

## PARTNERS IN CREATING VALUE





## TABLE OF CONTENTS

- 01 Corporate Information
- 02 Financial Highlights
- 04 Investment Philosophy
- 05 Investment Approach and Strategy
- 06 Fund Overview
- 08 Some of Our Investments
- 09 India Story
- 10 Private Equity Overview
- 12 Management Discussion and Analysis

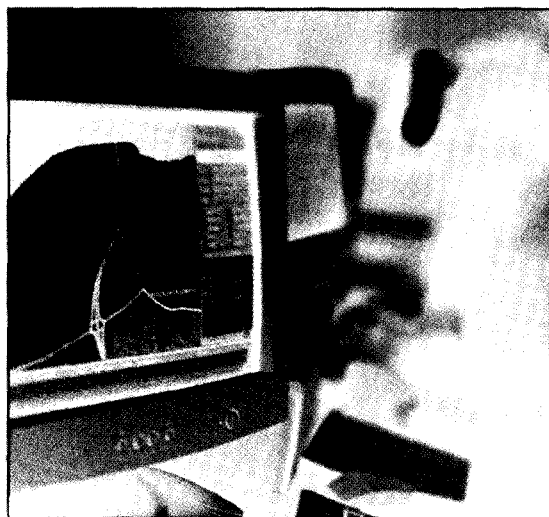
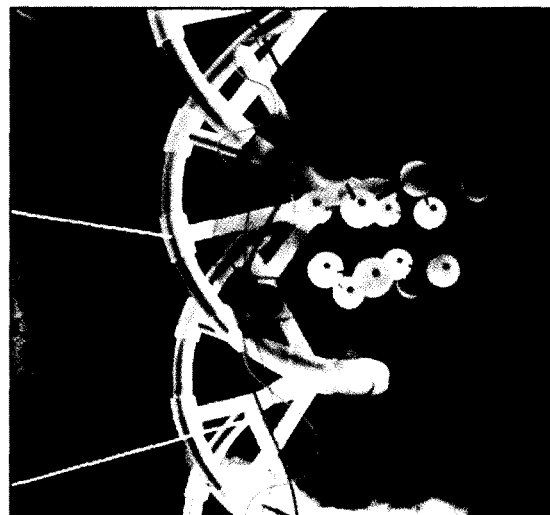
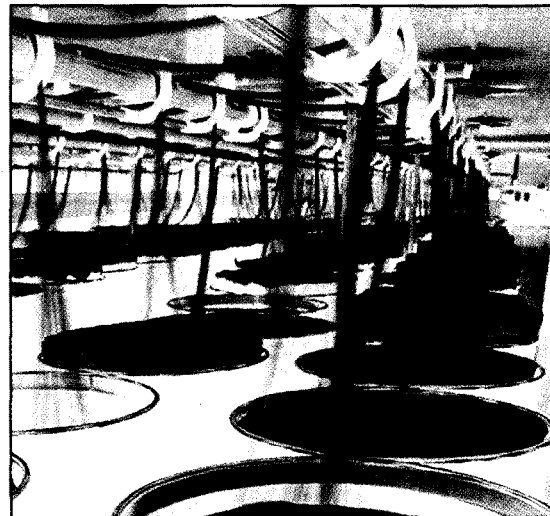
## 15 FINANCIAL SECTION



IL&FS Investment Managers Limited (IIML) believes in working actively with entrepreneurs and management teams toward a common goal viz. building sustainable businesses and delivering market superior returns for its investors

## PARTNERS IN CREATING VALUE

**IIML IS A LEADING  
PRIVATE EQUITY  
FUND MANAGEMENT  
COMPANY WITH  
INVESTMENTS ACROSS  
INFRASTRUCTURE,  
MANUFACTURING,  
TECHNOLOGY,  
LIFE SCIENCES AND  
CONSUMER SERVICES**



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

S M Datta

*Chairman*

Ravi Parthasarathy

Bansi S Mehta

S A Bhat

G Narayanan

Pradip Roy

Arun Saha

Vibhav Kapoor

Shahzaad Dalal

*Vice Chairman & Managing Director*

## COMPANY SECRETARY

Sanjay Mitra

## BANKERS

HDFC Bank

## AUDITORS

S. B. Billimoria &amp; Co.

*Chartered Accountants*

## INTERNAL AUDITORS

Patel &amp; Deodhar

*Chartered Accountants*

## REGISTERED OFFICE

The IL&amp;FS Financial Centre

Plot No. C-22, G Block

Bandra-Kurla Complex, Bandra (E)

