

Further, we are attaching herewith the 22nd Annual Report of IDFC Limited for the financial year 2018-19. The Annual Report consists of the following documents:

1. Chairman's Statement;
2. Board's Report;
3. Management Discussion and Analysis;
4. Corporate Governance Report;
5. CEO & CFO Certificate;
6. Independent Auditors' Certificate on Corporate Governance
7. Standalone Financial Statements of the Company along with Auditors' Report (including Cash Flow statement);
8. Consolidated Financial Statements along with Auditors' Report (including Cash Flow statement) and
9. Notice.

The aforesaid Annual Report will also be uploaded on the website of the Company i.e. http://www.idfc.com/investor_relations/annual_report.htm.

E-Voting

Pursuant to the provisions of Section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014 and Regulation 44 of Listing Regulations, IDFC is providing the facility to its Members holding shares in physical or dematerialized form to exercise their right to vote by electronic means on all or any of the businesses specified in the Notice convening the AGM (**Remote E-Voting**). Accordingly, for the purpose of determining the Shareholders eligible to cast their votes electronically / physically, the Company has fixed **Monday, September 23, 2019** as the cut-off date. The Company has engaged the services of Karvy Fintech Private Limited to provide the e-voting facility. The Remote e-voting will commence on **Wednesday, September 25, 2019 at 9:00 a.m.** and end on **Sunday, September 29, 2019 at 5.00 p.m.** The Company is also offering the facility for voting by way of **physical ballot** at the AGM.

We would further like to inform that the Board of Directors of the Company has appointed M/s BN & Associates, Practicing Company Secretaries, as a Scrutinizer to scrutinize the e-voting process.

In order to facilitate smooth registration / entry, the Company has also provided web check-in facility, which would help the Shareholders to enter the AGM hall directly without going through the registration formalities at the registration counters. The online registration facility will be available from **Wednesday, September 25, 2019 at 9:00 a.m. to Sunday, September 29, 2019 at 5:00 p.m.**

We request to take the above documents on record.

Thanking you,
Yours faithfully,

For IDFC Limited



Mahendra N Shah
Company Secretary



C.C: Mr. V Rajendra Prasad, Karvy Fintech Private Ltd.



IDFC LIMITED

22nd Annual Report
2018-19

SAVE PAPER, SAVE TREES, SAVE THE EARTH.

320,000+ Shareholders have already asked for paperless Annual Report. 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 an e-mail to it's Shareholders. Majority 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 'shivangi.mistry@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 ASSET MANAGEMENT COMPANY LIMITED / IDFC MUTUAL FUND

- ❖ **THE ASSET**
Ranked #1 Investment House in India – for Asian Local Currency Bonds 2019
- ❖ **CNBC TV18 MUTUAL FUND AWARDS 2018**
IDFC Dynamic Bond Fund, IDFC ELSS Fund, IDFC Focused Fund & IDFC Medium Duration Fund – Winners in respective Fund Categories
- ❖ **BUSINESS STANDARD AT FUND CAFÉ AWARDS 2019**
Anurag Mittal – Fund Manager of the Year – Short to medium term debt category
- ❖ **THE ASSET ASTUTE INVESTOR LIST 2019**
Suyash Choudhary & Anurag Mittal – amongst the top 10 Fund Managers in India
- ❖ **OUTLOOK BUSINESS**
Anoop Bhaskar – amongst top 10 Fund Managers in India 2018-19
Sumit Agarwal – amongst top 20 Fund Managers in India 2018-19
- ❖ **MONEY TODAY AWARDS 2019**
Suyash Choudhary – won the Best Fund Manager – Debt at the Business Today



CHAIRMAN'S STATEMENT



Dear Shareholders,

The Indian economy did well notwithstanding global headwinds related to geo-political uncertainties in some parts of the world, Brexit hiccups, rising trade tensions and protectionism, slow-down in China and volatile crude prices. India's full year annual GDP growth for FY19 at about 7% is impressive in this backdrop. India is also emerging as an important player in the world economy as reflected in World Bank's ease of doing business 2019 report, which improves India's ranking by 23 positions to 77th rank in 2018.

