



IDFC LIMITED

25th Annual Report
2021 - 2022

SAVE PAPER, SAVE TREES, SAVE THE EARTH.

450,000+ Shareholders have already
registered their email id.

In accordance with General Circular No. 20/2020 dated May 5, 2020 read with Circular No. 02/2022 dated May 05, 2022 issued by Ministry of Corporate Affairs and circular SEBI/HO/CFD/CMD2/CIR/P/2022/62 dated May 13, 2022 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 or shivangi.mistry@idfclimited.com

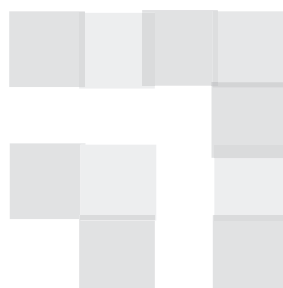


CONTENTS

CHAIRMAN'S STATEMENT	4
COMPANY INFORMATION	6
BOARD'S REPORT	8
MANAGEMENT DISCUSSION & ANALYSIS	32
CORPORATE GOVERNANCE REPORT	44
CEO & CFO CERTIFICATE	60
INDEPENDENT AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE	61
STANDALONE FINANCIAL STATEMENTS WITH AUDITORS' REPORT	62
CONSOLIDATED FINANCIAL STATEMENTS WITH AUDITORS' REPORT	116
AGM NOTICE	189



CHAIRMAN'S STATEMENT



Dear Shareholders,

During the financial year, business environment continued to remain challenging. Covid19 reared its head through the third wave and inflationary headwinds forced regulators across the world to raise interest rates and tighten liquidity. Challenges were exacerbated globally by geopolitical tensions disrupting supply chains and constraining availability of resources. As a nation, we navigated these challenges well. In the coming years, hopefully, with abatement of these macro headwinds, the India growth story should gain momentum and be back on track.

Strategically, as all of you are aware, towards creating value for our shareholders, we have exited all our non-retail businesses. We have now

embarked on the final phase of our strategic journey i.e., divesting our asset management business and merger of IDFC Limited ("IDFC") and IDFC Financial Holding Company Limited ("IDFC FHCL") with IDFC FIRST Bank Limited ("IDFC FIRST Bank") for unlocking value for our shareholders.

The process to sell IDFC Asset Management Company ("IDFC AMC") was initiated in October 2021 by appointing Citigroup Global Markets India Private limited as the investment banker and saw its culmination with the signing of a share purchase agreement (SPA) with the Bandhan consortium (Bandhan Bank, GIC and Chrys Capital) in April 2022. The sale witnessed participation from existing players and marquee investors interested in entering the Indian AMC industry.

Notwithstanding macro and geopolitical challenges during the last quarter of the fiscal, the AMC sale transaction was documented efficiently in a time bound manner and at a valuation comparable to the best in the industry (valuation of INR 4,500 crore subject to terms and conditions). The sale is subject to various regulatory approvals.

Towards unlocking value in respect of our bank holding, the Boards of IDFC, IDFC FHCL and IDFC FIRST Bank accorded in-principle approval to the prospective merger of these entities subject to necessary regulatory and other approvals.

Further, to simplify our corporate structure, many steps were taken during the fiscal which included liquidation of

IDFC Securities Singapore Pte Ltd.; merger of IDFC Alternatives Limited, IDFC Projects Limited and IDFC Trustee Company Limited with IDFC Limited (application filed in December 2021 and awaiting final order); and, winding up of IDFC Institute, a division of IDFC Foundation (substantially completed). We have also taken sustained and rigorous efforts to divest our stake in our two joint ventures i.e. Delhi Integrated Multi-Modal Transit System (DIMTS) and Infrastructure Development Corporation (Karnataka) Limited (IDeCK) with the state governments of Delhi and Karnataka respectively. We are hopeful and committed to complete the last phase of corporate restructuring in a time bound manner.

