



IL&FS Investment Managers Limited

“IL&FS Investment Managers Analyst Conference Call”

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Moderator

Ladies and gentlemen, good day and welcome to IL&FS Investment Managers Q1 FY14 Earnings Conference Call. Joining us on the call today from IL&FS Investment Managers are Dr. Archana Hingorani – CEO and Mr. Manoj Borkar – CFO. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call you may signal an operator by pressing * followed by 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Dr. Archana Hingorani. Thank you and over to you madam.

Archana Hingorani

Thank you. Good evening everybody and welcome to the Q1 results analyst call. Let me start with the results. For this quarter ended June we had income of about INR 54.7 crores as compared to Rs 59.2 crores live quarter last year. In comparison to that the net profit before tax was Rs. 25 crores, not materially different from like period last year of Rs 24 crores and net profit after tax of Rs. 18.3 crores as compared to Rs. 18.1 crores. From the results you can make out that despite exits etc which would obviously impact top line and therefore the bottom line, we have also been able to cancel that against improved cost positions as well as foreign exchange devaluation in this instance working marginally for us in our favor and if you put together although there is a drop in income compared to last year of Rs. 4 crores there is also a corresponding drop of Rs. 4 crores in expenses and the exchange impact negates the slightly higher tax that we had to pay this quarter. So net-net compared to like period last year we are at the same levels of income as well as profitability despite all the taxing times that we have been going through. Let me elaborate on what we see as going forward. I do not think anybody needs to talk about how the economy is doing. We know that it has performed quite poorly. Everytime one aspect has been controlled by the government there is something else that has turned up as something that needs a greater focus, companies per se in our portfolio while their fundamentals continue to remain good lack of capital, interest rates, inflation and the most recent significant dip in the rupee value has really eroded confidence of most investors. We had a very-very good quarter in terms of exits. We exited approximately Rs. 430 odd crores of investments, which is nearly 80% of what we exited in the entire 2013 but if you were to convert it in dollar terms the returns obviously do not look interesting primarily because of this huge dip that we had in the last four weeks or so. In terms of investments we are at our peak in the sense that all our funds have been committed and largely invested. There are some small trickles that we are doing as follow-ons. There is no additional capital being put into newer investments. These activities can only start once we raise further capital. On the capital raising front we have also parallelly while trying to raise money for the Indian markets diversified into raising money for international geographies. You all are aware that we did a fund along side Standard Chartered three years back where we broadened our horizons to start looking at Asia, the logic being that we understand infrastructure and Asian and similar emerging markets would have a similar requirement of infrastructure funding. We went in with that logic. We were able to raise the first one successfully and on the back of the quality investments and subsequent performance we are now trying to raise the second fund as well as we have spoken about this in the last two quarters, also doing a similar strategy for the Middle East region. We expect these two funds to help us diversify our revenue profile going forward and as I said in terms of the exits the focus continues. We have had a good quarter but we expect the rest of the three quarters to have a fair amount of

traction in terms of exits. All this is important because we expect that once money goes back even despite the dollar rupee exchange rate fluctuation, a track record gets established in rupee terms which has not been too bad despite all the way the markets have been for the last two to three years. We have been averaging 17-22% kind of returns with a multiple of about 1.6 to 2.2 odd that is the range. So all of this is important for fundraising and we continue to focus on getting that piece more materialized into exits so that we can raise further funds. That is an update for you guys from our end. Happy to take questions on this.

Moderator: Thanks you very madam. Participants we will now begin with the question and answer session. We have the first question from the line of Sandeep Bedi from Intellectual Asset Management. Please go ahead.

