

# Annual Report 2020



Private Equity

IL&FS Investment Managers Limited

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Mr S M Datta**  
Chairman

**Mr Chitranjan Singh Kahlon**

**Mr Nand Kishore**

**Mr Kaushik Modak**

### CHIEF EXECUTIVE OFFICER & CHIEF FINANCIAL OFFICER

**Mr Manoj Borkar**

### COMPANY SECRETARY

**Mr Sanjay Mitra**

### BANKERS

**HDFC Bank Limited**

### STATUTORY AUDITORS

**M/s Khimji Kunverji & Co. LLP**  
Chartered Accountants

### SECRETARIAL AUDITORS

**M/s Mehta & Mehta**  
Company Secretaries

### INTERNAL AUDITORS

**M/s N A Shah Associates LLP**  
Chartered Accountants

### REGISTRARS & SHARE TRANSFER AGENTS

**Link Intime India Private Limited**  
C-101, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai 400 083, India  
Tel : + 91 22 4918 6270 Fax : +91 22 4918 6060

### 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 2653 3333 Fax : +91 22 2653 3056

### CIN

L65999MH1986PLC147981

# DIRECTORS' REPORT

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

Your Directors have pleasure in presenting for your consideration and approval the Thirty-fourth Annual Report with the Audited Financials of the Company for the year ended March 31, 2020

## FINANCIAL ACHIEVEMENTS AND DIVIDEND

	For the year ended March 31, 2020 (₹ mn)	For the year ended March 31, 2019 (₹ mn)	For the year ended March 31, 2020 (₹ mn)	For the year ended March 31, 2019 (₹ mn)
Particulars	Standalone	Standalone	Consolidated	Consolidated
Total Income	288.63	490.28	486.66	1028.32
Profit/(Loss) before Taxation	114.07	147.13	(198.50)	(78.39)
Provision for Taxation	34.64	45.33	(1.65)	58.39
Net Profit after Taxation	79.43	101.80	(196.85)	(136.77)
Total Comprehensive income/(loss) for the year	76.26	107.66	(74.46)*	(84.33)*

\* after Minority Interest

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

## DIVIDEND

Your Directors recommend a Dividend of ₹ 0.60 per share of the Face Value of ₹ 2/- each. The total amount of Dividend is ₹ 188.42 mn. Last year the Company paid dividend of ₹ 0.30 per share

## REVIEW OF OPERATIONS

The outbreak of the COVID-19 pandemic across the globe will have far reaching and profound effects on the world economy. The impact on economies, jobs, health, supply chains, world trade etc. will be unprecedented. With the intent to contain the spread of COVID-19 pandemic, the Government announced a nationwide complete lockdown that brought as much as 70% of economic activity, investment, exports and discretionary consumption to a standstill. Only essential goods and services such as agriculture, mining, utility services, some financial and IT services and public services were allowed to operate. It was amongst the world's biggest lockdowns that shut a majority of the factories and businesses, suspended flights, stopped trains and restricted movement of vehicles and people. While the government has been extending the lockdown, it has allowed certain relaxations and progressively allowed more economic activities to operate. As the lockdown eases gradually, postponed consumption demand and inventory restocking demand could provide a growth push

The Government of India has also announced an economic stimulus package of ₹ 20 trillion or 10% of GDP. Larger component of the package was in the form of liquidity infusion routed largely through the banking system. The key thrust of the package was on rural India, agriculture, credit for MSMEs, economically weaker sections, etc. and a series of reforms in various sectors

Private Equity investments in CY2019 had witnessed a surge in terms of value, while in terms of number of deals, a marginal decline registered as compared to the same period last year. However, the first quarter of 2020 has been tough for Private Equity activity due to the COVID-19 pandemic and the global slowdown. PE deals in Q1 2020 showed substantial reduction on a Y-o-Y basis in terms of both number of deals and deal value. Venture Capital funding dominated deal value in this quarter. Private Equity Exits were also adversely impacted

While we expect non-agricultural GDP to de-grow, agriculture could cushion the blow by growing. This is premised on the following: an extension of restrictions and lockdown, especially in states where Covid-19 cases are still rising; a normal monsoon that supports the agriculture incomes; softer crude oil prices; and, limited fiscal support to prop up an immediate growth revival. Overall, risks remain tilted to the downside and hinge on further extension in containment measures and slipping of global growth. Not only will the first two quarters be a washout for the non-agricultural economy, services such as education, and travel and tourism among others, could continue to see a big hit in the quarters to come. Jobs and incomes will see extended losses as these sectors are large employers. Partial relaxations continue to be a hindrance to supply chains, transportation and logistics. Hence, unless the entire supply chain is unlocked, revival of economy will be a challenge

