



Directors' Report

To

**The Shareholders
IL&FS Investsmart Insurance
and Risk Management Services Limited**

Your Directors take pleasure in presenting the Sixth Annual Report along with the Audited Accounts for the year ended March 31, 2007

FINANCIAL RESULTS

Your Company's performance during the financial year 2006-07 is summarized below :

Particulars	(Rs. in Million)	
	For the year ended 31-Mar-07	For the year ended 31-Mar-06
Total Income	26.48	8.83
PBIDTA	(3.41)	1.01
Interest and Finance Charges	—	—
Depreciation / Amortization	0.39	0.08
Profit Before Tax	(3.80)	0.93
Provision for Tax (including Current, Deferred and Fringe Benefit Tax)	(0.74)	0.61
Profit / (Loss) After Tax	(3.06)	0.32

OPERATIONS

During the year under review, your Company focused mainly on building the requisite organizational resources and expanding its presence in the market place. As part of organizational build-up process, your Company had put-in place a core team to take care of business development & operations and is in the process of inducting the second line team and filling specialist positions. The Company also focused on expanding its sales team at branches for life insurance segment

The Company was successful in expanding its business in its main target market segment i.e. Infrastructure Sector and Financial Services. In life insurance segment, your Company had successfully activated 24 locations including all the metros and is in the process of activating more locations shortly. Since the life insurance business is expanding rapidly, attracting high performers from the industry and retaining them in the long run were the major constraints faced by the Company during the year

DIRECTORS

During the year under review, Mr. Shahzaad Dalal and Mr. Hetal Gandhi have resigned as Directors of the Company. Your Directors feel privileged to have had an association with Mr. Shahzaad Dalal and Mr. Hetal Gandhi and express their appreciation for the valuable advice and contribution made by them during their tenure as Directors of your Company

Pursuant to provisions of the Companies Act, 1956, Mr. S.C. Bhargava and Mr. Sachin Joshi, Directors of your Company, retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment



AUDITORS

M/s. J.D. Bhagchandani & Co., Chartered Accountants, who retire as Statutory Auditors of the Company at the conclusion of the ensuing Sixth Annual General Meeting of the Company, have informed the Company that they would not seek re-appointment as Auditors of the Company for the financial year 2007-08

IL&FS Investsmart Limited (IIL), the parent Company has recommended appointment of M/s. Lakhani & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2007-08. M/s. Lakhani & Co., Chartered Accountants have confirmed their willingness to act as Auditors of the Company for the financial year 2007-08, if appointed by the Shareholders at the ensuing Annual General Meeting and the Company has also obtained the necessary confirmation in terms of Section 224 (1B) of the Companies Act, 1956 from M/s. Lakhani & Co., Chartered Accountants

The Board commends appointment of M/s. Lakhani & Co., Chartered Accountants as Statutory Auditors of the Company

PARTICULARS OF EMPLOYEES

As required under the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, the name and other particulars of employee are set out in the annexure included in this report

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956 as amended, 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 the 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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORTS & FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review, the Company did not have any foreign exchange earnings and expenditure / outgo. Since your Company does not own any manufacturing facility, other particulars as required under 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 the efforts and dedication of 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**

Place : Mumbai
 Date : April 17, 2007

S. C. Bhargava
 Chairman





Annexure to the Directors' Report

Statement of particulars of employee pursuant to the provision of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2007

Name	Designation & nature of duties	Qualification & Experience (Years)	Age	Date of Commencement of Employment	Remuneration received (Gross) (Rs.)	Last Employment held
B S Shashidhar	Chief Executive Officer	BE (MECH) + MBA (15)	45	01-July-04	4,169,522/-	IL&FS Education & Technology Services Ltd Senior Vice President

Notes :

- 1 Gross Remuneration includes salary, taxable allowances, value of perquisites as per Income Tax Rules, 1962 & Company's contribution to Provident Fund, Family Pension Fund, Superannuation Fund and contribution to Gratuity Fund
- 2 The nature of employment is contractual and is as per Company's Rules
- 3 The above employee is not related to any Director of the Company

Place : Mumbai

Date : April 17, 2007

S. C. Bhargava

Chairman

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Auditors' Report

TO THE MEMBERS OF IL&FS INVESTSMART INSURANCE AND RISK MANAGEMENT SERVICES LIMITED

1. We have audited the attached Balance Sheet of **IL&FS INVESTSMART INSURANCE AND RISK MANAGEMENT SERVICES LIMITED** as at March 31, 2007 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;
 - (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, 2007 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, 2007; and
- (ii) In the case of the Profit and Loss Account, of the loss 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

Jayesh D. Bhagchandani

Proprietor

(Membership No.: 41913)

Place : Mumbai

Date : April 17, 2007

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Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date to the members of IL&FS Investsmart Insurance and Risk Management Services Limited.

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, all the assets have been physically verified, at intervals, by the management during the year, which in our opinion is reasonable, having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) In our opinion, a substantial part of the fixed assets has not been disposed off by the Company during the year.
- (ii) The Company's nature of operation does not require it to hold inventories. Accordingly clause 4(ii) of the Order is not applicable.
- (iii) (a) The Company has not granted any loan, secured or unsecured to Companies, Firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly sub-clauses (a), (b), (c), and (d) of clause 4(iii) of the Order are not applicable.
- (b) The Company has not taken any loan, secured or unsecured from Companies, Firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly sub-clauses (e), (f), and (g) of clause 4(iii) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and for sale of services. The activities of the Company do not involve purchase of inventory and the sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any instance of major weaknesses in the aforesaid internal control procedures.
- (v) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in the section 301 of the act during the year that need to be entered into the register maintained under that section. Accordingly clause 4(v)(b) of the Order is not applicable.
- (vi) The Company has not accepted any deposits from public within the meaning of the provisions of Sections 58A and 58AA or any other relevant provisions of the act, and the rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 in respect of services carried by the Company.
- (ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, employee's state insurance, income tax, sales tax, wealth tax, service tax, cess and other material statutory dues as applicable, with the appropriate authorities. Based on our audit procedure and according to the information and explanations given to us, no undisputed dues payable in respect of provident fund, employee's state insurance, income tax, sales tax, wealth tax and cess were in arrears, as at 31st March, 2007 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues in respect of income tax, wealth tax, service tax, sales tax and cess which have not been deposited on account of any dispute.