Sandeep Bedi My question is related to this paradigm that you discussed which obviously appears to be fairly challenging from the sound of it. But in this kind of environment I want to know from you anecdotally we see a lot of media coverage of how private equity funds are raising billions of dollars to deploy. What I want to know from you is what are the marketing lengths of raising capital? Is it taking longer durations to raise capital because that is information which is not kind of easily accessible so since you are out on the street you would know what is the kind of duration it takes to raise resources so that we get an indication as to how willing people are to get into private equity and I would also like to know from you on the product side IL&FS Investment Managers do you have any plans to launch a pipe fund private equity public investment kind of product and are there any plans to come up with some kind of distressed assets product in the light of severe financial distress and the opportunities those would throw up.

Archana Hingorani I am going to answer in two bits. One was about how long is it taking to raise money Sandeep. It has been if you notice any announcements in the recent quarter, whatever those have been, most of those people started fundraising more than I would say 30 to 36 months, so that is the kind of elongated time period that has come into play for India focused generic funds and we ourselves, if you recollect, have a generic product in the market that has been out there for more than 18 odd months and we have been stuck at a number which is not making sense to hold a new fund underneath that. So yes it is, early days we used to take anywhere between 9 to 12 months and that period in my head at least has gone up 3x. So that is where the product lifecycle ideas are taking form. In terms of what kind products amenable to India, I think India as a part of a generic Asia strategy works well. People do like India but do not like it is isolation. Therefore when you say are you doing a pipe fund, I think any generic product pipe or unlisted needs a lot of convincing for investors. Distressed again I think is a new buzzword but if you look at it everybody wants distressed transaction, even the regular private equity funds are wanting to do distressed. So I do not if there is that much distinction that you can place in the market if you say you are going to only distressed products. So we are not trying to diversify or change the nomenclature of our existing funds because in the end it is actually the strategy it is pretty much the same. From our regular funds we have been doing some pipe investments and some largely unlisted investments, so that strategy has always been there. So we are not doing anything specific on that. As I said, given that India as a whole is so challenging. Our focus is

more on trying to see how we diversify so that while India is the fulcrum of our strategy it is not the only thing and therefore it helps to attract more capital in a more efficient manner.

Sandeep Bedi

One quick question if you permit me, on the product type issue are there any plans to get greater retail participation in your funds or is it counter profitable because it just does not work? I am talking about probably attracting more capital by probably reducing investment ticket sizes or is it your experience that just does not work because probably people would not, may be keep, anecdotally what I have heard is that we have – no offense intended but the HNI community is not very good at keeping commitments when it comes to meeting them in terms of periodic calls for capital. So I just want to take your input on this.

Archana Hingorani

Let me answer this in two parts. Has the HNI individual or retail individual I understood the product and therefore able to participate like an institutional or a long term investor, the answer obviously is no. There have been lots of players who have focused on that segment of the market. There are two issues with it, one it is very expensive capital, the distribution cost on that is extremely high, it ranges anywhere between 5% to 7% and there is even after that distribution cost there is no guarantee that when you do the capital call you will actually get the money because most people do not understand this on-call demand that most fund managers make, in the sense that we do not call capital and keep it we draw it as and when the investments happen. So that is one critical thing that most individual investors are not let us say educated about in a parallel. But if you were to say okay I am willing to pay this distribution cost, I do not think there are enough HNIs out there today as compared to what you say three to four years ago when there was this whole surge of every banker bringing out its wealth management clientele into the private equity market and distributing products, it is tough to distribute private equity products, given (a) the experience, (b) the economic downturn and (c) the lack of exits. I think it is even more challenging if you were to go down that path.

Moderator

We have the next question from the line of Vivek Joshi, an independent investor. Please go ahead.

Vivek Joshi

I have a couple of questions. One is in the annual report the receivables were at Rs. 73 crores, which is a very high percentage of the annual fees. So as I understood that it is like basically the funds are like invested, so they have been shown as like receivables. So is it like a considered strategy, I mean because if the money were to come into the company it would earn interest on it.

Manoj Borkar

No Vivek what happens is generally we retain some portion of the capital for expenses but not for the entire life of the fund. We try to maximize the investor's money by putting it into investments, so now is the time when there are divestments which are going to happen. So there is no cash available in the fund. So whatever fees are due would basically come out from the divestment proceeds. So this is more of a cash flow mismatch I think in the next six months based on the expected exits we should be able to recover most of this.

