelines
(3)	Options Vested during the year	:	617,812 Options
(4)	Options exercised during the year	:	667,312 Options
(5)	Total number of shares arising as a result of exercise of Options	:	667,312 Shares
(6)	Options lapsed during the year	:	3,361 Options
(7)	Variation of terms of Options during the year	:	-
(8)	Money realised by exercise of Options during the year	:	Rs 33,255,487/-
(9)	Options vested but yet to be exercised	:	Nil Options
(10)	Options available for Grant in future	:	3,361 Options
(11)	Options granted during the Financial Year	:	Nil Options
(12)	Options granted to Senior Managerial Personnel and employees who received Options amounting to and in excess of 5% of the Options granted under ESOP 2003 during the financial year ended March 31, 2007	:	Nil Options

**ESOP 2004**

(1)	Options granted till date	:	2,250,000 Options
(2)	Pricing Formula	:	Market price on the date of the Grant as defined in the SEBI Guidelines or such other lower price as per the terms of the scheme
(3)	Options Vested during the year	:	697,125 Options
(4)	Options exercised during the year	:	1,250,625 Options
(5)	Total number of shares arising as a result of exercise of Options	:	1,250,625 Shares
(6)	Options lapsed during the year	:	11,638 Options
(7)	Variation of terms of Options	:	No variations till date
(8)	Money realised by exercise of Options during the year	:	Rs 45,626,591.25
(9)	Options vested but yet to be exercised	:	Nil Options
(10)	Options available for Grant in future	:	11,638 Options
(11)	Options Granted during the Financial Year	:	175,875 Options
(12)	Options granted to Senior Managerial Personnel and employees who received Options amounting to and in excess of 5% of the Options granted under ESOP 2004 during the financial year ended March 31, 2007	:	Mr Shahzaad Dalal - 87,288 Options Dr Archana Hingorani - 43,554 Options Mr Manoj Borkar - 11,639 Options Mr Sanjeev Rastogi - 11,639 Options

**ESOP 2006**

(1)	Options granted till date	:	1,832,500 Options
(2)	Pricing Formula	:	The Options have been granted as per the market price on the date of the Grant as defined in the SEBI Guidelines
(3)	Options Vested during the year	:	Nil Options
(4)	Options exercised during the year	:	Nil Options
(5)	Total number of shares arising as a result of exercise of Options	:	Nil Shares
(6)	Options lapsed during the year	:	177,500 Options
(7)	Variation of terms of Options	:	No variations till date
(8)	Money realised by exercise of Options during the year	:	Nil
(9)	Options vested but yet to be exercised	:	Nil Options
(10)	Options available for Grant in future	:	595,000 Options
(11)	Options Granted during the Financial Year	:	1,832,500 Options
(12)	Options granted to Senior Managerial Personnel and employees who received Options amounting to and in excess of 5% of the Options granted under ESOP 2006 during the financial year ended March 31, 2007	:	Mr Shahzaad Dalal - 145,000 Options Dr Archana Hingorani - 85,000 Options Mr Manoj Borkar - 62,500 Options Mr Sunil Diwakar - 52,500 Options Mr Mark Silgardo - 50,000 Options Mr Guhan Subramaniam - 47,500 Options Mr Rahul Shah - 47,500 Options

None of the Directors of the Company/ Subsidiary Companies of the Company and employees of the Company were granted Options during the year under any of the above ESOP Schemes equal to or exceeding 1% of the issued capital of the Company at the time of grant. The Diluted Earnings Per Share pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standard 20 is Rs 6.75

The Company calculates the employee compensation cost using the Intrinsic Value of the Options. In the event the Company had used the Fair Value of Options for calculating the employee compensation cost the difference between the employee compensation cost so computed and the employee compensation cost arising out of the Intrinsic Value method would have been Rs 43,505,699/- which would have reduced the Profit before Tax of the Company by Rs 43,505,699/- and the Basic and Diluted Earnings Per Share would have reduced to Rs 5.32 and Rs 5.05, respectively

The Weighted Average Exercise Price for Options granted during the year in case of ESOP 2003 is Nil, in case of ESOP 2004 is Rs 36/- and in case of ESOP 2006 is Rs 105.81. The Weighted Average Fair Value of the Options granted during the year is Rs 34.82 (calculated by external valuers using Black - Scholes Model)

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

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

### **CERTIFICATE**

We have reviewed the Employee Stock Option Plan 2003, the Employee Stock Option Scheme 2004 and the Employee Stock Option Plan 2006 ("the Plans") and the related records of **IL&FS Investment Managers Limited** ("the Company") as at March 31, 2007 in connection with the issuance of the stock options under the Plans

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

**For Deloitte Haskins & Sells**  
Chartered Accountants

**Mohammed Z. Merchant**  
Partner  
(Membership No. 31971)

**Business Overview**

The Indian economy has been witness to unparalleled growth in the last couple of years. Despite recent concerns regarding overheating of the economy, growth parameters and economic fundamentals are expected to hold strong. Improving social parameters, shifting consumer behavior, demand for improved infrastructure etc. would continue driving growth

Private enterprise is both the cause as well as the effect of a strong economy and private equity is playing an increasingly important role, in the Indian context, in nurturing entrepreneurial activity and propelling companies to higher growth orbitals

The importance of private equity as a provider of risk capital in India can be gauged from the industry estimates which indicate that venture capital / private equity investments have grown from US\$ 2.2 billion in 2005 to US\$ 6.7 billion in 2006. Investments during the period January - March 2007 reaffirm the continued growth, with US\$ 2.4 billion worth inflows being recorded across 78 companies

The acceptance of private equity funding is also on account of the active managerial and business guidance provided by a private equity investor - steering entrepreneurs towards putting in place strong corporate governance framework with insistence on compliance and disclosure, encouraging strong management team and helping business grow through strategic inputs

Strong performance of the Indian economy coupled with the recognized value add of a private equity investor is expected to result in private equity investments growing to touch a level of US\$ 10 billion in 2007. The Company, given its long-standing presence in the industry and its track record, is uniquely positioned to take advantage of this growth

**Analysis of Performance for the year ended March 2007****Business Review**

The past year saw IIML strongly reaffirming its standing as a leading domestic private equity fund manager. Fructification of strategic initiatives and joint ventures led to significant growth in funds under management, which now stand at US\$ 965 mn, reflecting a substantial increase compared to the previous financial year

The Company had, during the last financial year, initiated efforts to establish a real estate focused private equity fund. This fund, the IL&FS India Realty Fund (IIRF), attained its Final

Close during the financial year, with commitments totalling US\$ 525 mn, making IIRF one of India's largest real estate focussed fund. IIRF is distinctly different from the Company's prior funds in terms of size and is a reflection of the maturity level attained by the Company in terms of engaging marquee international investors. The financial year also saw the Company achieve close on two project development funds for developing infrastructure projects, one of which was established in partnership with ORIX Corporation, Japan

Operating income of the Company is a function of the funds under its management and the returns generated by the Company for its funds. The Management Fee, based on a predefined percentage of the fund corpus, provides annuity income to the Company over the investment life of fund. Completion of the fund life or its investment period therefore results in reduced income from Management Fees. The Company therefore endeavors to raise new funds on an ongoing manner and efforts for the same will continue in the coming financial year as well. Whilst the Indian private equity space is witnessing increasing activity levels with a large number of foreign private equity players raising or allocating significant India centric funds, the Company expects that its past track record and unique positioning will provide it a distinct advantage in its fund raising efforts

On the investment front, a strong network of relationships with corporates, investment banks and other fund managers translated into 13 new private equity investments and 11 divestments from portfolio companies during the year. In addition, the Company also made investments in 10 realty projects covering the residential, commercial and the retail segment

The Company believes that the investments undertaken on behalf of its funds are in sectors which will witness significant growth and that management teams of the investee companies are well placed to take advantage of this growth. The investments seeded now are therefore expected to provide attractive returns in the next 2-5 years. The Company is entitled to a share of profit earned from sale of these investments which represents potential upside for the Company

**Financial Performance**

With a significant increase in funds under management during the financial year 2007, the Company's income from fund management increased to Rs 465.14 mn, compared from Rs 227.08 mn in the previous financial year

Inclusive of income from investments of Rs 35.83 mn and Other Income of Rs 1.96 mn, the Gross Income for financial year 2006-07 was Rs 502.93 mn, compared to Rs 253.41 mn in the previous year

Operating expenses of the Company for the year were Rs 211.12 mn, compared to Rs 121.55 mn in the previous year

As a result, Profit before tax for the year was Rs 267.23 mn, compared to Rs 107.61 mn for the previous year

### **Outlook for Financial Year 2007-2008**

The Company continues to focus not only on building a quality portfolio but also on expanding both the scope and scale of its activities. Increase in funds under management directly translates into a higher revenue level for the Company and a resultant increase in profits and shareholder value

Having fully committed investments from its previous private equity fund viz. the Leverage India Fund, the Company has now initiated efforts to establish a new fund. The new fund will be in continuation of the Company's successful investment strategy of investing in rapidly growing Indian middle-market companies that require capital for expansion and would mirror the investment objectives of the Leverage India Fund, by investing across sectors including Infrastructure, Consumer Services, Manufacturing, Life Sciences and Technology

The Company is also in discussions with marquee international institutions for establishing other sector-focussed funds. Further to the same, the Company has partnered with Abu Dhabi Investment Company (ADIC) and would establish an infrastructure fund focussed at infrastructure projects in the Middle East North Africa (MENA) region

These initiatives are likely to materialize in FY2008, providing a unique standing to the Company in the private equity space as a global fund management company

### **Business Segment and Human Resources**

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

Given the entry of a host of foreign private equity players, the Company has focussed on developing and retaining its investment professionals. The employees are continuously exposed to best industry practices and skill up gradation is a key performance assessment parameter. The Company has also developed a structured reward program for its employees. The Company will also continue to use stock options as a tool for ensuring employee commitment through ownership. The Company presently has 41 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, processes and guidelines prescribed by the management

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

# 26 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 10 Directors including a Non-Executive Chairman, a Vice Chairman & Managing Director, an Executive Director and Seven 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 as stipulated in Clause 49 of the Listing Agreement

### (2) Board Meetings :

(a) The Board of Directors met five times during the financial year ended March 31, 2007. The Meetings were held during the year on April 4, 2006, April 17, 2006, July 17, 2006, October 12, 2006 and January 12, 2007

(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 and no of other committee memberships they hold 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**	No. of Other Committee Memberships #
Mr S M Datta (Chairman)	NED	5	5	Yes	15	2 (all are in the capacity of Chairman)
Mr Ravi Parthasarathy	NED	5	5	Yes	17	-
Mr Bansi S Mehta	NED	5	5	Yes	17	9 (Out of above 4 are in the capacity of Chairman)
Mr Pradip Roy	NED	5	5	No	3	1
Mr Arun K Saha	NED	5	5	No	15	10 (Out of above 5 are in the capacity of Chairman)
Mr Vibhav Kapoor	NED	5	5	Yes	10	2
Mr Rajaraman Viswanathan*	NED	3	1	N.A.	-	-
Mr Narendra Prasad*	NED	2	1	N.A.	-	-
Mr Shahzaad Dalal	VC MD	5	5	Yes	28	9 (Out of above 4 are in the capacity of Chairman)
Dr Archana Hingorani*	ED	3	3	N.A.	18	4

\* Director for part of the year

Dr Archana Hingorani was appointed as an Executive Director of the Company with effect from July 17, 2006

Mr Rajaraman Viswanathan was appointed as a Director of the Company with effect from July 17, 2006

Mr S Hariharan resigned and ceased to be a Director of the Company with effect from October 12, 2006

Mr Narendra Prasad was appointed as a Director of the Company with effect from October 12, 2006

@ ED - Executive Director, 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

# The Other Committee Memberships comprises of only two committees Audit Committee & Shareholders'/ Investors' Grievance Committee as per Clause 49 of the Listing Agreement

### **(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 and the Listing Agreement
- (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 also oversees 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 the 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) Reviewing the management discussion and analysis of the financial condition and results of operations
- (h) Financial and accounting practices and policies
- (i) Compliance with stock exchange and legal requirements concerning financial statements
- (j) Reviewing the related party transactions
- (k) Reviewing the Company's financial and risk management policies

(3) The Audit Committee met four times during the financial year on April 17, 2006, July 17, 2006, October 12, 2006 and January 12, 2007 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
Mr Bansi Mehta, Chairman	4	4
Mr Vibhav Kapoor	4	4
Mr Pradip Roy	4	4

### **(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 annual increments and 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. It is aimed at attracting and retaining high calibre management talent by valuing their performance on the basis of their contribution

(3) The Compensation Committee met twice during the financial year on May 3, 2006 and July 17, 2006 and all the members of the Committee attended the same

(4) Details of Remuneration paid to the Whole-time Directors during the year 2006-2007:

Name of the Director	Salary	Perquisites	Total
Mr Shahzaad Dalal, Vice Chairman & Managing Director	11,624,115	703,266	12,327,381
* Dr Archana Hingorani, Executive Director	6,610,011	12,787	6,622,798

\* The above details of the remuneration paid to Dr Archana Hingorani is from the date of her appointment as Executive Director in the Company i.e. from July 17, 2006 to March 31, 2007

The salary paid to Mr Shahzaad Dalal and Dr Archana Hingorani are inclusive of their retirement benefits and includes Rs 4,200,000/- and Rs 2,200,000/- paid to them as Performance Related Pay respectively

The Remuneration paid to the Vice Chairman & Managing Director and the Whole-time Director 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 are decided by the Compensation Committee from year to year

During the financial year 2006-2007, Mr Shahzaad Dalal was granted 87,288 Options convertible into 87,288 shares at a grant price of Rs 36/- per share, 135,000 Options convertible into 135,000 shares at a grant price of Rs 106/- per share and 10,000 Options convertible into 10,000 shares at a grant price of Rs 102/- per share, which are yet to vest in him

During the financial year 2006-2007, Dr Archana Hingorani was granted 43,554 Options convertible into 43,554 shares

at a grant price of Rs 36/- per share, 75,000 Options convertible into 75,000 shares at a grant price of Rs 106/- per share and 10,000 Options convertible into 10,000 shares at a grant price of Rs 102/- per share, which are yet to vest in her

All the above options granted to Mr Shahzaad Dalal and Dr Archana Hingorani have a vesting period of one year and can be exercised by the Executive Directors in a period of four years from the date of vesting

(5) Details of payment made to the Non-Executive Directors during the financial year 2006-2007:

The Company does not pay any remuneration to the Non-Executive Directors of the Company except commission to the Chairman and sitting fees to all the Non-Executive Directors of the Company. They are distributed Stock Options on the basis of their contribution to the Company and based on their tenure as Directors of the Company

During the financial year 2006-2007, the Non-Executive Directors were paid sitting fees of Rs 10,000/- for attending each Board Meeting, Audit Committee Meeting and Compensation Committee Meeting and Rs 2,000/- for attending each Shareholders'/Investors' Grievance Committee Meeting

