

Creating Livelihoods for Marginal Farmers 12 MW Power Plant, Aurangabad, Maharashtra



IL&FS Renewable Energy Limited (IREL) a subsidiary of IL&FS operates a 12 MW plant in Aurangabad, Maharashtra that generates electricity from waste agri-residues. Cotton is the main crop of the region. After the cotton plucking, the stalk that remains in the fields is not of much use to the farmers. However, this stalk is the main agri-residue used by the energy plant

To begin with, a study of the 95 villages around the power plant was conducted to understand and identify the key sources of income and the attendant challenges. The region is drought prone making living conditions harsh. This provided an opportunity for a few interventions which took cognisance of this reality

Marginal and small farmers from these villages were organised into Farmers' Groups and provided mobile chipping machines. These machines enabled the farmers to supply the chipped cotton biomass directly to the plant. Fifteen such farmers' groups were established between January to June 2014. By selling directly to the plant, these groups earned a gross revenue of Rs. 3.86 million in just four months providing critical off-season incomes for about 220 farmers and landless labourers. Additionally, each farmer group member has been provided an accident disability and life insurance cover up to Rs.200,000 totalling to a social security worth Rs. 44 million. Financial support from NABARD was secured for this initiative to finance the chipping machines



This innovative supply chain intervention is a win-win proposition as the plant gets an assured cotton supply to fulfill its requirements

In the same region, in collaboration with the Confederation of Indian Industries (CII) and its members, a water storage conservation project is being implemented in Chartha and Shelud villages through an NGO partner that works in the area of livelihood development and water management. In the coming years, this intervention will be supplemented with initiatives to get farmers to use water conservation techniques such as drip irrigation. Reliable availability of water is expected to help increase farm based earnings by at least 30% in the three years



DIRECTORS' REPORT

The Shareholders

Infrastructure Leasing & Financial Services Limited

Your Directors take pleasure in presenting the Twenty-Seventh Annual Report along with the Audited Accounts for the year ended March 31, 2014

FINANCIAL RESULTS

₹ in million

For the Year Ended March 31,	2014	2013
Total Revenue	15,330.72	13,777.74
Total Expenses	10,814.87	9,354.83
Profit Before Tax	4,515.85	4,422.91
Provision for Taxation		
- Current Tax	(1,340.00)	(858.00)
- MAT Credit Entitlement	-	-
- Deferred Tax	22.00	(37.00)
Net Profit for the Year	3,197.85	3,527.91
Balance of Profit b/f	10,943.26	9,497.61
Excess Provision for Dividend Tax	158.98	140.49
Profit available for Appropriation	14,300.09	13,166.01
APPROPRIATIONS		
Special Reserve I	639.57	705.58
Special Reserve II	85.00	70.00
General Reserve	-	352.79
Dividend (including Dividend Tax)	28.09	1,094.38
Balance of Profit	13,547.43	10,943.26
	14,300.09	13,166.01

DIVIDEND

Your Directors have recommended :

- (a) payment of dividend @ 2% ie, ₹ 0.20 per share in respect of fully Paid-up Non-Convertible Redeemable Cumulative Preference Shares (RCPS) of ₹ 10 each amounting to ₹ 1.17 million, inclusive of dividend tax;
- (b) payment of interim dividend @ 16.38% in respect of 240,000 fully Paid-up RCPS of ₹ 7,500 each, for the proportionate period the RCPS remained paid up during FY 2014, amounting to ₹ 17.01 million, inclusive of dividend tax; and
- (c) payment of interim dividend @ 16.06% in respect of 375,376 fully Paid-up RCPS of ₹ 7,500 each, for the proportionate period the RCPS remained paid up during FY 2014, amounting to ₹ 9.91 million, inclusive of dividend tax;

The above dividend would be subject to approval by the Members at the forthcoming Annual General Meeting

As regards dividend in respect of equity shares, the Company is considering distribution of a part of its assets in specie to its Shareholders (ie, transfer of upto 10% of the equity shares of IL&FS Transportation Networks Limited) in proportion of their holding in the Company. This would provide a significant benefit to the Shareholders and enable IL&FS to conserve its resources. The foregoing would be subject to approval of proposed Scheme of Arrangement being approved by the High Court and all Stakeholders. In view of this, the Board of Directors of the Company has not recommended conventional cash dividend on the equity Shares

SHARE CAPITAL

The fourth tranche of 1,362,914 partly paid-up equity shares of ₹ 10 each paid-up to the extent of ₹ 1 each, issued to the IL&FS Employees Welfare Trust (IL&FS EWT) on June 29, 2012, have been converted into fully paid shares on December 30, 2013 on payment of final call money by the IL&FS EWT. This is part of 5,451,650 equity shares issued to IL&FS EWT, pursuant to Members' approval obtained on August 11, 2008

Pursuant to the approval accorded by the Members of the Company at the Extra-Ordinary General Meeting held on March 14, 2014, your Company issued RCPS on a Private Placement basis as follows:

- (a) 240,000 – 16.38% RCPS of ₹ 7,500 each at a premium of ₹ 5,000 per RCPS on March 14, 2014;
- (b) 355,016 – 16.06% RCPS of ₹ 7,500 each at a premium of ₹ 5,000 per RCPS on March 25, 2014; and
- (c) 20,360 – 16.06% RCPS of ₹ 7,500 each at a premium of ₹ 5,000 per RCPS on March 28, 2014;

The issue of RCPS was well received in the market. The balance RCPS are also being issued and allotted on a private placement basis

OPERATING ENVIRONMENT

(a) Global Economy :

The global economic recovery remained steady across major global economies in the US, the UK and Japan with a subdued pickup in Europe and developing economies. In May 2013, the US Fed indication on tapering of Quantitative Easing (QE) created turbulence in the global financial markets especially in major emerging economies, which had an impact on the currencies of these countries. Subsequently, since January 2014, the US Federal Reserve reduced its monthly asset purchases from USD 85 billion to USD 55 billion as its economic activity showed progress and labour market outlook improved. The US GDP growth for the 2013 came in at 1.9% while the unemployment rate fell below 7% for the first time in 5 years. The tightening of stimulus in the US and reports of slowdown in major emerging economies resulted in biggest sell off in few of the emerging market currencies. The countries that were affected the most - Argentina, Turkey, Russia and South Africa among others

In Japan, the economy showed signs of improvement after it adopted the weak currency policy to spur growth and reverse the deflationary trend. In its latest policy, the Bank of Japan has decided to continue the monetary easing at an annual pace of 60 – 70 trillion yen with the objective of achieving a 2% inflation target in the next one year. In China, amidst concerns of a slowdown, the GDP growth for FY 2013 was almost at the same level as FY 2012

(b) Indian Economy :

Growth in the Indian Economy for FY 2014 is expected to be at 4.5%. This has been hampered by a host of factors – policy paralysis, high cost of capital, high inflation, lack of investment etc. Structural bottlenecks like shortages of power, coal and natural gas, stoppage of mining activity in some States following legal enforcements on illegal mining, continued to be a major constraining factor for industrial growth

The US Fed indication on tapering of QE in the first quarter of FY 2014 resulted in a sharp depreciation of the Rupee against the Dollar. However, measures taken by the Reserve Bank of India (RBI) helped stabilize the currency at around ₹ 60 levels

Current Account Deficit (CAD) for the first 9 months of FY 2014 came in at 2.3% of GDP as improving global demand coupled with the Rupee depreciation helped in the turnaround of export growth while imports, mostly Gold, declined as a result of restrictions by the RBI

In spite of growth being at a decade low, the continuous uptick in inflation on rising food and oil prices prompted the RBI to increase the repo rate by an overall 50 bps during FY 2014. As per the recommendations of Dr. Urjit Patel Committee, the Central Bank has shifted its focus to CPI inflation and has set an inflation target of sub 8% by January 2015 and sub 6% by January 2016. The average CPI inflation for FY2014 stood at 9.5%

OPERATIONS :

(1) IL&FS Financial Services Limited (IFIN) :