All NBFCs having a net-worth of ₹ 500 crore or more were mandatorily required to adopt Indian Accounting Standard (Ind-AS). Accordingly, IDFC Limited

("IDFC") adopted Ind-AS from April 1, 2018 with a transition date of April 1, 2017 and all entities of the group except IDFC FIRST Bank Limited ("IDFC FIRST Bank" or "the Bank") have prepared financials under Ind-AS. Although IDFC FIRST Bank continues to be under Indian GAAP, IDFC FIRST Bank submitted 'Fit for consolidation Ind-AS' financials for preparing consolidated financials of IDFC. The consolidated balance sheet of IDFC as on March 31, 2019, was ₹ 10,558 crore, and the consolidated net worth was ₹ 10,385 crore.

FY19 was a critical year for us. We undertook a strategic review exercise during the year and decided to focus on and grow our retail oriented businesses i.e. IDFC FIRST Bank and IDFC Mutual Fund and exit our non-retail businesses i.e.

private asset management, infrastructure debt fund and institutional broking, research & investment banking to unlock value for our shareholders. This twin-pronged strategy vis-à-vis retail and non-retail businesses was shared amongst all our stakeholders.

The fiscal saw the consummation of the merger of erstwhile IDFC Bank Limited and erstwhile Capital First Limited giving rise to IDFC FIRST Bank. The merger also helped facilitate compliance with the RBI requirement of reducing our holding in IDFC FIRST Bank from 53% to 40% by Oct '18. The licensing condition for IDFC FIRST Bank stipulated that by Oct '18, the holding of IDFC in IDFC FIRST Bank has to be brought down to 40% from 53% as on Oct '15. The swap ratio of allotting 139 shares of IDFC Bank Limited for every 10

shares of Capital First Limited would have resulted in IDFC's holding in IDFC Bank falling below 40%. To maintain 40%, IDFC bought about 12 crore additional shares of IDFC Bank from the open market before consummating this merger.

The Bank is well on its course towards becoming a mass retail bank focused on both retail assets and retail liabilities. Retail assets now contribute more than third to the bank's funded credit. As on March 31, 2019, of the ₹ 1,10,400 crore funded credit, retail was ₹ 40,812 crore constituting 37% of total. The retail assets were distributed across rural, SME and consumer segments. The bank plans to grow retail assets to over ₹ 1,00,000 crore in the next 5-6 years and reduce exposure to the infrastructure segment as they mature. In the non-infrastructure corporate segment, the focus is on pursuing growth based on market opportunities. In 5-6 years, the Bank intends to increase the retail loan book composition to over 70% from the existing 37%, which will significantly reduce the existing concentration risk in the portfolio.

Retail liabilities is a longer journey and the Bank is committed to making the requisite investments to aggressively expand its branch network in larger cities and offering attractive price incentives for Savings Accounts ("SA") and term deposits to retail customers. Of the ₹ 1,40,462 crore borrowings and deposits, as on March 31, 2019, the contribution of retail CASA and deposits was ₹ 13,214 crore. With a 7% p.a. rate on SA, the focus is now on aggressively ramping up SA. In the next 5-6 years, the Bank is focused on increasing the proportion of retail CASA and deposits to over 50% of total borrowings and is targeting a CASA ratio of about 30%.

The urgency for branches particularly to raise liabilities from retail customers in larger cities is now visible with branch presence in such cities gaining greater momentum. With a modest presence in metros when the Bank was launched in Oct '15, the Bank now has 242 branches across the length and breadth of the country. Over the next 5-6 years, the Bank is planning to add another 600-700 branches to substantially increase the proportion of retail CASA and term deposits.

The changing composition of assets and liabilities of the Bank will translate into increasing Net Interest Margins (NIMs). the

Bank is targeting to enhance its NIMs from the existing about 2.4% to about 5% in the coming 5-6 years.