We also declared and paid to IDFC shareholders in May 2022 an interim dividend of INR 1/- per share.

During the fiscal, the standalone Balance Sheet size increased from INR 9,304 crore as on March 31, 2021 to INR 9,359 crore as on March 31, 2022. Profit after tax and other comprehensive income was higher at INR 22 crore during the fiscal as compared to INR 9 crore in the previous fiscal. Net worth of the company increased from INR 9,261 crore as on March 31, 2021 to INR 9,285 crore as on March 31, 2022.

Our bank continues to do well and its foundation is built on customer-first principles. We believe in transparency and not surprising our customer by billing customer fees or charges through fine-prints. We were the first universal bank to offer monthly interest credit for savings accounts. In credit cards, we were the first bank to introduce low, dynamic pricing, zero interest rate on cash withdrawal till billing date, lifetime free credit cards and easy online redemption of rewards points.

Our bank continues to invest in laying a strong, modular and contemporary technology architecture that will enable efficiency, resilience, and growth. Our newly launched mobile app is top rated and provides several unique services and experiences to our customers.

Our bank continues to strengthen its capabilities of predictive analytics in areas including credit underwriting, portfolio management, collection strategy and fraud risk mitigation.

IDFC FIRST Bank is focused on creating a strong platform by consolidating and strengthening the balance sheet through growing assets at a calibrated pace and expediting deposit growth during the initial years. We moderated overall loan growth during initial years (CAGR of 6%) and grew deposits at a faster pace (retail deposits CAGR of 72%). This phase focused on consolidation is now complete. A strong foundation has been built to launch into a growth phase focused on profitability and asset quality from here on.

Our bank demonstrated a strong growth in operating profits. While our loan book grew by only 13% year-on-year, core operating profit (*pre-provisioning operating profit excluding trading gain*) rose by 44% from INR 1,909 crore in previous fiscal to INR 2,753 crore during the fiscal. This establishes the higher profitability of our incremental business. We are also witnessing strong improvement in operating leverage. We expect these to continue to play out over the next few years, resulting in increased overall profitability and return on equity.

Fee income of our bank is well diversified and net profit of our bank was INR 343 crore in last quarter of the fiscal driven by core operational income.

Our bank has demonstrated strong capability to raise deposits based on our strong brand, customer first products and excellent service. Our retail deposits grew by INR 54,820 crore to reach INR 68,035 crore in just three years. We have built a strong CASA base of ~50% which is best in class in the industry. Our strong growth in retail deposits has reduced our dependence on wholesale deposits and has provided greater stability to our liabilities. Asset quality of our bank has been stable and continues to improve every quarter.

The fiscal was a landmark year in the journey of IDFC AMC culminating in the divestment of the business as stated earlier. The transaction envisages continuity in the management team and business plans of our asset management business. Although subject to regulatory approvals, the divestment marks a rare win-win for both shareholders and employees.

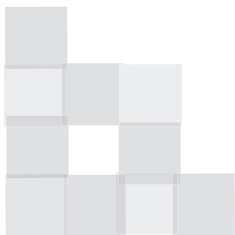
Notwithstanding uncertainties that a divestment process brings to the business, IDFC AMC successfully challenged this trend and grew its average assets under management by over 8.5%. The business delivered strong growth in profits (+23% year-on-year) driven by higher assets under management, margin improvement and proactive cost management. We also expanded our product basket by launching new funds i.e., our first international fund - the IDFC US Equity Fund of Fund; IDFC Multi-Cap Fund; and, IDFC Nifty 100 Index Fund.

To conclude, notwithstanding a challenging macro environment, 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.

