

# annual report 2019



Private Equity

IL&FS Investment Managers Limited

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## CORPORATE INFORMATION

<b>BOARD OF DIRECTORS</b>	<b>Mr S M Datta</b> Chairman	<b>Mr Sunil Mehta</b>
	<b>Mr Chitranjan Singh Kahlon</b>	<b>Mr Nand Kishore</b>
	<b>Mr Kaushik Modak</b>	
<b>CHIEF EXECUTIVE OFFICER</b>	<b>Mr Krishna Kumar Gangadharan</b>	
<b>CHIEF FINANCIAL OFFICER</b>	<b>Mr Manoj Borkar</b>	
<b>COMPANY SECRETARY</b>	<b>Mr Sanjay Mitra</b>	
<b>BANKERS</b>	<b>HDFC Bank Limited</b>	
<b>STATUTORY AUDITORS</b>	<b>M/s Khimji Kunverji &amp; Co. LLP</b> Chartered Accountants	
<b>SECRETARIAL AUDITORS</b>	<b>M/s Mehta &amp; Mehta</b> Company Secretaries	
<b>REGISTRARS &amp; SHARE TRANSFER AGENTS</b>	<b>Link Intime India Private Limited</b> C-101, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai 400 083, India Tel : + 91 22 4918 6270 Fax : +91 22 4918 6060	
<b>REGISTERED OFFICE</b>	The IL&FS Financial Centre, Plot No C-22, G Block Bandra Kurla Complex, Bandra (East), Mumbai 400 051, India Tel : +91 22 2653 3333 Fax : +91 22 2653 3056	
<b>CIN</b>	<b>L65999MH1986PLC147981</b>	

# DIRECTORS' REPORT

## To The Shareholders of IL&FS Investment Managers Limited

Your Directors have pleasure in presenting for your consideration and approval the Thirty-third Annual Report with the Audited Financials of the Company for the year ended March 31, 2019

## FINANCIAL ACHIEVEMENTS AND DIVIDEND

	For the year ended March 31, 2019 (₹ mn)	For the year ended March 31, 2018 (₹ mn)	For the year ended March 31, 2019 (₹ mn)	For the year ended March 31, 2018 (₹ mn)
Particulars	Standalone	Standalone	Consolidated	Consolidated
Total Income	490.28	553.65	1028.32	1189.16
Profit before Taxation	147.13	106.16	(78.39)#	265.79
Provision for Taxation	45.33	53.08	58.39	89.16
Net Profit after Taxation	101.80	53.08	(136.77)	176.63
Total Comprehensive income/(loss) for the period	107.66	59.11	(84.33)*	158.64*
Dividend (inclusive of dividend tax)	197.05	195.25	197.05	195.25

\* after Minority Interest

# After exceptional item of ₹ 294.7 mn due to one time provision on the Inter Corporate Deposits lent by subsidiary companies to IL&FS and its group entities

The Company does not propose to transfer any amount to the General Reserves

## DIVIDEND

During the year, your Company achieved a Total Comprehensive Income after tax of ₹ 107.66 mn. Your Directors recommend a Dividend of ₹ 0.30 per share of the Face Value of ₹ 2/- each. The total amount of Dividend is ₹ 197.05 mn (inclusive of dividend tax of ₹ 4.96 mn)

## REVIEW OF OPERATIONS

The global economic activity is reflecting slowdown in trade and manufacturing. Barring US, the economic activity has remained weak world over. The US economy has been relatively strong on account of higher government spending, increase in private investment and a lower trade deficit. In UK, the outlook is clouded by uncertainty relating to Brexit. The economic activity has slowed in many emerging market economies like China, South Africa and Brazil. The Brazilian economy contracted for the first time since 2016, and there are fears that it could return to recession

Crude oil prices have been volatile and the Financial markets have also been driven by uncertainties surrounding the US-China trade negotiations and Brexit. Equity markets in most emerging markets have lost steam and the bond yields have been falling globally, with central banks adopting an accommodative monetary policy to boost economic growth

In India, GDP growth for 2018-19 has been estimated at 6.8%, lower than previously expected. The growth in economy decelerated sharply to 5.8% Q4FY2019, compared to 6.6% in the previous quarter and 8.1% in the comparable quarter of the previous financial year. Gross fixed capital formation (GFCF) growth declined sharply to 3.6%. Weak global demand due to escalation in trade wars may further impact India's exports and investment activity. In light of these developments, the Reserve Bank of India has revised downward the GDP growth projection for FY2020 from 7.2% to 7.0%