IFIN, a subsidiary of your Company, is registered with the Reserve Bank of India (RBI) as a Systemically Important Non Depositing Accepting Non-Banking Finance Company (NBFC-ND-SI). IFIN is a leading financial services company and provides the entire gamut of financial services including structured financial products, with a focus on infrastructure initiatives

Over the years IFIN has developed an integrated platform to fulfill the funding requirement of the corporate sector in India. It has also set up international operations in key financial markets to strengthen its product offerings

During the year under review, IFIN has launched the Infrastructure Debt Fund (IDF) in association with LIC and has raised ₹ 7.50 billion for deployment in infrastructure projects

During FY 2014 IFIN acquired a controlling stake in a broking outfit which has been renamed as "IL&FS Broking Services Private Limited" and which will focus on Institutional Broking business

IFIN has been awarded the highest ratings for its Long Term borrowing program by Credit Analysis & Research Limited (CARE) and India Ratings & Research Private Limited (IRR) and for its Short Term Borrowing Program by CARE, ICRA Limited and IRR. These ratings have been revalidated by the respective Credit Rating Agencies on an ongoing basis

In spite of adverse economic conditions in the domestic as well as international markets, IFIN has recorded a satisfactory performance

(2) IL&FS Investment Managers Limited (IIML) :

IIML, a subsidiary of your Company and the Fund Management arm of the IL&FS Group, is focusing on investments in three distinct segments : Private Equity (PE), Infrastructure and Real Estate. The current income earning AUM is US \$ 1.7 billion

The Private Equity space in India was amongst the most impacted in the Emerging Markets. Fund raising declined to US \$ 1.2 billion in 2013, nearly half of 2012 levels. India's share of emerging Asia's PE allocation also fell to 7% in 2013, down from 9% in 2012. The pressure to return capital to Limited Partners (which also impacts prospects of subsequent fund raising) has put exits in the limelight

While exits have shown some momentum, the ability to make a profitable exit and an expected return has been challenging. For the Industry, many exits were profitable; however, the depreciation of the Indian Rupee resulted in Dollar returns being mild, as most of these exits involved investments dating back to years with a stronger Rupee. IIML had a relatively good year with 23 exits worth ₹ 9.8 billion as compared to 15 exits fetching ₹ 5.4 billion in FY 2013

The primary objective this year is to enhance the funds under management. This is being done through a multi-pronged approach like creating on co-investment pool in the infrastructure space, completing closings of funds in market that have visibility, creating funds for investment in the real estate yield space and enhancing the AUM in the managed account category

(3) IL&FS Securities Services Limited (ISSL) :

FY 2014 was characterized by largely range bound markets with volatility on specific segments of Currency and Commodity Derivatives. The Stock Markets ended the financial year on a positive note with the BSE Sensex and NSE Nifty move up to all-time high levels in the last week of March 2014. Retail participation failed to pick up and remained low through the year. ISSL continued to garner market share and remained the market leader as the largest Professional Clearing Member on the Equity segment of NSE. Risk and governance remained important themes against the backdrop of volatility in the currency and commodity segments

ISSL registered as a Designated Depository under the newly released Foreign Portfolio Investors norms of SEBI to go live from June 1, 2014. The client acquisition on Alternate Investment Fund segment remained aggressive validating pursuit of a Prime Brokerage model that services funds across segments

The pricing and trade profiles continued to be low, whereas the options remained dominant on account of increased volumes of algo based trades at Exchanges. The Market share in clearing services increased by 1.17 % to 14.5% on the Equity Derivative segment of NSE; on the currency segment, the market share increased by 6.40% to 18.6% and on the commodity segment the market share increased by 3.10% to 6.8%

The loan book managed by ISSL for NBFCs saw an increase of 14%. The corpus increased on a sustained basis despite low retail participation

The account acquisition pace on Depository remained slow and transaction flow remained weak with low retail participation

Assets under Custody remained roughly at the same levels as the previous year but the business remained as the market leader on the AIF segment facilitated by the ability to offer Custody, Fund Accounting and Clearing in a single basket

The Fund Services desk, which was set up recently, services a variety of customers including Portfolio Management Funds, Mutual Funds, Family Office Funds and Alternate Investment Funds (Hedge Funds)

The following initiatives have been undertaken through Subsidiaries of ISSL :

- (a) ISSL Market Services Limited, a Subsidiary of ISSL started operations in November 2013. It replicates ISSL's domestic model for offshore markets and is mandated to service global financial players across front, middle and back offices. Client acquisition was started from the London branch office
- (b) ISSL Settlement & Transaction Services Limited, a Subsidiary of ISSL is in the process of taking membership of Dubai Gold and Commodity Exchange. The services are expected to be activated by Q2 of FY 2015

(4) IL&FS Trust Company Limited (ITCL) :

IL&FS Trust Company Limited, a subsidiary of your Company is registered with Securities and Exchange Board of India, as a Debenture Trustee. ITCL is one of the largest independent Corporate Trust and Multi-Family Office service providers in India, offering Trusteeship and Fiduciary services to Infrastructure and Financial Services industry, Governments, Funds, Families and High Net worth Individuals

As of March 31, 2014, ITCL administered over ₹ 4,456 billion (i.e. USD 74 billion) in assets under a gamut of Corporate and Family Office Trusteeship services from its headquarters in Mumbai and Offices in Delhi, Bangalore and Kolkata

ITCL clients include Governments and their agencies, Corporations, Financial Institutions and other entities that access debt capital and credit markets. For its Corporate Trust business, ITCL engages in-house financial and legal expertise to deliver a full range of issuer and related investor services as also constantly innovate and develop customized solutions for the Industry and market participants. ITCL's Family Office Services caters to the needs of Global Indian Families and UHNIs in the area of Structured Succession, Inter-Generational Transfer of Wealth, and Family Governance

(5) IIDC Limited (IIDC) :

IIDC (formerly IL&FS Infrastructure Development Corporation Limited), a wholly owned subsidiary of your Company, is continuing its primary focus on mandates of national importance and building businesses for the Group. It is also actively looking at project development opportunities in the African continent in addition to potential opportunities in the emerging infrastructure space. Further, the major ongoing mandates of IIDC are also progressing satisfactorily

The run up to the general election/elections to some key States had slowed down the infrastructure sector and the flow of business during the second half of FY 2014. However, IIDC is hopeful that the infrastructure sector would rebound on formation of a stable Government at the Centre and some of the key States where elections are going to be held in May, 2014. Further, the investment of above US \$ 1 trillion envisaged during the XII Plan is also expected to infuse a lot of energy into the Indian infrastructure space. IIDC is already working closely with Government of India and a number of State Governments and sees huge opportunity, especially in the sectors where it is well entrenched, from the re-energized environment

(6) IL&FS Transportation Networks Limited (ITNL) :

During the year under review, the surface transport sector was largely encumbered by financial pressures owing to the prolonged economic slowdown clubbed with near standstill development under the project award scenario. Despite this, ITNL executed Concession Agreements with NHAI for the four laning of 138 km Khed-Sinnar Project in Maharashtra and six laning of 123 kms Barwa-Adda Project in Jharkhand and West Bengal. Financial closure of these projects was achieved and construction operations have commenced. In addition to this, ITNL received a Provisional Completion Certificate for Pune-Solapur Road Project in Maharashtra and commenced commercial operations at Narketpally-Addanki-Medarametla Road Project in Andhra Pradesh as well as at Rajasthan Road Projects. Commercial operations have also commenced at 7 checkposts in the Madhya Pradesh Border Checkpost project

ITNL expanded its presence from the Middle East, South East Asia and Africa to US and Latin America. ITNL is actively pursuing various projects in these geographies along with completing formalities of setting up offices in these regions. Some of these projects are in the pipeline and expected to reach a favourable conclusion in the near future

ITNL International Pte Ltd commenced proceedings to establish its office in Washington, USA

With FY 2015 starting with close of parliamentary elections and formation of new government at the Centre, ITNL is optimistic of the future scenario. It expects that the project award scenario would pick up in the domestic sector and aims to secure a considerable portion of these awards

