

CORPORATE UPDATE
MAY 2013



Cautionary Statement

Forward Looking Statements

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Structure of Presentation

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- India Private Equity

Group Overview

- IL&FS Group
- IIML Overview
- Business Model
- Key Contributors

Funds

- Key Milestones
- Funds across the spectrum
- Exit Experience

Financial Performance

- Past Performance
- Growth in AUM
- Consolidated Financials

Future Outlook

- The Road Ahead

INDIA PRIVATE EQUITY LANDSCAPE

India Private Equity

India – increasing attractiveness as a PE destination

- Strong economic growth leading to a majority of Indian companies looking for growth capital
- PE has fast emerged as an alternate source of funds for companies to support expansion plans
- Large Global PE investors are either setting up dedicated Indian funds or increasing allocations for Indian investments in their global portfolios

India Private Equity 2004-2007- Rapid Growth

- In 2007, India was the largest recipient of PE in Asia, ahead of Australia (US\$ 14.6 bn), Japan (US\$ 14.4 bn) and China (US\$ 11.5 bn)
- About US\$ 3.3 bn invested in Jan-Mar 2008 and US\$ 17 bn invested in 2007
- Fund sizes have increased from US\$ 25 – 100 mn, to about US\$ 400 – 1,000 mn
- Increasing deal sizes: average investment size up from US\$ 4 mn in 2000 to US\$ 50 mn

India Private Equity 2008-2011- Tough Situations

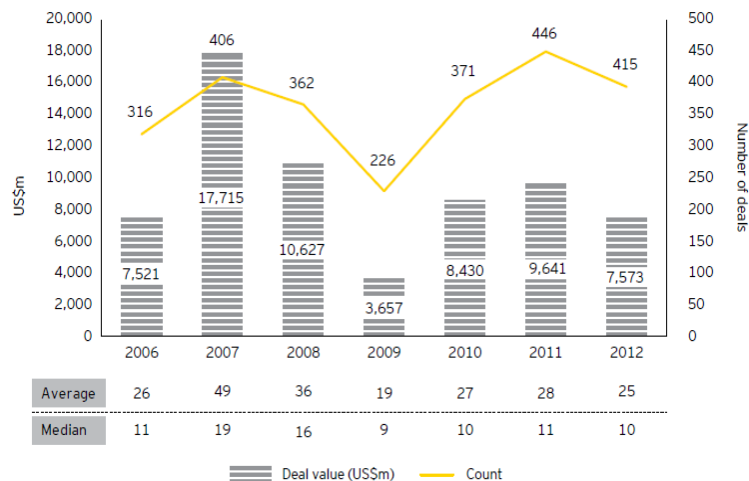
- Despite declines in other geographies, the value of private equity (PE) investments in the Asia-Pacific region grew at an impressive 32% in 2011, largely due to increased investment volumes in India and China.
- India was the fastest-growing PE market in Asia in 2011. PE investors poured US\$14.8 billion into the region, roughly a 55% increase over 2010. They closed 531 deals—40% more than the year before.
- Fund-raising has become increasingly difficult especially as several GPs could not raise funds and others took much longer in 2011. LPs say they have become far more selective, evaluating re-ups and managing their investments more closely than ever to ensure capital protection, better returns and appropriate liquidity.

India Private Equity

Current Market Situation (2012)

- The calendar year 2012 saw an overall moderation in private equity investment
- Fund raising challenges continued through out the industry, specially seen in the case of new fund managers
- Exits remained in focus; alternative exits routes were examined as IPO markets continued to be largely non operational
- The PE industry in India is in transition, after a period of deceleration that began in the second half of 2011 and continued through 2012; things have started showing signs of positive changes in the industry
- 2012 saw a total of PE/VC investing US\$ 7.6 bn across 415 deals; Whilst investment value declined 21% from 2011, deal volumes were largely constant
- Deal Volumes also were smaller as compared to 2011 where 23 deals of 100 mn or more as compared 16 such deals in 2012
- Despite a slowdown in PE activity, it was still the central source of equity capital for Indian business houses.

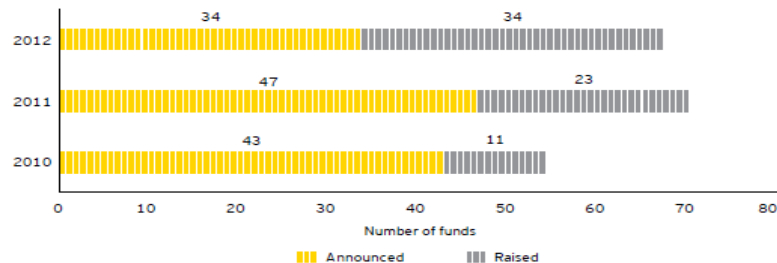
Annual PE investments



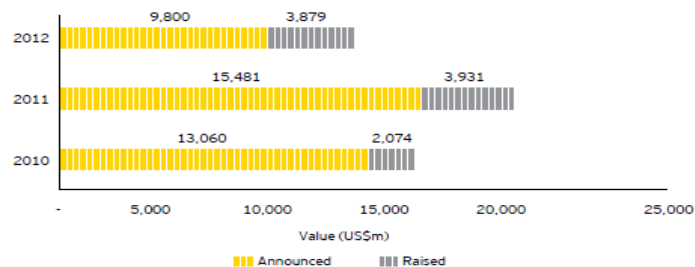
Source: VCCEdge and Ernst & Young research

Funds raised and announced

By number of funds



By value of funds (US\$m)



GROUP OVERVIEW

IL&FS Group – Institutional Parentage**Earliest Infrastructure Developers**

- Formed in 1988
- Initial participants were Indian Banks and Institutions
- International Institutional Investors inducted over the years
 - ORIX Corporation (Japan), Abu Dhabi Investment Authority
 - Earlier stakeholders include IFC, Govt. of Singapore, HSBC