Mr S M Datta, Chairman of the Company will be paid commission of Rs 2,000,000/-. Such payment of commission has been approved by the members vide Special Resolution passed at the Annual General Meeting held on July 15, 2002. Besides sitting fees and commission (paid to the Non-Executive Chairman), no other payments have been made to the Non-Executive Directors of the Company during the year

(6) Details of Options granted to Non-Executive Directors during the year and shares held by them as on March 31, 2007

Name	Options Granted during the year	Shareholding as on March 31, 2007
Mr S M Datta	85,000	285,000
Mr Ravi Parthasarathy	85,000	277,500
Mr Bansi S Mehta	55,000	240,000
Mr Arun K Saha	55,000	60,000
Mr Vibhav Kapoor	55,000	135,000

The above Options have been granted to the Non-Executive Directors of the Company at the Market Price on the date of the grant as per SEBI Guidelines. All the above Options have a vesting period of one year and can be exercised by the Non-Executive Directors in a period of four years from the date of vesting

#### **(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 and rematerialisation of shares
  - 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
- (4) The shareholders can also register their complaints by sending an email to [sanjay.mittra@ilfsindia.com](mailto:sanjay.mittra@ilfsindia.com)

#### **(F) GENERAL BODY MEETINGS**

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

Date	Time	Location
July 6, 2006	10.00 a.m.	Indian Merchants' Chamber, Mumbai
June 24, 2005	11.00 a.m.	World Trade Centre, Mumbai
September 23, 2004	11.00 a.m.	World Trade Centre, Mumbai

- (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 have 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 publishes its quarterly results in newspapers viz. Economic Times (Mumbai & Delhi) and Maharashtra Times (Mumbai). These results are also made available on the website of the Company [www.iimlindia.com](http://www.iimlindia.com)

The Company has also posted its Code of Conduct for Board of Directors and Senior Management of the Company and its shareholding pattern on its website

## (I) SHAREHOLDERS' INFORMATION

The Management Discussion & Analysis forms part of the Annual Report

Stock Code and ISIN Number		
Bombay Stock Exchange Limited	:	511208
The National Stock Exchange of India Limited	:	IVC EQ
ISIN No.	:	INE050B01015

### **Listing of shares :**

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

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

Listing fees for the year 2007-2008 has been paid to the Stock Exchanges within the stipulated time

Shareholding Pattern as on 31st March 2007		
Category	No. of shares	% of holding
Body Corporates	11,966,590	46.55
Foreign Institutional Investors	186,868	0.73
Banks	3,150,690	12.25
Individuals	10,391,564	40.42
Others	13,572	0.05
<b>Total</b>	<b>25,709,284</b>	<b>100.00</b>

Stock Market Price Data for the year 2006-2007 on the Bombay Stock Exchange Limited \*

Month	High	Low
April 2006	155.80	125.43
May 2006	150.00	100.67
June 2006	153.67	102.05
July 2006	119.40	96.05

Month	High	Low
August 2006	134.00	110.10
September 2006	155.70	126.75
October 2006	185.75	147.50
November 2006	167.80	145.80
December 2006	151.50	129.00
January 2007	169.00	128.55
February 2007	183.50	145.55
March 2007	157.00	125.00

\* The prices are adjusted due to Bonus Issue

### **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, 2007 ninety three percent (93%) of shares were held in dematerialised form

## Code of Conduct Certificate

I, Shahzaad Dalal, Vice Chairman & Managing Director of the Company, hereby declare that the Board of Directors have laid down a Code of Conduct for the Board Members and Senior Management of the Company and the Board Members and Senior Management have affirmed compliance with the said Code of Conduct

**For IL&FS Investment Managers Limited**

**Shahzaad Dalal**  
**Vice Chairman & Managing Director**

Place: Mumbai  
 Date: May 1, 2007

## 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, 2007 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 Deloitte Haskins & Sells**  
 Chartered Accountants

**Mohammed Z. Merchant**  
 Partner  
 (Membership No. 31971)

Mumbai, May 1, 2007

## 32 **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, 2007, 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;
5. According to the information and explanations given to us and on the basis of the written representations from the directors as at March 31, 2007 and taken on record by the Board of Directors, none of the directors is disqualified as at March 31, 2007 from being appointed as a director under Section 274(1)(g) of the Companies Act, 1956.
  - c. the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to 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, 2007;
    - 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.

Mumbai, May 1, 2007

**For Deloitte Haskins & Sells**  
Chartered Accountants

**Mohammed Z. Merchant**  
Partner  
(Membership No. 31971)

# Annexure to the Auditors' Report

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

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- 1) The nature of the Company's business/activities during the year is such that clauses (ii), (viii), (xi), (xii), (xiii), (xv), (xvi), (xvii), (xviii), (xix) and (xx) of 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. Accordingly sub clauses (a) to (f) of clause (iii) of CARO are not applicable.
- 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. We have not observed any 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) There were no transactions in excess of Rs.5 lakhs in respect of any party.
- 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) In respect of statutory dues:
  - a) According to the information and explanations given to us, the Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Cess and other material statutory dues with the appropriate authorities during the year.
  - b) According to the information and explanations given to us, details of disputed Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax and Cess which have not been deposited as on March 31, 2007 on account of dispute is given below:
- 10) 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.
- 11) 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.

Name of statute	Nature of the dues	Amount (Rs. Lakhs)	Period of which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	49.68	2003-2004	CIT (Appeals)

10) 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.

11) 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 Deloitte Haskins & Sells**  
Chartered Accountants

**Mohammed. Z. Merchant**  
Partner  
(Membership No. 31971)

Mumbai, May 1, 2007

**BALANCE SHEET****AS AT MARCH 31, 2007**

	Schedules	<b>As at March 31, 2007 Rupees</b>	As at March 31, 2006 Rupees
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	<b>257,112,840</b>	158,628,980
Stock Options Outstanding		<b>9,858,720</b>	-
Reserves & Surplus	2	<b>131,422,089</b>	102,787,227
		<b>398,393,649</b>	261,416,207
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block		<b>124,626,816</b>	122,696,571
Less: Depreciation		<b>119,230,248</b>	94,985,775
Net Block		<b>5,396,568</b>	27,710,796
Capital Advances		<b>1,604,280</b>	1,604,280
		<b>7,000,848</b>	29,315,076
<b>Investments</b>	4	<b>75,332,482</b>	47,691,191
<b>Deferred Tax Asset (net)</b>		<b>14,162,000</b>	6,868,000
<b>Current Assets, Loans &amp; Advances</b>			
Sundry Debtors	5	<b>241,953,683</b>	27,896,767
Cash & Bank Balances	6	<b>100,328,402</b>	137,708,470
Loans & Advances	7	<b>340,528,982</b>	196,394,187
		<b>682,811,067</b>	361,999,424
<b>Less: Current Liabilities &amp; Provisions</b>	8		
Current Liabilities		<b>66,668,125</b>	34,502,223
Provisions		<b>314,244,623</b>	149,955,261
		<b>380,912,748</b>	184,457,484
<b>Net Current Assets</b>		<b>301,898,319</b>	177,541,940
		<b>398,393,649</b>	261,416,207
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 the Board

For and on behalf of

**Deloitte Haskins & Sells**

Chartered Accountants

**S.M. DATTA**

Chairman

**Mohammed Z. Merchant**

Partner

Place : Mumbai

Date : May 1, 2007

**SHAHZAAD DALAL**

Vice Chairman &amp; Managing Director

**SANJAY MITRA**

Company Secretary

# PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2007

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	Schedules	For the year ended March 31, 2007 Rupees	For the year ended March 31, 2006 Rupees
<b>INCOME</b>			
Income from Fund Management and Advisory Services	9	<b>465,141,180</b>	227,083,491
Income from Investments/Loans	10	<b>35,831,032</b>	24,537,979
Other Income (Tax deducted at source Rs 29,172/- Previous year Rs 158,453/-) (Refer note 7 on Schedule 13)		<b>1,959,486</b>	1,789,830
		<b>502,931,698</b>	253,411,300
<b>EXPENSES</b>			
Staff Expenses	11	<b>137,187,258</b>	67,284,732
Operating Expenses	12	<b>73,929,094</b>	54,262,409
		<b>211,116,352</b>	121,547,141
Profit before Depreciation and Tax		<b>291,815,346</b>	131,864,159
Depreciation		<b>24,912,032</b>	24,329,213
Operating Profit for the year		<b>266,903,314</b>	107,534,946
Profit/ (Loss) on assets sold/written off (net)		<b>329,103</b>	74,161
Profit before Taxation		<b>267,232,417</b>	107,609,107
Income Tax			
-Current Tax		<b>96,500,000</b>	37,000,000
-Deferred Tax Liability/(Asset) (net)		<b>(5,030,208)</b>	(4,020,498)
-Fringe Benefit Tax		<b>2,750,000</b>	3,125,000
Net Profit after Taxation		<b>173,012,625</b>	71,504,605
Balance brought forward from previous year		<b>19,955,635</b>	18,924,891
Less: Capitalised for Issue of Bonus Shares		<b>3,647,898</b>	-
		<b>189,320,362</b>	90,429,496
Less: Appropriations			
Transferred to General Reserve		<b>22,286,675</b>	7,175,000
Proposed Dividend		<b>102,837,136</b>	55,513,143
Tax on Dividend		<b>17,477,171</b>	7,785,718
Profit and Loss Balance carried forward to Balance Sheet		<b>46,719,380</b>	19,955,635
Earnings Per Share (EPS) (Equity shares, Face value Rs 10/- each)			
Basic		<b>7.11</b>	3.09
Diluted		<b>6.75</b>	2.95
Weighted Average Number of shares used in computing earnings per share			
Basic		<b>24,341,974</b>	23,176,259
Diluted		<b>25,649,613</b>	24,262,684
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

**Deloitte Haskins & Sells**

Chartered Accountants

For and on behalf of the Board

**S.M. DATTA**

Chairman

**Mohammed Z. Merchant**

Partner

**SHAHZAAD DALAL**

Vice Chairman & Managing Director

**SANJAY MITRA**

Company Secretary

Place : Mumbai

Date : May 1, 2007

# CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2007

	Particulars	March 31, 2007 Rupees	March 31, 2006 Rupees
<b>A</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	Net Profit/(Loss) as per Profit & Loss Account	<b>267,232,417</b>	107,609,107
	Adjustment for:		
	Depreciation	<b>24,912,032</b>	24,329,213
	Leave Encashment	<b>3,785,173</b>	1,705,636
	Employee Stock Option	<b>9,858,720</b>	-
	Debts/ Advances written off	<b>25,165</b>	202,892
	Dividend from Long Term Investment	<b>(7,192,500)</b>	(10,236,778)
	Interest Income	<b>(7,949,100)</b>	(9,025,403)
	(Profit)/Loss on sale of long term Investments	<b>(3,814,679)</b>	(3,623,500)
	(Profit)/Loss on sale of Fixed Assets	<b>(329,103)</b>	<b>(74,161)</b>
		<b>19,295,708</b>	<b>3,277,899</b>
	Net Profit before Working Capital Changes	<b>286,528,125</b>	110,887,006
	Decrease/ (Increase) in trade & other receivables	<b>(214,056,916)</b>	(26,961,734)
	Decrease/ (Increase) in Current Investments	<b>10,705,955</b>	9,081,726
	Decrease/(Increase) in Advances	<b>17,136,844</b>	(46,948,781)
	Increase/(Decrease) in trade and other payables	<b>28,758,754</b>	<b>(2,334,700)</b>
	Cash Flow after Working Capital Changes	<b>129,072,762</b>	43,723,517
	Income Tax Paid (Net)	<b>(103,797,203)</b>	(40,289,886)
	Net cash generated from/ (used in) operating activities (A)	<b>25,275,559</b>	3,433,631
<b>B</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
	Purchase of Fixed Assets/ Capital Advances	<b>(3,072,449)</b>	(5,838,306)
	Proceeds from sale of Fixed Assets	<b>803,748</b>	286,002
	Purchase of Investments	<b>(45,216,386)</b>	(100,000)
	Proceeds from sale of Investments	<b>10,683,819</b>	28,546,360
	Decrease/(Increase) in Deposits/ Loans	<b>(54,100,000)</b>	42,200,000
	Dividend Income	<b>7,192,500</b>	10,236,778
	Interest received	<b>4,549,501</b>	9,137,313
	Net cash generated from/ (used in) investing activities (B)	<b>(79,159,267)</b>	84,468,147
<b>C</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
	Proceeds from Issuance of Share Capital	<b>78,882,079</b>	23,328,984
	Dividend paid	<b>(62,378,439)</b>	(50,978,750)
	Net cash generated from/ (used in) financing activities (C)	<b>16,503,640</b>	(27,649,766)
	Net Increase/ (Decrease) in cash & cash equivalents (A)+(B)+(C)	<b>(37,380,068)</b>	60,252,012
	Cash & cash equivalents at the beginning of the year	<b>137,708,470</b>	77,456,458
	Cash & cash equivalents at the end of the year	<b>100,328,402</b>	137,708,470

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 the Board

For and on behalf of

**Deloitte Haskins & Sells**

Chartered Accountants

**S.M. DATTA**

Chairman

**Mohammed Z. Merchant**

Partner

**SHAHZAAD DALAL**

Vice Chairman & Managing Director

Place : Mumbai

Date : May 1, 2007

**SANJAY MITRA**

Company Secretary

	<b>As at March 31, 2007 Rupees</b>	As at March 31, 2006 Rupees
<b>SCHEDULE 1: SHARE CAPITAL</b>		
<b>Authorised</b>		
50,000,000 Equity shares of Rs 10/- each (Previous year 30,000,000 Equity shares of Rs 10/- each)	<b>500,000,000</b>	300,000,000
<b>Issued, Subscribed &amp; Paid-up</b>		
25,709,284 Equity shares of Rs 10/- each fully paid-up (Previous year 15,860,898 Equity shares of Rs 10/- each fully paid-up)	<b>257,092,840</b>	158,608,980
Add: Forfeited Shares	<b>20,000</b>	20,000
	<b>257,112,840</b>	158,628,980
Note: Of the above 7,930,449 equity shares of Rs 10/- each were allotted during the the year as fully paid-up Bonus Shares by capitalisation of Securities Premium, General Reserve and Profit & Loss Account		
<b>SCHEDULE 2: RESERVES &amp; SURPLUS</b>		
<b>Securities Premium Account</b>		
Opening Balance	<b>29,056,592</b>	12,686,888
Add: Received upon issuance of shares	<b>59,702,709</b>	16,369,704
Less: Capitalised for Issue of Bonus Shares	<b>29,056,592</b>	-
	<b>59,702,709</b>	29,056,592
<b>General Reserve</b>		
Balance as per previous Balance Sheet	<b>53,775,000</b>	46,600,000
Add: Transferred from Profit & Loss Account	<b>22,286,675</b>	7,175,000
Less: Capitalised for Issue of Bonus Shares	<b>46,600,000</b>	-
Less: Employee Benefits Adjustment (net of Deferred Tax - Rs 2,263,793/-) (See Note 13 on Schedule 13)	<b>4,461,675</b>	-
	<b>25,000,000</b>	53,775,000
<b>Profit and Loss Account Balance</b>	<b>46,719,380</b>	19,955,635
	<b>131,422,089</b>	102,787,227

