

**Heads I Win,
Tails I Don't Lose Much**



16th March 2009

IL&FS Investment Managers Limited

CMP Rs. 84.00 | BUY

Preamble	Page 3
Summary	Page 5
Company Background	Page 6
IIML Funds	Page 8
Key Industry Developments & Risks	Page 11
Investment Arguments	Page 12
Financials	Page 14
3i Group PLC	Page 16
Blackrock Inc.	Page 17
T Rowe Price Group Inc.	Page 18
Blackstone Group LP	Page 19
Comparison & Conclusion	Page 20

At the outset, we address the dilemma for the assurance seekers. “The fundamental law of investing is the uncertainty of the future.”¹ However, quantitative tools for forecasting markets have created an allure of certainty. “Every day, investors must translate investment opportunities into probabilities—indeed, this is an essential skill.” ... & ... “Our probability assessments shift based on how others present information to us.”²

Generally most people are averse to uncertainty and ambiguity. “The demand for certainty is one which is natural to man, but is nevertheless an essential vice.”³ In their quest for this confirmation bias, people fall prey to the Recency Effect trap and eventually get satisfied with negative inference. Since there are no confirmations for the market to go up, the markets would go down. To put it differently, it is a classic round-trip fallacy where Absence-of-Proof becomes Proof-of-Absence.

Well, come to talk of certainty, IL&FS Investment Managers Limited (IIML) is one company with a significantly high visibility in otherwise uncertain times. Moreover, it is a very decently positioned company in a fantastic business available at extremely cheap valuations. The company one of India's leading & oldest Asset Management Company (AMC) managing Private Equity (PE) & Real Estate funds. The company gets a fixed fee for managing the funds that has been growing at a scorching pace even in the current tough times. It is pertinent to note that the company exited 3 of its old funds towards the end of 2007, just before the markets cracked in early 2008. In fact at this time the company managed to get even bigger & much bigger commitments for its new funds. Since the last year the company has closed its 2 Real Estate funds mobilizing \$525 Mn. & \$895 Mn. respectively and has also achieved its first closure of its new Asia Infrastructure fund in tie up with Standard Chartered mobilizing a sizable \$600 Mn. All this speaks ton about the management's ability to time its exit & entry points and also the ability to mobilize in difficult financial conditions. In fact the company is sitting on a (~50%) Dry Powder[^] on an AUM which has increased from \$ 0.3Bn in 2005 to over \$2.4 Bn. now.

IL& FS Investment Managers Limited is one of the rare investment opportunities for secondary market investors in a pure AMC. We advise caution for Representative Bias & Recency Effect trap, when comparing with the internationally listed comparable like Blackstone, Blackrock, 3i Group, T Rowe Price, KKR, etc., which are witnessing a continued negative news flow. Unlike the international counterparts, IIML does not engage into Proprietary Investing & especially LBOs. In terms of default risk IIML is somewhat insulated with its major investors being large sovereign funds, as against the other smaller PE firms, which have mainly gone behind the retail super-HNI segment. Also there is no mark-to-market of AUM impacting the fees and no redemption pressure. Other advantages over other investment firms like MF, etc. include the opportunity to participate in the carry and its ability to exercise influence on the investee company through board representation.

On the Right Time, At the Right Place - British Banker Nathan Mayer Rothschild (“Buy to the sound of cannons, sell to the sound of trumpets.”) became the world's richest man on account of his smart funding during the Napoleonic wars. We believe that select PE funds can too make a difference where it matters the most. “A recession affects the lifeblood of a company – its cash flows.”⁴ IIML has so done very well in terms of getting the time right (liquidating 3 funds in 2007 & raising new money in 2008 & 2009) and also the right place (targeting investors like multi-lateral organizations & sovereign funds). We aren't very sure but have a skeptical guess on other Indian PE's investible dry powder. IL&FS Investment Managers seem to be best placed to take advantage of the plentiful distress valuations available in the market.

Like in case of a few Credit Rating Agencies, we are glad to have businesses like AMCs to be listed for investment opportunities for secondary investors; even gladder, when these are available at such inexpensive valuations. An AMC which increased its AUM @84% CAGR over the past 3 years, delivered return on capital in the range of 40-60%, distributed dividend pay-outs averaging over 50% is trading at a P/E multiple of just 5.9x on its current year earnings. (Hungry mosquitoes in the nudist camp, any ???)

We find the paraphrase, “**Heads I win, tails I don't lose much**”, quite re-iterated in Mr. M Pabrai's 'Dhandho Investor' perfectly applicable to this company. If one were to use [Bill Millers' Multifactor Valuation Method](#), IL&FS Investment Managers would stand out as the best of the lot. Be this in terms of P/E (<6x) or P/BV (3.3x) in relation to the high ROEs (57%) or Dividend Yield (7.7% assuming a lower 45% payout) or as a Percentage of AUM (4%). We sense that after the final closure of the SCI Asia Fund, the focus would be on investment & maintenance and new fund raising may slowdown for a while. Ergo, IL&FS Investment Managers is more of a re-rating play. While there is a very limited downside risks from the current levels, the upside in case of re-rating is huge. Toss.

However, in terms of the share price performance, the scrip has not done too well. For this we would to present an excerpt from another interesting read:

“When Bad Markets Happen to Good Companies”

In the 1997 blockbuster film Men in Black, Detective James Edwards says the Men in Black should reveal the truth about extraterrestrials living on Earth:

“People are smart,” he says. “They can handle it.”

“A person is smart,” replies Agent K. “But people are dumb, panicky, dangerous animals and you know it.”

A logical investor must take irrational market behavior into account when choosing stocks to buy, sell, and hold. Do not blindly follow the herd, but pay close attention to its movements. Opportunity exists in the gap between a company's value and the herd's perception. Of course, it can take a long time for the herd to catch up, but that is how an entrepreneurial investor's patience is rewarded.” - Excerpt from “The Entrepreneurial Investor

We finally conclude with some referring from the legendary Oracle of Omaha. - “I'd be a bum on the street with a tin cup if the markets were always efficient.” - ; the idea being to capitalize on the inefficiency.

1 – Attributed to Peter Bernstein in the book “Inside the Investor's Brain” by Richard Peterson

2 – Attributed to Michael Mauboussin in the book “Inside the Investor's Brain” by Richard Peterson

3 – Nicholas Naseem Taleb in the book “The Black Swan”

4 – Attributed to Harvard Professor Richard Nolan in the book “Well Timed Strategy” by Peter Navarro

^ Dry Powder is capital committed by investors into a private equity fund minus the capital invested by the firm managing the fund.

Usage of the term dry powder originated during infantry battles fought during the era of gunpowder and cannons. The gunpowder had to be kept dry to be effective. It was stored in containers that were as waterproof as the technology of the times allowed, but this was not always reliable. Therefore, when the weather turned wet, commanding officers had to be concerned about retaining adequate stocks of the dry powder to effectively wage their battles.