The growth slowdown in the economy has been reflected in the cautiousness of Private Equity (PE) investors. The first quarter of 2019 recorded the lowest number of PE deals in the last 5 years. Furthermore, the deal activity has been falling every quarter for the last 5 quarters

At IIML, the team has primarily focussed on divestments and has been able to achieve divestments aggregating ₹ 19 bn during the year. This has been the most successful year for the team in respect of quantum of divestments achieved during a financial year. Similarly, on the investment front, IIML had been deploying capital through its fourth generation private equity Fund (Tara India Fund IV). Between April 2018 and early August 2018, the team undertook 4 new investments and 2 follow-on investments. With a robust deal pipeline in place, the Fund team was on track to utilize all the unfunded commitment before the end of the Fund's Commitment Period

On the debt side, IIML, through its subsidiary which operates in the Infrastructure Debt Fund (IDF) space, increased its AUM from ₹ 20 bn as on March 31, 2018 to ₹ 23 bn as on March 31, 2019. Likewise, activity level at IIML's joint venture with Government of Andhra Pradesh also gained traction during the year. The joint venture company seeks to develop urban infrastructure projects in Andhra Pradesh and towards this end is now working on multiple projects

## DIRECTORS' REPORT

While satisfactory progress was being made by IIML in its business activities, certain entities of the IL&FS Group began to default on their debt obligations during the second quarter of FY2019. Considering the impact, the Government of India petitioned the National Company Law Tribunal (NCLT) to replace the IL&FS Board of Directors. In its order on October 1, 2018, NCLT superseded the Board of IL&FS with a new Board, with members nominated by Government of India. The Government of India also initiated an investigation into the affairs of IL&FS through the Serious Fraud Investigation Office and the Enforcement Directorate

The developments at the IL&FS Group has had a negative impact on IIML and its brand equity. These developments severely impacted the ongoing fund raising efforts. More importantly, IIML had expended significant effort in nurturing two key new initiatives. These were the Africa focused Infrastructure Debt Fund in partnership with Islamic Corporation for the Development of the Private Sector (ICD) and the stressed asset initiative with Lone Star, a US based global private equity firm, which sought to invest into stressed thermal power and road assets in India. In case of the Africa Debt Fund, consequent to the developments at IL&FS, ICD put on hold further Fund raising activities. Likewise, in case of the Lonestar initiative the team was working on an active pipeline of thermal power and road assets. Given that IL&FS was to infuse 10% of the investment, the crisis at IL&FS led Lonestar to suspend the activities of the stressed asset facility. Furthermore, new Fund initiatives, specifically in the infrastructure space, were beginning to gain traction during the first half of FY2019 which have stalled

On a consolidated basis, the Income from Operations of the Company for FY2019 was ₹ 886.90 mn, Income from Investment and Other Income was ₹ 141.42 mn. Accordingly, the Total Income on a consolidated basis for FY2019 was ₹ 1028.32 mn. The resultant Loss after Tax on a consolidated basis for FY2019 was ₹ 136.77 mn, after exceptional item of ₹ 294.7 mn due to one time provision on the Inter Corporate Deposits lent by subsidiary companies to IL&FS and its group entities

On a standalone basis, the Total Income of the Company for FY2019 was ₹ 490.28 mn and the Total Expenses for the year were ₹ 343.15 mn and the resultant Profit after Tax before other comprehensive income for FY2019 was ₹ 101.80 mn

### FUTURE OUTLOOK

As regards IIML, the adverse developments at the IL&FS Group have significantly impinged on IIML's business plans for revenue growth. The newly constituted IL&FS Board has initiated the process to sell its holding in IIML. The outcome of this sale process is uncertain as the sale by IL&FS is contingent on approval from investors of some of the IIML managed Funds

In the above context, it is important to leverage IIML's extensive investment experience across sectors and strategies, as also IIML's relationship with key global investors, to rebuild the Company's business model. For the immediate future, IIML would need to focus on delivering new initiatives, largely in the form of non-Fund format based products. Such initiatives could include providing advisory services potentially in areas such as managing orderly liquidation of tail end portfolios of third party offshore funds. In the event IIML is able to successfully embark on these initiatives, the same would enable the Company to ride over the current challenges and, over time, rebuild the Company on a better footing