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

(Rupees)

	<b>GROSS BLOCK</b>			<b>DEPRECIATION</b>			<b>NET BLOCK</b>			
Description of Assets	Cost as on 01.04.2006	Additions/ Adjustments	Deductions/ Adjustments	Cost as on 31.3.2007	Up to 31.03.2006	For the year	Deductions/ Adjustments	Up to 31.3.2007	As At 31.3.2007	As At 31.03.2006
<b>Tangible Assets</b>										
Furniture & Fixtures	3,486,131	1,446,750	(501,586)	<b>4,431,295</b>	1,565,530	<b>693,075</b>	(212,834)	<b>2,045,771</b>	<b>2,385,524</b>	1,920,601
Office Equipments	993,351	169,753	(176,437)	<b>986,667</b>	640,949	<b>170,274</b>	(125,037)	<b>686,186</b>	<b>300,481</b>	352,402
Vehicles	78,527	128,250	(128,250)	<b>78,527</b>	27,350	<b>30,728</b>	(10,629)	<b>47,449</b>	<b>31,078</b>	51,177
Computers	3,791,051	1,327,696	(335,931)	<b>4,782,816</b>	2,237,010	<b>982,094</b>	(319,059)	<b>2,900,045</b>	<b>1,882,771</b>	1,554,041
Total (A)	<u>8,349,060</u>	<u>3,072,449</u>	<u>(1,142,204)</u>	<u><b>10,279,305</b></u>	<u>4,470,839</u>	<u><b>1,876,171</b></u>	<u>(667,559)</u>	<u><b>5,679,451</b></u>	<u><b>4,599,854</b></u>	<u>3,878,221</u>
<b>Intangible Assets</b>										
Computer Software	1,248,000	-	-	<b>1,248,000</b>	35,328	<b>415,958</b>	-	<b>451,286</b>	<b>796,714</b>	1,212,672
Business Know-how, Management & Advisory Contracts	113,099,511	-	-	<b>113,099,511</b>	90,479,608	<b>22,619,903</b>	-	<b>113,099,511</b>	-	22,619,903
Total (B)	<u>114,347,511</u>	<u>-</u>	<u>-</u>	<u><b>114,347,511</b></u>	<u>90,514,936</u>	<u><b>23,035,861</b></u>	<u>-</u>	<u><b>113,550,797</b></u>	<u><b>796,714</b></u>	<u>23,832,575</u>
<b>Total (A+B)</b>	<b>122,696,571</b>	<b>3,072,449</b>	<b>(1,142,204)</b>	<b>124,626,816</b>	<b>94,985,775</b>	<b>24,912,032</b>	<b>(667,559)</b>	<b>119,230,248</b>	<b>5,396,568</b>	<b>27,710,796</b>
Previous Year	120,655,690	4,234,026	(2,193,145)	<b>122,696,571</b>	72,637,866	<b>24,329,213</b>	(1,981,304)	<b>94,985,775</b>	<b>27,710,796</b>	-

	<b>Number *</b>	<b>Face Value</b>	<b>As at March 31, 2007 Rupees</b>	<b>As at March 31, 2006 Rupees</b>
<b>Schedule - 4 : INVESTMENTS</b> (at cost less provision) (Refer note 1(c) and 1(d) on Schedule 13)				
<b>LONG TERM TRADE INVESTMENTS</b>				
<b>- Quoted Equity Shares (Fully paid)</b>				
Spentex Industries Limited @	-	10	-	1,319,140
		(65,957)		
<b>Sub Total (A)</b>			<u><u>-</u></u>	<u><u>1,319,140</u></u>
<b>- Unquoted Equity Shares (Fully Paid)</b>				
<b>- Subsidiaries</b>				
IL&FS Asian Infrastructure Managers Limited @@	<b>2,341,777</b>	10	<b>23,417,770</b>	-
		(Nil)		
IL&FS Urban Infrastructure Managers Limited @@	<b>49,940</b>	10	<b>499,400</b>	-
		(Nil)		
IL&FS Investment Advisors LLC @@	<b>19,000</b>	USD 1	<b>855,190</b>	-
		(Nil)		
<b>- Others</b>				
IL&FS Trust Company Limited #	<b>1,425</b>	100	<b>712,500</b>	712,500
		(1,425)		
Green Gas Limited @	-	10	-	100,000
		(10,000)		
Avantika Gas Limited @@	<b>8,250</b>	10	<b>82,500</b>	-
		(Nil)		
<b>Sub Total (B)</b>			<u><u>25,567,360</u></u>	<u><u>812,500</u></u>
<b>- Unquoted Redeemable Participating Shares (Fully Paid)</b>				
<b>- Subsidiaries</b>				
IL&FS Investment Advisors LLC @@	<b>100,000</b>	USD 0.01	<b>45,010</b>	-
		(Nil)		
<b>Sub Total (C)</b>			<u><u>45,010</u></u>	<u><u>-</u></u>
<b>- Units of Venture Fund (Unquoted)</b>				
South Asian Regional Apex Fund	<b>4,720</b>	5,000	<b>21,800,000</b>	27,250,000
(1,180 Units redeemed during the year)		(5,900)		
Leverage India Fund	<b>100</b>	1,000	<b>100,000</b>	100,000
		(100)		
Infrastructure Leasing & Financial Services Realty Fund @@	<b>500</b>	100	<b>50,000</b>	-
		(Nil)		
<b>Sub Total (D)</b>			<u><u>21,950,000</u></u>	<u><u>27,350,000</u></u>

# 40 SCHEDULES

Contd....

	<b>Number *</b>	<b>Face Value</b>	<b>As at March 31, 2007 Rupees</b>	<b>As at March 31, 2006 Rupees</b>
<b>- Interest in Partnership (Unquoted)</b>				
AMCF India Participations, L.P. ## @@			<b>20,266,516</b>	-
<b>Sub Total (E)</b>			<b>20,266,516</b>	-
<b>Total Long Term Trade Investments (F) = (A+B+C+D+E)</b>			<b>67,828,886</b>	29,481,640
<b>CURRENT NON TRADE INVESTMENTS</b> (Refer note 11 on Schedule 13)				
<b>- Units of Mutual Fund (Unquoted unless otherwise stated)</b>				
Units of Morgan Stanley Mutual Fund- Growth Plan (Quoted)	-	10	-	3,198,452
	(378,515)			
Units of Kotak Liquid (Institutional) - Daily Dividend	-	10	-	15,011,099
	(1,227,590.456)			
Tata Liquid Super High Investment Fund - Daily Dividend	<b>6,732.581</b>	1,000	<b>7,503,596</b>	-
	(Nil)			
<b>Total Current Non Trade Investments (G)</b>			<b>7,503,596</b>	18,209,551
<b>TOTAL (F+G)</b>			<b>75,332,482</b>	47,691,191
Aggregate book value of quoted investments			-	4,517,592
Aggregate market value of quoted investments			-	18,353,612
Aggregate book value of unquoted investments			<b>75,332,482</b>	43,173,599

\* Figures in brackets indicate that of Previous year

# Represents Companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956

## Represents the Company's Share in the Limited Partners Capital, where the General Partners has 100% voting rights

@ Sold during the year

@@ Purchased during the year

	<b>As at March 31, 2007 Rupees</b>	<b>As at March 31, 2006 Rupees</b>
<b>SCHEDULE 5: SUNDY DEBTORS</b> (Unsecured,considered good)		
Outstanding for more than six months	<b>5,864,671</b>	2,118,750
Other Debts	<b>236,089,012</b>	25,778,017
	<b>241,953,683</b>	27,896,767
<b>SCHEDULE 6: CASH &amp; BANK BALANCES</b>		
Cash in hand	<b>79,262</b>	29,547
Cheques on Hand	<b>36,863</b>	-
Balance with Scheduled Banks		
-in Current Accounts (including in unclaimed dividend account Rs 4,661,154/- Previous year Rs 3,740,731/-)	<b>10,602,438</b>	12,678,953
-in Fixed Deposit	<b>89,609,839</b>	124,999,970
	<b>100,328,402</b>	137,708,470
<b>SCHEDULE 7 : LOANS AND ADVANCES</b> (Unsecured unless otherwise stated, considered good)		
Interest Accrued but not due	<b>7,101,084</b>	3,701,485
Advance Tax	<b>192,929,762</b>	89,132,557
Advances Recoverable in cash or in kind or for value to be received (Secured to the extent of Rs 811,174/- Previous Year Rs 737,355/-) (Refer note 9(iv) and 15 on Schedule 13)	<b>140,498,136</b>	103,560,145
	<b>340,528,982</b>	196,394,187
<b>SCHEDULE 8: CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. Current Liabilities</b>		
Sundry Creditors- Other than Small Scale Industrial Undertakings	<b>55,150,137</b>	26,095,301
Fees Received in advance	-	2,550,361
Amounts to be Credited to Investor Education and Protection Fund		
- Unclaimed Dividend (Refer note 6 on Schedule 13)	<b>4,661,154</b>	3,740,731
Other Liabilities	<b>6,856,834</b>	2,115,830
<b>Total (A)</b>	<b>66,668,125</b>	34,502,223
<b>B. Provisions</b>		
Provision for Tax	<b>181,075,000</b>	81,825,000
Proposed Dividend	<b>102,837,136</b>	55,513,143
Tax on Proposed Dividend	<b>17,477,171</b>	7,785,718
Leave Encashment	<b>12,855,316</b>	4,831,400
<b>Total (B)</b>	<b>314,244,623</b>	149,955,261
<b>Total (A+B)</b>	<b>380,912,748</b>	184,457,484

## 42 SCHEDULES

Contd....

	<b>For the year ended March 31, 2007 Rupees</b>	For the year ended March 31, 2006 Rupees
<b>SCHEDULE 9: INCOME FROM FUND MANAGEMENT AND ADVISORY SERVICES</b>		
Fees from Fund Management and Advisory Services	<b>465,141,180</b>	227,083,491
	<b>465,141,180</b>	227,083,491
<b>SCHEDULE 10: INCOME FROM INVESTMENTS/ LOANS</b>		
Dividend Income		
-Long term trade investments	<b>7,192,500</b>	10,236,778
-Current non trade Investments	<b>4,021,769</b>	1,567,923
Profit on sale of Investments		
-Long term trade investments	<b>3,814,679</b>	3,623,500
-Current non trade Investments	<b>12,852,984</b>	84,375
Interest Income on Deposits/ Loans (Tax deducted at source Rs 2,346,097/- Previous year Rs1,092,671/-)	<b>7,949,100</b>	9,025,403
	<b>35,831,032</b>	24,537,979
<b>SCHEDULE 11: STAFF EXPENSES</b>		
Salaries and Allowances	<b>105,079,712</b>	56,409,306
Contribution to Provident Fund & other Funds	<b>17,421,063</b>	7,841,366
Staff Welfare Expenses	<b>4,827,763</b>	3,034,060
Amortisation of stock based compensation	<b>9,858,720</b>	-
	<b>137,187,258</b>	67,284,732
<b>SCHEDULE 12: OPERATING EXPENSES</b>		
Rent	<b>16,887,877</b>	10,650,682
Rates & Taxes	<b>2,039,390</b>	155,188
Electricity & Water Charges	<b>506,995</b>	298,647
Postage & Telecommunication	<b>2,897,697</b>	1,725,730
Printing & Stationery	<b>1,024,021</b>	677,074
Travelling & Conveyance	<b>18,392,610</b>	12,044,823
Motor Car Expenses	<b>1,527,928</b>	1,194,435
Debts/Advances Written Off	<b>25,165</b>	202,892
Insurance	<b>1,573,735</b>	732,627
Repairs and Maintenance-Others	<b>3,450,683</b>	1,145,256
Legal & Professional Expenses	<b>9,043,382</b>	5,415,718
Directors Sitting Fees	<b>607,000</b>	554,000
Underwriting and Placement Fees	<b>684,317</b>	10,000,000
Other Expenses	<b>15,268,294</b>	9,465,337
	<b>73,929,094</b>	54,262,409

**Schedule 13: Significant Accounting Policies and Notes to 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
Computers	3
Office Equipments	4
Vehicles	4
Computer Software	3

(b) Intangible Assets includes 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

(c) Long Term Investments

Long-term trade 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, other than temporary 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) Monetary items not covered by Forward Contracts are reported at the closing rate
- (ii) Monetary items covered by Forward Contracts are valued at the spot rate at the inception of the transaction. The premia or discount arising at the inception of such a forward contract is amortised as expense or income over the life of the contract
- (iii) Non Monetary items carried at fair value denominated in a foreign currency has been reported using the exchange rate at the date of the transaction

(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 on projected unit cost method at the end of each year by the insurer
- (ii) The Company's liability in respect of accumulated leave salary is provided for in the Profit and Loss Account, based on actual leave liability determined at the end of the year

(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

## 44 SCHEDULES

### Contd....

#### (i) Earnings Per Share

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

2. Capital Commitments (net of Advances) not provided for Rs 1,561,289/- (Previous year Rs 1,400,000/-)

#### 3. Contingent Liabilities

Claims against the Company not acknowledged as debts:

Particulars	(Amount Rupees)	
	March 31, 2007	March 31, 2006
Income Tax Demands	9,936,569	Nil
The Company has preferred appeals against the foregoing income tax demands		

#### 4. Employee Stock Option Plan

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

Particulars	ESOP 2003	ESOP 2004	ESOP 2006
Eligibility	Directors & Employees	Directors & Employees	Directors of the Company and Subsidiary Companies & Employees of the Company
Vesting period for options granted during the year	One year from date of grant	One year from date of grant	One year to Three years from date of grant
Exercise Period	Four years beginning from date of vesting	Four years beginning from date of vesting	Four years beginning from date of vesting
Method of Settlement	Equity	Equity	Equity

##### b) The number and weighted average Exercise Price of Stock Options for ESOP 2003, ESOP 2004 and ESOP 2006 is as follows:

Particulars	ESOP 2003		ESOP 2004		ESOP 2006	
	Quantity #	Weighted Average Exercise Price *	Quantity #	Weighted Average Exercise Price *	Quantity #	Weighted Average Exercise Price *
Authorised to be Granted	1,201,673	-	2,250,000	-	2,250,000	-
Granted and outstanding at the beginning of the year	670,673	50.17	1,250,625	36.48	Nil	-
Granted during the year	Nil	-	175,875	36.00	1,832,500	105.81
Forfeited during the year	Nil	-	Nil	-	Nil	-
Exercised during the year	667,312	49.83	1,250,625	36.48	Nil	-
Lapsed during the year	3,361	117.33	11,638	36.00	177,500	107.24
Granted and outstanding at the end of the year	Nil	-	164,237	36.00	1,655,000	105.66
Vested and Exercisable at the end of the year	Nil	-	Nil	-	Nil	-

