



IDFC LIMITED

23<sup>rd</sup> Annual Report  
2019-2020

# SAVE PAPER, SAVE TREES, SAVE THE EARTH.

370,000+ Shareholders have already  
registered their email id.

In accordance with General Circular No. 20/2020 dated May 5, 2020 issued by Ministry of Corporate Affairs and circular SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 issued by SEBI, the Company has sent the Annual Report / Notice of AGM only through electronic mode to those Shareholders whose e-mail Ids were registered with the Company / RTA / Depository Participants and will not be sending physical copies of the same.

Those members who have not registered their email addresses with the Company's RTA / Depository Participants, as the case may be, are requested to visit [https://ris.kfintech.com/email\\_registration/](https://ris.kfintech.com/email_registration/) and follow the process as mentioned on the landing page to receive the Annual Report, AGM Notice and Voting Instructions. In case of any queries, shareholder may write to [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com).



## CONTENTS

CHAIRMAN'S STATEMENT .	4
COMPANY INFORMATION	6
BOARD'S REPORT	8
MANAGEMENT DISCUSSION & ANALYSIS	26
CORPORATE GOVERNANCE REPORT	34
CEO & CFO CERTIFICATE	48
INDEPENDENT AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE	49
STANDALONE FINANCIAL STATEMENTS WITH AUDITORS' REPORT	50
CONSOLIDATED FINANCIAL STATEMENTS WITH AUDITORS' REPORT	100
NOTICE.....	173



# CHAIRMAN'S STATEMENT



Dear Shareholders,

A difficult financial year for our economy, with sluggish growth was overwhelmed by Covid-19 towards the end. The crisis, globally and domestically, brought on by the pandemic is truly unprecedented. Uncertainty surrounding extent of its adverse impact on human lives and damage to economies, threatens to reorder the very basis of human, social and economic interactions across the globe. Poor visibility on a timeframe for a cure or preventive, further complicates assessment of its impact and our ability to prognosticate potential recovery. However, witnessing the herculean efforts, resources, commitment and will of

political, medical and social stakeholders across the globe to surmount this challenge gives me hope that this crisis will be behind us sooner than later.

Nevertheless, to unlock value for all of you, we continued steadfast on our charted strategic direction of divesting non-retail businesses and investing to grow our retail businesses i.e. IDFC FIRST Bank and IDFC Asset Management Company (AMC).

We have now completely exited our non-retail businesses. We exited private equity business managed by IDFC Alternatives, last fiscal itself. We divested our entire 81.5% stake in the Infrastructure Debt

Fund to the National Investment and Infrastructure Fund and/ or its affiliates. The sale was consummated in two tranches – 51.5% was sold last fiscal and the balance 30% was sold this fiscal.

We had signed an agreement to sell IDFC Securities to Dharmesh Mehta and a group of financial investors. It took us greater part of the fiscal to obtain clearances and approvals and it was only in June '20 that the deal saw its final closure.

IDFC FIRST Bank is progressing well towards its stated goal of becoming a mass retail bank, both on assets side as well as liabilities.

Our bank's retail loans (including inorganic portfolio) constitute 61% of loans as on 31st March 2020, compared to 37% a year ago. Retail loans increased 40% to Rs. 57,310 crores as on 31st March 2020 from Rs. 40,812 crores as on 31st March 2019. Wholesale loans decreased 27% to Rs. 39,388 crores as on 31st March 2020 from Rs. 53,649 crores as on 31st March 2019. Within wholesale, infrastructure loans decreased by 31%.

CASA ratio of the bank improved to 31.9% as on 31st March 2020 from 11.4% as on 31st March 2019. CASA deposits increased to Rs. 20,661 crore as on 31st March 2020 from Rs. 7,893 crores as on 31st March 2019, an increase of 162% over the year. In fourth quarter of the fiscal, CASA growth of Rs. 4,458 crores, despite Covid-19 and other issues was particularly impressive. The fixed deposit program of the bank was assigned the highest safety rating of FAAA by CRISIL.

Net Interest Margin of our bank improved to 4.2% in the last quarter of the fiscal as compared to 3.0% in the last quarter of previous fiscal.

IDFC FIRST Bank has been investing to expand its branch network, which stands at 464 branches and 356 ATMs across the country as on 31st March 2020.

In June '20, to further strengthen its capital adequacy to ensure better preparedness to cope with uncertainties unleashed by Covid-19, our bank raised additional capital of Rs. 2,000 crore. To ensure compliance with RBI regulations of maintaining 40% promoter stake in the first 5 years of operations of the bank, we contributed Rs. 800 crore to the capital raise. This additional capital raise enhanced the capital adequacy ratio of our bank now to northwards of 15%.

In addition to contributing to the capital raise of our bank, we also distributed Rs. 3.15 per share as dividend during the fiscal.

