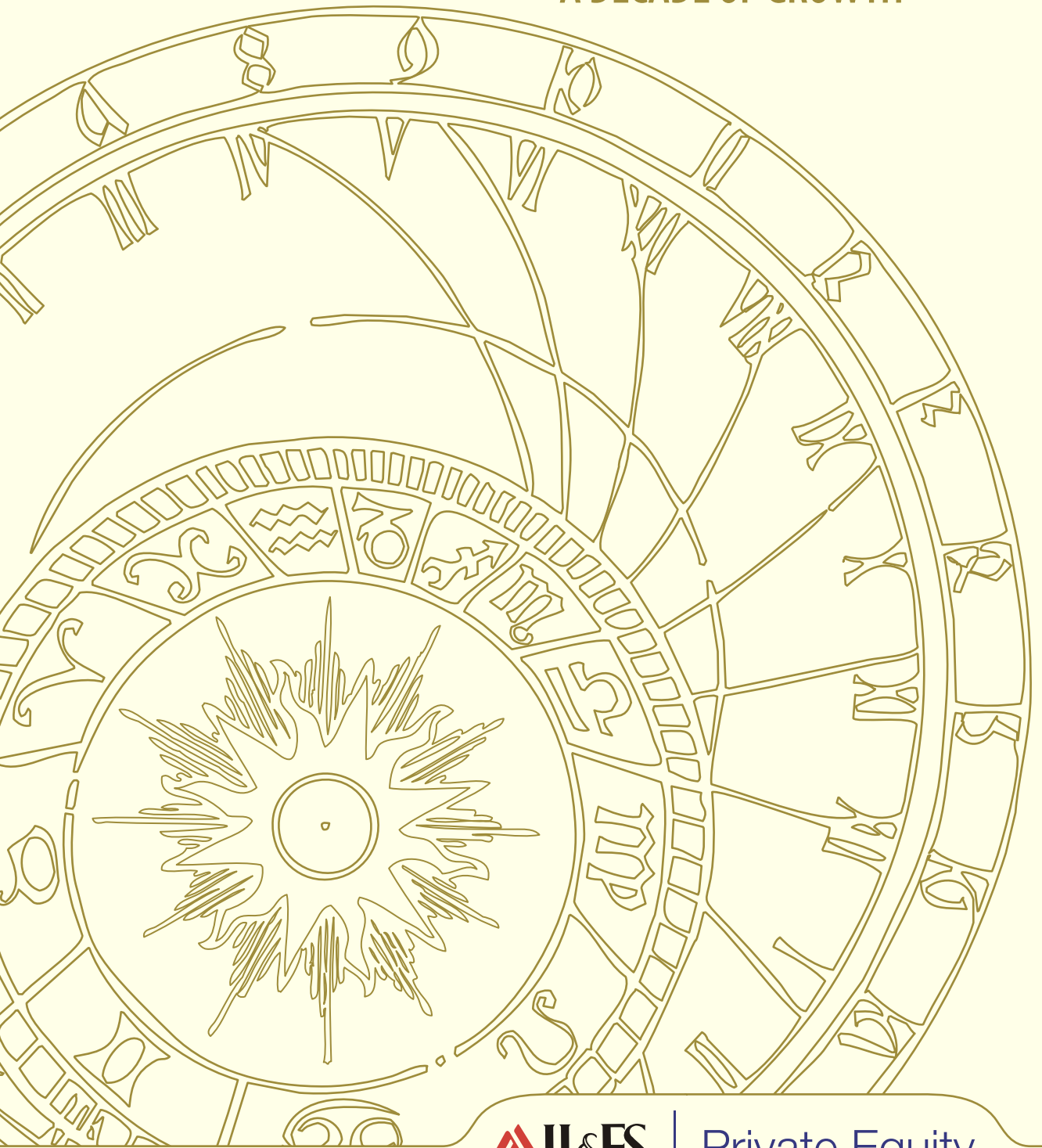


A DECADE OF GROWTH



Private Equity

IL&FS Investment Managers Limited

Annual Report 2010



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr S M Datta
Chairman

Mr Ravi Parthasarathy

Mr Bansi S Mehta

Mr Arun Saha

Mr Vibhav Kapoor

Mr Shahzaad Dalal
Vice Chairman

Dr Archana Hingorani
Chief Executive Officer &
Executive Director

Mr Alok Bhargava
Executive Director

COMPANY SECRETARY

Mr Sanjay Mitra

BANKERS

HDFC Bank Limited

AUDITORS

M/s Deloitte Haskins & Sells
Chartered Accountants

INTERNAL AUDITORS

M/s Patel & Deodhar
Chartered Accountants

REGISTRARS & SHARE TRANSFER AGENTS

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West), Mumbai 400 078, India
Tel : + 91 22 2596 3838 Fax :+ 91 22 2594 6969

REGISTERED OFFICE

The IL&FS Financial Centre, Plot No C-22, G Block
Bandra Kurla Complex, Bandra (East), Mumbai 400 051, India
Tel : + 91 22 2659 3531 Fax : + 91 22 2653 3056

OTHER OFFICES

Al-Latheef Building, 1st Floor, 2, Union Street
Off Infantry Road, Bengaluru 560 001, India
Tel : + 91 80 4034 3333 Fax : + 91 80 4034 3310

CHAIRMAN'S REFLECTIONS



2010 marks the close to one of the most eventful decades in the financial world in recent times. Future generations will look back at the first 10 years of this century as the period that was witness to a dramatic turmoil in the financial markets of the Western World which, in turn, shook the economic foundations of some of the developed States

Aided by the accommodative policies of the Governments and Regulators of the developed countries, the 2000-2010 decade promised to deliver growth. However, in the final years of the decade the financial markets collapsed under the weight of unviable debt. As financial markets froze, the impact was quickly felt on the real economy. Business cycles turned and many countries experienced the worst recession since the Depression of the late 1920s