\* determined at the time of grant

# Adjusted for bonus issue during the year

- (c) The Company calculates the employee compensation cost using the Intrinsic Value of the Options. The Exercise Price of the Options granted is generally based on the Market Price as on the date of the Grant. The Company had issued 164,237 Options at an exercise price lower than the market price and accordingly, the Intrinsic Value of those Options was Rs 11,496,590/-, which is amortised over the vesting period. Accordingly, an amount of Rs 9,858,720/- is charged to the profit and loss account for the year
- (d) The weighted average Fair Value of the Options granted during the year is Rs 34.82 (calculated by external valuers using Black Scholes Model). In the event the Company had used the Fair Value of Options for calculating the employee compensation cost, the employee compensation cost of the Options granted would have been Rs 53,364,418/- which would have reduced the Profit before Tax of the Company by Rs 43,505,699/- and the Basic and Diluted EPS would have reduced to Rs 5.32 and Rs 5.05, respectively
- (e) The weighted average Market Price at the date of exercise, for options during the year is Rs 161.71
- (f) The range of Exercise Price for Stock Options outstanding as at March 31, 2007 is Rs 36/- to Rs 111.33 and the weighted average remaining contractual life is 4 years and 5 months

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

The Fair Value of Options has been calculated by an independent valuer. The valuation has been done using the Black-Scholes model based on the assumptions, which 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 to three years 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%

- (iii) Share Price is the market price on the National Stock Exchange 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

- 5. 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, 2007 the timing difference has resulted in a net deferred tax asset of Rs 5,030,208/-

- (b) The deferred tax asset recognized in the accounts as of March 31, 2007 are as follows:

Nature of Timing Differences	2006 Asset/ (Liability) Rs	Adjusted during the year* Rs	2007 Asset/ (Liability) Rs
Net Depreciation	5,531,516	4,521,860	<b>10,053,376</b>
Retirement Benefits	1,336,484	2,772,140	<b>4,108,624</b>
<b>Total</b>	<b>6,868,000</b>	<b>7,294,000</b>	<b>14,162,000</b>

\* includes Rs 2,263,793/- created on account of Rs 6,725,468/- charged to opening reserves under transitional provisions of Accounting Standard 15 "Employee Benefits"

- 6. Unclaimed dividend of Rs 4,661,154/- 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. The unpaid or unclaimed dividend for the year 1999-2000 becomes due for payment in May 2007

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## Contd....

7. Other Income includes gain on foreign exchange fluctuation aggregating Rs 856,705/- (Previous year Rs 348,733/-)

### 8. Derivative Instruments

(a) The Company has entered into the following Forward Exchange Contracts outstanding as at March 31, 2007:

Number of contracts	Currency	Amount	Currency	Amount
3	US Dollar	3 mn (Sell)	INR	135.68 mn (Buy)

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

Name of the Entity	Nature of Transaction	Amount of Transaction Rs	Outstanding Balance As at March 31, 2007 Rs
IL&FS Trust Company Ltd.	Dividend Income	<b>997,500</b> (855,000)	<b>Nil</b> (Nil)
	Investment	<b>Nil</b> (Nil)	<b>712,500</b> (712,500)

(Figures in brackets represent previous year transactions)

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

Particulars	Amount in Foreign Currency	Amount in INR
Receivables	USD 1.46 mn	Rs 63.54 mn

### 9. Related Party Disclosures

(i) Transactions with the Subsidiaries in which the Company is having more than 50% Shareholding

Name of the Entity	Nature of Transaction	Amount of Transaction Rs	Outstanding Balance As at March 31, 2007 Rs
IL&FS Asian Infrastructure Managers Limited	Investment	<b>23,417,770</b> (Nil)	<b>23,417,770</b> (Nil)
	Income	<b>18,676,926</b> (Nil)	<b>Nil</b> (Nil)
	Reimbursement of expenses	<b>126,503</b> (Nil)	<b>Nil</b> (Nil)
IL&FS Urban Infrastructure Managers Limited	Investment	<b>499,400</b> (Nil)	<b>499,400</b> (Nil)
	Reimbursement of expenses	<b>171,475</b> (Nil)	<b>Nil</b> (Nil)
IL&FS Investment Advisors LLC	Investment	<b>900,200</b> (Nil)	<b>900,200</b> (Nil)
	Loan given and repaid	<b>45,032,801</b> (Nil)	<b>Nil</b> (Nil)
	Income	<b>209,451,204</b> (Nil)	<b>198,070,145</b> (Nil)

(Figures in brackets represent previous year transactions)

(iii) Transactions with Shareholders of the Company having more than 20% Shareholding

Name of the Entity	Nature of Transaction	Amount of Transaction Rs	Outstanding liability As at March 31, 2007 Rs
Infrastructure Leasing & Financial Services Ltd	<b>Expense</b>		
	Reimbursement of administrative expenses	<b>2,372,030</b> (2,370,860)	<b>639,684</b> (1,625,091)
	Rent	<b>13,195,478</b> (7,907,910)	<b>40,781</b> (Nil)
	Underwriting Fees	<b>684,317</b> (10,000,000)	<b>684,317</b> (Nil)
	<b>Income</b>		
	Advisory Fees	<b>Nil</b> (5,000,000)	<b>Nil</b> (Dr. 5,510,000)

(Figures in brackets represent previous year transactions)

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

**Key Management Personnel**

Mr Shahzaad Dalal  
Vice Chairman &  
Managing Director

**Relative**

Mrs. Nafisa Dalal  
Spouse of  
Mr. Shahzaad Dalal

**Key Management Personnel**

Dr. Archana Hingorani  
Executive Director with effect from July 17, 2006

Nature of Transactions	Amount (Rs)
Premises Deposit Paid	<b>Nil</b> (10,000,000)
Balance Premises Deposit (Maximum amount outstanding during the year is Rs 12,500,000/- Previous Year Rs 12,500,000/-)	<b>12,500,000</b> (12,500,000)
Rent for Premises Occupied	<b>420,000</b> (582,500)
Salary including Performance Related Pay	<b>10,328,115</b> (6,869,920)
Perquisites	<b>703,266</b> (780,551)
Contribution to Provident Fund & Other Fund	<b>1,296,000</b> (777,600)

(Figures in brackets represent previous year transactions)

Nature of Transactions	Amount (Rs)
Salary including Performance Related Pay	<b>5,922,953</b>
Perquisites	<b>12,787</b>
Contribution to Provident Fund & Other Fund	<b>687,058</b>

(v) Employee Welfare Trust

Nature of Transactions	Amount (Rs)
Interest Income	<b>4,485,894</b> (2,333,002)
Repayment of Loan	<b>4,805,060</b> (1,945,132)
Disbursement of Loan	<b>58,100,000</b> (27,800,000)
Balance Loan recoverable	<b>109,488,557</b> (51,707,723)

(Figures in brackets represent previous year transactions)

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

Particulars	For the year ended	
	March 31, 2007 (Rs)	March 31, 2006 (Rs)
(i) Managerial Remuneration * :		
(a) Remuneration to Whole-Time Directors		
Salary including Performance Related Pay (PRP)	<b>16,251,068</b>	6,869,920
Perquisites	<b>716,053</b>	780,551
Contribution to Provident Fund and other fund	<b>1,983,058</b>	777,600
	<b>18,950,179</b>	8,428,071
(b) Remuneration to Non Whole-Time Director		
Sitting fee	<b>607,000</b>	554,000
Commission	<b>2,000,000</b>	1,150,000
(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	<b>267,232,417</b>	107,609,107
Add: Managerial Remuneration *	<b>18,950,179</b>	
Directors' sitting fee	<b>607,000</b>	
Commission to Non Whole-Time Directors	<b>2,000,000</b>	<b>21,557,179</b>
Less: Depreciation in Investments written back		-

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## Contd....

		For the year ended	
		March 31, 2007 (Rs)	March 31, 2006 (Rs)
	Net Profit as per Section 198	<b>288,789,596</b>	117,741,178
	Maximum permissible remuneration computed @ 10% (Previous year @ 5%) of Net Profit payable to Whole Time Directors	<b>28,878,960</b>	5,887,059
	Maximum Commission payable to Non Whole Time Directors computed @ 1% of Net Profit	<b>2,887,896</b>	1,177,412
	<b>Commission payable to Non Whole-Time Directors</b>		
	Maximum allowed as per Companies Act, 1956 @ 1 %	<b>2,887,896</b>	1,177,412
	Commission payable restricted to	<b>2,000,000</b>	1,150,000

\* Includes PRP to Whole Time Directors provided in aggregate, which have been disclosed as remuneration on cash basis

	Particulars	For the year ended March 31, 2007 (Rs)	For the year ended March 31, 2006 (Rs)
(ii)	Expenditure in foreign currency (on accrual basis) on		
	(a) Travelling	<b>5,133,417</b>	5,302,555
	(b) Conference & Seminar	<b>1,186,505</b>	1,353,690
	(c) Books & Periodicals	<b>54,401</b>	110,845
	(d) Legal & Professional fees	<b>1,637,536</b>	1,523,859
	(e) Communication expenses	<b>Nil</b>	27,468
	(f) Business Promotion expenses	<b>105,343</b>	100,177
(iii)	Earnings in Foreign Currency (on accrual basis) on		
	Income from Fund Management and Advisory Services	<b>221,661,301</b>	22,026,649
(iv)	Legal and Professional expenses include amounts paid/ payable to the auditors towards		
	Audit Fee	<b>500,000</b>	375,000
	Tax Audit Fee	<b>100,000</b>	40,000
	Other services including Company law matters	<b>522,500</b>	187,500
	Out of Pocket Expenses	<b>14,953</b>	15,742
	Service tax of Rs 137,394/- (Previous year Rs 70,941/-) 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 in foreign currencies		
	- Year to which dividend relates	<b>2005-2006</b>	2004-2005
	- Number of non-resident shareholders (nos)	<b>Nil</b>	2
	- Number of shares held by them (nos)	<b>Nil</b>	1,864,144
	- Gross amount of dividend (Rs)	<b>Nil</b>	5,592,432

11. The quantitative details of current investments 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	378,515	Nil
Reliance Liquid Fund – Treasury Plan- Institutional Option – Daily Dividend	Nil	7,083,974.81	7,083,974.81	Nil
Reliance Fixed Horizon Fund – Dividend Option	Nil	3,000,000.00	3,000,000.00	Nil
Reliance Fixed Horizon Fund-Monthly Plan A – Series V- Dividend Option	Nil	3,013,843.52	3,013,843.52	Nil
Reliance Fixed Horizon Fund-Monthly Plan A – Series VI- Dividend Option	Nil	3,027,972.44	3,027,972.44	Nil
Reliance Fixed Horizon Fund I-Monthly Plan – Series I- Dividend Plan	Nil	1,536,082.15	1,536,082.15	Nil
Reliance Fixed Horizon Fund I-Monthly Plan – Series II- Dividend Plan	Nil	2,648,461.58	2,648,461.58	Nil
Reliance Liquid Fund – Cash Plan- Daily Dividend Option	Nil	3,300,648.46	3,300,648.46	Nil
Reliance Floating Rate Fund- Daily Dividend Reinvestment Plan	Nil	4,318,546.34	4,318,546.34	Nil
Prudential ICICI Liquid Plan- Institutional Plus- Daily Dividend Option	Nil	6,502,273.91	6,502,273.91	Nil
UTI Liquid Cash Plan Institutional – Daily Income Option – Reinvestment	Nil	62,510.16	62,510.16	Nil
UTI Money Market Fund – Daily Dividend Option- Reinvestment	Nil	2,910,665.06	2,910,665.06	Nil
Kotak Liquid (Institutional) – Daily Dividend	1,227,590.46	4,352,563.72	5,580,154.18	Nil
Tata Liquid Super High Investment Fund – Daily Dividend	Nil	115,049.51	108,316.93	6,732.58

12. 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"

13. Effective April 1, 2006, the Company has adopted the Accounting Standard 15 on "Employee Benefits" (Revised) issued by The Institute of Chartered Accountants of India. Pursuant to the adoption, the transitional obligations of the Company on account of Gratuity aggregated Rs 2,486,725/- and on account of Leave Encashment aggregated Rs 4,238,743/-. These have been debited to General Reserve net of related tax effect

Disclosure as required under Accounting Standard – 15 on "Employee Benefits" for Gratuity is as under:

I. Assumptions	March 31, 2007
Discount Rate Previous year	7.50%
Rate of Return on Plan Assets Previous year	8.00%
Salary Escalation Previous year	6.00%
Discount Rate Current year	7.50%
Rate of Return on Plan Assets Current year	8.00%
Salary Escalation Current year	6.00%

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## Contd....

II. Table Showing Change in Benefit Obligation	March 31, 2007
Liability at the beginning of the year	<b>10,336,831</b>
Interest Cost	<b>710,039</b>
Current Service Cost	<b>1,092,466</b>
Past Service Cost (Non Vested Benefit)	-
Past Service Cost (Vested Benefit)	-
Benefit Paid	<b>(1,962,115)</b>
Actuarial (gain)/loss on obligations	<b>6,906,119</b>
Liability at the end of the year	<b>17,083,340</b>
III. Tables of Fair value of Plan Assets	March 31, 2007
Fair Value of Plan Assets at the beginning of the year	<b>8,036,528</b>
Expected Return on Plan Assets	<b>485,953</b>
Contributions	<b>11,074,723</b>
Benefit Paid	<b>(1,962,115)</b>
Actuarial gain/(loss) on Plan Assets	<b>195,910</b>
Fair Value of Plan Assets at the end of the year	<b>17,830,999</b>
Total Actuarial Gain/(Loss) to be Recognised	<b>(6,710,209)</b>
IV. Actual Return on Plan Assets	March 31, 2007
Expected Return on Plan Assets	<b>485,953</b>
Actuarial gain/(loss) on Plan Assets	<b>195,910</b>
Actual Return on Plan Assets	<b>681,863</b>
V. Amount Recognised in the Balance Sheet	March 31, 2007
Liability at the end of the year	<b>17,083,340</b>
Fair Value of Plan Assets at the end of the year	<b>17,830,999</b>
Difference	<b>(747,659)</b>
Unrecognised Past Service Cost	-
Amount Recognised in the Balance Sheet ^	<b>(747,659)</b>
VI. Expenses Recognised in the Income Statement	March 31, 2007
Current Service Cost	<b>1,092,466</b>
Interest Cost	<b>710,039</b>
Expected Return on Plan Assets	<b>(485,953)</b>
Net Actuarial (Gain)/Loss to be Recognised	<b>6,710,209</b>
Past Service Cost (Non Vested Benefit) Recognised	-
Past Service Cost (Vested Benefit) Recognised	-
Expense Recognised in P& L	<b>8,026,761</b>

VII. Balance Sheet Reconciliation	March 31, 2007
Opening Net Liability	<b>2,300,303</b>
Expense as above	<b>8,026,761</b>
Employers Contribution	<b>11,074,723</b>
Amount Recognised in Balance Sheet ^	<b>(747,659)</b>