Unique Positioning

- Multiplicity of roles : As sponsor, developer, advisor, and financier
- Promoted over 100 sector dedicated Special Purpose Vehicle companies
- Developing infrastructure projects worth over \$ 25 billion
- In-house capabilities to take projects from 'concept' to 'commissioning'

Pioneering Development Role Play

- Promoted India's first private sector toll road and water supply project
- Sponsored India's first infrastructure focused PE fund with AIG
- Early entrants in niche growth areas like waste management, renewable energy, education with a strong social orientation
- Project development partnerships with various State Governments
- Advisor to Central and State Governments for developing legal and policy frameworks

IL&FS Group Structure

The IL&FS Ecosystem

Private Equity

IL&FS Investment
Managers

Financial Services

IL&FS Financial Services,
IL&FS Securities Services

Infra Development

IL&FS Infrastructure
Development Corp

Fiduciary Services

IL&FS Trust
Company



Consultancy Services

IL&FS Education,
IL&FS Technologies,
IL&FS Environment

Infrastructure Project Companies

IL&FS Transportation (Roads), IL&FS Energy (Power), IL&FS Maritime (Ports),
IL&FS Engineering Services (Construction & Engineering), IL&FS Renewable (Clean Energy)

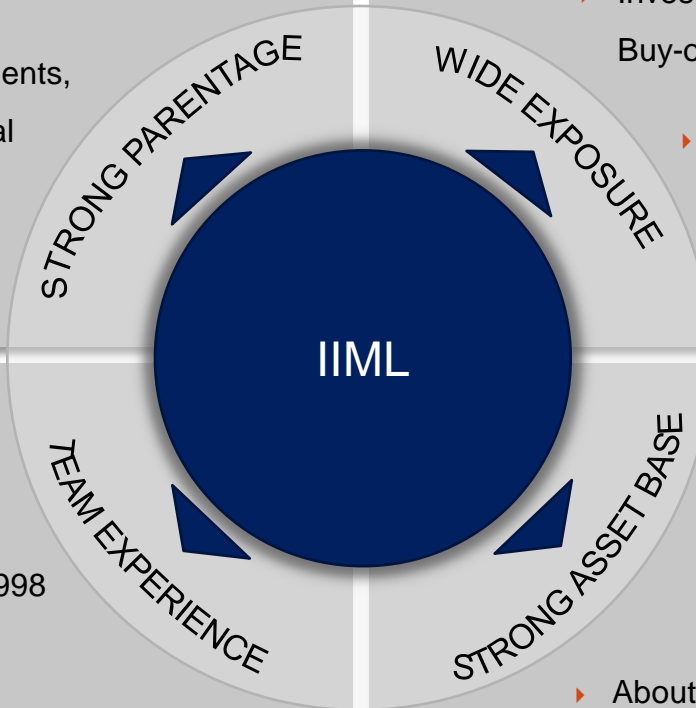
IL&FS Investment Managers - Overview

- ▶ IL&FS Group, enjoys a pre-eminent position in the infrastructure and financial services sectors
- ▶ Strong relationships with Governments, Multi-lateral and domestic Financial Institutions and Corporates

- ▶ Seen the Indian PE world expand from less than US\$ 20 mn to more than US\$ 15 bn
 - ▶ Investment spectrum spans VC to PE; Buy-outs to PIPEs
 - ▶ Cross sectoral presence across 15 Funds
 - ▶ General Purpose PE
 - ▶ Real Estate
 - ▶ Infrastructure

- ▶ Team experience straddles fund and economic cycles
 - ▶ Over 161 investments since 1998
 - ▶ 78 exits / liquidity events
 - ▶ Realized gross US\$ IRR of 24% p.a.
 - ▶ 3 Funds fully divested

- ▶ Manages US\$ 3.2 bn for marquee international Limited Partners and domestic Institutions
 - ▶ About 90% of capital has an average contractual life of 7 years
 - ▶ Fund size have increased with experience; wider and deeper strategy to propel growth



IIML- Unique Business Model

Revenue Stream

- **Management Fee**
 - Typically 1.5-2% of AUM for the fund life
 - Highly visible, annuity revenue stream over 6-10 years
- **Carry**
 - Performance upside through profit share
 - Hurdle rate ranges between 8-11% p.a.
 - Carry is 20% of profits from investments
 - A upside component as Fund size / Asset under Management increases

Investment Model

- Long-term investment horizon of 3-5 years
- Majority investments in unlisted companies
- Active investors with clear focus on value creation
- Mitigates risk of stock market volatility

Advantages of Business Model

- Indirect exposure to growth potential of large unlisted companies
- Better positioned to create upsides vs managers of other asset classes
- Documented advantages of PE participation in the value of unlisted companies