Anil Singhvi

Independent Non-Executive Chairman
August 25, 2022



COMPANY INFORMATION

BOARD OF DIRECTORS

MR. ANIL SINGHVI
Independent Director (w.e.f. May 25, 2021)
Independent Non-Executive Chairman
(w.e.f. December 22, 2021)

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

MS. RITU ANAND
Independent Director (till August 15, 2022)

MR. AJAY SONDHI
Independent Director

MS. ANITA BELANI
Independent Director (w.e.f. November 09, 2021)

MR. VINOD RAI
Independent Non-Executive Chairman (till May 25, 2021)
Non-Independent Non-Executive Chairman
(w.e.f. May 25, 2021 till September 22, 2021)

MR. SUNIL KAKAR
(till September 30, 2022)
Managing Director & CEO

MR. MAHENDRA N SHAH
Managing Director - Designate
(w.e.f. August 24, 2022 till September 30, 2022)
Managing Director (w.e.f. October 01, 2022)

OFFICES

REGISTERED OFFICE CHENNAI

4th Floor, Capitale Tower,
555 Anna Salai, Thiru Vi Ka Kudiyiruppu,
Teynampet, Chennai - 600 018
TEL: +91 44 45644201 / 4202 / 4223

CORPORATE OFFICE MUMBAI

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

CORPORATE INFORMATION

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

STATUTORY AUDITORS

KKC & Associates LLP
(previously, Khimji Kunverji & Co LLP),
Chartered Accountants

PRINCIPAL BANKER

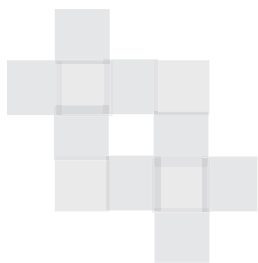
IDFC FIRST Bank Limited

COMPANY SECRETARY

Ms. Shivangi M Mistry

REGISTRAR AND SHARE TRANSFER AGENT

KFin Technologies Limited
(formerly known as KFin Technologies
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



BOARD'S REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty-Fifth 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, 2022.

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 ("IDFC FIRST Bank") and IDFC Asset Management Company Limited ("IDFC AMC"). IDFC has negligible business operations and its main focus is to simplify corporate structure and unlock value for shareholders. During the year, Balance Sheet size increased from Rs. 9,303.78 crore as on March 31, 2021 to Rs. 9,358.51 crore as on March 31, 2022. Profit after tax and other comprehensive income was higher at Rs. 21.86 crore for FY 2021-22 as compared to Rs. 8.87 crore in FY 2020-21. Net worth of the Company increased from Rs. 9,261.10 crore as on March 31, 2021 to

Rs. 9,284.77 crore as on March 31, 2022. During the year, the Company transferred Rs. 4.39 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 FY22. The Board of Directors declared an Interim dividend of Re. 1/- per share in April 2022 and the same was paid to shareholders on May 02, 2022.

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 considered 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.idfclimited.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, 2022 which are given in **Table 1**.

IDFC Asset Management Company Limited

The Board of Directors of IDFC and the Board of Directors of IDFC FHCL at their respective meetings held on April 06, 2022, have inter alia considered binding bids received in connection with divestment of IDFC AMC along with IDFC AMC Trustee Company Limited

("IDFC AMC Trustee") and have approved sale of the entire shareholding of IDFC AMC and IDFC AMC Trustee held by IDFC FHCL to a consortium comprising of Bandhan Financial Holding Limited, Lathe Investment Pte. Ltd. (affiliate of GIC), Tangerine Investments Limited and Infinity Partners (affiliates of ChrysCapital) ("Proposed Transaction"). The Proposed Transaction will be completed upon receipt of requisite regulatory and other approvals, as applicable, and completion of closing related actions mutually agreed between the parties. The gross consideration for the Proposed Transaction is Rs. 4,500 crores on a fully diluted basis and subject to customary price adjustments at the closure. This consideration is in addition to receipt of Rs. 250 crores as dividend from IDFC AMC in March 2022. The necessary applications have been made to concerned authorities/regulators.

On July 07, 2022, the Shareholders of IDFC through postal ballot have approved the divestment/ sale/ disposal of the IDFC Asset Management Company Limited (material subsidiary of IDFC Limited) and IDFC AMC Trustee Company Limited.