Vivek Joshi

So is the trigger expected to go up?

Manoj Borkar No, I think it will go down.

Vivek Joshi So it should not go up around more than 73 or whatever.

Manoj Borkar Oh no, that will be lower than that.

Vivek Joshi And what is the fee earning AUMs as of period ended 30th June?

Archana Hingorani It is about 2.07 billion.

Manoj Borkar Yes, but that is again if you consider at 50 it is 2.07 but if you consider it as today it may be around \$1.7 billion offshore funds.

Archana Hingorani Because of the rupee devaluation.

Vivek Joshi And these exits that you have done at 430, the returns you mentioned, they were like rupee returns 17 to 20.

Archana Hingorani Yes, all this is in rupee.

Vivek Joshi So were you worried, in these funds at an average were you able to cross the hurdle rates for the respective funds that you were exiting?

Archana Hingorani Yes, but it will be marginal because when you return 20% in rupee terms, in dollar terms depending on when you entered returns could be lower

Vivek Joshi I just wanted to know which side, on an average were you on the plus side or like I mean –

Archana Hingorani I think we would be marginally plus. I mean it would be very close to the hurdle rate.

Vivek Joshi Okay, and what about the new capital. For the new capital raises like are we at the same place like last quarter, any movement?

Archana Hingorani No, there is no significant movement. We are expecting that while this quarter is ongoing we are expecting some success in terms of the Middle East fund and then perhaps in the next quarter at the Asia fund. So those two are still to happen.

Vivek Joshi And what is the expected exits? Do you have any estimates on the amount of exit, like the pace of Rs. 430 per quarter is likely to be maintained or is it good –

Archana Hingorani No, I think that 430 is actually sort of, a lot of it got delayed in the March quarter. A lot of it is 2 years of work, so it is very difficult to hazard. For example, last year we managed 530 crores for the entire year and this quarter rate it is 430. It is very good, we are very happy with it but I do not think that we will be able to maintain the pace. My sense is perhaps Rs. 200 odd crores per quarter is something we can target.

Vivek Joshi Another question, in this PE space what does IIML bring to the table just as an competitor space? I mean why would institutions choose A brand? I am talking from the investing company point of view, not from when you are raising funds, when you are investing in a fund like a company there would be like people chasing projects. Is there any particular reason? I mean I just want to understand operation? Is it just financial capital or you work more closely with the companies?

Archana Hingorani I can tell you that post global financial crisis there is no concept of financial investor and no concept of strategic investor. You have to put in all your efforts; you have to work with the companies. I think we spent a lot of time with them. What is our USP depends on which sector it is. If you talk about infrastructure I do not think we need to explain. We have operating expertise on the table, so there are a lot of things that we can help. Each of those companies do all the way running it from assessing new projects to actually operating them. Similarly in real estate we have significant capabilities as you know we used to have the largest property management firm, the parent also as well as the real estate development construction etc. So all those skill sets go towards adding extra capacity and capability vis-à-vis other people on the table. As regards to general private equity where the parent does not have specific capability I think our own team over the last 15 odd years has done as many as transactions in the private equity space that we have enough expertise, enough ability to – there are lot of investee companies that we may have seen it fund one who are new investee companies in fund three sometimes we have sold some investee company we work with, we sell them the new projects etc. So there is a lot of cross play that happens and I think in the growth private equity space it is a function of the fact that we have been there from the very beginning so we have significant connectivity and network as well as expertise in terms of, for example if you look at city gas projects we started with Indraprasth Gas that was our signature of project that everybody knows about it. Since then we have done five such investments and I think they come to us because we have done so many investments in that space. So there are many such examples, you have CNN IBN that we did in Fund II, the same promoters did DEN Networks in Fund III. There are a of these examples where we are able to work with one family of companies over their life cycle through various funds, so that also brings the additive skill sets and last but not the least is the fact that last mile emergency funding can always come from our debt desk which is available especially in these trying times when liquidity is key.