IIML- Key Contributors- Global Partners

Banks/ Institutions



Insurance /Pension Funds

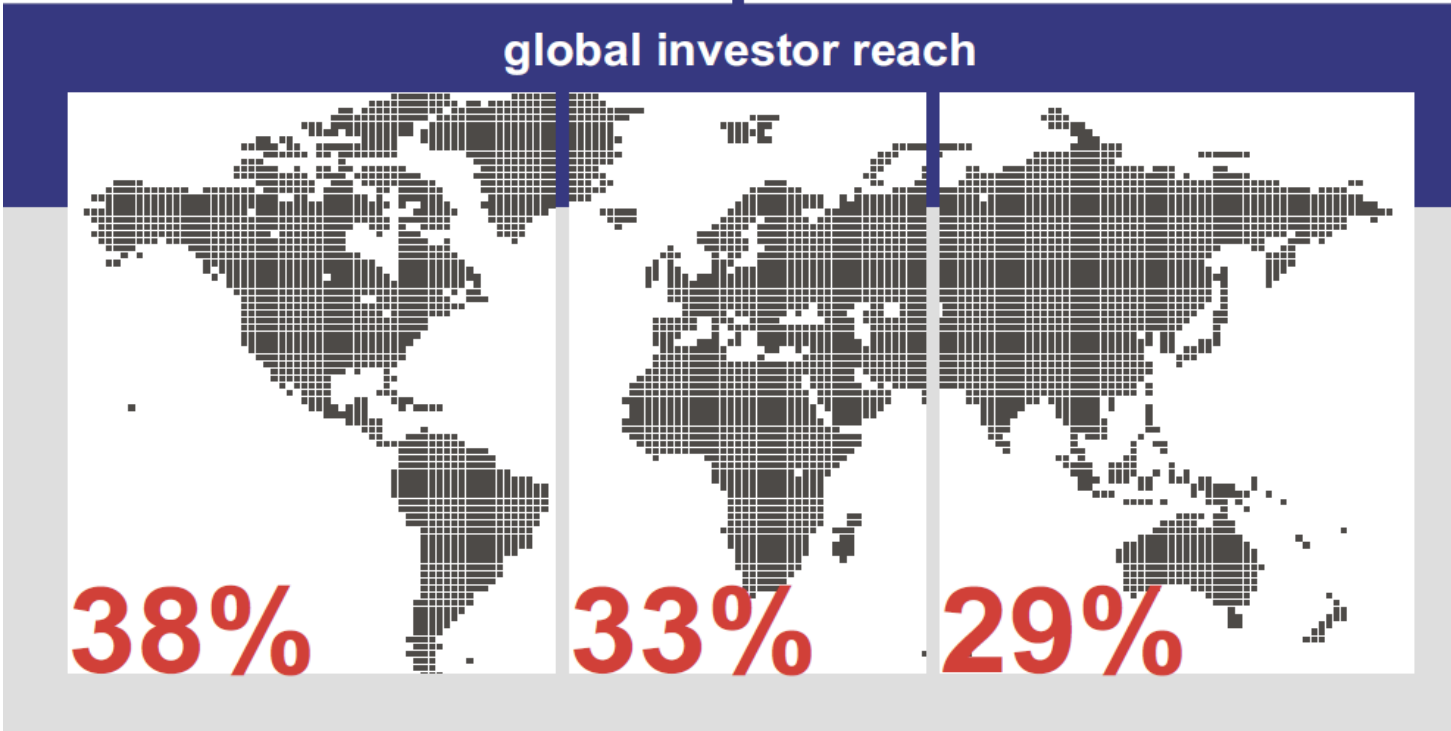


Others



This is not an exhaustive list of contributors. In most instances, names of contributors can not be revealed on account of confidentiality