This period of business realignment is expected to take 12-18 months, during which period the Company would have to deal with a large degree of uncertainties. However, IIML has the ability to undergo this metamorphosis. IIML and its subsidiaries are debt free and have no outstanding creditors. The cash reserves of the IIML Group has gone up from ₹ 1,252 mn as of March 31, 2018 to ₹ 2,090 mn as of March 31, 2019. The past year has been a challenging one, and more challenges lie ahead. The aforementioned strengths are expected to stand IIML in good stead as it endeavours to overcome the setbacks and once again rebuild its business model

### MATERIAL CHANGES FROM THE END OF THE FINANCIAL YEAR

The Auditors of the Company, M/s B S R & Associates LLP, resigned as the auditors of the Company with effect from June 20, 2019

M/s. Khimji Kunverji & Co. LLP has been appointed as the auditors of the Company in casual vacancy on July 31, 2019 and shall hold office until the conclusion of the ensuing Annual General Meeting

There have been no other material changes and commitments affecting the financial position of the Company, which have occurred from the end of the financial year for the Company to which the financial statement relates and till the date of the Directors' Report

### SUBSIDIARIES AND JOINT VENTURES

Your Company has Six Domestic Subsidiaries viz. IL&FS Asian Infrastructure Managers Limited, IL&FS Urban Infrastructure Managers Limited, IIML Asset Advisors Limited, Andhra Pradesh Urban Infrastructure Asset Management Limited, IL&FS Infra Asset Management Limited and IL&FS AMC Trustee Limited and two Offshore Subsidiaries viz. IL&FS Investment Advisors LLC, Mauritius and IIML Fund Managers (Singapore) Pte Ltd, Singapore

Your Company also has two Joint Venture Companies viz. Standard Chartered IL&FS Management (Singapore) Pte Limited, Singapore and IL&FS Milestone Realty Advisors Private Limited

As per Section 129(3) of the Companies Act, 2013 and Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [LODR] the consolidated financial statements of the Company with its Subsidiaries forms part of the Annual Report

## DIRECTORS' REPORT

The copies of the Audited Annual Accounts and other related documents of the Company's Subsidiaries can be sought by any shareholder 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 by any shareholder at the Company's Registered Office and are also uploaded on the company's website at [http://www.iimlindia.com/financials\\_SubsiaryCompanies.aspx](http://www.iimlindia.com/financials_SubsiaryCompanies.aspx)

A separate statement pursuant to Section 129(3) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 containing the salient features of the Financial Statements of the Company's Subsidiaries and Joint Ventures in Form AOC 1 is given as an Annexure to the Standalone Financial Statements

### **Performance and Financial position of the Subsidiaries and the Joint Venture Companies :**

#### **IL&FS Asian Infrastructure Managers Limited :**

IL&FS Asian Infrastructure Managers Limited (IAIML) had been set up to manage the Pan Asia Project Development Fund, India (the Fund). The Fund, having a corpus of ₹ 1125 mn, invested across seven investments. Six of these investments have been divested and the balance one investment is partially divested. IAIML is working actively to fully divest from the residual investment of the Fund

The Total Income for FY2019 was ₹ 4.84 mn. The Total Expenses of IAIML for the year were ₹ 0.56 mn (excluding exceptional item of ₹ 20.92 mn) and the resultant total comprehensive income was a loss of ₹ 17.75 mn

#### **IL&FS Urban Infrastructure Managers Limited :**

IL&FS Urban Infrastructure Managers Limited (IUIML) functions as the Asset Manager for the Pooled Municipal Debt Obligations (PMDO) Facility. The objective of the PMDO Facility is to provide long tenure term loans to meet the debt requirements of urban infrastructure projects across cities in India. The Company's role as an asset manager is to identify and appraise the eligible projects and obtain sanctions from the lenders and thereafter facilitate the borrowers to seek disbursement from the lenders, monitor and administer the project assets until entire repayment of the loan

The amount outstanding under the PMDO Facility as on March 31, 2019 was at ₹ 13.54 bn

The Total Income for FY2019 was ₹ 36.87 mn inclusive of Other Income of ₹ 13.29 mn. The Total Expenses of IUIML for the year were ₹ 77.42 mn (excluding exceptional item of ₹ 21.30 mn) and the resultant total comprehensive income was a loss of ₹ 74.95 mn