The term is now used metaphorically in a variety of contexts. In business, unused financial capital must be kept in reserve for use in executing timely transactions. For example, homebuilders refer to keeping dry powder on hand to use when the real estate market becomes favorable. In other words, they need to have adequate cash reserves or accessible credit to purchase land and/or buildings when the investment climate is right. - Wikipedia

IL&FS Investment Managers Limited

CMP Rs. 84.0

Initiating Coverage

BUY

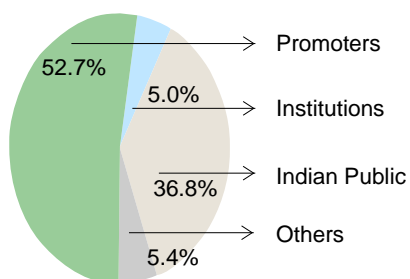
Stock Data

Bloomberg	: ILFS.IN
Reuters	: ILFS.BO
BSE Code	: 511208
NSE Code	: IVC
BSE Group	: B

Stock Codes

Benchmark	: BSESMCAP
52 Week H/L	: 324.0/68.0
Float	: 18.82Mn Shares
Mkt Cap	: Rs. 3,342Mn
Face Value	: Rs. 10.0

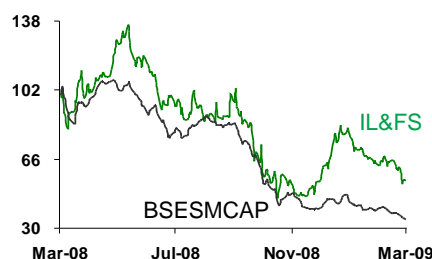
Shareholding Pattern (as on Dec '08)



Stock Returns

	1 Mth	3 Mths	6 Mths
IL&FS	-12.69	0.18	-43.07
BSESC	-13.98	-14.25	-58.84

Price Comparison



Jigar Valia - jigar@ppfas.com

Significant & continued increase in AUM

Its funds under management have grown from less than US\$ 40 million in 1996 to over US\$ 1900 million - a 35% CAGR for the last 13 years. Infact the increase over the past 3 years have been even better at 84% CAGR. The healthy growth trend will continue further with \$800 Mn. SCI Asia Infrastructure fund in joint venture with Standard Chartered.

Minimal redemption pressure & the desperation to raise AUM in the near term

With next big redemption due only in 2015 (only small redemptions over the next 5 years), the AMC has enough time on its side. In fact the cheap bargains that its huge undeployed AUM of over \$1 Billion will attract will enable IIML to deliver good returns & earn valuable credibility, which inturn will help it manage future fund raising endeavours.

Praise for the Management – Demonstration of is Superior Timing & Capabilities

The planned exit of its 3 funds in 2007 end and the enormously huge fund raising timed parallel with a market collapse puts IIML in a different league in itself. It already is one of the oldest and most experienced Private Equity players with experience across entire fund lifecycles, various industries & geographies. We perceive that it is such demonstration that differentiates IIML from any other me-too plays.

Business Model

Even more than the investment capabilities, our bet is on the business model itself. An almost risk-free business of earning fixed % fees with AUM generally increasing & limited redemption pressure until 2015. In fact we prefer an investment in an AMC v/s investment in a fund purely on account of the business model itself. Coz the business economics of the AMC is far better than the economics of most investee companies. The power of the non-linear impact of the business model can be realized from the fact the earnings & returns improve significantly without a commensurate change in the cost structure. IIML generates a return on equity over 50% and over 90% excluding cash & liquid investments.

Cheap Valuations

A business with assured revenues over the next few years with fantastic economics is available for secondary investment at a very attractive valuations on various parameters like P/E, P/BV, P/CF, Dividend yield and %-of-AUM. The valuations are cheap when compared to other listed international comparables. The scrip trades at 5.9x FY09E EPS, 3.3x P/BV, 4.2x P/CF, 7.7% dividend yield and 4% of-AUM.

Lazard Brothers established IL&FS Investment Managers Limited (IIML) in 1989 as Credit Capital Venture Fund, being India's first private sector venture capital company. It was basically a joint venture between Credit Capital Finance and Bank of India with equity contribution by ADB & later by IFC. The company went for its maiden public offering of 34 lac shares at par in 1990. IL&FS bought it in 1996, merged its PE business with the company and renamed the company 'IL&FS Venture Corp'. In 2002, the company was re-christened to its current name.

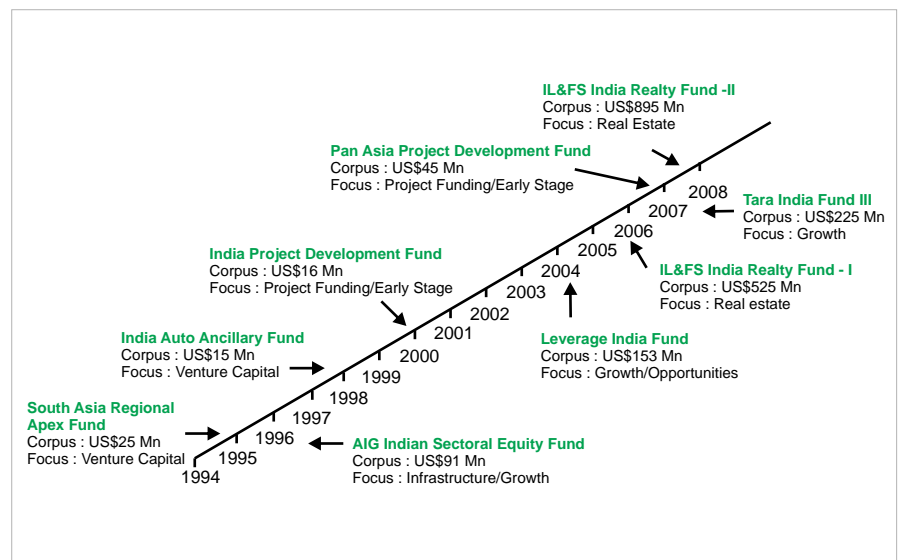
Businesses

IL&FS Investment Managers Limited (IIML) is one of India's largest private equity fund managers, with currently ~\$1.9 Bn. funds under management on behalf of leading Indian & International institutions. IIML is the only listed pure proxy for investment in a private equity play. Its funds under management have grown from less than US\$ 40 million in 1996 to over US\$ 1900 million - a 35% CAGR for the last 13 years.

IIML's experience now covers the entire Private Equity Life-cycle - right from raising funds, making and planning investments to restructuring and exits. IIML manages a number of Funds, which are invested across a variety of sectors including Technology, Media, Retail, Consumer Services, Manufacturing and Infrastructure. IIML has 46 employees and its team experience straddling fund cycles & economics cycles include over 96 investments since 1998, 47 exits/liquidity events and a realized gross IRR of over 27%.

Some of the leading investors in the funds managed by IIML includes the likes of AIG Group, ADB, Deutsche, IFC, Orix International, Taib Bank, UFJ Bank, number of Indian PSU banks, HDFC, IL&FS, IDBI, GIC, LIC, Government of Gujarat, L&T, M&M, Tata Sons, etc.

Timeline



Corporate Structure

Subsidiaries

- IL&FS Asian Infrastructure Managers Ltd.
- IL&FS Urban Infrastructure Managers Ltd.
- IL&FS Investmart Advisors LLC
- IL&FS Singapore Asset Management Co. Pte. Ltd.

Joint Venture

- IL&FS Milestone Realty Advisors Private Ltd.

Functioning

Once the investment team and the fund idea is in place, the AMC appoints Placements Agents in assistance with whom the tentative size of the fund is decided. It takes ~6-9 months for the first closing and a further 6-12 months for the final closing. The funds typically earn ~2% management fees, which in the current competitive environment has been sustained incase of Private Equity schemes, but have been lower in the range of 1.25%-1.75% in case of Real Estate & Infrastructure funds.

The duration of the fund span over 7-10 years. The fees are earned on the total committed funds, while the funds are called for in installments (drawals) over ~3 year period. Thereafter the fees are earned on the invested amount. The AMC gets to earn a carry upon divestments on the returns generated over the pre-decided hurdle rate. However 50-70% (pre-determined) of the carry is typically distributed amongst the investment team and the balance is available for the shareholders.

