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| DIRECTORS' REPORT |
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To
The Shareholders
IL&FS Investsmart Insurance
and Risk Management Services Limited

Your Directors take pleasure in presenting the Fourth Annual Report along with the Audited Accounts for the year ended March 31, 2005

FINANCIAL RESULTS

Your Company's performance during the financial year 2004-05 is summarized below :

| Particulars | (in Rupees) | |
|-----------------------------|--|--|
| | For the year ended 31.03.2005 | For the year ended 31.03.2004 |
| Total Income | 22,84,135 | 1,702,587 |
| Gross Profit | 3,13,395 | 728,482 |
| Non-cash Charges | 1,545 | 298,055 |
| Operating Income Before Tax | 3,11,850 | 430,428 |
| Provision for taxation | 2,20,000 | 191,480 |
| Deferred Tax Asset | 4,799 | - |
| Operating Income After Tax | 96,649 | 238,948 |
| Balance Brought Forward | 36,108 | (202,840) |
| Balance Carried Forward | 1,32,757 | 36,108 |

CHANGE IN NAME OF THE COMPANY

On account of regulatory requirements, the Company has changed its status from Private Limited Company to Public Limited Company and revised Certificate of Incorporation has been obtained from the Registrar of Companies, Maharashtra

With a view to reap the benefits of IL&FS brand and parentage, your Company decided to change its name during the current year from Investsmart Insurance Distribution Limited to IL&FS Investsmart Insurance and Risk Management Services Limited. All the formalities in this regard have been completed and the revised Certificate of Incorporation has been obtained from the Registrar of Companies, Maharashtra

OPERATIONS

During the year under review, your Company booked various non-life segment policies with sum insured of Rs.11.29 bn. The focus during the year was to gain deeper understanding of client needs and products available in the market. The Company initiated business development efforts with organizations across multiple sectors and analyzed their insurance portfolios with a view to optimize the cost and coverage of their insurance portfolios

In the life insurance segment, your Company has booked policies for Life Insurance Corporation of India with sum insured of Rs.10 mn. With the gradual withdrawal of Guaranteed return products and competition from private sector, overall business has remained subdued for your Company

Your Company is in the process of inducting personnel to enhance its product expertise and risk management capabilities

Under the current regulations, Corporate Agents can represent only one Life Insurance Company and one Non-Life Insurer. The company has filed an application with the Insurance Regulatory and Development Authority (IRDA) for an Insurance Broker license. As an Insurance Broker, the company will be able to offer a wider range of products to its customers

IL&FS Employee Welfare Trust has been inducted as a shareholder in IRMSL with a 49.25% stake. The capitalization from IL&FS Employee Welfare Trust was completed towards the end of March 2005. The induction of IL&FS Employee Welfare Trust, as a shareholder of the company was undertaken to meet the long-term capital requirements of the company, and also reduce the indirect foreign shareholding in the company below the regulatory limit of 26%

The company is expected to obtain the Insurance Broker License in the near term

DIRECTORS

During the year, Mr. S Rengarajan and Ms. Dipti Singh have resigned from the Board of Directors of the Company

Your Directors feel privileged to have had an association with Mr. S Rengarajan and Ms. Dipti Singh and express their appreciation for the valuable advice and contribution made by them during their brief tenure as Directors of your Company

Mr. Arun Saha, Mr. Hemang Raja, Mr. Sandeep Presswala, Mr. Hetal Gandhi and Mr. Shahzaad Dalal were appointed as additional Directors of the Company during the year under review. Mr. Arun Saha has resigned from the Board of Directors of the Company due to the regulatory constraints

In terms of Section 260 of the Companies Act, 1956, Mr. Hemang Raja, Mr. Sandeep Presswala, Mr. Hetal Gandhi and Mr. Shahzaad Dalal vacate their office at the ensuing Annual General Meeting of the Company, and being eligible, have offered themselves for re-appointment. The Company has received Notices under Section 257 of the Act, proposing their candidatures, for the office of Director of the Company

Pursuant to provisions of the Companies Act, 1956, Mr. Sachin Joshi, Director of your Company, retires by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for reappointment

AUDITORS

M/s. Jayesh Bhagchandani & Co., Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and have expressed their willingness to continue as Auditors, if re-appointed. The Board commends re-appointment of the firm as Statutory Auditors

PARTICULARS OF EMPLOYEES

None of the employees of the Company are drawing salaries at the levels laid down under the provisions of Section 217(2A) of the Companies Act, 1956 (as amended vide the notification dated April 17, 2002)

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956 the Directors, based on the representations received from the Operating Management, and after due enquiry, confirm that :

- (1) In the preparation of the annual accounts, the applicable accounting standards have been followed along-with proper explanation relating to material departures;
- (2) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit or loss of your Company for that period;

- (3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- (4) The Directors have prepared the annual accounts on a going concern basis

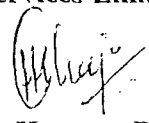
FOREIGN EXCHANGE OUTGO

During the year under review, the Company did not have any foreign exchange earnings and expenditure. Since your 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

ACKNOWLEDGEMENTS

Your Company maintained cordial relationships with regulatory authorities and Customers 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. Lastly, your Directors place on record their appreciation for efforts and dedication of the employees in producing good results during the year under review

For and on behalf of the Board of Directors
of IL&FS Investsmart Insurance and
Risk Management Services Limited

X 
Hemang Raja
Chairman

Place : Mumbai

Date : May 3, 2005

J D BHAGCHANDANI & CO.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

TO THE MEMBERS OF IL&FS INVESTSMART INSURANCE AND RISK MANAGEMENT SERVICES LIMITED (Formerly: INVESTSMART INSURANCE DISTRIBUTION LIMITED)

1. We have audited the attached Balance Sheet of **IL&FS INVESTSMART INSURANCE AND RISK MANAGEMENT SERVICES LIMITED (Formerly: INVESTSMART INSURANCE DISTRIBUTION LIMITED)** as at March 31, 2005 and the Profit and Loss Account 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 auditing standards generally accepted in India. Those 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 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
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;

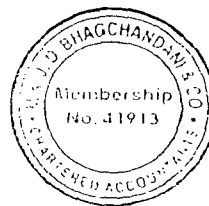
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J D BHAGCHANDANI & CO.

CHARTERED ACCOUNTANTS

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- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (e) On the basis of the written representations from the directors, taken on record by the Board of Directors, and according to the information and explanations given to us, none of the directors is disqualified as on March 31, 2005 from being appointed as a director under Section 274 (1)(g) of the Companies Act, 1956.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with 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, 2005; and
 - (ii) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.
 - (iii) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.



For J D BHAGCHANDANI & CO.

Chartered Accountants

Bhagchandani
(Jayesh D Bhagchandani)

Proprietor

Membership no.: 41913

Place: Mumbai

Date: May 03, 2005