#### **IIML Asset Advisors Limited :**

IIML Asset Advisors Limited (IAAL) acts as India Advisor to two Offshore Real Estate Funds

The Total Income of IAAL for FY2019 was ₹ 28.46 mn inclusive of Income from Investments and Other Income of ₹ 13.04 mn. The Total Expenses of IAAL for the year were ₹ 15.16 mn (excluding exceptional item of ₹ 13.30 mn) and the resultant total comprehensive income was at a loss of ₹ 41.99 mn

#### **IL&FS Investment Advisors LLC :**

IL&FS Investment Advisors LLC, Mauritius (IIAL) acts as the Investment Manager to IL&FS India Realty Fund LLC, IL&FS India Realty Fund II LLC, Tara India Fund III LLC, K2 Property Limited and Saffron India Real Estate Fund

The Total Income of IIAL for FY2019 was US\$ 5.47 mn. The Total Expenses of IIAL for the year were US\$ 6.1 mn and the resultant loss for the year was US\$ 0.63 mn

#### **IIML Fund Managers (Singapore) Pte Ltd :**

IIML Fund Managers (Singapore) Pte Ltd (IFMPL) was incorporated for the purposes of managing funds from Singapore. The Company surrendered its Capital Market Service License to the Monetary Authority of Singapore in FY2019

The Total Income of IFMPL for FY2019 was US\$ 0.06 mn. The Total Expenses of IFMPL for the year were US\$ 0.19 mn and the resultant loss for the year was US\$ 0.13 mn

#### **Andhra Pradesh Urban Infrastructure Asset Management Limited :**

The Company has set up a subsidiary namely, 'Andhra Pradesh Urban Infrastructure Asset Management Limited' (APUIAML) along with the Government of Andhra Pradesh. The Company and the Government of Andhra Pradesh hold 51% : 49% equity stake, respectively in APUIAML

APUIAML has been formed with an objective of acting as the Fund Manager for the Andhra Pradesh Urban Development Fund (APUDF). APUDF has been registered with SEBI as an AIF Category – II fund

APUDF had been created with the objective to finance the Urban Local Bodies in the State of Andhra Pradesh. APUIAML will also be involved in integrated urban infrastructure project development and program management for the Urban Local Bodies and provide end to end solutions to them

## DIRECTORS' REPORT

APUIAML will help the State Government of Andhra Pradesh to manage APUDF by mobilizing resources from different sources like banks and financial institutions, including private sector arms of multilateral and bilateral agencies and by leveraging Government and other financial assistance. These funds would be deployed in the urban areas on various infrastructure projects including public private partnership projects

APUIAML Projects to the extent of ₹ 1,347.45 Crores are under implementation and projects of about ₹293.91 Cr are in the tendering stage

The Total Income for FY2019 was ₹ 205 mn inclusive of Other Income of ₹ 5 mn. The Total Expenses for the year were ₹ 147.07 mn and the resultant total comprehensive income for the year was ₹ 42.02 mn

### **IL&FS Infra Asset Management Limited :**

IL&FS Infra Asset Management Limited (IIAML) is the asset manager of the IL&FS Mutual Fund which is an Infrastructure Debt Fund (IDF) as per SEBI Mutual Fund Regulations

The IDF has closed ended schemes with a commitment of ₹ 16,180 mn and ₹ 1,725 mn is yet to be drawn down as of March 31, 2019. The Fund has made 14 investments as on March 31, 2019 and AUM as of March 31, 2019 was ₹ 20,903 mn

The Total Income for FY2019 was ₹ 260.44 mn inclusive of Other Income of ₹ 10.16 mn. The Total Expenses for the year were ₹ 315.66 mn (including exceptional item of ₹ 200.20 mn) and the resultant total comprehensive income was a loss of ₹ 54.48 mn

### **IL&FS AMC Trustee Limited :**

IL&FS AMC Trustee Limited (IATL) acts as the Trustee of the IDF

The Total Income for FY2019 was ₹ 2.10 mn inclusive of Other Income of ₹ 0.03 mn. The Total Expenses for the year were ₹ 1.11 mn and the resultant total comprehensive income for the year was ₹ 0.81 mn

### **Standard Chartered IL&FS Management (Singapore) Pte Limited :**

Standard Chartered IL&FS Management (Singapore) Pte Limited (SCIMPL), is a 50:50 Joint Venture Company established with the Standard Chartered Bank to manage the Standard Chartered IL&FS Asia Infrastructure Growth Fund. The Manager is playing an active role in managing and monitoring the investments made by the Fund