IIML- Key Contributors- Global Partners

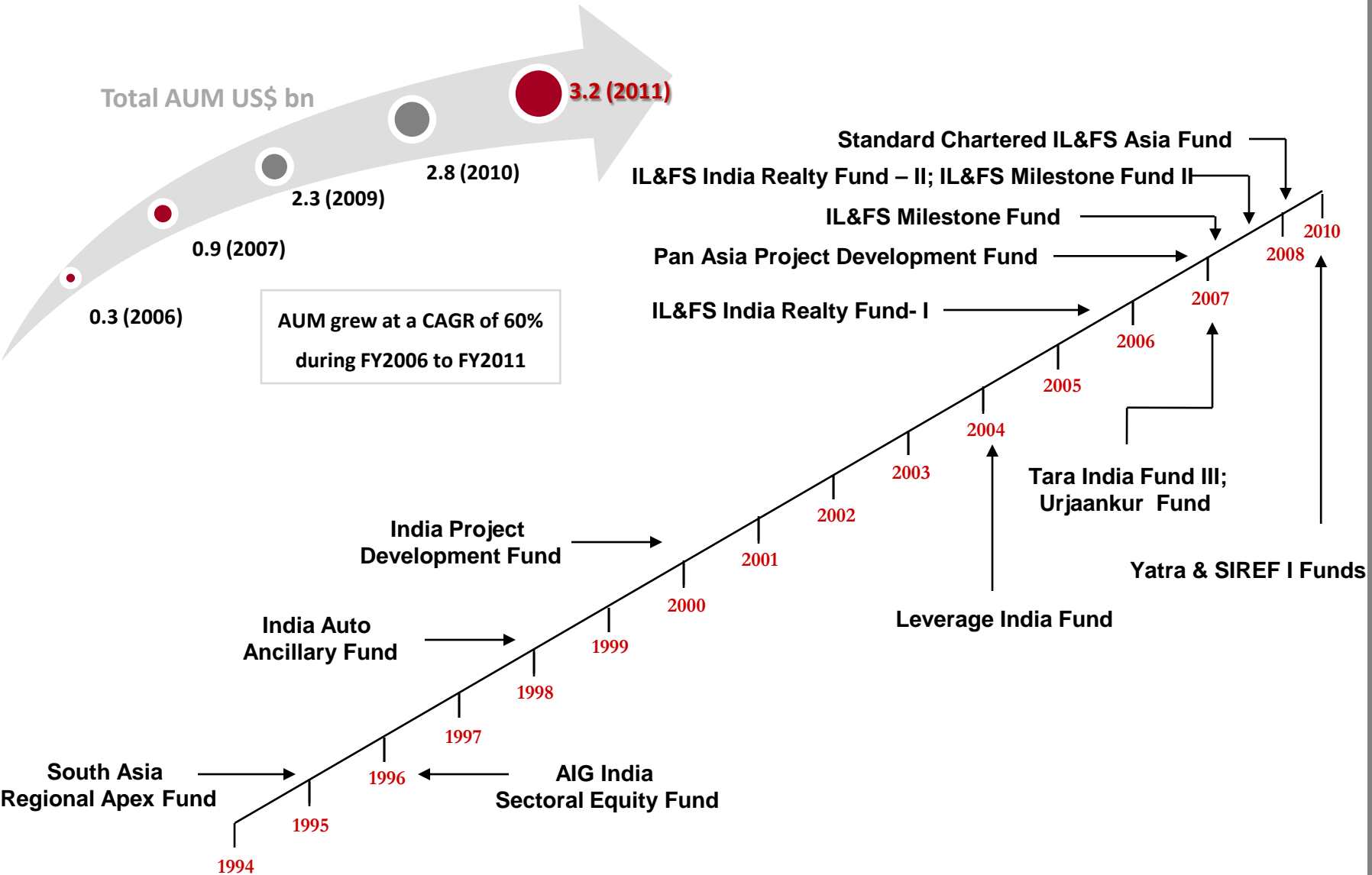


Global Partners

- With a track record of raising and managing more than 15 funds IIML has partnerships with Investors across the world
- Marquee Investment partners across the North America, Europe, Asia & Middle East with a strong understanding of the business
- Investors include long term, institutional capital from Sovereign Wealth Funds, Pension Funds, Insurance Companies and Institutional Investors
- Partners have reposed faith in IIML with many partners having reinvested with IIML
- Strong backing across market cycles and across products

FUNDS

Key Milestone – Long History in Funds management



Funds across Spectrum

Infrastructure

- Pan Asia focused Infrastructure Funds
- Two active Funds aggregating US\$ 703 mn
- JV partnership for the core infrastructure fund

Real Estate

- Established 2005; first of the real estate funds in India
- Funds aggregating US\$ 2.0 bn
- JV partnership in yield based Funds
- Acquired two RE funds aggregating \$ 400 mn in 2010 – one of which is a Euro 220 mn Euronext listed fund (Yatra Capital)

Private Equity

- Two active funds aggregating US\$ 378 mn
- First Fund fully divested; distributed carry

**A diversified portfolio with a vast experience in managing funds
across all the sectors and business cycles**

Private Equity

IIML's Experience

- ▶ US\$ 289 mn invested in 51 transactions
- ▶ Early investors in Retail, Shipyard, Media

Investee Companies



Name	Vintage	Corpus (US\$ mn)
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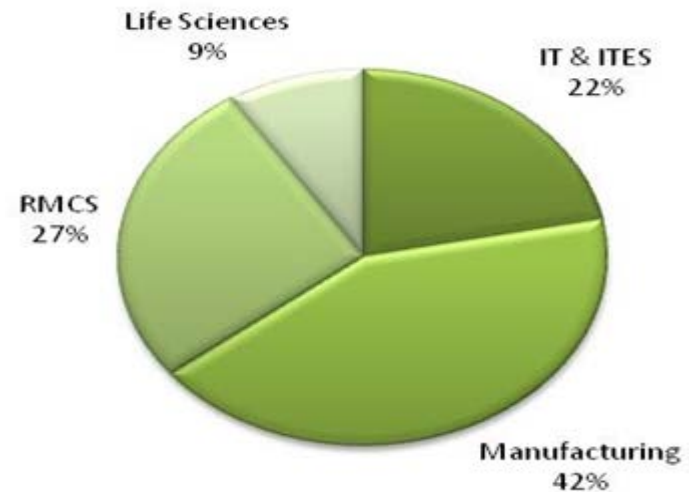
Growth PE Funds

AIG Indian Sectoral Equity Fund	1996	91
Leverage India Fund	2004	153
Tara India Fund III	2007	225

VC / Sector Specific Funds

India Auto Ancillary Fund	1998	15
South Asian Regional Apex Fund	1995	25

Investments – Across Sectors



IIML- Infrastructure Funds

IIML's Experience

- ▶ Over US\$ 575 mn invested in 37 transactions
- ▶ Early investors in Telecom, Roads, City Gas, Rail
- ▶ Two Funds fully divested ; generated a gross return of 23% p.a. and 27% p.a. respectively

Investee Companies



Name	Vintage	Corpus (US\$ mn)
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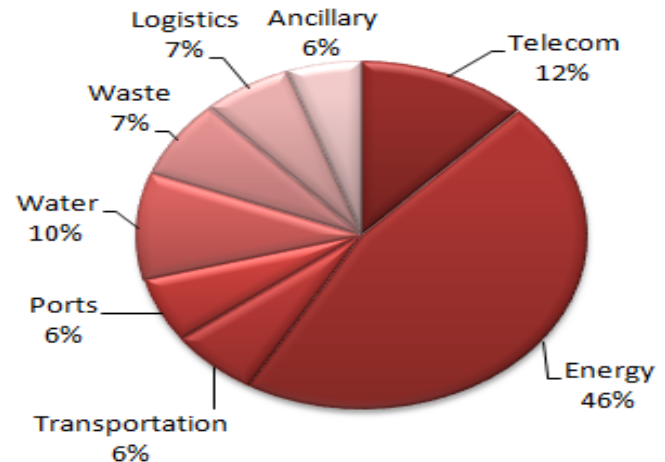
Infrastructure Funds

AIG Indian Sectoral Equity Fund	1996	91
SCI Asia Infra Growth Fund	2008	658

Project Development Funds

India Project Deve. Fund	2000	16
Pan Asia Project Deve. Fund	2006	45

Investments – Across Sectors



IIML- Real Estate Funds

IIML's Experience

- ▶ Pioneer in India - First RE fund launched in 2005
- ▶ Early investors in SRA & Industrial Parks
- ▶ US\$ 1.8 billion already deployed in 73 transactions