Our AMC, continued to further 'retailise' its growing franchise, diversify its products and capabilities, enhance customer engagement and invest in digital technologies and infrastructure that positions it well for long term growth. Our mutual fund crossed the coveted Rs. 1 lakh crore assets under management (AUM) milestone and entered the ranks of the top 10 within the industry in terms of total AUM.

Overall, average AUM in the last quarter of the fiscal grew about 50% as compared to the same quarter last fiscal, significantly outperforming industry growth of around 11%. In the last quarter of the fiscal, the market share (excluding liquid funds) of our AMC improved by 1.2% to reach 4.3%, while total market share improved by 0.9% to reach 3.8%.

Our mutual fund steadily built its franchise with the number of active investors served growing by around 7%. It increased the number of active distributors of fixed income funds by 29%, added over 2.2 lakh new folios and about 1.40 lakh new systematic investment plans (SIPs). Independent fund ranking agencies and media houses recognised and highlighted our fund performances and honoured us with awards.

On June 12, 2020, the Reserve Bank of India (RBI) constituted an Internal Working Group to review extant ownership guidelines and corporate structure for Indian private sector banks. The mandate of the working group, among other issues, includes study of the current regulations on holding of financial subsidiaries

through non-operative financial holding company (NOFHC) and suggesting the manner of migrating all banks to a uniform regulation in the matter, including providing a transition path; and examining and reviewing the norms for promoter shareholding at the initial/licensing stage and subsequently, along with the timelines for dilution of the shareholding.

The Internal Working Group has to submit its report by September 30, 2020. This potentially is a very important development and decisions taken by the RBI post this, will determine the strategic direction for us. Your Board and the management team, have devoted considerable time in evaluating strategic options for unlocking value. We are hopeful for the best outcome for all of you.

To conclude, notwithstanding a challenging financial year and uncertainties unleashed by Covid-19 towards the end of the year, our employees have worked very hard to create a strong, robust and vibrant platform. I take this opportunity to thank each one of them for their sincere efforts.

I also thank each one of you - our valued shareholders, for placing your faith and 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

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

MR. AJAY SONDHI  
Independent Director  
(w.e.f. November 8, 2019)

MR. ANSHUMAN SHARMA  
Nominee-Government of India

MR. SOUMYAJIT GHOSH  
Nominee-Government of India

MR. SUNIL KAKAR  
Managing Director & CEO

MR. S. S. KOHLI  
Independent Director  
(till September 30, 2019)

MS. MARIANNE ØKLAND  
Independent Director  
(till September 30, 2019)

MR. CHINTAMANI BHAGAT  
Nominee-Domestic & Foreign  
Institutional Shareholders  
(till September 30, 2019)

## OFFICES

### REGISTERED OFFICE CHENNAI

4<sup>th</sup> Floor, Capitale Tower,  
555 Anna Salai, Thiru Vi Ka Kudiyiruppu,  
Teynampet, Chennai - 600 018  
TEL: +91 44 4564 4202  
FAX: +91 44 4564 4222

### CORPORATE OFFICE MUMBAI

906/907, 9th Floor, Embassy Centre,  
Jamnalal Bajaj Road,  
Nariman Point, Mumbai - 400021  
TEL: +91 22 2282 1549  
FAX: +91 22 2421 5052

## CORPORATE INFORMATION

CIN: L65191TN1997PLC037415  
[www.idfc.com](http://www.idfc.com)  
[info@idfc.com](mailto: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

KFin Technologies Private Limited  
(formerly known as Karvy Fintech  
Private Limited)  
(Unit: IDFC Limited)  
Selenium Tower B,  
Plot Nos. 31 & 32,  
Financial District,  
Nanakramguda,  
Serilingampally Mandal,  
Hyderabad - 500032. India  
TEL: +91 40 67161512  
EMAIL: [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com)



# BOARD'S REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty-Third Annual Report together with the audited financial statements for the financial year ended March 31, 2020.

## OPERATIONS REVIEW

Effective October 1, 2015 post demerger of Financing Undertaking into IDFC FIRST Bank Limited (earlier known as 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 FIRST Bank Limited and IDFC Asset Management Company Limited.

During the year, Balance Sheet size decreased from Rs. 9,821 crore as on March 31, 2019 to Rs. 9,332 crore as on March 31, 2020. Profit after tax and other comprehensive income was lower at Rs. 64.22 crore for FY 2019-20 as compared to Rs. 127.66 crore in FY 2018-19. Net worth of the Company decreased from Rs. 9,779 crore as on March 31, 2019 to Rs. 9,256 crore as on March 31, 2020.

During the year, the Company transferred Rs. 12.85 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.

