



IDFC LIMITED

A large, stylized graphic of a cube composed of smaller cubes, rendered in a 3D isometric perspective. The top faces of several cubes are colored: purple, yellow, red, and orange, matching the IDFC logo colors. The rest of the cubes are light gray with subtle gradients and shadows, giving a sense of depth.

TWENTIETH
ANNUAL REPORT
2016 - 2017

SAVE PAPER, SAVE TREES, SAVE THE EARTH.

300,000+ Shareholders have already asked for paperless annual reports. Join them and save paper. Just drop us an e-mail.

The Companies Act, 2013, as a part of Green Initiative, allows companies to go for paperless compliances by sending Notice, Annual Report and other related documents by e-mail to it's Shareholders. Many of the Shareholders have registered their e-mail address and we thank them for the same. Shareholders, who have not registered their e-mail address so far or wish to change their e-mail address may, as a support to this initiative, register their e-mail address by sending an e-mail to 'ketan.kulkarni@idfc.com', quoting their Name, Folio No. / DP ID / Client ID and e-mail address to be registered with us for enabling us to send documents in electronic form.

Also, registering your e-mail address with us will ensure that we directly connect with you and no important communication from our side is missed by you as a Shareholder of the Company.



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AWARDS & RECOGNITION

IDFC SECURITIES

The Highest
Standard of
Excellence, Across the Globe
The Thomson Reuters
Analyst Awards

Research Team
ranked 7th
in the Institutional
Investor List

IDFC AMC

Best Brand /
Product website
IAMAI Digital Awards

'Best User
Experience'
Creative Abby Awards

'Best Brand /
Product Microsite'
Creative Abby Awards

IDFC BANK

**Excellence in
Social Media-
People Practices**
SHRM India HR Awards

**Brandon Hall Group
Gold Award 2016**

**Visual
Merchandising
& Retail Design
Award**

**Best
Innovative Bank**
At Digi-dhan Mela

**One
of the Most
Beautiful Brand Identities
in Banking**
The Financial
Brand

**National
Payments Excellence
Awards 2016**

**L&D League
Awards 2016**
People Matters

**Innovator & Disruptor
in HR Technology**
by SHRM

**Finnoviti
Awards 2017**

**#Banking Nibhao
wins Effies 2016**

**Innovative
microATM Award**
Business mobility
summit 2016

**Best
Simulation
Solution & Best Training
Initiative for Banking Sector**
BY World HRD
Congress

**Domestic
Bond Award Honour**
by IFR Asia

**Bharat Banking
services recognised** by
Telengana & Andhra Pradesh
Local Government



CHAIRMAN'S STATEMENT



The global and local macroeconomic environment saw significant events in FY17. Events such as BREXIT and President Trump's election created an impact on global economic activity. In India the demonetisation of ₹ 1,000 and ₹ 500 denomination currency notes, was a key initiative by the Government. Though this caused inconvenience and distress to many people, the general public accepted it stoically and even seemed to support the announcement. While it was claimed that demonetisation had slowed down growth, it needs to be acknowledged that growth had begun to decelerate in the first two quarters of FY17. The Central Statistical Organisation ("CSO") has put the advance estimate for real Gross Value Added growth in FY17 at

6.7%. This is lower than 7.8% achieved in FY16. The trajectory of headline CPI inflation remained southbound for most part of FY17. In April 2016, headline CPI was at 5.5% and it moderated to 3.7% in February 2017. Led by a surge in the low cost current and savings accounts with the banking sector on account of demonetization, monetary policy transmission was stronger in the second half of FY17. Banks dropped their term deposit rates, thereby creating space for a reduction in the marginal cost of funds based lending rates ("MCLR"). The 1-year median MCLR declined by 70bps post November 2016 (with no reduction in Repo rate), against a decline of just about 15bps during April-October 2016 (with 50bps reduction in Repo rate). Asset quality