Mumbai - 400 051

Tel: +91 - 22 - 2653 3333

## OTHER OFFICES

HDFC House

51, Kasturba Road

Bangalore - 560 001

## REGISTRARS & SHARE

## TRANSFER AGENTS

Intime Spectrum Registry Limited

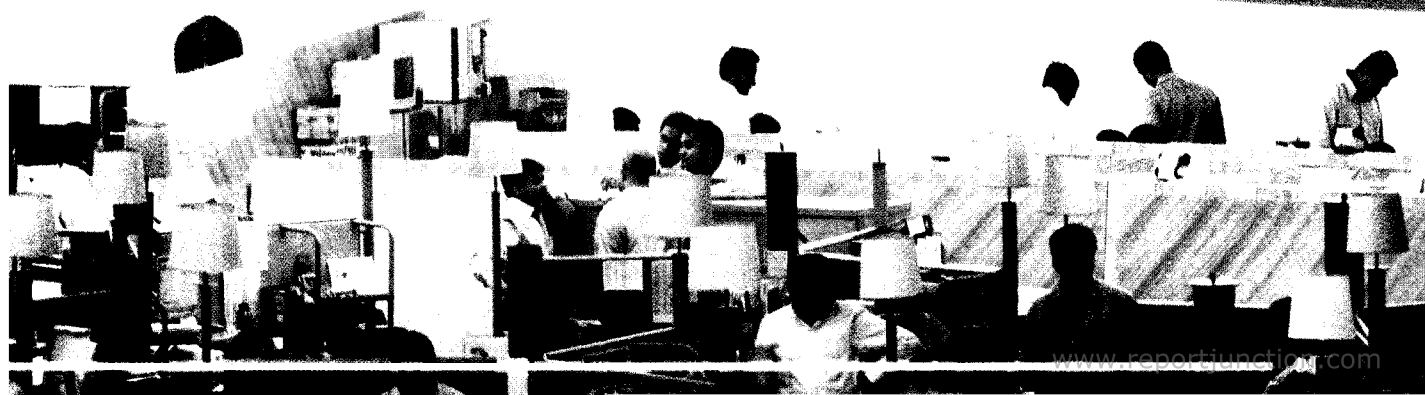
C-13, Pannalal Silk Mills Compound

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

Mumbai - 400 078

Tel: +91 - 22 - 5555 5454

Fax: +91 - 22 - 5555 5353



## FINANCIAL HIGHLIGHTS

Rs mn	FY2005	FY2004	FY2003	FY2002	FY2001	FY2000
Total Income	180.83	150.08	155.96	93.17	103.76	81.97
Total Operating Costs	76.63	58.38	77.03	52.26	48.47	39.21
PBT	83.71	66.99	50.09	38.34	39.46	40.13
PBT Margin (%)	46.29	44.64	32.12	41.15	38.03	48.96
PAT	52.21	47.67	31.79	22.74	36.36	36.03
PAT Margin (%)	28.87	31.76	20.38	24.41	35.04	43.96
EPS (Basic)	3.48	3.19	2.17	1.56	2.49	2.47
Networth	229.88	223.84	217.03	210.29	187.72	177.91
Dividend	30%	25%	17%	19%	17%	15%

IIML HAS GROWN ITS REVENUE BY **20%**, AND

TOTAL INCOME

Rs 180.83mn

PROFIT BEFORE TAX

Rs 83.71mn

DIVIDEND

30%

NO. OF NEW INVESTMENTS

10

NO. OF EXITS

7

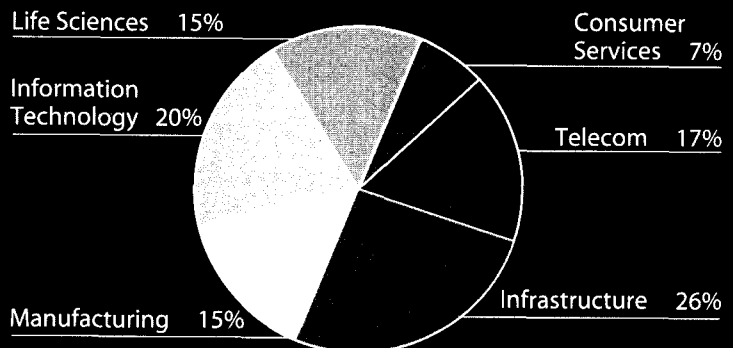


FIG 1: IIML SECTORAL BREAK-UP



FIG 2: FUNDS UNDER MANAGEMENT

ITS PROFITS BEFORE TAX HAS GROWN BY **25%**



# INVESTMENT PHILOSOPHY

## SEIZING OPPORTUNITIES

IIML's investment philosophy is predicated on the belief that impeccable portfolios can be crafted by seizing the right opportunities and having the ability to make the most of these opportunities