Quarterly Performance

Earnings Statement								
YE March (Rs. Mn.)	Q309	Q209	Q-Q(%)	Q308	Y-Y(%)	9M09	9M08	Y-Y(%)
Net Revenues	394.0	401.7	-1.92%	256.1	53.81%	1,145.8	644.4	77.81%
Total Expenditure	152.5	137.6	10.83%	97.4	56.52%	421.9	285.2	47.94%
Operating Profit	241.5	264.1	-8.55%	158.7	52.14%	723.8	359.2	101.52%
Other Income	12.4	14.5	-14.50%	0.0		26.9	0.0	
EBITDA	253.9	278.6	-8.86%	158.7	59.96%	750.8	359.2	109.02%
Depn & Ammortization	51.1	85.5	-40.26%	34.3	48.85%	173.8	75.3	130.66%
EBIT	202.9	193.2	5.03%	124.4	63.02%	577.0	283.9	103.28%
Interest	0.0	0.0		0.0		0.0	0.0	
PBT	202.9	193.2	5.03%	124.4	63.02%	577.0	283.9	103.28%
Tax	51.3	49.0	4.56%	33.4	53.55%	150.5	92.2	63.29%
PAT Before MI	151.6	144.1	5.19%	91.0	66.50%	426.5	191.7	122.51%
Minority Interest	1.3	0.1		1.4		2.0	1.5	27.97%
PAT	150.3	144.0	4.35%	89.6	67.67%	424.5	190.1	123.28%
EPS	3.7	3.5	6.86%	2.2	70.00%	10.4	4.8	119.16%
Ratio Analysis								
YE March (Rs. Mn.)	Q309	Q209	Q-Q(bps)	Q308	Y-Y(bps)	9M09	9M08	Y-Y(bps)
OPM (%)	61.30%	65.75%	(444.9)	61.97%	(67.0)	63.17%	55.74%	743.4
EBITDA (%)	64.45%	69.37%	(491.3)	61.97%	247.9	65.53%	55.74%	978.5
PBIT (%)	51.49%	48.09%	340.5	48.58%	291.1	50.36%	44.05%	631.0
PAT (%)	38.15%	35.86%	228.9	35.00%	315.4	37.05%	29.50%	754.5

Divested Funds

Fund Name	AIG Indian Sectoral Equity Fund (AISEF)	India Project Development Fund (IPDF)	India Auto Ancillary Fund (IAAF)
Vintage	1996	2000	1998
Focus	Growth Capital /Infrastructure	Infrastructure	Venture capital
Status	Fully Divested	Fully Divested	Fully Divested
Corpus	\$91 Mn.	\$16 Mn.	\$15 Mn.
Amount Invested	\$40 Mn	\$15 Mn.	\$13 Mn.
Nos of Investments	6	7	8
Nos of Divestments	6	7	8
Gross Return	27% p.a.	23% p.a.	18% p.a.
Hurdle Rate	7% p.a.	15% p.a.	15% p.a.
End of Fund	May-07	Nov-07	2008
Contributors	IL&FS & AIG (Sponsors),marquee investors from the United States, Germany, Japan, and France as also a multilateral institution, two State Governments and brand name Indian corporates	LIC, GIC, BOB, CBI, L&T	International and domestic investors, including the IFC, Deutsche Investitions und Entwicklungsgesellschaft (DEG Germany) and leading Indian institutions
Key Transactions	Noida Toll Bridge Company; Indraprastha Gas; RPG Mobile/ RPG Cellular & Invt Holdings	Vishakhapatnam Industrial Water Supply Company; Rewas Port Development Company	Malladi Drugs & Pharmaceuticals; Future Software; iMetrix Technologies;
Portfolio	2 Toll roads, 2 Telecom service providers and 1 City Natural Gas distribution network & 1 emerging Consumer services	Water Supply-Visakhapatnam Industrial Water Supply Project; Power Generation-Konaseema Gas Power Project; Rail Transportation- Pipavav Railway project; Port- Rewas Port Dvlp project; Special Economic Zone-Mumbai Integrated SEZ project; Surface Transportation-	17 transactions comprising Income producing assets, Redevelopment opportunities and Ground-up development projects
Divestments	ALL	ALL	ALL