<sup>^</sup> The Company has taken an actuarial valuation for the purpose of above disclosure which differs with that of valuation as given by the insurer with whom the liability is funded. The difference is not accounted as prepaid on ground of prudence

14. The Company has entered into a 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 16,035,288/-
- (ii) later than one year and not later than five years – Rs 29,642,502/-
- (iii) later than five years – Rs Nil

During the current year ended March 31, 2007 the lease payments recognised in the Profit and Loss account for the aforesaid arrangement amounts to Rs 13,211,137/-

15. 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, 2007 (Rs)	Maximum Amount Outstanding at any time during the year (Rs)
Tamil Nadu Road Development Company Limited	<b>Not Applicable</b> (25,165)	<b>Not Applicable</b> (25,165)
Gujarat Toll Road Investment Company Limited	<b>Not Applicable</b> (Nil)	<b>Not Applicable</b> (25,612)
IL&FS Financial Services Limited	<b>41,679</b> (Not Applicable)	<b>41,679</b> (Not Applicable)

(Figures in brackets represent previous year transactions)

16. 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

**Deloitte Haskins & Sells**  
Chartered Accountants

For and on behalf of the Board

**S.M. DATTA**  
Chairman

**Mohammed Z. Merchant**  
Partner

**SHAHZAAD DALAL**  
Vice Chairman & Managing Director

Place : Mumbai  
Date : May 1, 2007

**SANJAY MITRA**  
Company Secretary

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

(Previous year figures in brackets)

<b>I. Registration Details</b>				
Registration No.	:	147981	State Code	:
Balance Sheet Date	:	31.03.2007		11
<b>II. Capital raised during the year (Amount in Rs Thousand)</b>				
Public Issue	:	Nil (Nil)	Right Issue	:
Bonus Issue	:	79,304 (Nil)	Private Placement	:
				19,179 (6,959)
<b>III. Position of Mobilisation and Deployment of Funds (Amount in Rs Thousands)</b>				
Total Liabilities	:	398,394 (261,416)	Total Assets	:
<b>Sources of Funds</b>				
Paid up Capital	:	266,972 (158,629)	Reserves & Surplus	:
Secured Loans	:	Nil (Nil)	Unsecured Loans	:
<b>Application of Funds</b>				
Net Fixed Assets	:	7,001 (29,315)	Investments	:
Net Current Assets	:	316,061 (184,410)	Miscellaneous Expenditure	:
Accumulated Losses	:	Nil (Nil)		Nil (Nil)
<b>IV. Performance of company (Amount in Rs Thousands)</b>				
Turnover	:	502,931 (253,411)	Expenditure	:
Profit/Loss Before Tax	:	267,232 (107,609)	Profit/Loss after tax	:
Basic Earning per Shares	:	7.11 (4.63)*	Dividend rate %	:
<b>V. Generic names of three principal products/services of company (as per monetary terms)</b>				
Item Code No. (ITC Code)	:	Not Applicable		
Product Description	:	Fund Management Business		

\* Pre issuance of Bonus Shares

For and on behalf of the Board

**S.M. Datta**  
Chairman

**Shahzaad Dalal**  
Vice Chairman & Managing Director

**Sanjay Mitra**  
Company Secretary

Place: Mumbai  
Date: May 1, 2007

**Statement pursuant to exemption received under Section 212(8) of the Companies Act, 1956 relating to Subsidiary Companies**

Sr No	Name of the Subsidiary Company	IL&FS Investment Advisors LLC	IL&FS Asian Infrastructure Managers Limited	IL&FS Urban Infrastructure Managers Limited
	Financial year ended on	31-Mar-07	31-Mar-07	31-Mar-07
1	Reporting Currency	USD	INR	INR
2	Exchange Rate	43.59	1.00	1.00
3	Capital	871,800	45,918,370	500,000
4	Reserves	3,193,185	109,451	(368,641)
5	Total Assets	333,942,946	47,581,568	153,809
6	Total Liabilities	329,877,961	1,553,747	22,450
7	Investment other than Investment in Subsidiary	43,590	12,869,757	-
8	Turnover	296,997,632	19,628,367	13,242
9	Profit before Taxation	3,288,604	341,951	(368,641)
10	Provision for Taxation	95,419	232,500	-
11	Profit after Taxation	3,193,185	109,451	(368,641)
12	Proposed Dividend	-	-	-
13	Country	Mauritius	India	India

**Notes:**

1. The Ministry of Compay Affairs has vide its letter dated June 12, 2007 granted exemption under Section 212(8) of the Companies Act, 1956 from attaching to the Balance Sheet of the Company, the Accounts and other documents of its Subsidiary Companies. The above statement has been prepared under the terms of the aforesaid exemption for each of the Company's Subsidiaries
2. The Consolidated Financial Statement of the Company, which include the results of the said Subsidiaries forms a part of the Annual Report of the Company
3. Copies of the audited annual accounts of the Company's Subsidiaries and other related documents, can also be sought by any investor of the Company or its Subsidiaries on making a written request to the Company Secretary in this regard. The Annual Accounts of the Subsidiary Companies are also available for inspection for any investor at the Company's and/or the concerned Subsidiaries' registered office

# **Consolidated Financial Statements**

TO THE BOARD OF DIRECTORS OF  
IL&FS INVESTMENT MANAGERS LIMITED (the "Company")  
ON THE CONSOLIDATED FINANCIAL STATEMENTS OF  
IL&FS INVESTMENT MANAGERS LIMITED AND ITS  
SUBSIDIARIES

1. We have examined the attached Consolidated Balance Sheet of IL&FS INVESTMENT MANAGERS LIMITED and its subsidiaries ("the Group") as at March 31, 2007, the Consolidated Profit and Loss Account of the Group for the year ended on that date, annexed thereto. The Consolidated Financial Statements include an investment in affiliate accounted for on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements). 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 whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and 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 statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of a subsidiary, whose financial statements reflect total assets of Rs.345,878,897 as at March 31, 2007 and total revenues of Rs.307,694,750 for the year ended on that date. These financial statements have been audited by other auditor whose reports have been furnished to us and in our opinion, insofar as they relate to the amounts included in respect of the subsidiary, are solely based on the report of the other auditor.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) and Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements), issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company, Subsidiaries and an associate.
5. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the subsidiaries and an associate referred to in paragraph 4 above, and to the best of our knowledge and according to the information and explanations given to us, we are of the opinion that the attached consolidated financial statements, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at March 31, 2007,
  - (b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date.

**For DELOITTE HASKINS & SELLS**

Chartered Accountants

**Mohammed Z. Merchant**

Partner

(Membership No. 31971)

MUMBAI, May 1, 2007

# CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2007

	Schedules	As at March 31, 2007 Rupees
<b>SOURCES OF FUNDS</b>		
<b>Shareholders' Funds</b>		
Share Capital	1	<b>257,112,840</b>
Stock Options Outstanding		<b>9,858,720</b>
Reserves & Surplus	2	<b>151,013,009</b>
Minority Interest		<b>22,554,390</b>
		<b>440,538,959</b>
<b>APPLICATION OF FUNDS</b>		
<b>Fixed Assets</b>	3	
Gross Block		<b>550,508,196</b>
Less: Depreciation		<b>201,781,228</b>
Net Block		<b>348,726,968</b>
Capital Advances		<b>1,604,280</b>
		<b>350,331,248</b>
<b>Investments</b>	4	<b>71,989,991</b>
<b>Deferred Tax Asset (net)</b>		<b>14,194,500</b>
<b>Current Assets, Loans &amp; Advances</b>		
Sundry Debtors	5	<b>50,758,977</b>
Cash & Bank Balances	6	<b>128,419,278</b>
Loans & Advances	7	<b>342,900,694</b>
		<b>522,078,949</b>
<b>Less: Current Liabilities &amp; Provisions</b>	8	
Current Liabilities		<b>203,450,676</b>
Provisions		<b>314,605,053</b>
		<b>518,055,729</b>
<b>Net Current Assets</b>		<b>4,023,220</b>
Significant Accounting Policies/ Notes to the Accounts	13	<b>440,538,959</b>

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 the Board

For and on behalf of

**Deloitte Haskins & Sells**

Chartered Accountants

**S.M. DATTA**

Chairman

**Mohammed Z. Merchant**

Partner

**SHAHZAAD DALAL**

Vice Chairman & Managing Director

**SANJAY MITRA**

Company Secretary

Place : Mumbai

Date : May 1, 2007

# CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2007

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	Schedules	For the year ended March 31, 2007 Rupees
<b>INCOME</b>		
Income from Fund Management and Advisory Services	9	<b>563,794,342</b>
Income from Investments/Loans	10	<b>35,388,598</b>
Other Income (Refer note 7 on Schedule 13)		<b>1,959,486</b>
		<b>601,142,426</b>
<b>EXPENSES</b>		
Staff Expenses	11	<b>137,187,260</b>
Operating Expenses	12	<b>84,057,430</b>
		<b>221,244,690</b>
Profit before Depreciation and Tax		<b>379,897,736</b>
Depreciation/ Amortisation		<b>107,463,012</b>
Operating Profit for the year		<b>272,434,724</b>
Profit/ (Loss) on assets sold/written off (net)		<b>329,103</b>
Profit before Taxation		<b>272,763,827</b>
Income Tax		
- Current Tax		<b>96,863,868</b>
- Deferred Tax Liability/ (Asset) (net)		<b>(5,062,708)</b>
- Fringe Benefit Tax		<b>2,750,000</b>
Net Profit after Taxation		<b>178,212,667</b>
Less: Minority Interest		<b>(53,190)</b>
Add: Share of Profit of Associate		<b>4,020,108</b>
Profit Available for Appropriations		<b>182,179,585</b>
Less: Appropriations		
Transferred to General Reserve		<b>22,286,675</b>
Proposed Dividend		<b>102,837,136</b>
Tax on Dividend		<b>17,477,171</b>
Profit and Loss Balance carried forward to Balance Sheet		<b>39,578,603</b>
Earnings Per Share (EPS) (Equity shares, Face value Rs 10/- each)		
Basic		<b>7.48</b>
Diluted		<b>7.10</b>
Weighted Average Number of shares used in computing earnings per share		
Basic		<b>24,341,974</b>
Diluted		<b>25,649,613</b>
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 the Board

For and on behalf of

**Deloitte Haskins & Sells**

Chartered Accountants

**S.M. DATTA**

Chairman

**Mohammed Z. Merchant**

Partner

**SHAHZAAD DALAL**

Vice Chairman & Managing Director

Place : Mumbai

Date : May 1, 2007

**SANJAY MITRA**

Company Secretary

**SCHEDULES**

	<b>As at March 31, 2007 Rupees</b>
<b>SCHEDULE 1: SHARE CAPITAL</b>	
<b>Authorised</b>	
50,000,000 Equity shares of Rs 10/- each	<b>500,000,000</b>
<b>Issued, Subscribed &amp; Paid-up</b>	
25,709,284 Equity shares of Rs 10/- each fully paid-up	<b>257,092,840</b>
Add : Forfeited shares	<b>20,000</b>
	<b>257,112,840</b>
Note: Of the above 7,930,449 equity shares of Rs 10/- each were allotted during the year as fully paid-up Bonus Shares by capitalisation of Securities Premium, General Reserve and Profit & Loss Account	
<b>SCHEDULE 2: RESERVES &amp; SURPLUS</b>	
<b>Securities Premium Account</b>	
Opening Balance	<b>29,056,592</b>
Add: Received upon issuance of shares	<b>59,702,709</b>
Less: Capitalised for Issue of Bonus Shares	<b>29,056,592</b>
	<b>59,702,709</b>
<b>General Reserve</b>	
Opening Balance	<b>53,775,000</b>
Add: Transferred from Profit & Loss Account	<b>22,286,675</b>
Less: Capitalised for Issue of Bonus Shares	<b>46,600,000</b>
Less: Employee Benefits Adjustment (net of Deferred Tax - Rs. 2,263,793/-) (See Note 9 on Schedule 13)	<b>4,461,675</b>
	<b>25,000,000</b>
<b>Profit and Loss Account Balance</b>	
Opening Balance	<b>19,955,635</b>
Add: Post Acquisition Share in Reserves of Associate	<b>5,538,924</b>
Add: Transferred from Profit & Loss Account	<b>39,578,603</b>
Less: Capitalised for Issue of Bonus Shares	<b>3,647,898</b>
	<b>61,425,264</b>
<b>Foreign Currency Translation Adjustment</b>	<b>4,885,036</b>
	<b>151,013,009</b>

**SCHEDULE 3: FIXED ASSETS**  
(Refer note 1(c) and (d) on Schedule 13)

*Consolidated financial statements*

**SCHEDULES**

Contd....

	GROSS BLOCK			DEPRECIATION			NET BLOCK		
Description of Assets	Cost as on 01.04.2006	Additions/ Adjustments	Deductions/ Adjustments	Cost as on 31.3.2007	Up to 31.03.2006	For the year	Adjustments/ Disposals	Up to 31.3.2007	As At 31.3.2007
<b>Tangible Assets</b>									
Furniture & Fixtures	3,486,131	1,446,750	(501,586)	<b>4,431,295</b>	1,565,530	<b>693,075</b>	(212,834)	<b>2,045,771</b>	<b>2,385,524</b>
Office Equipments	993,351	169,753	(176,437)	<b>986,667</b>	640,949	<b>170,274</b>	(125,037)	<b>686,186</b>	<b>300,481</b>
Vehicles	78,527	128,250	(128,250)	<b>78,527</b>	27,350	<b>30,728</b>	(10,629)	<b>47,449</b>	<b>31,078</b>
Computers	3,791,051	1,327,696	(335,931)	<b>4,782,816</b>	2,237,010	<b>982,094</b>	(319,059)	<b>2,900,045</b>	<b>1,882,771</b>
Total (A)	<b>8,349,060</b>	<b>3,072,449</b>	<b>(1,142,204)</b>	<b>10,279,305</b>	<b>4,470,839</b>	<b>1,876,171</b>	<b>(667,559)</b>	<b>5,679,451</b>	<b>4,599,854</b>
<b>Intangible Assets</b>									
Computer Software	1,248,000	-	-	<b>1,248,000</b>	35,328	<b>415,958</b>	-	<b>451,286</b>	<b>796,714</b>
Business Know-how, Management & Advisory Contracts	113,099,511	-	-	<b>113,099,511</b>	90,479,608	<b>22,619,903</b>	-	<b>113,099,511</b>	-
Placement Fees	-	425,881,380	-	<b>425,881,380</b>	-	<b>82,550,980</b>	-	<b>82,550,980</b>	<b>343,330,400</b>
Total (B)	<b>114,347,511</b>	<b>425,881,380</b>	-	<b>540,228,891</b>	<b>90,514,936</b>	<b>105,586,841</b>	-	<b>196,101,777</b>	<b>344,127,114</b>
<b>Total (A+B)</b>	<b>122,696,571</b>	<b>428,953,829</b>	<b>(1,142,204)</b>	<b>550,508,196</b>	<b>94,985,775</b>	<b>107,463,012</b>	<b>(667,559)</b>	<b>201,781,228</b>	<b>348,726,968</b>

**SCHEDULES****Contd....**

	As at March 31, 2007 Rupees
<b>Schedule - 4 : INVESTMENTS</b> (at cost less provision) (Refer note 1(e) and 1(f) on Schedule 13)	
<b>LONG TERM TRADE INVESTMENTS</b>	
- <b>Unquoted Equity Shares (Fully Paid)</b>	
- <b>Associate</b>	
IL&FS Trust Company Limited	712,500
Add: Post Acquisition Share of Reserves of Associate	8,561,532
<b>Sub Total (A)</b>	<b>9,274,032</b>
- <b>Others</b>	
Avantika Gas Limited	82,500
IL&FS India Realty Fund LLC	43,590
<b>Sub Total (B)</b>	<b>126,090</b>
<b>Total (C)=(A+B)</b>	<b>9,400,122</b>
- <b>Units of Venture Fund (Unquoted)</b>	
South Asian Regional Apex Fund	21,800,000
Leverage India Fund	100,000
Infrastructure Leasing & Financial Services Realty Fund	50,000
<b>Total (D)</b>	<b>21,950,000</b>
- <b>Interest in Partnership (Unquoted)</b>	
AMCF India Participations, L.P. #	20,266,516
<b>Sub Total (E)</b>	<b>20,266,516</b>
<b>Total Long Term Trade Investments (F) = (C+D+E)</b>	<b>51,616,638</b>
<b>CURRENT NON TRADE INVESTMENTS</b>	
- <b>Units of Mutual Fund (Unquoted unless otherwise stated)</b>	
Tata Liquid Super High Investment Fund - Daily Dividend	7,503,596
UTI Liquid Cash Plan Institutional - Daily Dividend	12,869,757
<b>Total Current Investments (G)</b>	<b>20,373,353</b>
<b>TOTAL (F+G)</b>	<b>71,989,991</b>

# Represents the Company's Share in the Limited Partners Capital, where the General Partners has 100% voting rights

**SCHEDULES**

Contd....