## COVID-19

FY20 has been a challenging year. In the last month of FY20, the COVID-19 pandemic developed rapidly into a global crisis, forcing governments to enforce lock-down of all economic activity. For the Company, the focus immediately shifted to ensuring the health and well-being of all employees. As of March 31, 2020, work from home was enabled to the employees to work remotely and securely.

## DIVIDEND

During FY20, the Company declared 1st interim dividend of Rs. 2.50 (25%) per equity share of the Company by a resolution passed through circulation on September 21, 2019. The Company declared 2nd interim dividend of Rs. 0.65 (6.5%) per equity shares of the Company by a resolution passed through circulation on November 14, 2019.

The Board of Directors has not recommended any final dividend for FY20.

## 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](http://www.idfc.com/investor_relations/corporate_governance_policies.htm).

## SUBSIDIARY COMPANIES

As on March 31, 2020, the Company has eight domestic direct / indirect subsidiaries, four foreign indirect subsidiaries, four Associate Companies and three Joint Ventures which are given in **Table 1**.



**NIIF Infrastructure Finance Limited (NIIF Fund II)** (previously IDFC Infrastructure Finance Limited)

IDFC & IDFC FHCL had entered into definitive agreement with NIIF FUND II to sale its entire equity stake (81.48%) held in IDFC Infrastructure Finance Limited. After obtaining the necessary regulatory approval, 51.48% of equity stake was transferred to NIIF Fund II at a consideration of Rs. 388.91 crore as the first tranche of the transaction in March 2019.

During the year, second tranche of the transaction was closed and IDFC FHCL received a consideration of Rs. 265.91 crores for its 30% residual shareholding. Subsequent to the completion of this transaction, the IDFC group does not hold any shareholding in NIIF FUND II. Accordingly, NIIF Infrastructure Finance Limited ceased to be associate company of IDFC FHCL. The same was accordingly informed to the stock exchanges.

**IDFC SECURITIES LIMITED**

During the year, IDFC & IDFC FHCL had entered into an understanding with Mr. Dharmesh Mehta along with other investors ("Acquirers") to sell its entire equity stake (100%) held in IDFC Securities Limited after obtaining the necessary regulatory approval.

IDFC Securities was an indirect subsidiary company of IDFC Limited as on March 31, 2020. However, on June 10, 2020, IDFC transferred equity stake held in IDFC Securities to the Acquirers, after obtaining all necessary regulatory approvals, at a consideration of Rs. 86 crore.

IDFC Capital (Singapore) Pte. Ltd. and IDFC Securities Singapore Pte. Ltd. are under liquidation.

**CONSOLIDATED FINANCIAL STATEMENTS**

The Board of Directors of IDFC reviews the affairs of its subsidiary companies

regularly. In accordance with the provisions of Section 129(3) of the Companies Act, 2013 (the Act) the Company has prepared Consolidated Financial Statements including requisite details of all the subsidiaries. Further, a statement containing the salient features of performance and financial positions of all the subsidiary companies / associates/ joint ventures in the format AOC-I is appended as **Annexure 1**.

In accordance with Section 136 of the Act, the audited Financial Statements together with the Consolidated Financial Statements and related information of the Company and audited accounts of each subsidiary company are available on the website of the Company: [www.idfc.com](http://www.idfc.com).

Detailed analysis of the performance of IDFC and its businesses, including initiatives in the areas of Risk Management, Human Resources and IDFC Foundation activities, have been presented in the section on

**01 SUBSIDIARY COMPANIES**

SR. NO.	NAME OF THE SUBSIDIARY	DIRECT / INDIRECT SUBSIDIARY	% OF SHAREHOLDING
<b>Domestic Subsidiaries</b>			
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 Trustee Company Limited	Direct	100%
v.	IDFC Alternatives Limited	Direct	100%
vi.	IDFC Asset Management Company Limited ("IDFC AMC")	Indirect through IDFC FHCL	100%
vii.	IDFC Securities Limited	Indirect through IDFC FHCL	100%
viii.	IDFC AMC Trustee Company Limited	Indirect through IDFC FHCL	100%
<b>Foreign Subsidiaries</b>			
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%
<b>Associate</b>			
i.	IDFC FIRST Bank Limited	Indirect through IDFC FHCL	40%
ii.	IDFC FIRST Bharat Limited	Indirect through IDFC FHCL	40%
iii.	Jetpur Somnath Tollways Private Limited	Indirect through IDFC Projects Limited	26%
iv.	NIIF Infrastructure Finance Limited (formerly known as IDFC Infrastructure Finance Limited) up to March 30, 2020	Indirect through IDFC FHCL	30%
v.	Novopay Solutions Private Limited	Direct	23.83%
<b>Joint Ventures</b>			
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%
iii.	Rail Infrastructure Development Company (Karnataka) Limited	Indirect through iDeck	24.71%

Management Discussion & Analysis which forms part of this Annual Report.

## PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

IDFC Limited had 9 employees as on March 31, 2020 and 420 employees including employees of subsidiaries. In terms of the provisions of Section 197(12) of the Act, read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended from time to time, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules are provided in this Annual Report. Having regard to the provisions of the first proviso to Section 136(1) of the Act, the Annual Report excluding the aforesaid information is being sent to the Shareholders of the Company. The said information is available for inspection and any Member interested in obtaining such information may write to the Company Secretary and the same will be furnished on request.

Disclosure pertaining to remuneration & other details as required under section 197(12) of the Act, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended from time to time, are appended as **Annexure 2**.

## SHARE CAPITAL UPDATE

There was no change in the share capital of the Company during FY20.

## MANAGEMENT DISCUSSION ANALYSIS AND REPORT ON CORPORATE GOVERNANCE

In compliance with Regulation 34 of SEBI LODR Regulations, separate detailed chapters on Management Discussion & Analysis, Report on Corporate Governance and Additional Shareholder Information forms part of this Annual Report.

## BUSINESS RESPONSIBILITY REPORT

As per Regulation 34(2)(f) of SEBI LODR Regulations and Notifications issued from time to time, a separate report called Business Responsibility Report ("BRR") describing the initiatives taken by IDFC from an environmental, social and governance perspective is hosted on the

Company's website: [www.idfc.com](http://www.idfc.com) which forms part of this Annual Report.

## PUBLIC DEPOSITS

During FY20, your Company has not accepted any deposits from the public within the meaning of the provisions of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 or under Chapter V of the Act.

## PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

Post demerger of financing undertaking into IDFC Bank w.e.f. October 1, 2015, IDFC is registered with RBI as NBFC – Investment Company. Being an investment company, the provisions of Section 186 of the Act are not applicable to IDFC. Hence, the requisite details of loans, guarantees and investments are not given.

## VIGIL MECHANISM / WHISTLE BLOWER POLICY

IDFC has put in place a Whistle Blower Policy, which includes reporting to the Management instances of unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct. The Audit Committee directly oversees the Vigil Mechanism. The provisions of the policy are also in line with the provisions of Section 177 (9) & (10) of the Act. The details of Whistle Blower Policy /Vigil Mechanism are posted on the website of the Company: [www.idfc.com](http://www.idfc.com).

## FOREIGN EXCHANGE

There were no foreign exchange earnings or expenditure during the year.

## PARTICULARS REGARDING CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Since the Company does not carry out any manufacturing activity, the particulars regarding conservation of energy, technology absorption and other particulars as required by Section 134(3) (m) of the Act read with the Companies (Accounts) Rules, 2014 are not applicable to IDFC.

## DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the year, Based on

recommendation of Nomination and Remuneration Committee, the Board appointed Ms. Ritu Anand (DIN – 05154174) and Mr. Ajay Sondhi (DIN – 01657614) as an Additional Director in the category of Independent Director w.e.f. August 16, 2019 and November 08, 2019 respectively. At the previous AGM, the Shareholders of the Company approved the appointment of Ms. Ritu Anand as an Independent Director. Appointment of Mr. Ajay Sondhi is up to the conclusion of the ensuing AGM. Accordingly, the approval of Shareholders is sought for appointment of Mr. Ajay Sondhi (DIN - 01657614 ) as an Independent Director at the ensuing AGM.

Further, based on recommendation of Nomination and Remuneration Committee, The Board of Directors of the Company appointed Mr. Mahendra N Shah as Company Secretary and Compliance Officer of the Company w.e.f. May 24, 2019 as designated Key Managerial Personnel in place of Mr. Nirav Shah.

At the 20th AGM of the Company held on July 28, 2017, the shareholders of the Company appointed Mr. Sunil Kakar (DIN - 03055561), as Managing Director & Chief Executive Officer ("MD & CEO"), designated Key Managerial Personnel of the Company for a period of three (3) years w.e.f. July 16, 2017. The term of Mr. Sunil Kakar will expire on July 15, 2020. Based on the recommendation of the Nomination and Remuneration Committee and subject to approval of the Shareholders of the Company at its ensuing AGM, the Board of Directors of the Company, at its meeting held on June 25, 2020 appointed Mr. Sunil Kakar as MD & CEO, designated Key Managerial Personnel of the Company, w.e.f. July 16, 2020 till September 30, 2022.

Mr. Soumyajit Ghosh (DIN: 07698741) will retire by rotation at the ensuing AGM and being eligible, offers himself for re-appointment.

The Shareholders are requested to consider and approve the same at the ensuing AGM.

## FRAMEWORK FOR APPOINTMENT OF DIRECTORS

The Company has in place a framework for Board Diversity, Fit & Proper Criteria and