Vivek Joshi Just to mention DEN Networks, last quarter you had mentioned that you know you will be looking to exit listed space because you had said that there was a growing realization that you were not in the space to play the upside in the capital market, so have you exited these funds or –

Archana Hingorani No, we have not because if you have noticed that actually DEN started from a performance perspective really DEN has started to become a leader today given the fact that it is ahead in the digitization cycle. It just got new capital from Goldman Sachs that has brought up the stock price, but not enough for us to be able to effectuate a meaningful exit.

Moderator We have the next question from the line of Gaurav Jalan from Avant Garde Wealth Management. Please go ahead.

Gaurav Jalan I just have a few questions on the AUMs. So you mentioned about 1.75 billion at current exchange rate, so is that in rupee terms about Rs. 10,000 crores roughly?

Archana Hingorani Yes.

Gaurav Jalan Okay. And can you just help me break this down a little bit, so off this 10,000 crores, how is it split currently between the larger funds?

Archana Hingorani So in terms of the largest you will have about – so we have about 270 million in our growth private equity fund. We have about another 1.4 billion in the real estate space and about 200 million in the infrastructure space.

Gaurav Jalan Okay, this infra one is it the Standard Charter Fund?

Archana Hingorani Yes, and we also have one smaller 45 million fund. So putting together it is that the investment currently AUM.

Gaurav Jalan And roughly you said most of the money is committed as of now, right?

Archana Hingorani Everything is almost deployed. That is what I am saying, we have very little capital left which is under our control for follow on investment.

Gaurav Jalan Okay so the real estate fund, when do you see it unwinding, I mean when do you see the exits roughly, what timeframe?

Archana Hingorani Exits have started in both the real estate portfolios, but it is all cash flow driven as I was explaining the last time a majority of our portfolio is residential in nature so it is all based on – as sales are happening and excess cash flows are remaining back those are being taken out for both shareholders i.e. us as well the developers. And so that will take its own course of time. Once it starts throwing cash flow it can take anywhere between 2 to 3 years to complete it. So our expectation on Fund One is that it probably will be fully exited around 2016 and Fund 2 around 2017-2018 somewhere there.

Gaurav Jalan Okay, and what is the size of RE Fund I?

Archana Hingorani RE Fund I is 525 million. And it would not match up with your investment number because 525 is a whole fund which means it has investments, it has cost, it has fees all of that put together it is 525.

Gaurav Jalan Got it. I just wanted a rough estimate. And the growth PE, again they have started over what, by what time do you think it is completely exited?

Archana Hingorani So a growth PE is also going all the way up to 2018. It is a 2008 vintage fund so relatively in the growth PE the investments are about 3 odd years old and there are some marginal exits probably targeted for this year but nothing substantial.

Gaurav Jalan And the infra fund, what is the timeline?

Archana Hingorani Infra Fund just finished its commitment period, so it has another four years to go.

Gaurav Jalan Okay. So as of now assuming the currency does not move much from here, I mean would you expect that going forward you do not really need much in terms of the carry or dollar basis on these funds?

Archana Hingorani If it remains at this level I think at 60 I think it would be really challenging to get to carry. Because we will nearly make the hurdle rate but we would not make it much beyond that.

Gaurav Jalan Okay. And basically as you exit and your AUM goes back to your investor, you stop earning the management fee on that, right.

Archana Hingorani That is right.

Gaurav Jalan And in terms of exits you mentioned, you have done 430 crores in the first quarter and you made it to about 200 crores per quarter so in a year you do about 1000 crores.

Archana Hingorani No, we do not do that. That is not normal.

Gaurav Jalan Yes it is not normal, but right now going forward for this year –

Archana Hingorani Yes they are going as per plan

Moderator We have the next question from the line of Shreyas Bhukhanwala from Sushil Finance. Please go ahead.