The Total Income of SCIMPL for FY2019 was US\$ 1.32 mn. The Total Expenses of SCIMPL for the year were US\$ 0.66 mn and the resultant Profit after Tax for the year was US\$ 0.57 mn

### **IL&FS Milestone Realty Advisors Private Limited :**

IL&FS Milestone Realty Advisors Private Limited (IMRAPL), is a Joint Venture (JV) Company established with the objective of raising funds that would invest in income yielding assets. Since inception, the JV raised three funds and the Company has been able to successfully divest from all the investments of these three funds

The Total Income of IMRAPL for FY2019 was ₹ 0.89 mn. The Total Expenses of IMRAPL for the year were ₹ 2.77 mn and the resultant loss for the year was ₹ 1.88 mn

## **DIRECTORS & KEY MANAGERIAL PERSONNEL**

Mr Nand Kishore and Mr Kaushik Modak were appointed as the Non-Executive Directors of the Company with effect from December 6, 2018 and Mr Chitranjan Kahlon was appointed as Non-Executive Independent Director with effect from August 28, 2018 subject to the approval of the shareholders

The Board of Directors on March 28, 2019 approved the re-appointment of Mr Datta as an Independent Non-Executive Director for a second term of five consecutive years from April 1, 2019 to March 31, 2024, subject to the approval of the shareholders. On the even date, the Board also approved the re-appointment of Mr Datta as an Independent Non-Executive Chairman of the Company for a second term of five years from April 1, 2019 to March 31, 2024, subject to the approval of the shareholders

The Board recommends the appointment of Mr Nand Kishore and Mr Kaushik Modak as Non-Executive Directors of the Company, appointment of Mr Chitranjan Kahlon as Non-Executive Independent Director, re-appointment of Mr S M Datta as an Independent Non-Executive Director for a second term of five consecutive years and re-appointment of Mr Datta as an Independent Non-Executive Chairman of the Company for a term of five years

Mr Banshi Mehta and Ms Shubhalakshmi Panse resigned as a Non-Executive Independent Directors of the Company with effect from June 5, 2018 and April 30, 2019, respectively. Mr Ravi Parthasarathy and Mr Vibhav Kapoor resigned as Non- Executive Directors of the Company with effect from July 21, 2018 and October 19, 2018, respectively. Mr Ramesh Bawa resigned as the Managing Director of the Company with effect from September 22, 2018

# DIRECTORS' REPORT

Mr Hari Sankaran ceased to be a Director of the Company pursuant to the Order passed by the National Company Law Tribunal (NCLT) with effect from October 1, 2018

None of the Directors retire by rotation at the ensuing Annual General Meeting pursuant to the provisions of Section 149, Section 152 and Section 162 of the Companies Act, 2013

There have been no changes in the Directors and Key Managerial Personnel of the Company other than the above

## BOARD INDEPENDENCE

The Company has received Declarations of Independence pursuant to Section 149(6) of the Companies Act, 2013 and Regulation 16(1) (b) and Regulation 25(1) of the LODR from all the Independent Directors

## NUMBER OF MEETINGS OF THE BOARD

The Board of Directors met six times during the Financial Year ended March 31, 2019 and the gap between two meetings did not exceed 120 days. The meetings were held during the year on May 4, 2018, two meetings on August 28, 2018, October 4, 2018, December 14, 2018 and February 6, 2019. The details of the composition of the Board Committees and attendance of the Directors at the Board meetings/Committee meetings are given in the Corporate Governance Report

## SELECTION CRITERIA FOR APPOINTMENT OF DIRECTORS

The Board has framed a selection criteria for determining the necessary qualifications and attributes for appointment of Directors and also to ensure Board diversity. The details of the same are provided in the Corporate Governance Report

## BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and the LODR, the Board has carried out an annual performance evaluation of the Board and Committees thereof. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report

## DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013 :

- (a) in the preparation of the Annual Accounts for the year ended March 31, 2019, the applicable Accounting Standards have been followed along with proper explanations relating to material departures, if any;
- (b) that such accounting policies as mentioned in Note 2 of the Notes to the Annual Accounts have been selected and applied consistently and judgments and estimates have been made 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 March 31, 2019 and of the Profit of the Company for the year ended on that date;
- (c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) that the Annual Accounts are prepared on a going concern basis;
- (e) that proper internal financial controls were in place and that the internal financial controls were adequate and were operating effectively; and
- (f) that proper systems were devised to ensure compliance with the provisions of all applicable laws and such systems were adequate and operating effectively

