



IL&FS Investment Managers Limited

“IL&FS Investment Managers FY 2014 Earnings Conference Call”

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IL&FS Investment Managers Limited



**MANAGEMENT: DR. ARCHANA HINGORANI – CEO & EXECUTIVE
DIRECTOR
MR. MANOJ BORKAR – CFO**

Moderator

Ladies and gentlemen, good day and welcome to the IL&FS Investment Managers FY 2014 Earnings Conference Call. Joining us on the call today from IL&FS Investment Managers are Dr. Archana Hingorani – CEO and Executive Director and Mr. Manoj Borkar – CFO. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing * then 0 on your touchtone telephone. 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.

Dr. Archana Hingorani

Good afternoon and welcome everybody to our annual results related analyst call. For the year we clocked revenue of about Rs. 222 crores, very similar to the last year number, with a PBT of Rs. 100 crores, again similar to last year. And a PAT of Rs. 72.5 crores against the last year's PAT of Rs. 76.6 crores, difference largely coming from the larger tax allocation because of dividends that we received from Mauritius. Profit margins remained at a similar level of about 33%. We have also declared a dividend of 65% which is equivalent to 1.3 per share, but if you would look at it because of the bonus last year you got dividend per share of Rs. 1.5 per share. Equivalent to that against that 1.5 you are getting Rs. 1.95 a share which is Rs. 0.45 extra per share despite similar performance as last year. In terms of operations significant year for exits – we finally exited approximately Rs. 980 odd crores across 23 portfolio companies across verticals some in the real estate space, some in the growth as well as some in the infrastructure vertical. This year also saw new efforts to bring in managed accounts. We have spoken about this in the last two analyst calls. Today we are managing approximately 1 billion additional assets under management but this is a different revenue stream, much lower in terms of fees. We are clocking approximately 25 to 30 basis points on the AUM and as and when these projects perform, which is over the next 4 to 5 years but some of the cash flows approximately 5% of those will also accrue to IIML as and when the cash flow start all these three projects in the first instance are in the real estate space. In the coming fiscal we expect to extend similar mandate across all three verticals and add another billion under management, in the managed account space. As regards to fund raising you are well aware that we have been raising the private equity fund as well as the Middle East fund. Both of those have made some progress. We have a large sovereign fund agreeing to invest in the Tara Fund which we are targeting flows in the end of June for this. First close of 50 with a soft commitment of \$65 million. On the Middle East Fund we are targeting again a close in June at \$70 million, along with co-investment with possibilities taking it up to a total of \$100 million. So in total by June, July we should be booking at additional funds under management of approximately 65 and 100, so about a \$165 million. That is the target for this June. In addition if you recollect we also had last year created marketing for our infrastructure fund which was a joint venture with Standard Chartered. That for various reasons including related to the joint venture partner. Although we agglomerated US\$ 350 in terms of commitment could not come through, we have used this quarter to restyle that particular fund or that particular investment opportunity. We are expecting that in this couple of quarters we will go back to all our investors and try and create a structure which allows them to participate both as a fund LP as well as through a co-investment so that the investments can come in a

whole lot faster. There has been a trend in the market where most people prefer that they provide a small amount in a fund structure and provide the rest through a co-invest. All it means is that you get larger amount if you do it in a fund structure, There is lesser fee in the co-invest structure but you can do bigger investments. So what you lose in terms of your ability to create larger amount of fees under management you make up in the co-investment fees because you can do a whole lot more chunky investments. That is going to be our strategy going forward in the infrastructure space. In addition we had some smaller initiatives that we had started last quarter. One is in the sustainability space since we are specialist in that area. This is a small fund. We expect to do a close of approximately \$40 million of this \$75 million fund in September. Other smaller funds are also in the making which we will have greater ability to discuss in the next analyst call. I now throw open the floor for questions.

- Moderator** Thank you very much. Ladies & gentlemen, we will now begin the question and answer session. Our first question is from Jinesh Jain an Individual Investor. Please go ahead.
- Jinesh Jain** I just wanted to know between the last meeting you told that you will try to maintain the dividend but I find that this time you are not maintaining the dividend. You said during the last meeting that after the bonus you will try to maintain the same dividend say 1.5 per share.
- Dr. Archana Hingorani** That is correct, we did say that. We have not seen the same amount of traction in raising new funds and we thought it would be prudent to not take it up to give an additional Rs. 0.25 and leave it at Rs. 0.45. That is the decision that the board made.
- Moderator** Our next question is from Pratik Poddar of Securities India Private Limited. Please go ahead.
- Pratik Poddar** Just one question, your trade receivables on the standalone side have gone up dramatically. Any specific reason for that?
- Manoj Borkar** These receivables are basically from the offshore subsidiary and most of the funds have been fully invested so as and when there are divestments, out of those divestments proceeds is what is the cash available to settle the fees. So that is why the debtors on a standalone as well as consolidated basis is slightly on the higher side but we expect that in the next six months it should normalize.
- Pratik Poddar** Could you just give me a break up between say six months and more than six months for this 170?
- Manoj Borkar** This will be around I think over six months would be around 72 crores, remaining are less than 6 months.
- Pratik Poddar** And what is the AUM currently? You mentioned 1000 crores is what is in the pipeline, I am sorry \$160 million and currently do you remember?

- Manoj Borkar** See current AUM is roughly in the region of \$1.6 billion.
- Pratik Poddar** And could you just comment about how is the traction taking place between say the investors? Are they now more willing to invest or could you just -
- Dr. Archana Hingorani** I think it is a whole lot better. That is why we have seen this large commitment coming from a government entity to us but clearly although the stock markets you can see there has been significant interest from investors. Long term investors obviously are looking to see what happens post elections but the mood seems to be clearer that there will be an India allocation in the next six months from whole bunch of investors. But you have to remember we are also competing now against a lot of investors who also want to directly participate in India. So it is going to be a combination but the ones that do not have access clearly have restarted looking at allocations for us.
- Moderator** Thank you. As there are no further questions from the participants I now hand the floor back to Dr. Archana Hingorani for closing comments.
- Dr. Archana Hingorani** Thank you for all your questions and we hope to see you at the next call.
- Moderator** Thank you. Ladies & gentlemen on behalf of IL&FS Investment Managers that concludes this conference. Thank you for joining us and you may now disconnect your lines.