Investee Companies



Name	Vintage	Corpus (US\$ mn)
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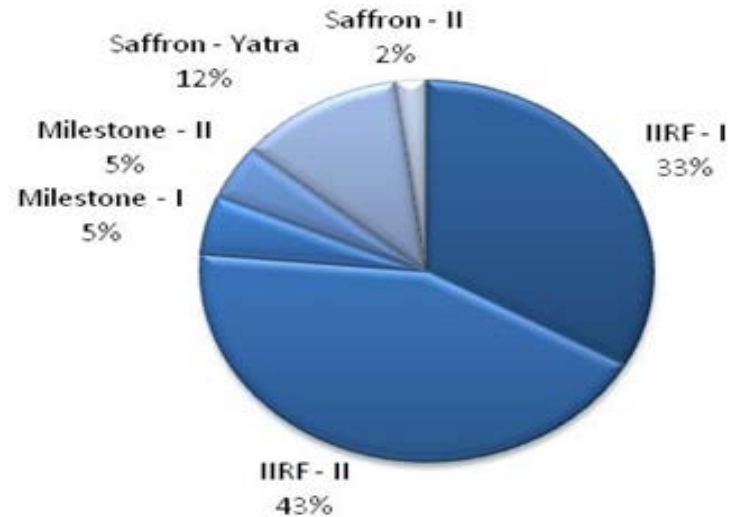
Core Real Estate Funds

IL&FS India Realty Fund I	2006	525
IL&FS India Realty Fund II	2007	895
Yatra & SIREF I	2007/09	430

Yield Based Funds

IL&FS Milestone Fund I & II	2007	229
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Investments – Across Funds



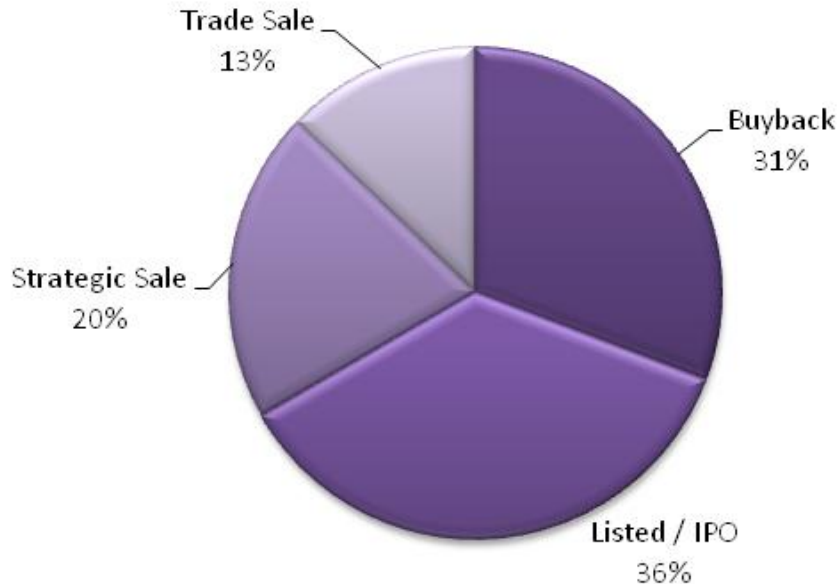
IIML- Exit Experience

Return Profile – Deep experience and consistent performance

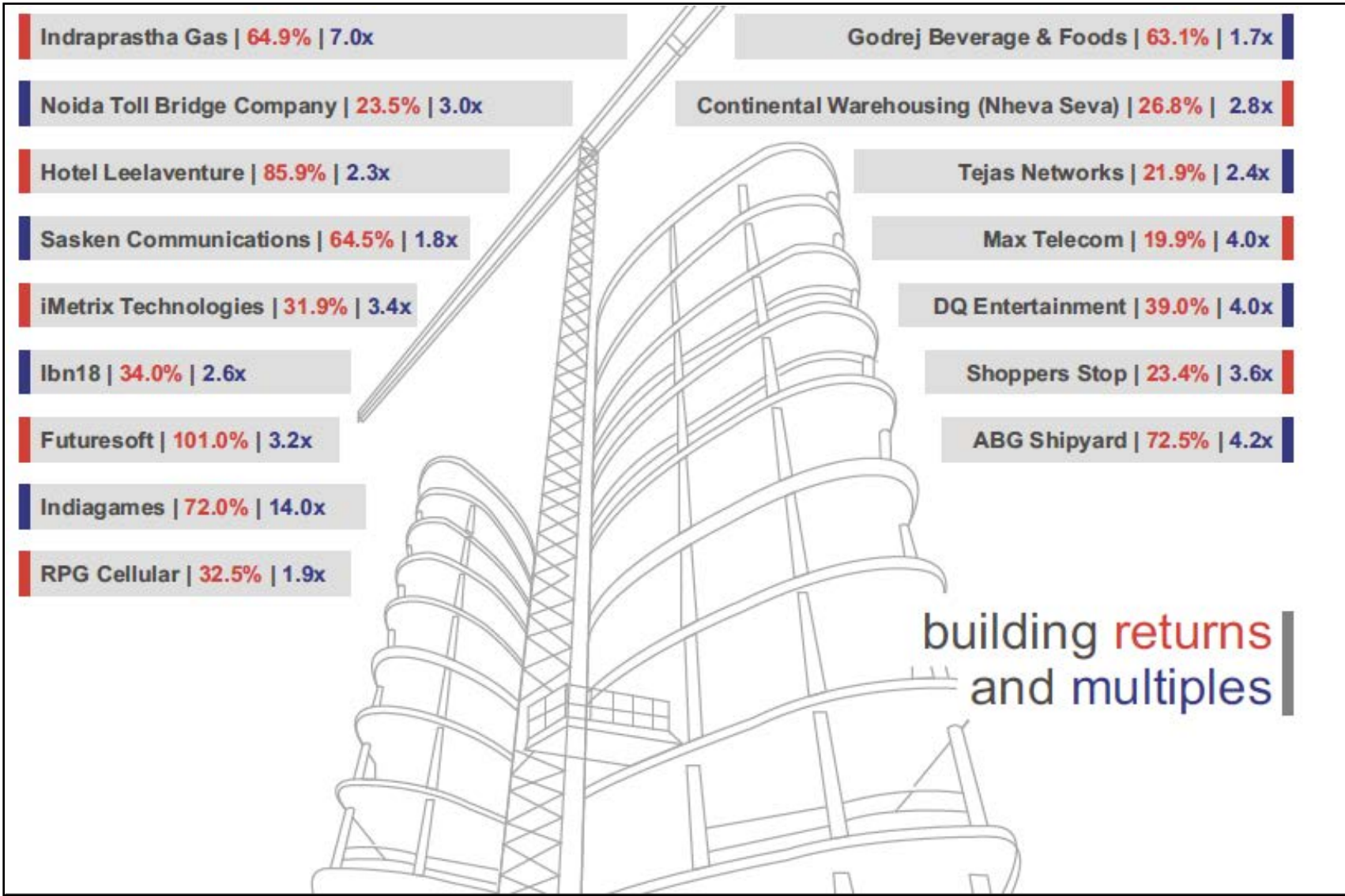
Returns	Number of Investments	IRR	Multiple
Realized Investments	55	24%	1.9 x