## RISK MANAGEMENT & INTERNAL CONTROL SYSTEMS

Risk Management forms an integral part of the business of the Company. The Company has a Risk Management Framework, which not only ensures timely identification of risks, analysis of the reasons for such risk, assessment of its materiality, assessment of its impact but also adequate risk mitigation processes. The Risk Management Framework encompasses all areas of the Company's business including the Funds under its management. The Risk Management Framework ensures that all risks which could potentially threaten the existence of the Company are identified and risk mitigation is initiated in due time

The Company has an adequate system of internal controls including financial controls with reference to Financial Statements, commensurate with the nature of its business and complexity of its operations 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 scope of the internal audit is determined by the Audit Committee and the Internal Audit Reports are reviewed by the Audit Committee on a regular basis



# DIRECTORS' REPORT

## RELATED PARTY TRANSACTIONS

All Related Party Transactions that were entered into during the Financial Year were on an arm's length basis and were in the ordinary course of business. There are no materially significant Related Party Transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large. No new Material Related Party Transactions were entered during the year by your Company. Accordingly, the disclosure of Related Party Transactions as required under Section 134(3) of the Companies Act, 2013 in Form AOC 2 is not applicable. The disclosure of transactions with Related Parties is set out in Note No. 25 of the Standalone Financial Statements, forming part of the Annual Report.

The Company has developed a Related Party Transactions Framework for the purpose of identification and approval of such transactions. The Policy on Related Party Transactions as approved by the Board has been uploaded on the Company's website and is available at the link <http://www.iimlindia.com/Policies.aspx>

## PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

Details of the Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in Note No. 7 of the Standalone Financial Statements.

## KEY MANAGERIAL PERSONNEL

Pursuant to Section 203 of the Companies Act, 2013, the Company has designated Mr Krishna Kumar Gangadharan, Chief Executive Officer, Mr Manoj Borkar, Chief Financial Officer and Mr Sanjay Mitra, Company Secretary as the Key Managerial Personnel of the Company.

## PARTICULARS OF EMPLOYEES

The particulars of the employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) and Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of the Directors' Report for the year ended March 31, 2019 and are annexed as Annexure 1 and Annexure 2, respectively.

## DETAILS OF EMPLOYEE STOCK OPTION PLANS

The Shareholders of the Company had approved the Employee Stock Option Scheme 2003 ("ESOP 2003") and the Employee Stock Option Scheme 2004 ("ESOP 2004") for granting Options to the Directors and Employees of the Company and the Employee Stock Option Scheme 2006 ("ESOP 2006") for granting Options to the Directors and Employees of the Company and the Holding and Subsidiary Companies of the Company.

During FY2019, the Nomination & Remuneration Committee of the Company did not grant any Options under the above schemes. Further, please note that there are no options vested/ exercised/lapsed during FY2019.

The Nomination & Remuneration Committee of the Company thereafter approved and closed the ESOP 2003, ESOP 2004 and ESOP 2006 with effect from May 29, 2019. The following number of options available for grant in future under ESOP 2003, ESOP 2004 and ESOP 2006 were considered as lapsed :

ESOP 2003 – 37,815 Options

ESOP 2004 – 130,928 Options

ESOP 2006 – 1,935,000 Options

All the options granted till date under ESOP 2003, ESOP 2004 and ESOP 2006 have either vested or lapsed on or before March 31, 2019 and accordingly there is no employee compensation cost for the year ended March 31, 2019.

## REMUNERATION POLICY

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The remuneration paid to the Directors and the Senior Management is as per the Managerial Remuneration Policy of the Company. The Management Remuneration Policy is posted on the company's website at <http://www.iimlindia.com/Policies.aspx> and the brief details thereof are given in the Corporate Governance Report.

## POLICY FOR PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE

The Company has always been committed to provide a safe and dignified work environment for its employees which is free of discrimination, intimidation and abuse. The Company has adopted a Policy for Prevention of Sexual Harassment of Women at Workplace under the provisions of The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The objective of this policy is to provide protection against sexual harassment of women at workplace and for redressal of complaints of any such harassment. The Company has also constituted an Internal Complaints Committee (ICC) to redress the complaints received under this policy. During the year, no complaints were received by the ICC.