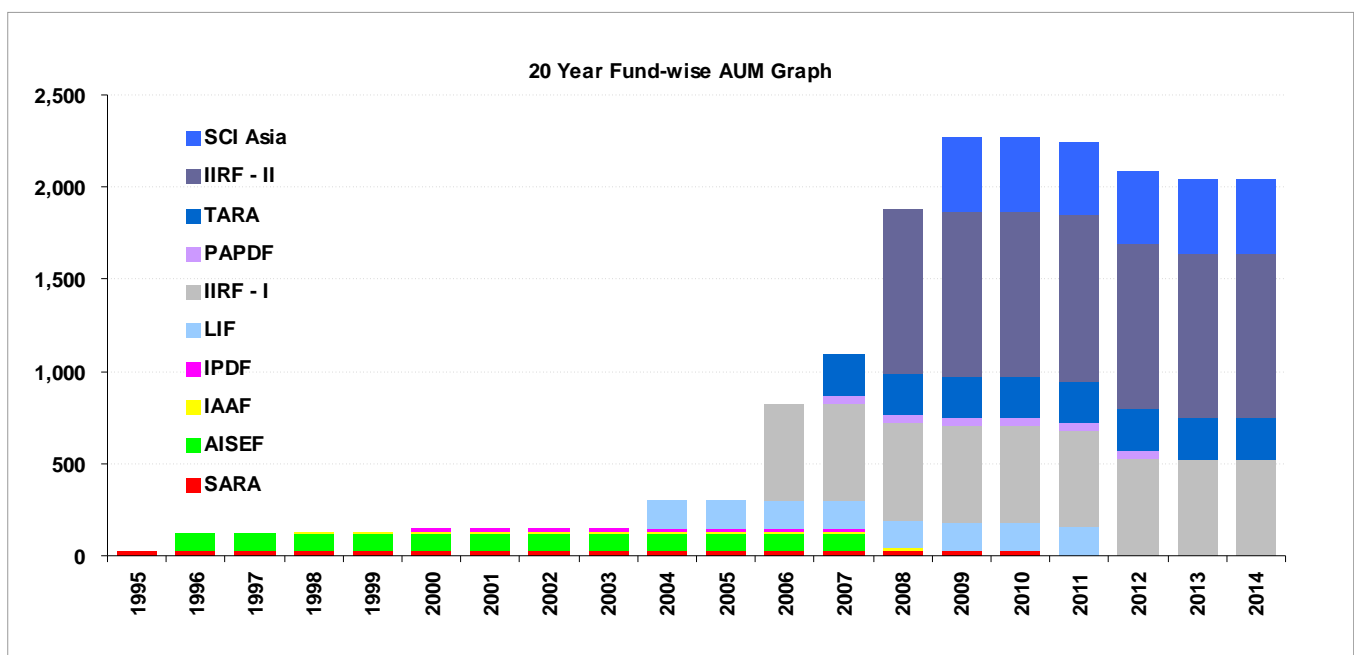
Active Funds

Fund Name	South Asian Regional Apex Fund (SARA)	Leverage India Fund (LIF)	ILFS India Realty Fund I (IIRF I)	Pan Asia Project Development Fund (PAPDF)	ILFS India Realty Fund II (IIRF II)	Tara India Fund III (TARA)
Vintage	1995	2004	2006	2006	2007	2007
Focus	Venture Capital	Growth Capital	Real Estate	Infrastructure	Real Estate	Growth Capital
Status	Partly Divested	Partly Divested	Fully Invested	Investing	Investing	Investing
Corpus	\$25 Mn.	\$153 Mn.	\$525 Mn.	\$45 Mn.	\$895 Mn.	\$225 Mn.
Amount Invested	\$38 Mn	\$150 Mn	\$472 Mn.	\$43 Mn.	\$191 Mn.	\$64 Mn.
Nos of Investments	26	27	17	7	7	5
Nos of Divestments	15	5	0	0	0	0
Gross Return	20% p.a.	63% p.a.	n.a.	n.a.	n.a.	n.a.
Hurdle Rate	18% p.a.	7% p.a.	11% p.a.	6% p.a.	10% p.a.	8% p.a.
Expected End of Fund	2010	2011	2014	2012	2015	2017
Contributors	IFC, JBIC, ADB, ICICI, IDBI, SIDBI, Punj & Sindh Bank	IL&FS & PNB (Sponsors), host of Indian banks & Institutions and reputed Middle Eastern investors	Financial institutions, Pension funds and Endowments	International Investors & Indian Contributors	High quality investors as well as large commitments from individuals (>\$100Mn.)	IL&FS (Sponsors), Indian and Global investors from the US, Europe and Middle East
Key Transactions	India Games Tejas Networks Future Software Shoppers Stop	Godrej Beverages & Foods ABG Shipyard ibn18 Broadcast	ETL Infrastructure Services Ltd. QVC Realty Ltd.	Central UP Gas Ltd. World Window Infrastructure & Logistics Private Ltd.		Ramky Infrastructure RSB Group Quickjet Cargo
Portfolio		Consumer Services - 24% Infrastructure - 11% Infra Related Serv. - 26% Allied Services - 15% Information Tech - 10% Manufacturing - 30% Pharma Healthcare - 10%	17 transactions comprising Income producing assets, Redevelopment opportunities and Ground-up development projects	Gas distribution, Logistics, e-governance and Waste management		Aims 25 investments across 5 target industries viz. Infra, Consumer Services, Mnfg, IT and Pharma-Healthcare from US\$8 mn - US\$30 mn each
Divestments		Godrej Beverages & Foods - Strategic sale to The Hersheys Company iMetrex Technologies Strategic sale to Siemens Tejas Networks Trade Sale to a large Private Equity investor Sasken Communication Exit through public markets Hotel Leelaventures Exit through public markets				

Future Funds

Fund Name	Standard Chartered IL&FS Asia Infrastructure Growth Fund (SCI Asia) - 50:50 JV
Vintage	2009
Focus	Infrastructure
Status	1st Closure achieved
Corpus	\$800 Mn. Planned (\$601 Mn. Commitments mobilized)
Amount Invested	~\$200 Mn
Nos of Investments	4
Nos of Divestments	Nil
Gross Return	n.a.
Hurdle Rate	10.00%
Expected End of Fund	2017
Contributors	IL&FS & StanChart (Sponsors \$300 Mn),
Key Transactions	1 domestic & 3 International Investments
Portfolio	Operating toll roads and power plants

20 Year Summary Column Chart 1995 to 2014



A recent newspaper report cited that as per Grant Thornton India's study, the total number of private equity deals announced in 2008 was lower at 312, with the total announced value at \$10.59 Bn., compared to 405 deals with an announced value of \$19.03 Bn. in 2007. Things are not so smooth for Private Equity players generally with most clients, who already have suffered on the bourses, are stuck up into an even more illiquid asset class of private-equity. In fact, it is the issue of wrong timing rather than wrong investment that has been the problem with most PE players. The PIPE & the Late-Stage players and the low duration funds may have been relatively more impacted with the financial slump.

However, the scene internationally is worse. Unlike India, where PE is still about venture capital funding & growth capital investing, internationally, private equity is mainly used as distressed capital and the transactions are more in form of LBOs. Most asset managers also take proprietary positions on which there is further leverage. To highlight some of the multiple problems associated with international PE funds :

- These funds now suffer from a double whammy of higher leverage & investments in inferior assets.
- US private-equity firms are said to be in the process of reporting substantial write-downs on their portfolios. Blackstone's PE is said to have seen a 31% write-off in the portfolio, while KKR has nearly halved its NAV for the year.
- The loss (including some proprietary investment loss) on above along with default from investors can worsen the position of these leveraged funds and can add to the snowballing of the sub-prime & financial crisis. In fact a BCG-IESE business School study expects the next big shock to come from LBOs, 20-40% of which are expected to go out of business in the next 2-3 years.

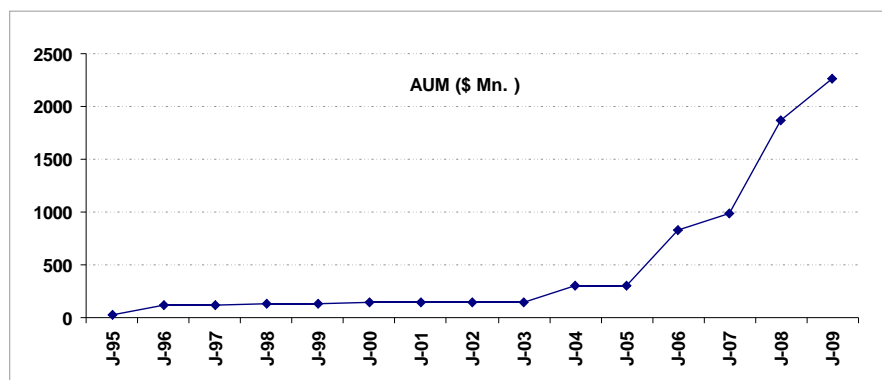
Earlier we mentioned of Recency effect of all the negative news-flow associated with the industry to affect the perception of few better quality plays including IL&FS Investment Managers.

However a more relevant risk incase of IL&FS Investment Mangers could be in case of default, especially in the Real Estate Fund II and the Tara Fund, where the AMC has raised over \$1.1 Bn. but have invested only a quarter of the corpus. However, we understand that incase of the Real Estate Fund II, most of the investment have come in from Sovereign Funds (US, Japan & SE Asian Countries) and the possibility of default is relatively much less. Even incase of Tara India Fund, just a small portion of the total \$225 Mn. is from the relatively inexperienced HNI category, which in a worse case may see some minor shuffle in form of some secondary deal. It seems IL&FS is better off in terms of the quality of investors (experience & big ticket investors including sovereign funds). Out of the current corpus of over \$2.1Bn. (including SCI Asia), as much as over \$1Bn. (50% dry powder) is un-invested. Much of these (\$700Mn. - IIRF 2, \$160Mn. - Tara & \$200Mn. - SCI Asia) are from the new funds raised. Ironically, the dry powder and the default potential are just the two sides of the some coin for a PE.

Going ahead, we see an interesting scenario where, despite the increased need for PE money in some cases and corrected valuations, deal-flow may just be average & not very robust. From the PE side, this could be on account of the business & earnings outlook for the prospective companies becoming murky. However, from a company perspective, some management may be unwilling to dilute at cheap valuations and some may also have curtailed their expansion plans on a realistic scenario and thereby refuting the need for any PE money. In this case, what we expect going ahead is one, increased focus on operational improvements in invested companies by PE funds, some increase in secondary trades in unlisted entities and increase in new investments in cases where PE money can make a big difference. This will be through an improvement in balance sheet & cash flows of companies with some leverage. IIML is going for more recruitments of technical people who can be at field and evaluate the ground level progress for the various investee companies.