	<b>As at March 31, 2007 Rupees</b>
<b>SCHEDULE 5: SUNDY DEBTORS</b>	
(Unsecured, considered good)	
Outstanding for more than six months	5,864,671
Other Debts	44,894,306
	<b>50,758,977</b>
<b>SCHEDULE 6: CASH &amp; BANK BALANCES</b>	
Cash in hand	79,262
Cheques on Hand	36,863
Balance with Scheduled Banks	
-in Current Accounts	13,038,575
-in Fixed Deposit	115,264,578
	<b>128,419,278</b>
<b>SCHEDULE 7 : LOANS AND ADVANCES</b>	
(Unsecured unless otherwise stated, considered good)	
Interest Accrued but not due	7,339,469
Advance Tax	193,706,742
Advances Recoverable in cash or in kind or for value to be received	141,854,483
	<b>342,900,694</b>
<b>SCHEDULE 8: CURRENT LIABILITIES AND PROVISIONS</b>	
<b>A. Current Liabilities</b>	
Sundry Creditors- Other than Small Scale Industrial Undertakings	190,728,122
Amounts to be Credited to Investor Education and Protection Fund	
- Unclaimed Dividend	4,661,154
Other Liabilities	8,061,400
<b>Total (A)</b>	<b>203,450,676</b>
<b>B. Provisions</b>	
Provision for Tax	181,435,430
Proposed Dividend	102,837,136
Tax on Proposed Dividend	17,477,171
Leave Encashment	12,855,316
<b>Total (B)</b>	<b>314,605,053</b>
<b>Total (A+B)</b>	<b>518,055,729</b>

**SCHEDULES**

Contd....

	For the year ended March 31, 2007 Rupees
<b>SCHEDULE 9 : INCOME FROM FUND MANAGEMENT AND ADVISORY SERVICES</b>	
Fees from Fund Management and Advisory Services	563,794,342
	<b>563,794,342</b>
<b>SCHEDULE 10: INCOME FROM INVESTMENTS/ LOANS</b>	
Dividend Income	
-Long term trade investments	6,195,000
-Current non trade Investments	4,191,526
Profit on sale of Investments	
-Long term trade investments	3,814,679
-Current non trade Investments	12,852,984
Interest Income on Deposits/ Loans	8,334,409
	<b>35,388,598</b>
<b>SCHEDULE 11: STAFF EXPENSES</b>	
Salaries and Allowances	105,079,714
Contribution to Provident Fund & other Funds	17,421,063
Staff Welfare Expenses	4,827,763
Amortisation of stock based compensation	9,858,720
	<b>137,187,260</b>
<b>SCHEDULE 12: OPERATING EXPENSES</b>	
Rent	16,887,877
Rates & Taxes	2,520,511
Electricity & Water Charges	506,995
Postage & Telecommunication	2,897,697
Printing & Stationery	1,024,021
Travelling & Conveyance	18,392,610
Motor Car Expenses	1,527,928
Debts/Advances Written Off	25,165
Insurance	1,573,735
Repairs and Maintenance- Others	3,450,683
Legal & Professional Expenses	9,839,624
Directors Sitting Fees	794,750
Underwriting and Placement Fees	8,873,275
Preliminary Expenses	147,000
Other Expenses	15,595,559
	<b>84,057,430</b>

# SCHEDULES

Contd....

## SCHEDULE 13: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### 1. Significant Accounting Policies

#### (a) Basis of preparation

The consolidated financial statements of IL&FS Investment Managers Limited and its subsidiaries ('the Group') are prepared under the historical cost convention and in accordance with the accounting standards issued by the Institute of Chartered Accountants of India

#### (b) Principles of consolidation

The financial statement of the subsidiary companies used in the consolidation are drawn upto the same reporting date as of the Company

The Consolidated financial statements have been prepared on the following basis:

- i. The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions and unrealised profits or losses have been fully eliminated
- ii. The consolidated financial statements include the share of profit / loss of the associate company, which has been accounted as per the 'Equity method' as per which the share of profit of the associate company has been added to the cost of investment. An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture
- iii. Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders and share of profit attributable to them

#### (c) 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
Computers	3
Office Equipments	4
Vehicles	4
Computer Software	3

#### (d) Intangible Assets includes:

- (i) 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 on straight-line method
- (ii) Placement Fees incurred in the establishment of the Fund are carried as Intangible Assets and are amortised over five years from the commencement date of the Fund to which the placement fees relate

#### (e) Long Term Investments

Long-term trade 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

#### (f) Current Investments

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

#### (g) 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

#### (h) Foreign Currency Transactions

- (i) Monetary items not covered by Forward Contracts are reported at the closing rate
- (ii) Monetary items covered by Forward Contracts are valued at the spot rate at the inception of the transaction. The premia or discount arising at the

## SCHEDULES

## Contd....

inception of such a forward contract is amortised as expense or income over the life of the contract

(iii) Non Monetary items carried at fair value denominated in a foreign currency has been reported using the exchange rate at the date of the transaction

(i) 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 on projected unit cost method at the end of each year by the insurers

(ii) The Company's liability in respect of accumulated leave salary is provided for in the Profit and Loss Account, based on actual leave liability determined at the end of the year

(ii) Income Tax

Current income tax comprises taxes on Income from operation in India and foreign tax jurisdictions. Income Tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expense relating to overseas operations is determined in accordance with tax laws applicable in countries where such operations are domiciled

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

(k) Earnings Per Share

In determining earnings per share, the Company considers the net profit after tax. The number of shares used in

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

2. Capital Commitments (net of Advances) not provided for Rs 1,561,289/-

3. Contingent Liabilities

Claims against the Company not acknowledged as debts:

Particulars	(Amount Rupees) March 31, 2007
Income Tax Demands	9,936,569
The Company has preferred appeals against the foregoing income tax demands	

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, 2007 the timing difference has resulted in a net deferred tax asset of Rs 5,062,708/-

(b) The deferred tax asset recognized in the accounts as of March 31, 2007 are as follows:

Nature of Timing Differences	2007 Asset/ (Liability) Rs
Net Depreciation	10,053,376
Preliminary Expenses	32,500
Retirement Benefits *	4,108,624
Total	14,194,500

\* includes Rs 2,263,793/- created on account of Rs 6,725,468/- charged to opening reserves under transitional provisions of Accounting Standard 15 "Employee Benefits"

## **SCHEDULES**

**Contd....**

**5. Particulars of subsidiaries and associate:**

Name of the Entity	Country of Incorporation	Amount of Investment Rs	Percentage of Voting power As at March 31, 2007
<b>Subsidiaries</b>			
IL&FS Asian Infrastructure Managers Limited	India	<b>23,417,770</b>	<b>51</b>
IL&FS Urban Infrastructure Managers Limited	India	<b>499,400</b>	<b>99.88</b>
IL&FS Investment Advisors LLC	Mauritius	<b>900,200</b>	<b>100</b>
<b>Associate</b>			
IL&FS Trust Company Ltd	India	<b>712,500</b>	<b>25</b>

**6. Related Party Disclosures**

(i) Transactions with Shareholders of the Company having more than 20% Shareholding:

Name of the Entity	Nature of Transaction	Amount of Transaction Rs	Outstanding liability As at March 31, 2007 Rs
<b>Expense</b>			
Infrastructure Leasing & Financial Services Ltd	Reimbursement of administrative expenses	<b>23,72,030</b>	<b>639,684</b>
	Rent	<b>13,195,478</b>	<b>40,781</b>
	Underwriting Fees	<b>684,317</b>	<b>684,317</b>

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

Key Management Personnel

Mr Shahzaad Dalal

Vice Chairman & Managing Director

Relative

Mrs. Nafisa Dalal

Spouse of Mr. Shahzaad Dalal

Nature of Transactions	Amount (Rs)
Balance Premises Deposit	<b>12,500,000</b>
Rent for Premises Occupied	<b>420,000</b>
Salary including Performance Related Pay	<b>10,328,115</b>
Perquisites	<b>703,266</b>
Contribution to Provident Fund & Other Fund	<b>1,296,000</b>

Key Management Personnel

Dr. Archana Hingorani

Executive Director with effect from July 17, 2006

Nature of Transactions	Amount (Rs)
Salary including Performance Related Pay	<b>5,922,953</b>
Perquisites	<b>12,787</b>
Contribution to Provident Fund & Other Fund	<b>687,058</b>

# SCHEDULES

Contd....

Key Management Personnel of a Subsidiary Company

Mr. Pradeep Puri

Managing Director

Nature of Transactions	Amount (Rs)
Salary	2

(iii) Employee Welfare Trust

Nature of Transactions	Amount (Rs)
Interest Income	4,485,894
Repayment of Loan	4,805,060
Disbursement of Loan	58,100,000
Balance Loan recoverable	109,488,557

7. Other Income includes gain on foreign exchange fluctuation aggregating Rs 856,705/-

8. 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"

9. Effective April 1, 2006, the Company has adopted the Accounting Standard 15 on "Employee Benefits" (Revised) issued by The Institute of Chartered Accountants of India. Pursuant to the adoption, the transitional obligations of the Company on account of Gratuity aggregated Rs 2,486,725/- and on account of Leave Encashment aggregated Rs 4,238,743/-. These have been debited to General Reserve net of related tax effect

Disclosure as required under Accounting Standard – 15 on "Employee Benefits" for Gratuity is as under:

I. Assumptions	March 31, 2007
Discount Rate Previous year	7.50%
Rate of Return on Plan Assets Previous year	8.00%
Salary Escalation Previous year	6.00%
Discount Rate Current year	7.50%
Rate of Return on Plan Assets Current year	8.00%
Salary Escalation Current year	6.00%

II. Table Showing Change in Benefit Obligation	March 31, 2007
Liability at the beginning of the year	10,336,831
Interest Cost	710,039
Current Service Cost	1,092,466
Past Service Cost (Non Vested Benefit)	-
Past Service Cost (Vested Benefit)	-
Benefit Paid	(1,962,115)
Actuarial (gain)/loss on obligations	6,906,119
Liability at the end of the year	17,083,340
III. Tables of Fair value of Plan Assets	March 31, 2007
Fair Value of Plan Assets at the beginning of the year	8,036,528
Expected Return on Plan Assets	485,953
Contributions	11,074,723
Benefit Paid	(1,962,115)
Actuarial gain/(loss) on Plan Assets	195,910
Fair Value of Plan Assets at the end of the year	17,830,999
Total Actuarial Gain/(Loss) to be recognised	(6,710,209)
IV. Actual Return on Plan Assets	March 31, 2007
Expected Return on Plan Assets	485,953
Actuarial gain/(loss) on Plan Assets	195,910
Actual Return on Plan Assets	681,863
V. Amount Recognised in the Balance Sheet	March 31, 2007
Liability at the end of the year	17,083,340
Fair Value of Plan Assets at the end of the year	17,830,999
Difference	(747,659)
Unrecognised Past Service Cost	-
Amount Recognised in the Balance Sheet ^	(747,659)

# SCHEMES

## Contd....

VI. Expenses Recognised in the Income Statement	March 31, 2007
Current Service Cost	<b>1,092,466</b>
Interest Cost	<b>710,039</b>
Expected Return on Plan Assets	<b>(485,953)</b>
Net Actuarial (Gain)/Loss to be Recognised	<b>6,710,209</b>
Past Service Cost (Non Vested Benefit) Recognised	-
Past Service Cost (Vested Benefit) Recognised	-
Expense Recognised in P& L	<b>8,026,761</b>
VII. Balance Sheet Reconciliation	March 31, 2007
Opening Net Liability	<b>2,300,303</b>
Expense as above	<b>8,026,761</b>
Employers Contribution	<b>11,074,723</b>
Amount Recognised in Balance Sheet ^	<b>(747,659)</b>

^ The Company has taken an actuarial valuation for the purpose of above disclosure which differs with that of valuation as given by the insurer with whom the liability is funded. The difference is not accounted as prepaid on ground of prudence

10. The Company has entered into a 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 16,035,288/-
- (ii) later than one year and not later than five years – Rs 29,642,502/-
- (iii) later than five years – Rs Nil

During the current year ended March 31, 2007 the lease payments recognised in the Profit and Loss account for the aforesaid arrangement amounts to Rs 13,211,137/-

11. The Consolidated financial statements have been prepared for the first time during the year and accordingly previous year figures and cash flow statement have not been prepared

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  
**Deloitte Haskins & Sells**  
Chartered Accountants