At IIML, the team has primarily focussed on divestments. On the investment front, IIML had been deploying capital through its fourth generation private equity Fund (Tara India Fund IV) and the focus remains on handholding the investee companies in navigating

## DIRECTORS' REPORT

through these difficult times. The developments at the IL&FS Group has had a negative impact on IIML and its brand equity. They 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. In the above context, IIML would look at non fund based initiatives like advisory services and other means to add to its revenues. The Company has been designated under the "Green" category by the National Company Law Tribunal and continues to be so

On the debt side, IIML, through its subsidiary operates the Infrastructure Debt Fund (IDF). The IDF has closed ended schemes and AUM as of March 31, 2020 was ₹ 18.18 bn. IIML's joint venture with Government of Andhra Pradesh saw slow progress due to the elections and consequent change of state government in Andhra Pradesh. The joint venture company seeks to develop urban infrastructure projects in Andhra Pradesh and towards this end is now working on newer projects

On a consolidated basis, the Income from Operations of the Company for FY2020 was ₹ 364 mn, Income from Investment and Other Income was ₹ 122 mn. Accordingly, the Total Income on a consolidated basis for FY2020 was ₹ 486 mn. The resultant Loss after Tax on a consolidated basis for FY2020 was ₹197 mn

On a standalone basis, the Total Income of the Company for FY2020 was ₹ 289 mn and the Total Expenses for the year were ₹ 175 mn and the resultant Profit after Tax before other comprehensive income for FY2020 was ₹ 79 mn

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

There have been no 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

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\\_SubsidiaryCompanies.aspx](http://www.iimlindia.com/financials_SubsidiaryCompanies.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) was 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 FY2020 was ₹ 3.36 mn. The Total Expenses of IAIML for the year were ₹ 1.95 mn and the resultant total comprehensive income was a profit of ₹ 1.41 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 major revenue source of the Company is AMC fees payable by borrowers under PMDO Facility @ ~ 1 % p.a. on the outstanding loan balance. The amount outstanding under the PMDO Facility as on March 31, 2020 was at ₹ 13.27 bn

On representation the consortium member lenders of the PMDO Facility have in-principle agreed to pay management fee(s) in relation to the NPA(s) accounts which will boost its revenues and help in sustaining its operations

## DIRECTORS' REPORT

The Total Income for FY2020 was ₹ 32.98 mn inclusive of Other Income of ₹ 14.92 mn. The Total Expenses of IUIML for the year were ₹ 42.11 mn and the resultant total comprehensive income was a loss of ₹ 9.86 mn

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

The Total Income of IAAL for FY2020 was ₹ 12.22 mn. The Total Expenses of IAAL for the year were ₹ 6.38 mn and the resultant total comprehensive income was a profit of ₹ 7.14 mn

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

IL&FS Investment Advisors LLC, Mauritius (IIAL) acts as the Investment Manager to Tara India Fund III LLC and Saffron India Real Estate Fund. During the year, the management contracts in respect of two real estate funds were terminated by the investors and one real estate fund completed all its divestments

The Total Income of IIAL for FY2020 was US\$ 1.59 mn. The Total Expenses of IIAL for the year were US\$ 3.42 mn and the resultant loss for the year was US\$ 1.83 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 FY2020 was US\$ 0.002 mn. The Total Expenses of IFMPL for the year were US\$ 0.02 mn and the resultant loss for the year was US\$ 0.01 mn

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

The Company was set up as 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

Andhra Pradesh Urban Development Fund 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

The Total Income for FY2020 was ₹ 47.54 mn inclusive of Other Income of ₹ 3.30 mn. The Total Expenses for the year were ₹ 229.37 mn and the resultant total comprehensive loss for the year was ₹ 149.49 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 Total Income of IIAML for Financial Year 2019-20 was ₹ 197.19 mn and the total comprehensive income for the year was ₹ 111.65 mn

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

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

The Total Income of IATL for Financial Year 2019-20 was ₹ 1.90 mn and the total comprehensive income for the year was ₹ 1.22 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 Fund has completed divestments from all its investments and the Fund is in the process of being wound up