Shreyas Bhukhanwala I have several questions. Our earning AUM as of now is around 1.7 to 1.8 billion and considering additional 300 to 400 crores of exits and no major fund raising, is it likely that our revenue would probably have a decent dip probably in FY15?

Archana Hingorani For FY14 we do not expect material changes from our performance in FY13 because of various cost cuts as well as the fact that there is some capacity to improve revenues with some small sub-advisories that are happening because of the current portfolio, so we are adding revenue a little bit but it is marginal that is why we are able to maintain FY14. FY15 if we say that there will be no more fundraising in FY14 then your estimate is correct, but our expectation is that we should be able to raise about \$500 million odd in this fiscal.

Shreyas Bhukhanwala Okay. On that front as well on the fundraising front basically we have currently three main funds we are looking for raising money. One is your Tara, wherein you have around \$70 to \$75 million we have already raised. And remaining two are MENA and Asia Infra wherein we are looking but currently we do not have much on that front.

Archana Hingorani Yes, we have as I said that we are about to do our first close on the MENA fund in this quarter and the Asia fund perhaps in the following quarter if there is no further bad news in the Indian markets, let me put it that way.

Shreyas Bhukhanwala Okay. So we are expecting around 500 million this fiscal would be majorly for this three funds if I am not wrong.

Archana Hingorani Yes.

Shreyas Bhukhanwala And madam one more thing we had a pipe fund in Q1 FY13 of around 50 million.

Archana Hingorani We have not taken it further because there is no market beyond that 50 million. So until and unless we can get something larger than that we do not want to expend resources and energy over trying to do a fund raise of that small magnitude.

Shreyas Bhukhanwala The status of the leverage fund, like how many exits are still remaining?

Archana Hingorani Leverage fund we just completed one full exit like two weeks back which was BFW and we have had partial, a lot of partial exits. But we have done, if I am not mistaken 14 full exits and 6 partial exits so those 6 are still obviously there and another may be two or more so probably 8 investments odd we need to exit.

Shreyas Bhukhanwala Okay. And madam do we see any carry from this fund in FY14-15?

Archana Hingorani This fund ends somewhere in the first quarter of FY15, we expect to be able to exit it by then and there will be some marginal carry because this is a lower hurdle rate fund.

Shreyas Bhukhanwala Okay, so despite of the 60.

Archana Hingorani Yes.

Shreyas Bhukhanwala And just wanted to know that the management fee structure which initially we used to have it around 1.45% to 1.5%, is it like because of this competition and all, these new funds would be having a bit on the lower side or probably would maintain –

Archana Hingorani Yes, see 1.4-1.5 was largely, I have mentioned this in the past both private equities used to be at 2%. Infrastructure and real estate used to be anywhere between 1.24 to 1.4 depending on how big the investor was and going out into the market there has been severe pressure on management fees, so I would expect a 25 basis point drop going forward in the average fee structures.

Shreyas Bhukhanwala So roughly 1.2-1.3 on an average?

Archana Hingorani Right now average is about 1.4, so yes you are right, 1.15-1.2 somewhere there.

Shreyas Bhukhanwala Okay. And any update on the Saffron fund. How is it doing?

Archana Hingorani It is doing alright. I mean there are a lot of investments in that portfolio which are in exit mode, so we should be able to announce a few exits during this fiscal because when we took over the portfolio it was quite a challenging portfolio so we have turned it around at various levels, so we should be able to see exits from this fiscal onwards.

Shreyas Bhukhanwala Any new fundraising on this platform?

Archana Hingorani Not yet, we do not have a product that suits the Indian market because that was the whole idea of being able to raise more money for India and if you know all of the listed companies have done very poorly for the investors, so (a) the product demand is not there and (b) investor base is very difficult to access, even worst in the listed markets as compared to the unlisted markets.

Shreyas Bhukhanwala And on consol level we have around 100 crores of cash and cash equivalence like current investments including current investments. Are we looking at buying any fund in such a distressed market or something like that?