(7) IL&FS Energy Development Company Limited (IEDCL) :

IEDCL, a subsidiary of your Company with a mandate to catalyse reliable and environmental friendly power at an affordable cost, continues to make investments in various energy assets with a suitable mix of projects based on fossil fuels and renewable sources. IEDCL currently has around 1,100 MW power generation in operation, and around 2,000 MW at various stages of implementation

On the renewable front, wind power projects with aggregate capacity of 550 MW are operational and 454 MW are expected to be operational in FY 2015. The operational biomass power portfolio comprises of 80 MW of bagasse based cogeneration power projects and 25 MW of biomass based power projects

On the transmission side, a 460 km 400 kV power transmission line is in operation, and a 326 km 400 kV is under implementation

The first unit of 363 MW of the 1,090 MW Tripura Gas Power Project domiciled in ONGC Tripura Power Company Limited went into commercial production on January 4, 2014. The second unit of 363 MW is targeted for commercial operations in FY 2015

IEDCL is implementing a 3,180 MW Coal based thermal Power Project at Cuddalore in Tamil Nadu of which Phase – I of 1,200 MW is in an advance stage of construction. Phase I is targeted to achieve commercial operation in FY 2015. The PPA has been executed for 540 MW

The 125 km 400 kV Indo Nepal transmission line project is expected to be commissioned in FY 2015. The debt funding has been tied-up and the EPC contracts have been awarded both for India and Nepal side of the project

IEDCL is establishing its presence in the Solar Power Sector and has won a bid for a 40 MW solar project invited by Solar Energy Corporation of India Limited under the Jawaharlal Nehru National Solar Mission (JNNSM). In addition, IEDCL is implementing 20 MW solar projects awarded under State tenders invited by Tamil Nadu State Discom

In addition to the above, IEDCL is engaged in developing other projects, including :

- (a) 4,000 MW Coal based Thermal Power Project at Nana Layja, Gujarat
- (b) 2,000 MW Gas based Power Project & 5 MTPA LNG Terminal at Nana Layja, Gujarat
- (c) 12 MW Waste-to-Energy Project at Ghazipur, New Delhi

(8) IL&FS Maritime Infrastructure Company Limited (IMICL) :

IMICL, a subsidiary of your Company, has been set up with the objective of consolidating the existing Maritime segment investments of the Group and to create a value-added business platform in the maritime sector. IMICL is creating a diversified portfolio of assets, services and strategic alliances through development and implementation of marine infrastructure and associated projects

As per the Maritime Agenda 2020, the traffic at Indian ports is expected to grow exponentially at a CAGR of around 14% in the next 10 years due to strong demand led by infrastructure and trade growth. To cater to this, IMICL is currently working on development and implementation of select projects. In a short span of six years, IMICL has established a foothold in the Indian maritime domain, with a footprint across four maritime States of India and in the United Arab Emirates (UAE)

(a) Projects Under Implementation:

- (i) Berths at Dighi Port, Maharashtra
- (ii) Cuddalore Captive Port, Tamil Nadu
- (iii) Liquid Storage Tank Terminal, Fujairah, UAE
- (iv) Fertilizer Handling Berth, Visakhapatnam Port

(b) Projects Under Development:

- (i) Nana Layja Integrated Maritime Complex, Gujarat, comprising of a Shipyard and a SEZ with captive port and a LNG terminal
- (ii) A Greenfield Port in Gujarat
- (iii) Inland Container Depot in Tanzania

(9) IL&FS Environmental Infrastructure & Services Limited (IEISL) :

IEISL, a subsidiary of your Company, has established a track record in the Environmental and Waste Management space with successful implementation of pioneering projects

(A) Construction & Demolition (C&D) Waste Management:

IEISL has been engaged by Bureau of Indian Standards (BIS) and other Government institutions to evolve Standards for recycled products from C&D waste. The Company is also assisting the Ministry of Environment & Forests (MoEF) and Ministry of Urban Development to develop rules for C&D waste management in the Country. On notification of the rules, C&D recycling products can be used in Government contracts with greater ease

IEISL's pioneering C&D waste management facility at Burari processed close to 0.50 million tons of C&D waste during FY 2014. The facility has also added manufactured sand to its product range. Given the acute shortage of sand arising from the countrywide ban on sand mining, IEISL is well poised to consolidate its position in this niche space

IEISL is also working with MoEF to ease the environmental regime for these pollution abetting C&D Waste Management facilities, which would enable setting up of C&D waste management facilities in cities including Coimbatore, Gurgaon, Hyderabad and Bangalore

(B) Composting:

- (a) IEISL produced over 27,000 tons of compost during FY 2013. IEISL's production facilities at Jaipur Trichy and Okhla are now operational and it is poised to significantly ramp up production in FY 2015. IEISL also acquired a new Operation & Maintenance (O&M) mandate at Mangalore (200 TPD) which has started producing compost
- (b) IEISL commenced production of Phosphate Rich Organic Manure (PROM) in November 2013, in addition to being an import substitute the product will enable IEISL to get a significantly higher net realization per ton of compost
- (c) IEISL is negotiating with the major power and cement companies for off-take of Refuse Derived Fuel (RDF) produced from the combustible fraction of the waste
- (d) IEISL continues to generate Carbon Credits from its waste management operations. In order to find alternate markets post 2012, IEISL is actively bidding for bilateral deals ie, Norwegian Carbon Procurement Facility and the Swedish Energy Agency etc

Given the grim scenario painted in the Report on the Global Warming by the latest Inter-Governmental Panel on Climate Change, the carbon credit market is likely to see a revival post 2015

(C) Waste to Energy: IEISL is implementing 2,000 TPD mixed Municipal Solid Waste to energy plant at Ghazipur, Delhi. This pioneering benchmark project will be the first Waste-to-Energy facility in India which is compliant with Euro Norms on Emission

(D) Advisory Services: Some of the select Advisory mandates handled by IEISL include :

- (a) Developing an Environment & Forest database for MoEF on a pan India basis, based on a Geographical Information System and analysis framework. Given the lack of reliable environment data, this initiative will greatly help MoEF's ability to environmentally appraise and monitor projects
- (b) Developing an Integrated Rainfall Information Management System for Indian Meteorological Department for weather predictions
- (c) Implementing a Retail Distribution Information Management System based on the Geo-spatial platform for Unilever in Vietnam. The same model is being replicated for retail clusters in South East Asia and Africa

(10) IL&FS Township & Urban Assets Limited (ITUAL) :

ITUAL, a subsidiary of your Company, has been mandated to spearhead the development of new cities, affordable housing and other urban assets of the Group

India is witnessing a rapid growth in urbanization. This opens a number of opportunities in the development of urban infrastructure and new cities. ITUAL is currently working on the following major initiatives :

- (a) **Development in Gujarat International Finance Tec-City (GIFT):** As a co-developer and anchor investor of the GIFT Project, ITUAL has subscribed to the development rights of 7.77 million square feet in GIFT. It has completed development of two 30-storey commercial buildings (viz, GIFT One and GIFT Two) of international standards, with an aggregate built-up area of 1.5 million sq ft at an estimated investment of about Rs 8.5 billion
- (b) **International Stadium in Kerala:** ITUAL is the Development Manager for a multi-purpose stadium at Karyavattom near Trivandrum, Kerala, on a BOT basis. The facility is proposed to be used for hosting the 35th National Games. The stadium is designed as a multi-utility facility, capable of hosting international sporting events as well as non-sporting events such as conventions and concerts. The project is scheduled to be completed by December 2014
- (c) **Bhutan Education City:** ITUAL is developing an Education City Project on a 1,000 acre land parcel, located between Paro and Thimpu on a BOT basis for which the Concession Agreement was executed on December 24, 2012. It has formed the SPV, Bhutan Education City Private Ltd for development of the project. This project is being undertaken in consortium with Infinity Infotech Parks Ltd
Upon execution of the Concession Agreement, ITUAL has submitted a Detailed Project Report to the Bhutan Education City Board and the approval of the same is awaited
- (d) **Housing:** ITUAL is currently exploring development of affordable housing projects at various locations in India. The development will through joint development arrangements with the land owners. In this regard, ITUAL has commenced project development work for development of a residential township at Alwar. This project is targeted for launch in FY 2015

