



IDFC LIMITED

**24th Annual Report
2020-21**

SAVE PAPER, SAVE TREES, SAVE THE EARTH.

406,000+ 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/ 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.



CONTENTS

CHAIRMAN'S STATEMENT	4
COMPANY INFORMATION	6
BOARD'S REPORT	8
MANAGEMENT DISCUSSION & ANALYSIS	28
CORPORATE GOVERNANCE REPORT	36
CEO & CFO CERTIFICATE	50
INDEPENDENT AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE	51
STANDALONE FINANCIAL STATEMENTS WITH AUDITORS' REPORT	52
CONSOLIDATED FINANCIAL STATEMENTS WITH AUDITORS' REPORT	104
AGM NOTICE	177



CHAIRMAN'S STATEMENT



Dear Shareholders,

The financial year was a difficult and a challenging one for all of us. Covid-19 impacted all sectors of the economy. Banks and financial services companies, as proxies for the economy, were impacted significantly. The severity of the second wave of Covid-19 belied hopes of an early economic recovery but with vaccination efforts gaining momentum, there is hope that normalcy in economic activity would be restored in the later part of the coming financial year.

The Reserve Bank of India vide their letter dated July 20, 2021 has clarified that after expiry of the 'lock in' period of 5 years, IDFC Limited can exit as promoter of IDFC FIRST Bank Limited.

In pursuit of creating maximum value for shareholders, over the last few years the Board has been focused on cleaning up the corporate structure of the IDFC Group while awaiting the expiry of the 5-year

lock in period. Most of the non-core entities/investments of the IDFC Group have been disinvested, as per the details below:

SR NO	PARTICULARS OF BUSINESS / ENTITY / ASSETS SOLD	SOLD/DISPOSED OFF ON
1	Private Equity business carried on through IDFC Alternatives	June 30, 2018 and January 31, 2019
2	IDFC Infrastructure Finance Limited	Tranche 1 on March 12, 2019 and Tranche 2 on March 30, 2020
3	IDFC Securities Limited and IDFC Capital USA Inc	June 10, 2020
4	Liquidation of IDFC Capital Singapore Pte Ltd	February 24, 2021
5	Windmills	August 14, 2020
6	Office Premises at Naman chambers	November 26, 2020
7	Merger of IDFC Alternatives, IDFC Trustee and IDFC Projects with IDFC Limited	Expected by March 31, 2022
8	Detachment of IDFC Foundation	Expected by June 30, 2022

The remaining entities in the IDFC Group corporate structure are IDFC FIRST Bank, IDFC AMC and IDFC Foundation. In addition, there are two joint venture companies held under IDFC Foundation, Delhi Integrated Multi-Modal Transit Systems Limited and Infrastructure Development Corporation (Karnataka) Limited. IDFC Foundation owns 50% and 49.5% equity in these entities with the State Government of NCT, Delhi and the State Government of Karnataka as joint venture partners respectively. As part of its charter it has invested in these two joint venture entities which are highly regarded. IDFC Foundation is a Not For Profit-Section 8 company, which restricts the payment of dividend and repatriation of capital on winding up/ liquidation to its parent. However, alienation of the investments by Foundation and detachment of Foundation are a pre-requisite for the optimum restructuring of IDFC for creating maximum value for shareholders. IDFC management has been making full efforts in this direction but progress on this front has been slow in view of challenging nature of specific conditions that exist in the joint venture agreements.

The Board is strongly committed and very focused on creating maximum value for shareholders in a reasonable period of time. Towards this goal, earlier this year the Board has proactively appointed a Strategic Advisor to examine in comprehensive detail the strategic options available for creating maximum shareholder value within a reasonable period of time. The Strategic Advisor has presented various options to the Board which are being examined in detail. Resolution of IDFC Foundation and the underlying JVs however remains critical to implement any of these options.

The bank raised additional capital of Rs. 2,000 crore during the financial year to strengthen its capital adequacy to address challenges arising due to Covid-19. We invested Rs. 800 crore in the preferential offer of the bank to comply with the regulatory mandate of maintaining

promoter stake during the first 5 years of operations of the bank. Of the Rs. 800 crore invested in the bank, Rs. 600 crore was from internal resources and the remaining Rs. 200 crore was raised through a loan from a leading housing finance company. The loan has however been fully pre-paid during the financial year and the balance sheet of IDFC as on March 31, 2021, is debt-free.