PROPOSED MERGER OF SUBSIDIARIES

In order to simplify corporate structure and to bring synergy, the Board of Directors ('the Board') of IDFC Limited at its meeting held on November 09, 2021 had inter alia considered and approved the Scheme of Amalgamation of IDFC Alternatives Limited (Transferor Company 1), IDFC Trustee Company Limited (the Transferor Company 2) and IDFC Projects Limited (the Transferor Company 3) (wholly owned subsidiary Companies) into IDFC Limited (Transferee Company) subject to regulatory approvals from various authorities, as applicable. The Registrar of Companies, Chennai upon receipt of the proposed scheme and Form CAA-9 has intimated the Transferor Company 1, the Transferor Company 2, the Transferor Company 3, and the Transferee Company that it has no observations/suggestions to the present scheme of amalgamation vide letter dated February 01, 2022. On February 06, 2022, the Shareholders of IDFC Limited through postal ballot had approved the aforesaid scheme of amalgamation. The Official Liquidator attached to the Madras High Court has intimated the Transferor

Company 1, the Transferor Company 2 and the Transferor Company 3 that it has no observations/suggestions to the present scheme of amalgamation vide letter dated March 24, 2022. Approval from Regional Director / National Company Law Tribunal is awaited. Effective date of the merger is April 01, 2021. Post receiving all approvals, effect of merger will be given.

IDFC FOUNDATION

In FY 21-22, IDFC Foundation ("the Foundation") through its division, IDFC Institute primarily focused on select projects of social and environment importance. The Foundation provides in-depth, actionable research and recommendations that are grounded in a contextual understanding of the political economy of execution. The Foundation approach to public policy issues rests on a solid foundation of evidence-based research. The Institute's research focuses on two broad areas: a) growth and job creation in the context of India's transition from farm to non-farm, rural to urban and informal to formal economic activity; and b) redefining the relationship between state and citizen to one of equals to improve the public delivery of essential services and welfare.

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 Companies Act, 2013)	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 FHCL	99.96%
Associate			
i.	Novopay Solutions Private Limited	Direct	23.83%
ii.	IDFC FIRST Bank Limited	Indirect through IDFC FHCL	36.49%
iii.	IDFC FIRST Bharat Limited	Indirect through IDFC FIRST Bank	36.49%
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%

The Foundation conducted sero-surveys in Delhi, Mumbai and Thane to assess the impact of the second wave and of the vaccination campaign. These studies, showing over 80% seroprevalence in children, contributed to the decision to reopen schools in both Mumbai and Delhi.

The Foundation launched The Indian COVID-19 Alliance (TICA) to develop a vaccination strategy in India with a focus on vaccine allocation, distribution, communication and financing. Foundation conducted a series of studies to better understand vaccine hesitancy and confidence in Punjab and Karnataka (February 2021), West Bengal (March-June 2021) and Maharashtra (June 2021). Their findings were presented to the Ministry of Health and Family Welfare as part of a national consultation on vaccine hesitancy. Building on these findings, they collaborated with the Health Department of the Government of Punjab to support their COVID-19 Vaccination Communication efforts.

The Foundation also engaged with policies put out by ministries by submitting comments on the 'Draft National Geospatial Policy (2021)' in June, 2021 and the 'Proposed amendments to the Consumer Protection (e-commerce) Rules' in July 2021. In addition to this, it also engaged with the Punjab government by offering guidance to the Department of Governance Reforms & Public Grievances on implementing their state data policy.

PROPOSED MERGER OF IDFC, IDFC FHCL AND IDFC FIRST BANK

The Boards of IDFC, IDFC FHCL and IDFC FIRST Bank at their respecting meetings held on December 30, 2021 have accorded in-principle approval to merge IDFC and IDFC FHCL with IDFC FIRST Bank post further simplification of corporate structure and divestment of IDFC AMC.

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.idfclimited.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, 2022 and 328 employees at the group level (holding and 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 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