(11) IL&FS Engineering and Construction Company Limited (IECCL) :

The construction industry has been plagued by policy bottlenecks and stretched working capital cycles. Despite a challenging environment, IECCL has been able to demonstrate tangible and steady improvement in Key Parameter, Order Book, Revenues, EBITD etc

In order to meet the its financial obligations as well as to partly redeem the preference shares of CDR banks, IECCL intends raise long term capital by way of issue of equity shares on a rights basis and has filed the draft Letter of Offer with SEBI

The current order book of IECCL stood at Rs 100 billion, and it is anticipated that the financials as well as profitability would improve in FY 2015

(12) Hill County Properties Ltd (HCPL) :

Pursuant to induction of the IL&FS Group as Promoter in HCPL (formerly Maytas Properties Limited) vide an Order of the Company Law Board (CLB) dated January 13, 2011 and extended on January 24, 2014, your Company has taken all requisite steps to comply with the conditions laid down in the CLB Order

HCPL has completed its flagship Hill County Project during the year and is in the process of completing delivery of Villas and Apartments to the customers. HCPL has also entered into a comprehensive settlement with the Private Equity Investors and Bankers

HCPL is currently working on a strategy to monetise the land banks and land development rights held by HPCL which will ensure settlement of all dues including those of IL&FS

(13) IL&FS Education & Technology Services Limited (IETS) :

IETS activities are grouped into three major business verticals: Education, Skill Development and Cluster Development. These businesses are operated through IETS and its subsidiaries viz. IL&FS Skills Development Corporation Limited (ISDC), which is a Joint Venture initiative with National Skill Development Corporation (NSDC) and IL&FS Cluster Development Initiative Limited (ICDI)

(A) Education:

(a) Education Technologies:

- (i) **Computer labs in schools:** During the year, IETS consolidate its leadership position by securing mandates for 8,046 schools across 3 states, of which implementation was completed for 6,441 schools. The reach of the Company now covers more than 25,000 schools and has directly impacted 6 mn students
- (ii) **K-Yans and K-Class:** K-Yan, the patented integrated computer-cum-projection device which is a learning aid, witnessed significant growth in sales, with 10,400 units sold during the year. IETS also sold 329 units of private schools learning solution (K-Class) taking the cumulative sales to 820. A notable development during FY 2014 was the completion of the first overseas education mandate by IETS, with delivery of 500 K-Class units to Nigeria

(b) Teacher Training: During the year the Teacher Training initiatives were led by mandates in ICT@Schools, sale of K-Class to private schools and CSR projects for corporate. Through its direct teacher training mandates and through other education projects & solutions, IETS has impacted more than 150,000 teachers till date

(c) School Infrastructure & Management Services: During the year IETS commenced a project for Cairn India Limited in Barmer for an education driven CSR initiative to be undertaken in and around 100 schools in Barmer. IETS has also been shortlisted as one of the qualified bidders under Model Schools Scheme, under which 2,500 Model Schools would be set up across the country on PPP basis

(B) Skills:

(a) Skills for Jobs: IETS, along with its subsidiaries, trained 75,844 candidates during the year, for a variety of sponsors which include Government Departments (Central Ministries as well as State Govt Departments), corporate sponsors (mix of private sector and public sector companies), philanthropic organizations and trainees themselves. In addition 51,775 candidates were trained under the STAR (Standard Training, Assessment and Reward Scheme of the Ministry of Finance). The market outlook has improved significantly as many policy decisions and schemes were announced by the Government during the year

(b) Skills Up gradation: Under this segment, IETS carries out training mandates for Government employees in functional skills, behavioral skills, and IT skills. 76,300 candidates were trained during the year

(c) Content: IETS has developed content in 33 trades covering Services, Manufacturing and Engineering sectors. The Company is mapping this content to National Occupational Standards as defined by the Sector Skill Councils

(C) CSR:

During FY 2014, significant success was achieved in expanding the CSR clients. Two major projects were launched during the year viz. Cairn India Limited in Barmer, Rajasthan; and OIL India Limited in Assam covering education and skill development

(D) Clusters:

The Clusters Business of IETS is carried out through its subsidiary IL&FS Cluster Development Initiative Ltd (ICDI). Under this business, ICDI provides program management services for Government schemes, project advisory and project management services to industrial clusters and livelihood development. The major initiatives were in agri business/food processing and textile sectors. With its association as program manager, ICDI has facilitated sanction of grants of close to Rs 34 bn for various cluster projects, of which close to Rs 20 bn has already been released to the industry. Employment of more than 100,000 has been generated by these projects

ICDI is also working in various African countries through projects awarded by Ministry of Commerce & Industry and Ministry of External Affairs, GoI. These projects cover value chain development, investment promotion and project formulation. The Technology Assistance Program for Africa (Cotton TAP) is under implementation in 7 African countries, with plans to extend to a further 5 countries

(14) IL&FS Technologies Limited (ITL) :

ITL is an IT Systems Integrator focussed towards e-Governance and Smart Infrastructures projects. It has developed significant expertise in developing and delivering citizen centric IT projects on a Public-Private-Partnership mode in the domestic and international markets. ITL is currently maintaining CMMI Level 5; ISO 9001: 2008; ISO 20000: 2011 and ISO 27001: 2005 Certifications

ITL has further geared itself for replicating the expertise garnered in the areas relating to land records, System Integration, ERP and managed services. ITL expects to significantly enhance its operations in the current fiscal in the aforesaid areas

A brief overview of progress achieved so far in these areas is as under:

(A) Land Records and e-Registration:

- (a) Land Titling & Computerization Project (LTCP), Philippines:** Over 90% of the LTCP is operational and earning stable revenues. The Balance is expected to commence operation in the FY 2015
- (b) MP Web GIS:** The Mandate received in FY 2014 from the Commissioner, Land Records & Settlement, Madhya Pradesh, for implementing "Enterprise Web based solution for Managing Land Records" on BOOT basis for five years. Implementation is in progress and the project is expected to go live in the second quarter of FY 2015
- (c) MP Cyber Record Room:** Part of National Land Record Management Program, project comprises of conversion of the existing Record Rooms into Cyber Record Rooms, to be implemented in 361 Tehsils of State of Madhya Pradesh. Project under implementation and expected to be completed by FY 2015
- (d) e-Registration Services:** The e-Registration projects have already been implemented (i) Odisha: project implemented on a BOOT basis is fully operational; (ii) Bihar: the project has been delivered and has gone live; and (iii) Assam: project under ADB funding delivered and gone live

(B) System Integration, IT Infra and Managed Services:

- (a) MP Border Check Posts:** The project comprises of implementation of IT portion for "Modernization of 24 Border Check Posts in the State of Madhya Pradesh". Five check-posts and two Central Control facilities are live. During the year, further five check-posts are under implementation and commissioning. Balance check-posts expected to complete by FY 2015
- (b) Assam e-District Project:** This Mission Mode Project (MMP) aims at electronic delivery of identified high volume citizen centric services, at district and sub-district level. ITL being a Consortium Partner, the responsibility of ITL is to provide IT infrastructure and Manpower support. Site preparation and hardware installation is in progress and the project is expected to complete by mid of FY 2016

(c) IT Infra – NBCC: ITL has secured an IT infra project from National Buildings Construction Corporation Limited (NBCC) for Office Complex for Coal India Limited at Rajarhat, Kolkata. Installation and implementation work is in progress and the project is expected to complete by FY 2015

(d) Rajasthan Housing Board (RHB) Management System: The RHB is a Government body responsible for building houses and civic amenities for the lower income group. The project scope include ERP implementation and IT infrastructure services. Hardware delivery and Phase-1 of software UAT completed and end user training is in progress. Project is targeted to go live by mid of FY 2015

(C) ERP – Microsoft Dynamix AX :