Archana Hingorani No, I do not think until and unless we get a fund that is prenegotiated with the shareholders we are not looking to buy new funds. See it is easy to buy a fund from an existing manager but our experience over the last two years has been that negotiating just with the manager on buying a fund management position is not sufficient enough to take over. You have to have a buying from all the investors, which takes very-very long. So until and unless we get both sides of the equation i.e. the investors are also willing that we should be the manager and the manager itself is willing to exit. We are not looking to do fresh acquisitions if both these criteria are not met.

Shreyas Bhukhanwala Okay. Madam actually then we should have improved our dividend to a certain extent this year since we have idle cash lying.

Archana Hingorani I will let Manoj answer that but I can tell you we have certain obligations specially in the last fiscal we had quite a bit and this year we will finish our international loans completely fully repaid by September of this year. So additional cash flow will only start flowing in from that piece from the second fiscal onwards.

Shreyas Bhukhanwala Can I get first six months numbers for Saffron like revenue and PAT?

Archana Hingorani For quarter I you mean?

Shreyas Bhukhanwala Yes sorry for quarter I.

Manoj Borkar First quarter we are roughly around revenue of around 6 crores and including amortization of roughly around 5.2 crores. So we will have a positive of around 76 odd lakhs for the quarter.

Shreyas Bhukhanwala And can I get it further FY13 if possible?

Manoj Borkar Right now I do not have.

Moderator We have the next follow-up question from the line of Vivek Joshi, an independent investor. Please go ahead.

Vivek Joshi If I understand correctly you are expecting FY14 in revenue terms to be almost plus-minus may be 10% of FY13 but are you also saying that it will be same on the profit number and dividend payout? Is that a reasonable expectation to have or –

Archana Hingorani Yes that is a reasonable expectation.

Vivek Joshi Given that there is a less of tax on dividend repatriate from above, are you planning to lose the excess cash after the debt payout?

Manoj Borkar Periodically whatever cash is available we are trying to get it in to India as dividend. So once the debt obligations are repaid, definitely we have plans to do that.

Vivek Joshi Otherwise getting it all right will be like tax at higher rates, there is a window open, that is why.

Archana Hingorani We have been doing that for the last two years Vivek. That dividend tax, it has been coming up for one year and then getting extended. This will be the third fiscal that it is available so we will continue to do that.

Moderator We have next follow-up question from the line of Gaurav Jalan from Avant Garde Wealth Management. Please go ahead.

Gaurav Jalan Yes hi two follow-ups. One is if you have about 10000 crores in AUM, I was just doing the math in terms of if you do revenues of about 200 crores this year which is roughly what you are indicating, then that works out to about 2% in your AUM rate. So how does that work, I mean that should be a lower number, right?

Manoj Borkar See the whole thing is the 10,000 crores which we have just mentioned is based on the current exchange rates. Whatever we are earning is in the old dollar terms offshore, so when you average it out it is like, it may not be the spot which is currently at the end of the quarter, so there is some amount of FX related income which is getting reflected in the top line. So yes arithmetically you may say that 200 crores on 10,000 but technically it is based on what you consider as your AUM in dollar terms.

Gaurav Jalan Okay but then let us say going forward, so next year if your AUM remains at 10,000 which in that scenario, so next year assuming the average arrangement you have is 1.5%, is it fair to assume that next year your revenue is around 150 crores excluding any carry.

Manoj Borkar No, no our average fee income is around 1.4 to 1.5. So with the AUM number which you are looking at is based on \$1.7 billion offshore funds of at 60 of our country at the current rate.

Gaurav Jalan Okay. I am just assuming, I am just trying to understand the underlying math, so let us say the rupee stays at 60, just for argument sake and your AUM does not change much, so on around

10,000 crores, the next year at 1.5% that is about 150 crores in revenues, excluding any carry income right? So is that a correct number, am I understanding that correctly? So things do not change, if nothing changes then you have 150 crores of revenue next year.