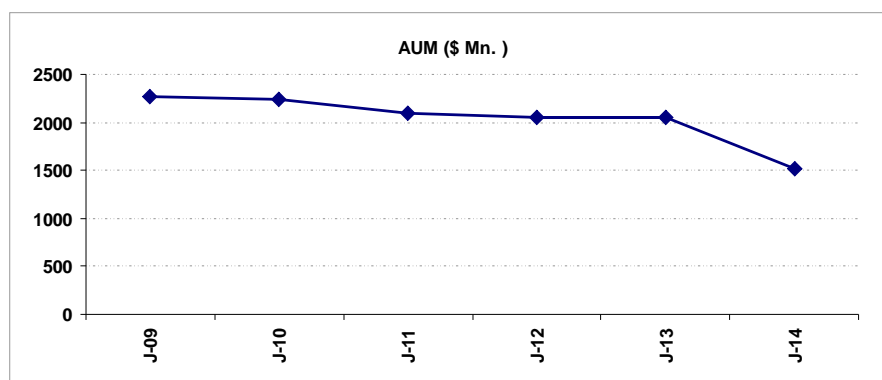
Significant & continued increase in AUM

Its funds under management have grown from less than US\$ 40 million in 1996 to over US\$ 1900 million - a 35% CAGR for the last 13 years. Infact the increase over the past 3 years have been even better at 84% CAGR. The healthy growth trend will continue further with \$800 Mn. SCI Asia Infrastructure fund in joint venture with Standard Chartered.



Minimal redemption pressure & the desperation to raise AUM in the near term

With next big redemption due only in 2015 (only small redemptions over the next 5 years), the AMC has enough time on its side. Infact the cheap bargains that its huge undeployed AUM of over \$1 Billion will attract will enable IIML to deliver good returns & earn valuable credibility, which in turn will help it manage future fund raising endeavours.



Praise for the Management – Demonstration of is Superior Timing & Capabilities

The planned exit of its 3 funds in 2007 end and the enormously huge fund raising timed parallel with a market collapse puts IIML in a different league in itself. It already is one of the oldest and most experienced Private Equity players with experience across entire fund lifecycles, various industries & geographies. We perceive that it is such demonstration that differentiates IIML from any other me-too play.

Operationally speaking, the business operations are very much people driven. The benefits of the non-linear business element are well captured in the improving operational performance.

Per Employee	FY06	FY07	FY08	FY09E
No of Employees	27	41	46	50
AUM (Rs. Mn.) @Rs. 45	501.7	956.0	1,675.8	1,681.2
Revenues (Rs. Mn.)	9.0	14.6	22.8	30.9
Salary (Rs. Mn.)	2.5	3.3	6.0	6.6
Operating Costs (Rs. Mn.)	4.5	5.4	10.6	11.3
EBITDA (Rs. Mn.)	4.9	9.3	12.3	20.3
PAT (Rs. Mn.)	2.6	4.4	6.9	11.4

Business Model

Even more than the investment capabilities, our bet is on the business model itself. An almost risk-free business of earning fixed % fees with AUM generally increasing & limited redemption pressure until 2015. Infact we prefer an investment in an AMC v/s investment in a fund purely on account of the business model itself. Coz the business economics of the AMC is far better than the economics of most investee companies. The power of the non-linear impact of the business model can be realized from the fact the earnings & returns improve significantly without a commensurate change in the cost structure. IIML generates a return on equity over 50% and over 90% excluding cash & liquid investments.

Comparison with other financial services : The differentiating factor

- **Banks** – Highly capital intensive and risky business model. While a Bank is a highly leveraged entity, IL&FS is a zero debt company. Also there is no risk of NPAs on the AMC.
- **Stock Exchanges** – Unlike a PE, the income of a stock exchange suffers on account of mark-to-market impact.
- **Mutual Funds** - Unlike a PE, the income of a Mutual Fund AMC suffers on account of mark-to-market impact. Also business of a PE is relatively unaffected by redemption pressure, which adds to the AUM problem in a falling market PEs can participate in the carry and also generally exercise influence/control over investee companies.
- **Credit Rating Agencies** – Slightly longer investment duration for a PE fund (5-10 years) versus duration of most credit papers (~3 years), brings in slightly added visibility; though CRAs have a strong advantage in terms of entry barriers. PE can participate in carry. Like a few CRA, we are glad to have pure AMC listed for secondary investment opportunity.
- **Other local PE funds** – Here IL&FS differentiates itself by being on the right time, at the right place. IIML has so done very well in terms of getting the time right (liquidating 3 funds in 2007 & raising new money in 2008 & 2009) and also the right place (targeting investors like multi-lateral organizations & sovereign funds). We ain't very sure but have a skeptical guess on other Indian PE's investible dry powder. IL&FS Investment Managers seem to be best placed to take advantage of the plentiful distress valuations available in the market.
- **Global listed comparable** – The other global comparable have either one or more of the foll. : proprietary investments, leverage practice, mark to market of portfolios, inferior quality assets inviting write-offs, poor % of dry-powder with increased defaults and relatively poor chance of any revival.

Cheap Valuations

A business with assured revenues over the next few years with fantastic economics is available for secondary investment at a very attractive valuations on various parameters like P/E, P/BV, P/CF, Dividend yield and %-of-AUM. The valuations are cheap when compared to other listed international comparable. The scrip trades at 5.9x FY09E EPS, 3.3x P/BV, 4.2x P/CF, 7.7% dividend yield and 4% of-AUM.

[Comparative Valuation & Conclusion : Page 20 >>](#)

Earnings Statement						
YE March (Rs. Mn.)	FY05	FY06	FY07	FY08	FY09E	FY10E
Revenues from Operations	178.2	243.8	599.2	1,050.9	1,545.8	1,786.2
Operating Expenses	29.4	54.3	84.1	212.1	237.3	272.9
Employee Costs	47.2	67.3	137.2	277.4	329.6	375.1
Total Expenditure	73.1	121.5	220.9	489.5	566.9	648.0
Operating Profit	105.2	122.3	378.3	561.4	978.8	1,138.2
Other Income	2.6	9.6	2.0	6.4	36.9	40.0
EBITDA	107.8	131.9	380.2	567.8	1,015.8	1,178.2
Depreciation	24.0	24.3	107.5	102.0	229.8	264.2
PBT	83.7	107.6	272.8	465.8	786.0	914.0
Tax	31.5	36.1	94.6	146.4	213.2	260.5
PAT before MI	52.2	71.5	178.2	319.4	572.8	653.5
Minority Interest	-	-	0.1	2.3	3.0	5.0
Share of Profit of Associates	-	-	4.0	2.5	-	-
PAT	52.2	71.5	182.2	319.6	569.8	648.5

Ratio Analysis						
YE March (Rs. Mn.)	FY05	FY06	FY07	FY08	FY09E	FY10E
OPM (%)	59.0%	50.2%	63.1%	53.4%	63.3%	63.7%
EBITDA (%)	60.5%	54.1%	63.5%	54.0%	65.7%	66.0%
PBIT (%)	47.0%	44.1%	45.5%	44.3%	50.8%	51.2%
PAT (%)	29.3%	29.3%	30.4%	30.4%	36.9%	36.3%
EPS (Rs.)	1.5	2.0	4.7	8.0	14.3	16.3
P/E (x)	54.9	41.9	17.8	10.5	5.9	5.2
P/BV (x)	12.5	11.5	7.8	4.9	3.4	2.6
BVPS (Rs.)	6.7	7.3	10.8	17.2	25.0	32.5
Market Cap (Rs. Mn.)	2,866.5	2,998.1	3,239.6	3,342.4	3,342.3	3,342.3
M Cap/Sales (x)	16.1	12.3	5.4	3.2	2.2	1.9
EV (Rs. Mn.)	2,866.5	2,998.1	3,239.6	3,342.4	3,342.3	3,342.3
EV/EBITDA (x)	26.6	22.7	8.5	5.9	3.3	2.8
EV/Sales (x)	16.1	12.3	5.4	3.2	2.2	1.9
ROCE (%)	36.4%	41.2%	61.9%	65.7%	76.8%	68.8%
RONW (%)	22.7%	27.4%	43.6%	46.7%	57.2%	50.1%
Debtors T/o Days	1.9	41.8	30.9	46.3	45.0	50.0
Advances T/o Days	167.3	294.0	208.9	83.5	100.0	110.0
Creditors T/o Days	73.6	51.7	123.9	159.2	125.0	120.0
Working Cap T/o Days	199.5	265.8	2.5	-25.8	15.9	68.7
Fixed Assets T/o (Gross)	1.5	2.0	1.1	1.3	1.2	1.2
DPS (Rs.)	1.3	1.6	2.7	3.7	6.5	7.5
Dividend Payout (%)	87.1%	77.6%	56.4%	45.6%	45.4%	46.0%
Dividend Yield (%)	1.6%	1.9%	3.2%	4.4%	7.7%	8.9%