ITL secured three ERP projects during FY 2013 and 2014. Two projects Diagno Labs and Dr. Lal Pathlabs Private Limited are currently under operations phase. The third project of National Dairy Development Board is currently under development and expected to go live by FY 2015

(15) Gujarat International Finance Tec-City Company Limited (GIFT) :

GIFT is a 50:50 Joint Venture of your Company with Government of Gujarat (GoG) represented by Gujarat Urban Development Company Limited (GUDC), for implementing a global financial centre in a Special Economic Zone (SEZ) and Domestic Area. The GIFT Project is a first-of-its-kind development in the Country in terms of its scale, scope and quality of offerings using state-of-the-art physical, social and IT infrastructure and world class connectivity

GIFT Special Economic Zone (GIFT SEZ) is the only Multi Service SEZ with the status of an International Financial Service Centre (IFSC) accorded by Ministry of Commerce & Industry, Government of India. Various units have already commenced operations from GIFT SEZ

GIFT has made allotment of space to:

- (a) WTC Noida Development Company Limited –** for development of World Trade Centre in over 1 million square feet (MSF);
- (b) State Bank of India –** for development of commercial facilities spread in an area of 0.20 MSF to support their International and Domestic operations;
- (c) Sterling Addlife India –** for development of state-of-the-art multi-speciality hospital with 200 bed capacity spread in 0.25 MSF;
- (d) Global Insurance Services –** for setting up of Skill Development & Training Centre which would provide training in the area of Insurance and related activities spread across 0.20 MSF area;
- (e) GIFT Parking Facilities Ltd –** for development of a multi-level car parking facility with a capacity to accommodate over 5,000 cars

(16) Tirupur Area Development Project :

New Tirupur Area Development Corporation Limited (NTADCL) was promoted by the Government of Tamil Nadu (GoTN) and IL&FS, to implement and operate an integrated water supply and sewage project at Tirupur in the State of Tamil Nadu. During FY 2011, the Madras High Court had ordered closure of all dyeing and bleaching units in Tirupur based on public interest litigation. This had an adverse effect on the operations and finances of the Project. Consequently, NTADCL issued a Force Majeure Event Notice to GoTN and Tirupur Municipality

Tamil Nadu Pollution Control Board (TNPCB) has started examining the measures taken by the industries located in industrial clusters in Tirupur for compliance to "Zero Liquid Discharge" standards. Based on the compliance, permissions are being granted to reopen, operate and utilize the installed capacities in a graded manner. Though there have been efforts to reopen the industrial units, the stringent regulations affecting the water off take

In order to improve the financial health of NTADCL, your Company along with Tamil Nadu Water Investment Company Limited and Lenders represented by IDBI, has devised a Corporate Debt Restructuring (CDR) package

On the other hand, the GoTN has:

- (a) agreed to buy 100 MLD of water at a price higher than the stipulation of the Concession Agreement;** and
- (b) granted permission to supply water to the areas beyond Tirupur**

Efforts are underway to supply water to consumers located outside Tirupur and are willing to invest in installation of pipeline

NEW INITIATIVES :

(1) Initiatives in Africa:

The African continent offers tremendous opportunities for infrastructure development in the areas of Power, Transport, Water and Mobile Communications. There is also great potential to build infrastructure based sectoral linkages between Africa and India. To unlock this potential, your Company is exploring to partner with EXIM Bank, LIC, SBI to float a Project Development Company in Africa with a capital of USD 25 million to be contributed equally. The PDC would provide specialised project development expertise

(2) Initiatives in Fujairah:

IL&FS Maritime Infrastructure Company Limited (IMICL), a Subsidiary of your Company, is engaged in the development of Storage Tank Terminals for petroleum and allied products at Fujairah, UAE in consortium with Prime Terminals FZC

Fujairah is located strategically outside the Strait of Hormuz through which 40% of the world's seaborne oil shipments and 20% of all world oil shipments pass through. Fujairah is increasingly becoming a hub for (i) trading in the region and thereby an increasing demand for storing and handling of oil and allied products (ii) second largest bunkering hub in the world having significant demand for storage of bunker fuels for the large number of vessels in the region

A Project SPV has been incorporated as IL&FS Prime Terminals FZC at UAE. The Project involves development, operation and maintenance of 26 tanks with an aggregate capacity of 600,000 cubic meters of petro product storage. The project is expected to be completed in CY 2014

(3) Corporate Social Responsibility :

The provisions relating to Corporate Social Responsibility (CSR) of the Companies Act, 2013 are applicable to Companies having (i) a net-worth of Rs 5 billion or above or (ii) turnover of Rs 10 billion or above or (iii) a net profit of Rs 50 million or above have to compulsorily spend 2% of the average net profit of three preceding years on CSR initiatives

The Companies Act, 2013 also defines a broad framework for implementation of CSR activities, and also the activities that qualify to be treated as CSR activities. The Companies that qualify for the CSR criteria need to constitute a CSR Committee comprising of three Members of the Board with at least one Member being an Independent Director

Your Company is a unique organisation engaged in development of a wide variety of infrastructure projects encompassing power, roads, water, airports, SEZs, townships, area development etc, integrating environmental and socio economic considerations as the core of its project development activities

Now, with the enactment of new Companies Act, your Company has constituted a CSR Committee and authorized the Committee to formulate a CSR Policy for IL&FS Group. It is proposed to institutionalize the CSR activities through the Nalanda Foundation, a not-for-profit initiative of IL&FS

REGISTRATION AS A CORE INVESTMENT COMPANY :

Pursuant to Regulatory Framework for Core Investment Companies (CIC) of Reserve Bank of India (RBI), your Company had registered itself as a Systemically Important Non Deposit Accepting Core Investment Company (CIC-ND-SI) on September 11, 2012

RESOURCES :

Your Company has raised its financial resources principally through working capital facilities and term loans from banks, deposits from corporates, issue of non-convertible debentures, non-convertible redeemable cumulative preference shares, commercial paper and loans from multilateral funding agencies. Resources that are raised are in line with the requirements of financing group companies as a Core Investment Company, keeping in mind the management of interest rate risk, potential asset liability mismatch and treasury operations. Your Company has developed and implemented a robust framework of compliance and risk management practices to ensure that operations are undertaken in an integrated and cost efficient manner

RISK AND COMPLIANCE FRAMEWORK :

- (1) Your Company has an established practice of compliance reporting covering all operations and support functions; compliance reporting is also subject to internal audit and is periodically reviewed to ensure comprehensive coverage. Similar practices are being established in all major subsidiaries and associates with the coordination and support of the Credit & Risk Management Group
- (2) Asset Liability Management was an area of high focus in the context of the preponderance of investments on the Company's balance sheet as a CIC, and the need to maintain a consistent liability profile. Concentration of debt issuances at the longer end, together with the issue of preference capital enabled regulatory as well as internal norms to be achieved comfortably. The Company also maintains a liquidity buffer comprised of bank deposits, high quality liquid assets and unutilised credit lines as a standard prudential practice, the level of the liquidity buffer is indexed to obligation maturing over the next twelve months

FIXED DEPOSITS :

Your Company does not have any outstanding public deposits as on March 31, 2014. Your Company has been registered as a Core Investment Company (CIC). The Regulatory Framework of CIC in terms of RBI guidelines prohibits/ restricts the CICs from raising funds by way of public deposits. Accordingly, your Company has not accepted any public deposits nor intends to raise any money by way of public deposits

CORPORATE GOVERNANCE :

Your Company believes in providing full disclosures to the stakeholders, and adopting policies and procedures to remain transparent. IL&FS's equity shares are not listed on any Stock Exchange and hence the Corporate Governance as prescribed in Clause 49 of the Listing Agreement is not applicable. IL&FS has voluntarily adopted SEBI prescribed Clause 49 of Standard Listing Agreement for sound corporate governance practices based on professionalism and accountability in building confidence among various stakeholders

Pursuant to the provisions of Securities & Exchange Board of India (Insider Trading) Regulations, 1992, the Company has formulated a comprehensive Code of Conduct for Prevention of Insider Trading to preserve confidentiality and prevent misuse of any price sensitive information. Every designated employee of the Company is required to safeguard the confidentiality of the information and not to misuse the information obtained during the course of their day-to-day work, for personal gain or benefit. The Compliance Officer appointed under the Code monitors adherence of the Code. Though your Company has ceased to be a SEBI regulated entity, the Code continues to be observed on a voluntary basis