The Bank has been consistently acquiring around 1.5 lac customers a month and now has more than 7 million live customers, of which about 3.5 million are semi-urban and rural customers.

As the Bank is in its investment phase of expanding its distribution network, its cost to income is about 80%. In the coming 5-6 years, the Bank would have established itself as a mass retail bank with sound profitability metrics i.e. RoA of about 1.5% and RoE of about 15% and its cost to income ratio would have come down to about 55%.

The Mutual Fund industry witnessed a turbulent year in which major events such as regulatory changes impacting future profitability and credit quality led liquidity contagion threatening debt funds and flows, took place. IDFC Mutual Fund withstood these challenges well and its strategy of investing in a distribution architecture to grow its retail investor base and launching new products to bridge product-gaps is playing out well. The coming fiscal will give us a better sense on how the regulatory changes will impact our profitability but we are confident that with the right investments in retail distribution and new products, IDFC Mutual Fund is well poised to harvest its fair share in an industry that is growing and is expected to do well.

During the year, our average assets under management (AAUM) grew about 7% to ₹ 71,933 crore. Equity AAUM grew about 15% supported by a growing distribution network, which helped steadily build our systematic investment plan (SIP) base and offset mark-to-market loss with positive net flows. Fixed income AAUM grew 3% overall. We recovered our non-cash AUM market share while retaining our focus on high quality portfolios. While the industry saw higher yield (lower credit quality) oriented strategies benefiting from higher inflows during the first half of FY19, flows turned sharply towards high quality, cash-equivalent and short term strategies during the second half. This aligned well with our stated investment strategy, leading to a sharp increase in inflows.

Building on our existing product suite, we launched our overnight fund, ultra-short term fund and a series of fixed maturity plans (FMPs). We also launched the

India equity hedge tactical alternative investment fund (AIF), further building on our liquid alternatives investment platform. We repositioned our banking and PSU fund, the arbitrage plus fund (as equity savings fund) and we reopened premier equity fund (now, IDFC multi-cap fund) for lump-sum investments.

More importantly on customers, we steadily grew the number of unique investors we serve by 22% during the year.

We are committed to investing in and strategically growing our asset management business. Our endeavor in this business is to increase AUMs and profits very significantly over the next 3-4 years and on the business achieving a certain scale and size, discover its value through options such as an offer-for-sale listing process. We are on track to scaling up this business and our AUM now is closer to about ₹ 90,000 crore.

Definitive agreement for sale of IDFC Infrastructure Finance Limited to National Investment and Infrastructure Fund (NIIF) has been signed. This deal is structured in two tranches. The first tranche on signing of definitive agreement was completed this fiscal leading to our holding in the entity coming down from 81.5% to 30%. The second tranche post fulfillment of conditions precedent is expected to be completed somewhere in the middle of coming fiscal.

The India business of IDFC Alternatives witnessed the sale of infrastructure vertical to Global Infrastructure Partners (GIP) and sale of private equity and real estate verticals to Investcorp.

To sum up, FY19 has been a landmark year for us. We will continue to grow our retail businesses. I am proud of our employees who, despite the challenges faced, have worked hard to create a strong, robust and growing retail platform. 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. S. S. KOHLI
Independent Director

MS. MARIANNE ØKLAND
Independent Director

MS. RITU ANAND
Independent Director
(w.e.f. August 16, 2019)

MR. ANSHUMAN SHARMA
Nominee-Government of India
(w.e.f. August 08, 2018)

MR. SOUMYAJIT GHOSH
Nominee-Government of India

MR. CHINTAMANI BHAGAT
Nominee-Domestic & Foreign
Institutional Shareholders

MR. SUNIL KAKAR
Managing Director & CEO

MR. MANISH KUMAR
Nominee-Government of India
(till June 11, 2018)

MR. GAUTAM KAJI
Independent Director
(till July 31, 2018)

MR. DONALD PECK
Independent Director
(till July 31, 2018)