continued to deteriorate for the banking sector in 2016-17. The GNPA (gross non-performing advances) ratio of Scheduled Commercial Banks increased to 9.1% in September 2016 from 7.8% in March 2016, pushing the overall stressed advances ratio to 12.3% in September 2016 from 11.5% in March 2016. The large borrowers registered significant deterioration in their asset quality. Government of India and RBI have taken certain steps to reduce and resolve the stress levels in the banking system. The Current Account Deficit ("CAD") remained comfortable with the first three quarters of FY17 showing a deficit of 0.7% CAD/GDP. On a comparative basis, in a similar period in FY16, the CAD was at 1.4% of GDP. Hence we believe domestic macro-economic conditions continue

to be stable, with inflation coming down, CAD being largely under control and the government meeting its fiscal deficit target. Given that private capital expenditure shows little scope of improvement in the near term, we hope to see higher government investment expenditure to drive further growth in economic activity.

In the last few years, India has taken several steps to ensure long term economic growth. Long term economic progress is possible only with a strong policy framework and we have seen numerous positive steps underway to build the same. Recent policy amendments including the implementation of GST, implementation of the bankruptcy code and the banking sector reforms are being seen as big drivers of the economy, while the demonetization drive was a bold political move. Also, India being a young country, with over 600 million people under the age of 35 years, provides us with a great demographic advantage. This huge population, powered with digital connectivity and technological innovation is proving to be a formidable force in driving the nation forward.

In the backdrop of a thriving domestic economy, we have taken our mandate to form a stronger and more relevant 'Bank of Now' for the masses. In the last eighteen months of operations, IDFC Bank has acquired an active customer base of approx. 14 lacs. It's spreading its wings both digitally and through 'Points of Presence', catering to 20 states, 150 districts and 33,000 villages in rural India, including the North-East. The strong and steady progress of this new age Bank is a testament of the perseverance and commitment of our dedicated work force. Ours is the only Bank that allows smart-phone customers with Aadhaar cards to open a Savings or Fixed Deposit Account through a completely digital process (without paperwork) within 4 minutes.

The Mutual Fund industry has shown a clear surge in AUM especially in the last twelve months. A healthy trend is the substantial increase in retail investors through Systematic Investment Plans (SIPs). Overall, mutual fund AUM climbed to ₹ 19.3 trn and equity to ₹ 5 trn in April 2017, both new highs. This rally has been further boosted by FII flows. Riding the wave of positivity, IDFC AMC has seen good traction in the last year; we hold the 10th rank in the industry in terms of AUM. The company has launched several new products, increased distribution width and partner engagement, pushed for technological innovations to better service customers and has been hiring key talent. The efforts of the fund house have been recognized through various awards and recognitions.

IDFC Alternatives, the alternative asset management business of IDFC has been very active both in terms of new investments, as also exiting some of its prior investments resulting in good returns for investors. The company has raised funds both in the Private Equity and Real Estate verticals. The Infrastructure vertical has been focused on building the roads and renewable energy platforms. It has also forayed into the 'Start-up' investing space with anchor commitment to the 'IDFC Parampara' Fund.

Our institutional broking business - IDFC Securities, has delivered strong performance during the year. It has increased its global outreach, increasing market share across domestic and foreign institutional clients. It was involved in several marquee capital market transactions and has received various accolades from leading institutional investor surveys for its equity research and distribution capabilities.

IDFC Infrastructure Finance Ltd., which provides loans to operational infrastructure projects that have completed one year post construction,

has been steadily building its business. The Company has established a strong risk management practice and conducts regular reviews of all project assets.

Overall, all our businesses are doing well and remain on track to achieving the long-term business goals and aspirations. The Bank will further expand to service both corporate and retail customers in urban communities as well as the rural household with equal focus. Given its digital and technology focus, the bank will keep innovating to drive the financial inclusion and digital agenda of the government. IDFC AMC is poised for faster growth, expanding both products, distribution and new businesses for customers. Our Institutional Securities business will focus on further growing market share and our infrastructure lending business will focus on disciplined growth in refinancing operating infrastructure assets.