Balance Sheet						
YE March (Rs. Mn.)	FY05	FY06	FY07	FY08	FY09E	FY10E
Equity Capital	151.7	158.6	257.1	265.3	397.9	397.9
Stock Options Outstanding	-	-	9.9	9.2	9.0	9.0
Reserves	78.2	102.8	151.0	409.8	588.6	887.9
Shareholders Funds	229.9	261.4	418.0	684.2	995.5	1,294.8
Minority Interest	-	-	22.6	25.1	28.1	33.1
Total Liabilities	229.9	261.4	440.5	709.3	1,023.5	1,327.9
Fixed Assets incl CWIP	48.0	29.3	350.3	539.4	711.9	747.7
Investments	81.6	47.7	72.0	228.9	228.9	228.9
Sundry Debtors	0.9	27.9	50.8	133.2	190.6	244.7
Loans & Advances	81.7	196.4	342.9	240.5	423.5	538.3
Cash & Bank Balance	147.5	137.7	128.4	211.5	214.9	397.9
Other Liabilities & Provisions	132.6	184.5	518.1	659.5	761.6	844.9
Net Current Assets	97.4	177.5	4.0	(74.3)	67.4	336.0
Deferred Tax Assets	2.8	6.9	14.2	15.3	15.3	15.3
Total Assets	229.9	261.4	440.5	709.3	1,023.5	1,327.9

Cash Flow						
YE March (Rs. Mn.)	FY05	FY06	FY07	FY08	FY09E	FY10E
Opening Cash & Bank	7754.5	147.5	137.7	128.4	211.5	214.9
Profit After Tax	52.2	71.5	182.2	319.6	569.8	648.5
Less : Invt Income	(2.6)	(9.6)	(2.0)	(6.4)	(36.9)	(40.0)
Add : Interest Paid	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	24.0	24.3	107.5	102.0	229.8	264.2
Deferred Taxation	0.6	3.1	(5.1)	(1.1)	0.0	0.0
Others	(7709.3)	(9.1)	6.9	(1.6)	(0.2)	0.0
Change in Working Cap	50.0	(89.9)	164.2	161.4	(138.3)	(85.7)
CF - Operating Activities	(7585.0)	(9.7)	453.8	573.9	624.2	787.1
Change in Fixed Assets	(120.7)	(3.6)	(427.8)	(290.1)	(402.3)	(300.0)
Advance against Depreciation	0.0	0.0	0.0	0.0	0.0	0.0
Change in Investments	(81.6)	33.9	(24.3)	(156.9)	0.0	0.0
Investment Income	2.6	9.6	2.0	6.4	36.9	40.0
CF - Investing Activities	(199.6)	39.9	(450.2)	(440.6)	(365.4)	(260.0)
Increase in Equity	229.6	23.3	84.8	118.0	44.2	0.0
Changes in Borrowings	0.0	0.0	0.0	0.0	0.0	0.0
Change in Minority Int	0.0	0.0	22.6	2.5	3.0	5.0
Interest Paid	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Paid	(52.0)	(63.3)	(120.3)	(170.7)	(302.6)	(349.1)
CF - Financing Activities	177.7	(40.0)	(12.9)	(50.2)	(255.4)	(344.1)
Net Change in Cash	(7607.0)	(9.7)	(9.3)	83.1	3.4	183.0
Closing Cash & Bank Bal	147.5	137.7	128.4	211.5	214.9	397.9

Introduction

3i Group PLC is an international venture capital company. 3i invests in a wide range of opportunities from start-ups to buy-outs and buy-ins, focusing on businesses with high growth potential and strong management. The Group's investments are located across three continents through local investment teams in Europe, Asia Pacific and the USA.

History

The company was formed in 1945, as the Industrial and Commercial Finance Corporation, by the Bank of England and the major British banks to provide long term investment funding for SMEs. 3i Group was created in 1987 when the banks sold off their stakes to form a public limited company. In 1994 the company was floated on the LSE with a market capitalization of £1.5 billion. Post listing, 3i began managing funds for external investors also.

Business Mix

Portfolio value by business line (£m)	FY06	FY07	FY08	H1 FY09E
Buyouts	1,465.0	1,281.0	2,025.0	2,084.0
Growth Capital	1,192.0	1,460.0	2,366.0	2,332.0
Infrastructure	92.0	469.0	501.0	530.0
Quoted Private Equity Limited	0.0	20.0	142.0	105.0
Smaller Minority Investments	564.0	391.0	244.0	228.0
Venture Capital	826.0	741.0	738.0	655.0
Total Owned Funds	4,139.0	4,362.0	6,016.0	5,934.0
AUM (Mn. GBP)	FY06	FY07	FY08	H1 FY09E
Own balance sheet	4,139.0	4,362.0	6,016.0	5,934.0
Third-party funds	1,573.0	2,772.0	3,776.0	4,019.0
Total AUM	5,712.0	7,134.0	9,792.0	9,953.0

Summary Financials

Particulars (GBP Mn.)	FY05	FY06	FY07	FY08
Total Revenues	805.0	1,211.0	1,615.0	1,250.0
- Growth (%)		50.4%	33.4%	-22.6%
EBITDA	655.0	991.0	1,301.0	1,091.0
EBITDA (%)	81.4%	81.8%	80.6%	87%
PAT	498.0	852.0	1,056.0	828.0
- Growth (%)		71.1%	23.9%	-21.6%
EPS	1.6	2.9	3.7	2.9
P/E (x)	12.1	6.7	5.4	6.7
BVPS	11.8	13.7	14.7	14.3
P/BV (x)	1.7	1.4	1.3	1.4
ROCE (%)	11.5%	17.3%	22.7%	19.0%
RONW (%)	13.7%	21.3%	24.9%	20.4%
Debt/Equity Ratio (x)	0.6	0.4	0.3	0.4

Opinion

In the first six months ending September 2008, 3i reported a loss of £143Mn. mainly on account of MTM losses on own funds. While the 3rd party fees increased marginally (a small component of total earnings), the major component, invest income has come down significantly from £520Mn. profit to (-)£221Mn. loss on account of lower realized profits and unrealized MTM losses in the period versus a gain in the corresponding period earlier.

Introduction

BlackRock Inc. is a major American investment management firm and pioneer of mortgage backed securities in the United States. BlackRock, Inc. provides diversified investment management services to institutional clients and to retail investors through various investment vehicles. The Company offers the BlackRock Funds and Blackrock Liquidity Funds, and also provides risk management services to fixed income institutional investors.

History

In 1988, BlackRock was founded as the Financial Management Group within the private equity firm Blackstone Group by Larry Fink, who had then just joined in from First Boston. In 1992, Fink, the pioneer of MBS market, separated the fund from the Blackstone Group under the name BlackRock and aggressively re-invented it as an independent AMC. In 1995, PNC Financial Services Group purchased BlackRock and in 1999, assets under management had grown to \$165 billion and the firm decided to go public. Much of BlackRock's recent growth can be attributed to its acquisitions. In early 2005, BlackRock purchased State Street Research Management, a mutual-fund business that had previously been owned by MetLife. In 2006 BlackRock completed its merger with Merrill Lynch Investment Managers. The next year it acquired the funds-of-funds business of Quellos Capital Management. Blackrock has now been entrusted the task of utilizing a chunk of \$700 billion bailout package to clean up toxic assets from the balance sheet of companies.