As major economies of the World grappled with a severe recession, India too experienced a relative slowdown, but otherwise remained a bright spot. After slowing down to 6.7% in FY2009, the Indian economy is expected to grow at a better than expected rate of 7.4% in FY2010. Overall, the decade that was stormy for the global economy was a decade of transformation for India. On one hand, the World reaffirmed its faith in India as a large and lucrative marketplace, a market which is expected to drive growth for transnational companies. On the other hand, the 'Indian MNC' came of age, with Indian companies acquiring iconic brands, technology and globally sized manufacturing facilities. The motor of the world has indeed shifted perceptibly from the West to the East in the last 10 years

Meanwhile, the 2000-2010 decade has been even more remarkable for your Company, marked by milestones including many "firsts", all of which have been stepping stones to our success and performance

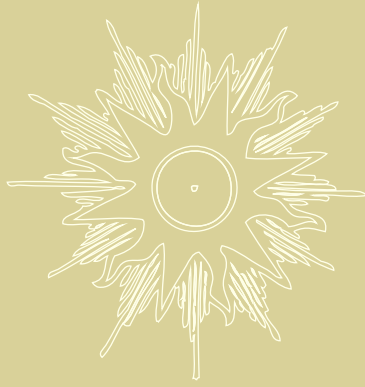
From being a fledgling entity at the beginning of the decade, to being one of the largest Indian fund managers, your Company has come a long way. We were among the first movers to tap global funds for investing in the growing Indian economy. We were also innovators in bringing Private Equity to Infrastructure and Real Estate. Later, as signs of an asset bubble became evident, we moved in a prudent fashion to protect the value of our investments in portfolio companies. However, experience shows that the most compelling opportunities to create value often arise at the downturn of an economic cycle. Therefore, during 2008-2010, we continued to invest in select opportunities unlike many other Private Equity Funds, which closed or suspended operations. As the economy picks pace again, these investment decisions are expected to provide a significant benefit to our Fund investors

As the Private Equity market matures further in India, we expect a significant increase in the scope and size of opportunities. Our strong market leadership position, along with a strong investor trust built over the years, will enable our empowered leadership team to make the most of these opportunities. We will continue to commit capital, knowledge and talent to identify new investments, nurture existing investments, raise new Funds and build value for the long term