To conclude, on behalf of the IDFC Group, I wish to put on record our sincere appreciation for the long association and valuable services rendered by the outgoing Managing Director & CEO, Mr. Vikram Limaye during his tenure upto July 15, 2017, with the Company. I am confident that Mr. Sunil Kakar, the new Managing Director & CEO will take IDFC to greater heights.

We continue to be committed towards creating value for all our stakeholders and adhering to the highest standards of corporate governance. I wish to thank you all for your trust and continued support.



Vinod Rai

Independent Non-Executive Chairperson



COMPANY INFORMATION

BOARD OF DIRECTORS

MR. VINOD RAI

Independent Non-Executive Chairperson

MR. GAUTAM KAJI

Independent Director

MR. S. S. KOHLI

Independent Director

MR. DONALD PECK

Independent Director

MS. MARIANNE ØKLAND

Independent Director

MRS. SNEHLATA SHRIVASTAVA

Nominee-Government of India
(Till November 29, 2016)

MR. MANISH KUMAR

Nominee-Government of India
(w.e.f. January 11, 2017)

MR. SOUMYAJIT GHOSH

Nominee-Government of India
(w.e.f. January 11, 2017)

MR. CHINTAMANI BHAGAT

Nominee-Domestic & Foreign
Institutional Shareholders

MR. VIKRAM LIMAYE

Managing Director & CEO
(Till July 15, 2017)

MR. SUNIL KAKAR

Managing Director & CEO
(w.e.f. July 16, 2017)

OFFICES

REGISTERED OFFICE

CHENNAI

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CORPORATE OFFICE

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FAX : +91 22 2654 0354

CORPORATE INFORMATION

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www.idfc.com
info@idfc.com

COMPANY SECRETARY

Mr. Ketan S. Kulkarni

PRINCIPAL BANKER

IDFC Bank Limited

STATUTORY AUDITORS

Deloitte Haskins & Sells LLP
Chartered Accountants

REGISTRAR AND SHARE TRANSFER AGENT

Karvy Computershare Private Limited
(Unit: IDFC Limited)
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Plot No. 31 & 32 Gachibowli,
Financial District,
Nanakramguda, Serilingampally
Hyderabad 500 032
Tel: +91 40 6716 2222
Fax: +91 40 2342 0814
E-mail: einward.ris@karvy.com



BOARD'S REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twentieth Annual Report on the business and operations of the Company together with the audited financial statements for the financial year ended March 31, 2017.

OPERATIONS REVIEW

During FY16, your Company transferred its financing undertaking into IDFC Bank Limited ("**IDFC Bank**") effective October 1, 2015, post receipt of approval from Hon'ble High Court of Madras to demerger scheme and on fulfilment of all conditions mentioned in the demerger scheme and receipt of Universal Banking License by IDFC Bank.

From October 1, 2015, your Company is operating as NBFC – Investment Company, mainly holding investment in IDFC Financial Holding Company Limited ("**IDFC FHCL**") (Non Operative Financial Holding Company), which in turn holds investments in IDFC Bank, IDFC Asset Management Company Limited, IDFC Alternatives Limited, IDFC Securities Limited and IDFC Infrastructure Finance Limited (formerly IDFC Infra Debt Fund Limited).

During the year under review, IDFC Limited ("**IDFC**" or "**the Company**") infused additional equity in IDFC FHCL which has been dealt with in detail in the paragraph on Subsidiary companies.

Balance sheet size increased from ₹ 9,620 crore as at March 31, 2016 to ₹ 9,878 crore as at March 31, 2017. Profit After Tax for the year was ₹ 55.75 crore as compared to loss of ₹ 1,162.14 crore in previous year ended March 31, 2016. Net worth of the Company as at March 31, 2017 was ₹ 9,650 crore as compared to ₹ 9,589 crore as at March 31, 2016.

During the year, the Company transferred ₹ 11.20 crore to Special Reserve under section 45-IC of the Reserve Bank of India Act, 1934. The details of amount transferred to reserves are given in note no. 5 of the notes forming part of standalone financial statements.

Details of business overview and outlook of the Company and its subsidiaries are appearing in the chapter Management Discussion and Analysis which forms part of this Annual Report.