

“IL&FS Investment Managers Limited Full Year 2013
Analyst Conference Call”

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Moderator

Ladies and gentlemen good day and welcome to the IL&FS Investment Managers Full Year 2013 Analyst Conference Call. This call has been hosted by Dr. Archana Hingorani and Mr. Manoj Borkar. As a reminder for the duration of this conference, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Dr. Archana Hingorani. Thank you and over to you Ma'am.

Dr. Archana Hingorani

Thank you. Good evening everybody. Thank you for attending the call for the FY2013 Annual results. I think the press release is probably not out as yet although it is on the fax machine so let me just release some of the numbers that came out.

Consolidated revenues were at Rs.226.9 crores marginally up a percent from last year Rs. 224.7 crores. Although we have been doing exits, revenues have been stable because of favorable currency movements which means that since the large part of our revenues are dollar denominated we have been able to take advantage of the volatility.

Second – Consolidated expenditures including depreciation and amortization were at Rs.125.8 crores compared to Rs. 129 crores for the previous fiscal. These costs are 3% lower on account of two things, lower amortizations of our placement fees which we have been amortizing over the last 5 years as well as high improvement in cost efficiencies vis-à-vis the operations. Consolidated net profit after tax was up 4% to Rs. 76.6 crores as compared to Rs. 73.5 crores in the last fiscal and the consolidated EPS is at 3.67% compared to 3.56% for the previous fiscal.

If you take a look at the year in summary, let me talk about what has happened with us in terms of our profile, revenues, operations, etc. I don't think it is a big secret all of us know that from a economic perspective and as a happening emerging markets we have suffered a lot of perception issues linked to our GDP performance, etc., which has been falling quarter-on-quarter in terms of expectations. Inflation, current account deficit, and volatility in exchange rate all of these are known issues, which I think to some level started getting stemmed in second half of the year when there was a change in the Finance Minister's position. I think that because from the sectors that we are in it is very important what internationally investors think of us. From that perspective I think there has been a mild change in terms of expectations from India. The new policies announced as well as the control in the cost especially the deficits have created some level of interest in the Indian market.

So I think that next fiscal perhaps would be better in terms of fundraising vis-à-vis what happened in this fiscal but there are issues including elections I think a lot of people are watching because they know that next one year or so in terms of improvements or announcements there is very little room.

If we look at the private equity industry in this year the investments made overall not us but the industry. They were around Rs. 8.8 billion as versus Rs.12 billion last year, so there is reduction in terms of interest in investments. On our side because we were in deployment mode on the infrastructure and real estate side, we invested around Rs. 770 crores in real estate as well as infrastructure. Exits made by the industry again were better than last year USD4.3 billion of exists and we in turn ourselves did about Rs. 540 crores of exits from our own portfolio in a difficult environment which is better than last year.

Needless to say fundraising has been slow and if you look at internationally India is the lowest receiver of new funds. China raised 18 billion, Brazil raised 12 billion, India was the lowest at about 2 billion odd and I think a lot of this includes some direct FDI investments also, so this is not just funds that were raised. So clearly that environment has been challenging.

In terms of our old funds that are in fund raising mode and that have a large focus one is the Tara Fund where we have had 70 million for quite some time now and while there is interest there is a need to at least get to 100 million before we announce our first close and that first close then will bring in newer investors again the process of getting that 30 million odd to take it to the 100 million mark. The MENA Fund that we started raising in the last quarter has had some developments. We are expecting to do a first closing in June of this year at about \$75 million. So those were the two activities in fundraising last year.

In terms of investments as I mentioned we have the Standard Chartered Fund and the Realty Fund in investment mode and now we are fully exhausted of all the monies that we had in funds across all our verticals.

In terms of funds that are currently under management Leverage India Fund and the Real Estate Fund-II both of them had quite a few exits. Leverage India Fund had nine exits whereas the Real Estate Fund also had another seven partial exits, they all are partial please remember that. There are a very few full exits but all of them I think in both fund Real Estate Fund-I and in Leverage India Fund you will see a lot of exit happened in this fiscal and from fundraising perspective in addition to what we are out in the market already with, we expect to have a significant amount of focus on raising funds in the infrastructure space. We have already started soft marketing our second SCI Asia Funds for the infrastructure vertical the first one if you were to recollect is 658 million. We have finished investing from that fund and are currently out meting investors for the second fund. So sometime in the first half of this fiscal we expect to have a first close on that fund and there are other infrastructure products that we are currently working on, so those will become the focus in terms of fundraising for this year.

Other than that I think we had a stable performance which in our expectation is better than what we had expected to do. Our budget while was around Rs.70 crores to Rs. 73 crores bottom line, we were managed to do slightly better despite of falling top-line as well as no new funds raised.

We will take questions now. Thank you.

- Moderator** Thank you very much Ma'am. Ladies and gentlemen we will now begin with the question and answer session. We will take our first question from Arpit Ranka of Tactica Capital. Please go ahead.
- Arpit Ranka** I have a couple of questions. One, you mentioned that we have had a stable revenues coming in FY13 and partially due to products impact, right?
- Dr. Archana Hingorani** That is right.
- Arpit Ranka** So is there to this sort of negates that from the equation and just assume that you will look at the same currencies then how lower would the revenues would have been just to get a things like what is the limited that we have derived from favorable currency environment?
- Manoj Borkar** This we assume the same exchange rate may be with the fall in the management fees we will be roughly \$2 million of impact, roughly around Rs. 12 crores to Rs.13 crores.
- Arpit Ranka** Okay. And all of it would in a fix flow to the EBITDA but instead of Rs. 76 crores EBITDA we could look at something like about Rs.67 crores EBITDA, right? Would that be a fair assumption?
- Manoj Borkar** Yes.
- Arpit Ranka** Okay. And sir, second on – there are two fees, one that you mentioned that you expect a fair amount exits to come in with Leverage India Fund and Real Estate Fund-I in the current financial year. So assuming that in terms of mobilizing more funds that is not to combine what will be the earning AUM on average as per your expectations, the whole FY14?
- Manoj Borkar** Yes. See we would expect I think AUM divestment which will impact the fees of roughly around on an average it must be \$400 million on an average because it will spread over the entire FY14. So the impact would be roughly around \$300 million to \$400 million.
- Arpit Ranka** And if I am not mistaken current AUM is about \$2.4 billion?
- Dr. Archana Hingorani** No, that was at the beginning of the year. So right now it should be around \$2.2 billion.
- Arpit Ranka** And okay if we raise more exits then it is expected to be about \$1.9 to \$2 billion at the end of this fiscal, right?
- Dr. Archana Hingorani** Yes, you could look at it that way but I would look at it a little differently in the sense yes, around US\$ 300 mn to US\$ 400 mn exits will happen but on the other hand because we have visibility on at least US\$ 175- 200 mn already, I would net that US\$ 200 million and say that

instead of the US\$ 500 mn that we need to raise let us say that we are only a US\$ 200 mn than I would do it that way rather than what you are suggesting.

Moderator Thank you very much. As there are no further questions from the participants I would like to hand the floor over to Dr. Archana Hingorani for closing comments.

Dr. Archana Hingorani Thank you all for attending the analyst call and if you have any further questions, we are happy to take it off line also and we will see you next quarter when we announce the first quarter results. Thank you.

Moderator Thank you very much. Ladies and gentlemen on behalf of IL&FS Investment Managers that concludes this conference call. Thank you for joining us and you may now disconnect your lines.