Business Mix

AUM By Product Type (Mn. \$)	CY04	CY05	CY06	CY07	CY08
Fixed Income	240,709.0	303,928.0	448,012.0	513,020.0	483,173.0
Equity & Balanced	14,792.0	37,303.0	392,708.0	459,182.0	280,821.0
Cash Management	78,057.0	86,128.0	235,768.0	313,338.0	338,439.0
Alternative Investments	8,202.0	25,323.0	48,139.0	71,104.0	59,723.0
Total Funds Managed	341,760.0	452,682.0	1,124,627.0	1,356,644.0	1,162,156.0
Advisory - Liquidation Assignments	0.0	0.0	0.0	0.0	144,995.0
Total	341,760.0	452,682.0	1,124,627.0	1,356,644.0	1,307,151.0

Summary Financials

Particulars (\$ Mn.)	CY05	CY06	CY07	CY08
Total Revenues	1,191.4	2,098.0	4,844.7	5,062.9
- Growth (%)		76.1%	130.9%	4.5%
EBITDA	375.8	528.2	1,822.7	1,630.0
EBITDA (%)	31.5%	25.2%	37.6%	32%
PAT	233.9	322.6	995.3	786.4
- Growth (%)		37.9%	208.5%	-21.0%
EPS	11.7	2.7	8.4	6.6
P/E (x)	8.8	37.5	12.3	15.5
BVPS	46.1	91.8	97.8	101.1
P/BV (x)	2.2	1.1	1.1	1.0
ROCE (%)	30.1%	2.8%	8.8%	7.6%
RONW (%)	25.4%	3.0%	8.6%	6.6%
Debt/Equity Ratio (x)	0.3	0.1	0.2	0.0

Opinion

The key differentiator for BlackRock is its business mix which is significantly tilted towards fixed income & cash management. More importantly as the company is not into leverage buyouts & proprietary trades, it has relatively survived the turmoil. However, the company's resort to inorganic growth & the high acquisition prices relative to earnings is weighing heavy on the balance sheet & is reflected in the poor return ratios.

Introduction

T. Rowe Price Group Inc. is an asset management firm that provides no-load mutual funds for individual investors and corporate retirement programs. The Company also offers separately managed investment portfolios for institutions. T. Rowe Price provides investment, record keeping, and communications services to corporate and public retirement plans.

History

Thomas Rowe Price, Jr., founded the firm in Baltimore, Maryland, U.S.A in 1937. Rather than charge a commission, as was then the practice in the securities business, Mr. Price charged a fee based on the assets under management. The company steadily grew & established a mutual fund in 1950 & was listed in 1986. While the company has over the years, expanded & diversified to include fixed income products & grew geographically, it still handles a largely US equity dominant portfolio.

Business Mix

Portfolio (\$ Bn.)	CY04	CY05	CY06	CY07	CY08
U S Stocks	50.4	61.4	80.4	94.7	62.4
International Stocks	11.3	9.2	18.1	26.3	16.6
Stable Value Stocks	11.0	12.0	12.6	13.6	15.7
Bonds & Money Market Securities	17.1	16.7	17.1	19.4	17.2
Total	89.7	99.3	128.2	154.0	111.9

Summary Financials

Particulars (\$ Mn.)	CY05	CY06	CY07	CY08
Total Revenues	1,536.0	1,886.0	2,308.0	2,064.0
- Growth (%)		22.8%	22.4%	-10.6%
EBITDA	679.4	858.3	1,076.8	796.2
EBITDA (%)	44.2%	45.5%	46.7%	39%
PAT	430.9	529.6	670.6	490.8
- Growth (%)		22.9%	26.6%	-26.8%
EPS	3.2	1.9	2.4	1.8
P/E (x)	8.0	13.3	10.5	13.9
BVPS	15.5	9.2	10.5	9.7
P/BV (x)	1.6	2.8	2.4	2.6
ROCE (%)	29.4%	31.0%	33.9%	28.2%
RONW (%)	23.1%	23.7%	25.8%	18.6%
Debt/Equity Ratio (x)	0.1	0.1	0.1	0.1

Opinion

T Rowe Price appears to be a nice steady & pure AMC with very minimal leverage & no interest into proprietary investments or LBOs. The company has had a steady performance and also consistently decent return ratios until recently. However, the business and earnings have taken a severe beating off late on account of the substantially higher exposure to the US equities. The otherwise very stable earnings nose-dived in the last quarter. The adjoining table clearly reflects this point.

EPS (\$)	Q1-Mar	Q2-Jun	Q3-Sep	Q4-Dec
2008	0.55	0.60	0.56	0.09
2007	0.51	0.58	0.63	0.68
2006	0.42	0.49	0.46	0.53
2005	0.35	0.38	0.43	0.43
2004	0.29	0.30	0.31	0.36
2003	0.16	0.21	0.26	0.27
2002	0.21	0.20	0.17	0.19
2001	0.19	0.20	0.20	0.18

Introduction

Blackstone is a leading global alternative asset manager and provider of financial advisory services. It is one of the largest independent alternative asset managers in the world, with assets under management of over \$90Bn. as of December 31, 2008. Its alternative asset management businesses include the management of corporate private equity funds, real estate funds, funds of hedge funds, credit-oriented funds, collateralized loan obligation ("CLO") vehicles and publicly-traded closed-end mutual funds. It also provides financial advisory services, including corporate and mergers and acquisitions advisory, restructuring and reorganization advisory and fund placement services.

History

The firm was founded in 1985 as a mergers and acquisitions boutique by Peter G. Peterson and Stephen A. Schwarzman, who had previously worked together at Lehman Brothers, Kuhn, Loeb Inc. Over the course of two decades, Blackstone has evolved into one of the largest private equity investment firms globally. In 2007, Blackstone completed a \$4 billion initial public offering to become one of the first major private equity firms shares in its management company on a public exchange.

Business Mix

AUM (\$ Bn.)	CY05	CY06	CY07	CY08
Corporate Private Equity	27.3	21.1	25.0	25.5
Real Estate	6.9	9.1	18.6	23.0
Alternative Assets	16.9	24.6	39.5	42.6
Total	51.1	54.8	83.2	91.0

Summary Financials

Particulars (\$ Mn.)	CY05	CY06	CY07	CY08
Total Revenues	5,615.5	8,670.6	8,441.2	(1,244.7)
- Growth (%)		54.4%	-2.6%	-114.7%
EBITDA	5,277.5	8,154.5	5,708.4	(5,608.3)
EBITDA (%)	94.0%	94.0%	67.6%	451%
PAT	1,330.7	2,266.2	1,623.2	(1,163.0)
- Growth (%)		70.3%	-28.4%	-171.6%
EPS	1.2	2.1	1.5	(1.0)
P/E (x)	5.0	2.9	4.1	(5.9)
BVPS			3.9	3.2
P/BV (x)				
ROCE (%)		24.1%	43.3%	-60.6%
RONW (%)		7.2%	15.8%	-19.7%

Opinion

Blackstone has been reasonably hit on all its business fronts in the financial meltdown. All of its business segments including real estate, private equity & alternative investments like hedge funds, CLOs, etc. have suffered casualties. The company has had a continual decline in earnings since its listing in 2007. The recent decline has mainly been on account of negative performance fees & allocations and high compensation costs. The trouble seems to far from over for Blackstone with its PE funds being written down by 31% for the year & by 20% for the quarter as per a news report. The Economic Net Income has been negative on account of the recognized unrealized losses mostly in private equity & real estate.