There was no income of SCIMPL for FY2020. The Total Expenses of SCIMPL for the year were US\$ 4.79 mn and the resultant loss for the year was US\$ 4.83 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 FY2020 was ₹ 1.04 mn. The Total Expenses of IMRAPL for the year were ₹ 2.29 mn and the resultant Profit after exceptional item & tax for the year was ₹ 6.40 mn

# DIRECTORS' REPORT

## DIRECTORS & KEY MANAGERIAL PERSONNEL

Ms Shubhalakshmi Panse and Mr Sunil Mehta resigned as a Non-Executive Independent Directors of the Company with effect from April 30, 2019 and March 19, 2020, respectively

Mr Nand Kishore retires 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

Mr Krishna Kumar resigned as the Chief Executive Officer of the Company with effect from April 19, 2020

Mr Manoj Borkar was appointed as the Chief Executive Officer of the Company with effect from July 28, 2020

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

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 five times during the Financial Year ended March 31, 2020 and the gap between two meetings did not exceed 120 days. The meetings were held during the year on May 30, 2019, July 31, 2019, September 30, 2019, November 12, 2019 and February 10, 2020

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, 2020, 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, 2020 and of the Loss 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

## DIRECTORS' REPORT

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

### RELATED PARTY TRANSACTIONS

All Related Party Transactions that were entered into during the Financial Year were on an arms' 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. 6 of the Standalone Financial Statements

### 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, 2020 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 FY2020 the Nomination & Remuneration Committee of the Company decided to close down all the above three ESOP Schemes

### 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 IL&FS group has also constituted an Internal Complaints Committee (ICC) for all the group companies to redress the complaints under the Act. During the year, no complaints pertaining to the Company were received by the ICC

### STATUTORY AUDITORS

M/s Khimji Kunverji & Co. LLP were appointed as the Statutory Auditor of the Company at the 33rd Annual General Meeting of the Company held on September 30, 2019, for a term of five years from the conclusion of 33rd Annual General meeting upto the conclusion of the 38th Annual General Meeting



# DIRECTORS' REPORT

M/s Khimji Kunverji & Co. LLP have confirmed that their appointment continues to satisfy the criteria specified in Section 141 of the Companies Act, 2013 and Regulation 33 of LODR

## 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, 2020 is annexed herewith as an Annexure 3(I)

According to Regulation 24A of the LODR 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. Accordingly, Secretarial Audit reports of Andhra Pradesh Urban Infrastructure Asset Management Limited and IL&FS Infra Asset Management Limited are 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 Khimji Kunverji & Co. 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 observations in the Secretarial Audit Report

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

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

#### On Standalone Financials :

##### Qualification 1 :

In view of the ongoing investigation by Serious Fraud Investigation Office of Ministry of Corporate Affairs (SFIO) against Infrastructure Leasing & Financial Services Limited ('IL&FS' or 'the Holding Company'), and its subsidiaries (including the Company). Further, the National Company Law Tribunal (NCLT) has ordered reopening of books of account of IL&FS and its two subsidiaries (other than this company) for the past financial years referred in the note. In view of the aforesaid ongoing investigations of the entire IL&FS Group (including the Company) by the SFIO and re-opening of accounts of the Holding Company and two fellow subsidiaries by the NCLT, the Auditors are unable to comment on the consequential impact(s) upon conclusion of the said investigation and re-opening of the books of account 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

#### On Consolidated Financials :

##### Qualification 1 :

In view of the ongoing investigation by Serious Fraud Investigation Office of Ministry of Corporate Affairs (SFIO) against Infrastructure Leasing & Financial Services Limited ('IL&FS' or 'the Holding Company'), and its subsidiaries (including the Company). Further, the National Company Law Tribunal (NCLT) has ordered reopening of books of account of IL&FS and its two subsidiaries (other than this company) for the past financial years referred in the note. In view of the aforesaid ongoing investigations of the entire IL&FS Group (including the Company) by the SFIO and re-opening of accounts of the Holding Company and two fellow subsidiaries by the NCLT, the Auditors are unable to comment on the consequential impact(s) upon conclusion of the said investigation and re-opening of the books of account on these consolidated 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 Statement regarding Foreign Currency Translation Reserve (FCTR) of ₹ 712.17 Lakhs reflected for a subsidiary company, representing difference of Capital Reserve recognised in the earlier years as a result of acquisition of entities by the Holding Company