(1) The Members of the Board and their Attendance at Board and General Meetings:

Four Board Meetings were held during the year under review. The Meetings were held on May 21, 2013, August 29, 2013, December 5, 2013 and March 4, 2014. The attendance at the above mentioned Board Meetings and the previous Annual General Meeting held on August 28, 2013 are listed below:

Name of the Director	Number of Board Meetings Attended	AGM Attendance
Mr Ravi Parthasarathy	4	Yes
Mr Hari Sankaran	4	Yes
Mr Arun K Saha	4	Yes
Mr VK Sharma (from August 29, 2013)	1	NA
Mr S Bandyopadhyay (from August 29, 2013)	2	NA
Mr DK Mehrotra (upto May 22, 2013)	1	NA
Mr Sushobhan Sarker (upto May 22, 2013)	1	NA
Mr Yoshihiko Miyauchi	-	No
Mr Hiroshi Nishio (from March 4, 2014)	-	NA
Mr Yuki Oshima (upto February 27, 2014)	-	No
Mr Harish H Engineer (from March 4, 2014)	1	NA
Mr KM Mistry (upto December 5, 2013)	3	No
Mr Sanjeev Doshi	4	No
Mr K Eswar (from August 29, 2013 to May 8, 2014)	2	NA
Mr KA Somayajulu (upto May 16, 2013)	-	NA
Mr SB Nayar (upto July 15, 2013)	1	NA
Mr RC Bhargava	4	Yes
Mr SB Mathur	3	No
Mr Michael Pinto	4	No
Mr Jaithirth Rao	4	No
Mr Makoto Shioda Alternate to Mr Y Miyauchi	4	Yes
Mr Harakazu Yamaguchi Alternate to Mr Y Oshima (upto February 27, 2014)	-	No
Alternate to Mr Hiroshi Nishio (from March 4, 2014)	-	No

NA = Not Applicable, since the Director was either appointed after the AGM or resigned before the AGM

(2) Composition and Directorships/ Committee Membership as of March 31, 2014:

The details of Directorships held by the Directors of the Company, in other Indian Companies is provided below. Pursuant to Clause 49 of the Standard Listing Agreement prescribed by SEBI pertaining to Corporate Governance, the other details with regard to Chairman/ Membership of Committees held by the Directors of the Company, is also provided below:

Name of the Director	DIN No	Date of Joining the Board	Number of Directorships in other Indian Companies*	Number of Board Committees in which Chairman / Member	
				Chairman	Member
Mr Ravi Parthasarathy	00002392	06/07/1989	11	-	-
Mr Hari Sankaran	00002386	16/06/1998	11	-	1
Mr Arun K Saha	00002377	01/02/1995	14	3	7
Mr VK Sharma	02449088	29/08/2013	4	-	-
Mr S Bandyopadhyay	03558215	29/08/2013	-	-	-
Mr Yoshihiko Miyauchi	00991171	23/03/1993	-	-	-
Mr Hiroshi Nishio	06827437	04/03/2014	3	-	-
Mr Harish H Engineer	01843009	04/03/2014	3	-	2
Mr Sanjeev Doshi	02237584	11/07/2008	-	-	-
Mr K Eswar	06433771	29/08/2013	-	-	-
Mr SB Mathur	00013239	30/01/2005	15	4	5
Mr RC Bhargava	00007620	20/08/1990	8	4	4
Mr Michael Pinto	00021565	07/07/2004	10	2	7
Mr Jaithirth Rao	00025289	30/08/2012	7	-	1
Mr Makoto Shioda (Alternate Director)	02158375	22/04/2009	3	-	2
Mr Harakazu Yamaguchi (Alternate Director)	03535391	04/03/2014	2	-	-

* Includes Directorships in Private Limited Companies as well as alternate Directorships

(3) Committees of the Board :

(a) Audit Committee: The Audit Committee of the Board of Directors of the Company comprises of independent Directors viz, Mr RC Bhargava, Chairman, Mr Harish H Engineer and Mr Michael Pinto. The Audit Committee met four times during the year under review. The Meetings were held on May 20, 2013, August 5, 2013, December 4, 2013 and March 3, 2014

The attendance status of the Members at these Meetings is provided below. The Internal Auditors as well as Statutory Auditors of the Company are invited and have remained present for all Audit Committee Meetings

No	Name of the Director	Number of Meetings Attended
(1)	Mr RC Bhargava	4
(2)	Mr Harish H Engineer (from March 4, 2014)	-
(3)	Mr KM Mistry (upto December 5, 2013)	3
(4)	Mr Michael Pinto	3

The duties and responsibilities of the Audit Committee are as defined in Clause 49 of SEBI prescribed Standard Listing Agreement, which is voluntarily adopted by the Company

(b) Compensation Committee: The Compensation Committee currently comprises of three Non-Executive Directors namely Mr SB Mathur, Chairman, Mr Harish H Engineer and Mr Michael Pinto

The Compensation Committee had one meeting during the year under review on August 29, 2013. All the Members of the Committee on the date of the Meeting were present for the Meeting

The responsibilities of the Compensation Committee, inter-alia, include :

- (i) Reviewing the Remuneration Policy of the Company and the IL&FS Group;
- (ii) Approving the compensation payable to the Chairman, Managing Director and Senior Executives of the Company; and
- (iii) Endorsing the methodology and distribution of Performance Related Pay to the employees of the Company

(c) Risk Management Committee: The Risk Management Committee comprises of Mr S Bandyopadhyay, Chairman, Mr RC Bhargava, Mr Michael Pinto and Mr Arun K Saha. During the period under review, no Meeting of Risk Management Committee was held

The responsibilities of the Risk Management Committee, inter-alia, include :

- (i) Reviewing the adequacy of the risk management framework and operational procedures developed for new businesses and products from time to time
- (ii) Strengthening risk management practices to respond to emerging global and national market and regulatory developments
- (iii) Approving overall limits for management of credit risk, liquidity risk and market risks
- (iv) Reviewing asset liability management reports and provision of directions on improved management of liquidity and interest rate risk
- (v) Reviewing the capital adequacy requirements of the Company and provision of recommendations for the consideration of the Board in relation to the parameters to be considered in this regard
- (vi) Reviewing the Company's compliance program, as well as the status of any enquiry, investigation and other disciplinary action initiated by any regulatory agency

(d) Nomination Committee: In accordance with the RBI guidelines, your Company has constituted a Nomination Committee. The Committee currently comprises of Mr VK Sharma, Chairman, Mr Harish H Engineer and Mr Hiroshi Nishio. The Committee had one meeting during the year under review on November 11, 2013

The responsibility of the Nomination Committee is to ensure the fit and proper criteria in selecting the Whole Time and Independent Directors and recommending to the Board for approval

(e) Corporate Social Responsibility (CSR) Committee: In accordance with the provisions of the Companies Act, 2013, your Company has constituted a CSR Committee. The Committee currently comprises of Mr Ravi Parthasarathy, Mr Hari Sankaran, Mr Arun K Saha and Mr Jaithirth Rao

The responsibilities of CSR Committee includes :

- (i) to frame and recommend a CSR Policy for approval of the Board including the activities to be undertaken under CSR;
- (ii) to operationalize the CSR program including approving the expenditure on specific CSR activities;
- (iii) to establish a monitoring mechanism including monitoring and reporting formalities; and
- (iv) to build a robust pipeline of CSR initiatives to avoid carry forward of funds allocated

(f) Committee of Directors: The Committee of Directors of the Company comprises of Mr Ravi Parthasarathy, Chairman, Mr Hari Sankaran, Vice Chairman & Managing Director and Mr Arun K Saha, Joint Managing Director & CEO of the Company. The Committee is responsible for dealing with all on-going operational matters, including credits and investments, subject to the limits as specified by the Board of Directors of the Company from time to time, as well as the general management of the Company in its ordinary course of business