Archana Hingorani Gaurav the catch is that you have to look at the dollar number on a continuous basis because I am earning everything offshore, so I am earning on whatever is my dollar base, right?

Gaurav Jalan No, I understand but as the same thing, you can calculate the areas, you can calculate the management fee in dollars and then multiply it by 60 and then – I mean the numbers should be the same either way. I mean you can either do 1.75 billion offshore funds times 1.5% times Rs. 60, or you can do 1.75 billion times Rs. 60 stays on for 5% is the same.

Archana Hingorani Yes so therefore the point that we were making is that nothing changes, right. We will have a similar revenue profile.

Gaurav Jalan So that is what I am not being able to understand that because currently on your current 200 crores, if you are making smallest growth of revenue on 10,000 crores of AUM that works out to 2%. I was just trying to understand why and you are saying your average fee is about 1.5, so that 50 basis points extra where is that coming from? Because I do not think we understand the exchange rate thing because whatever you may earn in dollars but ultimately you are realizing it in today's exchange rate, when you convert it when you are doing your accounts, I mean unless you are hedging forward I do not think you are doing that.

Archana Hingorani No, no, in fact we are not hedging and that is working in our favor at this point in time, right?

Gaurav Jalan Exactly, so I am just trying to understand this disconnect I mean why is this happening. Because at current it is working out to 2% whereas you say that it is 1.5% for you. I am just trying to understand where that extra basis point has come?

Manoj Borkar Gaurav we will just reconfirm our numbers and get back.

Gaurav Jalan Okay. One other thing that I want to check, if let us say fundraising for you this year does not go as planned and let us assume our workplace scenario where you do not raise any additional funds then going into next year, do you expect to change the cost base of the business or do you expect to retain it with the hope that you raise enough funds in the future to kind of justify that expense?

Archana Hingorani Over the last three years that is precisely what we have done. We have controlled the cost base wherever there have been exits at the lower levels or even at the senior levels we have doubled up the current staffing to take care of all those gaps. So any of the new funds that came in, new meaning when we acquired Yatra, Saffron, all that employees whoever came in since then have exited and we have not hired anybody brand new. We have used whoever is currently employed with us, that is what we have tried to do in almost all the position. So cost control has always been there. The question that you are asking is are you going to thin down the staff even further? I think based on what we are seeing on the ground today in terms of the two funds that we are

raising which are not solely India focused, we feel that that is the significant possibility and therefore I am not thinking along the lines that you are suggesting, but if that was to be the case that there is no money, there is no funds, what do we do going forward? That is a call I think we will take closer to the beginning of the next calendar year.

Gaurav Jalan One more follow-up which is on the fundraising and the Middle East and the Infra Fund, who is your competition there? Are you basically competing as global giants likes of the Blackstone etc or are they local competitors for that kind of money?

Archana Hingorani I think there is very little of Blackstone type in that geography. There have been the likes of let us say an HSBC or some of the largest banks that have tried to do this kind of strategy but have not been terribly successful in terms of deployment as well as fundraising primarily because they were looking at it as a fund manager who would identify transactions and hopefully invest basis there worldwide expertise. What we are doing in either funds, even if you look at our Asia fund or the Middle East fund, our USP is the fact that we are infrastructure operators in the Indian subcontinent and therefore bring that skill set to be able to actually identify as well as work with entrepreneurs in those spaces, in those regions. So it is very difficult to say who is my competition because we are slightly different from the rest.

Gaurav Jalan Okay and your LPs in those funds would be same as in large pension funds etc endowments etc or is it very different?

Archana Hingorani No, in the Middle East I think it will be different. There is significant local demand and money available so Yes some of them will be the local pension funds but there is not that much difference between institutional capital and personal capital in those regions given the high net worth levels. So we are expecting those kind of investors to also participate.