**Mohammed Z. Merchant**  
Partner

Place : Mumbai  
Dated: May 1, 2007

For and on behalf of the Board  
**S.M. DATTA**  
Chairman

**SHAHZAAD DALAL**  
Vice Chairman & Managing Director

**SANJAY MITRA**  
Company Secretary

Notice is hereby given that the Twenty First Annual General Meeting of the Members of the Company will be held on Thursday, August 30, 2007 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, 2007 and the Profit & Loss Account for the year ended as on that date and the Reports of Auditors and Directors thereon
- (2) To declare dividend on Equity Shares for the year ended March 31, 2007
- (3) To appoint a Director in place of Mr S M Datta who retires by rotation and being eligible, has offered himself for re-appointment
- (4) To appoint a Director in place of Mr Bansi Mehta who retires by rotation and being eligible, has offered himself for re-appointment
- (5) To appoint a Director in place of Mr Ravi Parthasarathy who retires by rotation and being eligible, has offered himself for re-appointment
- (6) To appoint M/s Deloitte Haskins & Sells, Chartered Accountants, as the Statutory Auditors of the Company who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration

#### **SPECIAL BUSINESS**

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

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

- (8) To consider and if thought fit to pass, with or without modifications, the following resolution as a Special Resolution:

**"RESOLVED THAT** in accordance with the provisions of Sections 198, 269, 309, 310, Schedule XIII to the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956 or any modifications thereof and subject to the approval of the Central Government, if required and in partial modification of the Resolution no. 4 passed by the members at the Extraordinary General Meeting of the Company held on March 19, 2004 approving the appointment and remuneration of Mr Shahzaad Dalal as the Vice Chairman & Managing Director of the Company, consent of the Company be and is hereby accorded to the revision in the slab of the Consolidated Salary of Mr Shahzaad Dalal, Vice Chairman & Managing Director of the Company, with effect from July 17, 2006, from Rs 150,000/- per month - Rs 400,000/- per month to as follows:

Consolidated Salary : Within the limits of Rs 400,000/- per month to Rs 800,000/- per month, to be determined by the Compensation Committee from time to time

for the remainder of his tenure i.e. upto January 26, 2009 "

**"RESOLVED FURTHER THAT** the other terms of appointment and remuneration of Mr Shahzaad Dalal, Vice Chairman & Managing Director of the Company as approved by the members at the aforesaid Extraordinary General Meeting held on March 19, 2004 shall continue to be in effect"

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

- (9) To consider and if thought fit to pass, with or without modifications, the following resolution as a Special Resolution:

**"RESOLVED THAT** in accordance with the provisions of Sections 198, 269, 309, 310, sub-clause(iii) of Part C of Clause 1 of Section II of Part II of Schedule XIII to the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956 or any modifications

thereof and subject to the approval of the Central Government, if required, the Company hereby approves the remuneration of Mr Shahzaad Dalal, Vice Chairman & Managing Director of the Company with effect from January 27, 2007 for remainder of his tenure i.e. upto January 26, 2009, on the following terms and conditions:

(a) **Consolidated Salary:** Within the limits of Rs 400,000/- per month to Rs 800,000/- per month, to be determined by the Compensation Committee from time to time

(b) **Perquisites:** In addition to the Consolidated Salary he shall also be entitled to perquisites which would include accommodation (furnished or otherwise) or house rent allowance in lieu thereof, medical reimbursement for self and family, mediclaim insurance for self and family, personal accident insurance, gas, electricity, soft furnishings, telephone & fax, leave travel allowance for self and family, club fees upto two clubs, use of Company's cars, contribution to provident fund, superannuation fund and gratuity fund, leave encashment, children education expenses and other benefits, amenities and facilities in accordance with the Rules of the Company or as may be approved from time to time by the Compensation Committee

(c) **Performance Related Pay:** Such remuneration by way of commission or performance based rewards/incentives, in addition to the above salary and perquisites as may be decided by the Compensation Committee from time to time

(d) **General Conditions:**

- (i) The total remuneration payable to the Vice Chairman & Managing Director shall not exceed such limits as may be prescribed by the Central Government
- (ii) The Vice Chairman & Managing Director will be entitled to such other privileges, facilities and amenities in accordance with the Company's Rules and Regulations as may be applicable to other employees of the Company within the overall limits prescribed under the Companies Act, 1956
- (iii) The terms and conditions of appointment may be varied, altered, increased or enhanced from time to time by the Compensation Committee as it may in its discretion deem fit subject to the limits laid down under applicable provisions of the Companies Act, 1956 and subject to the requisite approvals, if any, being obtained

(e) **Minimum Remuneration:** Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the Vice Chairman & Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, commission and perquisites as provided above or the maximum remuneration payable as per the limits set out in Section II of Part II of Schedule XIII of the Companies Act, 1956, whichever is lower, unless otherwise determined by the Board of Directors or the Compensation Committee, subject to approval of the Central Government, if required

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

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

**"RESOLVED THAT** Dr Archana Hingorani, who was appointed as an Additional Director of the Company and who holds office upto the date of the ensuing Annual General Meeting and being eligible offers herself for appointment, be and is hereby appointed as a Director of the Company"

(11) To consider and if thought fit to pass, with or without modifications, the following resolution as a Special Resolution:

**"RESOLVED THAT** in accordance with the provisions of Sections 198, 269, 309, Schedule XIII to the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956 or any modifications thereof and subject to the approval of the Central Government, if required, the Company hereby approves the appointment and remuneration of Dr Archana Hingorani as an Executive Director of the Company for a period of five years with effect from July 17, 2006 on the following terms and conditions:

- (a) **Consolidated Salary:** Within the limits of Rs 300,000/- per month to Rs 600,000/- per month, to be determined by the Compensation Committee from time to time

(b) **Perquisites:** In addition to the Consolidated Salary, she shall also be entitled to perquisites which would include accommodation (furnished or otherwise) or house rent allowance in lieu thereof, medical reimbursement for self and family, mediclaim insurance for self and family, personal accident insurance, gas, electricity, soft furnishings, telephone & fax, leave travel allowance for self and family, club fees upto two clubs, use of Company's cars, contribution to provident fund, superannuation fund and gratuity fund, leave encashment, children education expenses and other benefits, amenities and facilities in accordance with the Rules of the Company or as may be approved from time to time by the Compensation Committee

(c) **Performance Related Pay:** Such remuneration by way of commission or performance based rewards/incentives, in addition to the above salary and perquisites as may be decided by the Compensation Committee from time to time

(d) **General Conditions:**

- (i) The total remuneration payable to the Executive Director shall not exceed such limits as may be prescribed by the Central Government
- (ii) The Executive Director shall be entitled to such other privileges, facilities and amenities in accordance with the Company's Rules and Regulations as may be applicable to other employees of the Company within the overall limits prescribed under the Companies Act, 1956
- (iii) The terms and conditions of appointment may be varied, altered, increased or enhanced from time to time by the Compensation Committee as it may in its discretion deem fit subject to the limits laid down under applicable provisions of the Companies Act, 1956 and subject to the requisite approvals, if any, being obtained

(e) **Minimum Remuneration:** Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the Executive Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration for a period not exceeding three years by way of salary, commission and perquisites as provided above or the maximum remuneration payable as per the limits set out in Section II of Part II of Schedule XIII of the Companies Act, 1956, whichever is lower, unless otherwise determined by the Board of Directors or the Compensation Committee, subject to approval of the Central Government, if required

**"RESOLVED FURTHER THAT** for the purpose of giving effect to the Resolution, any Director or the Company Secretary of the Company be and are hereby severally

authorised to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, usual, expedient and proper"

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

**"RESOLVED THAT** subject to the applicable provisions, if any, of the Companies Act, 1956 or any modifications thereof, approval of the members be and is hereby accorded to the re-appointment of Mr S M Datta as the Non-Executive Chairman of the Company for a period of five years with effect from 1st April, 2007"

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

(13) To consider and if thought fit to pass, with or without modifications, the following resolution as a Special Resolution:

**"RESOLVED THAT** pursuant to the Articles of Association of the Company, provisions of Sections 198, 309(4) of the Companies Act, 1956 and all other applicable provisions, if any, of the Companies Act, 1956 or any modifications thereof, the Company do hereby approve of and consent to the payment of commission to the Non - Executive Directors including Non-Executive Chairman of the Company for a period of five years with effect from 1st April, 2007, in such amounts or proportions and in such manner as may be decided by the Board of Directors or by any duly authorised Committee of the Board of Directors from time to time, provided that the total commission payable to such Non-Executive Directors shall not exceed one percent of the net profits of the Company as computed in the manner referred to under Section 198(1) of the Companies Act, 1956"

(14) To consider and if thought fit to pass, with or without modifications, the following resolution as a Special Resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 314 or any other applicable provisions of the Companies Act, 1956 or any other applicable provisions of law for the time being in force, consent of the Company be and is hereby accorded to the Non-Executive Director(s) of the Company receiving any payment/s from the Company's existing and future Subsidiary/ Subsidiaries including sitting fees for attending any meetings of the Company's existing and future Subsidiary/ Subsidiaries"

**Registered Office**

By Order of the Board of Directors

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

**SANJAY MITRA**  
Company Secretary

Date : May 1, 2007

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY, TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER  
  
Proxies in order to be effective must be delivered at the Registered Office of the Company at least 48 hours before the time appointed for the meeting
2. The Register of Members and Share Transfer Books of the Company will remain closed from August 28, 2007 to August 30, 2007 (both days inclusive). The Dividend as recommended by the Directors if approved by the shareholders will be payable on or after August 30, 2007
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 the year 2000-2001 is due for transfer to the Investor Education and Protection Fund next year
7. The Company has introduced the Electronic Clearing Service for payment of dividend to the shareholders. The shareholders are requested to avail of the facility
8. The resolutions regarding the re-appointment/ appointment of Mr S M Datta, Mr Bansi Mehta, Mr Ravi Parthasarathy, Mr Rajaraman Viswanathan and Dr Archana Hingorani as Directors of the Company are placed before the shareholders. As per Clause 49 of the Listing Agreement with the Stock Exchanges the following particulars of Mr S M Datta, Mr Bansi Mehta, Mr Ravi Parthasarathy, Mr Rajaraman Viswanathan and Dr Archana Hingorani are being provided:

**Mr S M Datta**

Mr S M Datta graduated with Honours in Chemistry from the Presidency College, Kolkata and obtained his Post Graduate Degree in Science & Technology from the Kolkata University. He is a Chartered Engineer, Fellow of The Institution of Engineers (India), Fellow of the Indian Institute of Chemical Engineers, Member of the Society of Chemical Industry (London) and Honorary Fellow of All India Management Association

Mr Datta was the Chairman of Hindustan Lever Limited as well as of the Unilever Group of Companies in India & Nepal from 1990 to 1996. He is presently the Chairman of a number of companies. He is also a Past President of Associated Chambers of Commerce and Industry, Council of EU Chambers of Commerce in India, the Bombay Chamber of Commerce & Industry and Indian Chemical Manufacturers Association

Mr Datta has vast experience in leading and managing multi-product, multi-cultural companies in the Unilever Group. He also has been guiding, monitoring and mentoring senior managements both Indian & MNCs as varied as Venture Capital, Automobile, Software, Electrical & Electronic Products, Management Institutes, Adhesives & Hotels

Mr Datta is also the Chairman of the Compensation Committee and a Member of the Shareholders'/Investors' Grievance Committee of the Company

As on March 31, 2007 he holds 285,000 Equity Shares in the Company

### Other Directorships

Name of Company	Position held	Membership of Committees*
Castrol India Limited	Chairman	Chairman - Shareholders'/Investors' Grievance Committee
Philips Electronics India Limited	Chairman	--
Tata Trustee Company Private Limited	Chairman	--
BOC India Limited	Director	Chairman - Audit Committee
Zodiac Clothing Company Limited	Director	--
Peerless Gen Fin & Inv Co Ltd	Director	--
Kansai Nerolac Paints Limited	Director	--
Transport Corp of India Limited	Director	--
Atul Limited	Director	--
Bhoruka Power Corporation Limited	Director	--
Peerless Hotels Limited	Director	--
BHW Home Finance Limited	Director	--
Ambit Corporate Finance Pte Limited	Director	--
Chandras' Chemical Enterprises (Pvt) Limited	Director	--
Rabo India Finance Limited	Director	--

### Mr Bansi Mehta

Mr Bansi Mehta is a Practicing Chartered Accountant specialising in Taxation, Corporate Laws and Valuation. He is also past President of the Institute of Chartered Accountants of India

He is also the Chairman of the Audit Committee and a Member of the Compensation Committee of the Company. He holds 240,000 Equity shares in the Company as on March 31, 2007

### Other Directorships

Name of Company	Position held	Membership of Committees*
Atul Limited	Director	Audit Committee
Bharat Bijlee Limited	Director	--
Century Enka Limited	Director	Audit Committee
Ceat Limited	Director	--
Clariant Chemicals (India) Limited	Director	--
Gillette India Limited	Director	Audit Committee
Housing Development Finance Corporation Limited	Director	Audit Committee
J.B. Chemicals & Pharmaceuticals Limited	Director	Chairman – Audit Committee
Pidilite Industries Limited	Director	Chairman – Audit Committee
Procter and Gamble Hygiene and Health Care Limited	Director	Audit Committee
Sasken Communication Technologies Limited	Director	Chairman – Audit Committee
SBI Capital Markets Limited	Director	--
Sudarshan Chemical Industries Limited	Director	Chairman – Audit Committee
Vinyl Chemicals (India) Limited	Director	--
Jumbo World Holdings Limited (BVI)	Director	--
Chemetall Rai India Limited	Alternate Director	--
Uhde India Limited	Alternate Director	--

### **Mr Ravi Parthasarathy**

Mr Ravi Parthasarathy is an M.B.A. from I.I.M. (Ahmedabad). He is currently the Chairman of Infrastructure Leasing & Financial Services Limited (IL&FS). IL&FS started its operations under him in 1988 and is a financial institution with a focus on commercialization of infrastructure projects. The Company has also diversified into other financial services sectors like corporate finance, broking and asset management

Mr Ravi Parthasarathy started his career with Citibank. Thereafter he joined 20th Century Finance Corporation Limited as Executive Director. By the time he left the Company as Executive Director, the Company had grown to be the largest private sector company in the financial services sector

Mr Ravi Parthasarathy is also on the Board of several companies. In addition, he has been co-opted on various Committees of Government and Trade Associations in relation to development of new structures in the financial sector, infrastructure and overall economic development

Mr Ravi Parthasarathy is also a member of the Compensation Committee of the Company. He holds 277,500 Equity shares in the Company as on March 31, 2007

### **Other Directorships**

Name of Company	Position held	Membership of Committees*
Infrastructure Leasing & Financial Services Limited	Chairman	--
IL&FS Education & Technology Services Limited	Chairman	--
IL&FS Investsmart Limited	Chairman	--
IL&FS Infrastructure Development Corporation Limited	Chairman	--
IL&FS Ecosmart Limited	Chairman	--
IL&FS Property Management & Services Limited	Chairman	--
IL&FS Financial Services Limited	Chairman	--
New Tirupur Area Development Corporation Limited	Director	--
ORIX Auto Infrastructure Services Limited	Director	--
Pipavav Shipyard Limited	Director	--
Manipal Acunova Limited	Director	--
IL&FS Transportation Networks Limited	Director	--
Tamil Nadu Road Development Company Limited	Director	--
Noida Toll Bridge Company Limited	Alternate Director	--
IL&FS Urban Infrastructure Managers Limited	Alternate Director	--
IL&FS Asian Infrastructure Managers Limited	Alternate Director	--
Tamil Nadu Water Investment Company Limited	Alternate Director	--

