



IDFC LIMITED

TWENTY-FIRST
ANNUAL REPORT
2017-18



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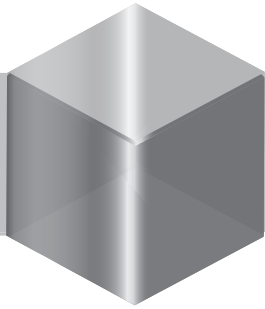
The Companies Act, 2013, as a part of Green Initiative, allows companies to go for paperless compliances by sending Notice, Annual Report and other related documents by e-mail to it's Shareholders. Many of the Shareholders have registered their e-mail address and we thank them for the same. Shareholders, 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 'shareholders@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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**IDFC
LIMITED**



IDFC BANK



IDFC ASSET MANAGEMENT COMPANY



IDFC ALTERNATIVES



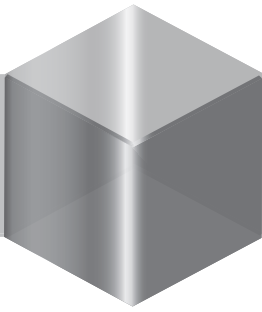
IDFC INFRASTRUCTURE FINANCE



IDFC SECURITIES



IDFC FOUNDATION



AWARDS & RECOGNITION



IDFC SECURITIES

INSTITUTIONAL INVESTOR FORUM –
ANALYSTS RATED WITHIN TOP 4 IN

AGRICULTURE

INFORMATION TECHNOLOGY

POWER SECTOR

THOMSON REUTERS STARMINE
ANALYST AWARDS 2018

INDUSTRY STOCK PICKERS

RANK 1 IN TRANSPORTATION

INDUSTRY EARNINGS ESTIMATORS

RANK 1 DIVERSIFIED INDUSTRIALS

A graphic element on the left side of the page, consisting of a grey rectangular block with a 3D folded paper effect on its right edge.

IDFC BANK

DIGITAL TRANSFORMATION AWARDS 2017

IFSEC INDIA AWARDS 2017

IDEX LEGAL AWARDS 2017

LISTED IN LINKEDIN'S TOP COMPANIES - WHERE INDIA
WANTS TO WORK NOW 2017 REPORT

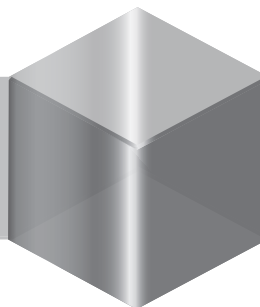
TISS CLO AWARDS 2017

#BANKINGNIBHAO WINS EFFIES 2017

FINNOVITI AWARD 2018



CHAIRMAN'S STATEMENT



Dear Shareholders,

The last financial year has been an eventful year for the economy with the roll-out of GST, the residual impact of demonetisation, the introduction of Indian Bankruptcy Code (IBC), and the NPA problem in the banking sector. However, towards the end of the year, green shoots in the economy were visible and the economy seemed poised for stable growth. The Indian economy expanded by 7.7 percent in the last quarter of FY18, the fastest in the last eight quarters, although rising crude prices and macro headwinds, both

global and domestic, could prolong the journey to stable growth.

Against this macro-economic backdrop, I am pleased to inform you that our businesses have delivered a healthy performance in FY18 and thereby, building a foundation for future growth.

Balancing near-term profitability and long-term growth has been the guiding philosophy in our strategy for capital deployment.

Strong domestic consumption growth and flow of savings into the financial system from real assets (property and gold) are two pillars on

which future growth of our businesses is predicated on. Our strategy is to steadily invest in our businesses to take advantage of these tailwinds.

The consolidated Balance Sheet of IDFC Limited ("**IDFC**") as of March 31, 2018, was ₹1,33,852 crore, and the consolidated Profit After Tax was ₹590 crore. The consolidated Net Worth as of March 31, 2018, was ₹11,323 crore. IDFC Bank Limited ("**IDFC Bank** or "**Bank**"), our largest subsidiary, posted a Profit After Tax of ₹859 crore in FY18.

The strategic transition of IDFC Bank, from a mono-line infrastructure lender to a universal bank, is

progressing rapidly. The Bank now has a well-diversified assets portfolio of ~ ₹ 71,000 crore with retail assets and non-infrastructure wholesale assets, contributing close to 50 percent. Similarly, on the liability side, our focus is on gathering low-cost CASA deposits by leveraging technology and expanding our physical footprint. I am pleased to note that this strategy is now seeing strong traction.