Manoj Borkar Just to give you the numbers, see AUM in dollar which are offshore funds are around \$1.73 billion offshore funds. If you take that at 1.5% roughly you get around \$26 million which you convert at 60 will give you around Rs. 160 crores. And they have a corresponding around 1685 crores, so Rs. 16.85 billion which at 1.5 will give you another 25 odd crores. So you would be roughly around 185-190.

Gaurav Jalan Okay.

Manoj Borkar So this Rs. 16.85 crores, so Rs. 16.85 billion. This is a rupee point, which at 1.5 will give you another 25 odd crores. So you will be roughly around 185-190.

Gaurav Jalan Okay, this Rs. 16.85 billion is –

Archana Hingorani Is the local money.

Manoj Borkar Local money and offshore money.

Moderator We have the next follow-up question from the line of Sandeep Bedi from Intellectual asset Management. Please go ahead.

Sandeep Bedi Madam couple of quick observations from the statements you have made in this call, we all agree that yours is an intelligence intensive business. Now cutting down cost is fine but is not going to result in severe constriction of perspective business also. So the lesser the brain count would that affect your business (a), and the other thing is on a macro basis IL&FS has its ears close to the street. In terms of infrastructure and the various lines of business whether it is power, whether you look at various sectors like energy, roads, what is your take, what is the internal assessment of – is it a situation getting from worst to worst or are we somewhere close to light at the end of the tunnel?

Archana Hingorani Okay, so let me answer the second question first. In terms of obviously everybody knows we are a little different from everybody else in terms of infrastructure investments because we have parentage which operates as well as the fact that many of us before being private equity people 15 years back all of us were actually participating in the early days of infrastructure so clearly the level of confidence that we have once we identify a transaction even if a sector is going through its pains and etc is different from what you would get from a pure financial investor. Putting that into context what do we think is still interesting I think that is significant cap assets available out there which are kind of ready today but do not have sustainability in terms of operating capacity, efficiency, etc., so the road sector is full of those kind of assets which you can buy today which are available for a much better price than they were earlier transmission in the power sector, renewables in the power sector, waste, these are three or four sectors that we continue to have significant interest in. There are obviously ups and downs in all the sectors, government regulation and slowness, etc., does not help but if you have that operating flavor and expertise I think you can still attract enough opportunities at decent entry prices. As regards to your question about brain drain or maintaining the brain power I did not mean to say that everybody has left and there are five people running the outfit. We still have 80 employees as of date. Our senior CIOs in the investment zone are with more than 8 to 10 years worth of experience and almost equal amount of time within the group or with us in particular. So I do not think and that concern at this point in time that we have actually affected the brain capacity of this organization and it continues to have the same people. And the churn that has happened has largely been of new entrants that have come in and gone out very-very quickly.

Moderator We have the next follow-up question from the line of Vivek Joshi an independent investor. Please go ahead.

Vivek Joshi It was a follow-up to Gaurav's question when he was trying to calculate back of the envelope thing. I think if I understand correctly the dollars have been raised at an exchange rate, so you have an x amount of dollars which were probably raised at 40-45-50. So the actual dollar AUMs larger than what it comes out. Would that be a correct understanding?

Manoj Borkar See we have offshore funds which are dollar denominated, so the dollar remains as it is and there will be reduction as you divest. So that is around 1.7 billion in USD.

Vivek Joshi And from the shareholding pattern you, your some funds holds share then Karuturi Global and Gayatri Projects, I mean do you have any view on why you continue to hold these shares I mean?

Archana Hingorani Because they are listed investments, so I really cannot discuss them over this call but both, actually Gayatri is a very old investment, it is from our second fund. We have almost exited a lot of it over the years and should be able to exit the remaining. Karuturi was from the last fund and we all know it continues to struggle so there is little point in debating how to exit or not from that transaction.

Moderator Thank you. That was the last question from the participant. I would now like to hand the floor back to Dr. Archana Hingorani for closing comments. Over to you madam.

Archana Hingorani Thank you all for joining analyst call for this quarter. We hope to see all of you at the next call in September. Thank you.

Moderator Thank you. 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. Thank you.