In addition, 23 investments have had partial exits / liquidity events

Liquidity – Across a mix of strategies



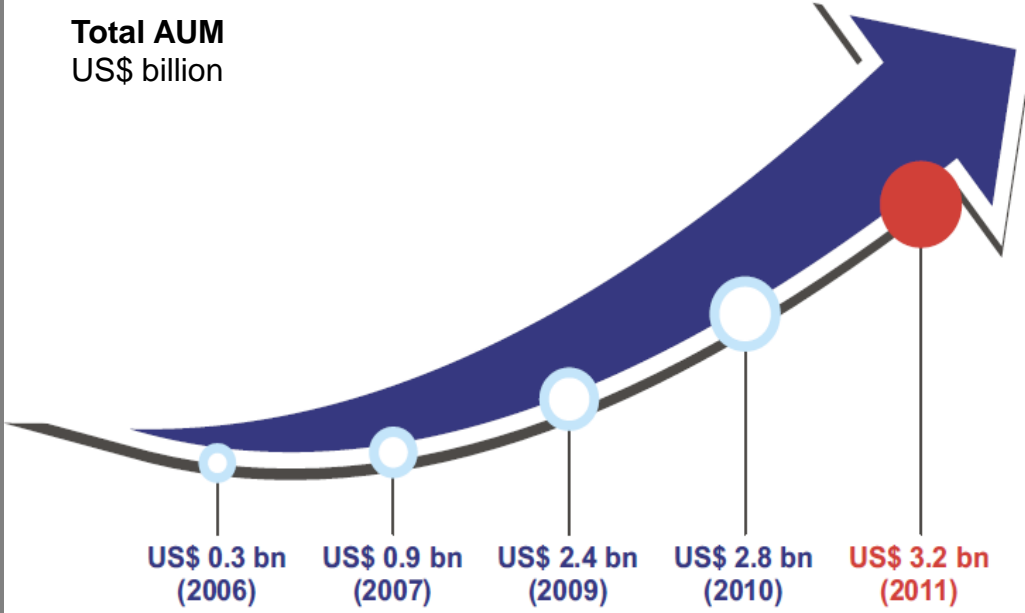
IIML- Notable Exits



FINANCIAL PERFORMANCE

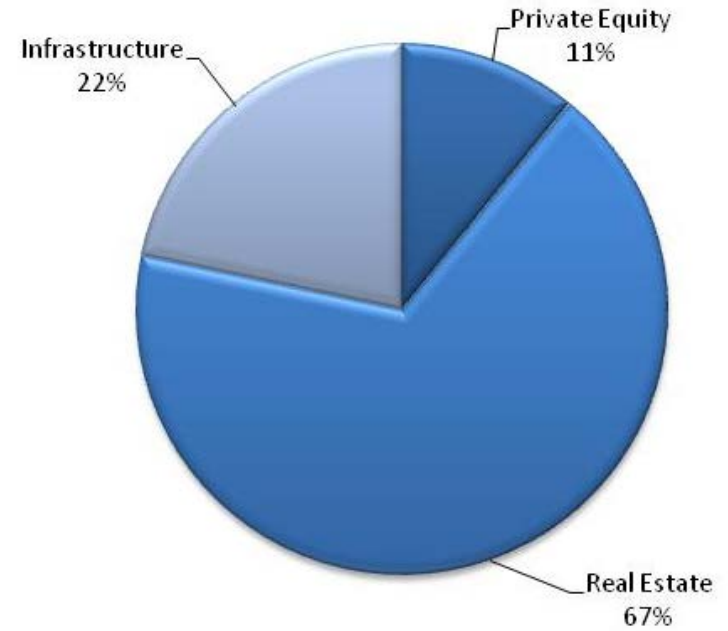
IIML- Robust AUM Growth

Total AUM
US\$ billion



AUM grew at a CAGR of 60% during FY2006 to FY2011

AUM Break-up FY 2013



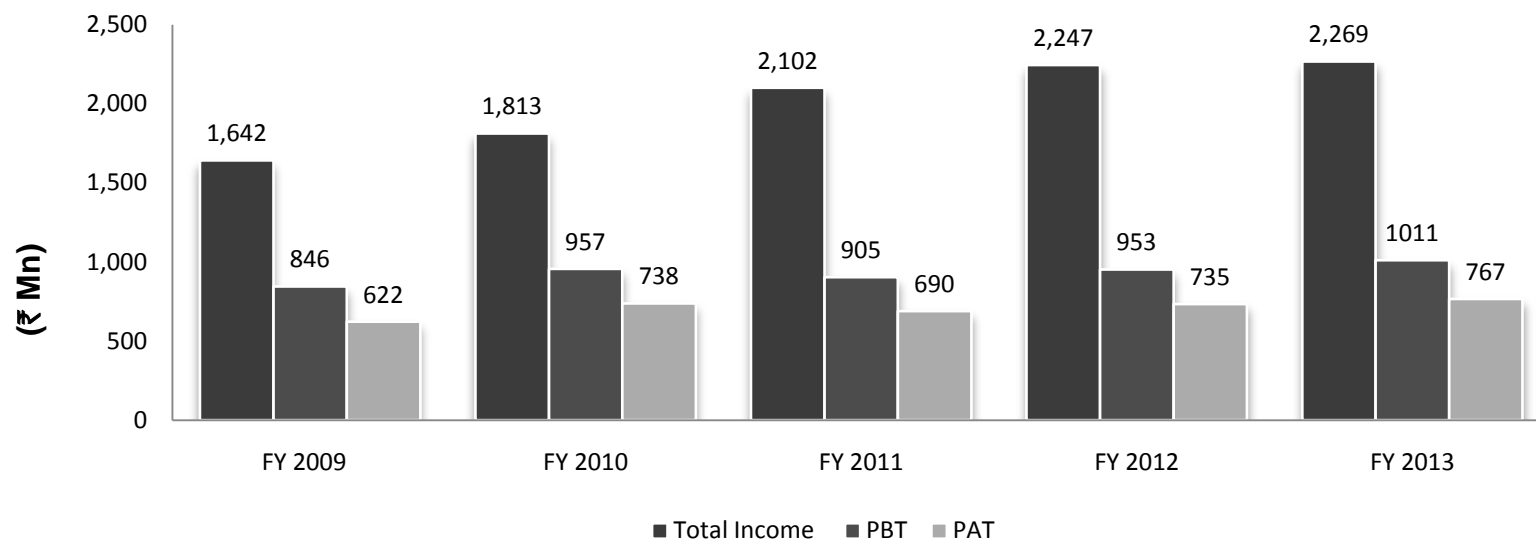
Financial Highlights (Annual Consolidated)