OFFICES

REGISTERED OFFICE CHENNAI

KRM Towers, 7th Floor,
No. 1, Harrington Road, Chetpet,
Chennai 600 031, Tamil Nadu, India.
TEL : +91 44 4564 4201/4202/4223
FAX : +91 44 4564 4222

CORPORATE OFFICE MUMBAI

Naman Chambers, C-32, G-Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai 400 051, Maharashtra, India.
TEL : +91 22 4222 2000
FAX : +91 22 2421 5052

CORPORATE INFORMATION

CIN: L65191TN1997PLC037415
www.idfc.com
info@idfc.com

STATUTORY AUDITORS

Price Waterhouse & Co.
Chartered Accountants LLP

PRINCIPAL BANKER

IDFC FIRST Bank Limited

COMPANY SECRETARY

Mr. Mahendra N. Shah

REGISTRAR AND SHARE TRANSFER AGENT

Karvy Fintech Private Limited
(formerly known as 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-Second Annual Report on the business and operations of the Company together with the audited financial statements, prepared under Ind-AS, for the financial year ended March 31, 2019.

APPLICABILITY OF IND-AS

The Ministry of Corporate Affairs (MCA) notified road-map for adoption of the Indian Accounting Standards (Ind-AS) – India's accounting standards converged with the IFRS. The financial statements of the Company have been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 prescribed under section 133 of the Companies Act, 2013 ("the Act"). The Company has adopted Ind-AS from April 01, 2018 with a transition date of April 01, 2017. Accordingly, the comparative figures for the year ended March 31, 2018 and April 01, 2017 (w.r.t. Balance Sheet) have been restated by the Management as per Ind-AS.

OPERATIONS REVIEW

Effective October 1, 2015 post demerger of Financing Undertaking into IDFC FIRST Bank Limited ("IDFC FIRST Bank") (formerly known as IDFC Bank Limited), 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 FIRST Bank Limited, IDFC Asset Management Company Limited, IDFC Alternatives Limited, IDFC Securities Limited and NIIF Infrastructure Finance Limited ("NIIF IFL") (formerly known as IDFC Infrastructure Finance Limited).

During the year, Balance Sheet size decreased from ₹ 9,823 crore as on March 31, 2018 to ₹ 9,821 crore as on March 31, 2019. Profit after tax and other comprehensive income was lower at ₹ 127.66 crore for FY 2018-19 as compared to ₹ 184.14 crore in FY 2017-18. Net worth of the Company increased from ₹ 9,761 crore as on March 31, 2018 to ₹ 9,779 crore as on March 31, 2019.

During the year, the Company transferred ₹ 26 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

The Board of Directors has not recommended any dividend for FY19.

DIVIDEND DISTRIBUTION POLICY

In accordance with the Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"), IDFC had formulated a Dividend Distribution Policy. The policy was adopted to set out the parameters and circumstances that will be taken into account by the Board in determining the distribution of dividend to its Shareholders and / or retaining profits earned by the Company. The said policy is hosted on the website of the Company and can be viewed at http://www.idfc.com/investor_relations/corporate_governance_policies.htm.

SUBSIDIARY COMPANIES

The Company has eight domestic direct and indirect subsidiaries, four foreign indirect subsidiaries, five Associate Companies and two Joint Ventures as on March 31, 2019 which are given in **Table 1**.

IDFC FIRST BANK LIMITED

The Board of Directors of IDFC Bank Limited and Capital First Limited ("Capital First") at their respective meetings

held on January 13, 2018 had approved a composite scheme of amalgamation ("Scheme") of Capital First, Capital First Home Finance Limited and Capital First Securities Limited with IDFC Bank Limited and their respective shareholders and creditors under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ("Amalgamation"). The share exchange ratio for the Amalgamation was approved as 139 (One Hundred and Thirty Nine) fully paid-up equity shares of IDFC Bank for every 10 (Ten) fully paid-up equity shares held in Capital First.

All necessary regulatory approvals and approvals of respective shareholders & creditors were obtained and the Amalgamation was effective from December 18, 2018. Consequent to the Amalgamation, the shareholding of IDFC FHCL in IDFC FIRST Bank (Amalgamated entity) was reduced from about 56% to 40% and IDFC FIRST Bank ceased to be subsidiary company of IDFC FHCL.