Our Bank is now a strong retail franchise focused on retail assets and retail liabilities.

The bank's retail loans (including inorganic portfolio) constitute 67% of loans as on 31st March 2021. Retail loans increased 26% year-on-year to Rs. 73,673 crore as on March 31, 2021 from Rs. 57,310 crore as on March 31, 2020.

The CASA ratio of the bank improved to 51.75% as on March 31, 2021 from 31.87% as on March 31, 2020. CASA deposits increased to Rs. 45,896 crore as on March 31, 2021 from Rs. 20,661 crore as on March 31, 2020, an increase of 122% over the year.

Total customer deposits increased to Rs. 82,725 crore as on March 31, 2021 from Rs. 57,719 crore as on March 31, 2020, an annual increase of 43%.

For the financial year, Net Interest Income of the bank increased by 21% to Rs. 7,380 crore in FY21 from Rs. 6,076 crore in FY20. NIM was at 4.98% as compared to 3.91% in a year ago. Total income for the financial year, increased by 24% to Rs. 10,207 crore, as compared to Rs. 8,237 crore a year ago.

Our bank's Gross NPA marginally improved by 3 bps to 4.15% as on March 31, 2021. Net NPA improved by 18 bps to 1.86% as on March 31, 2021.

Capital adequacy ratio of the Bank was strong at 16.32% with CET-1 Ratio at 15.62% including additional equity capital of Rs. 3,000 crore raised through a qualified institutional placement in early part of the coming financial year.

The branch network of the bank stands at 596, with 592 ATMs and 85 recyclers across the country as on March 31, 2021.

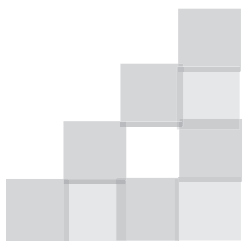
Our mutual fund performed well during the fiscal, showing strong momentum with average annual assets under management growing 19.3%, sharply outperforming the industry growth of 8.6%. Our full-year market share increased to 4.0% in FY21 from 3.7% in FY20. We expect that our differentiated strategy will deliver better than market growth in the medium to long term while carefully managing risk to our franchise. We may however, witness intermittent periods of wider variance in near-term growth rates relative to the industry. Our overall financial outcomes reflect a combination of higher core fee income, proactive expense management along with Covid-19 related savings, and higher investment gains resulting in a best year ever performance from a net profits standpoint at Rs. 144 crore.

To conclude, notwithstanding a challenging financial year and uncertainties unleashed by Covid-19, 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
Non-Executive Chairman



COMPANY INFORMATION

BOARD OF DIRECTORS

MR. VINOD RAI

Independent Non-Executive Chairman (till May 25, 2021)

Non-Independent Non-Executive Chairman (w.e.f. May 25, 2021)

DR. JAIMINI BHAGWATI

Independent Director (w.e.f. May 25, 2021)

MS. RITU ANAND

Independent Director

MR. AJAY SONDHI

Independent Director

MR. ANIL SINGHVI

Independent Director (w.e.f. May 25, 2021)

MR. SUNIL KAKAR

Managing Director & CEO

MR. ANSHUMAN SHARMA

Nominee-Government of India (till March 25, 2021)

MR. SOUMYAJIT GHOSH

Nominee-Government of India (till March 25, 2021)

OFFICES

REGISTERED OFFICE CHENNAI

4th 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
info@idfc.com

STATUTORY AUDITORS

Price Waterhouse & Co LLP
Chartered Accountants

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 No. 31 & 32, Gachibowli,
Financial District, Nanakramguda,
Serilingampally,
Hyderabad - 500 032.

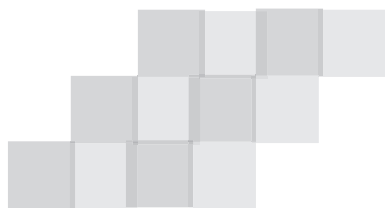
TEL: 040-67162222 / 79611000

FAX: 040-23431551

TOLL FREE: 1800 309 4001

E-MAIL: einward.ris@kfintech.com

WEBSITE: www.kfintech.com



BOARD'S REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty-Fourth 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, 2021.

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 and IDFC Asset Management Company Limited. During the year, Balance Sheet size decreased from Rs. 9,331.88 crore as on March 31, 2020 to Rs. 9,303.78 crore as on March 31, 2021. Profit after tax and other comprehensive income was lower at Rs. 8.87 crore for FY 2020-21 as compared to Rs. 64.22 crore in FY 2019-20. Net worth of the Company increased from Rs. 9,255.56 crore as on March 31, 2020 to Rs. 9,261.10 crore as on March 31, 2021. During the year, the Company transferred Rs. 1.80 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 FY21.