(₹ Mn)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Total Income	1,642	1,813	2,102	2,247	2,269
Total Costs	796	856	1197	1294	1258
PBT	846	957	905	953	1011
PAT	622	738	690	735	767
PAT Margin (%)	38	41	34	33	34%
EPS (Rs)*	3.1	3.7	3.4	3.6	3.7
Dividend (%)**	70	75	75	75	75

* Adjusted for 1:2 Bonus Issues in FY 2007 and FY 2009, 5:1 share split in FY 2009

** Percentage of Face value of share of Rs 2 each

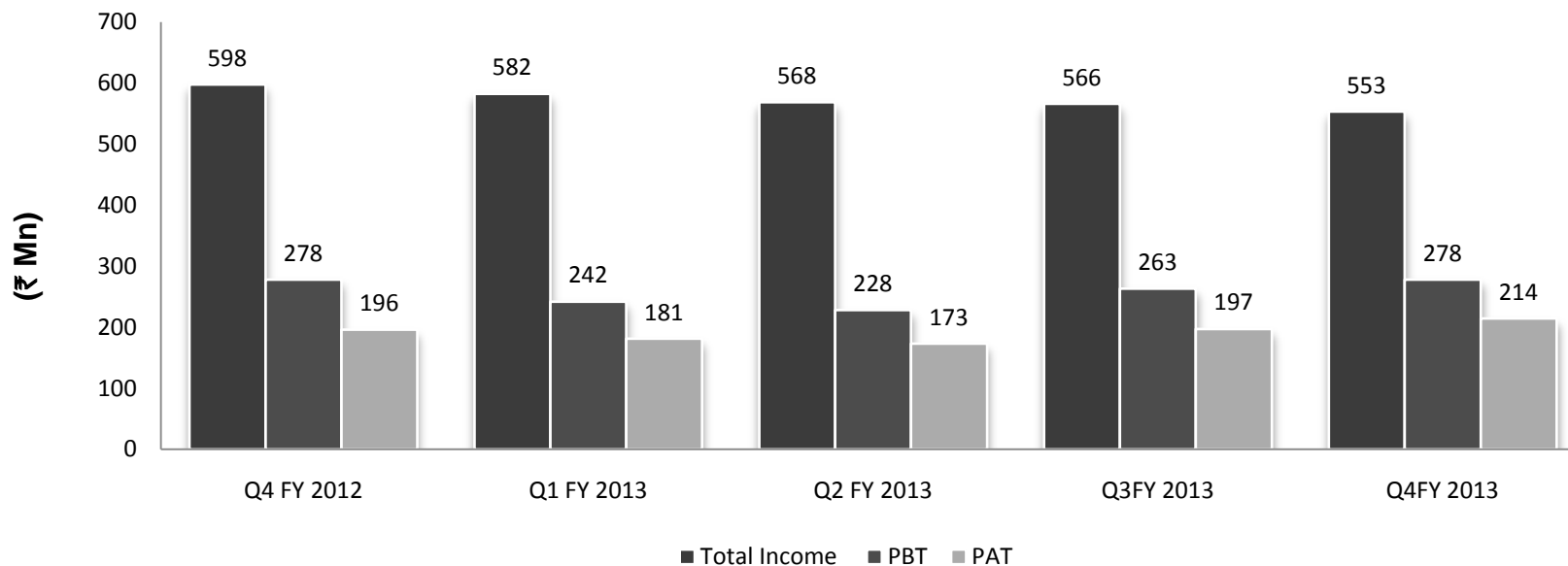


Financial Highlights (Quarterly Consolidated)