NIIF INFRASTRUCTURE FINANCE LIMITED

During the year, IDFC & IDFC FHCL had entered into definitive agreement with NIIF FUND II to sale its entire equity stake (81.48%) held in NIIF Infrastructure Finance Limited ("NIIF IFL"). The Parties executed the necessary agreements on March 1, 2019. After obtaining the necessary regulatory approval, 51.48% of equity stake was transferred to NIIF Fund II on March 2019 at a consideration of ₹ 404.32 crore. Accordingly, NIIF IFL ceased to be subsidiary company of IDFC FHCL. Balance 30% stake will be transferred after the completion of condition precedents which are expected to be completed during FY20.

IDFC ALTERNATIVES LIMITED

IDFC Alternatives Limited (subsidiary company of IDFC Limited through IDFC FHCL) had sold its Infrastructure business undertaking to Global Infrastructure Partners or its affiliates ("GIP") at a lump sum consideration of ₹ 219.80

crore (including value for carry units). The Parties executed the necessary agreements on April 27, 2018 and the transfer business was effective from July 1, 2018. GIP is a leading global, independent infrastructure investor. GIP combines specialist industry experience and industrial best practice operational management to achieve superior risk-adjusted returns.

Further, IDFC Alternatives Limited sold its Private Equity and Real Estate business undertakings to Investcorp Bank B.S.C. or its affiliate ("Investcorp") at a lump sum consideration of ₹ 5 crore. The Parties executed the necessary agreements on July 26, 2018 and the transfer business was effective from January 31, 2019. Investcorp is global provider and manager of alternative investment products, serving high-net-worth private and institutional clients.

IDFC SECURITIES LIMITED

Further, IDFC & IDFC FHCL had entered into an understanding with Mr. Dharmesh

01 SUBSIDIARY COMPANIES

SR. NO.	NAME OF THE SUBSIDIARY	DIRECT / INDIRECT SUBSIDIARY	% OF SHAREHOLDING
Domestic Subsidiaries			
i.	IDFC Financial Holding Company Limited ("IDFC FHCL")	Direct	100%
ii.	IDFC Foundation (a Company within the meaning of section 8 of the Act)	Direct	100%
iii.	IDFC Projects Limited	Direct	100%
iv.	IDFC Asset Management Company Limited ("IDFC AMC")	Indirect through IDFC FHCL	100%
v.	IDFC Securities Limited	Indirect through IDFC FHCL	100%
vi.	IDFC AMC Trustee Company Limited	Indirect through IDFC FHCL	100%
vii.	IDFC Trustee Company Limited	Indirect through IDFC FHCL	100%
viii.	IDFC Alternatives Limited	Indirect through IDFC FHCL	100%
Foreign Subsidiaries			
i.	IDFC Capital (Singapore) Pte. Limited	Indirect through IDFC Alternatives	100%
ii.	IDFC Securities Singapore Pte. Limited	Indirect through IDFC Securities	100%
iii.	IDFC Capital (USA) Inc.	Indirect through IDFC Securities	100%
iv.	IDFC Investment Managers (Mauritius) Ltd.	Indirect through IDFC AMC	100%
Associate			
i.	IDFC FIRST Bank Limited	Indirect through IDFC FHCL	40%
ii.	IDFC FIRST Bharat Limited	Indirect through IDFC FIRST Bank	40%
iii.	NIIF Infrastructure Finance Limited	Indirect through IDFC FHCL	30%
iv.	Jetpur Somnath Tollways Private Limited	Indirect through IDFC Projects Limited	26%
v.	Novopay Solutions Private Limited	Direct	23.83%
Joint Ventures			
i.	Delhi Integrated Multi - Modal Transit System Limited	Indirect through IDFC Foundation	50%
ii.	Infrastructure Development Corporation (Karnataka) Limited ("iDeck")	Indirect through IDFC Foundation	49.49%