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 seven domestic direct indirect subsidiaries, one foreign indirect Subsidiary, Four Associate Companies and two Joint Ventures as on March 31, 2021 which are given in **Table 1**.

IDFC SECURITIES LIMITED

During FY20, IDFC & IDFC FHCL had entered into an understanding with Mr. Dharmesh Mehta along with other investors ("Acquirers") to sale its entire equity stake (100%) held in IDFC Securities Limited after obtaining the necessary regulatory approvals. IDFC Securities was an indirect subsidiary company of IDFC Limited as on March 31, 2020. During the year, on June 10, 2020, IDFC transferred equity stake in IDFC Securities Limited to the Acquirers, after obtaining all necessary regulatory approvals, at a consideration of Rs. 86 crore. The same was informed to the stock exchanges. Accordingly, as on March 31, 2021, IDFC Securities Limited ceased to be subsidiary company of IDFC FHCL.

Consequently, IDFC Securities Singapore Pte. Ltd and IDFC Capital USA which were subsidiaries of IDFC Securities Limited also ceased to be subsidiaries of the group.

IDFC Capital(Singapore) Pte. Ltd.

During the year, an application was filed for liquidation of IDFC Capital (Singapore) Pte Ltd, which has since been liquidated on February 24, 2021 after obtaining all necessary regulatory approvals and completing all necessary formalities.

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

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

IDFC had 6 employees as on March 31, 2021 and 336 employees at the group level. 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 is 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 at

the Registered Office and Corporate Office of the Company during working hours 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 FY21. As on March 31, 2021, the total paid up capital of IDFC was 1,596,358,316 equity shares of Rs. 10 each.

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.

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 Alternatives Limited	Direct	100%
v.	IDFC Trustee Company Limited	Direct	100%
vi.	IDFC AMC Trustee Company Limited	Indirect through IDFC FHCL	100%
vii.	IDFC Asset Management Company Limited ("IDFC AMC")	Indirect through IDFC FHCL	99.96%
Foreign Subsidiaries			
i.	IDFC Investment Managers (Mauritius) Ltd.	Indirect through IDFC AMC	99.96%
Associate			
i.	Novopay Solutions Private Limited	Direct	23.83%
ii.	IDFC FIRST Bank Limited	Indirect through IDFC FHCL	39.98%
iii.	IDFC FIRST Bharat Limited	Indirect through IDFC FIRST Bank	39.98%
iv.	Jetpur Somnath Tollways Private Limited	Indirect through IDFC Projects Limited	26%
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%

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 which forms part of this Annual Report.

PUBLIC DEPOSITS

During FY21, 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.

FOREIGN EXCHANGE

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

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, Government of India, Ministry of Finance, Department of Financial Services withdrew nominations of Mr. Anshuman Sharma (DIN: 07555065) and Mr. Soumyajit Ghosh (DIN: 07698741) as Nominee Directors from the Board of IDFC Limited vide its letter dated March 25, 2021 with immediate effect.

The Board places on record its sincere appreciation for the valuable contribution and services rendered by them.

The Shareholders of the Company vide a special resolution passed at its 23rd AGM held on September 25, 2020, reappointed Mr. Sunil Kakar (DIN: 03055561) as Managing Director & Chief Executive Officer of IDFC Limited w.e.f. July 16, 2020 till September 30, 2022.

The Shareholders of the Company at its 23rd AGM held on September 25, 2020 approved the appointment of Mr. Ajay Sondhi (DIN: 01657614), as an Independent Director of the Company for a period of 3 (three) consecutive years, from w.e.f. November 08, 2019 to November 07, 2022.

The Shareholders of the Company, at its 21st AGM held on July 31, 2018, appointed Mr. Vinod Rai (DIN : 00041867) as an Independent Non-executive Chairman for the second term for a period of 3 (three) consecutive years, from July 31, 2018 to July 30, 2021. The Nomination and Remuneration Committee and Board of Directors of IDFC Limited, at its respective meetings held on May 25, 2021 proposed the appointment of Mr. Vinod Rai as a Non-Executive Director (Non-Independent) on the Board of IDFC Limited with immediate effect up to May 22, 2023.