I look forward to another successful decade

With best wishes

S M Datta
June 2, 2010



A decade of transforming Business & Communication



The decade saw over 600 million Indians getting connected. India is now home to the second largest mobile subscriber base in the World

Far from a tool for the privileged, the mobile phone has evolved as an enabler for businesses, big and small

FROM THE DESK OF THE VICE CHAIRMAN



As the world around us changes in a rapid and unpredictable manner, it would be important for us to introspect not only on the path we have taken during this transformational decade but more importantly on how we see ourselves facing the challenges of the coming decade

First, let me reflect on our journey during the first decade of this century. This period has indeed been an exhilarating experience for me, building a practice which is now one of the largest in India. For this, I would express a deep sense of appreciation for my team members, who worked with me tirelessly during the past decade. We have together weathered 3 business cycles, raised 8 new Funds, fully divested from 3 Funds, and put over US\$ 1.9 billion of capital to work

The milestones which we have achieved are significant not only to us as a Company but in many instances are also trendsetters for the Indian Private Equity industry. Funds for infrastructure project development in 2000 and Real Estate in 2005 were established at a time when this genre of investment was unheard of in India. These Funds also attracted pedigreed Institutional investors. These investors, many of them being US based pension funds, were first time investors into India. Our investor base, which literally spans the globe, has reposed a tremendous confidence in our ability to manage capital, even during the recent trying period, and for this any expression for our gratitude to them will be inadequate

Our long standing experience, a cohesive team, and 'feet on the street' ensured that we were not just able to weather the global financial storm of 2008, we were in fact able to expand our practice and continue to invest across sectors and geographies. We were also able to successfully handhold our investee companies and take many of them public as soon as environment turned salubrious

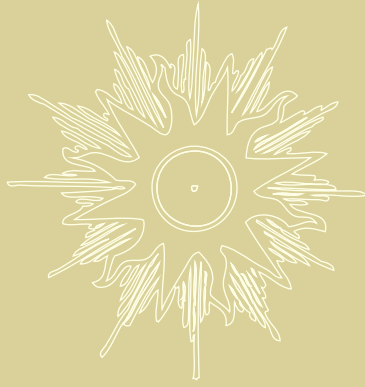
However, while we have emerged stronger, the financial crisis has been a game changer. We see the beginnings of a paradigm change in the global Private Equity industry. Nimbleness, efficiency, ability to add value beyond financial engineering, responsive and participative relationship with Fund investors, transparency, governance, and not just size will be the criteria for success in the New World. We are committed to build upon frameworks required to address these requirements

We are fortunate to be operating in a geography which is one of the few preferred ones today. The last few months has seen an encouraging uptrend in deals and, more importantly, exits. As the Private Equity industry matures and grows in size, I believe that we are well positioned to capture a disproportionately higher share of this growth

Our actions in the past decade have been bellwethers for the Private Equity industry in India. With your support, we are confident of replicating this success, on a much larger canvas, in the coming decade

With best wishes

Shahzaad Dalal
June 5, 2010



A decade of transforming Travel & Connectivity



India now boasts of not only one of the highest growth rates in air travelers but also of some of the best airports in the World

Over 4 million Indians take to the skies every month; flying is no longer a luxury but a sensible choice in a cost sensitive Indian market

NOTES FROM THE CHIEF EXECUTIVE



“It is not the strongest that survive, nor the most intelligent...
...But rather the ones most adaptable to change”

A memorable decade and a resilient year have come to an end. After the near decimation of some of the revered global Institutions and recessionary trends across many parts of the globe, Institutional re-building and economic recovery seems to be gaining ground. The debt crisis, first in Dubai and now in Europe, are however pointers to the pain and sluggishness with which recovery is expected to pan out. However, India has been relatively insulated and is witnessing a faster rebound. This is evident from the manufacturing data, confidence indices, and increased valuations across assets classes