### **Mr Rajaraman Viswanathan**

Mr Rajaraman Viswanathan has done his M.Sc., CAIIB & PGDM. He is presently General Manager, Large Corporate Credit, Bank of India

Mr Viswanathan has over 33 years of experience in various capacities with the Bank of India. He was also posted abroad to the Singapore branch of Bank of India

He does not hold directorships in other companies and as on March 31, 2007, he also does not hold any shares in the Company

### **Dr Archana Hingorani**

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

Dr Hingorani has over 22 years of experience in the financial services business, teaching and research. She has been associated with the Company for over 4 years. Her focus has been on private equity, project finance and financial structuring, with a specialization in infrastructure, manufacturing and recently in real estate projects

### **Other Directorships**

Name of Company	Position held	Membership of Committees*
IL&FS Ecosmart Limited	Director	--
Bharat Fritz Werner Limited	Director	Audit Committee
Gayatri Projects Limited	Director	--
Ramky Infrastructure Limited	Director	--
Unitech Amusement Parks Limited	Director	Audit Committee
Continental Warehousing Corpn (Nhava Seva) Limited	Director	--
IL&FS Trust Company Limited	Director	--
IL&FS Property Management Services Limited	Director	Audit Committee
Konaseema EPS Oakwell Power Limited	Director	--
IL&FS Education & Technology Services Limited	Director	--
IL&FS Urban Infrastructure Managers Limited	Director	--
IL&FS Real Estate Services Limited	Director	--
IL&FS Portfolio Management Services Limited	Director	--
Schoolnet Haryana Education & Training Services Private Limited	Director	--
Gokaldas Images Private Limited	Director	--
International Recreation Parks (P) Limited	Director	Audit Committee
Hem Infrastructure and Property Developers Private Limited	Director	--
QVC Realty Private Limited	Director	--

As on March 31, 2007 Dr Hingorani holds 274,550 Equity shares in the Company

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

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

### **Item No 7**

Mr Rajaraman Viswanathan was appointed as a Director in the casual vacancy caused by the resignation of Mr S A Bhat. Since Mr Rajaraman Viswanathan was appointed 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 Rajaraman Viswanathan are concerned or interested in the resolution

### **Item No 8**

Mr Shahzaad Dalal was appointed as the Vice Chairman & Managing Director of the Company at the Extraordinary General Meeting of the Company held on March 19, 2004 for a period of five years from January 27, 2004 on a consolidated salary within the limits of Rs 150,000/- per month to Rs 400,000/- per month

The Compensation Committee of the Company had at its meeting held on May 3, 2006 revised the consolidated salary of Mr Shahzaad Dalal, Vice Chairman & Managing Director of the Company with effect from April 1, 2006 to Rs 400,000/- per month. Since such a revision in the salary resulted in Mr Dalal's consolidated salary reaching the maximum limits, the Compensation Committee of the Company at its meeting held on July 17, 2006 approved the revision in the slab for the consolidated salary of Mr Dalal to Rs 400,000/- per month to Rs 800,000/- per month for remainder of his tenure i.e. upto January 26, 2009 to provide for future revisions in his remuneration

Such a revision in the slab of the consolidated salary of Mr Dalal was also approved by the Board of Directors of the Company at their meeting held on July 17, 2006. Accordingly the approval of the members is sought by way of the resolution for increase in the slab for the consolidated salary of Mr Dalal. The other terms of remuneration as approved in the aforesaid Extraordinary General Meeting held on March 19, 2004 shall continue to remain in effect and unchanged

In compliance with the requirements of Section 302 of the Companies Act, 1956, an abstract of the revised terms of remuneration of Mr Shahzaad Dalal as the Vice Chairman & Managing Director of the Company and the Memorandum of Interest has already been sent to the members of the Company

The Board of Directors recommend passing of this resolution

None of the Directors of the Company except Mr Shahzaad Dalal are concerned or interested in the resolution

### **Item No 9**

At the Extraordinary General Meeting of the Company held on March 19, 2004, the members of the Company had approved the appointment and remuneration of Mr Shahzaad Dalal, Vice Chairman & Managing Director of the Company for a period of five years with effect from January 27, 2004. As per sub-clause (iii) of Part C of Clause 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956, in the event of inadequacy of profits the members resolution approving the remuneration is valid only for three years. The Company had inadequacy of profits in the past. Hence as a matter of abundant caution the above resolution has been placed before the members for the approval of the remuneration of Mr Shahzaad Dalal as the Vice Chairman & Managing Director of the Company with effect from January 27, 2007 for the remainder of his tenure i.e. upto January 26, 2009

Copies of the Letter indicating the terms of remuneration of Mr Shahzaad Dalal are available for inspection at the Registered Office of the Company during business hours on all working days till the date of the ensuing Annual General Meeting

The Board of Directors recommend passing of this resolution

None of the Directors of the Company except Mr Shahzaad Dalal are concerned or interested in the resolution

The Department of Company Affairs has vide notification dated January 16, 2002 amended Schedule XIII to the Companies Act, 1956 revising the limits for payment of managerial remuneration by companies in case of loss or inadequacy of profits. Though it is expected that the Company would make sufficient profits but as a matter of abundant caution the following information as prescribed in the amended Schedule XIII to the Companies Act, 1956 is being provided. However, in the event the remuneration exceeds the limits under Schedule XIII, the Company will apply to the Central Government for necessary approval

## I. General Information:

The Company is in the business of fund management for private equity funds. The Company was incorporated on 10th February, 1986 and commenced business on 6th March, 1986. The Company is not a new Company so the date of commencement of activities as per prospectus does not apply. The financial performance of the Company for the year ended March 31, 2007 is as follows:

Total Income	Rs 502.93 million
Net Profit before Tax	Rs 267.23 million
Networth	Rs 398.39 million

The Company does not export any product of the Company. The Company has foreign exchange earnings of Rs 221.66 million for the services rendered during year ended March 31, 2007. The foreign investments made by the Company during the year was by way of investments made in the subsidiaries of the Company

## II. Information about the appointee:

Prior to joining the Company Mr Shahzaad Dalal was in charge of the asset management business of the IL&FS Group. He was responsible also for the overall planning and raising of resources for IL&FS and other group companies and project finance for IL&FS sponsored infrastructure projects. Prior to joining IL&FS, Mr Dalal was responsible for structured leasing and hire purchase products, marketing and credit evaluation with ICICI Limited

Mr Shahzaad Dalal is a Management Graduate from the Northeast Louisiana University with over 26 years of experience

During the financial year 2005-2006 & 2006-2007, Mr Shahzaad Dalal was paid a gross remuneration including contribution to provident fund and superannuation fund of Rs 8,428,071/- & Rs 12,327,381/- respectively

Mr Shahzaad Dalal has been a Director of the Company since June 1998. In the Annual General Meeting of the Company held on July 15, 2002 Mr Shahzaad Dalal was appointed as the Executive Vice Chairman of the Company

In the Extraordinary General Meeting of the Company held on March 19, 2004 Mr Dalal was appointed as Vice Chairman and Managing Director of the Company for a period of five years with effect from January 27, 2004. All through his tenure in the Company,

Mr Dalal has been closely involved in the investments of the Company and raising of new funds of the Company

In view of his qualifications, experience and expertise Mr Dalal is best suited to his present responsibilities

The proposed remuneration for Mr Shahzaad Dalal is given in detail in the resolution placed before the members:

- (a) Consolidated Salary within the limits of Rs 400,000/- per month to Rs 800,000/- per month
- (b) Perquisites & allowance including Housing, Medical Reimbursement, Leave Travel allowance, Insurance etc.
- (c) Performance related pay as may be decided by the Compensation Committee from time to time
- (d) Retirement benefits including provident fund, superannuation and gratuity

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

Other than rent received from the Company for the premises taken on leave and licence for his accommodation, Mr Shahzaad Dalal does not have any other pecuniary relationship directly or indirectly with the Company other than the remuneration being paid to him

## III. Other Information:

The Company's income and profits have grown substantially during the year ended March 31, 2007 on account of augmentation of funds under management. The main income stream for the Company is from management fees received from the funds under its management. The management fee provides a fixed annuity to the Company over the life of the funds and helps to cover its overheads during the normal course of business. The Company has been taking steps to augment the funds under its management in order to improve the profitability of the Company. During the year the Company set up new funds, which resulted in significant increase in income and profits for the Company. The Company is also in the process of setting up other new Funds to enhance the funds under its management. On completion of these initiatives the Company expects to improve its income and profits in the coming years

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

### **Item No 10**

Dr Archana Hingorani was appointed as an Additional Director of the Company by the Board of Directors of the Company at their meeting held on July 17, 2006. Since Dr Hingorani was appointed as an Additional Director she holds office upto the date of the ensuing Annual General Meeting as per the provisions of Section 260 of the Companies Act, 1956 and Article 137 of the Articles of Association of the Company

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

The Board of Directors recommend passing of this resolution

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

### **Item No 11**

Dr Archana Hingorani was appointed by the Board of Directors of the Company at their meeting held on July 17, 2006 as an Executive Director of the Company for a period of five years with effect from July 17, 2006, subject to the approval of the members

The Compensation Committee of the Board of Directors of the Company at their Meeting held on May 3, 2006 had recommended the appointment and approved the remuneration payable to Dr Hingorani. Accordingly the approval of the members is sought by way of this resolution

Copies of the Letter of appointment regarding her appointment are available for inspection at the Registered Office of the Company during business hours on all working days till the date of the ensuing Annual General Meeting

The Board of Directors recommend passing of this resolution

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

The Department of Company Affairs has vide notification dated January 16, 2002 amended Schedule XIII to the Companies Act, 1956 revising the limits for payment of managerial remuneration by companies in case of loss or inadequacy of profits. Though it is expected that the Company would make

sufficient profits but as a matter of abundant caution the following information as prescribed in the amended Schedule XIII to the Companies Act, 1956 is being provided. However, in the event the remuneration exceeds the limits under Schedule XIII the Company will apply to the Central Government for necessary approval

### **I. General Information:**

The Company is in the business of fund management for private equity funds. The Company was incorporated on 10th February 1986 and commenced business on 6th March 1986. The Company is not a new Company so the date of commencement of activities as per prospectus does not apply. The financial performance of the Company for the year ended March 31, 2007 is as follows:

Total Income	Rs 502.93 million
Net Profit before Tax	Rs 267.23 million
Networth	Rs 398.39 million

The Company does not export any product of the Company. The Company has foreign exchange earnings of Rs 221.66 million for the services rendered during year ended March 31, 2007. The foreign investments made by the Company during the year was by way of investments made in the subsidiaries of the Company

### **II. Information about the appointee:**

Dr Hingorani has over 22 years of experience in the financial services business, teaching and research. She has been with the IL&FS Group for 13 years and has performed a multitude of roles starting off as an economist and moving on to project finance and asset management. Dr. Hingorani has worked on some of the pioneering private finance transactions in India and has participated in negotiating and structuring project contracts and agreements to meet international benchmarks. Her focus over the last 11 years has been on private equity fund management. 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 bn.

Dr Hingorani has been with the Company since 2002 and her focus has been on private equity, project finance and financial structuring, with a specialization in infrastructure, manufacturing and recently in real estate projects

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

During the financial year 2005-2006 and 2006-2007, Dr Archana Hingorani was paid a gross remuneration including contribution to provident fund and superannuation fund of Rs 5,921,076/- and Rs 8,466,867/- respectively

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

The proposed remuneration for Dr Archana Hingorani is given in detail in the resolution placed before the members:

- (a) Consolidated Salary within the limits of Rs 300,000/- per month to Rs 600,000/- per month
- (b) Perquisites & allowance including Housing, Medical Reimbursement, Leave Travel allowance, Insurance etc.
- (c) Performance related pay as may be decided by the Compensation Committee from time to time
- (d) Retirement benefits including provident fund, superannuation and gratuity

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

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

### **III. Other Information:**

The Company's income and profits have grown substantially during the year ended March 31, 2007 on account of augmentation of funds under management. The main income stream for the Company is from management fees received from the funds under its management. The management fee provides a fixed annuity to the Company over the life of the funds and helps to cover its overheads during the normal course of business. The Company has been taking steps to augment the funds under its management in order to improve the profitability of the Company. During the year the Company set up new funds, which resulted in significant increase in income and profits for the Company. The Company is also in the process of setting up other

new Funds to enhance the funds under its management. On completion of these initiatives the Company expects to improve its income and profits in the coming years

The 'Abstract' containing details of remuneration of the Executive Director under Section 302 of the Companies Act, 1956 has already been circulated to all the members and is also contained in Resolution no 11 above

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

### **Item No 12**

Mr S M Datta was appointed as the Non-Executive Chairman of the Company at the Annual General Meeting of the Company held on July 15, 2002 for a period of five years with effect from April 1, 2002. It is now proposed to re-appoint Mr Datta as the Non-Executive Chairman of the Company for a further period of five years with effect from April 1, 2007

The Board of Directors recommend passing of this resolution

None of the Directors of the Company except Mr S M Datta are concerned or interested in the resolution

### **Item No 13**

In the changing scenario of globalization and highly competitive environment, the Company looks forward to the valuable guidance and immense benefit, which it can derive from the experience of Non-Executive Directors. In due appreciation of the various services rendered by the Non-Executive Directors of the Company, it is considered desirable to pay them remuneration by way of commission not exceeding the limits laid down under the provisions of Section 309(4) and other applicable provisions of the Companies Act, 1956. This would be in addition to the sitting fees paid for each meeting of the Board or Committee thereof, attended by them

A special resolution at item no 13 seeks to give effect to payment of commission to all Non-Executive Directors including Non-Executive Chairman of the Company for a period of five years with effect from April 1, 2007

All Non-Executive Directors are interested in the resolution

**Item No 14**

As the members are aware that the Company has set up subsidiary companies during the year. Some of the Non-Executive Directors of the Company may be appointed as Directors of the Company's existing and future Subsidiary/ Subsidiaries including by way of compliance with Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges and they will be entitled to receipt of payment/s from the Company's existing and future Subsidiary/ Subsidiaries including by way of sitting fees for attending meetings of such Subsidiary/ Subsidiaries. Although Section 314 of the Companies Act, 1956, does not prohibit them from retaining such payment/s, the resolution as in this item of the Notice is proposed to be passed by way of abundant caution and is placed for your approval

The Non-Executive Directors of the Company who are or may be appointed in future as Directors of the Company's existing and future Subsidiary/Subsidiaries may be deemed to be concerned or interested in the 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

Date : May 1, 2007

## 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 21st Annual General Meeting of the Company to be held on August 30, 2007 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 \_\_\_\_\_ 2007, 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 21st Annual General Meeting of the Company held on August 30, 2007 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