# DIRECTORS' REPORT

## STATUTORY AUDITORS

M/s B S R & Associates LLP, Chartered Accountants, were appointed as the Statutory Auditors of the Company for a term of five consecutive years at the 31st Annual General Meeting held on September 6, 2017. The Statutory Auditors resigned as the Auditors of the Company with effect from June 20, 2019 on account of their firm's policies and re-evaluation of the Company done by them considering recent development, including actions and investigations initiated by various regulatory authorities in relation to Infrastructure Leasing & Financial Services Limited and its affiliated companies

Post the resignation of M/s B S R & Associates LLP the Board at its meeting held on July 31, 2019 on the recommendation of the Audit Committee and subject to the approval of the shareholders appointed M/s Khimji Kunverji & Co. LLP, as the Statutory Auditor of the Company in a Casual Vacancy pursuant to Section 139(8) of the Companies Act, 2013, to hold office till the conclusion of the ensuing Annual General Meeting

The Board at its meeting held on July 31, 2019 on the recommendation of the Audit Committee and subject to the approval of the shareholders also recommended the appointment of M/s Khimji Kunverji & Co. LLP, as the Statutory Auditor of the Company for a term of five years from the conclusion of 33rd Annual General meeting upto the conclusion of 38th Annual General Meeting

Accordingly, at the ensuing Annual General Meeting an ordinary resolution is proposed for the appointment of M/s Khimji Kunverji & Co. LLP as the Statutory Auditor of the Company in casual vacancy to hold office till the conclusion of the ensuing Annual General Meeting and an ordinary resolution is also proposed to appoint them as the Statutory Auditor of the Company for a term of five years from the conclusion of 33rd Annual General meeting upto the conclusion of 38th Annual General Meeting

## SECRETARIAL AUDIT

The Company has appointed M/s Mehta & Mehta, a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The Secretarial Audit Report for the Financial Year ended March 31, 2019 is annexed herewith as an Annexure 3(I)

According to Regulation 24A of the LODR effective from April 1, 2019 every listed entity and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a company secretary in practice, in such form as may be specified with effect from the year ended March 31, 2019. Accordingly, Secretarial Audit report of Andhra Pradesh Urban Infrastructure Asset Management Limited and IL&FS Infra Asset Management Limited is attached as Annexure 3(II) and 3(III), respectively

## QUALIFICATIONS IN THE AUDITORS' REPORT AND SECRETARIAL AUDITORS' REPORT AND ITS EXPLANATIONS

The Statutory auditors M/s B S R & Associates LLP have qualified the Standalone and Consolidated Financials of the Company in their Statutory Audit report. The Statutory Auditors have not reported any incident of fraud to the Audit Committee of the Company in the year under review

Further, the Secretarial Auditor, M/s Mehta & Mehta, Company Secretaries in Practice have made an observation in the Secretarial Audit Report

The explanations or comments by the Board on the Statutory Audit qualification and Secretarial Audit observation pursuant to Section 134(3)(f) of the Companies Act and LODR are as follows :

### Statutory Auditor's qualification and its explanation :

#### Qualification 1:

In view of the investigation by Serious Fraud Investigation Officer (SFIO) against the Infrastructure Leasing & Financial Services Limited (IL&FS), the Holding Company and its subsidiaries (including the Company) and the NCLT order for re-opening of past books of Accounts of IL&FS and its fellow subsidiaries- IL&FS Financial Services Limited ('IFIN') and IL&FS Transportation Networks Limited ('ITNL'), the Auditors qualified that they were unable to comment on the consequential impact thereof on these standalone annual financial results

#### Explanation 1:

The Company, based on its current understanding, believes that the above would not have a material impact on the financial results, the implications, if any, arising from the aforesaid developments would be known only after the aforesaid matters are concluded and hence are not determinable at this stage

#### Qualification 2:

The Company has not been able to determine the accurate and complete list of related parties for the period April 1, 2017 to March 31, 2019 as defined under Ind As 24, Related Party Disclosures and as per Companies Act, 2013. The Auditors qualified that they were unable to obtain sufficient appropriate audit evidence with regard to completeness and accuracy of related party disclosures made in the financial statements and on the Company's compliance with the provisions of the Companies Act, 2013 with regard to related party transactions