As in the past, periods of uncertainty and fear have also brought forth opportunities for tremendous value creation. In the past year, as opportunities arose in a reviving economy, we successfully deployed our intellectual and financial capital. Through our real estate focused funds, we began selectively buying assets with the potential to appreciate as property markets stabilize. In infrastructure, we have and will continue to put dollars to work across a range of sub-sectors including power, roads and ports; sectors which will be the drivers as also key beneficiaries as India's economic footprint expands

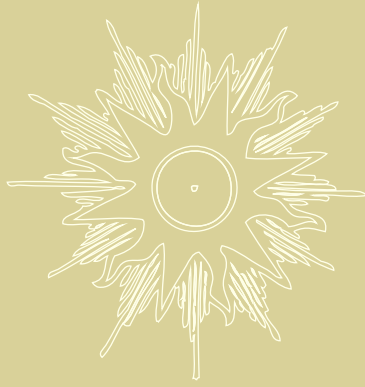
We were also successful in extracting value from a carefully selected portfolio of investments, which we had nurtured through the dark days of 2008-09. Three of our portfolio companies were listed in the public markets during the second half of the last financial year, providing significant listing gains for our Funds. A few other listings are also in the pipeline. Liquidity through public listings has been but one of the multi-pronged exit strategy for our investments. We were able to craft well over half of the exits undertaken during financial year 2010 through trade sales, by leveraging our deep network in the industry and among peers

Our ability to deploy US\$ 260 million during the most challenging last two years is, in no small measure, a validation of our robust asset management model. It is because of this that in a market marked by reduction in capital commitments globally, our investors continue to firmly support us in our initiatives. We will leverage these relationships to rollout unique product offerings, aligned to the investment requirement of the post crisis Institutional investor. For doing this, we will have to adapt and co-opt to grow, seek new geographies, and newer investment themes. For this, we will have to build, and if necessary buy, skillsets. We will also need to partner with domain experts. We have partnered in the past with market leaders, be it AIG in late 90s, to Standard Chartered Bank recently, for bringing unique products for our investors. We will continue and build on this strategy

This year marks the turn of a tumultuous phase in the global financial world. With your faith in our Company, we are committed to action these growth strategies and build an enterprise that is adaptable to the ever changing realities; an enterprise that will deliver growth in the coming decade, as spectacular as that delivered during the decade of growth gone by