Particulars	IIML	3i Group Plc	Blackrock Inc.	T Rowe Price Group Inc.	Blackstone Group LP
Year End	Mar 09E	Mar 08*	Dec 08	Dec 08	Dec 08
CMP	84	196p	103.07	25.21	6.1
FV	10	73 ^{19/22} p	\$0.01	\$0.20	N.A.
Exchange	BSE, NSE	LSE	NYSE	Nasdaq	NYSE
Bloomberg Code	ILFS	III	BLK	TROW	BX
Currency	INR	GBP	USD	USD	USD
Recommendation	Buy	N.R.	N.R.	N.R.	N.R.
Total Revenues (Mn.)	1,545.8	1,250.0	5,062.9	2,064.0	(1,244.7)
EBITDA (Mn.)	1,015.8	1,085.6	1,630.0	796.2	(5,608.3)
PAT (Mn.)	569.8	828.0	786.4	490.8	(1,163.0)
EBITDA %	65.7%	86.8%	32.2%	38.6%	n.a.
PAT %	50.8%	66.2%	15.5%	23.8%	n.a.
Market Cap (Mn.)	3,342.3	752.3	12,180.4	6,454.6	6,699.3
M Cap/Sales (x)	2.2	0.6	2.4	3.1	(5.4)
EPS	14.3	2.2	6.6	1.8	(1.0)
P/E (x)	5.9	6.7	15.5	13.9	n.a.
Networth (Mn.)	1,023.5	4,057.0	12,175.2	2,488.8	5,894.1
BVPS	25.0	14.3	101.1	9.7	3.2
P/BV (x)	3.3	1.4	1.0	2.6	1.1
ROCE (%)	76.8%	18.9%	7.6%	28.2%	-60.6%
RONW (%)	57.2%	20.4%	6.6%	18.6%	-19.7%
RONW P/BV	17.0%	14.9%	6.6%	7.2%	-17.4%
Debt/Equity Ratio (x)	0.0	0.4	0.1	0.1	0.1
DPS	6.5	0.2	3.1	1.0	0.0
Dividend Payout (%)	45.4%	8.2%	47.1%	52.7%	0.0%
Dividend Yield (%)	7.7%	0.9%	3.0%	3.8%	0.0%
AUM (Mn.)	84,060.0	10,000.0	1,307,151.0	111,900.0	91,041.1
M Cap/ AUM (%)	4.0%	7.5%	0.9%	5.8%	7.4%

* 3i nos are as of YE March 08. The company has reported a loss for the first half of the current fiscal and therefore the performance is not totally comparable.

Qualitatively, we have enough emphasized earlier on the business mix (No MTM , No Prop. Positions & No Leverage) and the right timing (for the planned redemptions & the sizable garnering of AUM thereafter). On the valuation front, we are equally impressed.

If one were to use Bill Millers' Multifactor Valuation Method, IL&FS Investment Mangers would stand out as the best of the lot. Be this in terms of P/E (<6x) or P/BV (3.4x) in relation to the high ROEs (57%) or Dividend Yield (7.7% assuming a lower 45% payout) or as a Percentage of AUM (4%). The only parameter, we have not highlight in detail is DCF. This is purely on account of the difficulty in calculating the terminal value, as a fund would entail some lumpy changes in the AUM over the longer period of time. However, we know that there are small redemptions over the next 5 years and the steady earnings over these 5 years would be more than enough to cover the investment cost at these levels. Given that the company would generate (~ Rs. 600Mn PAT plus Depreciation) ~Rs. 20 of Cash annually and would trade cheap at just over 4x cash-flow. This suggest that there should not be much of a downside risk from the current levels.

We sense that after the final closure of the SCI Asia Fund, the focus would be on investment & maintenance and new fund raising may slowdown for a while. Ergo, IL&FS Investment Managers is more of a re-rating play.

With this limited downside risk and a possibility of a huge upside in case of a re-rating, we recommend a BUY into this niche investment opportunity. *Its Heads I Win, Tails I Don't Lose Much.*

Disclaimer

Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

IL&FS Investment Managers Ltd.

YES
NO
NO

This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Parag Parikh Financial Services Ltd. (PPFAS). PPFAS is disseminated and available primarily electronically, and, in some cases, in printed form. Additional information on recommended securities is available on request.

PPFAS is a Stock Broker registered with Securities and Exchange Board of India Limited (SEBI) and so it is regulated by SEBI. This report is not and should not be construed as an investment advice to any client to acquire, subscribe, purchase, sell, dispose of, retain any securities or an offer to sell or the solicitation of an offer to purchase or subscribe for any investment or as an official endorsement of any investment.

If 'Buy', 'Sell', or 'Hold' recommendation is made in this report such recommendation or view or opinion expressed on investments in this report is not intended to constitute investment advice and should not be intended or treated as a substitute for necessary review or validation or any professional advice. The views expressed in this report are those of the analyst which are subject to change and do not represent to be an authority on the subject. PPFAS may or may not subscribe to any and/ or all the views expressed herein.

PPFAS makes best endeavour to ensure that the analyst(s) use current, reliable, comprehensive information and obtain such information from sources, which the analyst(s) believes to be reliable. However, such information has not been independently verified by PPFAS or the analyst(s).

The information, opinions and views contained within this report are based upon publicly available information and rates of taxation at the time of publication, which are subject to change from time to time without any prior notice. reports may be updated anytime without any prior notice to any and/ or all client(s).

PPFAS makes no guarantee, representation or warranty, express or implied; and accepts no responsibility or liability as to the accuracy or completeness or currentness of the information in this report.

Please note that past performance is not necessarily a guide to evaluate future performance.

PPFAS and its affiliates and their respective officers directors and employees may hold positions in any securities mentioned in this report (or in any related investment) and may from time to time add to or dispose of any such securities (or investment).

This report should be read and relied upon at the sole discretion and risk of the client.

The value of any investment made at your discretion based on this report or income therefrom may be affected by changes in economic, financial and/ or political factors and may go down as well as up and you may not get back the full or the expected amount invested. Some securities and/ or investments involve substantial risk and are not suitable for all investors.

This report is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied in whole or in part, for any purpose. Neither this report nor any copy of it may be taken or transmitted or distributed, directly or indirectly within India or into any other countries or to any resident thereof. The distribution of this report in other jurisdictions may be strictly restricted and/ or prohibited by law, and persons into whose possession this report comes should inform themselves about such restriction and/ or prohibition, and observe any such restrictions and/ or prohibition.

Neither PPFAS nor its affiliates or their directors, employees, agents or representatives, shall be responsible or liable in any manner, directly or indirectly, for views or opinions expressed in this report or the contents or any errors or discrepancies herein or for any decisions or actions taken in reliance on the report or inability to use or access our service or this report or for any loss or damages whether direct or indirect, incidental, special or consequential including without limitation loss of revenue or profits or any loss or damage that may arise from or in connection with the use of or reliance on this report or inability to use or access our service or this report.

Contact

Ridhim Thapar	Institutional Sales	ridhim@ppfas.com	91 22 2284 6555 Extn 312
Jigar Valia	Analyst - Investment Research	jigar@ppfas.com	91 22 2284 6555 Extn 315

Parag Parikh Financial Advisory Services Limited

130/132, Great Western Building, 1st Floor, S. B. Marg, Near Lion Gate, Fort, Mumbai - 400 001.

Tel : 91-22-2284 6555 Fax : 91-22-2284 6553, e-mail : researchcall@ppfas.com

www.ppfas.com