The Bank's organic retail assets, have tripled from ~ ₹ 2,600 crore as on March 31, 2017, to ~ ₹ 8,000 crore as on March 31, 2018. Likewise, corporate banking assets within the wholesale bank grew 38 percent year-on-year to ~ ₹ 26,000 crore as of March 2018, from ~ ₹ 19,000 crore as of March 2017.

Liabilities have also witnessed strong momentum with CASA increasing 2.7 times to ₹ 5,710 crore as of March 2018 from ₹ 2,094 crore as of March 2017. Government business contributed ₹ 2,763 crore to the CASA franchise. The Bank's CASA to deposit ratio now stands close to 12 percent, which is impressive for a Bank that has been in business for a little over two years. Our CASA and retail term deposits, have doubled from ~ ₹ 4,900 crore to ~ ₹ 10,000 crore as of March 31, 2018, and now contribute over 20 percent to our total deposits.

The Bank's customer base is now at 2.7 million from 1.4 million a year ago. To accelerate this pace of growth, we will continue to judiciously invest in the expansion of our retail franchise. We now have 150 branches, 387 corporate BC outlets, 85 ATMs, and 17,474 customer access points. Of these 150 branches, 50 are in top 35 cities in India. We will continue to expand our physical footprint to be able to serve a larger number of customers.

The Bank has made great strides in building a fee-income franchise, which has resulted in a significant contribution of fees and commissions to our revenues. Total commission income grew by 44 percent to ₹ 431 crore in FY18 from ₹ 299 crore in the previous year.

On the asset quality front, it is heartening to note that the Bank's legacy

stressed asset book has been stable for the last 10 quarters, i.e., since the inception of the Bank. The recent RBI inspection also validates our prudent approach to provisioning. The Bank's provision coverage ratio against the stressed book is now over 75 percent.

IDFC Bank's proposed merger with Capital First will add an additional 2.5 - 3 million customers to the already large and rapidly growing customer base of the Bank and complement it with customer segments and products that IDFC Bank does not cover currently.

Coming to our asset management business, we ended the year strong, with a fourth quarter average AUM of about ₹ 70,000 crore, up from around ₹ 60,600 crore in the previous year's corresponding quarter. During the year, we strengthened our core capabilities and significantly expanded our retail distribution network. The number of investor folios added increased 4X in FY18 while addition of the sticky "Systematic Investment Plans" (SIPs) grew 2X.

I am pleased to place on record our improved fund performance during the year. The proportion of equity funds as a part of AUM rose to 29 percent from 22 percent in the previous year, driven by a significant increase in our gross equity fund sales. We now have seventeen funds with AUM of over ₹ 1,000 crore as against thirteen funds in the previous fiscal. The profits of our AMC business were lower at ₹ 54 crore in FY18, as we made substantial investments in expanding our retail distribution network.

Our other subsidiary, IDFC Infrastructure Finance Limited, ended the year with a loan book of ₹ 4,220 crore, across a well-diversified portfolio of roads, renewables, education, healthcare, telecom, SEZ, and transmission among others. The asset quality continues to be pristine and the pipeline for disbursements remains healthy.

In our Securities business, notwithstanding the structural issues faced by the industry, we continued to do well. We strengthened our institutional sales and research to service domestic

institutional investors and FIIs. This resulted in a well-diversified revenue mix across geographies and customer segments. In FY18, this business delivered a revenue of ₹ 105 crore and a net profit of ₹ 23 crore.

IDFC Alternatives has entered into a definitive agreement with Global Infrastructure Partners India, for the sale of its infrastructure asset management business. All necessary regulatory approvals for the sale have been received. The Company is also evaluating divestiture of the Private Equity and Real Estate platforms.

To sum up, FY18 has been a landmark year for us. I am proud of our employees who, despite the challenges faced, have worked hard to create consistent value for the company. I take this opportunity to thank each one of them for their sincere efforts.

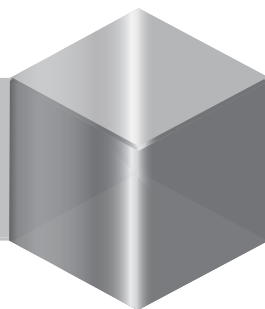
I also thank you - our valued Shareholders, for placing your confidence in us. I look forward to your continued support.