With best wishes

Archana Hingorani
May 25, 2010



A decade of transforming Workspaces & Skylines



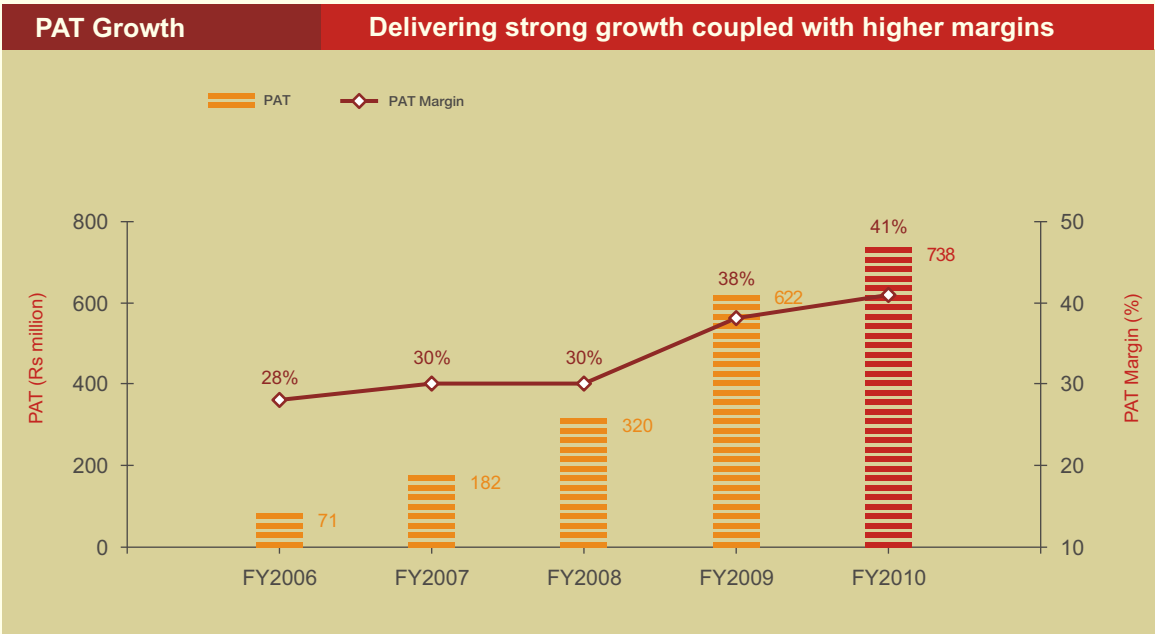
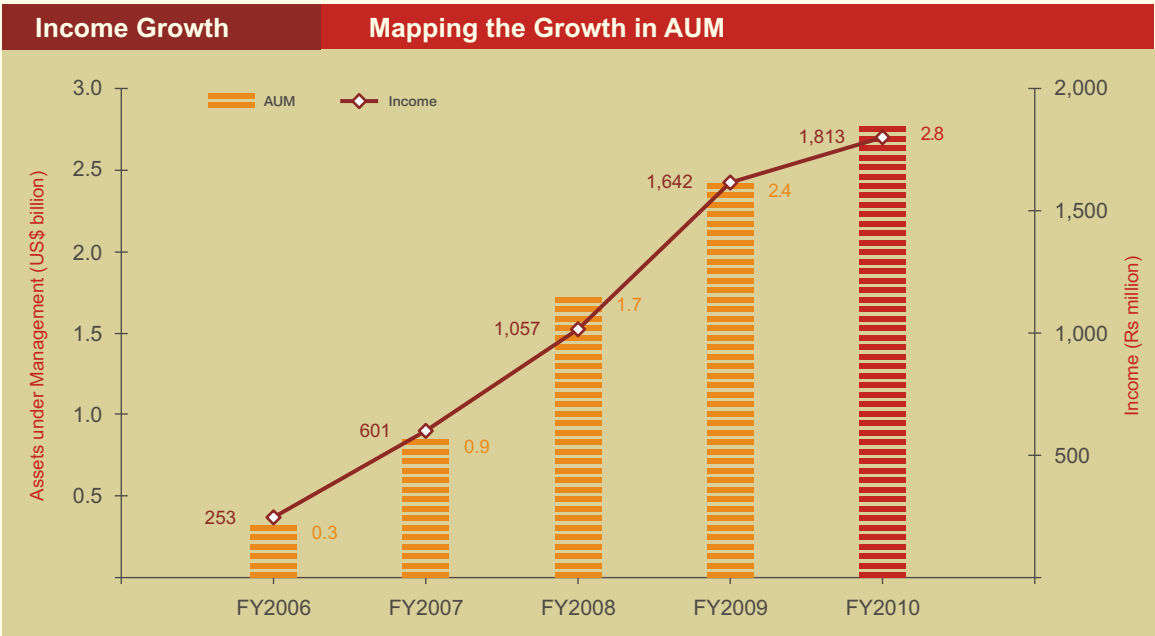
Driven by new age businesses like IT Enabled Services, real estate development transformed skylines and created new hubs of development

Gurgaon in the National Capital Region and Bandra Kurla Complex in Mumbai, for instance, now boast of World class working environments

PERFORMANCE PARAMETERS

	Rs million				
Consolidated Financials	FY2006	FY2007	FY2008	FY2009	FY2010
Total Income	253	601	1,057	1,642	1,813
Total Operating cost	121	221	490	578	680
PBT	107	273	466	846	957
PAT	71	182	320	622	738
PAT %	28	30	30	38	41
EPS *	0.4	1.49	2.46	3.13	3.69
Networth	261	418	684	901	1,339
Dividend %	35	40	55	70	75

* Face Value of Rs 2 per share. Adjusted for 1:2 Bonus Issuances in FY2007 and FY2009





2000 - 2010

REFLECTIONS OF THE PAST DECADE