



IL&FS Financial Services Limited

RATING HISTORY

	Amount Outstanding	Maturity Date	Rating Outstanding
			July 2007
Rs. 3 billion Short-Term Debt		One year from the date of placement	A1+

ICRA has assigned an A1+ (pronounced A one plus) rating to the Rs. 3 billion short-term debt programme of IL&FS Financial Services Limited (IFIN). The rating indicates highest-credit-quality rating assigned by ICRA to short-term debt instruments. Instruments rated in this category carry the lowest credit risk in the short term. The rating factors in strong parentage of IL&FS and its substantial experience in infrastructure projects, favorable asset quality, adequate risk mitigation measures, comfortable capitalisation, and new initiatives to target niche areas through innovative product facility.

After business re-organisation exercise undertaken by IL&FS during the year 2006-07, IFIN commenced its business operations in Oct 2006. Aided by equity contribution of Rs 1033 million (including share premium) from IL&FS and nominal accretion to reserves of Rs 54.85 million, IFIN had a reported net worth of Rs 1088 million as on March 31, 2007. The credit portfolio of IFIN grew to Rs 5850 million as on March 31, 2007 with NIL NPAs as on March 31, 2007. While the track record of IFIN has been very short, ICRA draws comfort from the fact that parent company IL&FS has been consistently maintaining good asset quality in its credit portfolio over the past years.

On the back of new business (financing) operations, IFIN's total income grew to Rs 531 million in FY06-07 from Rs 65 million in FY05-06 and net profitability increased to

Rs 108 million in FY06-07 from Rs 2.6 million in FY05-06. With an increasing credit portfolio, interest income grew to Rs 205 million in FY2006-07 and contributed approximately 40% to the total income. Despite the sharp rise in cost of funds in the last quarter of 2006-07, IFIN was able to maintain a net interest margin of 1.8% during 2006-07. On account of leveraging the substantial experience of IL&FS in the development and management of infrastructure projects, IFIN generated fee-based revenues from the activities like project finance advisory, corporate advisory, and project debt syndication, and contributed approximately 50% to the total income in FY2006-07. With new and expanding business operations, operating expenses increased to Rs 190 million in FY06-07 from Rs 35 million in FY05-06 and gearing levels also increased to 4.73 times as on March 31, 2007 from 0.9 time as on March 31, 2006.

Going forward, IFIN has planned to target the niche financing segments through its products like Mezzanine credit facility and pooled municipal debt obligation in participation with IL&FS and several other national banks. These products will help IFIN to earn substantial fee and fund based revenues.

IFIN being characterised as a systematically – important, non-deposit taking NBFC, maintained higher capital adequacy ratio of 16.55% as on March 31, 2007 than the minimum capital adequacy of 10%, which is required as per the RBI guidelines. It has received permission

from the RBI to comply with the exposure norms on single and group borrowers by September 2007 onwards.

Company Profile

IL&FS Financial Services Ltd. (IFIN) is a wholly – owned subsidiary of IL&FS which was initially incorporated as IL&FS Asset Management Company (AMC) in 1997. After IL&FS sold the AMC business to UTI in 2004, the company obtained a NBFC license in 2005 and was renamed to IL&FS Finvest Ltd. In line with the overall strategy of the group to create distinct verticals for each business, banking team from IL&FS and the syndication team from IL&FS Investsmart Ltd. were integrated under IL&FS Finvest Limited and subsequently the name was changed to IL&FS Financial Services Ltd. IFIN commenced its new business activities in Oct 2006, in the various business lines like asset & structured finance business, syndication business, and corporate & project advisory business. IFIN has focussed to move out of the plain vanilla lending business yielding low spreads to innovative financial products by increased linkages between the financial services business and infrastructure initiatives to ensure maximum utilisation of its skills and resources. During 2006-07, IFIN reported net profits of 108.09 million on a total income of Rs 531.24 million and had an asset base of Rs 6511.59 million as on March 31, 2007.

July 2007



KEY FINANCIALS

Rs in Million

Key Financials - IFIN		31.03.07	31.03.06
Equity Capital		556.68	100.00
Net Worth		1087.52	168.28
Total Assets		6511.59	401.93
Total Income		531.24	64.86
PBT		177.56	10.86
PAT		108.09	2.57
PAT / Net Worth	%	9.94%	1.53%
Total Debt / Net Worth	Times	4.74	0.90

(Note: IFIN began its financing activities from Oct 06)

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