Vinod Rai

Independent Non-Executive Chairman

COMPANY INFORMATION



BOARD OF DIRECTORS

MR. VINOD RAI

Independent Non-Executive Chairman

MR. GAUTAM KAJI

Independent Director

MR. S S KOHLI

Independent Director

MR. DONALD PECK

Independent Director

MS. MARIANNE ØKLAND

Independent Director

MR. MANISH KUMAR

Nominee-Government of India
(till June 11, 2018)

MR. SOUMYAJIT GHOSH

Nominee-Government of India

MR. CHINTAMANI BHAGAT

Nominee-Domestic & Foreign
Institutional Shareholders

MR. SUNIL KAKAR

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

MR. VIKRAM LIMAYE

Managing Director & CEO
(till July 15, 2017)

OFFICES

REGISTERED OFFICE

CHENNAI

KRM Towers, 7th Floor,
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CORPORATE OFFICE

MUMBAI

Naman Chambers, C-32, G-Block,
Bandra-Kurla Complex, Bandra (East),
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TEL : +91 22 4222 2000 / +91 22 7132 5500
FAX : +91 22 2654 0354

CORPORATE INFORMATION

CIN: L65191TN1997PLC037415

www.idfc.com

info@idfc.com

COMPANY SECRETARY

Mr. Amol Ranade

PRINCIPAL BANKER

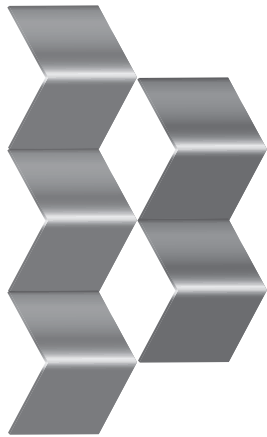
IDFC Bank Limited

STATUTORY AUDITORS

Price Waterhouse & Co.
Chartered Accountants LLP

REGISTRAR AND SHARE TRANSFER AGENT

Karvy Computershare Private Limited
(Unit: IDFC Limited)
Karvy Selenium Tower B,
Plot No. 31 & 32 Gachibowli,
Financial District,
Nanakramguda, Serilingampally
Hyderabad 500 032, Telangana, India.
Tel: +91 40 6716 1500
Fax: +91 40 2342 0814
E-mail: einward.ris@karvy.com



BOARD'S REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty-First Annual Report on the business and operations of the Company together with the audited financial statements for the financial year ended March 31, 2018.

OPERATIONS REVIEW

Effective October 1, 2015 post demerger of Financing Undertaking into IDFC Bank Limited ("**IDFC Bank**"), IDFC Limited ("**IDFC**" or "**the Company**") is operating as an NBFC - Investment Company mainly holding investment in IDFC Financial Holding Company Limited ("**IDFC FHCL**") which is a non-operative financial holding company. IDFC FHCL in turn holds investments in IDFC Bank, IDFC Asset Management Company Limited, IDFC Alternatives Limited, IDFC Securities Limited and IDFC Infrastructure Finance Limited.

During the year, Balance Sheet size decreased from ₹ 9,878 crore as on March 31, 2017 to ₹ 9,785 crore as on March 31, 2018. Profit after tax was higher at ₹ 148.43 crore for FY 2017-18

as compared to ₹ 55.75 crore in FY17. Net worth of the Company increased from ₹ 9,650 crore as on March 31, 2017 to ₹ 9,760 crore as on March 31, 2018.

During the year, the Company transferred ₹ 30 crore to Special Reserve u/s 45-IC of Reserve Bank of India ("**RBI**") Act, 1934.

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 report.

DIVIDEND

Your Directors are pleased to recommend a dividend of ₹ 0.75 per equity share of ₹ 10 each (i.e. 7.5 %) for the year ended March 31, 2018.

The Register of Members and Share Transfer Books will remain closed from July 25, 2018 to July 31, 2018 (both days inclusive) for the purpose of payment of dividend for the financial year ended March 31, 2018.

Dividend will be paid to those Members whose names appear in the Register of Members as on July 24, 2018. In respect of shares held in dematerialised form, it will be paid to those Members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited, as beneficial owners as on that date. Above dividend would be paid subject to approval by the Members at the ensuing Annual General Meeting ("**AGM**").