## PROACTIVE DEAL SOURCING

As a prerequisite, IIML works towards ensuring that every opportunity is brought to the table. The organization has a strong marketing orientation, and is geared to aggressively scout for the right situations and investment options

## 'MARKET SUPERIOR' RETURNS

As a company, IIML is highly motivated to identify and fund capital growth opportunities. It intends to grow and reward its stakeholders by generating market superior returns on invested capital

## PARTNERING TO CREATE VALUE

IIML commits upfront investments in companies and works with managements to realise their full potential over the long term

## STRONG CORPORATE GOVERNANCE

IIML imposes a rigorous corporate governance code on itself, and seeks to share the same with its partners. Transparency and ethical conduct of business are important values to IIML

**IIML BELIEVES THAT CAPITAL GROWTH OPPORTUNITIES ARE A FUNCTION OF TIMING AND SITUATION - BUSINESS LIFE CYCLES THROW UP SEVERAL DEFINING SITUATIONS, WHEREIN LIE THE SEEDS OF EXCEPTIONAL CAPITAL GROWTH**



# INVESTMENT APPROACH AND STRATEGY

IIML's principal objective is to deliver 'market superior' returns. IIML's investment thesis and planned approach is essentially built upon the following key elements:

- \* Invest in demonstrated and sustainable competitive advantage
- \* Back management teams with a track record or those that exhibit abilities to successfully lead and build dominant companies
- \* Structuring to minimize risk and maximize returns
- \* Continuously evaluate and re-examine exit strategies
- \* Leverage proprietary deal flow

**IIML IS AN  
ACTIVE INVESTOR,  
SEEKING SIGNIFICANT  
OWNERSHIP POSITIONS  
AND INVOLVEMENT.  
IIML WORKS WITH  
THE MANAGEMENT OF  
PORTFOLIO COMPANIES  
TO SUPPLEMENT  
OPERATIONAL AND  
STRATEGIC PLANNING**



# FUND OVERVIEW

IIML is one of India's largest domestic private equity fund management companies, managing over Rs 11.83 bn on behalf of leading Indian and international institutions. IIML has been an active investor in the Indian market since 1997 with aggregate investment experience spanning a decade and access across industry sectors. IIML is experienced in the entire gamut of fund raising, investing, planning exits, participating in restructurings, etc

Given below is an overview of the various funds under management:

## LEVERAGE INDIA FUND (LIF)

In April 2004, IIML completed the First Closing of LIF at Rs 2.8 bn, primarily raised through commitments from Indian banks and institutions. LIF is a private equity fund that satisfies the need of the investing community and fulfils the funding requirements of Indian corporates. The Final Closing of the LIF is expected to be completed in the first quarter of FY 2006. LIF is jointly sponsored by Punjab National Bank, Taib Bank and IL&FS and is mandated to invest primarily in infrastructure and select growth sectors

The Fund has committed to investments across Airlines, Ports, Hotels, Textiles, Pharmaceuticals and Information Technology

## AIG INDIAN SECTORAL EQUITY FUND (AISEF)

AISEF is a US\$ 88 mn Sectoral Fund sponsored by American International Group Inc. (AIG) and IL&FS for making investments in infrastructure and growth sectors in India. This was the first Fund set up to induct long-term equity support for infrastructure projects in India and comprises of both domestic and offshore investors. The Fund is deployed across the infrastructure, technology and growth sectors and is currently in divestment mode

## SOUTH ASIAN REGIONAL APEX FUND (SARA)

The SARA Fund was set up with a corpus of Rs 1.1 bn, with a primary focus on growth investments in small and medium enterprises engaged in technology, manufacturing, media and retailing. While, it was originally conceived with a development orientation, and had a specific allocation for smaller investments in early stage companies, the current management has devised investment strategies that optimize the investment portfolio, within the operating constraints. Since mid-1998 SARA has invested across technology, media, distribution, biotechnology and telecommunications

## INDIA AUTO ANCILLARY FUND (IAAF)

IAAF was set-up in October 1998, with a corpus of Rs 650 mn. IAAF was conceived as a sector specific Fund, with an eye on the de-regulated auto components sector in India. This sector was anticipated to see significant investment, consolidation and re-structuring, with the arrival of global majors in the country. However, slow sector development resulted in limited opportunities for capital growth. Accordingly, IIML worked with Investors to broaden the investment focus to include other growth sectors such as technology and life sciences. The Fund has made investments across Auto, Technology and Pharmaceuticals and is currently in divestment mode