## DIRECTORS' REPORT

in FY 2010-11. As explained to us by the management of the company, the rectification of this difference would not have any impact on Consolidated Statement of Profit & Loss for the year. In absence of suitable explanations of such difference, we are unable to comment on this item appearing in Other Equity of Consolidated annual financial results

### Explanation 2 :

In November 2010, IL&FS Investment Advisors LLC (IIAL), wholly owned subsidiary of the Company, acquired Saffron Capital Securities Limited (SCSL) and Saffron Capital Advisors Limited (SCAL) through a Scheme of Amalgamation in Mauritius. SCAL was a management company in Mauritius, which had management contracts with two real estate funds in Mauritius viz. K2 Property Limited (K2) (100% subsidiary of Yatra Capital Limited, a listed company which had raised ₹ 220 mn) and Saffron India Real Estate Fund – I (SIREF), a unlisted fund which had raised USD 103.5 mn. The Amalgamation of SCAL and SCSL with IIAL was accounted using the Purchase Method and in accordance with Accounting Standard 14. At the acquisition date, the identifiable assets acquired and the liabilities assumed were recognised at their fair value at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, thus a Goodwill of ₹ 81,497,193 (USD 1,774,619) was generated in IIAL

In October 2010, IL&FS Investment Managers Limited acquired Saffron Asset Advisors Private Limited (SAAPL) by acquiring their Class A shares for ₹ 41,464,117. Based on SAAPL Financial on the date of acquisition there was a capital reserve of ₹ 58,022,445 (USD 1,248,869)

In the books of IIAL, the goodwill was carried at book value since as per the IFRS accounting standard followed by IIAL, it is annually tested for Impairment and not amortised. In preparation of Consolidated Financial of IIML the Goodwill of IIAL was netted off against Capital Reserve of SAAPL and net goodwill of ₹ 23,474,746 (USD 525,750) was amortised in the Consolidated Books using a straight line method over a period of five years

In the year 2012, IIML further acquired Class B shares of SAAPL for ₹ 8,400,000 against book value of ₹ 21,594,800 which resulted in further Capital reserve of ₹ 13,194,800 which was again adjusted with the balance amount of Goodwill and the remaining Goodwill was amortised over the remaining period of 3 years. The net Goodwill in the Consolidated Financials became NIL during financial year 2012-13

Further, in the year 2015 the goodwill of IIAL of USD 1,774,619 was fully impaired and hence written off in the books of IIAL. However this led to a situation where in the Consolidated Books, the net Goodwill was fully amortised by 2012-13 but the Goodwill of ₹ 71,217,245 (₹ 58,022,445+ ₹13,194,800) of IIAL which was adjusted against Capital Reserve of SAAPL still remained. Since the accounting standard does not permit reclassification of amount to Capital reserve, the same amount is shown under adjustment column as a debit item against FCTR which would get adjusted when we sell IIAL

### Secretarial Auditors' observation and its explanation :

#### Observation 1 :

On account to resignation of auditor on June 20, 2019 the quarterly financial Statements for the quarter ended June 30, 2019 were submitted to the stock exchange beyond the prescribed timeline i.e. 45 days from the end on the quarter i.e. on September 30, 2019 as required under Regulation 33 of Securities and Exchange Board of India ("SEBI") (Listing Obligations & Disclosure Requirements) Regulations, 2015. Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) had levied fines for the said delay

#### Explanation 1 :

Due to sudden resignation of the auditor mid-term, the Company was not able to fill up the vacancy and consequently could not file the financials for the quarter ended June 30, 2019 in the stipulated time line. However, the Company had applied to both the exchanges seeking waiver of fine. Both NSE and BSE passed orders for waiver of fines based on written and physical representations made by the Company

#### Observation 2 :

The Company has not appointed a women director as required under Regulation 17(1)(a) SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and 1st proviso to Section 149(1) of the Act

#### Explanation 2 :

Pursuant to exemption granted by the National Company Law Tribunal vide Order No. 3638/2018 dated April 26, 2019, the company was not required to appoint a woman director as required under Regulation 17(1)(a) SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and 1st proviso to Section 149(1) of the Act Accordingly, there was no woman director on the board for the period June 20, 2019 to March 31, 2020

#### Observation 3 :

The Annual Report was dispatched to the shareholders on September 5, 2019. However, the same was submitted to the Stock Exchanges on September 10, 2019 i.e. with a delay of 5 days which leads to contravention of Regulation 34(1)(a) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. BSE and NSE had levied fines for the said delay