(g) Management Board: In view of the increase in the scale of operations of the Group, the Board of Directors of the Company had constituted a Management Board comprising of following Senior Executives of the IL&FS Group :

- Mr Ravi Parthasarathy, Chairman
- Mr Hari Sankaran, Vice Chairman & Managing Director
- Mr Arun K Saha, Joint Managing Director & CEO
- Mr Vibhav Kapoor, Group Chief Investment Officer
- Mr Ramesh C Bawa, Chief Executive Officer (Financial Services)
- Mr K Ramchand, Chief Executive Officer (Infrastructure)
- Mr Shahzaad Dalal, Chief Executive Officer (International)

The Management Board met thrice during the year under review. The Meetings were held on July 2, 2013, October 1, 2013 and December 16, 2013. All Members were present for the Meetings

The Management Board is responsible for :

- (i) reviewing all operational issues;
- (ii) formulating strategies and ensuring effective implementation thereof;
- (iii) formulating and implementing risk mitigation measures based on the business models; and
- (iv) reviewing issues with regard to Human Resources on a Group level

In addition to the foregoing, your Company has other Committees comprising of its Senior Executives for carrying out specific as well as on-going operations of the Company, viz :

- (a) **Administrative Committee:** The Committee comprises of two Whole-time Directors of the Company and Group Chief Financial Officer. The Committee is responsible for all matters pertaining to administration ie, opening and closing of bank accounts, authorisation of officials for administrative purposes etc
- (b) **Purchase Committee:** The Committee comprises of a Whole-time Director and Senior Executives of the Company and is responsible for procurement of goods and services
- (c) **Asset Liability Management Committee:** The Committee has been constituted as per RBI directives and comprises of a Whole-time Director and Senior Executives of the Company. The Committee is responsible for ensuring compliance requirements as specified by the RBI from time to time
- (d) **Internal Complaints Committee:** Pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (SHWW Act), the Company has formulated and adopted "The Sexual Harassment of Woman at the Workplace Prevention, Prohibition and Redressal Policy"

Further, as required under the SHWW Act, the Company has constituted an Internal Complaints Committee comprising of Senior Executives of the Company with effect from October 3, 2013. The Committee is responsible for ensuring compliance in terms of provisions of the Act, from time to time

Pursuant to implementation of the SHWW Act, the status of complaints received and resolved is as follows :

Number of complaints received during FY 2014	1
Number of complaints disposed during FY 2014	1
Number of complaints pending for more than 90 days	Nil
Number of awareness workshops conducted	2
Nature of action taken by the District Officer	*

* Since the complaint has been withdrawn from the ICC, the case was closed and no disciplinary action taken

(4) CEO/CFO Certification:

A certificate in compliance with the provisions of Clause 49 of Standard Listing Agreement of Securities & Exchange Board of India, relating to Corporate Governance, signed jointly by Vice Chairman & Managing Director along with Joint Managing Director & Chief Executive Officer is attached as an Annexure to this Report

CODE OF CONDUCT :

The Company has framed and adopted a Code of Conduct applicable to Members of the Board as well as the Senior Management of the Company. The Code has been approved by the Board of Directors of the Company. The Code has been posted on the website www.ilfsindia.com. For the year under review, all Directors and Senior Management Personnel have confirmed adherence to the provisions of the Code

MANAGEMENT DISCUSSION & ANALYSIS :

(1) Industry Overview :

During the year, the US Economy shown signs of recovery, despite a slow start, expanded at a pace of 4% which is highest in two years coupled with reduced unemployment rate. The Chinese economy registered a growth rate of over 7%. The Eurozone also reported signs of recovery. Global economic environment shows signs of recovery

The Indian GDP growth for FY 2014 remained at sub 5% levels, which is the lowest in a decade. The GDP remained subdued for most part of the financial year. The last quarter has seen some positive signs viz (i) the Trade deficit fell sharply due to increased exports and moderated imports, (ii) the Balance of Payment decline mainly on account of sharp fall in gold imports

Due to the General Elections in the country, it is anticipated the policy paralysis would continue till the Q2 of FY 2015, till the new Government assumes charge. The Government's focus on increased infrastructure spending as a means to boost the slowing economy is also seen as part of the efforts to support economic growth. Given the emphasis of the Government on PPPs, it is expected that opportunities for private sector players will sustain

The Infrastructure Projects consume a significant amount of time in securing required clearances from appropriate authorities. In order to reduce the time delays in obtaining the requisite clearances, the Supreme Court has approved delinking the Environmental Clearances with Forest Clearances. In addition, the Central Government has constituted a Regulatory Authority for Roads and Highways to deal with and address issues with regard to financial closure, construction risks and contract management that are stalling the road projects

In addition, the National Highways Authority of India (NHAI) on its part has formulated a framework that allows the developers of highway project to exit the project with the consent of majority of project lenders. The foregoing would provide flexibility to the developers to exit a project in case of difficulty in executing, at the same time it provides an opportunity for big players to acquire projects that are at various stages of development at attractive valuations

The above measures coupled with increased importance accorded to infrastructure sector and availability of incremental liquidity in the banking system are expected to contribute favourably to infrastructure industry as a whole

(2) Opportunities & Threats :

Though the infrastructure sector offers tremendous opportunity for private players to play pivotal role, the sector has lost its sheen primarily due to (i) inordinate delays in obtaining the project approvals as well as environmental clearances (ii) mobilising funds required for development of a project at a competitive pricing and (iii) difficulty in acquiring land required for the project in view of the new land acquisition norms

The lack in interest for bidding for infrastructure projects is evident from the fact that reduction in the numbers of bidders for the NHAI projects in recent times as well as termination of a couple of NHAI projects by the awardees

The Government of India has realised the need and intending to allocate over USD 500 billion from the budgetary resources in next five years and an equal amount is intended to be mobilised by private infrastructure developers. It is anticipated that the new Government would not only continue but also strengthen the emphasis on infrastructure development including social infrastructure as a means to achieve improved GDP growth over a couple of years

Further, your Company has understood the inherent risks involved in the development of infrastructure projects - (i) cost and time overruns, (ii) delay in obtaining requisite approvals, (iii) other socio economic consideration and (iv) political and economic uncertainties. Over the years, your Company has evolved viable and replicable models for infrastructure development and has demonstrated its ability to deliver the projects within budgeted cost and time

In addition, your Company has been the pioneer in integrating environmental perspective as well as socio-economic considerations in infrastructure development. Your Company has been endeavoured to involve all stakeholders in the catchment area with an object of addressing the social issues attendant to project development including resettlement of project affected people

Your Company maintains its niche by continuously developing an array of new-age financial products and focuses on mobilising the long-term debt and equity required for financing the infrastructure projects in a seamless manner. Your Company has been innovative in devising structures to channelize and pool the resources from varied classes of investors, to fund its projects at a Group level

(3) Internal Control System :

Your Company has established a comprehensive internal control system for all its functions with adequate checks and balances. Audit of all functions of the Company is carried out by the Internal Auditors to ensure compliance with various statutes as well as internal guidelines and policies. The Internal Auditors also review the existing systems and procedures, and suggest improvements, wherever required. The suggestions are reviewed by the Senior Executives and Functional Heads in consultation with the Auditors from time to time. The Audit Committee reviews reports and findings of the Internal and Statutory Auditors, keeping a close watch on compliance and internal control systems

(4) Outlook :

Your Company has established itself well in India, is in process of establishing its foothold in international level, to explore, identify and capture the opportunities stemming in the infrastructure as well as financial services space. Since a number of foreign initiatives have been undertaken by IL&FS Group in the areas of infrastructure development and financial services, these initiatives would position your Company as an integrated Group offering a wider canvas of products and services encompassing "Concept-to-Commissioning" abilities in project execution

All major Business Verticals of IL&FS Group are now operational and are playing a vital role in contributing towards the Group Profitability. With a steady pipeline of opportunities stemming from these initiatives, the IL&FS Group is well positioned to take advantage of the opportunities and to address the challenges that may arise in the years to come