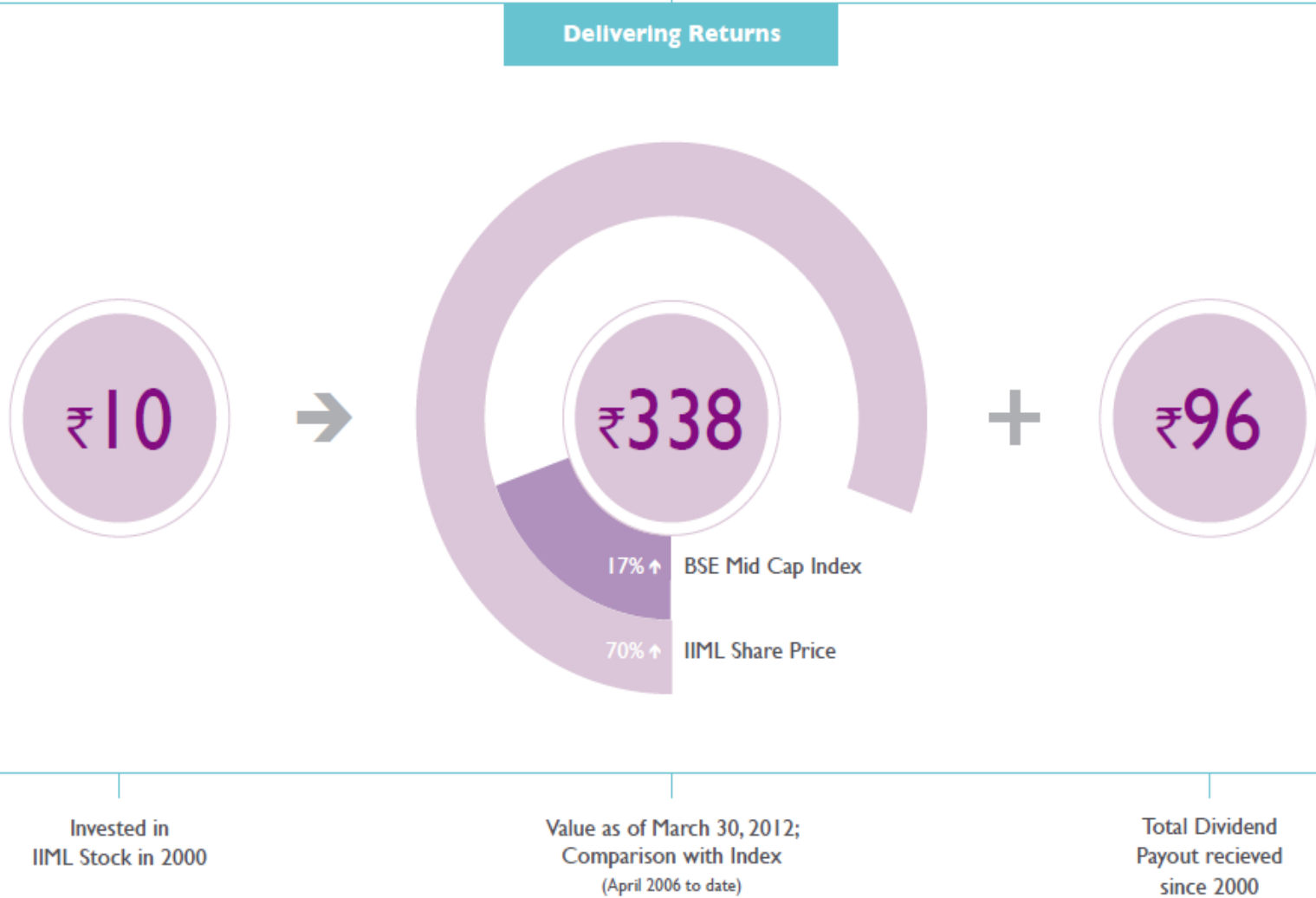
(₹ Mn)

	Q4 FY 2012	Q1 FY 2013	Q2 FY 2013	Q3FY 2013	Q4FY 2013
Total Income	598	582	568	566	553
Total Costs	320	340	340	302	275
PBT	278	242	228	263	278
PAT	196	181	173	197	214
PAT Margin (%)	33%	31%	30%	35%	39%
EPS (Rs)*	0.95	0.87	0.83	0.95	1.03

* Adjusted for 1:2 Bonus Issues in FY 2007 and FY 2009, 5:1 share split in FY 2009



IIML – Delivering Returns



ROAD AHEAD

IIML- Road Ahead

Robust Business Model

- IIML has a successful business model built assiduously over the last decade
 - Fund Manager of repute
 - A port of first call for investees

Scalable Model

- Business model to be replicated resulting in enhanced AUM / revenues through
 - Larger follow on funds
 - New emerging opportunities
 - Extending Geographies

Growth Focus

- Substantial increase in activity levels on all counts in the next 2-3 years
 - Enhanced Fund raising – to add to fee accretive AUM
 - High level of investment deal flow
 - More investments to reach liquidity / exit stage