Your Company would continue to strive to broad-base its resource pool by accessing the new markets, avenues and devising new financial products to enhance its ability to mobilise large quantum of funds needed to meet the resource requirements of the Group. Your Company's focus would continue to be on closing the existing initiatives and recycling the capital by unlocking the value of the initiatives progressively through induction of strategic or PE investors, listing of the matured project initiatives at reasonable valuations and monetizing non-core assets to fund the existing projects and initiatives in the long run

(5) Human Resources :

Recognizing the need to create alternate platforms for identification and recognition of good performance, Core Competencies have been identified for the Group. The reward and recognition mechanisms in the Organisation have been modified to also evaluate employees on the identified behavioural competencies in addition to functional skills

With the objective of bench marking best HR practices, a HRD Council has been constituted at the Group level, which is headed by the Group Chief Investment Officer, Supervisor In-Charge of Group HRD. The Council will meet at regular intervals to discuss issues and suggest suitable measures to improve HR service / delivery in the Group

DIRECTORS :

Due to re-organisation at ORIX Corporation, Japan, Mr Yuki Oshima, Director submitted his resignation as Director of the Company on February 27, 2014 and consequently, Mr Harukazu Yamaguchi ceased to be an Alternate Director. At the Meeting of the Board of Directors held on March 4, 2014, Mr Hiroshi Nishio has been appointed as Director in place of Mr Oshima. Mr Harukazu Yamaguchi has been appointed as Alternate Director to Mr Nishio

Mr DK Mehrotra and Mr Sushobhan Sarker, Nominees of Life Insurance Corporation of India (LIC), have submitted their resignation as Directors of the Company with effect from May 22, 2013. At the Meeting of the Board of Directors of the Company held on August 29, 2013 at the request of LIC, Mr VK Sharma and Mr S Bandyopadhyay have been appointed as Directors of the Company in place of Mr Mehrotra and Mr Sarker respectively

Mr Keki Mistry, Nominee of Housing Development Finance Corporation Limited (HDFC) has submitted his resignation as Director of the Company with effect from December 5, 2013. Pursuant to the request of HDFC, Mr Harish H Engineer has been appointed as a Director in place of Mr Keki Mistry at the Board Meeting held on March 4, 2014

Mr Santosh Balachandran Nayar, Nominee of State Bank of India (SBI), has submitted his resignation as Director of the Company with effect from July 15, 2013. SBI has nominated Mr BV Chaubal, Deputy Managing Director, SBI as a Director on the Board of the Company in place of Mr Nayar at the Board Meeting held on May 22, 2014

Mr K Eswar, Nominee of Central Bank of India (CBI), has submitted his resignation as Director of the Company with effect from May 9, 2014. CBI has nominated Mr B Mishra, General Manager (Credit), CBI as a Director on the Board of the Company in place of Mr Eswar at the Board Meeting held on May 22, 2014

The Board placed on record its appreciation for the valuable advice provided by all the outgoing Directors during their tenure as Directors of the Company

In terms of the provisions of the Companies Act, 2013, and the Articles of Association of the Company, Mr Hari Sankaran and Mr Arun K Saha, Directors of the Company, retire by rotation at the ensuing Annual General Meeting of the Company, and being eligible, offer themselves for re-appointment

AUDITORS :

Messrs Deloitte Haskins & Sells LLP, Chartered Accountants, Mumbai, have provided their consent for appointment as Auditors of the Company for FY 2015 to FY 2017 subject to approval of the Members at the ensuing Annual General Meeting (AGM). An Ordinary Resolution for their appointment is proposed at the ensuing AGM

EMPLOYEES :

The Board of Directors place on record their appreciation for all the employees of the Group for their sustained efforts, dedication and hard work during the year

PARTICULARS OF EMPLOYEES :

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956, and the rules framed thereunder, the names and other particulars of employees are set out in the Annexure to the Directors' Report

DIRECTORS' RESPONSIBILITY STATEMENT :

Section 217 (2AA) of the Companies Act, 1956, as amended in December 2000, requires the Board of Directors to provide a statement to the Members of the Company in connection with maintenance of books, records, and preparation of Annual Accounts in conformity with accepted accounting standards and past practices followed by the Company. Pursuant to the foregoing, and on the basis of representations received from operating management, and after due enquiry, it is confirmed that :

- (1) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- (2) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;

- (3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (4) The Directors have prepared the annual accounts on a going concern basis

FOREIGN EXCHANGE OUT GO :

The particulars regarding foreign exchange earnings and expenditure appear as Item 22(f) and Item 27 respectively in the Notes forming part of the Accounts

Since the Company does not own any manufacturing facility, the other particulars in the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable

ACKNOWLEDGEMENTS :

Relationships with Shareholders, Central and State Governments, Ministry of Finance, Ministry of Commerce, Reserve Bank of India, Securities and Exchange Board of India, Banks, Financial Institutions, Customers, Employees and other Stakeholders remained excellent during the year under review. Your Directors are grateful for the support extended by them and look forward to receiving their continued support and encouragement

By Order of the Board

Ravi Parthasarathy
Chairman

Place : Mumbai

Date : May 22, 2014

We, Hari Sankaran, Vice Chairman & Managing Director and Arun K Saha, Joint Managing Director & Chief Executive Officer of Infrastructure Leasing & Financial Services Limited (IL&FS/ the Company) hereby certify to the Board that :

- (1) we have reviewed the Financial Statements, Cash Flow Statement for the year and to the best of our knowledge and belief, these statements :
 - (a) do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading; and
 - (b) together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations
- (2) to the best of our knowledge and belief, there are no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct
- (3) we are responsible for establishing and maintaining internal controls for financial reporting in IL&FS and we have evaluated the effectiveness of the internal control systems pertaining to financial reporting. If we come to know of any deficiencies in the internal control systems, we shall inform the Auditors and the Audit Committee along with steps taken or propose to be taken, to rectify the deficiencies
- (4) we have indicated to the Auditors and the Audit Committee about :
 - (a) significant changes in internal control over financial reporting during the year; and
 - (b) significant changes in accounting policies during the year and the same have been disclosed in the Notes to the financial statements;
- (5) we affirm that we have not denied any personnel access to the Audit Committee of the Company. We further declare that all Members of the Board and the Senior Management have affirmed their Compliance with the Code of Conduct for the current year
- (6) there are no instances of significant fraud of which we have become aware

Hari Sankaran
Vice Chairman &
Managing Director

Arun K Saha
Joint Managing Director &
Chief Executive Officer

Place : Mumbai

Date : May 22, 2014

Shaping the Local Economy

Chenani Nashri Tunnelway Limited, Jammu & Kashmir



The Ministry of Roads and Transport has taken up the development of NH-1A, commonly called the 'Lifeline' of Kashmir linking Jammu to Srinagar. The Chenani-Nashri Tunnel is a vital link of this 'lifeline'. This tunnel will provide all weather connectivity and contribute towards the rapid development of the Kashmir Valley. Passing through the Patnitop ridge, the Tunnel will change the socioeconomic reality of this region

The Project has provided employment to around 300 people, a majority being locals. A Skill School at Kudmanaged by IL&FS Education & Technology Services (IETS) imparts training in various skills such as retail, electrician, hospitality etc. To date, about 100 people have



been trained and provided with employment. The Patnitop region is also known for the hospitality industry. The Skill School has created a Skill-upgradation Program for existing employees in the hospitality services

Recognising the limitations of existing social infrastructure in the area, 12 government schools in the catchment have been adopted. A mobile medical unit providing free medical consultations to the community is also operative in the area. The winter months of heavy snow and short days lead to long power disruptions or low voltage, providing little or no lighting - making access and mobility very difficult in these mountainous villages. Two Panchayats in the catchment area have been supported by providing 30 solar lights that now light up critical paths and household clusters for about 10 hours each night, benefiting about 1300 people

With a view to support farm-based income generation, a number of interventions designed to enhance the agriculture productivity and incomes therefrom have also been taken up, which would include improved cultivation practices and promoting local agriculture based entrepreneurship